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 2020

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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. Ng Fan Kay Frankie
Mr. Wang Zhaobin (appointed on 27 November 2019)
Mr. Wong Garrick Jorge Kar Ho
Mr. To Yan Ming Edmond (deceased on 28 August 2019)

AUDIT COMMITTEE

Mr. Ng Fan Kay Frankie *(Chairman)*
Mr. Wang Zhaobin (appointed on 27 November 2019)
Mr. Wong Garrick Jorge Kar Ho
Mr. To Yan Ming Edmond (deceased on 28 August 2019)

REMUNERATION COMMITTEE

Mr. Wang Zhaobin *(Chairman)*
(appointed on 27 November 2019)
Mr. To Yan Ming Edmond *(Chairman)*
(deceased on 28 August 2019)
Mr. Ng Fan Kay Frankie
Mr. Wong Garrick Jorge Kar Ho

NOMINATION COMMITTEE

Mr. Wong Garrick Jorge Kar Ho *(Chairman)*
Mr. Ng Fan Kay Frankie
Mr. Wang Zhaobin (appointed on 27 November 2019)
Mr. To Yan Ming Edmond (deceased on 28 August 2019)

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

Sorrento Capital Limited
11/F., The Wellington, 198 Wellington Street,
Hong Kong

PRINCIPAL BANKER

Nanyang Commercial Bank, Limited

COMPANY'S WEBSITE

www.agdl.com.hk

STOCK CODE

8413

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of Directors of Company, I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2020.

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 2020, the total retail sales value was provisionally estimated to be HK$23.0 billion, representing a year-on-year decrease of 42.0%. Without taking into account the effect of price change, the total sales volume of goods slightly dropped by 33.9%. The business environment for retail trade will remain very difficult in the near term amid the deep economic recession and sharp deterioration in the labour market due to the outbreak of Coronavirus Disease 2019 which seriously disrupted consumption-related activities. The Group expects that its results of the first half of 2020/2021 will still be adversely affected and the recovery will be challenging.

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.

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 by leveraging our current client base, providing efficient one-stop food and beverage grocery distribution solutions, offering a wide spectrum of products for customers and exercising careful cost controls.

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, 24 June 2020

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Siu Man (黃少文), aged 47, 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 51, 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 45, 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 46, was appointed as a non-executive Director with effect from 29 September 2016. Mr. Hanson Wong has over 18 years of industry experience in the finance industry. Mr. Hanson Wong has been an executive director of Seazen Resources Capital Group 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 (創會會長) of the Kowloon City District Kindergarten Heads Association from August 2018 to July 2020, as the 副理監事長 of the Shamshuipo Kaifong Welfare Advancement Association with effect from January 2019, as the regional commander, Hong Kong & Islands (總區指揮官) of the Hong Kong Road Safety Patrol with effect from May 2019 and as the 17th, 18th and 20th chairman of the Hong Kong Precious Metals Traders Association Limited in May 2014, August 2016 and January 2020 respectively. He was an alternate committee member (候補理監事) of the Chinese Gold & Silver Exchange Society (金銀業貿易場) since January 2017. He was also appointed as the 40th term board of directors of Yan Oi Tong from April 2019 to March 2020, as the chairman of Hong Kong WuYi Youth Association from September 2019 to August 2021, as the president of Resources Capital Football Club with effect from July 2016, 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 Scout Association of Hong Kong, Kowloon City District in July 2013 and July 2015 and as vice president since September 2016 and as the vice president of Association of International Certified Financial Consultants in October 2016.

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. Ng Fan Kay Frankie (吳奮基) (“**Mr. Ng**”), aged 43, 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 is currently the Managing Director of Smartac Group China Holdings Limited (stock code: 0395) since January 2020.

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. To Yan Ming Edmond (杜恩鳴) (“**Mr. To**”), passed away on 28 August 2019, was appointed as an independent non-executive Director on 27 March 2017. Mr. To was 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 was a certified public accountant (“CPA”) practicing in Hong Kong. He had been a member of CPA Australia and Hong Kong Institute of Certified Public Accountants (“HKICPA”) since May 1999 and May 2000, respectively.

