



Asia Grocery Distribution Limited 亞洲雜貨有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8413

Annual Report

20 **17**

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This report, for which the directors (the “Directors”) of Asia Grocery Distribution Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

Corporate Information	3
Chairman's Statement	4
Biographical Details of Directors and Senior Management	6
Management Discussion and Analysis	10
Directors' Report	17
Corporate Governance Report	29
Environmental, Social and Governance Report	43
Independent Auditor's Report	47
Consolidated Statement of Profit or Loss and Other Comprehensive Income	52
Consolidated Statement of Financial Position	53
Consolidated Statement of Changes in Equity	54
Consolidated Statement of Cash Flows	55
Notes to Consolidated Financial Statements	57
Financial Summary	100

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Siu Man (*Chairman*)

Mr. Wong Siu Wa (*Chief Executive Officer*)

Mr. Yip Kam Cheong (*Compliance Officer*)

Non-executive Director

Mr. Wong Chun Hung Hanson

Independent non-executive Directors

Mr. To Yan Ming Edmond

Mr. Chau Shing Yim David

Mr. Wong Garrick Jorge Kar Ho

AUDIT COMMITTEE

Mr. Chau Shing Yim David (*Chairman*)

Mr. To Yan Ming Edmond

Mr. Wong Garrick Jorge Kar Ho

REMUNERATION COMMITTEE

Mr. To Yan Ming Edmond (*Chairman*)

Mr. Chau Shing Yim David

Mr. Wong Garrick Jorge Kar Ho

NOMINATION COMMITTEE

Mr. Wong Garrick Jorge Kar Ho (*Chairman*)

Mr. Chau Shing Yim David

Mr. To Yan Ming Edmond

COMPLIANCE OFFICER

Mr. Yip Kam Cheong

COMPANY SECRETARY

Mr. Chan Po Chak (CPA)

AUTHORISED REPRESENTATIVES

Mr. Wong Siu Man

Mr. Chan Po Chak

REGISTERED OFFICE

PO Box 309,

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kowloon, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

35/F., One Pacific Place

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Hong Kong

COMPLIANCE ADVISER

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Rooms 1901-02

China Insurance Group Building

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Hong Kong

PRINCIPAL BANKER

Nanyang Commercial Bank, Limited

COMPANY'S WEBSITE

www.agdl.com.hk

STOCK CODE

8413

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the “**Board**”) of Asia Grocery Distribution Limited (the “**Company**”), I am pleased to present the first annual report of the Company and its subsidiaries (collectively the “**Group**”) since its listing on the Growth Enterprise Market (the “**GEM**”) of the Hong Kong Stock Exchange (the “**Stock Exchange**”) on 13 April 2017.

Successful listing enables the Company to set foot on international capital platform and turn a new page in business development. Having started our business with the original brand “Hung Fat Ho” in Kwun Tong in the 1970s, we are proud to transcend ourselves to another level of success. Supported by a widened shareholder base and enhanced share capital, the Group acquired an abundance of financial resources to build up a solid foundation for future development.

The Company is a well-established food and beverage grocery distributor in Hong Kong with more than 40 years of experience. We are currently engaged in the distribution of an extensive portfolio of food and beverage groceries to a wide array of customers, including restaurants, non-commercial dining establishments, hotels and private clubs, food processing operators and wholesalers in Hong Kong. Our diversified product portfolio includes 2,100 food and beverage groceries and over 3,800 Stock Keeping Units (“**SKUs**”) of branded and non-branded products originated from various places around the world.

In 2016, the modest economy growth of Hong Kong was mainly due to the external uncertainties. As the global economic sentiment is becoming more positive, the Hong Kong's economy grew prominently at 4.3% for the first quarter of 2017. Despite the buoyant domestic segment, Hong Kong's food and beverage industry still witnessed prosperity in the praise of “Gourmet Paradise”. It led to strong demand to food and beverage grocery industry. Nevertheless, the increased labour cost and elevated rental expenses imposed more difficulties to the market players.

Leveraging years of experience and long established reputation in the food and beverage grocery distribution industry, we are able to differentiate ourselves from our competitors. Our proactive and experienced sales team provides quality customised services, which placed the Group in a favourable position to obtain a stable level of recurring business. We also possess strong sourcing capabilities of offering an extensive product portfolio with strong relationship with suppliers and manufacturers. During the year ended 31 March 2017 (the “**Reporting Period**”), the Group has newly cooperated with a new Italian mineral water brand. A trial order has been made and arrived in June 2017. We decided to set up a new team to promote the new brand by exploring more sales channels.

Looking ahead, the Group will continue to commit itself to becoming one of the leading food and beverage grocery distributors in Hong Kong. We aim to offer a diversified product portfolio that caters to the needs of Hong Kong people. In response to the increasing purchase orders, we will expand the geographical coverage of our distribution network by increasing warehouse facilities strategically located in specific districts of Hong Kong. This is expected to reduce delivery time and better manage potential distribution congestion. To cope with our business expansion, we plan to upgrade the Enterprise Resource Planning (“**ERP**”) system to enhance the operation efficiency. The new ERP system can conduct inventory movement analysis, which will analyse market preferences, make sales forecasts and facilitate management decision-making process in product procurement and overall business planning. We will also strengthen the efforts in sales and marketing in order to promote our corporate image and thereby attract more new customers. We will continue to embody the Lion Rock Spirit to grasp every market opportunity.



Chairman's Statement

On behalf of the Board, I would like to express my sincere gratitude to the relentless support of all our valuable shareholders, investors, suppliers, business partners and customers. The management team and all staff members of the Group will continue striving for better results for the Group and bringing returns to the shareholders.

Wong Siu Man

Chairman and Executive Director

Hong Kong, 21 June 2017

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Siu Man (黃少文), aged 44, was appointed as an executive Director with effect from 29 September 2016. Mr. Wong Siu Man also acts as the chairman of our Board and is also one of our Controlling Shareholders (as defined in note 2 of the consolidated financial statements). Mr. Wong Siu Man is primarily responsible for the overall management, business direction and development strategies of our Group. Mr. Wong Siu Man has been responsible for the business development, sales and marketing and administrative departments of Hung Fat Ho Food Limited (“**HFH Food**”) since its incorporation in 2005. Mr. Wong Siu Man has also been responsible for managing business development and sales of Ongo Food Limited (“**Ongo Food**”) since July 2011. Mr. Wong Siu Man has been playing an important role in the establishment of our Group’s distribution channels and relationships with key customers. Mr. Wong Siu Man is the younger brother of Mr. Wong Siu Wa.

Mr. Wong Siu Wa (黃少華), aged 48, was appointed as an executive Director with effect from 29 September 2016. Mr. Wong Siu Wa is also our Chief Executive Officer and one of our Controlling Shareholders. Mr. Wong Siu Wa is primarily responsible for the overall management, business direction and development strategies of our Group. Mr. Wong Siu Wa has been responsible for the procurement department of HFH Food since its incorporation in 2005 and has been playing an important role in developing relationships with our key suppliers through his work in heading the procurement department of HFH Food. Mr. Wong Siu Wa is the elder brother of Mr. Wong Siu Man.

Mr. Yip Kam Cheong (葉錦昌) (“Mr. Jeremy Yip”), aged 42, was appointed as an executive Director with effect from 29 September 2016, and as our Compliance Officer on 28 October 2016. Mr. Jeremy Yip has joined our Group as a senior sales manager since 2011. Mr. Jeremy Yip is primarily responsible for overseeing the sales department of our Group. Mr. Jeremy Yip has over 10 years of industry experience in the food and beverage industry. Mr. Jeremy Yip previously worked as an assistant sales manager at Wing Sang Cheong Limited between July 2009 and August 2011 mainly responsible for sales and client management, a company primarily engaged in the supply of food products.

NON-EXECUTIVE DIRECTOR

Mr. Wong Chun Hung Hanson (黃俊雄) (“Mr. Hanson Wong”), aged 43, was appointed as a non-executive Director with effect from 29 September 2016. Mr. Hanson Wong is primarily responsible for advising on strategy, performance and resources of our Group. Mr. Hanson Wong has over 15 years of industry experience in the finance industry. Mr. Hanson Wong is currently an executive director of Future Land Resources Capital Investment Management Limited since 1 January 2015, which mainly engaged in managing a portfolio of companies that carry on business or dealing in securities, futures contracts and asset management. Mr. Hanson Wong previously served as a sales manager at CSC Securities (HK) Limited whose business includes dealing in futures contracts from May 2001 to February 2010, acted as the chief operation officer at New Trend Futures Limited whose business includes dealing in futures contracts from March 2010 to December 2011, as a director from March 2010 to November 2013 at Well Smart Asia Investment Limited, as a futures broker from December 2011 to September 2013 at Stockwell Commodities Limited whose business includes dealing in futures contracts and as a director of SFG Management Limited from May 2012 to March 2015. Mr. Hanson Wong was appointed as the charter committee member (創會理事) of the Happy Hong Kong Charity Foundation from May 2015 to May 2018, as the chairman of the Kowloon City District of Scout Association of Hong Kong from July 2015 to June 2016, as a committee member (常務理事) of the Shamshuipo Kaifong Welfare Advancement Association in January 2015, as the assistant commissioner (Ag.) (署理助理總監) of the Hong Kong Road Safety Patrol from January 2016 to March 2017, as the chairman of the Hong Kong Precious Metals Traders Association Limited since May 2014 and as the vice president of Association of International Certified Financial Consultants since October 2016. Mr. Hanson Wong completed his secondary school education at Munsang College in July 1990. Mr. Hanson Wong was a licenced representative in carrying out dealing in futures contracts from April 2003 to November 2013, in advising on futures contracts from April 2003 to March 2004 and in asset management from April 2003 to March 2004 under the SFO.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. To Yan Ming Edmond (杜恩鳴) (“Mr. To”), aged 45, was appointed as an independent non-executive Director on 27 March 2017. Mr. To is also the chairman of our remuneration committee and a member of our audit and nomination committee.

Mr. To obtained a bachelor degree of commerce accounting from Curtin University of Technology in Western Australia in February 1996. He is currently a certified public accountant (“CPA”) practicing in Hong Kong. He has been a member of CPA Australia and Hong Kong Institute of Certified Public Accountants (“HKICPA”) since May 1999 and May 2000, respectively.

Mr. To has been a director of R.C.W (HK) CPA Limited since November 2011, and has been responsible for the overall operation of the firm. He has been a director of Asian Alliance (HK) CPA Limited (formerly known as Zhonglei (HK) CPA Company Limited) since July 2009, and has been responsible for the overall operations of the assurance and business department. He has been a director of Edmond To CPA Limited since October 2007, and has been responsible for the overall operation of the firm. He previously worked in Deloitte Touche Tohmatsu, an international accounting firm and has extensive experience in accounting, auditing, taxation and initial public offer.

Mr. To was previously an independent non-executive director of China Household Holdings Limited (stock code: 692) (formerly known as Ching Hing (Holdings) Limited and Bao Yuan Holdings Limited) from April 2012 to December 2015 and Theme International Holdings Limited (stock code: 990) from November 2009 to May 2015, companies listed on the Main Board of Stock Exchange of Hong Kong. He is currently an independent non-executive director of Wai Chun Mining Industry Group Limited (stock code: 660), Wai Chun Group Holdings Limited (stock code: 1013), Tianli Holdings Group Limited (stock code: 117), SH Group (Holdings) Limited (stock code: 1637), Birmingham Sports Holdings Limited (stock code: 2309) (formerly known as Birmingham International Holdings Limited), EPI (Holdings) Limited (stock code: 689) and Courage Marine Group Limited (stock code: 1145), companies listed on the Main Board of Stock Exchange of Hong Kong. He is also an independent non-executive director of China Vanguard Group Limited (stock code: 8156), a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong. He is a founder of Arcus Charitable Foundation Limited, a charitable institution or trust of a public character in Hong Kong, since August 2014 and has been appointed as its chairman since December 2015.

Mr. Chau Shing Yim David (周承炎) (“Mr. Chau”), aged 53, was appointed as an independent non-executive Director with effect from 27 March 2017. Mr. Chau is also the chairman of our audit committee and a member of our remuneration committee and our nomination committee. Mr. Chau has 20 years of experience in corporate finance. Mr. Chau was formerly a partner of Deloitte Touche Tohmatsu between October 2000 and November 2007 and was in charge of the mergers and acquisition and corporate finance division. He is a member of the Hong Kong Securities Institute, the Institute of Chartered Accountants of England and Wales (“ICAEW”), and obtained the Corporate Finance Qualification of ICAEW, and a member of the HKICPA since November 1992, and was an ex-committee member of the Disciplinary Panel of HKICPA in 2004. Mr. Chau obtained his Bachelor of Science (Economics and Accounting) degree from the University of Ulster in July 1986.

Biographical Details of Directors and Senior Management

Mr. Chau was previously an independent non-executive director of Up Energy Development Group Limited (stock code: 307) from 20 June 2013 to 25 September 2015 and Varitronix International Limited (stock code: 710) from 1 July 2009 to 3 June 2016, campiness listed on the Main Board of Stock Exchange of Hong Kong. He was an executive director of China Solar Energy Holdings Limited (stock code: 155) listed on the Main Board of Stock Exchange of Hong Kong from 15 May 2015 to 12 June 2015. He is currently an independent non-executive director of Lee & Man Paper Manufacturing Limited (stock code: 2314), China Evergrande Group (stock code: 3333), Man Wah Holdings Limited (stock code: 1999), Richly Field China Development Limited (stock code: 313), Evergrande Health Industry Group Limited (stock code: 708), HengTen Networks Group Limited (stock code: 136), IDG Energy Investment Group Limited (stock code: 650), campiness listed on the Main Board of Stock Exchange of Hong Kong.

Mr. Wong Garrick Jorge Kar Ho (黃嘉豪), aged 35, was appointed as an independent non-executive Director with effect from 27 March 2017. Mr. Wong Garrick Jorge Kar Ho is also the chairman of our nomination committee and a member of our remuneration committee and our audit committee. Mr. Wong Garrick Jorge Kar Ho has been the director and general manager of Kar Seng International Trade & Investment Company, Limited (嘉承國際貿易投資有限公司), a company engaging in import and export trading and investment business in Macau, since 16 September 2010 and a director of Chip Seng Coffee Company Limited (捷成咖啡有限公司), an importer and food distributor of coffee products in Macau, since 1 July 2009. Mr. Wong Garrick Jorge Kar Ho obtained his Master of Business Administration degree from the University of Macau in May 2012 and his Bachelor of Science (Electrical Engineering) degree from the Queen's University in May 2004.

Mr. Wong Garrick Jorge Kar Ho is currently a member of Board of Directors of the Macao Chamber of Commerce, a director of the Industrial Association of Macao and the Vice Chairman of Macao Youth Entrepreneur Association

SENIOR MANAGEMENT

Ms. Cheung Ching Han (張靜嫻) (“Ms. Christy Cheung”), aged 32, has joined our Group as the business development manager since 27 December 2012. Ms. Christy Cheung is primarily responsible for overseeing the marketing, human resources and administration departments. Previously, Ms. Christy Cheung served as an assistant merchandiser at Quick Feat International Ltd. between October 2010 and October 2012, Addison Ltd. between May 2007 and April 2008, and Handtex International Ltd. between June 2005 and April 2007.

