



# 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 2019**

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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 of the Stock Exchange (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.*

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# 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. Ng Fan Kay Frankie (appointed on 31 August 2018)

Mr. Wong Garrick Jorge Kar Ho

Mr. Chau Shing Yim David (resigned on 31 August 2018)

## AUDIT COMMITTEE

Mr. Ng Fan Kay Frankie (*Chairman*)

(appointed on 31 August 2018)

Mr. Chau Shing Yim David (*Chairman*)

(resigned on 31 August 2018)

Mr. To Yan Ming Edmond

Mr. Wong Garrick Jorge Kar Ho

## REMUNERATION COMMITTEE

Mr. To Yan Ming Edmond (*Chairman*)

Mr. Ng Fan Kay Frankie (appointed on 31 August 2018)

Mr. Wong Garrick Jorge Kar Ho

Mr. Chau Shing Yim David (resigned on 31 August 2018)

## NOMINATION COMMITTEE

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

Mr. Ng Fan Kay Frankie (appointed on 31 August 2018)

Mr. To Yan Ming Edmond

Mr. Chau Shing Yim David (resigned on 31 August 2018)

## COMPLIANCE OFFICER

Mr. Yip Kam Cheong

## COMPANY SECRETARY

Ms. Lau Yin Ping

## AUTHORISED REPRESENTATIVES

Mr. Wong Siu Man

Ms. Lau Yin Ping

## REGISTERED OFFICE

PO Box 309,

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Whole of Upper Ground Floor

Mai Tong Industrial Building

No.22 Sze Shan Street

Kowloon, Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

## AUDITOR

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

31/F, Gloucester Tower, The Landmark

11 Pedder Street, Central

Hong Kong

## COMPLIANCE ADVISER

LY Capital Limited

Rooms 1901-02

China Insurance Group Building

141 Des Voeux Road, Central

Hong Kong

## PRINCIPAL BANKER

Nanyang Commercial Bank, Limited

## COMPANY'S WEBSITE

[www.agdl.com.hk](http://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 annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2019 (the "Reporting Period").

The Group has been engaged in the food and beverage grocery distribution business under the authentic and original "Hung Fat Ho" brand in Hong Kong for over 40 years, witnessing change of the society and the market. Years of experience also contributed to the business achievements of the Group. The Group supplied over 300 brands of products originated from different areas, with customers covering restaurants, non-commercial dining establishments, hotels and private clubs, food processing operators and wholesalers in Hong Kong.

According to the Government Census and Statistics Department, in March 2019, the total retail sales value was provisionally estimated to be HK\$39.7 billion, representing a year-on-year decrease of 0.2%. Without taking into account the effect of price change, the total sales volume of goods slightly dropped by 0.8%. The retail sales business should continue to be affected by various external uncertainties in the near term. On top of that, the soaring operating costs are not expected to slow down, especially the labor cost and rentals. In terms of labor costs of all main industry sectors researched by the Government Census and Statistics Department, the nominal average salary index for employees in the fourth quarter of 2018 increased by 4.1% compared with a year earlier. The Group expects that 2019/2020 is still a challenging year.

Leveraging on strong relationships with suppliers and producers, the familiarity with the market as well as long established reputation and reliable performance, the Group was able to differentiate ourselves from our competitors in the fiercely competitive market. In addition, experienced team placed the Group in a position to adjust product portfolio to maintain its industry competitiveness by quickly responding to the change of customer's preference and catering to such preference. During the Reporting Period, the Group invested more resources in sales and marketing activities, including participating in local food exhibitions and trade shows, to showcase its products to potential buyers. Meanwhile, the Group is expanding the marketing team to enhance the communication with customers and further increase its market share.

The Group is committed to innovation and advancement. In the future, the Group will continue to develop its advantage for survival in the ever-changing food market. In order to provide efficient one-stop services, the Group gives full play to its advantage in offering product sourcing, repackaging, quality assurance, warehousing and storage, transportation as well as other value-added services to provide efficient one-stop food and beverage grocery distribution solutions to customers.

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the longstanding support of all our shareholders, suppliers, customers and business partners, as well as all staff for their continuous efforts. In the future, the Group will continue to expand and develop business, create better prospect and bring more satisfactory returns to the shareholders.

**Wong Siu Man**

*Chairman and Executive Director*

Hong Kong, 25 June 2019

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Wong Siu Man (黃少文)**, aged 46, 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 the controlling shareholders of the Company (as defined in the GEM Listing Rules). Mr. Wong Siu Man is a director of Sky Alpha Investments Limited, a company which has an interest in the shares of the Company and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). 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 50, 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 the controlling shareholders of the Company. Mr. Wong Siu Wa is a director of Sky Alpha Investments Limited, a company which has an interest in the shares of the Company and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). 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 44, 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 45, was appointed as a non-executive Director with effect from 29 September 2016. Mr. Hanson Wong has over 17 years of industry experience in the finance industry. Mr. Hanson Wong has been an executive director of Future Land Resources Capital Investment Management Limited since 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.

## Biographical Details of Directors and Senior Management

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 in July 2013 and July 2015 respectively, 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 and was appointed as assistant commissioner from April 2018 to March 2019. He was also appointed as the 17th and 18th chairman of the Hong Kong Precious Metals Traders Association Limited in May 2014 and August 2016 respectively and as the vice president of Association of International Certified Financial Consultants in October 2016. He was an alternate committee member (候補理監事) of the Chinese Gold & Silver Exchange Society (金銀業貿易場) in January 2017.

Mr. Hanson Wong completed his secondary education at Munsang College in July 1990. He 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.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. To Yan Ming Edmond (杜恩鳴) (“Mr. To”)**, aged 47, 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 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 the Stock Exchange. He is also an independent non-executive director of China Vanguard You Champion Holdings Limited (stock code: 8156), a company listed on GEM. 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.

## Biographical Details of Directors and Senior Management

**Mr. Ng Fan Kay Frankie (吳奮基)** (“Mr. Ng”), aged 42, has almost 20 years of experience in auditing, taxation and financial management and had been appointed as an independent non-executive Director with effect from 31 August 2018. Mr. Ng is also the chairman of our audit committee and a member of our remuneration committee and our nomination committee.

Mr. Ng obtained a bachelor degree in accountancy from The Hong Kong Polytechnic University in 1999. He has been a member of HKICPA and a Certified Tax Advisor of The Taxation Institute of Hong Kong since November 2009 and September 2010, respectively.

Mr Ng was the executive director of a leading corporate services provider, Vistra Services (Hong Kong) Limited, from May 2013 to June 2018 and was responsible for managing the Greater China business on company formation, corporates services, accounting, payroll and tax services for different jurisdictions including Hong Kong, PRC and offshore. From February 2007 to March 2013, he worked as a tax manager in Ernst and Young Tax Services Limited, an international accounting firm and has extensive experience in accounting and taxation.

**Mr. Wong Garrick Jorge Kar Ho (黃嘉豪)**, aged 37, 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. Chan Lai In (陳麗妍)** (“Ms. Sydney Chan”), aged 32, has joined our Group as the financial controller since August 2017. Ms. Sydney Chan is primarily responsible for the overall corporate financial matters, capital management, investor relations and the strategic planning of our Group. Ms. Sydney Chan obtained her bachelor of business administration degree in professional accountancy from the Chinese University of Hong Kong in December 2008. Ms. Sydney Chan is a member of the HKICPA. She has extensive experience in accounting, auditing, taxation and initial public offer.

**Ms. Cheung Ching Han (張靜嫻)** (“Ms. Christy Cheung”), aged 34, 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.

## Biographical Details of Directors and Senior Management

**Mr. Wong Chun Fung (黃鎮鋒)** (“**Mr. Wong**”), aged 35, 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 10 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.

### COMPANY SECRETARY

**Ms. Lau Yin Ping (劉燕萍)** (“**Ms. Lau**”), aged 36, has joined our Group in August 2018 and was appointed as our company secretary. Ms. Lau is primarily responsible for overseeing the company secretarial matters of our Group. Ms. Lau graduated from the Queensland University of Technology in Australia in 2006 with a Bachelor of Business degree in accountancy. Ms. Lau become a member of the HKICPA in 2012.

# 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.

On 13 April 2017, the shares of the Company (the "Share") were successfully listed on GEM (the "Listing") when 322,000,000 Shares were allotted and issued at HK\$0.23 each. The Group's business model, revenue structure and cost structure basically remain unchanged after the Listing. Based on the audited financial information of our Group, our revenue was approximately HK\$213,926,000 for the year ended 31 March 2019, representing an increase of approximately 10.2% as compared to approximately HK\$194,137,000 in the corresponding period of 2018.

The past year was a difficult period for Hong Kong's food and beverage industry as a whole. The industry faced a lot of challenges such as the high upfront costs, skyrocketing rentals and increasing labor costs, as well as difficulty in retaining talent in an increasingly competitive market. Therefore, during the year ended 31 March 2019, the Group consistently adhered to the principle of maintaining profitability while striving for better results, and continued to step up its efforts in controlling expenditure, and at the same time enhancing its presence in the food and beverage grocery distribution market by devoting more resources to sales and marketing activities and actively facilitating the business development of new products. Despite this, the Directors expect that the competition of the market will continue to be intense.

## FINANCIAL REVIEW

### Revenue

The following table sets forth the breakdown of the Group's revenue for the years ended 31 March 2019 and 2018:

	2019 HK\$'000	2018 HK\$'000	Change %
Commodities and cereal products	54,025	54,259	-0.4%
Packaged food	65,622	52,743	24.4%
Sauce and condiment	43,741	42,376	3.2%
Dairy products and eggs	26,350	24,993	5.4%
Beverage and wine	13,115	12,337	6.3%
Kitchen products	11,073	7,429	49.1%
	<b>213,926</b>	<b>194,137</b>	<b>10.2%</b>

## Management Discussion and Analysis

Our revenue generated from different types of product contributed were rather stable for the years ended 31 March 2019 and 2018. During the years ended 31 March 2019 and 2018, 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 88.2% and 89.8% respectively, of our total revenue.

Revenue generated from sales of commodities and cereal products for the years ended 31 March 2019 and 2018 accounted for approximately 25.3% and 27.9% of our total revenue respectively. Sales of commodities and cereal products remained relatively stable for the year ended 31 March 2019 as compared to the previous year.

Our sales of packaged food increased by approximately 24.4% for the year ended 31 March 2019 as compared to the previous year mainly as a result of introduction of new products and increased demand from our customers as a result of successful sales campaign. Revenue generated from sales of packaged food, which becomes our largest contributing product types for the year ended 31 March 2019, accounted for approximately 30.7% and 27.2% of our total revenue respectively for the years ended 31 March 2019 and 2018.

Our sales of sauce and condiment increased by approximately 3.2% for the year ended 31 March 2019 as compared to the previous year mainly as a result of increased orders received for steady growth of existing products.

Our sales of dairy products and eggs increased by approximately 5.4% for the year ended 31 March 2019 as compared to the previous year mainly due to increased orders for milk from an existing large customer.

Our sales of beverage and wine increased by approximately 6.3% for the year ended 31 March 2019 as compared to the previous year mainly due to increased demand from customers.

Our sales of kitchen products increased by approximately 49.1% for the year ended 31 March 2019 as compared to the previous year mainly due to sales of few expensive versatile super slicers and more promotion done for our high-quality kitchen products in the current year.

### 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 increased by approximately HK\$19,793,000 or approximately 13.5% to approximately HK\$165,943,000 for the year ended 31 March 2019 as compared to approximately HK\$146,150,000 for the year ended 31 March 2018 was due to increased sales volumes and increase in cost of finished goods purchased from suppliers.

### Gross profit and gross profit margin

The Group's gross profit decreased from approximately HK\$47,987,000 for the year ended 31 March 2018 to approximately HK\$47,983,000 for the year ended 31 March 2019. The slight decrease in gross profit was due to higher cost of goods purchased from suppliers. For the year ended 31 March 2019, the Group's gross profit margin decreased to 22.4% as compared with previous year at 24.7%.

# Management Discussion and Analysis

## Other income

Other income represented interest income from bank deposits. Other income increased from approximately HK\$61,000 for the year ended 31 March 2018 to approximately HK\$387,000 for the year ended 31 March 2019 mainly due to increase in interest income from fixed bank deposits.

## Other gain and losses, net

The Group recorded a net gain of approximately HK\$15,000 for the year ended 31 March 2019 (year ended 31 March 2018: net losses of approximately HK\$149,000), which was attributable to the reversal of bad and doubtful debts. Net losses in previous year represented the net exchange loss of approximately HK\$67,000 and the allowance for bad and doubtful debts of approximately HK\$82,000.

## 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 increase of selling and distribution expenses of the Group matched with the revenue increment and were mainly due to increase in transportation expenses and advertising expenses in an attempt to boost sales in the coming months. The selling and distribution expenses accounted for approximately 9.6% and 10.0% of the total revenue for the years ended 31 March 2019 and 2018 respectively.