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

Mr. To was 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 was also an independent non-executive director of China Vanguard You Champion Holdings Limited (stock code: 8156), a company listed on GEM. He was a founder of Arcus Charitable Foundation Limited, a charitable institution or trust of a public character in Hong Kong, since August 2014 and had been appointed as its chairman since December 2015.

Mr. Wang Zhaobin（王兆斌）(“**Mr. Wang**”), aged 35, was appointed as an independent non-executive Director with effect from 27 November 2019. Mr. Wang is currently also the chairman of our remuneration committee and a member of our audit and nomination committee. Mr. Wang graduated from Shangqiu Normal University with a bachelor’s degree in 2007. Mr. Wang has extensive experience in strategic planning and operation management. He has held senior managerial positions in sizeable corporations in the People’s Republic of China.

Mr. Wong Garrick Jorge Kar Ho（黃嘉豪）, aged 38, 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.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Ms. Chan Lai In (陳麗妍) ("**Ms. Sydney Chan**"), aged 33, 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 since January 2012. She has extensive experience in accounting, auditing, taxation and initial public offer.

Ms. Kwong Oi Sze (鄺凱思) ("**Ms. Victoria Kwong**"), aged 44, has joined our Group as the general manager since March 2020. Ms. Victoria Kwong is primarily responsible for overall daily operations of the business units and direct management of key functions manager, business development and strategic brand positioning, key clients management, sales and marketing strategy; people and organizational development.

Ms. Victoria Kwong possessed 23 years proven track total international trade business spectrum focusing on sourcing, import and local distribution of food and beverages products in Hong Kong, China and Macau, both in food service and retail channels. Ms. Victoria Kwong started her career as food service and catering manager at Wilson International Frozen Foods (H.K.) Limited from 1997 to 2015, then moved on as a director of business development (gourmet fine foods) at DKSH Hong Kong Limited from 2016 to 2017 and the general manager (sales) of Four Seas Mercantile Limited, leading the food service and wholesale channels, primarily processed ham products, Japanese snacks and confectionaries from 2017 to 2019.

Ms. Victoria Kwong holds a bachelor's degree in international trade and operations management from the University of Plymouth, UK, and a graduated professional diploma in business logistics from the University of Hong Kong.

Mr. Wong Chun Fung (黃鎮鋒) ("**Mr. Alex Wong**"), aged 36, has joined our Group as a sales manager since December 2010. Mr. Alex Wong is primarily responsible for managing key customer accounts. Mr. Alex Wong has over 10 years of experience in food and beverage industry. Mr. Alex 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 37, 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$204,368,000 for the year ended 31 March 2020, representing a decrease of approximately 4.5% as compared to approximately HK$213,926,000 in the corresponding period of 2019.

The past year was a very difficult period for Hong Kong's food and beverage industry as a whole. Since the beginning of January 2020, the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") has adversely affected the global business environment. Although the Group's operations continue as usual, the COVID-19 outbreak has caused temporary slowdown of demand and decrease in sales orders from our customers after the Chinese New Year. The Directors expect that it will take some time for the Hong Kong economy to recover to normal, and will adversely affect the Group's results in the first half year of 2020. The Group will closely monitor the market conditions and seek suitable business opportunities in order to minimize the negative effects of the COVID-19 outbreak to our business.

FINANCIAL REVIEW

Revenue

The following table sets forth the breakdown of the Group's revenue for the years ended 31 March 2020 and 2019:

	2020 **HK$'000**	2019 HK$'000	Change %
Commodities and cereal products	**53,707**	54,025	–0.6%
Packaged food	**46,809**	65,622	–28.7%
Sauce and condiment	**43,728**	43,741	0.0%
Dairy products and eggs	**27,684**	26,350	5.1%
Beverage and wine	**12,791**	13,115	–2.5%
Kitchen products	**19,649**	11,073	77.4%
	204,368	213,926	–4.5%

Management Discussion and Analysis

During the years ended 31 March 2020 and 2019, 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 84.1% and 88.2% respectively, of our total revenue.

Revenue generated from sales of commodities and cereal products, which becomes our largest contributing product types for the year ended 31 March 2020, accounted for approximately 26.3% and 25.3% of our total revenue respectively for the years ended 31 March 2020 and 2019. Sales of commodities and cereal products remained relatively stable for the year ended 31 March 2020 as compared to the previous year.