Mr. Law Kwok Yan (羅國欣) (“Mr. Law”), aged 39, has joined our Group as a sales manager since September 2011. Mr. Law is primarily responsible for managing key customer accounts. Mr. Law has over 16 years of experience in food and beverage industry. Mr. Law started his career as a sales executive, from November 1999 to May 2005 at Wing Sang Cheong Limited, and an assistant sales manager at Wing Sang Cheong Limited from March 2006 to August 2011 which engaged in the supply of food products.

Mr. Wong Chun Fung (黃鎮鋒) (“Mr. Wong”), aged 33, has joined our Group as a sales manager since December 2010. Mr. Wong is primarily responsible for managing key customer accounts. Mr. Wong has over 9 years of experience in food and beverage industry. Mr. Wong started his career as a business development representative from March 2007 to April 2008 at Swire Beverages Limited which engaged in the supply of beverages; a sales supervisor from May 2008 to April 2010 at Wing Sang Cheong Limited which engaged in the supply of food products.

Biographical Details of Directors and Senior Management

COMPANY SECRETARY

Mr. CHAN Po Chak (陳寶澤) (“Mr. Chan”), aged 50, was appointed as our company secretary with effect on 28 October 2016. Previously, Mr. Chan acted as the finance manager of GIA Hong Kong Laboratory Limited from August 2012 to September 2016 and an accounting manager between July 2010 and December 2011 at S.F. Express (Hong Kong) Limited where Mr. Chan was responsible for the preparation of consolidated financial and management reporting at regional level to headquarters. Mr. Chan also worked as an accounting manager at Binhai Investment Company Limited (stock code: 2886) (formerly known as Wah Sang Gas Holdings Limited) from August 2007 to August 2009 where Mr. Chan was responsible for the preparation of financial information and analysis, circulars and prospectus and was the head of finance at the headquarter in Tianjin where he was responsible for ensuring compliance with Hong Kong Financial Reporting Standards (“HKFRSs”), formulating internal control policies and procedures and streamlining finance related operation processes. Prior to Binhai Investment Company Limited, Mr. Chan also acquired experience in the accounting and finance industry including such as being a senior accountant at Wai Kee Holdings Limited (stock code: 610) from May 2005 to June 2007 of which he also held the role of Qualified Accountant from July 2006 to June 2007; a management accountant at Synthes Asia Pacific in Australia from July 2004 to March 2005; a company accountant at AIMS Home Loans in Australia from June 2000 to January 2001; an accounting manager at DS Components Limited from June 1998 to February 1999; an accounting manager at Digital Lighting Co., Limited between April 1997 and May 1998; the chief accountant at China Construction (Hong Kong) Limited from March 1996 and April 1997; and an accountant at Wai Kee Holdings Limited (stock code: 610) from January 1995 to January 1996.

Mr. Chan has been a member of the HKICPA since December 1998 and admitted as a Fellow of the HKICPA in February 2007 and a Certified Practising Accountant of the CPA Australia since September 1998. Mr. Chan was admitted as a Senior Associate of the Financial Services Institute of Australasia in April 2017, an associate of The Taxation Institute of Hong Kong in January 2007, a member of the Australian Institute of Management in May 2010 and an Associate of the Taxation Institute of Australia (now known as The Tax Institute) in July 2012. Mr. Chan was registered as a certified tax adviser since 2011. Mr. Chan obtained his Graduate Certificate in Applied Finance and Investment from the Financial Services Institute of Australasia in April 2003 and his degree of Master of Commerce (Honours) in Accountancy from the University of Wollongong in Australia in December 1993.

Management Discussion and Analysis

BUSINESS REVIEW

The Group is an established food and beverage grocery distributor in Hong Kong with over 40 years of experience in the food and beverage grocery distribution industry. The Group's customers include restaurants, non-commercial dining establishments, hotels and private clubs, food processing operators and wholesalers in Hong Kong. The Group also offers product sourcing, repackaging, quality assurance, warehousing and storage, transportation as well as other value-added services to provide one-stop food and beverage grocery distribution solutions to the customers. The Group's product portfolio ranges from food commodities, specialty food ingredients to kitchen products which can be broadly categorised into (i) commodities and cereal products; (ii) packaged food; (iii) sauce and condiment; (iv) dairy products and eggs; (v) beverage and wine; and (vi) kitchen products.

In order to provide the customers with diversified and quality food groceries, the Group continues to source branded food groceries from domestic and international brand owners and manufacturers. Maintaining strong relationship with food importers and wholesalers is important for procuring a wide spectrum of products from places around the world in a cost efficient way. In 2016, the Group has renewed the non-exclusive agreement with its largest supplier.

On 13 April 2017, the shares of the Company (the "Shares") were successfully listed (the "Listing") on the GEM of the Stock Exchange. With a widening financing platform, the Group can have more financing channels to raise funds to fulfil capital needs. The Listing also enhances the Group's market position and further strengthens the Group's reputation in the industry, which in turn helps maintaining the existing business relationship with the network of suppliers and customers and exploring potential business opportunities with new suppliers and customers.

FUTURE PROSPECTS

Looking forward, the keen competition in the food and beverage grocery distribution industry provides impetus for the Group to further enhance the capabilities of offering a wide spectrum of products for customers.

In light of the rise in number of customers and purchase orders, the Group will lease one warehouse facility in the New Territories for accommodating the increased inventory level. Since storage and stocking are critical to the Group's operation, the Group plans to upgrade the ERP system, which is used to monitor the inventory level and minimise incidences of overstocking, so as to enhance the operation efficiency. To further penetrate the food and beverage grocery distribution market, more efforts will be put on sales and marketing activities. With improved quality value-added services, the Group believes more customers will be attracted and customer loyalty can be further strengthened. As a result, new repackaging equipment will be purchased to further automate the repackaging process and increase efficiency. The Group will continue to expand to become one of the leading food and beverage grocery distributors in Hong Kong.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The following table sets forth the breakdown of the Group's revenue for the years ended 31 March 2017 and 2016:

	2017 HK\$'000	2016 HK\$'000	Change %
Commodities and cereal products	54,750	54,683	0.1%
Packaged food	50,195	52,721	-4.8%
Sauce and condiment	38,614	31,648	22.0%
Dairy products and eggs	26,823	28,369	-5.4%
Beverage and wine	11,793	11,071	6.5%
Kitchen products	6,123	5,252	16.6%
	188,298	183,744	2.5%

Our revenue generated from different types of product contributed were rather stable for the years ended 31 March 2017 and 2016. During the years ended 31 March 2017 and 2016, commodities and cereal products, packaged food, sauce and condiment, and dairy products and eggs were the major food and beverage grocery categories sold by us, in aggregate, accounting for approximately 90.5% and 91.1%, respectively, of our total revenue.

Revenue generated from sales of commodities and cereal products, being our largest contributing product types, for the years ended 31 March 2017 and 2016 accounted for approximately 29.1% and 29.8% of our total revenue respectively. Sales of commodities and cereal products remained relatively stable for the year ended 31 March 2017 as compared to the previous year.

Our sales of packaged food decreased by approximately 4.8% for the year ended 31 March 2017 as compared to the previous year mainly as a result of reduced orders received.

Our sales of sauce and condiment increased by approximately 22.0% for the year ended 31 March 2017 as compared to the previous year mainly as a result of increased orders received for products for taking advantage of the rebates offered and new products introduced such as truffle related products sourced from overseas.

Our sales of dairy products and eggs decreased by approximately 5.4% for the year ended 31 March 2017 as compared to the previous year due to the decrease in demand of our certain products.

Our sales of beverage and wine increased by 6.5% for the year ended 31 March 2017 as compared to the previous year mainly due to increase in orders received for steady growth of existing products.

Our sales of kitchen products were stable during the years ended 31 March 2017 and 2016.

Management Discussion and Analysis

Cost of sales

Our cost of sales solely represented cost of inventories sold, which represented the cost of finished goods purchased by us from suppliers. Our cost of sales represents the costs of products, net of discounts and rebates, charged by our suppliers. Our cost of sales slightly increased by approximately HK\$481,000 or approximately 0.3% to approximately HK\$142,270,000 for the year ended 31 March 2017 as compared to approximately HK\$141,789,000 for the year ended 31 March 2016 was due to increased sales volumes, offset by cost efficiencies in cost of finished goods purchased from direct manufacturers and end suppliers.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 9.7% from approximately HK\$41,955,000 for the year ended 31 March 2016 to approximately HK\$46,028,000 for the year ended 31 March 2017. The increase in gross profit was due to our enlarged customer base to high-end customers and lower cost of goods purchased from direct suppliers. For the year ended 31 March 2017, the Group's gross profit rate increased to 24.4% as compared with previous year at 22.8%.

Other income

Other income consists of consultancy income received from Eagle Food Limited (“Eagle Food”) for the year ended 31 March 2016 before its acquisition by our Group.

Other gain and losses, net

Other gain and losses mainly consists of allowance for bad and doubtful debts and gain on disposal of property, plant and equipment. Our net other gain and losses recorded a loss of approximately HK\$245,000 and HK\$81,000 for the years ended 31 March 2017 and 2016, respectively. The increase in the net other gain and losses by approximately HK\$164,000 was mainly due to the increase in allowance for bad and doubtful debts as a result of a specific provision made in respect of a customer being liquidated.

Selling and distribution expenses

Our selling and distribution expenses mainly comprised transportation expenses, commission expenses to sales person based on a certain percentage of the gross profit on successful sales, staff costs for our sales team, advertising and marketing expenses. The decrease of distribution expense of the Group was mainly due to decrease in commission expense to sales person. The selling and distribution expenses accounted for approximately 9.3% and 10.2% of the total revenue for the years ended 31 March 2017 and 2016 respectively.

Administrative expenses

For the year ended 31 March 2017, the Group's administrative expenses primarily comprised rent, rates and management fee for office and warehouses, staff costs for administrative and management personnel, directors' remuneration, depreciation, insurance, auditor's remuneration. Administrative and other operating expenses increased from approximately HK\$8,600,000 for the year ended 31 March 2016 to approximately HK\$12,932,000 for the year ended 31 March 2017. The increase of administrative expenses of the Group was mainly due to new rental of warehouse and hiring of management personnel since second half of 2016.

Management Discussion and Analysis

Listing expenses

Listing expenses comprised professional and other expenses in relation to the Listing. The listing expenses amounted to approximately HK\$14,645,000 for the year ended 31 March 2017.

Finance costs

Finance costs for the year ended 31 March 2017 represented interest expenses on bank borrowing.

Income tax expense

For the years ended 31 March 2017 and 2016, our income tax expense were approximately HK\$2,562,000 and HK\$2,344,000, respectively, and our effective tax rate (excluding the non-recurring listing expenses) for the same period was approximately 16.7% and 16.1%, respectively. Our effective tax rate was stable for both years.

(Loss) profit and total comprehensive (expense) income attributable to owners of the Company

For the year ended 31 March 2017, the Group's loss and total comprehensive expenses attributable to owners of the Company was approximately HK\$1,824,000 (profit and total comprehensive income attributable to owners of the Company for the year ended 31 March 2016: approximately HK\$12,056,000). The decrease of profit and total comprehensive income attributable to owners of the Company was mainly attributable to the non-recurring listing expenses.

We no longer share non-controlling interests in any of our subsidiaries for the year ended 31 March 2017 as a result of acquisition of 20% of the entire issued equity interest of Ongo Food. Such acquisition was completed on 30 July 2015.

Dividend

No dividend was paid or declared by the Company from its incorporation to the end of the Reporting Period, nor has any dividend been proposed since the end of the Reporting Period.

During the year ended 31 March 2017, Hung Fat Ho Holdings Limited (“**HFH Holdings**”) declared and paid dividends of HK\$700,000 (2016: HK\$4,300,000), in aggregate, to Mr. Wong Siu Man and Mr. Wong Siu Wa.

Trade and other receivables, deposits and prepayments

Trade receivables decreased by 10.2% from approximately HK\$20,655,000 as at 31 March 2016 to approximately HK\$18,550,000 as at 31 March 2017. The decrease was mainly attributable to settlement received from customers and provisions for the impairment of certain overdue trade receivables.

Other receivables, deposits and prepayments increased by HK\$5,906,000 from approximately HK\$1,078,000 as at 31 March 2016 to approximately HK\$6,984,000 as at 31 March 2017. The increase was mainly due to deferred listing expenses and prepaid rental expenses.

Management Discussion and Analysis

Trade and other payables and accrued charges

Trade payables decreased by 6.3% from approximately HK\$5,914,000 as at 31 March 2016 to approximately HK\$5,540,000 as at 31 March 2017. The decrease was mainly due to the increase of suppliers from distributors to direct manufacturers and suppliers. Reduced purchase cost decreased the outstanding balance.

Other payables and accrued charges increased by HK\$12,150,000 from approximately HK\$1,372,000 as at 31 March 2016 to approximately HK\$13,522,000 as at 31 March 2017. The increase was mainly due to accrued listing expenses and accrued bonus and salaries.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 March 2017, the Group's working capital was financed by both internal resources and bank borrowing. The quick ratio of the Group was approximately 1.9 times (2016: 2.7 times). Deterioration of quick ratio was mainly due to the outstanding listing fee expenses amounting to approximately HK\$10,924,000.

CAPITAL STRUCTURE

For the year ended 31 March 2017, the capital structure of the Group consisted of bank borrowing and equity of the Group, comprising issued share capital, other reserve and accumulated profits.

FOREIGN EXCHANGE EXPOSURE RISKS

Our exposures to currency risk arise from its sales to and purchases from overseas, which are primarily denominated in United States Dollars and Euro. These are not the functional currencies of our entities to which these transactions relate. We currently do not have a group foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

FINANCIAL POLICIES

The Group is exposed to liquidity risk in respect of settlement of its trade payables and financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

GEARING RATIO

The total interest-bearing borrowing of the Group as at 31 March 2017 were HK\$2,515,000 (2016: nil). The Group's gearing ratio as at 31 March 2017 was approximately 7.5%, which is calculated as the Group's total borrowing over the Group's total equity. The increase in gearing ratio was mainly due to the HK\$3,000,000 raised to finance our general working capital during the year ended 31 March 2017.

Management Discussion and Analysis

CAPITAL EXPENDITURE

During the year ended 31 March 2017, the Group invested approximately HK\$2,200,000 in property, plant and equipment, mainly represented leasehold improvement at our rented new warehouse located in Kwun Tong.

CAPITAL COMMITMENTS

As at 31 March 2017, the Group had no significant capital commitments.

CHARGES ON THE GROUP'S ASSETS

There were no charges on the Group's assets for the year ended 31 March 2017.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2017, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies save for those reorganisation activities done for the purpose of the Listing as set out in the paragraph headed "Reorganisation" under the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 31 March 2017 (the "**Prospectus**").

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other future plans for material investments or capital assets.

CONTINGENT LIABILITIES

As at 31 March 2017, the Group did not have any significant contingent liabilities (2016: nil).

INFORMATION ON EMPLOYEES

As at 31 March 2017, the Group employed 33 employees (2016: 26) with total staff cost of approximately HK\$8,674,000 incurred for the year ended 31 March 2017 (2016: HK\$8,003,000). The Group's remuneration packages are generally structured with reference to market terms and individual merits.