## Administrative expenses

For the year ended 31 March 2019, the Group's administrative expenses primarily comprised legal and professional fees, rent, rates and management fee for office and warehouses, staff costs for administrative and management personnel, directors' remuneration, depreciation and insurance. Administrative expenses increased from approximately HK\$22,610,000 for the year ended 31 March 2018 to approximately HK\$22,825,000 for the year ended 31 March 2019. The increase of administrative expenses of the Group was mainly due to increase in salaries of administrative staff and hiring of management personnel offset by decrease in legal and professional fees.

## Listing expenses

No listing expense incurred for the year ended 31 March 2019. Listing expenses amounted to approximately HK\$2,075,000 for the year ended 31 March 2018 which comprised professional and other expenses in relation to the Listing.

## Finance costs

Finance costs of approximately HK\$6,000 for the year ended 31 March 2019 represented interest expenses on obligation under finance lease incurred for a truck purchased. Finance costs of approximately HK\$57,000 for the year ended 31 March 2018 represented interest expenses on a bank borrowing drawn in November 2016. The bank borrowing was early repaid in December 2017. The unsecured bank borrowing carried interest rate of Hong Kong Prime Rate minus 1.25% per annum.

# Management Discussion and Analysis

## Income tax expense

For the years ended 31 March 2019 and 2018, our income tax expense were approximately HK\$1,022,000 and HK\$1,427,000, respectively, and our effective tax rate (excluding the non-recurring listing expenses) for the same period was approximately 20.7% and 24.2%, respectively.

## Profit and total comprehensive income attributable to owners of the Company

For the year ended 31 March 2019 and 2018, the Group's profit and total comprehensive income attributable to owners of the Company were approximately HK\$3,909,000 and HK\$2,394,000 respectively. The increase of profit and total comprehensive income attributable to owners of the Company was mainly attributable to the decreased listing expenses and professional fees, offset by increase in transportation expenses and administrative staff costs.

## Dividend

No dividend was paid, declared or proposed during the year. The Directors do not recommend the payment of any dividend for the year ended 31 March 2019 (year ended 31 March 2018: nil).

No shareholder of the Company has waived or agreed to waive any dividends during the year.

## Trade and other receivables

Trade receivables increased by 54.7% from approximately HK\$20,931,000 as at 31 March 2018 to approximately HK\$32,375,000 as at 31 March 2019. The increase was in line with the revenue increment and mainly due to a big sales occurred near year end which was only partially settled as at 31 March 2019.

Other receivables increased by HK\$3,358,000 from approximately HK\$1,458,000 as at 31 March 2018 to approximately HK\$4,816,000 as at 31 March 2019. The increase was mainly due to new rental and utilities deposits paid for the new warehouse and office in Kowloon and deposits paid for their renovation and acquisition of property, plant and equipment.

## Trade and other payables

Trade payables decreased by 27.3% from approximately HK\$6,687,000 as at 31 March 2018 to approximately HK\$4,861,000 as at 31 March 2019. The decrease was mainly due to increased settlement of trade payables near period end due to surplus cash on hand.

Other payables increased by HK\$624,000 from approximately HK\$2,402,000 as at 31 March 2018 to approximately HK\$3,026,000 as at 31 March 2019. The increase was mainly due to the increase in accrued transportation expenses.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, bank balances and cash of the Group amounted to approximately HK\$64,745,000 (As at 31 March 2018: approximately HK\$54,007,000). The current ratios (current asset divided by current liabilities) of the Group were 13.6 times and 11.7 times as at 31 March 2019 and 31 March 2018 respectively. The Group generally financed its daily operations from internally generated cash flows. The Group financed its business expansion and new business opportunities from the net proceeds from the Listing. The remaining unused net proceeds as at 31 March 2019 were placed as interest bearing deposits with licensed bank in Hong Kong.

## CAPITAL STRUCTURE

The Shares were successfully listed on GEM on 13 April 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary shares.

As at 31 March 2019, the Company's issued share capital was HK\$11,620,000 and the number of its issued ordinary Shares was 1,162,000,000 of HK\$0.01 each.

## 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 2019 was approximately HK\$285,000 (31 March 2018: nil). The Group's gearing ratio as at 31 March 2019 was approximately 0.3% (31 March 2018: 0%), which is calculated as the Group's total borrowing over the Group's total equity. The increase in gearing ratio was mainly due to purchase of a truck under finance lease during the current year.

# Management Discussion and Analysis

## CAPITAL EXPENDITURE

During the year ended 31 March 2019, the Group invested approximately HK\$1,786,000 in property, plant and equipment, mainly represented motor vehicle and furniture and fixtures.

## CAPITAL COMMITMENTS

As at 31 March 2019, 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 2019.

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2019, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 31 March 2017 (the "Prospectus"), the Group did not have other future plan for material investments or capital assets.

## CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any significant contingent liabilities (31 March 2018: nil).

## INFORMATION ON EMPLOYEES

As at 31 March 2019, the Group employed 42 employees (31 March 2018: 35 employees) with total staff cost of approximately HK\$13,963,000 incurred for the year ended 31 March 2019 (for the year ended 31 March 2018: approximately HK\$13,253,000). The Group's remuneration packages are generally structured with reference to market terms and individual merits.

## Management Discussion and Analysis

### USE OF PROCEEDS AND ACTUAL PROGRESS OF THE GROUP'S BUSINESS OBJECTIVES

The net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately HK\$48,500,000. Following the Listing, in response to changing business environment and business development requirement of the Group, the Board has resolved to update the proposed use of the net proceeds for reasons as more fully explained in the paragraph headed "Reasons for the Update on Use of Proceeds" in the announcement of update on use of proceeds dated 27 March 2019. Set out below is the actual utilisation of net proceeds up to the date of this annual report:

	Original use of net proceeds HK\$'000	Updated use of net proceeds HK\$'000	Utilised HK\$'000	Unutilised HK\$'000
Leasing of warehouse facility in New Territories & Hong Kong Island:				
– Rental deposits	1,170	–	–	–
– Rental payments	6,455	–	–	–
– Renovation costs	6,000	–	–	–
– Start-up costs for warehouse facility	9,775	–	–	–
Leasing of warehouse facility in Kowloon:				
– Rental deposits	–	900	(570)	330
– Rental payments	–	7,400	(380)	7,020
– Renovation costs	–	7,000	(3,071)	3,929
– Start-up costs for warehouse facility	–	8,100	(816)	7,284
Upgrade of Enterprise Resource Planning ("ERP") system	12,560	12,560	(2,880)	9,680
Conducting sales and marketing activities	5,540	5,540	(415)	5,125
Installation of new repackaging equipment	3,500	3,500	(237)	3,263
General working capital	3,500	3,500	(3,500)	–
	48,500	48,500	(11,869)	36,631

Looking forward, the Group will further enhance the capabilities of offering a wide spectrum of products for customers and continue to exercise careful cost controls to withstand the keen competition in the food and beverage grocery distribution industry.

As disclosed in the Prospectus, the Group's principal business objectives are to strengthen its position in the food and beverage grocery distribution industry and further expand its business operations with a view to creating long-term shareholders' value. The Directors intend to achieve the objectives by (a) increasing warehouse facilities strategically located in certain districts of Hong Kong in proximity to the Group's customers; (b) upgrading the ERP system to enhance the Group's operation efficiency; (c) further penetrating the food and beverage grocery distribution market through sales and marketing activities and the Group's quality value-added services; and (d) attracting and retaining quality personnel.

## Management Discussion and Analysis

In light of the rise in number of customers and purchase orders, the Group had planned to lease two warehouse facilities, one in the New Territories and another on the Hong Kong Island for accommodating the increased inventory level. However, since the second half of 2017, the rent and the rent price index in the factory building rental market in Hong Kong showed a continuous uptrend and the Group had not yet identified suitable premises for the warehouse facilities in both areas, therefore the leasing was not yet commenced up to March 2019.

In early 2019, the Group surveyed a premise in Yau Tong, Kowloon, which size and location are suitable for our warehousing, and additionally, the proposed rental fee is relatively cost-effective. The Board evaluated that the premise in Yau Tong, Kowloon is meeting the Group's requirements for fair and efficient use of financial resources. Therefore, the Board had decided to establish a new warehouse at the above mentioned premise and migrated all inventory from the existing warehouses to the new location. As at 31 March 2019, a total of approximately HK\$4,837,000 was spent on rental deposits, rental payments, renovation costs and start-up costs for the warehouse facility.

The Group had planned to use approximately HK\$12,560,000 of the net proceeds to upgrade the ERP system, which is used to monitor the inventory level and minimise incidences of overstocking, so as to enhance the operational efficiency of the Group. As at 31 March 2019, the Group selected a new ERP software for implementation and a total of approximately HK\$2,880,000 was spent on consultancy services and software and hardware acquisition for the upgrade of the ERP system.

The Group had planned to use approximately HK\$5,540,000 of the net proceeds to conduct sales and marketing activities to attract more customers and strengthen customer loyalty so as to further penetrate the food and beverage grocery distribution market. As at 31 March 2019, a total of approximately HK\$415,000 was spent on participating in domestic food exhibition and sales exhibition to showcase our products to potential buyers. The Group is currently recruiting new sales person and marketing staff for upcoming new sales campaign.

The Group had planned to use approximately HK\$3,500,000 to purchase new repackaging equipment to further automate the repackaging process and increase efficiency. As at 31 March 2019, a total of approximately HK\$237,000 was spent on purchasing new automatic repackaging machines. The Group will continue to install more repackaging equipment and develop packaging design.

The principal strategic, operational and financial risks faced by the Group are market competition, employee commitment and satisfaction, warehouse disruption, credit risk of customers and fund investments and returns. With the Group's proven track record, plus its experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors. The Directors will also continue to explore opportunities to diversify the Group's operation so that the customer base could be strengthened and diversified. The Directors will continue to review and evaluate the business objectives and strategies and make timely execution taking into account the business risks and market uncertainties. The Directors believe that the Group will continue to expand to become one of the leading food and beverage grocery distributors in Hong Kong.

# Directors' Report

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 March 2019.

## 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 2019 are set out in the note 28 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 four years ended 31 March is set out on page 116 of this annual report.

## BUSINESS REVIEW

The business of the Group for the year ended 31 March 2019 is set out in the section headed "Management Discussion and Analysis" on pages 9 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 47 to 57 of this annual report.

## Compliance with Relevant Laws and Regulations

During the year ended 31 March 2019, 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.

## 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 2019, there were no material and significant dispute between the Group and its employees, customers and suppliers.

# Directors' Report

## PRINCIPAL RISKS AND UNCERTAINTIES

### Business Risk

The Group may be unable to retain or replace the Group's major customers. While the Group has good working relationships with the customers, there is no assurance that they will continue to place orders with the Group at all or at current levels in the future. In the event that the Group's major customers significantly reduce their orders with the Group, the business and results of operations of the Group will be adversely affected. As such, the Group is also exposed to inventory risk and stock obsolescence if the Group is unable to predict with certainty the customers' demands.

### Economic and Political Risk

Adverse changes in the economic and political environment and government policies may affect the Group's ability to execute its strategies.

### Financial Risk

The Group is exposed to financial risks related to foreign currency, interest rate, credit and liquidity in the normal course of business. Details of such financial risks are set out in note 30 to the consolidated financial statements in this annual report.

### People Risk

It may be difficult for the Group to retain talent in the increasingly competitive market. Loss of key management personnel may affect the Group's business, prospects and financial performance.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 and the financial position of the Group as at 31 March 2019 are set out in the consolidated financial statements from page 64 to page 68 of this annual report.

The Board does not recommend the payment of a dividend for the year ended 31 March 2019.

# Directors' Report

## DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Company may declare and pay dividends to the shareholders of the Company. The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders of the Company.

Subject to compliance with applicable laws, rules, regulations and the articles of association of the Company (the "Articles of Association"), in deciding whether to propose a dividend payout, the Board will take into account, among other things, the Group's actual and expected financial performance, expected working capital requirements, capital expenditure requirements and future expansion plans, the retained earnings, distributable reserves and liquidity position of the Group, the general economic conditions and any other factors that the Board deems relevant.

The Board will review the dividend policy from time to time and there is no assurance that dividends will be paid in any particular amount for any given period.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 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 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.

# Directors' Report

## RESERVE

Details of movements in the reserves of the Company and the Group are set out in note 32 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively of this annual report.

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2019, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately HK\$33,710,000.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2019, the aggregate revenue attributable to the five largest customers of the Group accounted for less than 30% of the Group's total revenue.

During the year ended 31 March 2019, the aggregate purchases attributable to the Group's the five largest suppliers accounted for less than 30% of the Group's total purchase.

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 five largest customers and suppliers of the Group for the year.