Our sales of packaged food decreased by approximately 28.7% for the year ended 31 March 2020 as compared to the previous year mainly as a result of the decrease in sales orders from local restaurants, hotels and private clubs. The business environment of the food and beverage industry had worsen a lot over the past year. A drastic decline in tourists was recorded in Hong Kong due to the outbreak of social incidents and COVID-19 outbreak. Restaurants and hotels in tourist districts suffered the most, with popular tourist destinations like Tsim Sha Tsui, Causeway Bay and Mong Kok facing a steep sales decline during the current year which led to dramatic decrease in demand for our Group's products. Also, it was expected that the government would introduce stringent enforcement actions to reduce social contacts and gatherings further, therefore, our customers ordered less packaged food to avoid accumulation of stocks near the current year end. Revenue generated from sales of packaged food for the years ended 31 March 2020 and 2019 accounted for approximately 22.9% and 30.7% of our total revenue respectively.

Our sales of sauce and condiment remained stable for the year ended 31 March 2020 as compared to the previous year.

Our sales of dairy products and eggs increased by approximately 5.1% for the year ended 31 March 2020 as compared to the previous year mainly due to increased orders received for steady growth of existing products.

Our sales of beverage and wine decreased by approximately 2.5% for the year ended 31 March 2020 as compared to the previous year mainly due to decreased demand from customers.

Our sales of kitchen products increased by approximately 77.4% for the year ended 31 March 2020 as compared to the previous year. The increase was mainly due to a sharp increase in demand for our high-quality kitchen products, included face masks, gloves, bleach, kitchen paper and toilet paper, etc. due to the COVID-19 outbreak which raised people's awareness of hygiene during 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 decreased by approximately HK$9,193,000 or approximately 5.5% to approximately HK$156,750,000 for the year ended 31 March 2020 as compared to approximately HK$165,943,000 for the year ended 31 March 2019 was due to the combined effect of decreased sales volumes and cost efficiencies in cost of finished goods purchased from direct manufacturers and end suppliers.

Management Discussion and Analysis

Gross profit and gross profit margin

The Group's gross profit decreased from approximately HK$47,983,000 for the year ended 31 March 2019 to approximately HK$47,618,000 for the year ended 31 March 2020. The slight decrease in gross profit was due to decrease in sales order from our customers, offset by lower cost of goods purchased from suppliers. For the year ended 31 March 2020, the Group's gross profit margin increased to 23.3% as compared with previous year at 22.4%.

Other income

Other income mainly represented interest income from bank deposits. Other income increased from approximately HK$387,000 for the year ended 31 March 2019 to approximately HK$554,000 for the year ended 31 March 2020 mainly due to increase in interest income from fixed bank deposits.

Other gain and losses, net

The Group recorded net losses of approximately HK$1,012,000 for the year ended 31 March 2020 (year ended 31 March 2019: net gain of approximately HK$15,000), which was mainly attributable to the loss on disposal of items of property, plant and equipment. Since the Group reallocate its headquarters and principal place of business to newly rented office and warehouse in Yau Tong in May 2019, the Group disposed items of property, plant and equipment which included leasehold improvement, plant and machinery and furniture and equipment in the existing offices and warehouses in Kwun Tong during the period. Net gain in previous year represented the reversal of bad and doubtful debts.

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 were mainly due to increase in transportation expenses and hiring of new logistic staffs to increase the efficiency of the delivery process. The selling and distribution expenses accounted for approximately 11.4% and 9.6% of the total revenue for the years ended 31 March 2020 and 2019 respectively.

Administrative expenses

For the year ended 31 March 2020, 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 and depreciation. Administrative expenses increased from approximately HK$22,825,000 for the year ended 31 March 2019 to approximately HK$26,657,000 for the year ended 31 March 2020. The increase of administrative expenses of the Group was mainly due to increase in legal and professional fees offset by decrease in rental expenses. Also, the Group renovated and purchased new furniture and equipment for the new office and warehouse which incurred additional depreciation.