Management Discussion and Analysis

USE OF PROCEEDS

The Shares were listed on GEM of the Stock Exchange on 13 April 2017. The net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately HK\$48.5 million which will be used for the intended purposes as set out in the section headed “Statement of Business Objectives and Use of Proceeds” of the Prospectus. Set out below is the actual utilisation of net proceeds up to the date of this annual report:

	Net proceeds	Utilised	Unutilised
	HK\$'000	HK\$'000	HK\$'000
Leasing of warehouse facility in New Territories & Hong Kong Island:			
– Rental deposits	1,170	–	1,170
– Rental payments	6,455	–	6,455
– Renovation costs	6,000	–	6,000
– Start-up costs for warehouse facility	9,775	–	9,775
Upgrade of ERP system	12,560	–	12,560
Conducting sales and marketing activities	5,540	–	5,540
Installation of new repackaging equipment	3,500	–	3,500
General working capital	3,500	–	3,500
	48,500	–	48,500

Directors' Report

The directors of the Company (the “**Directors**”) are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 March 2017 (the “**Reporting Period**”).

CORPORATE REORGANISATION AND LISTING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 September 2016 under the Companies Law of the Cayman Islands. In preparation of the listing of the Shares on the GEM of the Stock Exchange, the Company underwent the corporate reorganisation and became the holding company of the Group on 30 September 2016. Further details of the corporate reorganisation of the Group are set out in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus. The Shares were listed on the GEM of the Stock Exchange on 13 April 2017 (the “**Listing Date**”) by initial public offering.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the provision of food and beverage grocery distribution. Details of the principal activities of its subsidiaries as at 31 March 2017 are set out in the note 31 to the consolidated financial statements in this annual report. There were no significant changes in the nature of the principal activities of the Group during the year.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past three years ended 31 March 2017, as extracted from the Prospectus and the consolidated financial statements is set out on page 100 of this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

BUSINESS REVIEW

The business of the Group for the year ended 31 March 2017 is set out in the section headed “Management Discussion and Analysis” on pages 10 to 16 of this annual report. These discussions form part of this Directors’ report.

Environmental Policies and Performance

The Group is committed to operate in compliance with the applicable environmental laws as well as protecting the environment by minimizing the negative impact of the Group’s existing business activities on the environment. Details of the environmental policies and performance are set out in the section headed “Environmental Social and Governance Report” on pages 43 to 46 of this annual report.

Compliance with Relevant Laws and Regulations

During the year ended 31 March 2017, as far as the Board and the management are aware, there was no breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the operation of the Group.

Directors' Report

Relationship with Employees, Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its employees and customers to meet its immediate and long-term business goals. During the year ended 31 March 2017, there were no material and significant dispute between the Group and its employees, customers and suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 52 of this annual report.

The Board of the Company does not recommend the payment of a final dividend for the year ended 31 March 2017.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 22 to the consolidated financial statements of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

RESERVE

Details of movements in the reserves of the Company and the Group are set out in note 35 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

In the opinion of the Directors, there is no reserve of the Company which is available for distribution to Shareholders as at 31 March 2017.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the aggregate revenue attributable to the five largest customers of the Group accounted for less than 30% of the Group's total revenue for the year ended 31 March 2017.

During the year under review, the aggregate purchases attributable to the Group's the five largest suppliers accounted for less than 30% of the Group's total purchase for the year ended 31 March 2017.

During the year under review, none of the Directors, their close associates or any shareholders (which to the best knowledge of the Directors, who owns more than 5% of the Company's issued share capital), has any interests in any of the above five largest customers and suppliers of the Group for the year.

DIRECTORS

The Directors who held office during the year ended 31 March 2017 and up to the date of this annual report are:

Executive Directors

Mr. Wong Siu Man (<i>Chairman</i>)	(appointed on 29 September 2016)
Mr. Wong Siu Wa (<i>Chief Executive Officer</i>)	(appointed on 29 September 2016)
Mr. Yip Kam Cheong (<i>Compliance Officer</i>)	(appointed on 29 September 2016)

Non-executive Director

Mr. Wong Chun Hung Hanson	(appointed on 29 September 2016)
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Independent non-executive Directors

Mr. To Yan Ming Edmond	(appointed on 27 March 2017)
Mr. Chau Shing Yim David	(appointed on 27 March 2017)
Mr. Wong Garrick Jorge Kar Ho	(appointed on 27 March 2017)

Pursuant to the Article 16.2 of the Articles of Association and the GEM Listing Rules, Mr. Chau Shing Yim David, Mr. To Yan Ming Edmond and Mr. Wong Garrick Jorge Kar Ho who were appointed by the Board shall hold office until the forthcoming annual general meeting of the Company to be held on Thursday, 24 August 2017 ("2017 AGM") and being eligible, to offer themselves for re-election at the 2017 AGM.

In accordance with Article 16.18 of the Articles of Association of the Company, Mr. Wong Siu Man, Mr. Wong Siu Wa, Mr. Yip Kam Cheong and Mr. Wong Chun Hung Hanson shall retire by rotation at the 2017 AGM and being eligible, will offer themselves for re-election at the 2017 AGM.

Directors' Report

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 6 to 9 of this annual report.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, a written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considers that all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three (3) years, commencing from 27 March 2017, subject to retirement and re-election in accordance with the Articles of Association and GEM Listing Rules, unless terminated by either party by giving at least three (3) month's written notice to the other.

The non-executive Director and each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three (3) years respectively, commencing from 27 March 2017 subject to retirement and re-election in accordance with the Articles of Association and GEM Listing Rules, unless terminated by either party by giving at least one (1) month's written notice to the other.

Save as disclosed above, none of the Directors being proposed for re-election at the 2017 AGM has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

EMOLUMENTS OF DIRECTORS, SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, senior management and the five highest paid individuals of the Group are set out in notes 8(a) and 8(b) to the consolidated financial statements of this annual report.

MANAGEMENT CONTRACTS

During the year ended 31 March 2017, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

Directors' Report

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transaction, arrangement, or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which any Director or any entities connected with a Director, the Controlling Shareholders or the substantial Shareholders had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As the Shares were listed on the GEM of the Stock Exchange on 13 April 2017, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") as at 31 March 2017.

On the Listing Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Positions

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate Percentage of shareholding ⁽¹⁾
Mr. Wong Siu Man ⁽²⁾	Interest of associated corporation	772,800,000	66.51%
Mr. Wong Siu Wa ⁽²⁾	Interest of associated corporation	772,800,000	66.51%
Mr. Wong Chun Hung Hanson ⁽³⁾	Interest of controlled corporation	67,200,000	5.78%

Notes:

- (1) The percentage has been computed based on 1,162,000,000 shares, being the total number of ordinary shares of the Company in issue as at the Listing Date and the date of this report.
- (2) This represents the Shares held by Sky Alpha Investments Limited ("Sky Alpha"), a company beneficially owned as to 58.38% by Mr. Wong Siu Man, 38.92% by Mr. Wong Siu Wa and 2.7% by Glory Concord Limited ("Glory Concord") respectively, therefore, Mr. Wong Siu Man and Mr. Wong Siu Wa were deemed to be interested in 772,800,000 Shares under the SFO.
- (3) This represents the Shares held by Trillion Advance Investments Limited ("Trillion Advance"), a company beneficially owned as to 66.7% by Mr. Hanson Wong and 33.3% by Mr. Mak Kwok Kwan Terence respectively, therefore, Mr. Hanson Wong was deemed to be interested in 67,200,000 Shares under the SFO.

Directors' Report

Save as disclosed above, as at the Listing Date and up to the date of this annual report, none of the Directors or chief executive of the Company nor their associates had registered an interest or short position in any shares or underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" in this report, at no time during the year ended 31 March 2017 and up to the date of this annual report was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the Listing Date and up to the date of this annual report, the following persons (other than Directors or chief executive of the Company), who had interests in the shares of the Company within the meaning of Part XV of the SFO which are required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register of the Company were as follows:

Long positions

Name of shareholder	Capacity/Nature of interest	Number of Shares	Approximate Percentage of shareholding
Sky Alpha ⁽¹⁾	Legal and Beneficial owner	772,800,000	69.00%
Ms. Fan Wing ⁽²⁾	Interest of spouse	772,800,000	69.00%
Ms. Zhu Min ⁽³⁾	Interest of spouse	772,800,000	69.00%
Mr. Mak Kwok Kwan Terence ⁽⁴⁾	Interest in controlled corporation	67,200,000	6.00%
Ms. Lam Wing Yu ⁽⁵⁾	Interest of spouse	67,200,000	6.00%
Trillion Advance ⁽⁴⁾	Legal and Beneficial owner	67,200,000	6.00%
Ms. Cheung Wan Che ⁽⁶⁾	Interest of spouse	67,200,000	6.00%

Notes:

- (1) Sky Alpha is beneficially owned as to 58.38% by Mr. Wong Siu Man, an executive Director, 38.92% by Mr. Wong Siu Wa, an executive Director and 2.7% by Glory Concord, respectively. Mr. Wong Siu Man and Mr. Wong Siu Wa are therefore deemed to be interested in 772,800,000 Shares under the SFO.
- (2) Ms. Fan Wing is the spouse of Mr. Wong Siu Man. Under the SFO, Ms. Fan Wing is deemed to be interested in the same number of Shares in which Mr. Wong Siu Man is interested.
- (3) Ms. Zhu Min is the spouse of Mr. Wong Siu Wa. Under the SFO, Ms. Zhu Min is deemed to be interested in the same number of Shares in which Mr. Wong Siu Wa is interested.
- (4) Trillion Advance is beneficially owned as to 66.7% by Mr. Hanson Wong, a non-executive Director and 33.3% by Mr. Mak Kwok Kwan Terence, respectively. Mr. Hanson Wong and Mr. Mak Kwok Kwan Terence are therefore deemed to be interested in 67,200,000 Shares under the SFO.
- (5) Ms. Lam Wing Yu is the spouse of Mr. Wong Chun Hung Hanson. Under the SFO, Ms. Lam Wing Yu is deemed to be interested in the same number of Shares in which Mr. Hanson Wong is interested.
- (6) Ms. Cheung Wan Che is the spouse of Mr. Mak Kwok Kwan Terence. Under the SFO, Ms. Cheung Wan Che is deemed to be interested in the same number of Shares in which Mr. Mak Kwok Kwan Terence is interested.

Save as disclosed above, as at the date of this annual report, the Directors were not aware of any other person (other than the Directors or chief executive of the Company as disclosed in the section headed "Directors' and chief executive's interests and short positions in Shares and underlying Shares and debentures of the Company and its associated corporations" above) who had or is deemed to have interests or short positions in the Shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Company has not entered into any connected transaction with any of the Controlling Shareholders. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Subject to the Companies Law (2016 Revision), Cap 22 of the Cayman Islands, if any Director or other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

Directors' Report

COMPETING INTEREST

During the year ended 31 March 2017, none of the Directors or the Controlling Shareholders of the Company or their close associates (as defined in the GEM Listing Rules) is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

DEED OF NON-COMPETITION

The Controlling Shareholders, namely Mr. Wong Siu Man, Mr. Wong Siu Wa, Sky Alpha and Glory Concord, entered into a deed of non-competition dated 27 March 2017 ("**Deed of Non-Competition**") in favour of the Company (for itself and as trustee for each of its subsidiaries). For details of the deed of non-competition, please refer to the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in the Prospectus. Each of the Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group.

The independent non-executive Directors have also reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by each of the Controlling Shareholders since the Listing Date and up to the date of this annual report.

PURCHASE, SALES OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company from the Listing Date up to the date of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient prescribed public float of the issued Shares as required under the GEM Listing Rules.

CORPORATE GOVERNANCE

Details of the principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 29 to 42 of this annual report.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2017 AGM will be held on Thursday, 24 August 2017. The register of members of the Company will be closed from Monday, 21 August 2017 to Thursday, 24 August 2017, both days inclusive, for the purposes of determining the entitlements of the shareholders to attend and vote at the AGM. During this closure period, no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by no later than 4:30 p.m. on Friday, 18 August 2017.

SHARE OPTION SCHEME

Share option scheme of the Company was approved by a resolution of the Shareholders of the Company passed on 27 March 2017 (the "**Share Option Scheme**"). The principal terms of the Share Option Scheme is summarised in Appendix IV to the Prospectus and are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

As at 31 March 2017 and up to the date of this annual report, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 31 March 2017 and as the date of this annual report.

The following is a summary of the principal terms of the Share Option Scheme:

Purposes

The purpose of the Share Option Scheme is to enable the Group to grant share options to the eligible persons as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which any member of the Group holds any equity interest (the "**Invested Entity**").

Eligible Participants

The Board may, at its absolute discretion, offer eligible persons (being any director or employee (whether full time or part time), consultant or adviser of the Group who in the sole discretion of the Board has contributed to and/or will contribute to the Group) (the "**Eligible Persons**") to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme.

Directors' Report

Total number of securities available for issue under the Share Option Scheme together with the percentage of the issued shares that it represents as at the date of the annual report

112,000,000 Shares, being approximately 9.64% of the issued share capital of the Company as at the date of this annual report.

Maximum entitlement under the scheme

The maximum number of Shares issued and to be issued upon exercise of the options granted (including exercised and outstanding options) under the Share Option Scheme in any 12-month period must not exceed 1% of the issued Shares unless approved in advance by the Shareholders of the Company in general meeting with such eligible person and his close associates or his associates abstaining from voting.

Period within which the securities must be taken up under an option

There is no general requirement on the minimum period for which a share option must be held or the performance targets which must be achieved before a share option can be exercised under the terms of the Share Option Scheme.

Amount payable on acceptance of an option

An offer shall be accepted when the Company receives the duly signed offer letter together with a non-refundable payment of HK\$1.00 (or such other sum in any currency as the Board may determine).

Minimum period, if any, for which an option must be held before it can be exercised

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as to be determined and notified by the Directors to each grantee, but shall end in any event not later than 10 years from the date on which the option is deemed to be granted and accepted in accordance to the Share Option Scheme.

Basis of determining the exercise price

The exercise price is determined by the Directors and shall be at least the highest of: (i) the closing price of the Company's Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of relevant option; (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotations for the five business days (as defined in the GEM Listing Rules) immediately preceding the date of grant; and (iii) the nominal value of a Share.

Remaining life of the Share Option Scheme

The Share Option Scheme will be valid and effective for a period of ten years from 27 March 2017.

Further details of the Share Option Scheme are set out in note 30 to the consolidated financial statements in this annual report.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme of the Company, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

USE OF PROCEEDS

The Shares were listed on the GEM of the Stock Exchange on 13 April 2017. The net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately HK\$48.5 million which will be used for the intended purposes as set out in the section headed "Statement of Business Objectives and Use of Proceeds" of the Prospectus. Set out below is the actual utilisation of net proceeds up to the date of this annual report:

	Net proceeds HK\$'000	Utilised HK\$'000	Unutilised HK\$'000
Leasing of warehouse facility in New Territories & Hong Kong Island:			
– Rental deposits	1,170	–	1,170
– Rental payments	6,455	–	6,455
– Renovation costs	6,000	–	6,000
– Start-up costs for warehouse facility	9,775	–	9,775
Upgrade of ERP system	12,560	–	12,560
Conducting sales and marketing activities	5,540	–	5,540
Installation of new repackaging equipment	3,500	–	3,500
General working capital	3,500	–	3,500
	48,500	–	48,500

INTERESTS OF THE COMPLIANCE ADVISER

As notified by LY Capital Limited ("LY"), the Company's compliance adviser, save for the compliance agreement entered into between the Company and LY dated 3 November 2016 in connection with the Listing, none of LY or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Group as at 31 March 2017, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Directors' Report

CORPORATE AND SOCIAL RESPONSIBILITY

The Company places great importance to and conscientiously fulfill its social responsibilities by promoting the harmony and interaction of the Company and society; achieving sustainable development; setting up a good corporate image; providing employment opportunities for the society in accordance with the laws and regulations, having a passion for the public welfare undertaking, creating a better social atmosphere for the Company and achieving long-term sustainable development. The Company has integrated the corporate social responsibility with the Company's business development, unremittingly pursue the common progress and development of the Company and the customers, employees, Shareholders and society.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in the note 32 to the consolidated financial statements of this annual report, there is no significant event of the Group after the Reporting Period.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company ("**Audit Committee**") comprises three independent non-executive Directors, namely, Mr. Chau Shing Yim David (Chairman), Mr. To Yan Ming Edmond and Mr. Wong Garrick Jorge Kar Ho.