## DIRECTORS

The Directors who held office during the year ended 31 March 2019 and up to the date of this annual report are:

### Executive Directors

Mr. Wong Siu Man (*Chairman*)

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

Mr. Yip Kam Cheong (*Compliance Officer*)

# Directors' Report

## Non-executive Director

Mr. Wong Chun Hung Hanson

## Independent non-executive Directors

Mr. To Yan Ming Edmond

Mr. Chan Shing Yim David (resigned on 31 August 2018)

Mr. Ng Fan Kay Frankie (appointed on 31 August 2018)

Mr. Wong Garrick Jorge Kar Ho

In accordance with article 16.18 of the Articles of Association, Mr. To Yan Ming Edmond, Mr. Wong Garrick Jorge Kar Ho and Mr. Wong Chun Hung Hanson shall retire by rotation at the 2019 annual general meeting and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on Wednesday, 31 July 2019 ("2019 AGM") and being eligible, to offer themselves for re-election at the 2019 AGM.

In accordance with article 16.2 of the Articles of Association, Mr. Ng Fan Kay Frankie shall hold office until the 2019 AGM and being eligible, will offer himself for re-election at the 2019 AGM.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 5 to 8 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, 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, 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.

# Directors' Report

The details are as follows:

<b>Name of Directors</b>	<b>Date of Commencement</b>
Mr. Wong Siu Man	27 March 2017
Mr. Wong Siu Wa	27 March 2017
Mr. Yip Kam Cheong	27 March 2017
Mr. Wong Chun Hung Hanson	27 March 2017
Mr. To Yan Ming Edmond	27 March 2017
Mr. Wong Garrick Jorge Kar Ho	27 March 2017
Mr. Ng Fan Kay Frankie	31 August 2018

Save as disclosed above, none of the Directors being proposed for re-election at the 2019 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 are decided by the remuneration committee of the Company, 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 7(a) and 7(b) to the consolidated financial statements of this annual report.

## MANAGEMENT CONTRACTS

During the year ended 31 March 2019, 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' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

There were 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 had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Directors' Report

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

As at 31 March 2019, 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 have 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 kept by the Company; 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 <sup>(1)</sup>
Mr. Wong Siu Man <sup>(2)</sup>	Interest of controlled corporation	602,800,000	51.88%
Mr. Wong Siu Wa <sup>(2)</sup>	Interest of controlled corporation	602,800,000	51.88%

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 31 March 2019.
- (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 602,800,000 Shares under the SFO.

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executive of the Company 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 have 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' Report

## 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 2019 and up to the date of this annual report was the Company or any of its subsidiaries 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 31 March 2019, the persons (other than Directors or chief executive of the Company) who had interests and short positions in the shares or underlying share of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO were as follows:

### Long positions

Name of shareholder	Capacity/Nature of interest	Number of Shares	Approximate Percentage of shareholding <sup>(1)</sup>
Sky Alpha <sup>(2)</sup>	Legal and Beneficial owner	602,800,000	51.88%
Ms. Fan Wing <sup>(2) &amp; (3)</sup>	Interest of spouse	602,800,000	51.88%
Ms. Chu Man <sup>(2) &amp; (4)</sup>	Interest of spouse	602,800,000	51.88%

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 31 March 2019.
- (2) 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 602,800,000 Shares under the SFO.
- (3) 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.
- (4) Ms. Chu Man is the spouse of Mr. Wong Siu Wa. Under the SFO, Ms. Chu Man is deemed to be interested in the same number of Shares in which Mr. Wong Siu Wa is interested.

Save as disclosed above, as at 31 March 2019, 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 or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

# Directors' Report

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Company has not entered into any connected transaction with any of the controlling shareholders of the Company. 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 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.

## COMPETING INTEREST

During the year ended 31 March 2019, none of the Directors or the controlling shareholders of the Company or their close associates (as defined in the GEM Listing Rules) had interest 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 of the Company, 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 of the Company has confirmed that none of them is engaged in, had interest 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 and up to the date of this annual report.

# Directors' Report

## CONTRACT OF SIGNIFICANCE

Save as disclosed in this report, at no time during the year ended 31 March 2019 had the Company or any of its subsidiaries entered into any contract of significance with the controlling shareholder or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

## 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 during the year ended 31 March 2019.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, at least 25% of the Company's total issued share capital was held by the public.

## 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 30 to 46 of this annual report.

## SHARE OPTION SCHEME

Share option scheme of the Company was adopted by the Company 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 2019 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 2019 and as at 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").

# Directors' Report

## 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.

## 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.

# Directors' Report

## 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 27 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.

## 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 2019, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event which had material effect on the Group subsequent to 31 March 2019 and up to the date of this annual report.

## REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company ("Audit Committee") comprises three independent non-executive Directors, namely, Mr. Ng Fan Kay Frankie (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 2019.

## Directors' Report

### AUDITOR

Deloitte Touche Tohmatsu resigned as auditor of the Company on 29 March 2018. HLB Hodgson Impey Cheng Limited (“HLB”) was appointed as auditor of the Company on 29 March 2018 and the consolidated financial statements of the Company for the year ended 31 March 2019 were audited by HLB. HLB will retire at the 2019 AGM and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of HLB as auditor of the Company will be proposed at the 2019 AGM.

By order of the Board

**Wong Siu Man**

*Chairman and Executive Director*

Hong Kong, 25 June 2019

# Corporate Governance Report

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 March 2019.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The Company believes that sound corporate governance practices are essential to the effective and transparent operation of the Company and to its ability to safeguard the interest of the shareholders of the Company. The Company has applied the principles and code provisions as set out in Corporate Governance Code and Corporate Governance Report (the "CG Code") as contained in Appendix 15 to the GEM Listing Rules to ensure that the Group's business activities and decision-making processes are regulated in a proper and prudent manner.

In the opinion of the Board, the Company has complied with the CG Code during the year ended 31 March 2019. Key corporate governance principles and practices of the Company are summarised below.

### A. THE BOARD

#### A.1 *Responsibilities and Delegation*

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 responsibilities 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.

# Corporate Governance Report

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.

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:

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

## A.2 Board Composition

The Board comprised the following Directors during the year ended 31 March 2019 and up to the date of this annual report:

### 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. Chau Shing Yim David (resigned on 31 August 2018)  
Mr. Ng Fan Kay Frankie (appointed on 31 August 2018)  
Mr. To Yan Ming Edmond  
Mr. Wong Garrick Jorge Kar Ho

## Corporate Governance Report

The nomination committee of the Company 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 (the “INED(s)”). The list of all Directors (by category) is set out under the section headed “Corporate Information” in this annual report and is also disclosed in 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](http://www.agdl.com.hk)) and on the GEM’s website ([www.hkgem.com](http://www.hkgem.com)) an updated list of current Directors (by category) identifying their role and function.

During the year ended 31 March 2019, the Board has at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three INEDs with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise as required under the GEM Listing Rules.

The participation of INEDs 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 INED 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 INEDs to be independent and meet the requirements set out in Rule 5.09 of the GEM Listing Rules as at the date of this report.

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 disclosed in the section headed “Biographical Details of Directors and Senior Management”, the Board members has no financial, business, family or other material/relevant relationships with each other.

# Corporate Governance Report

## **A.3** *Chairman and Chief Executive Officer*

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Wong Siu Man is the Chairman and is responsible for major decision-making and implementation of business strategies of the Group. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contributions to Board's affairs and promoting a culture of openness and debate. The Chairman seeks to ensure that all Directors are properly briefed on issues arising at the Board meetings and have received adequate and reliable information in a timely manner.

Mr. Wong Siu Wa is the chief executive officer and is in charge of the Company's day-to-day management and operations and focuses on implementing the objectives, policies and strategies approved and delegated by the Board.

## **A.4** *Appointment and Re-election of Directors*

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three (3) years, 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 INEDs has entered into a letter of appointment with the Company for an initial term of three (3) years, 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.

Pursuant to article 16.18 of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Pursuant to article 16.2 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting of the Company after his/her appointment and shall be subject to re-election at such meeting. The Board and the nomination committee of the Company has recommended Mr. To Yan Ming Edmond, Mr. Wong Garrick Jorge Kar Ho, Mr. Wong Chun Hung Hanson and Mr. Ng Fan Kay Frankie standing for re-election at the forthcoming annual general meeting of the Company.

# Corporate Governance Report

## A.5 Induction and Continuous Professional Development for Directors

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. During the year, all Directors have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements. All Directors are also provided with updates on the Group's business and operation plans from time to time. 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.

Pursuant to Code Provision A.6.1 of CG Code, each newly appointed Director should receive a comprehensive, formal and tailored induction on 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 newly appointed 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.

According to the records maintained by the Company, the Directors received the following training regarding roles, function and duties of a director of a listed company or professional skills in compliance with the CG Code on continuous professional development during the year ended 31 March 2019:

	Reading materials	Attending seminars/ induction training
<b>Executive Directors</b>		
Mr. Wong Siu Man ( <i>Chairman</i> )	✓	✓
Mr. Wong Siu Wa ( <i>Chief Executive Officer</i> )	✓	✓
Mr. Yip Kam Cheong ( <i>Compliance Officer</i> )	✓	✓
<b>Non-executive Director</b>		
Mr. Wong Chun Hung Hanson	✓	✓
<b>Independent Non-executive Directors</b>		
Mr. Chau Shing Yim David (resigned on 31 August 2018)	✓	✓
Mr. Ng Fan Kay Frankie (appointed on 31 August 2018)	✓	✓
Mr. To Yan Ming Edmond	✓	✓
Mr. Wong Garrick Jorge Kar Ho	✓	✓

# Corporate Governance Report

## A.6 Board Meetings

### A.6.1 Board Practices and Conduct of 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 drawn up by the Chairman 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 (at least 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.

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 of the Company (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. If a substantial shareholder or a director has a conflict of interest in a transaction which the Board determines to be material, it will be considered and dealt with by the Board at a duly convened Board meeting rather than a written resolution, Independent non-executive Directors who have no material interest in the transaction should be present at that Board meeting.

# Corporate Governance Report

## A.6.2 Directors' Attendance Records

During the year ended 31 March 2019, the Board convened twelve (12) Board meetings, one (1) general meeting. The attendance of each Director at the meetings of the Board, Board Committees and general meeting is as follows:

	Number of meetings attended/eligible to attend				
	Board	Remuneration Committee ("RC")	Audit Committee ("AC")	Nomination Committee ("NC")	General meeting
<b>Executive Directors</b>					
Mr. Wong Siu Man ( <i>Chairman</i> )	12/12	N/A	N/A	N/A	1/1
Mr. Wong Siu Wa ( <i>Chief Executive Officer</i> )	12/12	N/A	N/A	N/A	1/1
Mr. Yip Kam Cheong ( <i>Compliance Officer</i> )	12/12	N/A	N/A	N/A	1/1
<b>Non-executive Director</b>					
Mr. Wong Chun Hung Hanson	11/12	N/A	N/A	N/A	1/1
<b>Independent Non-executive Directors</b>					
Mr. Chau Shing Yim David (resigned on 31 August 2018)	4/4	1/1	2/2	1/1	1/1
Mr. Ng Fan Kay Frankie (appointed on 31 August 2018)	6/7	N/A	2/2	N/A	N/A
Mr. To Yan Ming Edmond	11/12	2/2	4/4	2/2	1/1
Mr. Wong Garrick Jorge Kar Ho	11/12	2/2	4/4	2/2	1/1

## B. BOARD COMMITTEES

The Board has established three Board Committees, namely, the AC, the RC and the NC, 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 websites of the GEM and the Company. 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.

# Corporate Governance Report

## B.1 Audit Committee

The AC consists of three INEDs, namely Mr. Ng Fan Kay Frankie, Mr. To Yan Ming Edmond and Mr. Wong Garrick Jorge Kar Ho. Mr. Ng Fan Kay Frankie 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 principle duties of the AC are to (i) monitor integrity of the Company's financial statements, financial reports and accounts and to review the financial and accounting policies and practices of the Company; (ii) assist the Board in providing an independent view of the effectiveness of the Group's financial controls, internal control and risk management systems; and (iii) to make recommendations to the Board on the appointment, re-appointment and removal of external auditors.

During the year ended 31 March 2019, the AC held four meetings and performed the following major tasks:

- Review and discussion of the quarterly, interim and annual financial statements, results announcements and reports, the related accounting principles and practices adopted by the Group and the relevant audit findings;
- Review and discussion of the risk management and internal control system of the Group;
- Discussion and recommendation of the re-appointment of external auditor; and
- Review the Company's continuing connected transactions for the year ended 31 March 2019 pursuant to the GEM Listing Rules.

The attendance records of each Director at the meeting of the AC is set out on page 36 of this annual report.

During the year ended 31 March 2019, 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:

<b>Nature of services</b>	<b>2019 HK\$'000</b>	<b>2018 HK\$'000</b>
Audit for the year	800	900
Company	10	7

# Corporate Governance Report

## *B.2 Nomination Committee*

The NC consists of three INEDs, namely Mr. Wong Garrick Jorge Kar Ho, Mr. To Yan Ming Edmond and Mr. Ng Fan Kay Frankie. Mr. Wong Garrick Jorge Kar Ho currently serves as the chairman of the NC.

