Asia Grocery Distribution Limited
亞洲雜貨有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8413)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, 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 announcement 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 announcement misleading.

ANNUAL RESULTS

The board of directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group" or "us" or "we" or "our") for the year ended 31 March 2017 (the "Reporting Period"), together with the comparative audited figures for the year ended 31 March 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Revenue	*4*	**188,298**	183,744
Cost of sales		**(142,270)**	(141,789)
Gross profit		**46,028**	41,955
Other income	*5*	**–**	64
Other gain and losses, net	*5*	**(245)**	(81)
Selling and distribution expenses		**(17,433)**	(18,753)
Administrative expenses		**(12,932)**	(8,600)
Listing expenses		**(14,645)**	–
Finance costs	*6*	**(35)**	–
Profit before taxation	*7*	**738**	14,585
Income tax expense	*8*	**(2,562)**	(2,344)
(Loss) profit and total comprehensive (expense) income for the year		**(1,824)**	12,241
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
– Owners of the Company		**(1,824)**	12,056
– Non-controlling interests		**–**	185
		(1,824)	12,241
(Loss) earnings per share			
Basic *(HK cents)*	*10*	**(0.23)**	1.60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2,669**	1,497
Finance lease receivable		**24**	87
Deposits	*12*	**1,671**	764
		4,364	2,348
Current assets			
Inventories – finished goods		**9,797**	7,675
Finance lease receivable		**63**	63
Trade receivables	*11*	**18,550**	20,655
Other receivables, deposits and prepayments	*12*	**6,984**	1,078
Amount due from a director		**740**	–
Amounts due from related companies		**–**	982
Bank balances and cash		**15,219**	5,926
		51,353	36,379
Current liabilities			
Trade payables	*13*	**5,540**	5,914
Other payables and accrued charges	*14*	**13,522**	1,372
Amount due to a director		**–**	2,343
Consideration payables		**–**	360
Bank borrowing	*15*	**2,515**	–
Tax payable		**643**	477
		22,220	10,466
Net current assets		**29,133**	25,913
Net assets		**33,497**	28,261
Capital and reserves			
Share capital		**156**	78
Reserves		**33,341**	28,183
Equity attributable to owners of the Company		**33,497**	28,261

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

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

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

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

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

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

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

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

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

(ii) On 30 July 2015, HFH Holdings acquired 500,000 shares, representing 100% issued share capital, of Eagle Food from Mr. Li Yiu Pong, an independent third party, for a consideration of approximately HK$321,613. Upon the completion of the acquisition, Eagle Food has become a wholly-owned subsidiary of HFH Holdings.

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

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

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

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

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

Accordingly, the consolidated financial statement have been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting For Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

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

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

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

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

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2017.
[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 Financial instruments

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

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

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

HKFRS 15 Revenue from contracts with customers

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

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

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

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

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

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

HKFRS 16 Leases

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

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

Amendments to HKAS 7 Disclosure initiative

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

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

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

4. REVENUE AND SEGMENTAL INFORMATION

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

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

Notes:

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

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

Geographical information

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

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

5. OTHER INCOME AND GAIN AND LOSSES, NET

	2017	2016
	HK$'000	*HK$'000*
Other income		
Consultancy income	**–**	64

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

6. FINANCE COSTS

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

7. PROFIT BEFORE TAXATION

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

8. INCOME TAX EXPENSE

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

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

9. DIVIDEND

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

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

10. (LOSS) EARNINGS PER SHARE

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

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

The number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in note 16) had been effective on 1 April 2015.

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

11. TRADE RECEIVABLES

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

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

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

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

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

Movement of provision of trade receivables is as follows:

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

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

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

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

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

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

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

13. TRADE PAYABLES

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

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

14. OTHER PAYABLES AND ACCRUED CHARGES

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

15. BANK BORROWING

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

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

16. EVENTS AFTER REPORTING PERIOD

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

FUTURE PROSPECTS

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

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

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

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

Cost of sales

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

Gross profit and gross profit margin

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

Other income

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

Other gain and losses, net

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

Selling and distribution expenses

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

Administrative expenses

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

Listing expenses

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

Finance costs

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

Income tax expense

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

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

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

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

Dividend

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

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

Trade and other receivables

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

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

Trade and other payables

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

CAPITAL STRUCTURE

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

FOREIGN EXCHANGE EXPOSURE RISKS

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

FINANCIAL POLICIES

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

GEARING RATIO

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

CAPITAL EXPENDITURE

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

CAPITAL COMMITMENTS

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

CHARGES ON THE GROUP'S ASSETS

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

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CONTINGENT LIABILITIES

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

INFORMATION ON EMPLOYEES

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

USE OF PROCEEDS

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

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

OTHER INFORMATION

Corporate governance practices

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

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

Audit Committee

The Group has established an audit committee of the Board (the "Audit Committee") pursuant to a resolution of the Board passed on 27 March 2017 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee include (i) reviewing the draft annual financial statements and the draft results announcement of the Company, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval; (ii) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards; (iii) assessing the independence of the Company's external auditor; (iv) recommending to the Board regarding the appointment and remuneration of the external auditor; (v) reviewing the adequacy and effectiveness of the Group's systems of risk management and internal controls through a review of the work undertaken by the Group's external auditor, written representations by the senior management of each of the Group's business divisions and discussions with the Board; and (vi) reviewing the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, and financial reporting functions through a review of the work undertaken by the Group's senior financial management.

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

The audited consolidated financial statements of the Group for the year ended 31 March 2017 had been reviewed by the Audit Committee, which was of the opinion that the audited consolidated financial statements have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

Event after the reporting period

Save as disclosed in the note 16 of this announcement, there is no significant event of the Group after the Reporting Period.

Directors' securities transactions

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

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

No incident of non-compliance of the Model Code and/or the Inside Information Policy by such relevant employees was noted by the Company during the Relevant Period.

Purchase, sales or redemption of the Company's listed securities

Neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the Relevant Period.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of the financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2017 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2017. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

Interest of the compliance adviser

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

Annual general meeting

The annual general meeting ("AGM") for the financial year 2017 of the Company is scheduled to be held on Thursday, 24 August 2017 and a notice convening the AGM will be published and despatched in due course.

Closure of register of members

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

Publication of the 2017 annual report on the websites of the Stock Exchange and the Company

Pursuant to the requirements of the GEM Listing Rules, the 2017 annual report of the Company will set out all information required by the GEM Listing Rules and will be published on the GEM website at www.hkgem.com and the Company's website at www.agdl.com.hk on or before 30 June 2017.

By order of the Board
Asia Grocery Distribution Limited
Wong Siu Man
Chairman and executive Director

Hong Kong, 21 June 2017

As at the date of this announcement, the executive Directors are Mr. Wong Siu Man, Mr. Wong Siu Wa and Mr. Yip Kam Cheong, the non-executive Director is Mr. Wong Chun Hung Hanson and the independent non-executive Directors are Mr. To Yan Ming Edmond, Mr. Chau Shing Yim David and Mr. Wong Garrick Jorge Kar Ho.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and on the Company's website at www.agdl.com.hk.