The Audit Committee, together with the management, have reviewed the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the audited consolidated financial statements and annual results of the Group for the year ended 31 March 2017.

AUDITOR

The consolidated financial statements for the year ended 31 March 2017 have been audited by Deloitte Touche Tohmatsu ("**Deloitte**"), the auditor of the Company, who will retire, being eligible, to offer itself for re-appointment. A resolution for the re-appointment at the conclusion of the 2017 AGM of Deloitte as auditor of the Company will be proposed at the 2017 AGM.

By order of the Board

Wong Siu Man

Chairman and Executive Director

Hong Kong, 21 June 2017

Corporate Governance Report

INTRODUCTION

The Company considers the maintenance of a high standard of corporate governance important to the continuous growth of the Group. The Company's corporate governance practices are based on code provisions as set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 15 to the GEM Listing Rules. As the Shares were listed on the GEM of the Stock Exchange on 13 April 2017 (the "Listing Date") (i.e. after the financial year ended 31 March 2017), the Company has since then adopted and complied with, where applicable, the CG Code from the Listing Date up to the date of this annual report (the "Relevant Period") to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner.

During the Relevant Period, the Directors considered that the Company has complied with the applicable code provisions of the CG Code.

BOARD OF DIRECTORS

Responsibilities

The Board is entrusted with the overall responsibility for promoting the success of the Company by providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations. The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control systems, risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, change of Directors, ad hoc projects and other significant financial and operational matters. The Board has the full support of the management to discharge its responsibilities.

The day-to-day management, administration and operation of the Company are delegated to executive Directors and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above mentioned officers. All Directors have full and timely access to all relevant information of the Company, with a view to ensure that Board procedures and all applicable rules and regulations in Cayman Islands and Hong Kong are followed. Each Director is normally able to seek independent advice in appropriate circumstances at the Company's expense, upon making request to the Board.

In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this report.

Corporate Governance Report

The Board is also responsible for, among others, performing the corporate governance duties as set out in the code provision D.3.1 of the CG Code, which include:

- (a) to develop and review the Group's policies and practices on corporate governance and make recommendations;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
- (e) to review the Group's compliance with the CG Code and disclosure in the corporate governance report.

The Company has arranged appropriate liability insurance coverage for all the Directors, including company securities, employment practices, regulatory crisis event, investigation, litigation, tax liabilities and public relation, etc., which is to be reviewed by the Board on a regular basis.

Composition

The Board currently comprises the following Directors:

Executive Directors

Mr. Wong Siu Man (<i>Chairman</i>)	(appointed on 29 September 2016)
Mr. Wong Siu Wa (<i>Chief Executive Officer</i>)	(appointed on 29 September 2016)
Mr. Yip Kam Cheong (<i>Compliance Officer</i>)	(appointed on 29 September 2016)

Non-executive Director

Mr. Wong Chun Hung Hanson	(appointed on 29 September 2016)
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Independent non-executive Directors

Mr. To Yan Ming Edmond	(appointed on 27 March 2017)
Mr. Chau Shing Yim David	(appointed on 27 March 2017)
Mr. Wong Garrick Jorge Kar Ho	(appointed on 27 March 2017)

The nomination committee of the Company (the "Nomination Committee" or "NC") ensures the composition of the Board constitutes a balance of skills, experiences, qualifications and diversity of perspective appropriate to the requirements of the business and development of the Company. The current Board composition of three executive Directors, one non-executive Director and three independent non-executive Directors can effectively exercise independent judgment.

Corporate Governance Report

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three (3) years, commencing from 27 March 2017, unless terminated by either party by giving at least three (3) month's written notice to the other. The non-executive Director and each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three (3) years respectively, commencing from 27 March 2017, unless terminated by either party by giving at least one (1) month's written notice to the other.

Pursuant to the Article 16.2 of the Articles of Association, all the Directors appointed by the Board to fill casual vacancy shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at such meeting, therefore, all current Directors will retire at the conclusion of 2017 AGM and be eligible to offer themselves for re-election at the 2017 AGM. The Board and the Nomination Committee of the Company has recommended the re-election of all the retiring Directors standing for re-election at the 2017 AGM.

The participation of independent non-executive Directors in the Board brings a diverse range of expertise, skills and independent judgment on issues relating to the Group's strategies, performance, conflicts of interests and management process to ensure that the interests of all Shareholders of the Company have been duly considered. Each of the independent non-executive Directors has confirmed in writing his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules and the Board considers that all the independent non-executive Directors are independent.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Save as abovementioned, the Board members has no financial, business, family or other material/relevant relationships with each other.

The list of current Directors (by category) is also disclosed in this annual report and all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time. The Company also maintains on its website (www.agdl.com.hk) and on the GEM's website (www.hkgem.com) an updated list of current Directors (by category) identifying their role and function.

Corporate Governance Report

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5 of CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills as to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the Group structure, Board and Board Committees meetings procedures, business, management and operations of the Company, etc. and that he is fully aware of his responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements in the Cayman Islands and Hong Kong. During the year, all the Directors participated in the induction program regarding directors' responsibilities and obligations under the GEM Listing Rules conducted by the Company's legal adviser, which covered, among other topics, the CG Code, GEM Listing Rules and directors' continuing obligations.

The Company has engaged LY Capital Limited as the compliance adviser to advise the Directors on matters relating to the GEM Listing Rules upon Listing.

Besides, the Company keeps circulating information and materials to develop and refresh Directors' (Mr. Wong Siu Man, Mr. Wong Siu Wa, Mr. Yip Kam Cheong, Mr. Wong Chun Hung Hanson, Mr. To Yan Ming Edmond, Mr. Chau Shing Yim David, and Mr. Wong Garrick Jorge Kar Ho) knowledge and skills from time to time. All the information and materials are relevant to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities. There are also arrangements in place for providing continuing briefing and professional development to each Director. All Directors are encouraged to attend relevant training courses at the Company's expense. The company secretary is responsible to keep records of training taken by each Director.

BOARD MEETINGS

Pursuant to Code Provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year for reviewing and approving financial statements, operating performance, budgets, rules and regulations, announcements and circulars issued by the Company and considering and approving the progress of the various on-going projects, the overall strategies and policies of the Company. Additional meetings would be arranged if and when required. Annual meeting schedules of each meeting of the Board and for the audit committee, nomination committee and remuneration committee of the Company (the "Committees") are normally made available to Directors and members in advance. Board members are provided with all agenda and adequate information for their review at least 14 days before the meetings. The Board and Board Committees members are supplied with comprehensive meeting papers and relevant materials within a reasonable period of time in advance of the intended meeting date (in any event no less than 3 days before the date of the meeting). All Directors and the Board Committees members are given opportunities to include matters in the agenda for regular Board and Board Committees meetings and/or their meetings, if required. To facilitate the decision-making process, the Directors and the Board Committees members are free to have access to the management for enquiries and to obtain further information, when required.

Corporate Governance Report

After the meeting, draft minutes are circulated to all Directors and Committees' members for comments. Minutes of Board meetings and meetings of Board Committees are kept by the company secretary and are available for inspection by the Directors at all times.

Directors may participate in meetings either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. During the year ended 31 March 2017, the Company held one board meeting to consider and approve the relevant resolutions in relation to the Listing. As the Shares were listed on 13 April 2017, the Board did not hold regular meetings for the year ended 31 March 2017 as well as meetings for the Committees and the Board will schedule to have at least four regular meetings and at least one meeting for each of the Committees in the year going forward. The 2017 AGM is scheduled to be held on 24 August 2017. A Board meeting and the Committees' meetings were held on 21 June 2017, the individual attendance records of each Director at these meetings are set out below:

Name of Directors	Attendance record of Directors at the meetings held on 21 June 2017			
	Board	AC	RC	NC
No. of Meeting				
Mr. Wong Siu Man	1	N/A	N/A	N/A
Mr. Wong Siu Wa	1	N/A	N/A	N/A
Mr. Yip Kam Cheong	1	N/A	N/A	N/A
Mr. Wong Chun Hung Hanson	1	N/A	N/A	N/A
Mr. To Yan Ming Edmond	1	1	1	1
Mr. Chau Shing Yim David	1	1	1	1
Mr. Wong Garrick Jorge Kar Ho	1	1	1	1

CHAIRMAN AND CHIEF EXECUTIVE

The Company fully supports the division of responsibility between the chairman of the Board and the chief executive officer, to ensure a balance of power and authority. The respective responsibilities of the chairman of the Board and the chief executive officer are clearly defined. The chairman of the Board provides leadership and is primarily responsible for the effective functioning the Board in accordance with good corporate governance practices and procedures established. He encourages all Directors to make full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. He ensures that appropriate steps are taken to provide effective communication with Shareholders of the Company and their views are communicated to the Board as a whole. With the support of the management, the chairman of the Board is also responsible for ensuring that the Directors receive adequate information (whether from senior management or otherwise) in a timely manner, which is accurate, clear, complete and reliable, and appropriate briefing on issues arising at Board meetings as well as ensuring constructive relations between the executive and independent non-executive Directors. The position of the chairman of the Board is currently held by Mr. Wong Siu Man.

Corporate Governance Report

Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations and responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval, as well as developing policies and practices on corporate governance and compliance with legal and regulatory requirements. The position of the chief executive officer of the Company is currently held by Mr. Wong Siu Wa.

BOARD COMMITTEE

The Board has established three Board Committees, namely, the audit committee ("AC"), the remuneration committee ("RC") and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board Committees have been established with defined written terms of reference, which are posted on the GEM's website at www.hkgem.com and the Company's website at www.agdl.com.hk. All the Board Committees should report to the Board on their decisions or recommendations made. The practices, procedures and arrangements in conducting meetings of Board Committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board Committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

AUDIT COMMITTEE

The AC currently consists of three independent non-executive Directors, namely Mr. Chau Shing Yim David, Mr. To Yan Ming Edmond and Mr. Wong Garrick Jorge Kar Ho. Mr. Chau Shing Yim David currently serves as the chairman of the AC, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The members of the AC should meet not less than twice a year to consider interim report and annual report prepared by the Board and meet the external auditors at least twice a year. As the Shares were listed on 13 April 2017, the AC did not hold any meeting during the year ended 31 March 2017. The first meeting of the AC has been scheduled on 21 June 2017. The individual attendance records of each Director at the meeting of the AC is set out on page 33 of this annual report.

Set out below is a summary of the work and related tasks performed by the AC in the meeting held on 21 June 2017:

1. reviewed the draft annual financial statements and the draft results announcements of the Company for the year ended 31 March 2017, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval;
2. reviewed and monitored the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards;
3. assessed the independence of the Company's external auditor;
4. recommended to the Board regarding the appointment and remuneration of the external auditor;

Corporate Governance Report

5. reviewed the adequacy and effectiveness of the Group's systems of risk management and internal controls through a review of the work undertaken by the Group's external auditor, written representations by the senior management of each of the Group's business divisions and discussions with the Board;
6. reviewed and approved the internal audit programme, reviewed the internal audit reports and discussed any significant issues with the Group's senior management; and
7. reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions through a review of the work undertaken by the Group's senior financial management and internal audit.

During the year ended 31 March 2017, the fee paid/payable to auditor in respect of audit service and/or non-audit services provided by the auditor to the Group were as follows:

Nature of services	2017 HK\$'000	2016 HK\$'000
Audit for the year	900	200
Initial public offering	2,800	–
Others	20	87

NOMINATION COMMITTEE

The NC consists of three independent non-executive Directors, namely Mr. Wong Garrick Jorge Kar Ho, Mr. To Yan Ming Edmond and Mr. Chau Shing Yim David. Mr. Wong Garrick Jorge Kar Ho currently serves as the chairman of the NC.

The Company adopted a board diversity policy which sets out the approach to achieve diversity on the Board, the summary of which are set out below:

- (a) With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development;
- (b) In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; and
- (c) All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Corporate Governance Report

The members of the NC should meet at least once a year where appointment of the Directors will be considered. As the Shares were listed on 13 April 2017, the NC did not hold any meeting during the year ended 31 March 2017. The first meeting of the NC was on 21 June 2017. The individual attendance records of the each Director at the meeting of the NC is set out on page 33 of this annual report.

Set out below is a summary of the work and related tasks performed by the NC in the meeting held on 21 June 2017:

1. assessed the structure, size and composition of the Board;
2. studied the independence of each independent non-executive Director in accordance with the Listing Rules;
3. identified those Directors to be retired from the Board at the 2017 AGM and recommended their re-election at the same meeting in accordance with the Company's byelaws and the Listing Rules;
4. reviewed the service contract(s) to be entered with the independent non-executive Director.

REMUNERATION COMMITTEE

The RC consists of three independent non-executive Directors, namely Mr. To Yan Ming Edmond, Mr. Wong Garrick Jorge Kar Ho, and Mr. Chau Shing Yim David. Mr. To Yan Ming Edmond currently serves as the chairman of the RC.

The members of the RC should meet at least once a year. As the Shares were listed on 13 April 2017, the RC did not hold any meeting during the year ended 31 March 2017. The first meeting of the remuneration committee was held on 21 June 2017. The individual attendance records of the each Director at the meeting of the RC is set out on page 33 of this annual report.

Set out below is a summary of the work and related tasks performed by the RC in the meeting held on 21 June 2017:

1. reviewed the summary of remuneration package paid to each Directors and senior management of the Company;
2. studied the current remuneration package, policy and structure of all Directors (including appointment(s), resignation(s) and retirement(s) during the year);
3. proposed remuneration packages with reference to the duties and responsibilities of Directors, business performance and profitability of the Group and market conditions, the corporate objective and goal set by the Board and a report of salaries paid by the comparable companies to directors and senior management; and
4. reviewed the procedures of remuneration policy, procedures and structure for fixing the remuneration packages.

Corporate Governance Report

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed LY Capital Limited as its compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Company will consult with and, if necessary, seek advice from its compliance adviser on a timely basis in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where the Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in the prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate or other information in the Prospectus; and
- (d) where the Stock Exchange makes an inquiry of the Company under Rule 17.11 of the GEM Listing Rules.

The term of appointment of the compliance adviser of the Company shall commence on the Listing Date and end on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is earlier.

COMPANY SECRETARY

Company Secretary supports the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on the corporate governance matters and facilitating induction and professional development of the Directors. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws, rules and regulations, are followed.

Mr. Chan Po Chak was appointed as the Company Secretary of the Group on 28 October 2016. He has complied with all the required qualifications, experiences and training requirements under the GEM Listing Rules. For the year ended 31 March 2017, Mr. Chan Po Chak has complied with the GEM Listing Rules by taking not less than 15 hours of relevant professional training.