The principal duties of the NC are to (i) review the Board composition; (ii) develop and formulate relevant procedures for the nomination and appointment of directors; (iii) identify qualified individuals to become members of the Board; (iv) monitor the appointment and succession planning of directors; and (v) assess the independence of INEDs.

During the year ended 31 March 2019, the NC held two meetings and performed the following major tasks:

- Review and discussion of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;
- Assessment of the independence of the existing INEDs;
- Recommendation on the appointment of Director and re-appointment of retiring Directors at the AGM pursuant to the Articles of Association; and
- Review the board diversity policy and nomination policy of the Company.

The attendance records of each Director at the meeting of the NC is set out on page 36 of this annual report.

The Company adopted a board diversity policy which sets out the approach to achieve diversity on the Board. 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. 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. 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. Upon the review of the Board's composition taking into account the diversity policy, the NC considers that the Board has maintained an appropriate mix and balance of age, ethnicity, skills, knowledge, experience and diversity of perspectives appropriate to the business requirements of the Company. The NC will review the board diversity policy to ensure its effectiveness on a regular basis or as required.

# Corporate Governance Report

The Company adopted a nomination policy which sets out the selection criteria in assessing the suitability of a proposed candidate as Director and procedure of appointing and re-appointing a Director. In assessing the suitability of a proposed candidate, the NC would consider factors including but not limited to academic background, qualifications, relevant experiences in the industry, character and integrity of the candidate, whether the candidate can contribute to the diversity of the Board and the candidate's commitment in respect of available time and relevant interest. Suitable candidate can be nominated by any Director for the NC's consideration. NC should evaluate the personal profile of the candidate based on the selection criteria as set out in the nomination policy and undertake adequate due diligence in respect of each proposed candidate. After comprehensive assessment, the NC will then make recommendations to the Board for approval. The NC will review the nomination policy and assess its effectiveness on a regular basis or as required.

### **B.3 Remuneration Committee**

The RC consists of three INEDs, namely Mr. To Yan Ming Edmond, Mr. Wong Garrick Jorge Kar Ho, and Mr. Ng Fan Kay Frankie. Mr. To Yan Ming Edmond currently serves as the chairman of the RC.

The primary functions of the RC are to (i) make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management; (ii) determine the remuneration packages of the Directors and senior management; (iii) review performance-based remuneration; and (iv) ensure none of the Directors determine their own remuneration.

During the year ended 31 March 2019, the RC held two meetings and performed the following major tasks:

- Determine the remuneration package of the Directors and senior management of the Company with reference to the duties and responsibilities, business performance and profitability of the Group and market conditions, the corporate objective and goal set by the Board; and
- Review the remuneration policy and structure for fixing the remuneration packages.

The attendance records of each Director at the meeting of the RC is set out on page 36 of this annual report.

# Corporate Governance Report

Pursuant to the Code Provision B.1.5 of the CG Code, the remuneration of the members of the Board and the senior management by band for the year ended 31 March 2019 is set out below:

<b>In the band of</b>	<b>Number of Individuals</b>
Nil to HK\$1,000,000	10
HK\$1,000,001 to HK\$2,000,000	2
HK\$2,000,001 to HK\$3,000,000	Nil
HK\$3,000,001 to HK\$4,000,000	Nil
Over HK\$4,000,000	Nil

Details of the remuneration of each Director and the five individuals with the highest emoluments in the Group for the year ended 31 March 2019 are set out in note 7 to the consolidated financial statements in this annual report.

## C. 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:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- 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
- where the Stock Exchange makes an inquiry of the Company under Rule 17.11 of the GEM Listing Rules.

# Corporate Governance Report

## **D. 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.

Ms. Lau Yin Ping was appointed as the Company Secretary of the Group on 31 August 2018. Ms. Lau Yin Ping has complied with all the required qualifications, experiences and training requirements under the GEM Listing Rules. For the year ended 31 March 2019, she has complied with the GEM Listing Rules by taking not less than 15 hours of relevant professional training.

## **E. 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 2019, 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 2019, 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 58 to 63 of this annual report.

# Corporate Governance Report

## **F. CORPORATE GOVERNANCE FUNCTIONS**

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.

## **G. DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). Having made specific enquiry of all the Directors, each of the Directors have confirmed that they have complied with the Model Code during the year ended 31 March 2019.

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 was noted by the Company during the year ended 31 March 2019.

## **H. 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. Such review is done with a view to ensuring that resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions are adequate. 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.

## Corporate Governance Report

For the year ended 31 March 2019, the Board engaged an internal control consultant (the “Consultant”), an independent third party, to undertake a review of the internal control system of the Group. The results of the independent review and assessment were reported to the AC and the Board. Moreover, improvements in internal control and risk management measures as recommended by the Consultant to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of the Consultant as well as the comments of the AC, 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. 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 Company will review the need for an internal audit function on an annual basis.

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;
- 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.

# Corporate Governance Report

## *Principal Risks*

During the year ended 31 March 2019, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks:

<b>Risk Areas</b>	<b>Principal Risks</b>
Strategic Risks	Market Competition
Operational Risks	Employee commitment and satisfaction, warehouse disruption
Financial Risks	Credit risk of customers, fund investments and returns
Compliance Risk	Change in relevant food safety regulation, company and tax regulations and ordinances, updates in accounting standards and listing rules

The Board reviewed that the risk management and internal control system adopted by the Group for the year ended 31 March 2019 and considered that it was effective and adequate.

## **I. 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 the Company Secretary immediately so that remedial actions, including making an inside information announcement, can be taken at the earliest opportunity.

# Corporate Governance Report

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 arises.

## *Dissemination of Inside Information*

Inside information is announced promptly through the websites of the GEM ([www.hkgem.com](http://www.hkgem.com)) and the Company ([www.agdl.com.hk](http://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.

## **J. 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.

## **K. SHAREHOLDERS' RIGHTS**

Pursuant to Articles of Association, any shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right to vote at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the said date of deposit of the requisition.

Pursuant to Articles of Association, 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 during the period, which shall be at least 7 days, commencing the day after the despatch of the notice of the meeting and ending no later than 7 days prior to the date of such meeting.

# Corporate Governance Report

Shareholders may at any time send their enquiries and concerns, in writing, to the Board by addressing them to the Company Secretary. Contact details are as follows:

Address: The Whole of Upper Ground Floor,  
Mai Tong Industrial Building,  
No.22 Sze Shan Street, Kowloon, Hong Kong

Fax: (852) 2389 1612

E-mail: fax@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.

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.

## L. 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 websites of the GEM and of the Company;
- (b) latest information on the Group is available on the respective websites of the GEM and of the Company;
- (c) AGM and EGM provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and
- (d) the Company's share registrars serve the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

## M. CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2019, there had been no significant change in the constitutional documents of the Company. The Articles of Association are available on the websites of the GEM and of the Company.

# Environmental, Social and Governance Report

## ABOUT THE GROUP

Asia Grocery Distribution Limited (the “Company”) and its subsidiaries (collectively “the Group”) own, operate and manage distribution business of food and beverage groceries. Founded as “Hung Fat Ho” in Kwun Tong in the 1970s, the Group focuses on distributing a wide range of food and beverage groceries to customers in Hong Kong including restaurants, non-commercial dining establishments, hotels and private clubs, food processing operators and distributors. The Group also engages in procurement, repackaging, quality assurance, warehousing and storage, transportation and other value-added services, to provide customers one-stop solutions on food and beverage groceries distribution.

Quality food and diversified services are the keys to the Group’s success. In addition, the Group emphasises the sustainability of the business and is committed to maintain a high standard of business practices in environmental protection, social responsibility and corporate governance.

## SCOPE OF THIS REPORT

The Group is committed to adopt policies of sustainable development solutions in daily operation and management. The Group is pleased to present its report on the Environmental, Social, and Governance (the “ESG”) aspects (the “ESG Report”), in accordance with Appendix 20 to the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This ESG Report covers the Group’s overall approach and performance in environmental protection, employment and workplaces practices, operating practices and community investment during the year from 1 April 2018 to 31 March 2019 (the “Reporting Period”). The ESG Report covers the Group’s food distribution business and corporate office in Hong Kong. Based on the materiality, this report focuses on the environmental, social and governance aspects of our food and beverage groceries distribution business.

# Environmental, Social and Governance Report

## STAKEHOLDER ENGAGEMENT

As part of the business strategies, the Group communicates with the stakeholders in an open, honest and proactive way. To achieve this objective and improve transparency, we take active measures to promote investor relations and communication. In addition, we have developed the investor relations policy to ensure that investors have fair and timely access to the information of the Group. The Group's major stakeholders are listed below.

Major Stakeholder	Areas of Concern	Communication Channel
Stock Exchange	<ul style="list-style-type: none"> <li>Compliance with listing rules</li> </ul>	<ul style="list-style-type: none"> <li>Announcements in the Stock Exchange website</li> <li>Discussions and meetings as necessary</li> <li>Emails and other correspondences</li> </ul>
Government and regulatory bodies	<ul style="list-style-type: none"> <li>Laws and regulations</li> <li>Taxation</li> </ul>	<ul style="list-style-type: none"> <li>Site visits and audits</li> <li>Regular declarations</li> <li>Public Notice of new laws and regulations in the Gazette</li> <li>Reports and other publication in their websites</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>Return on investment</li> <li>Information disclosure</li> <li>Protection on rights and interests of shareholders and fair treatment of shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Annual and other general meeting of members</li> <li>Annual reports, announcements and other disclosures/publications</li> <li>Company website/Disclosures on the Stock Exchange website</li> <li>Group email managed by designated employees</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Salaries and welfares</li> <li>Protection on Employee's rights and interests</li> <li>Health and safety</li> <li>Feedback opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Regular meetings</li> <li>Employee trainings</li> <li>Intranet and emails</li> <li>Regular employee activities</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Product safety and quality</li> <li>Customer satisfaction</li> <li>Business ethics</li> <li>After sales services</li> </ul>	<ul style="list-style-type: none"> <li>Website</li> <li>Regular business visits</li> <li>Participation in food exhibitions and events</li> <li>Bidirectional customer evaluations</li> </ul>

# Environmental, Social and Governance Report

Major Stakeholder	Areas of Concern	Communication Channel
Suppliers	<ul style="list-style-type: none"> <li>Long-term and sustainable business relationship</li> <li>Fair competition</li> </ul>	<ul style="list-style-type: none"> <li>Supplier contracts, emails, teleconference, interview</li> <li>Bidirectional supplier evaluation</li> </ul>
Media	<ul style="list-style-type: none"> <li>Corporate governance</li> <li>Environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence and discussion on concerned topics</li> </ul>
Community	<ul style="list-style-type: none"> <li>Environmental protection</li> <li>Contribution to the community</li> </ul>	<ul style="list-style-type: none"> <li>Voluntary activities</li> <li>Community visits</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRATEGIES

The Board of directors (the “Board”) formulates the Group’s environmental, social and governance strategies which then the executive directors and senior management execute the plan. The executive directors and senior management are responsible for reviewing and monitoring the Group’s environmental, social and governance policies and practices and discuss with external professional consultants regularly in order to ensure that the Group complies with relevant legal and regulatory requirements. The executive directors and senior management monitor and respond to the latest environmental, social and governance issues, report to the Board on major issues and make relevant recommendations to enhance the Group’s environmental, social and governance performance.

The Board reviews the Group’s environmental, social and governance report annually, discusses among the key risks and makes relevant recommendations for the coming year. Thereafter, the executive directors and senior management report the key risks and the execution progress of the recommendations at the regular Board meeting and the Board takes appropriate measures if required.

Regarding the existing business operation and overall environment of the Group, the Board identifies product assurance and supply chain management as the major environmental, social and governance risks. Since the core products of the Group are food and beverage groceries, the Group has appointed designated personnel to execute quality control of products, make timely updates on relevant laws and regulations and enhance supply chain management including assessment on suppliers and transportation arrangements in order to control the risks. The personnel will also discuss major issues with senior management and the Board. For further details, please refer to the relevant sections of the ESG Report.

## FEEDBACK

The report aims to be concise and easy to understand. The Group will continue to improve the report’s content and information disclosure. We welcome feedback and recommendation on the content of the ESG report by email us at [fax@hfh.com.hk](mailto:fax@hfh.com.hk).

# Environmental, Social and Governance Report

## ENVIRONMENTAL ASPECTS

### Emissions and waste

The Group provides food and beverage groceries distribution solutions to its customers. The Group focuses on those emissions that may adversely affect the environment and tries to minimise the waste emission during the operation. The Group complied with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste in Hong Kong and no violations were reported during the Reporting Period.

The Group encourages energy conservation and emission reduction in all processes of procurement, inventory management, repackaging and sales and delivery. The Group has reduced the frequency of transportation by simplifying inventory management and delivery process in order to reduce carbon emissions from diesel and gasoline consumption.