Management Discussion and Analysis

Finance costs

Finance costs amounted to approximately HK$438,000 for the year ended 31 March 2020, increased by approximately HK$432,000 as compared to approximately HK$6,000 for the year ended 31 March 2019. Finance costs of the Group represented interest expenses on finance leases.

Income tax expense

For the years ended 31 March 2020 and 2019, our income tax expense were approximately HK$293,000 and HK$1,022,000, respectively.

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

For the year ended 31 March 2020, the Group's loss and total comprehensive expense attributable to owners of the Company was approximately HK$3,573,000. For the year ended 31 March 2019, the Group's profit and total comprehensive income attributable to owners of the Company was approximately HK$3,909,000. The decrease of profit and total comprehensive income attributable to owners of the Company was mainly attributable to the decrease in revenue, increase in legal and professional fees and transportation expenses, plus the loss on disposal of items of property, plant and equipment. Since the Group reallocated its headquarters and principal place of business to newly rented office and warehouse in Yau Tong in May 2019 and disposed large amount of items of property, plant and equipment in the existing offices and warehouses in Kwun Tong, therefore, a one-off loss on disposal of items of property, plant and equipment amounted to approximately HK$927,000 was recorded during the year.

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 2020 (year ended 31 March 2019: nil).

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

Trade and other receivables

Trade receivables decreased by 39.5% from approximately HK$32,375,000 as at 31 March 2019 to approximately HK$19,587,000 as at 31 March 2020. The decrease was in line with the revenue decrement due to the COVID-19 outbreak near the year end.

Other receivables decreased by HK$2,367,000 from approximately HK$4,816,000 as at 31 March 2019 to approximately HK$2,449,000 as at 31 March 2020. The decrease was mainly due to refund of rental and utilities deposits paid for the previous warehouses and offices in Kwun Tong and capitalization of deposits paid for the renovation and acquisition of property, plant and equipment for the new warehouse and office in Yau Tong.

Trade and other payables

Trade payables decreased from approximately HK$4,861,000 as at 31 March 2019 to approximately HK$4,850,000 as at 31 March 2020. The amounts were rather stable for both years. Despite the decrease in revenue, the Group had sufficient cash to repay suppliers.

Other payables increased by HK$1,757,000 from approximately HK$3,026,000 as at 31 March 2019 to approximately HK$4,783,000 as at 31 March 2020. The increase was mainly due to the increase in accrued legal and professional fees.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, bank balances and cash of the Group amounted to approximately HK$54,001,000 (As at 31 March 2019: approximately HK$64,745,000). The current ratios (current asset divided by current liabilities) of the Group were 8.3 times and 13.6 times as at 31 March 2020 and 31 March 2019 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 2020 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 2020, 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.

Management Discussion and Analysis

GEARING RATIO

The total interest-bearing borrowing (i.e. finance leases) of the Group as at 31 March 2020 was approximately HK$6,297,000 (31 March 2019: approximately HK$285,000). The Group's gearing ratio as at 31 March 2020 was approximately 6.1% (31 March 2019: approximately 0.3%), which is calculated as the Group's total borrowing over the Group's total equity.

CAPITAL EXPENDITURE

During the year ended 31 March 2020, the Group invested approximately HK$4,579,000 in property, plant and equipment, mainly represented an increase in leasehold improvement of approximately HK$3,496,000 for the newly rented office and warehouse in Yau Tong. The Group also purchased new plant and machinery, furniture and fixtures and motor vehicle.

CAPITAL COMMITMENTS

As at 31 March 2020, 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 2020.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2020, 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 2020, the Group did not have any significant contingent liabilities (31 March 2019: nil).

INFORMATION ON EMPLOYEES

As at 31 March 2020 the Group employed 44 employees (31 March 2019: 42 employees) with total staff cost of approximately HK$15,161,000 incurred for the year ended 31 March 2020 (for the year ended 31 March 2019: approximately HK$13,963,000). The Group's remuneration packages are generally structured with reference to market terms and individual merits.