Corporate Governance Report

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 March 2017, which give a true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules.

As at 31 March 2017, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. Therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders of the Company. The independent auditor's report about their reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 47 to 51 of this annual report.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Directors will review the Group's corporate governance policies and compliance with CG Code each financial year and comply with the "comply or explain" principle in the corporate governance report which will be included in the annual reports after the Listing.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiry, all the Directors have confirmed that they have complied with the Model Code during the Relevant Period.

In addition, the Company has also adopted provisions of the Model Code as written guidelines for relevant employees in respect of their dealings in the securities of the Company. Such relevant employees did and would abide by the provisions of the Model Code. Besides, the Company has adopted internal control policy in relation to the disclosure of inside information of the Company (the "Inside Information Policy").

No incident of non-compliance of the Model Code and/or the Inside Information Policy by such relevant employees was noted by the Company from the Listing Date up to the date of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard the assets of the Group and shareholder investments. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Directors consider that the Group has implemented appropriate procedures for safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, segregation of duties and putting plans and routines into execution with appropriate authority and in compliance with the relevant laws and regulations.

In preparation of the Listing, the Board engaged an internal control consultant, an independent third party, to undertake a review of the internal control system of the Group. Material issues identified by the internal control consultant had been rectified prior to the Listing. The Board is of the view that the internal control measures in place are adequate and effective to safeguard the Group's assets and the interest of Shareholders.

The Company does not have an internal audit function from the Listing Date and up to 31 March 2017. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and the close supervision of the management could provide sufficient risk management and internal control for the Group.

The Group adopts a risk management framework which comprises the following processes:

- Identify significant risk in the Group's operation environment and evaluate the impacts of those risks on the Group's business;
- Develop necessary measures to manage those risks; and
- Monitor and review the effectiveness of such measures.

The Group formulated the policies and procedures of risk management and internal control as follows:

- The Group established an organisational structure with clear operating and reporting procedures, lines of responsibility and delegated authority;
- Each operating subsidiary maintains internal controls and procedures appropriate to its structure whilst complying with the Group's policies, standards and guidelines;
- Relevant executive Directors and senior management have been delegated with specific accountability for monitoring the performance of designated business operating units;

Corporate Governance Report

- A systematic review of the financial and business processes in order to provide management on the adequacy and effectiveness of internal controls. Where weaknesses are identified in the system of internal controls, management will evaluate and take necessary measures to ensure that improvements are implemented; and
- Code of ethics are established and adhered to by all employees to ensure high standards of conduct and ethical values in all business practices.

The Board reviewed that the risk management and internal control system adopted by the Group for the year ended 31 March 2017 and considered that it was effective.

PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board has approved and adopted the Inside Information Policy for the Company since 2017 for monitoring inside information to ensure compliance with the GEM Listing Rules and the Securities and Futures Ordinance. The procedures and internal controls for handling and dissemination of inside information as set out in the Inside Information Policy are summarised below:

Handling of Inside Information

1. Inside information shall be announced as soon as reasonably practicable after it becomes known to the Board and/or is the subject of a decision by the Board in accordance with the GEM Listing Rules. In cases where a decision by the Board is pending or in cases of incomplete negotiations, the Group shall implement the procedures set out in the Inside Information Policy to maintain the confidentiality of information. Until an announcement is made, the Directors and the Management should ensure that such information is kept strictly confidential. If the confidentiality cannot be maintained, an announcement shall be made as soon as practicable.
2. Each department shall keep inside information on transactions confidential. If there is a leakage of inside information, they shall inform the Directors and financial controller who is also the Company Secretary, immediately so that remedial actions, including making an inside information announcement, can be taken at the earliest opportunity.
3. The Group's Finance Department shall keep track of the Group's threshold levels for disclosure pursuant to the size tests under the GEM Listing Rules, so that an announcement can be made as soon as practicable should a notifiable transaction arise.

Dissemination of Inside Information

Inside information is announced promptly through the websites of the GEM (www.hkgem.com) and the Company (www.agdl.com.hk). The electronic publication system of the GEM is the first channel of dissemination of the Group's information before any other channel.

Corporate Governance Report

INVESTOR RELATIONS

The Board puts great emphasis on investor relationship in particular fair disclosure and comprehensive report of the Company's performance and activities.

Shareholders are encouraged to attend the general meetings of the Company and the Directors always make efforts to fully address any questions raised by the Shareholders at the annual general meetings (the "AGM") and the extraordinary general meetings (the "EGM") of the Company.

The 2017 AGM of the Company will be held on 24 August 2017, the notice of which shall be sent to the Company's shareholders in accordance with the Articles of Association of the Company, the GEM Listing Rules and other applicable laws and regulations.

SHAREHOLDERS' RIGHTS

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch registrar and transfer office, namely, Tricor Investor Services Limited, whose contact details are stated in the section headed "Corporate Information" of this annual report.

Shareholders holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene an EGM of the Company and state the purpose therefore to the Board or the Company Secretary.

The Company has adopted Communications Policy with Shareholders and investors of the Company that provide ready, equal and timely access to understandable information about the Company. The Board welcomes Shareholders for their comments and/or enquiries about the Company. Shareholders may send their comments and/or enquiries to the Board by addressing them to the Company Secretary. Shareholders who wish to put forward proposal for the Company's consideration at the general meetings of the Company can send their proposal to the Company Secretary.

Pursuant to Articles of Association of the Company, if a Shareholder wishes to propose a person other than retiring Directors for election as a Director at a general meeting of the Company, the Shareholder should deposit a written notice of nomination which shall be given to the principal place of business of the Company in Hong Kong within the 7-day period commencing the day after the despatch of the notice of the meeting (or such other period as may be determined and announced by the Directors from time to time). The relevant procedures is posted on the Company's website (www.agdl.com.hk).

Corporate Governance Report

The shareholders of the Company may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Address: 4/F, How Ming Factory Building
99 How Ming Street, Kwun Tong
Kowloon, Hong Kong

Fax: (852) 2455 3766

E-mail: enquiry@hfh.com.hk

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the Shareholders' questions.

COMMUNICATION WITH SHAREHOLDERS

In order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company, the Company has established a number of channels for maintaining on-going dialogue with the Shareholders as follows:

- (a) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the GEM's website and the Company's website;
- (b) periodic announcements are made through the Stock Exchange and published on the respective websites of the GEM of the Stock Exchange and the Company;
- (c) corporate information is made available on the Company's website;
- (d) AGM and EGM provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and
- (e) the Company's share registrars serve the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

CONSTITUTIONAL DOCUMENTS

During the period from Listing Date to the date of this annual report, there has been no significant changes in the constitutional documents of the Company. The Articles of Association are available on the websites of the GEM of the Stock Exchange and of the Company.

Environmental, Social and Governance Report

ABOUT THE REPORT

The Group is pleased to present its first report on the Environmental, Social, and Governance (the “ESG”) aspects (the “ESG Report”), in accordance with the guidelines of Appendix 27 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the “HKEx”) (the “ESG Guidelines”).

The ESG Report covers the Group’s overall performance, commitment and approaches in workplace quality, environmental protection, operating practices and community involvement in relation to the operations during the Reporting Period for the year ended 31 March 2017. All information and data disclosed herein were based on formal documents and internal statistics of the Group.

During the year ended 31 March 2017, the Group is principally engaged in the food and beverage grocery distribution business in Hong Kong. As one of the intermediate suppliers in the food and beverage grocery supply chain, we procure food and beverage groceries from upper-tier suppliers, and distribute the food and beverage groceries to catering establishments including restaurants, non-commercial dining establishments, hotels, private clubs and food processing operators. We also add value to the products by offering additional services, such as product sourcing, repackaging, quality assurance, warehousing and storage and transportation, to our customers. Having considered the sustainability of business development, as well as the four reporting principles of materiality, quantitative, balance and consistency, the ESG Report focuses on the sustainability performance of the Group’s business.

ABOUT THE GROUP

Established as “Hung Fat Ho” in Kwun Tong in the 1970s, the Group has served over 1,100 customers in Hong Kong which varied in terms of sizes, nature, operating models and types of cuisine. The Group’s goal is to become one of the leading food and beverage grocery distributors in Hong Kong. As a socially responsible enterprise, we will continue to expand our business with environmentally and community friendly measures in order to make great contribution to the development of the industry and society.

ENVIRONMENTAL PROTECTION

The environment is everyone’s concern. The Group strives to strike a balance between efficient operation and environmental protection. We seek to comply with all laws and regulations and to respect the natural environment. We promote energy efficiency and emission reduction in all processes, from sourcing and procurement, inventory management and repackaging, to sales and delivery. Our operations have complied with all relevant laws and regulations in Hong Kong in relation to emission and generation of waste.

We endeavour to minimise any direct or indirect impact to the environment arising from operation in Hong Kong. To prevent overstocking and minimise the amount of unsold, obsolete or expired goods, we have adopted an ERP system to constantly monitor our inventory level. In order to maintain accurate inventory records, we also conduct monthly inventory counts to ensure the actual inventory level matches the inventory information stored in our ERP system. Accurate inventory records are important for our procurement as our purchase order quantities adjusted based on factors including the review of historical sales trend, exchange of market information and so on.

Environmental, Social and Governance Report

With regards to logistics, we streamline our warehousing and delivery processes in order to lower transportation frequency and thereby carbon emission through the consumption of diesel and petroleum. To reduce transportation cost, we engaged Easy Logistics and another independent transportation services provider to provide product delivery services to our customers throughout Hong Kong. With strategic route planning and professional personnel, we believe our transportation services providers could deliver the goods to our customers at the lowest transportation frequency while maintaining the best services.

For repackaging process, we tend to consume less packaging materials (such as plastics, corrugates, paper) or use more eco-friendly or recyclable packaging materials.

Moreover, we implement various measures to lower waste and consumption levels in our office and other facilities. We encourage reduction in paper, water and energy usage through recycling of paper and stationery, promotion of working with electronic documents instead of paper copies, waste reduction and separation, as well as other initiatives. To reduce electricity usage, we limit air-conditioning hours, maintain suitable indoor temperature and clean regularly the air conditioner and ventilation system. We also installed sophisticated telephone and video systems to facilitate the communication of directors and employees, reducing the number of business trips which had indirectly reduced the corresponding carbon emission

SOCIAL ASPECT

Employment

As at 31 March 2017, the Group had a total number of 33 employees. We are committed to providing a fair and respectful workplace for our employees. We ensure our human resources policies in compliance with all applicable domestic and local laws and with reference to the general practice and benchmark of the industry. We have established a comprehensive system of remuneration, incentive and performance management system to attract and retain talents for our long-term and stable growth. The system consists of basic salary, legal and extra benefits (i.e. mandatory provident fund, medical and other insurance, annual leave, sick leave and various subsidies), and monetary and non-monetary rewards (i.e. discretionary bonus and sales commission) for the employees.

The Group aims to nurture a discrimination-free culture and protect our staff from discrimination by sex, age, race, disability, marital and family status. All employees share fair and adequate opportunities in respect of recruitment, career development and promotion. During the year, the Group did not receive any report on discrimination.

Health and Safety

The Group always stresses the importance of occupational health and safety. We established workplace health and safety policies in compliance with applicable domestic and local laws. Assessments on the policies are conducted regularly so as to keep our standards update and practical. For any potential problems that may jeopardise our employees' health and safety, we implement protective and improving measures to minimise any incidents.

Environmental, Social and Governance Report

Development and Training

In light of the employees' importance to the Group's sustainable development, the Group's human resources team organise internal and external trainings for our employees to support their personal growth and career development. All Directors, Company Secretary and senior management will also be trained or provided with up-to-date information on corporate governance and listing regulations. As regulations on food safety changes from time to time, necessary trainings would also be provided to our procurement staff, warehouse staff and other involved employees when there are updates on relevant procedures. We also encourage our staff to attend seminars, workshops and conferences relating to food safety, import of food, business management, logistics management, communication skills, presentation skills, etc.

The Group also provides internal promotion opportunities for employees to recognise their outstanding performance and hard-work. We aspire to retain talents and help our employees to develop their strengths and potentials.

Labour Standards

The Group is in strict compliance with Hong Kong Employment Ordinance and other applicable laws. Relevant guidelines are set out in employment contracts, code of conducts, internal notices and other forms of documents. All recruitment process and promotion activities are monitored under the Group's human resources management scheme to ensure that there is no child labour and forced labour, or discrimination of race, religion, age, disability or other kinds. The Group will conduct investigations, and punishment or dismissal to relevant employees immediately when any illegal behavior is being discovered. If necessary, the Group will further improve the labour mechanism against illegal behaviors. Termination of employment contract, for any reasons such as unsatisfactory performance, will be done in strict accordance of applicable laws and internal guidelines.

For the year ended 31 March 2017, the Group had no major safety issue occurred. There was no child or forced labour in the Group's operations.

Supply Chain Management

The Group endeavours to build and maintain a long-term and close relationships with its suppliers, business partners and vendors. We procure food and beverage groceries from upper-tier suppliers such as food importers, wholesalers, brand owners, manufacturers, agents and distributors. During the years, we have developed an extensive procurement network of reliable suppliers with good business record and high level of integrity. The Group will evaluate products provided by suppliers according to product liability. Information about the evaluation results will be reported in due course to ensure the products meet our requirement or we shall replace the suppliers.

Product Responsibility

The Group attaches great importance to the quality of its products and services. We believe that quality products and services are one of the keys to business success. We have implemented food safety internal control measures to comply with the guidelines applicable to our import/distribution business. Our purchasing manager regularly checks whether our internal control manual complied with the suggested procedures laid down by the relevant authorities, such as:

- (i) application for registration of food importers and distributors;

Environmental, Social and Governance Report

- (ii) update the main food categories and classifications applicable to us when there are changes of food types; and
- (iii) renewal of the registrations, and will update the same when necessary to ensure our food safety measures are up to the latest standard.

We have internal procedures of after-sales customer service to handle customers' complaints and product recall. Upon receiving any complaints, we investigate and identify the cause and take rectifying measures. No recall actions due to safety and health issues were taken by the Group in the Period.

During the year, we did not experience any violation of intellectual property rights and data privacy of our related parties. However, we will ensure that intellectual property rights and information privacy of our suppliers and customers are safeguarded.

Anti-Corruption

The Group adopts a “zero-tolerance” attitude towards any forms of corruption, bribes and improper payments in attempt to gain an improper advantage. We are committed to working with suppliers who operates in an honest and transparent way. Our Directors, senior management, procurement staff, and warehouse staff are trained and well acquired with sufficient knowledge about our anti-corruption practices procedures. Whenever corruption or fraud cases are noticed, we will immediately carry out inspection and report to the management. During the Reporting Period, there is no corruption, bribery, extortion, fraud or money laundering activities by our Group and its employees.

Community Investment

The Group places high importance on the social responsibility of an enterprise and upholds the philosophy of “giving back to society where we take from”. We actively and frequently communicate with different community institutions to understand their situations and needs. We regularly to make donations of our products to certain charitable organisations, hoping to care and help the needy. We hope to take the lead to aid the society through participating in corporate social responsibility activities, with a hope of raising our employees' community awareness and encouraging them contributing back the community personally.



TO THE SHAREHOLDERS OF ASIA GROCERY DISTRIBUTION LIMITED

(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Asia Grocery Distribution Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 52 to 99, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Key audit matter

Valuation of Inventories

We identified the valuation of inventories as a key audit matter due to the use of judgment by the management of the Group in identifying slow-moving and obsolete inventories and estimating the allowance for inventories.