### Air Pollutant Emission

The Group has appointed third-party transportation companies to deliver products to its customers. The main sources of carbon emissions come from the Group's owned vehicles. In order to reduce air pollutant emission in logistic operation, the Group focuses on the selection process of third-party transportation companies, while there is no direct calculation on the emission figures for the transportation carried by them.

	Nitrogen Oxides (NOx)	Sulphur Oxides (SOx)	Respiratory Suspended Particles (RSP)
Air Pollutant Emission	845g	15g	62g

### Greenhouse Gas ("GHG") Emission

GHG emissions include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), and nitrous oxide (N<sub>2</sub>O). The GHG emissions generated by the Group's operation are as follow:

Scope of GHG Emission	Emission Source	Carbon Dioxide (CO <sub>2</sub> )
Scope 1	Vehicles	2,427kg
Scope 2	Office and Warehouse Power	145,934kg
Scope 3	Paper Waste	8,040kg
Total		156,401kg

# Environmental, Social and Governance Report

The total GHG generated by the Group during the Reporting Period was 156,401kg CO<sub>2</sub>, with an intensity of 731kg CO<sub>2</sub> per million revenue, comprising of our vehicles, electricity consumptions and disposal of paper waste. The Group has appointed transportation service providers to simplify the delivery process and reduce transportation frequency, the Group lowers the emission of GHG.

The Group promotes the usage of electronic devices in office and warehouses with high power consumption efficiency. The Group also encourages energy conservation activities, including provision of guidelines to employees to switch off lighting, air-conditioning and other electronic equipment when they are not in use.

## Waste Management

The Group upholds the principles of waste management and is committed to the proper handling and disposal of all wastes from our business activities. Due to our business nature, the Group considered it does not produce any hazardous waste and the key non-hazardous wastes generated by us include daily garbage such as stationeries. Since the disposal amount is insignificant, no relevant disclosures have been made during Reporting Period.

## Use of resources

In the business operation, apart from electricity, major resources consumed include water, papers and packaging materials.

Resources	Unit	Usage	Density (revenue)	Density (no. of employee) (Note 1)
Power consumption	kwh	231,640	1,083kwh/HKD million	5,515kwh/employee
Water consumption	m <sup>3</sup>	200	0.93m <sup>3</sup> /HKD million	5m <sup>3</sup> /employee

Note 1: The density is calculated based on the number of employees. At the end of the Reporting Period, 42 employees have been employed by the Group.

The Group has imposed water-saving policy to reduce water consumption. In order to reduce carbon emissions and increase energy efficiency, the Group has imposed several policies including reduction of electricity usage by maintaining indoor temperature at a reasonable level and regular maintenance of the ventilation system. The Group did not have issue with sourcing water that is fit for purpose during the Reporting Period.

The Group encourages its employees to use double-side paper printing and photocopying, reduce wastes and adopt garbage separation. Product repackaging is part of our core business and packaging materials are another resource that we consume. The Group understands the importance of waste reduction. Therefore, we choose the materials that are environmental friendly and re-useable, such as reusable cartons and plastic bags.

# Environmental, Social and Governance Report

During the Reporting Period, the major packaging materials purchased by the Group are as follows:

<b>Major packaging materials</b>	<b>Usage</b>	<b>Density (revenue)</b>	<b>Density (no. of employee) (Note 1)</b>
Plastic bag	1,468kg	6.86kg/HKD million	35kg/employee
Carton box (Note 2)	25,223unit	117.91unit/HKD million	601unit/employee
Adhesive tape (Note 2)	825roll	3.86roll/HKD million	20roll/employee

Note 1: The density is calculated based on the number of employees. At the end of the Reporting Period, 42 employees have been employed by the Group.

Note 2: Materials are purchased in unit or roll in different sizes. It is impractical to measure their weight. Therefore, unit and roll are used as reporting unit.

To reduce wastes on products, the Group has adopted ERP system to continuously monitor inventory levels. To ensure the inventory records are accurate, the Group also conducts monthly physical inventory count. The result of actual inventory count would then be compared with the records in the ERP system. The experienced procurement team also helps the Group to anticipate the market demand so as to reduce product obsolescence. After June 2018, the Company outsourced the adhesive tape to third-party transportation companies, and no calculation on the usage of adhesive tapes is recorded by them.

During the Reporting Period, the Group did not breach any laws and regulation that might have a significant impact on the environment and natural resources, including air pollutant emissions and greenhouse gas emissions.

## Environmental policy

The Group strives to contribute to the environmental protection and minimise the environmental impact associated with our business activities. During the packaging process, we reduce the carbon emissions by reusing cartons and other packaging materials. In day-to-day operation, the Group motivates its employees to save energy and create a green working environment.

We will continue to assess the environmental risks of our business, review the environmental practices and adopt preventive measures as necessary to reduce the risks and ensure the compliance with relevant laws and regulations.

# Environmental, Social and Governance Report

## SOCIAL ASPECTS

### Employment and labour practices

#### Employment

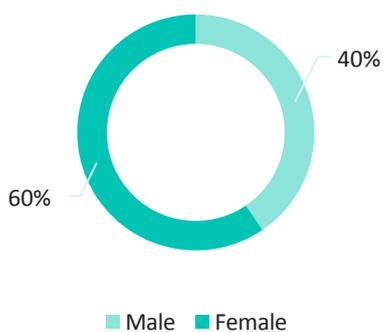
We are committed to building a harmonious working atmosphere for employees through encouraging mutual respect which ultimately promotes work creativity, flexibility and commitment.

As at the end of the Reporting Period, the Group had an aggregate of 42 (2018: 35) employees. In order to cope with our continuously growing business scale, we acquire talents from different countries and backgrounds to join our team. The Group strictly complies with the relevant laws and regulations in our employment and labour process, for instance, recruitment, dismissal, promotion and remuneration of employees regardless of where we operate. The legitimate rights and interests of employees are protected in accordance with laws and regulations.

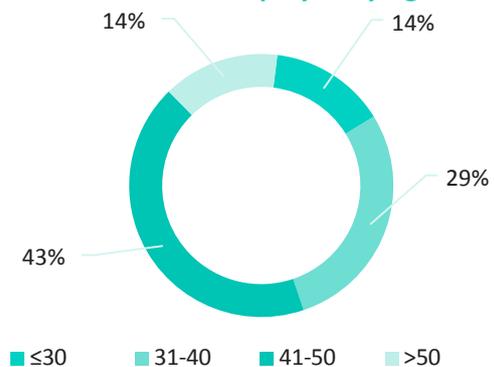
We review our human resources policies and ensure that they are in compliance with Hong Kong Employment Ordinance and other applicable laws and comparable to the general practice and benchmark of the industry. We have established a comprehensive system of remuneration, incentive and performance management to attract and retain talents for our long-term and stable growth. The system consists of basic salary, mandatory and extra benefits (i.e. mandatory provident fund, medical and other insurance, annual leave, sick leave and other allowance), and monetary and non-monetary rewards (i.e. discretionary bonus and sales commission) for our employees.

The following figures are based on the total number of employees at the end of the Reporting Period.

Number of employee by Gender

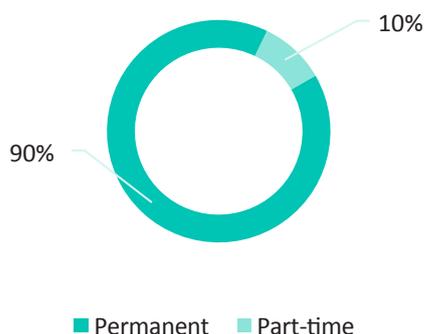


Number of employee by Age

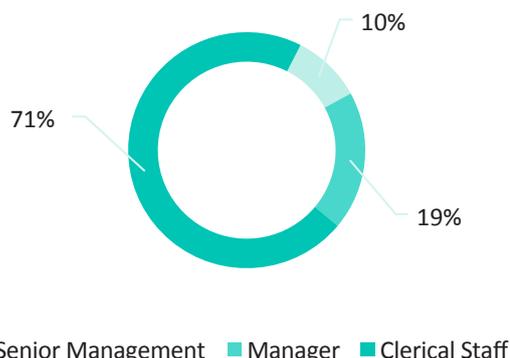


# Environmental, Social and Governance Report

**Number of employee by type of employment**

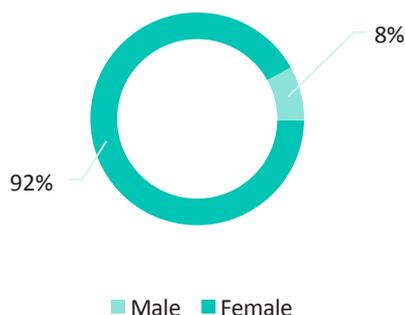


**Number of employee by job function**

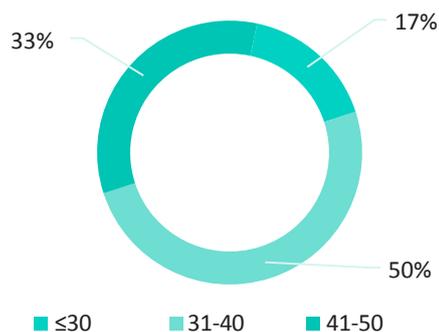


Our Company has been providing more employees' welfare and benefits in an effort to retain an optimal workforce. The following charts below show the turnover of the staffs by gender and age.

**Turnover of employee by Gender**



**Turnover of employee by Age**



The Group has established human resource policy to ensure no child labour and forced labour being employed. The Group aims to protect the employees from any discrimination, including racial, religious, age and disability discrimination. If any improper or illegal conducts are discovered, the Group will investigate, punish or dismiss the relevant employees. The Group will further improve the mechanism against illegal behavior when necessary. All dismissal procedures strictly follow the applicable laws and internal guidelines. The Group complied with the relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare and no violations were reported during the Reporting Period.

# Environmental, Social and Governance Report

## *Health and Safety*

Occupational safety is always the Group's top priority in designing and implementing business flow. We have established workplace health and safety policies in compliance with relevant laws. To ensure safety of the workplace, we offer our employees various supporting devices such as the use of hand pallet truck to avoid injuries when moving heavy items. Moreover, the Group displays posters about workplace safety at prominent places in warehouse and offices to raise awareness of health and safety among our employees.

The Group did not identify any casualties and accidents, nor did the Group identify any violations of laws and regulations in relation to the provision of a safe working environment and protecting employees from occupational hazards during the Reporting Period.

## *Development and Training*

To maintain the competitiveness of the Group and our employees, training courses are organised by our human resource team, aiming at employees' individual growth and sustainable development. All directors, company secretary and senior management attend training courses and receive up-to-date information of corporate governance and listing regulations.

As a result of continuous changing regulations on food safety, comprehensive training courses are provided to our procurement staff, warehouse staff and other relevant employees. We also encourage our employees to attend seminars, workshops and conferences related to business management, system operation, communication skills and workforce safety.

During the Reporting Period, apart from on-the-job training, the Group sponsored and organized a total of 460 hours of training for 26 staff (7 being senior management, 4 being managerial grade and 15 being clerical staff).

The Group also offers opportunities of internal promotion for employees in recognition of their outstanding performance and effort. We aspire to retain talents and develop their strengths and potentials.

## *Labour Standard*

The Group's labour standards primarily focus on conformity with local labour laws and regulations. We prohibit any child and forced labour in any of our operations and production process. We established a strict protocol for hiring, of which we screen candidates in accordance with the minimum age of their respective work locations.

The Group strictly complied with the Labour Laws of Hong Kong and provided the required labour protection, safety and health conditions to ensure employees' safety during their services. The Group also paid wages and salaries, benefits and compensations on schedule.

During the Reporting Period, there have been no cases of prosecution against the Group due to violation of any relevant labour laws and regulations including but not limited to the prevention of child and forced labour.

# Environmental, Social and Governance Report

## Operating practices

### *Supply Chain Management*

The Group attaches great importance to building and maintaining a sustainable and reliable relationships with our suppliers. As one of the intermediate suppliers in the food and beverage groceries supply chain, we procure food and beverage groceries from upper-tier suppliers (for examples, food importers; wholesalers; brand owners; producers; agents and distributors). To ensure our product quality, we have established an extensive procurement network with reliable suppliers that have proven business records and high integrity. We perform regular verification of product quality against the information provided by the suppliers. Suppliers that do not meet our quality requirement standards will be replaced in due course.

The Group has established a stable and diversified procurement network with approximately 197 suppliers during the Reporting Period.

### *Product Responsibility*

#### *Food safety and quality management*

The principal activities of the Group include food packaging, warehouse storage and logistics. As a responsible food distributor, we strictly follow registration schemes for food importers and food distributors.

On top of the requirements by law, we highly emphasise the source and quality of our products. During product selection, besides economic considerations, we also take into account the products' origin, nutrition values, freshness and food safety. The Group adheres to the standard preservation method for each category of food and the recommended shelf life. For example, products are well kept in freezers to preserve their freshness when necessary.

Our procurement manager regularly reviews our internal control manual to ensure the suggested procedures laid down by the relevant authorities are followed. Examples of the suggested procedures are to:

- i. apply for registration of food importers and distributors;
- ii. update the main food categories and classifications applicable to us when there are changes of food types; and
- iii. renew and update the registrations, when necessary, to ensure our food safety measures are up to the latest standard.

The Group has implemented after sales services to handle customers' complaints and product recall. Upon receiving any complaints, we investigate and identify the causes and take rectification measures. During the Reporting Period, the Centre for Food Safety orders recall of the loose-pack boletes, which accounted for about 0.46% of the total revenue. Save for the aforesaid, the Group complied with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising and labelling concerning products provided.

# Environmental, Social and Governance Report

## *Protection of customer privacy and intellectual property*

The Group is committed to protecting customer data and privacy, as well as intellectual property rights. As stated in the Employee Handbook, employees should protect information defined as confidential by the Group and respect intellectual property. Confidential information must not be disclosed to third parties on any platform without prior approval from the senior management, otherwise investigation and disciplinary actions will be conducted. Employees are requested not to disclose any confidential information pertaining to the Company at anytime during or after the period of their employment with the Company.

During the Reporting Period, the Group was not aware of any violation of intellectual property rights and data privacy.

## *Anti-Corruption*

The Group requires employees to strictly conform to code of business ethics and put any corruption bribe behaviour to an end as stipulated in the employment contracts and the relevant policies of the Group. We adopt our zero-tolerance policy for misconduct. In the case of conflict of interest, it must be reported to the Group's management. Employees who engage in business operations and represent the Group are strictly prohibited to use business opportunities or power inherent from their position for personal interest or benefit.

The Group is committed to work with suppliers who operate in an honest and transparent way and we also request our business partners to follow our anti-corruption policies. To promote anti-corruption, the Group provides comprehensive training courses and reference materials from Independent Commission Against Corruption to our employees. We also upload the whistleblowing policy to our company website to enable our employees to raise concerns and report information which the employees have reasonable grounds to believe a malpractice or impropriety.

During the Reporting Period, the Group did not identify any non-compliance or legal cases in relation to corruption, fraud, money laundering and bribery.

## **Community investment**

The Group upholds the philosophy of “Take from society, give back to society” that we play an active role in community affairs. Besides making regular donations to various charitable organisations, the Group takes an active role in promoting voluntary activities such that we can offer help and care to the underprivileged. During the Reporting Period, the Group was awarded (i) the “Caring Company” by the Hong Kong Council of Social Service for the sixth time; (ii) the “Hong Kong Citizen Hong Kong Heart” by the Social Welfare Department; and (iii) “Heart to Heart Company” by the Hong Kong Federation of Youth Groups. The Group also donated cash, food and beverages and presents to the different charity centre during the Reporting Period.

The Group organised various voluntary activities including visits during Chinese New Year and was awarded the “Hong Kong Outstanding Corporate Citizenship” by the Hong Kong Productivity Council. The Group always seeks to promote community service and contribute to local community.

# Independent Auditor's Report



國衛會計師事務所有限公司  
**Hodgson Impey Cheng Limited**

31/F Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

**TO THE SHAREHOLDERS OF ASIA GROCERY DISTRIBUTION LIMITED**  
*(incorporated in the 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 64 to 115, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2019, 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 (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the 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 Auditors’ 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.

# Independent Auditor's Report

## 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.

### Key audit matter

### How our audit addressed the 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 4 to the consolidated financial statements, the Group had a significant inventories balance of HK\$7,876,000, which were food and beverage grocery products, as at 31 March 2019.

As detailed in note 4 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 2019, 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.

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.

We found the key assumptions were supported by the available evidence.

# Independent Auditor's Report

## Key audit matter

## How our audit addressed the key audit matter

### *Allowance for expected credit losses assessment of trade receivables*

Refer to note 15 to the consolidated financial statements.

As at 31 March 2019, the carrying amount of trade receivables was HK\$32,375,000. As disclosed in note 15 to the consolidated financial statements, no allowance for expected credit losses was recognised during the year ended 31 March 2019 due to financial difficulties of the relevant debtors.

In general, the credit terms granted by the Group to the customers ranged between 0 to 90 days (2018: 0 to 90 days) on sales of food and grocery products. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and ongoing trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the allowance for expect credit loss assessment.

We focused on this area due to the allowance for expect credit loss assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.

Our procedures in relation to management's assessment of the trade receivables as at 31 March 2019 included:

- Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis;
- Checking, on a sample basis, the ageing profile of the trade receivables as at 31 March 2019 to the underlying financial records and post year-end settlements to bank receipts;
- Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding ongoing business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and
- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

We found that the management judgment and estimates used to assess the recoverability of the trade receivables and determine the impairment provision to be supportable by available evidence.

# Independent Auditor's Report

## OTHER INFORMATION

The directors 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. ("Other Information").

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.

## RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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 the 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.

The Audit Committee is 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 auditors' report that includes our opinion solely to you. We report our opinion solely to you, as a body, 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 HKSAAs 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.

# Independent Auditor's Report

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

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.
- 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 auditors' 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 auditors' 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 Audit Committee 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.

# Independent Auditor's Report

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

We also provide Audit Committee 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 Audit Committee, 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 director on the audit resulting in this independent auditor's report is Hon Koon Fai, Alex.

### **HLB Hodgson Impey Cheng Limited**

Certified Public Accountants

### **Hon Koon Fai, Alex**

Practising Certificate Number: P05029

Hong Kong, 25 June 2019

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	5	213,926	194,137
Cost of sales		(165,943)	(146,150)
Gross profit		47,983	47,987
Other income	6	387	61
Other gain and losses, net	6	15	(149)
Selling and distribution expenses		(20,623)	(19,336)
Administrative and other expenses		(22,825)	(22,610)
Listing expenses		-	(2,075)
Finance costs	8	(6)	(57)
Profit before taxation	9	4,931	3,821
Income tax expense	10	(1,022)	(1,427)
Profit and total comprehensive income for the year		3,909	2,394
<b>Profit and total comprehensive income for the year attributable to:</b>			
Owners of the Company		3,909	2,394
		HK Cents	HK Cents
<b>Earnings per share</b>	12		
Basic and diluted		0.34	0.21

# Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	13	3,534	3,012
Deposits paid for acquisition of property, plant and equipment	16	–	595
Rental and other deposits	16	1,037	1,778
		<b>4,571</b>	5,385
<b>Current Assets</b>			
Inventories – finished goods		7,876	28,564
Finance lease receivable	14	–	24
Trade receivables	15	32,375	20,931
Other receivables, deposits and prepayments	16	4,816	1,458
Tax recoverable		253	1,135
Bank balances and cash	17	64,745	54,007
		<b>110,065</b>	106,119
<b>Current Liabilities</b>			
Trade payables	18	4,861	6,687
Other payables and accrued charges	19	3,026	2,402
Contract liabilities	20	140	–
Obligation under finance leases	21	67	–
		<b>8,094</b>	9,089
<b>Net current Assets</b>		<b>101,971</b>	97,030
<b>Total asset less current asset</b>		<b>106,542</b>	102,415
<b>Non-current Liabilities</b>			
Obligation under finance leases	21	218	–
<b>Net assets</b>		<b>106,324</b>	102,415
<b>Capital and reserves</b>			
Share capital	22	11,620	11,620
Reserves		94,704	90,795
<b>Equity attributable to owners of the Company</b>		<b>106,324</b>	102,415

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 June 2019 and signed on its behalf by:

Mr. Wong Siu Man  
Director

Mr. Wong Siu Wa  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Accumulated profits HK\$'000	
At 1 April 2017	156	7,682	5,584	20,075	33,497
Profit and total comprehensive income for the year	-	-	-	2,394	2,394
Placing and public offer of shares upon the listing (Note i)	2,800	61,600	-	-	64,400
Issue of shares upon exercise of over-allocation option for public offer and placing (Note i)	420	9,240	-	-	9,660
Transaction costs incurred directly attributable to issue of shares (Note i)	-	(7,536)	-	-	(7,536)
Capitalisation Issue (Note ii)	8,244	(8,244)	-	-	-
At 31 March 2018 and 1 April 2018	11,620	62,742	5,584	22,469	102,415
Profit and total comprehensive income for the year	-	-	-	3,909	3,909
<b>At 31 March 2019</b>	<b>11,620</b>	<b>62,742</b>	<b>5,584</b>	<b>26,378</b>	<b>106,324</b>

Notes:

- (i) In connection with the listing of the shares of the Company (the "Shares") on the GEM of the Stock Exchange (the "Listing") on 13 April 2017 (the "Listing Date"), the Company allotted and issued a total of 322,000,000 new shares at HK\$0.23 per share for the total proceeds of approximately HK\$74,060,000, with related issuance costs and listing expenses amounted to approximately HK\$7,536,000 being charged to share premium.
- (ii) Pursuant to the resolutions passed at the extraordinary general meeting held on 27 March 2017, the directors 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 paying up in full at par a total of 824,400,000 shares for allotment and issue to Sky Alpha Investments Limited ("Sky Alpha") and Trillion Advance Investments Limited ("Trillion Advance") immediately prior to the Listing (the "Capitalisation Issue"). The Capitalisation Issue was completed on 13 April 2017.

# Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK\$'000	2018 HK\$'000
<b>Operating activities</b>		
Profit before taxation	4,931	3,821
Adjustments for:		
Interest income	(387)	(47)
Depreciation of property, plant and equipment	1,264	1,198
Allowance for bad and doubtful debts	-	82
Reversal of bad and doubtful debts written off	(15)	-
Finance costs	6	57
<b>Operating cash flows before movements in working capital</b>	<b>5,799</b>	<b>5,111</b>
Decrease/(Increase) in inventories	20,688	(18,191)
Increase in trade receivables	(11,429)	(2,463)
Increase in other receivables, deposits and prepayments	(2,617)	(568)
(Decrease)/Increase in trade payables	(1,826)	1,147
Increase in other payables and accrued charges	750	764
Increase in contract liabilities	14	-
<b>Cash generated from/(used in) operations</b>	<b>11,379</b>	<b>(14,200)</b>
Income tax paid	(140)	(3,238)
<b>Net cash generated from/(used in) operating activities</b>	<b>11,239</b>	<b>(17,438)</b>
<b>Investing activities</b>		
Interest received	387	47
Purchases of property, plant and equipment	(856)	(1,541)
Repayment from a finance lease receivable	24	63
Repayment from director	-	740
<b>Net cash used in investing activities</b>	<b>(445)</b>	<b>(691)</b>

# Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK\$'000	2018 HK\$'000
<b>Financing activities</b>		
Interest paid	(6)	(57)
Gross proceeds from issue of shares	–	74,060
Transaction costs incurred for issue of shares of the Company	–	(14,571)
Repayment of obligation under finance leases	(50)	–
Repayment of bank borrowing	–	(2,515)
<b>Net cash (used in)/generated from financing activities</b>	<b>(56)</b>	56,917
<b>Net increase in cash and cash equivalents</b>	<b>10,738</b>	38,788
<b>Cash and cash equivalents at the beginning of the year</b>	<b>54,007</b>	15,219
<b>Cash and cash equivalents at end of the year, represented by bank balances and cash</b>	<b>64,745</b>	54,007

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 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 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### Amendments to HKFRSs that are Mandatorily Effective for the Current Year

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (the “new and amendments to HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for annual periods on or after 1 April 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts”
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

### Amendments to HKFRSs that are Mandatorily Effective for the Current Year (continued)

The above new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

#### Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	31 March		1 April
	2018	HKFRS 15	2018
	HK\$'000	HK\$'000	HK\$'000
Current liabilities			
Other payables and accrued charges	2,402	(126)	2,276
Contract liabilities	–	126	126

The following tables summarise the impacts of applying HKFRS 15 on the Group’s consolidated statement of financial position at 31 March 2019 and its consolidated statement of cash flows for the current year for each of the line items affected. There is no impact on the consolidated statement of profit or loss and other comprehensive income for the current year. Line items that were not affected by the changes have not been included.

#### Impact on the consolidated statement of financial position

	Carrying amounts As report	Adjustments	Carrying amounts without application of HKFRS 15
	HK\$'000	HK\$'000	HK\$'000
Current liabilities			
Other payables and accrued charges	3,026	140	3,166
Contract liabilities	140	(140)	–

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (continued)

### Impact on the consolidated statement of cash flows

	Carrying amounts As report HK\$'000	Adjustments HK\$'000	Carrying amounts without application of HKFRS 15 HK\$'000
Cash flows from operating activities			
Increase in other payables and accrued charges	750	14	764
Increase in contract liabilities	14	(14)	-

### HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments, Amendments to HKFRS 9 Prepayment Features with Negative Compensation and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, and (2) expected credit losses (“ECL”) for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

Accordingly, certain comparative information may not be comparable as comparable information was prepared under HKAS 39 Financial instruments: Recognition and Measurement.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

### HKFRS 9 Financial Instruments (continued)

#### *Summary of effects arising from initial application of HKFRS 9*

#### *Classification and measurement of financial assets and financial liabilities at amortised cost*

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognized financial assets and financial liabilities that are within the scope of HKFRS 9 are subsequently measured at amortised cost under HKFRS 9.