As disclosed in note 5 to the consolidated financial statements, the Group had a significant inventories balance of HK\$9,797,000, which were food and beverage grocery products, as at 31 March 2017.

As detailed in note 5 to the consolidated financial statements, the management of the Group reviewed the inventory ageing analysis at the end of the reporting period to identify slow-moving inventory items. During the year ended 31 March 2017, no allowance for inventories was charged to profit or loss based on assessment of net realisable value by the management of the Group by considering the latest selling prices and current market conditions.

How our audit addressed the key audit matter

Our procedures in relation to the valuation of inventories included:

- Obtaining an understanding of the key controls of the Group over the identification of slow-moving and obsolete inventories;
- Attending physical inventory counting to identify the existence of any slow-moving and obsolete inventories and to observe the physical conditions of inventories;
- Evaluating the accuracy of the ageing analysis of the inventories, on a sample basis, by agreeing the ageing date to goods receipt notes; and
- Assessing the reasonableness of net realisable values with reference to the selling prices subsequent to year end and current market conditions of the inventories.

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Recoverability of trade receivables

We identified the recoverability of trade receivables as a key audit matter due to the use of judgement and estimates by the management of the Group in the evaluation of the recoverability of trade receivables.

As at 31 March 2017, the carrying amount of trade receivables was HK\$18,550,000. As disclosed in note 16 to the consolidated financial statements, an amount of HK\$245,000 was recognised as allowance for bad and doubtful debts during the year ended 31 March 2017 due to financial difficulties of the relevant debtors.

As set out in note 5 to the consolidated financial statements, in determining the impairment loss on trade receivables, the management of the Group considers current creditworthiness and the past collection history of each debtor.

Our procedures in relation to the recoverability of trade receivables included:

- Obtaining an understanding of and testing the management's key controls over credit control, debt collection and their assessment of impairment of trade receivables;
- Evaluating the accuracy of the ageing report of trade receivables on a sample basis by agreeing the ageing date to sales invoices;
- Assessing the reasonableness of allowance of trade receivables by examining the settlement records of the debtors with past due trade receivables; and
- Checking subsequent settlements, on a sample basis, to the source documents including remittance advice and bank statements.

OTHER INFORMATION

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Hung Suk Fan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 June 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
Revenue	6	188,298	183,744
Cost of sales		(142,270)	(141,789)
Gross profit		46,028	41,955
Other income	7	–	64
Other gain and losses, net	7	(245)	(81)
Selling and distribution expenses		(17,433)	(18,753)
Administrative expenses		(12,932)	(8,600)
Listing expenses		(14,645)	–
Finance costs	9	(35)	–
Profit before taxation	10	738	14,585
Income tax expense	11	(2,562)	(2,344)
(Loss) profit and total comprehensive (expense) income for the year		(1,824)	12,241
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
– Owners of the Company		(1,824)	12,056
– Non-controlling interests		–	185
		(1,824)	12,241
(Loss) earnings per share			
Basic (HK cents)	13	(0.23)	1.60

Consolidated Statement of Financial Position

As at 31 March 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Property, plant and equipment	14	2,669	1,497
Finance lease receivable	15	24	87
Deposits	17	1,671	764
		4,364	2,348
Current assets			
Inventories – finished goods		9,797	7,675
Finance lease receivable	15	63	63
Trade receivables	16	18,550	20,655
Other receivables, deposits and prepayments	17	6,984	1,078
Amount due from a director	18	740	–
Amounts due from related companies	18	–	982
Bank balances and cash	19	15,219	5,926
		51,353	36,379
Current liabilities			
Trade payables	20	5,540	5,914
Other payables and accrued charges	21	13,522	1,372
Amount due to a director	18	–	2,343
Consideration payables	25	–	360
Bank borrowing	23	2,515	–
Tax payable		643	477
		22,220	10,466
Net current assets		29,133	25,913
Net assets		33,497	28,261
Capital and reserves			
Share capital	22	156	78
Reserves		33,341	28,183
Equity attributable to owners of the Company		33,497	28,261

The consolidated financial statements on pages 52 to 99 were approved and authorised for issue by the Directors on 21 June 2017 and are signed on behalf by:

Mr. Wong Siu Man
DIRECTOR

Mr. Wong Siu Wa
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Attributable to owners of the Company			Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Accumulated profits HK\$'000			
At 1 April 2015	5,400	-	14,843	20,243	497	20,740
Profit and total comprehensive income for the year	-	-	12,056	12,056	185	12,241
Issue of share capital of HFH Holdings (Note i)	78	-	-	78	-	78
Acquisition of additional interest of a subsidiary (Note 25)	-	184	-	184	(682)	(498)
Arising from Reorganisation (Note ii)	(5,400)	5,400	-	-	-	-
Dividend (Note 12)	-	-	(4,300)	(4,300)	-	(4,300)
At 31 March 2016	78	5,584	22,599	28,261	-	28,261
Loss and total comprehensive expense for the year	-	-	(1,824)	(1,824)	-	(1,824)
Issue of share capital of HFH Holdings (Note iii)	78	5,922	-	6,000	-	6,000
Transaction costs incurred directly attributable to issue of shares of HFH Holdings	-	(240)	-	(240)	-	(240)
Capital injection from a shareholder (Note iii)	-	2,000	-	2,000	-	2,000
Dividend (Note 12)	-	-	(700)	(700)	-	(700)
At 31 March 2017	156	13,266	20,075	33,497	-	33,497

Notes:

- (i) Hung Fat Ho Holdings Limited ("HFH Holdings") was incorporated on 30 June 2015 and 10,000 ordinary shares of United States Dollar ("US\$") 1 each were allotted and issued by HFH Holdings, of which, 6,000 shares and 4,000 shares were issued to Mr. Wong Siu Man and Mr. Wong Siu Wa, respectively.
- (ii) The amounts represent the difference between the share capital of Hung Fat Ho Food Limited ("HFH Food"), Ongo Food Limited ("Ongo Food") and Eagle Food Limited ("Eagle Food") and that of HFH Holdings issued during the year ended 31 March 2016.
- (iii) During the year ended 31 March 2017, HFH Holdings issued 1,600 shares to Trillion Advance (as defined in note 2) at a consideration of HK\$6,000,000 and 8,400 shares to Sky Alpha (as defined in note 1) at nil consideration. Sky Alpha, the immediate holding company of the Company, injected HK\$2,000,000 to the Group as shareholders' contribution in September 2016.

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	NOTE	2017 HK\$'000	2016 HK\$'000
OPERATING ACTIVITIES			
Profit before taxation		738	14,585
Adjustments for:			
Depreciation of property, plant and equipment		1,028	916
Gain on disposal/written-off of property, plant and equipment		-	(10)
Allowance for bad and doubtful debts		245	91
Finance costs		35	-
Operating cash flows before movements in working capital		2,046	15,582
Increase in inventories		(2,122)	(212)
Decrease (increase) in trade receivables		1,136	(16,856)
Increase in other receivables, deposits and prepayments		(1,995)	(230)
(Decrease) increase in trade payables		(374)	455
Increase (decrease) in other payables and accrued charges		12,150	(62)
Cash generated from (used in) operations		10,841	(1,323)
Income tax paid		(2,396)	(2,869)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		8,445	(4,192)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(2,200)	(184)
Proceeds from disposals of property, plant and equipment		-	10
Net inflow from acquisition of a subsidiary	24	-	357
Repayment from a finance lease receivable		63	79
Advance to a director		(740)	-
Repayment from related companies		1,706	14,398
Advance to related companies		-	(250)
Acquisition of non-controlling interest of a subsidiary		(360)	(138)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(1,531)	14,272

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	NOTE	2017 HK\$'000	2016 HK\$'000
FINANCING ACTIVITIES			
Interest paid		(35)	-
Gross proceeds from issue of shares		6,000	78
Transaction costs incurred for issue of shares of HFH Holdings		(240)	-
Transaction costs incurred for issue of shares of the Company		(4,818)	-
Capital injection from a shareholder		2,000	-
Advance from directors		-	946
Repayment to directors		(2,343)	(1,199)
New bank borrowing raised		3,000	-
Repayment of bank borrowing		(485)	-
Dividend paid		(700)	(4,900)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		2,379	(5,075)
NET INCREASE IN CASH AND CASH EQUIVALENTS		9,293	5,005
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		5,926	921
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		15,219	5,926

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2016 Revision) of the Cayman Islands on 29 September 2016. The shares of the Company (the “Shares”) have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 13 April 2017. Its ultimate and immediate holding company is Sky Alpha Investments Limited (“Sky Alpha”), an entity incorporated in the British Virgin Islands (the “BVI”). The address of the Company’s registered office and principal place of business in Hong Kong is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and 4/F, How Ming Factory Building, 99 How Ming Street, Kwun Tong, Hong Kong, respectively.

The Company is an investment holding company. The Group is principally engaged in trading and distribution of food and beverage grocery products in Hong Kong.

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The companies now comprising the Group underwent a series of reorganisation (the “Reorganisation”). Historically and prior to the completion of the Reorganisation, all the companies comprising the Group were jointly controlled by Mr. Wong Siu Man and Mr. Wong Siu Wa (collectively referred to as the “Controlling Shareholders”) except Eagle Food acquired by the Group during the year ended 31 March 2016. Mr. Wong Siu Man and Mr. Wong Siu Wa are brothers and they are acting in concert, throughout the years on their ownerships and exercise their control collectively over the companies now comprising the Group in respect of all the relevant business activities of these companies.

In preparation of the listing of the Company’s shares on the GEM of the Stock Exchange, the companies now comprising the Group underwent the Reorganisation which involves setting up of the Company as new parent company of the Group. The principal steps of the Reorganisation are as below.

- (i) On 30 June 2015, HFH Holdings was incorporated with limited liability in the BVI. On incorporation, HFH Holdings had an authorised share capital of US\$50,000, divided into 50,000 shares of US\$1 each, 6,000 shares and 4,000 shares of which were allotted and issued at par to Mr. Wong Siu Man and Mr. Wong Siu Wa, respectively.

On 30 July 2015, Mr. Wong Siu Man transferred 400,000 shares of Ongo Food, of which 50% of the shares was held by Mr. Wong Siu Man for and on behalf of Mr. Wong Siu Wa since incorporation pursuant to a trust deed, representing 80% interest in Ongo Food, to HFH Holdings as part of consideration of allotment of shares of HFH Holdings to Mr. Wong Siu Man and Mr. Wong Siu Wa. On the same date, HFH Holdings acquired 50,000 shares and 50,000 shares of Ongo Food, representing 20% equity interest in Ongo Food in aggregate, from Mr. Ho Kwok Wai and Ms. Yeung Lai Ping for cash consideration of approximately HK\$249,000 and HK\$249,000, respectively. Mr. Ho Kwok Wai and Ms. Yeung Lai Ping are independent third parties. Upon completion of these transfers, Ongo Food has become a wholly-owned subsidiary of HFH Holdings.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

(i) (continued)

On 15 September 2015, Mr. Wong Siu Man and Mr. Wong Siu Wa transferred their entire equity interest of HFH Food to HFH Holdings as part of consideration of allotment of shares of HFH Holdings to them. Upon the completion of the transfer, HFH Food has become a wholly-owned subsidiary of HFH Holdings.

On 24 June 2016, Lofty Idea Investments Limited (“Lofty Idea”) was incorporated as a limited liability company in the BVI without issuance of any share to the first subscriber. On 8 July 2016, 10,000 shares of Lofty Idea were allotted and issued at par to HFH Holdings.

(ii) On 30 July 2015, HFH Holdings acquired 500,000 shares, representing 100% issued share capital, of Eagle Food from Mr. Li Yiu Pong, an independent third party, for a consideration of approximately HK\$322,000. Upon the completion of the acquisition, Eagle Food has become a wholly-owned subsidiary of HFH Holdings.

On 14 July 2016, the shares held by Mr. Wong Siu Man and Mr. Wong Siu Wa in HFH Holdings were transferred to Sky Alpha in the consideration of the allotment and issue of the 6,000 shares and 4,000 shares of Sky Alpha to Mr. Wong Siu Man and Mr. Wong Siu Wa, respectively.

(iii) On 29 July 2016, HFH Holdings entered into a subscription agreement with Trillion Advance Investments Limited (“Trillion Advance”), an independent third party, pursuant to which, Trillion Advance subscribed for 1,600 new shares of HFH Holdings for a cash consideration of HK\$6,000,000. On 16 August 2016, HFH Holdings allotted and issued 8,400 new shares to Sky Alpha at nil consideration. Upon completion of the issue of these new shares by HFH Holdings, Sky Alpha and Trillion Advance held 92% and 8% issued share capital of HFH Holdings, respectively.

(iv) The Company was incorporated with limited liability on 29 September 2016 in the Cayman Islands. The authorised share capital of the Company, on incorporation, was US\$50,000 divided into 50,000 shares of US\$1 each. On the same day, 1 Share was allotted and issued to Sky Alpha at par. On 30 September 2016, 18,399 Shares and 1,600 Shares of the Company were allotted, issued and credited as fully-paid to Sky Alpha and Trillion Advance, respectively, for the transfer of their respective shareholding interest in HFH Holdings. HFH Holdings thus became a wholly-owned subsidiary of the Company.

Upon the completion of the above steps, Sky Alpha and Trillion Advance held equity interest of the Company as to 92% and 8%, respectively.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 30 September 2016. The Company and its subsidiaries have been under the common control of the Controlling Shareholders throughout the year or since their respective dates of incorporation or acquisition, where there is a shorter period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Accordingly, the consolidated financial statements have been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting For Common Control Combination” issued by the HKICPA.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended 31 March 2017 and 2016 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the year, or since their respective dates of incorporation or acquisition, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2016 has been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation or acquisition, where applicable.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 March 2017, the Group has adopted the HKFRSs issued by the HKICPA that are effective for the Group’s financial year beginning on 1 April 2016.

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKAS 7	Disclosure initiative ⁴
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁴
Amendments to HKAS 40	Transfers of investment property ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle ⁵
HK (IFRIC)-Int 22	Foreign currency transactions and advance consideration ¹

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2017.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 9 Financial instruments

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, new requirements for general hedge accounting and impairment requirements for financial assets.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under Hong Kong Accounting Standards (“HKAS”) 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company have reviewed the Group’s financial assets as at 31 March 2017 and anticipate that the application of HKFRS 9 in the future may result in provision of expected credit losses on financial assets and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group’s existing business model.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 15 Revenue from contracts with customers (continued)

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported and disclosures made in the consolidated financial statements based on the existing business model of the Group as at 31 March 2017.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK\$6,215,000 as disclosed in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

Amendments to HKAS 7 Disclosure initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 April 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group’s financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company anticipate that the application of other new and amendments to HKFRSs and interpretation will have no material impact on the future consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the five elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Merger accounting for business combination involving entities under common control (continued)

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment loss on assets other than financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from a director and related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate except for short-term receivables where the recognition of interest would be insignificant.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of loans and receivables (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at amortised cost

The Group's financial liabilities including trade payables, other payables and accrued charges, consideration payables, amount due to a director and bank borrowing are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution plan are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Allowances for inventories

Management of the Group reviews the inventory ageing analysis at the end of the reporting period in order to identify slow-moving inventory items. Management estimates the net realisable value for inventories based primarily on the latest market prices and current market conditions. In addition, the Group carries out an inventory review on a product-by-product basis at the end of the reporting period and provides necessary allowance if the net realisable value is estimated to be below the cost.