#### *Impairment under ECL model*

The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group has assessed the expected credit loss model applied to the trade receivables as at 1 April 2018 and the change in impairment methodologies did not have any material impact on the Group’s consolidated financial statements and the opening loss allowance is not restated in this respect.

The adoption of expected credit loss model under HKFRS 9 did not have material impact on allowance for impairment of trade receivables calculated under HKAS 39.

ECL for other financial assets at amortised cost, including cash and bank balances, other receivables and deposits are assessed on 12-month ECL (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No impairment allowance was recognised at 1 April 2018.

### HKFRS 15 Revenue from Contracts with Customers and the related amendments

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

### HKFRS 15 Revenue from Contracts with Customers and the related amendments (continued)

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue mainly from sales of food and grocery products which arise from contracts with customers.

Information about the Group’s performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note to the audited consolidated financial statement.

Except for the reclassification of the contract liabilities from receipt in advance of HK\$126,000 at initial application, HKFRS 15 was generally adopted without restating any other comparative information. There is no impact of transition to HKFRS 15 on retained earnings at 1 April 2018.

### New and Amendments to HKFRSs in Issue but not Yet Effective

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

HKFRSs 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>5</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1st January 2021.

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1st January 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

### New and Amendments to HKFRSs in Issue but not Yet Effective (continued)

Except for the new HKFRS mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

#### 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. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As set out in note 23, total operating lease commitment of the Group in respect of its office and factory premises as at 31 March 2019 was amounting to approximately HK\$11,039,000. A preliminary assessment indicated that these arrangement will meet the definition of a lease under HKFRS 16, and hence the Group will recognize 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.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognize the cumulative effect of initial application to opening retained earnings without restating comparative information.

Except disclosed above, the Directors do not anticipate that the application of other new and revised HKFRSs will have a material impact on the Group's financial performance and financial position.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation

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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where 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 three 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue Recognition and Other Income Recognition (Applicable upon 1 April 2018)

#### *Revenue from contracts with customers (Upon application of HKFRS 15 on 1 January 2018)*

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

Revenue from the sales of food and grocery products are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is 0 to 90 days upon delivery. Payment in advance is required for some contracts.

A contract liability is recognised when the consideration is received from customers before the goods are delivered. A receivable is recognised when the goods are delivered and accepted as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### *Interest income*

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest come 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 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue Recognition (Applicable before 1 April 2018)

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.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, Plant and Equipment (continued)

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 2019

## 3. 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 lessor*

Amount due from lessee under finance lease is recognised as receivables at the amount of the Group's net investment in the lease.

#### *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 when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and 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 financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments (continued)

#### *Financial assets*

*Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transition in note 2)*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

#### *Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in note 2)*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, deposits, other receivables and cash and cash equivalents). The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the end of the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments (continued)

#### Financial assets (continued)

##### *Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in note 2) (continued)*

The Group always recognise lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for credit card trade receivables and collectively for corporate customers using a provision matrix with past due status grouping.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments (continued)

#### *Financial assets (continued)*

#### *Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in note 2) (continued)*

#### Significant increase in credit risk (continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of the reporting period. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments (continued)

#### Financial assets (continued)

#### *Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in note 2) (continued)*

#### Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 2 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

#### Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors;
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each separate group continues to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments (continued)

#### *Financial assets (continued)*

#### *Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)*

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### *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 receivables, deposits, other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

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

#### *Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)*

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

For all financial assets, 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.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments (continued)

#### *Financial assets (continued)*

#### *Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (continued)*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the 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.

#### *Derecognition of financial assets*

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.

#### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments (continued)

#### *Financial liabilities and equity instruments (continued)*

##### *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.

##### *Financial liabilities at amortised cost*

Financial liabilities (including trade payables, other payables and obligation under finance lease) are subsequently measured at amortised cost, using the effective interest method.

##### *Financial guarantee contract*

A financial guarantee contract is a contract that requires the issuers to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period

##### *Derecognition of financial liabilities*

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.

### Employee Benefits

#### *Retirement benefit 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Employee Benefits (continued)

#### *Retirement benefit costs (continued)*

#### *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.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

#### *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.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Related Parties

A related party is considered to be related to the Group if:

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
  
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) both entities are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Segment Reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, 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.

### 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 2019 and 2018. The carrying amounts of inventories, which are food and beverage grocery products, are HK\$7,876,000 (2018: HK\$28,564,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Allowance for Expected Credit Losses

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 30.

## 5. REVENUE AND SEGMENTAL INFORMATION

All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed, details refer to note 3.

	2019 HK\$'000	2018 HK\$'000
Disaggregation of revenue from contracts with customers		
An analysis of the Group's turnover is by types of goods as follows:		
Commodities and cereal products (Note a)	54,025	54,259
Packaged food (Note b)	65,622	52,743
Sauce and condiment	43,741	42,376
Dairy products and eggs	26,350	24,993
Beverage and wine	13,115	12,337
Kitchen products (Note c)	11,073	7,429
<b>Total revenue at a point in time</b>	<b>213,926</b>	<b>194,137</b>
Time of revenue recognition		
At a point in time	213,926	194,137
Over time	-	-
	<b>213,926</b>	<b>194,137</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 5. REVENUE AND SEGMENTAL INFORMATION (continued)

The customers of the Group is solely in Hong Kong. Contract with the Group's customers are fixed price contracts.

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 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

### 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\$3,534,000 (2018: HK\$3,012,000) as at 31 March 2019 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.

## 6. OTHER INCOME AND GAIN AND LOSSES, NET

### Other income

	2019 HK\$'000	2018 HK\$'000
Interest income	387	47
Sundry income	-	14
	<b>387</b>	<b>61</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 6. OTHER INCOME AND GAIN AND LOSSES, NET (continued)

### Other gain and losses, net

	2019 HK\$'000	2018 HK\$'000
Exchange loss	–	(67)
Allowance for bad and doubtful debts	–	(82)
Reversal of bad and doubtful debts written off	15	–
	15	(149)

## 7. 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:

#### For the year ended 31 March 2019

	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	Mr. Chan Shing Yim David HK\$'000 (Note c)	Mr. To Yan Ming Edmond HK\$'000	Mr. Ng Fan Kay Frankie HK\$'000 (Note b)	Total HK\$'000
Fee	–	–	162	50	120	50	120	105	607
Other emoluments	100	100	–	–	–	–	–	–	200
Salaries and other benefits	1,200	1,200	596	–	–	–	–	–	2,996
Retirement benefit scheme contributions	18	18	26	–	–	–	–	–	62
Total emoluments	1,318	1,318	784	50	120	50	120	105	3,865

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

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

Year ended 31 March 2018

	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	Mr. Chan Shing Yim David HK\$'000 (Note c)	Mr. To Yan Ming Edmond HK\$'000	Total HK\$'000
Fee	-	-	162	46	120	120	120	568
Other emoluments	145	145	-	-	-	-	-	290
Salaries and other benefits	1,200	1,200	585	-	-	-	-	2,985
Retirement benefit scheme contributions	18	18	26	-	-	-	-	62
<b>Total emoluments</b>	<b>1,363</b>	<b>1,363</b>	<b>773</b>	<b>46</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>3,905</b>

Notes:

- The emoluments of these directors were mainly for their services in connection with management of the affairs of the Company and its subsidiaries.
- Mr. Ng Fan Kay Frankie was appointed as independent non-executive director of the Company on 31 August 2018.
- Mr. Chau Shing Yim David resigned as independent non-executive director of the Company on 31 August 2018.

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 2019

## 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

### (b) Employees' emoluments

The five highest paid individuals included three (2018: three) directors of the Company whose emoluments are included in the disclosures in (a) above for the year ended 31 March 2019. The emoluments of the remaining two (2018: two) individuals for the year ended 31 March 2019 were as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries and other benefits	1,503	1,523
Bonus (Note)	141	80
Retirement benefit scheme contributions	36	36
	1,680	1,639

Their emoluments were within the following bands:

	2019 Number of employees	2018 Number of employees
Nil to HK\$1,000,000	2	2

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.

## 8. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interests on bank borrowing	–	57
Interest on obligation under finance leases	6	–
	6	57

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 9. PROFIT BEFORE TAXATION

	2019 HK\$'000	2018 HK\$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 7)	3,865	3,905
Other staff costs		
Salaries and other benefits	9,700	9,017
Retirement benefits scheme contributions	398	331
Total staff costs	13,963	13,253
Depreciation of property, plant and equipment	1,264	1,198
Auditor's remuneration		
– audit service	800	900
Minimum lease payments under operating leases in respect of land and buildings	5,884	5,849
Cost of inventories recognised as an expense	165,943	146,150

## 10. INCOME TAX EXPENSE

	2019 HK\$'000	2018 HK\$'000
Hong Kong Profits Tax:		
– Current tax	1,035	1,445
– Overprovision in prior years	(13)	(18)
	1,022	1,427

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from current year the Hong Kong profits tax is calculated at 8.25 % on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 10. INCOME TAX EXPENSE (continued)

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

	2019 HK\$'000	2018 HK\$'000
Profit before taxation	4,931	3,821
Tax at the domestic income tax rate	814	630
Tax effect of income not taxable for tax purpose	(128)	(23)
Tax effect of expenses not deductible for tax purpose	550	901
Statutory tax concession	(201)	-
Overprovision in prior years	(13)	(18)
Others	-	(63)
Tax charge for the year	1,022	1,427

## 11. DIVIDEND

No final dividend has been paid or proposed by the Company since its incorporation. The board of directors does not recommend the payments of any dividend in respect of the year ended 31 March 2019 and 2018.

## 12. EARNINGS PER SHARE

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

	2019 HK\$'000	2018 HK\$'000
Earnings:		
Earnings for the purpose of calculating basic earnings per share		
- Profit for the year attributable to owners of the Company	3,909	2,394

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 12. EARNINGS PER SHARE (continued)

	2019 '000	2018 '000
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share	1,162,000	1,128,926

Diluted and basic earnings per share were the same for both years as there were no potential ordinary shares in issue for both years.

## 13. 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
<b>Cost</b>					
At 1 April 2017	3,339	628	1,520	–	5,487
Additions	148	100	586	707	1,541
At 31 March 2017 and 1 April 2018	3,487	728	2,106	707	7,028
Additions	–	290	861	635	1,786
<b>At 31 March 2019</b>	<b>3,487</b>	<b>1,018</b>	<b>2,967</b>	<b>1,342</b>	<b>8,814</b>
<b>Accumulated depreciation</b>					
At 1 April 2017	1,587	392	839	–	2,818
Provided for the year	519	158	326	195	1,198
At 31 March 2018 and 1 April 2018	2,106	550	1,165	195	4,016
Provided for the year	466	107	432	259	1,264
<b>At 31 March 2019</b>	<b>2,572</b>	<b>657</b>	<b>1,597</b>	<b>454</b>	<b>5,280</b>
<b>Carrying amounts</b>					
<b>At 31 March 2019</b>	<b>915</b>	<b>361</b>	<b>1,370</b>	<b>888</b>	<b>3,534</b>
At 31 March 2018	1,381	178	941	512	3,012

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 13. 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%

## 14. FINANCE LEASE RECEIVABLE

A motor vehicle of the Group is leased out to a third party under finance lease. The interest rate inherent in the lease is fixed at the contract date over the lease term.

	2019 HK\$'000	2018 HK\$'000
Presented as non-current asset	–	–
Presented as current asset	–	24
	–	24

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Finance lease receivable comprises:				
Within one year	–	24	–	24
In more than one year but not more than two years	–	–	–	–
In more than two years but not more than five years	–	–	–	–
	–	24	–	24
Less: unearned finance income	–	–	N/A	N/A
Present value of minimum lease payment receivable	–	24	–	24

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 15. 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.

	2019 HK\$'000	2018 HK\$'000
0 – 30 days	24,750	12,391
31 – 60 days	5,689	6,842
61 – 90 days	1,787	1,560
Over 90 days	149	138
	<b>32,375</b>	<b>20,931</b>

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 99% (2018: 99%) of trade receivables as at 31 March 2019 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\$nil (2018: HK\$82,000), during the year ended 31 March 2018, 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.

Upon the application of HKFRS 9 on 1 April 2018, the Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and measures the lifetime ECL on each debtor individually.

The details of the ECL assessment are set out in Note 30.

Movement of provision of trade receivables is as follows:

	2019 HK\$'000	2018 HK\$'000
Impairment losses recognised	–	82
Amounts written off as uncollectible	–	(82)
Balance at the end of the year	–	–

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 15. TRADE RECEIVABLES (continued)

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$nil (2018: HK\$82,000) during the year ended 31 March 2019, which credit quality of these debtors are in doubt.

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

	2019 HK\$'000	2018 HK\$'000
Within 90 days	90	138
Over 90 days	–	–
	<b>90</b>	<b>138</b>

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.

## 16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 HK\$'000	2018 HK\$'000
Rental and utilities deposits	2,546	1,798
Prepayments to suppliers	1,107	1,017
Other prepayments	420	308
Prepaid rental expenses	190	7
Deposits paid for acquisition of property, plant and equipment	1,497	595
Other receivables	93	106
	<b>5,853</b>	<b>3,831</b>
Presented as non-current assets	1,037	2,373
Presented as current assets	4,816	1,458
	<b>5,853</b>	<b>3,831</b>

The details of the ECL assessment are set out in Note 30.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 17. BANK BALANCES AND CASH

Cash and cash equivalents consist of cash on hand and balance with banks. Bank balances carry interest at market rates ranged from 0% to 2.2% (2018: 0% to 0.0002%) per annum as at 31 March 2019.

## 18. 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:

	2019 HK\$'000	2018 HK\$'000
0 – 30 days	4,839	6,351
31 – 60 days	22	336
	<b>4,861</b>	<b>6,687</b>

## 19. OTHER PAYABLES AND ACCRUED CHARGES

	2019 HK\$'000	2018 HK\$'000
Accrued charges	1,500	954
Salaries and bonus payables	1,526	1,252
Other payables	–	196
	<b>3,026</b>	<b>2,402</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 20. CONTRACT LIABILITIES

	2019 HK\$'000	2018 HK\$'000
Receipts in advance from customers	140	–
		Total HK\$'000
Balance at 1 April (note)		126
Decrease in contract liability as a result of recognising revenues during the year that was included in the contract liabilities at the beginning of the year		(126)
Increase in contract liabilities excluding amount recognised as revenue during the year		140
Balance at 31 March		140

Note: The contract liabilities HK\$126,000 included in other payable was reclassified as contract liabilities as at 1 April 2018.

## 21. OBLIGATION UNDER FINANCE LEASE

	Minimum lease payment		PV of minimum lease payment	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Amounts payable under finance lease				
Within one year	75	–	67	–
Within two to five year	245	–	218	–
	320	–	285	–
Less: Future finance charges	(35)	–	–	–
Present value of lease obligations	285	–	285	–
Less: Amount due within one year shown under current liabilities			(67)	–
Amount due after one year shown under non-current liabilities			218	–

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

Certain obligations under finance leases are denominated in Hong Kong dollars.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 22. SHARE CAPITAL

The share capital of the Group as at 31 March 2018 represented the share capital of the Company and details are disclosed as follows:

	Number of shares	HK\$'000
Authorised:		
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	2,000,000,000	20,000
Issue and fully paid:		
At 1 April 2017	15,600,000	156
Placing and public offer of shares upon the listing (note b)	280,000,000	2,800
Issue of shares upon exercise of over-allocation Option for public offer and placing (note b)	42,000,000	420
Capitalisation Issue (note a)	824,400,000	8,244
At 31 March 2018, 1 April 2018 and 31 March 2019	1,162,000,000	11,620

Notes:

- (a) Pursuant to the resolutions passed at the EGM, the Directors 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 paying up in full at par a total of 824,400,000 shares for allotment and issue to Sky Alpha and Trillion Advance immediately prior to the Listing (the "Capitalisation Issue"). The Capitalisation Issue was completed on 13 April 2017.
- (b) In connection with the listing of the Shares on the GEM of the Stock Exchange (the "Listing") on 13 April 2017 (the "Listing Date"), the Company allotted and issued a total of 322,000,000 new shares at HK\$0.23 per share for the total proceeds of approximately HK\$74,060,000, with related issuance costs and listing expenses amounted to approximately HK\$7,536,000 being charged to share premium.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 23. 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:

	2019 HK\$'000	2018 HK\$'000
Within one year	4,389	5,698
In the second to fifth year inclusive	6,650	3,249
	11,039	8,947

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.

## 24. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this annual report, the Group entered the following material related party transactions:

### Compensation of key management personnel

The remuneration of directors and other members of key management during the year ended 31 March 2019 were as follows:

	2019 HK\$'000	2018 HK\$'000
Short term benefits	6,602	7,056
Post employment benefits	153	164
	6,755	7,220

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 25. 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 as a defined contribution scheme is available to reduce the contribution payable in future years. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees and capped at HK\$1,500 per month (HK\$1,500 since 1 June 2014).

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 9.

## 26. SETTLEMENT GUARANTEE

As at 31 March 2019, settlement guarantee of HK\$420,000 (2018: 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 the Company as the guarantor.

## 27. SHARE OPTION SCHEME

The Company conditionally operates a share option scheme ("Share Option Scheme") for the purpose of attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group. The Share Option Scheme was adopted on 21 September 2011 and, unless otherwise terminated by ordinary resolution in general meeting or the board of directors, will remain in full force for ten years from that date.

The eligible persons of the Share Option Scheme include directors, employee, consultants or advisers and any other person has contributed to the Group (the "Eligible Persons").

The subscription price of the share options shall be a price determined by the board of directors and shall be at least the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the offer date; (ii) the average of the closing prices per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; or (iii) the nominal value of the share.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 27. SHARE OPTION SCHEME (continued)

The amount payable by the grantee to the Company on acceptance of the offer shall be a non-refundable payment of HK\$1.00 (or such other sum in any currency as the Board may determine).

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the Share Option Scheme.

The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Person (including both exercised and outstanding options under the Share Option Scheme) in any twelve-month period must not exceed 1% of the issued share capital of the Company 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.

As at 31 March 2019, no share option has been granted or agreed to be granted under the share option scheme.

## 28. 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	Class of shares held	Place of incorporation/ registration and business	Issued and fully paid share capital	Percentage of equity attributable to the Company				Principal activities
				2019		2018		
				Direct	Indirect	Direct	Indirect	
Hung Fat Ho Holdings Limited	Ordinary	BVI, limited liability company	US\$20,000	100%	-	100%	-	Investment holding
Hung Fat Ho Food Limited	Ordinary	HK, limited liability company	HK\$5,000,000	-	100%	-	100%	Trading and distribution of food and beverage grocery products
Ongo Food Limited	Ordinary	HK, limited liability company	HK\$500,000	-	100%	-	100%	Trading and distribution of food and beverage grocery products
Eagle Food Limited	Ordinary	HK, limited liability company	HK\$500,000	-	100%	-	100%	Trading and distribution of food and beverage grocery products
Lofty Idea Limited	Ordinary	BVI, limited liability company	US\$10,000	-	100%	-	100%	Holding of trademark and other intellectual property rights for the Group

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 29. 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 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.

## 30. FINANCIAL INSTRUMENTS

Categories of financial instruments:

	2019 HK\$'000	2018 HK\$'000
Financial assets at amortised costs/Loans and receivables (including cash and cash equivalents)	101,256	75,068
Financial liabilities At amortised cost	5,146	9,089

### Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables and deposits, finance lease receivable, bank balances and cash, trade payables, other payables and obligation under finance lease. 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

For the year ended 31 March 2019

## 30. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Currency risk

The Group has foreign currency purchases, which accounted for 7% (2018: 7%) of the Group's purchase during the year ended 31 March 2019 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	
	2019	2018
	HK\$'000	HK\$'000
EUR	1	36
US\$	386	1

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. It seems to have no effect on post tax profit (2018: 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.

	2019	2018
	HK\$'000	HK\$'000
No effect on post-tax profit (2018: increase in post-tax profit) for the year	-	3

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 30. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to bank and cash balance. The cash flow interest rate risk is mainly concentrated on fluctuations associated with variable rate bank and cash balance.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

No sensitivity analysis of bank balance and cash is presented as a reasonably possible change in interest rate would not have significant impact on profit or loss of the Group.

Obligations under finance leases issued at fixed rates expose the Group to fair value interest rate risk. During the reporting period, the Group did not hedge its fair value interest rate risk.

#### *Credit risk*

The Group's credit risk is primarily attributable to trade and other receivables, finance lease receivable, amounts due from 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.

In order to minimise the credit risk of trade receivables, the 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. Upon the application of HKFRS 9 on 1 April 2018, the Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and measures the lifetime ECL on each debtor individually.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 30. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk (continued)

##### Other receivables and other deposit

Other receivables and other deposit relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

At 1 April 2018 and at 31 March 2019, no provision of expected credit losses was recognised for the Group's financial assets as the amounts are insignificant. The adoption of expected credit loss model under HKFRS 9 did not have any impact on allowance for impairment of trade receivables, other receivables and deposit.

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

#### 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 2019

	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
<b>Non derivative financial liabilities</b>					
Trade payables	N/A	–	4,861	4,861	4,861
Obligation under finance lease	2.5	320	–	320	285
		320	4,861	5,181	5,146

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 30. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

As at 31 March 2018

	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
<b>Non derivative financial liabilities</b>					
Trade payables	N/A	–	6,687	6,687	6,687
Other payables and accrued charges	N/A	2,402	–	2,402	2,402
		2,402	6,687	9,089	9,089

#### 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.

## 31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities.

	Bank borrowing HK\$'000	Obligation under finance lease (Note 21) HK\$'000	Total HK'000
At 1 April 2017	2,515	–	2,515
Changes from financing cash flows			
Repayment of bank borrowing	(2,515)	–	(2,515)
Interest paid	(57)	–	(57)
Total changes from financing cash flows			
Finance cost (Note 8)	57	–	57
At 31 March 2018 and 1 April 2018	–	–	–
Obligation under finance lease raised	–	335	335
Changes from financing cash flows			
Repayment of obligation under finance leases	–	(50)	(50)
Interest paid	–	(6)	(6)
Total changes from financing cash flows			
Finance cost (Note 8)	–	6	6
	–	285	285

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>		
Investment in subsidiaries	32,122	32,122
<b>Current assets</b>		
Prepayments, deposits and other receivables	200	143
Amounts due from subsidiaries	25,860	39,171
Bank balances and cash	17,169	7,290
	43,229	46,604
<b>Current liabilities</b>		
Other payables and accruals	55	251
Amounts due to subsidiaries	-	-
	55	251
<b>Net current assets</b>	43,174	46,353
<b>Net assets</b>	75,296	78,475
<b>Capital and reserves</b>		
Share capital	11,620	11,620
Reserves (Note)	63,676	66,855
<b>Total equity</b>	75,296	78,475

The financial statements were approved and authorized for issue by the board of directors on 25 June 2019 and signed on behalf by:

**Mr. Wong Siu Man**  
Director

**Mr. Wong Siu Wa**  
Director

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Note:

The movements of the reserves are as follows:

	Share premium HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2017	2,000	29,966	(14,645)	17,321
Total comprehensive loss for the year	–	–	(5,526)	(5,526)
Placing and public offer of shares upon the listing	61,600	–	–	61,600
Issue of shares upon exercise of over-allocation option for public offer and placing	9,240	–	–	9,240
Transaction cost incurred directly attributed to issue of shares	(7,536)	–	–	(7,536)
Capitalisation issue	(8,244)	–	–	(8,244)
At 31 March 2018	57,060	29,966	(20,171)	66,855
At 1 April 2018	57,060	29,966	(20,171)	66,855
Total comprehensive loss for the year	–	–	(3,179)	(3,179)
At 31 March 2019	57,060	29,966	(23,350)	63,676

## 33. COMPARATIVE FIGURES

The Group has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods, comparative information is not restated.

## 34. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 June 2019.

## Financial Summary

The following is a summary of the published consolidated results and of the assets and liabilities of the Group:

### RESULTS

	Year ended 31 March			
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
<b>Consolidated results summary</b>				
Revenue	213,926	194,137	188,298	183,744
Profit before taxation	4,931	3,821	738	14,585
Income tax expense	(1,022)	(1,427)	(2,562)	(2,344)
Profit/(loss) and total comprehensive income/ (expense) for year	3,909	2,394	(1,824)	12,241
Profit/(loss) and total comprehensive income/ (expense) for year attributable to:				
– Owners of the Company	3,909	2,394	(1,824)	12,056
– Non-controlling interests	–	–	–	185
	3,909	2,394	(1,824)	12,241

### ASSETS AND LIABILITIES

	As at 31 March			
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Non-current assets	4,571	5,385	4,364	2,348
Current assets	110,065	106,119	51,353	36,379
Current liabilities	(8,094)	(9,089)	(22,220)	(10,466)
Non-current liabilities	(218)	–	–	–
Total net assets	106,324	102,415	33,497	28,261
Equity attributable to:				
Owners of the Company	106,324	102,415	33,497	28,261
Non-controlling interests	–	–	–	–
Total equity	106,324	102,415	33,497	28,261