No allowance for inventories are charged for the years ended 31 March 2017 and 2016. The carrying amounts of inventories, which are food and beverage grocery products, are HK\$9,797,000 (2016: HK\$7,675,000).

Allowance for bad and doubtful debts

The allowance for bad and doubtful debts of the Group is estimated based on the evaluation of collectability and ageing analysis of individual trade debts performed by the management of the Group. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Allowance for bad and doubtful debts of HK\$245,000 (2016: HK\$91,000) are charged to profit or loss for the year ended 31 March 2017. As at 31 March 2017, the carrying amounts of trade receivables are HK\$18,550,000 (2016: HK\$20,655,000).

6. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the fair value of amounts received and receivable from sales of food and grocery products by the Group to external customers, net of discounts and sales returns, and is analysed as follows:

	2017 HK\$'000	2016 HK\$'000
Commodities and cereal products (Note a)	54,750	54,683
Packaged food (Note b)	50,195	52,721
Sauce and condiment	38,614	31,648
Dairy products and eggs	26,823	28,369
Beverage and wine	11,793	11,071
Kitchen products (Note c)	6,123	5,252
	188,298	183,744

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

6. REVENUE AND SEGMENTAL INFORMATION (continued)

Notes:

- (a) Commodities and cereal products include rice, wheat flour, noodle products such as ramen and pasta, edible oil as well as sugar and salt.
- (b) Packaged food includes processed products such as meat and vegetables in preserved, canned, frozen and other forms, as well as snacks and pre-packaged food items.
- (c) Kitchen products include food wrap and food-related products such as cling film, baking sheet, foil, cleaning products such as detergent, bleach, liquid soap and others such as tissue paper, toothpick and towel.

Segment information

The Group's operation is solely derived from sales of goods in Hong Kong for both years. For the purposes of resources allocation and performance assessment, the chief operation decision maker (i.e. the executive directors of the Company) (the "CODM") reviews the overall results and financial position of the Group as a whole which is prepared based on the same accounting policies as set out in note 4. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

No segment assets and liabilities are presented as the CODM does not regularly review segment assets and liabilities.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of transactions and the Group's property, plant and equipment amounting to HK\$2,669,000 (2016: HK\$1,497,000) as at 31 March 2017 are all located in Hong Kong by physical location of assets.

For both years, no single customer accounted for 10% or more of the Group's total revenue.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

7. OTHER INCOME AND GAIN AND LOSSES, NET

Other income

	2017 HK\$'000	2016 HK\$'000
Consultancy income	–	64

Other gain and losses, net

	2017 HK\$'000	2016 HK\$'000
Gain on disposal of property, plant and equipment	–	10
Allowance for bad and doubtful debts	(245)	(91)
	(245)	(81)

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Mr. Wong Siu Man, Mr. Wong Siu Wa, Mr. Yip Kam Cheong (“Mr. Jeremy Yip”) and Mr. Wong Chun Hung, Hanson (“Mr. Hanson Wong”) were appointed as directors of the Company on 29 September 2016. The emoluments paid or payable to the directors of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by the entities comprising the Group during the year, were as follows:

Year ended 31 March 2017

	Mr. Wong Siu Man HK\$'000 (Note a)	Mr. Wong Siu Wa HK\$'000 (Note a)	Mr. Jeremy Yip HK\$'000 (Note a)	Mr. Hanson Wong HK\$'000 (Note a)	Mr. Wong Garrick Jorge Kar Ho HK\$'000 (Note b)	Mr. Chau Shing Yim David HK\$'000 (Note b)	Mr. To Yan Ming Edmond HK\$'000 (Note b)	Total HK\$'000
Fees	–	–	–	–	–	–	–	–
Other emoluments								
Salaries and other benefits	540	540	586	–	–	–	–	1,666
Retirement benefit scheme contributions	18	18	18	–	–	–	–	54
Total emoluments	558	558	604	–	–	–	–	1,720

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and chief executive's emoluments (continued)

Year ended 31 March 2016

	Mr. Wong Siu Man HK\$'000 (Note a)	Mr. Wong Siu Wa HK\$'000 (Note a)	Mr. Jeremy Yip HK\$'000 (Note a)	Mr. Hanson Wong HK\$'000 (Note a)	Total HK\$'000
Fees	-	-	-	-	-
Other emoluments					
Salaries and other benefits	510	510	434	-	1,454
Retirement benefit scheme contributions	18	18	18	-	54
Total emoluments	528	528	452	-	1,508

Notes:

- (a) The emoluments of these directors were mainly for their services in connection with management of the affairs of the Company and its subsidiaries.
- (b) Mr. Wong Garrick Jorge Kar Ho, Mr. Chau Shing Yim David and Mr. To Yan Ming Edmond were appointed as independent non-executive directors of the Company on 27 March 2017. The emoluments of the independent non-executive directors were mainly for their services in connection with management of the affairs of the Company.

During both years, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any remuneration during both years.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The five highest paid individuals included two (2016: two) directors of the Company whose emoluments are included in the disclosures in (a) above for the year ended 31 March 2017. The emoluments of the remaining three (2016: three) individuals for the year ended 31 March 2017 were as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and other benefits	2,115	1,722
Bonus (Note)	16	212
Retirement benefit scheme contributions	54	50
	2,185	1,984

Their emoluments were within the following bands:

	2017 Number of employees	2016 Number of employees
Nil to HK\$1,000,000	3	3

Note: Performance bonus is determined by reference to the duties and responsibilities of relevant individual within the Group and the Group's performance.

During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interests on bank borrowing	35	–

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

10. PROFIT BEFORE TAXATION

	2017 HK\$'000	2016 HK\$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	900	200
Depreciation of property, plant and equipment	1,028	916
Directors' remuneration (note 8)	1,720	1,508
Other staff costs		
Salaries and other benefits	6,683	6,252
Retirement benefits scheme contributions	271	243
Total staff costs	8,674	8,003
Minimum lease payments under operating leases in respect of land and buildings	4,859	2,947
Cost of inventories recognised as an expense	142,270	141,789

11. INCOME TAX EXPENSE

	2017 HK\$'000	2016 HK\$'000
Hong Kong Profits Tax:		
– Current tax	2,606	2,384
– Overprovision in prior years	(44)	(40)
	2,562	2,344

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

11. INCOME TAX EXPENSE (continued)

The tax charge for the year can be reconciled to the profit before taxation as follows:

	2017 HK\$'000	2016 HK\$'000
Profit before taxation	738	14,585
Tax at the domestic income tax rate	121	2,407
Tax effect of income not taxable for tax purpose	–	(2)
Tax effect of expenses not deductible for tax purpose	2,510	9
Overprovision in prior years	(44)	(40)
Others	(25)	(30)
Tax charge for the year	2,562	2,344

12. DIVIDEND

No dividend was paid or declared by the Company from its incorporation to the end of the reporting period, nor has any dividend been proposed since the end of the reporting period.

During the year ended 31 March 2017, HFH Holdings declared and paid dividends of HK\$700,000 (2016: HK\$4,300,000), in aggregate, to Mr. Wong Siu Man and Mr. Wong Siu Wa.

13. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2017 HK\$'000	2016 HK\$'000
(Loss) earnings:		
(Loss) earnings for the purpose of calculating basic (loss) earnings per share		
– (Loss) profit for the year attributable to owners of the Company	(1,824)	12,056
Number of shares:		
Number of ordinary shares for the purpose of calculating basic (loss) earnings per share	804,462	751,934

Notes to the Consolidated Financial Statements

13. (LOSS) EARNINGS PER SHARE (continued)

The number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in note 32) had been effective on 1 April 2015.

No diluted (loss) earnings per share for both years were presented as there were no potential ordinary shares in issue for both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 April 2015	1,920	221	795	190	3,126
Additions	–	25	159	–	184
Acquisition of a subsidiary (note 24)	82	238	147	–	467
Disposals/written-off	(300)	–	–	(190)	(490)
At 31 March 2016	1,702	484	1,101	–	3,287
Additions	1,637	144	419	–	2,200
At 31 March 2017	3,339	628	1,520	–	5,487
DEPRECIATION					
At 1 April 2015	657	92	433	182	1,364
Provided for the year	602	121	185	8	916
Eliminated on disposals/written-off	(300)	–	–	(190)	(490)
At 31 March 2016	959	213	618	–	1,790
Provided for the year	628	179	221	–	1,028
At 31 March 2017	1,587	392	839	–	2,818
CARRYING AMOUNTS					
At 31 March 2017	1,752	236	681	–	2,669
At 31 March 2016	743	271	483	–	1,497

Notes to the Consolidated Financial Statements

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over shorter of lease terms or four years
Plant and machinery	30%
Furniture and fixtures	20%
Motor vehicles	30%

15. FINANCE LEASE RECEIVABLE

A motor vehicle of the Group is leased out to Easy Logistics (as defined in note 18) under finance lease. The interest rate inherent in the lease is fixed at the contract date over the lease term.

	2017 HK\$'000	2016 HK\$'000
Presented as non-current asset	24	87
Presented as current asset	63	63
	87	150

	Minimum lease payments		Present value of minimum lease payments	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Finance lease receivable comprises:				
Within one year	63	63	63	63
In more than one year but not more than two years	24	63	24	63
In more than two years but not more than five years	-	24	-	24
	87	150	87	150
Less: unearned finance income	-	-	N/A	N/A
Present value of minimum lease payment receivable	87	150	87	150

Notes to the Consolidated Financial Statements

16. TRADE RECEIVABLES

The Group grants credit terms of 0 – 90 days to its customers from the date of invoices. An ageing analysis of the trade receivables is presented based on the invoice date, which approximates the date of delivery of goods, at the end of the reporting periods.

	2017 HK\$'000	2016 HK\$'000
0 – 30 days	12,345	13,488
31 – 60 days	5,127	5,879
61 – 90 days	932	890
Over 90 days	146	398
	18,550	20,655

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 98% (2016: 98%) of trade receivables as at 31 March 2017 that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectibility and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each client.

The Group has recognised an allowance of bad and doubtful debts of HK\$245,000 (2016: HK\$91,000), during the year ended 31 March 2017, as the Directors of the Company considered that credit quality of these debtors are in doubt. The loss has been included in "other gain and losses, net" in the consolidated statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

Movement of provision of trade receivables is as follows:

	2017 HK\$'000	2016 HK\$'000
Impairment losses recognised	245	91
Amounts written-off as uncollectible	(245)	(91)
Balance at the end of the year	–	–

Notes to the Consolidated Financial Statements

16. TRADE RECEIVABLES (continued)

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$245,000 (2016: HK\$91,000) during the year ended 31 March 2017, which credit quality of these debtors are in doubt.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$385,000 (2016: HK\$504,000) which are past due as at 31 March 2017 for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 85 days (2016: 101 days) as at 31 March 2017.

Ageing analysis of trade receivables which are past due but not impaired:

	2017 HK\$'000	2016 HK\$'000
Within 90 days	239	106
Over 90 days	146	398
	385	504

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting period. The trade receivables past due but not provided for as at the end of each reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and the directors of the Company believe that no further impairment is required.

Notes to the Consolidated Financial Statements

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 HK\$'000	2016 HK\$'000
Rental and utilities deposits	1,679	766
Prepayments to suppliers	579	841
Other prepayments	562	215
Prepaid rental expenses	1,015	–
Deferred listing expenses	4,818	–
Other receivables	2	20
	8,655	1,842
Presented as non-current assets	1,671	764
Presented as current assets	6,984	1,078
	8,655	1,842

18. AMOUNTS DUE FROM RELATED COMPANIES/AMOUNT DUE FROM (TO) A DIRECTOR

Amounts due from related companies and a director

Amounts are unsecured, interest-free and are repayable on demand.

Details of amounts due from related companies and from a director, which are non-trade nature, are as follows:

Name	2017	2016	Maximum amount outstanding	2017	2016
	HK\$'000	HK\$'000	2017	2016	HK\$'000
Hung Fat Ho (note i)	–	982	1,665	2,080	
Easy Logistics Limited (“Easy Logistics”) (note ii)	–	–	–	537	
Fortress Day Limited (“Fortress Day”) (note iii)	–	–	–	289	
Mr. Wong Siu Man	740	–	740	–	
	740	982			

Notes to the Consolidated Financial Statements

18. AMOUNTS DUE FROM RELATED COMPANIES/AMOUNT DUE FROM (TO) A DIRECTOR (continued)

Amounts due from related companies and a director (continued)

Notes:

- (i) Hung Fat Ho is an unlimited entity incorporated in Hong Kong which is 50% and 50% owned by Mr. Wong Siu Man and Mr. Wong Siu Wa respectively. During the years ended 31 March 2017 and 2016, Hung Fat Ho collected settlement of certain trade receivables of the Group on the Group's behalf. The balances above represented the settlement of trade receivables collected by Hung Fat Ho but yet transferred back to the Group as at 31 March 2016. No service fee was charged during both years for this service and such arrangement was terminated in August 2016.
- (ii) Easy Logistics is a company engaged in provision of logistic service in Hong Kong, which was 50% held by Mr. Wong Siu Man and 20% held by Mr. Wong Siu Wa in prior years. Mr. Wong Siu Man and Mr. Wong Siu Wa disposed of all of their interests in Easy Logistics on 1 April 2015 to independent third parties.
- (iii) Fortress Day is a company incorporated in Hong Kong and is 70% held by Mr. Wong Siu Man and the remaining 30% is held by the spouse of Mr. Wong Siu Man.

Amount due to a director

Details of amount due to a director, which is non-trade nature, unsecured, interest-free and repayable on demand, are as follows:

	2017 HK\$'000	2016 HK\$'000
Name		
Mr. Wong Siu Man	–	2,343

19. BANK BALANCES AND CASH

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate from 0% to 0.0001% per annum (2016: 0% to 0.0001% per annum) as at 31 March 2017.

Notes to the Consolidated Financial Statements

20. TRADE PAYABLES

The average credit period for purchases of goods is 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2017 HK\$'000	2016 HK\$'000
0 – 30 days	5,537	5,584
31 – 60 days	3	330
	5,540	5,914

21. OTHER PAYABLES AND ACCRUED CHARGES

	2017 HK\$'000	2016 HK\$'000
Accrued listing expenses	10,924	–
Accrued charges	1,421	355
Salaries and bonus payables	1,022	881
Other payables	155	136
	13,522	1,372

Notes to the Consolidated Financial Statements

22. SHARE CAPITAL

The share capital at 1 April 2015 represent the aggregate share capital of HFH Food and Ongo Food directly held by the Controlling Shareholders prior to the Reorganisation. The balance of the share capital at 31 March 2016 represent the share capital of HFH Holdings. The share capital of the Group as at 31 March 2017 represented the share capital of the Company and details are disclosed as follows:

	Number of shares	HK\$'000
Authorised:		
At 29 September 2016 (date of incorporation) with par value of US\$1 each (note a)	50,000	390
Increase of authorised share capital with par value of HK\$0.01 each on 27 March 2017 (note c)	39,000,000	390
Cancellation of authorised share capital with par value of US\$1 each (note c)	(50,000)	(390)
Increase of authorised share capital with par value of HK\$0.01 each (note d)	1,961,000,000	19,610
At 31 March 2017	2,000,000,000	20,000
Issue and fully paid:		
At 29 September 2016 (date of incorporation) with par value of US\$1 each (note a)	1	–
Issue of shares with par value of US\$1 each upon reorganisation (note b)	19,999	156
Repurchase of shares with par value of US\$1 each (note c)	(20,000)	(156)
Issue of shares with par value of HK\$0.01 each (note c)	15,600,000	156
At 31 March 2017	15,600,000	156

Notes:

- (a) The Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 29 September 2016, one share was allotted and issued.
- (b) On 30 September 2016, in consideration of Sky Alpha and Trillion Advance's transfer of their respective shareholding interest in HFH Holdings to the Company, the Company allotted and issued 18,399 shares and 1,600 shares to Sky Alpha and Trillion Advance respectively.

Notes to the Consolidated Financial Statements

22. SHARE CAPITAL (continued)

- (c) Pursuant to the resolutions passed at the extraordinary general meeting held on 27 March 2017, the authorised share capital of the Company was increased from US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each to the aggregate of (i) US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each and (ii) HK\$390,000 divided into 39,000,000 shares of a par value of HK\$0.01 each, by the creation of an additional 39,000,000 shares with a par or nominal value of HK\$0.01 each (“Variation of Capital”) on 27 March 2017.

Upon the Variation of Capital becoming effective, the Company issued 14,352,000 shares of a par value of HK\$0.01 each to Sky Alpha and 1,248,000 shares of a par value of HK\$0.01 each to Trillion Advance, immediately after which the Company then repurchased 18,400 shares of the Company of a par value of US\$1.00 from Sky Alpha and 1,600 shares of the Company of a par value of US\$1.00 from Trillion Advance respectively. Immediately after the repurchase of the US\$ denominated shares being effected, the authorised share capital of the Company was reduced by the cancellation of 50,000 shares of a par value of US\$1.00 each, such that the authorised share capital of the Company became HK\$390,000 divided into 39,000,000 shares of a par value of HK\$0.01 each. The authorised share capital of the Company was then increased to HK\$20,000,000 divided into 2,000,000,000 shares each by the creation of an additional 1,961,000,000 shares.

- (d) Pursuant to the resolutions of the extraordinary general meeting held on 27 March 2017, the authorised share capital of the Company was increased to HK\$20,000,000 divided into 2,000,000,000 shares of a par value of HK\$0.01 each.

23. BANK BORROWING

	2017 HK\$'000	2016 HK\$'000
The carrying amount of bank loan that contains a repayment on demand clause (shown under current liabilities) but repayable:		
– within one year	981	–
– within a period of more than one year but not exceeding two years	1,534	–
	2,515	–

As at 31 March 2017, the unsecured bank borrowing carries interest rate of Hong Kong Prime Rate minus 1.25% per annum and is guaranteed by Mr. Wong Siu Man and Mr. Wong Siu Wa (the “Personal Guarantee”). The Personal Guarantee was subsequently released before the listing of shares of the Company.

24. ACQUISITION OF A SUBSIDIARY

On 30 July 2015, the Group entered into a sale and purchase agreement with Mr. Li Yiu Pong, an independent third party, to acquire the entire issued equity interest of Eagle Food for a total cash consideration of HK\$322,000, representing the net asset value of Eagle Food as at 30 July 2015. Eagle Food is principally engaged in the business grocery and general trading in the Hong Kong. The primary reason for the acquisition is for the expansion of the Group’s business and to increase returns to its shareholders. The fair value of the assets acquired and liabilities recognised at the date of acquisition are determined by Steinberg Appraisal and Consulting (Hong Kong) Limited, an independent valuer.

Notes to the Consolidated Financial Statements

24. ACQUISITION OF A SUBSIDIARY (continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK\$'000
Property, plant and equipment (note 14)	467
Trade and other receivables	1,307
Deposits and prepayments	274
Bank balances and cash	679
Other payables and accrued charges	(373)
Amount due to Mr. Wong Siu Man	(2,032)
	322

Net cash inflow arising on acquisition of Eagle Food:

	HK\$'000
Cash consideration	(322)
Less: Bank balances and cash acquired	679
Net cash inflow generated from acquisition of Eagle Food	357

The fair value of trade and other receivables at the date of acquisition amounted to HK\$1,307,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK\$1,307,000 at the date of acquisition.

During the year ended 31 March 2016, Eagle Food contributed HK\$9,506,000 to the Group's revenue and incurred profit of HK\$360,000 for the period between the respective date of acquisition and 31 March 2016.

Had the above acquisition been effected at 1 April 2015, the total amount of revenue of the Group for the year ended 31 March 2016 would have been approximately HK\$185,740,000 and the amount of the profit for the year would have been approximately HK\$12,233,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed as at 1 April 2015, nor is it intended to be a projection of future results.

Notes to the Consolidated Financial Statements

25. CHANGE OF GROUP'S INTEREST IN A SUBSIDIARY

On 30 July 2015, the Group entered into sale and purchase agreements and supplementary agreements with two non-controlling shareholders of Ongo Food. Pursuant to the agreements, the Group has agreed to acquire 20% of the entire issued equity interest of Ongo Food, in aggregate, from these two non-controlling shareholders of Ongo Food at an aggregate consideration of HK\$498,000, which comprises of i) a cash consideration of HK\$138,000 which is payable upon completion of the acquisition and ii) a deferred consideration payable of HK\$360,000 which is payable by the end of September 2016. The deferred consideration payable was settled on 30 September 2016.

Subsequent to this acquisition, Ongo Food has become a wholly-owned subsidiary of the Group. This acquisition was completed on 30 July 2015.

26. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	3,695	3,031
In the second to fifth year inclusive	2,520	1,535
	6,215	4,566

The above operating lease payments represents rental payable by the Group for office premises and warehouses for the year. Leases are negotiated for lease term of three to four years and rentals are fixed over the relevant lease term. The lease agreement entered into between the landlord and the Group includes a renewal option for a further three years from the end of the lease without a predetermined rental. Accordingly, this is not included in the above commitment.

Notes to the Consolidated Financial Statements

27. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2017 HK\$'000	2016 HK\$'000
Consultancy income from Eagle Food before acquisition by the Group	–	64
Consultancy expenses paid to Easy Logistics (Note)	–	13

Note: As disclosed in note 18, Mr. Wong Siu Man and Mr. Wong Siu Wa disposed of all of their interests in Easy Logistics on 1 April 2015 to independent third parties. Subsequent to the disposal, Easy Logistics is no longer considered as a related party of the Group.

Details of the balances with a director and related companies at the end of the reporting period are disclosed in the consolidated statement of financial position, consolidated statements of cash flows and note 18 to the consolidated financial statements.

During the years ended 31 March 2017 and 2016, Fortress Day pledged a property ("Fortress Day's Pledge") and Mr. Wong Siu Man and Mr. Wong Siu Wa provided unlimited personal guarantees to a bank, which granted a banking facility to the Group. Fortress Day's Pledge was released on 31 October 2016. The unlimited personal guarantees provided by Mr. Wong Siu Man and Mr. Wong Siu Wa were subsequently released before the listing of the Company's shares.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year ended 31 March 2017 were as follows:

	2017 HK\$'000	2016 HK\$'000
Short-term benefits	3,943	3,564
Post-employment benefits	129	118
	4,072	3,682

Notes to the Consolidated Financial Statements

28. RETIREMENT BENEFITS SCHEMES

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount was HK\$1,250 to HK\$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in note 10.

29. SETTLEMENT GUARANTEE

As at 31 March 2017, settlement guarantee of HK\$420,000 (2016: HK\$420,000) was given by a bank in favour of the Group's supplier. If the Group fails to settle its trade payables to the supplier, such supplier may demand the bank to pay to it the sum or sum stipulated in such demand. The Group will become liable to compensate the bank accordingly. The settlement guarantee will be released only if (i) the Group settles all its trade payables outstanding to the supplier and (ii) submits a request to cancel the settlement guarantee to the bank. The settlement guarantee was granted under the banking facility with details in note 27.

30. SHARE OPTION SCHEME

Pursuant to the resolutions passed at the extraordinary general meeting held on 27 March 2017, the Company has conditionally adopted a share option scheme, the principal terms of which has been set out in the prospectus of the Company dated 31 March 2017.

As at 31 March 2017, no share option has been granted or agreed to be granted under the share option scheme.

Notes to the Consolidated Financial Statements

31. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation	Place of operation	Issued and fully paid share capital	Attributable equity interest of the Group as at 31 March		Principal activities
				2017	2016	
HFH Holdings	The BVI	Hong Kong	US\$20,000	100%	100%	Investment holding
HFH Food	Hong Kong	Hong Kong	HK\$5,000,000	100%	100%	Trading and distribution of food and beverage grocery products
Ongo Food	Hong Kong	Hong Kong	HK\$500,000	100%	100%	Trading and distribution of food and beverage grocery products
Eagle Food	Hong Kong	Hong Kong	HK\$500,000	100%	100%	Trading and distribution of food and beverage grocery products
Lofty Idea	The BVI	Hong Kong	US\$10,000	100%	N/A	Holding of trademark and other intellectual property rights for the Group

* Eagle Food was acquired by the Group on 30 July 2015. Details are disclosed in note 24.

None of the subsidiaries has issued any debt securities at the end of the year.

32. EVENTS AFTER REPORTING PERIOD

Pursuant to the resolutions passed at the extraordinary general meeting held on 27 March 2017, the directors of the Company are authorised to capitalise an amount of HK\$8,244,000 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 824,400,000 shares for allotment and issue to Sky Alpha and Trillion Advance (the "Capitalisation Issue") immediately prior to the listing of the shares of the Company on the GEM of the Stock Exchange (the "Listing"). The Capitalisation Issue was completed on 13 April 2017.

The Listing was completed on 13 April 2017 and the Company allotted and issued 322,000,000 new shares at HK\$0.23 per share for total gross proceeds of approximately HK\$74,060,000.

Notes to the Consolidated Financial Statements

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes amount due to a director as disclosed in note 18 and bank borrowing as disclosed in note 23, and equity of the Group, comprising issued share capital, other reserves and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 HK\$'000	2016 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	36,277	28,499
Financial liabilities		
Amortised cost	21,577	9,989

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, finance lease receivable, amounts due from related companies and a director, bank balances and cash, trade payables, other payables and accrued charges, consideration payables, amount due to a director and bank borrowing. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Currency risk

The Group has foreign currency purchases, which accounted for 8% (2016: 4%) of the Group's purchase during the year ended 31 March 2017 which exposes the Group to foreign currency risk. Certain bank balances of the Group are denominated in foreign currencies, i.e. Euro ("EUR") and US\$. The carrying amounts of the Group's bank balances denominated in foreign currencies at the end of the reporting period are as follows:

	Bank balances	
	2017 HK\$'000	2016 HK\$'000
EUR	109	238
US\$	776	-

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Since the exchange rate of HK\$ is pegged to US\$, the Group does not expect significant movement in the US\$/HK\$ exchange rate, therefore US\$ is not considered in the sensitivity analysis.

Sensitivity analysis is prepared to demonstrate the effect of foreign exchange differences by 10% change in exchange rate of HK\$ against EUR, assuming all other variables were held constant. A positive number below indicates a decrease in post-tax loss (2016: an increase in post-tax profit) where HK\$ strengthen 10% against EUR. For a 10% weakening of the HK\$ against EUR, there would be an equal and opposite impact on the results for the year.

	2017 HK\$'000	2016 HK\$'000
Decrease in post-tax loss (2016: increase in post-tax profit) for the year	9	20

Notes to the Consolidated Financial Statements

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in bank balances (note 19) as at 31 March 2017 and 2016 and variable-rate bank borrowing (note 23) as at 31 March 2017.

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rate for bank borrowing as at 31 March 2017. The analysis is prepared assuming the bank borrowing outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease in bank borrowing are used represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rate of bank borrowing had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2017 would increase/decrease by HK\$11,000 (2016: nil).

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, finance lease receivable, amounts due from related companies and a director and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of the reporting period.

Management of the group adopted a policy on providing credit facilities to new customers. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis. Management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Notes to the Consolidated Financial Statements

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

The credit risk on trade receivables is limited because the Group has large number of customers.

The credit risk for bank balances is considered as not material as such amount is placed in banks with good reputation.

As at 31 March 2017, the Group had concentration of credit risk in respect of amount due from a director (2016: amounts due from related companies). In order to minimise the credit risk, the Group's management continuously monitored the settlement status and the level of exposure to ensure that follow-up action was taken to recover overdue debts. Under such circumstances, the Group's management considered that the Group's credit risk was not material.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

As at 31 March 2017

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 to 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Non-derivative financial liabilities					
Trade payables	N/A	–	5,540	5,540	5,540
Other payables and accrued charges	N/A	13,522	–	13,522	13,522
Bank borrowing	3.75	2,515	–	2,515	2,515
		16,037	5,540	21,577	21,577

Notes to the Consolidated Financial Statements

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

As at 31 March 2016

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 to 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Non-derivative financial liabilities					
Trade payables	N/A	–	5,914	5,914	5,914
Other payables and accrued charges	N/A	1,372	–	1,372	1,372
Consideration payables	N/A	360	–	360	360
Amounts due to directors	N/A	2,343	–	2,343	2,343
		4,075	5,914	9,989	9,989

Bank borrowing with a repayment on demand clause are included in the “repayable on demand” time band in the above maturity analysis. As at 31 March 2017, the aggregate carrying amount of this bank borrowing of the Group amounted to HK\$2,515,000 (2016: nil). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the bank will exercise its discretionary right to demand immediate repayment. The directors of the Company believe that such bank borrowing of the Group will be repaid in accordance with the scheduled repayment dates set out in the loan agreement in note 23. The outstanding aggregate principal and interest cash outflows of the Group amount to HK\$2,599,000 (2016: nil) as at 31 March 2017.

Fair value of financial instruments

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 March 2017 HK\$'000
Non-current assets	
Investment in a subsidiary	32,122
Current assets	
Other receivables	4,818
Current liabilities	
Other payables and accrued charges	11,247
Amounts due to subsidiaries	8,216
	19,463
Net current liabilities	(14,645)
Net assets	17,477
Capital and reserve	
Share capital	156
Reserves	17,321
Equity attributable to owners of the Company	17,477

	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 29 September 2016 (date of incorporation)	–	–	–
Loss for the period	–	(14,645)	(14,645)
Reserve arising from Reorganisation	29,966	–	29,966
Capital injection from a shareholder	2,000	–	2,000
At 31 March 2017	31,966	(14,645)	17,321

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last three financial years, as extracted from this annual report and the Prospectus, is set out below:

	Year ended 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Consolidated results summary			
Revenue	156,211	183,744	188,298
Profit before taxation	11,317	14,585	738
Income tax expense	(1,867)	(2,344)	(2,562)
Profit (loss) and total comprehensive income (expense) for year	9,450	12,241	(1,824)
Profit (loss) and total comprehensive income (expense) for year attributable to:			
– Owners of the Company	9,040	12,056	(1,824)
– Non-controlling interests	410	185	–
	9,450	12,241	(1,824)
As at 31 March			
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Consolidated Statement of financial position summary			
Non-current assets	2,433	2,348	4,364
Current assets	26,994	36,379	51,353
Current liabilities	(8,687)	(10,466)	(22,220)
Non-current liabilities	–	–	–
Total net assets	20,740	28,261	33,497
Equity attributable to:			
– Owners of the Company	20,243	28,261	33,497
– Non-controlling interests	497	–	–
Total equity	20,740	28,261	33,497