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	**Updated use of net proceeds**	**Utilised**	**Unutilised**
	HK$'000	HK$'000	HK$'000	HK$'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	(2,660)	4,740
– Renovation costs	–	7,000	(3,518)	3,482
– Start-up costs for warehouse facility	–	8,100	(875)	7,225
Upgrade of Enterprise Resource Planning ("ERP") system	12,560	12,560	(3,378)	9,182
Conducting sales and marketing activities	5,540	5,540	(448)	5,092
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	(15,186)	33,314

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 2020, a total of approximately HK$7,623,000 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 2020, the Group selected a new ERP software for implementation and a total of approximately HK$3,378,000 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 2020, a total of approximately HK$448,000 was spent on participating in domestic food exhibition and sales exhibition to showcase our products to potential buyers.

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 2020, 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.

Looking forward, the Group is still reasonably optimistic to sustain the core business given all the economic uncertainties with the COVID-19 outbreak. However, the Directors are actively assessing and managing the uncertainties, and implementing, if necessary measures to conquer this challenging time. At the same time, the Group remains committed to the strategies that we have promised our shareholders before being listed and will continue to seek for the best possible opportunities to grow our business by leveraging our current client base, offering a wide spectrum of products for customers and exercising careful cost controls.

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 2020.

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 2020 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 132 of this annual report.

BUSINESS REVIEW

The business of the Group for the year ended 31 March 2020 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 46 to 65 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Following the passing away of Mr. To Yan Ming, Edmond on 28 August 2019, the Company only had two independent non-executive Directors and thus the number of independent non-executive Directors and the number of members of the audit committee fell below the minimum number required under the Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules. Upon the appointment of Mr. Wang Zhaobin as an independent non-executive Director, the chairman of the remuneration committee, a member of each of the audit committee and the nomination committee of the Company on 27 November 2019, the Company has fully complied with the Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules.

Saved as disclosed above, 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 during the year ended 31 March 2020.

Directors' Report

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees and customers to meet its immediate and long-term business goals. During the year ended 31 March 2020, there were no material and significant dispute between the Group and its employees, customers and suppliers.

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 2020 and the financial position of the Group as at 31 March 2020 are set out in the consolidated financial statements from page 72 to page 76 of this annual report.

The Board does not recommend the payment of a dividend for the year ended 31 March 2020.

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.

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 2020, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately HK$26,834,000.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2020, 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 2020, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 30.6% of the Group's total purchases, while purchases from the Group's single largest supplier accounted for approximately 14.0% of the Group's total purchases.

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 2020 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)*

Non-executive Director

Mr. Wong Chun Hung Hanson

Independent non-executive Directors

Mr. Ng Fan Kay Frankie
Mr. Wang Zhaobin (appointed on 27 November 2019)
Mr. Wong Garrick Jorge Kar Ho
Mr. To Yan Ming Edmond (deceased on 28 August 2019)

In accordance with article 16.18 of the Articles of Association, Mr. Wong Siu Man, Mr. Wong Siu Wa and Mr. Yip Kam Cheong shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the "AGM").

In accordance with article 16.2 of the Articles of Association, Mr. Wang Zhaobin shall hold office until the AGM and, being eligible, offer himself for re-election at the 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, an annual 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.

None of the Directors being proposed for re-election at the 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 2020, 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 under review.

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 2020, 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 (1)
Mr. Wong Siu Man (2)	Interest of controlled corporation	602,800,000	51.88%
Mr. Wong Siu Wa (2)	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 2020.

(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 2020, 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' 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 2020 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 2020, 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 (1)
Sky Alpha (2)	Legal and Beneficial owner	602,800,000	51.88%
Ms. Fan Wing (2) & (3)	Interest of spouse	602,800,000	51.88%
Ms. Chu Man (2) & (4)	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 2020.

(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 2020, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) 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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2020, 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 2020, 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.

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 2020.

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 29 to 45 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.

During the year ended 31 March 2020 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 2020 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").

Eligible Participants

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

Directors' Report

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

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

Maximum entitlement under the scheme

The maximum number of Shares issued and to be issued upon exercise of the options granted (including exercised, cancelled and outstanding options) under the Share Option Scheme in any 12-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.

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

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

Amount payable on acceptance of an option

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

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

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

Basis of determining the exercise price

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

Remaining life of the Share Option Scheme

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

Further details of the Share Option Scheme are set out in note 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

The Company has changed the compliance adviser from LY Capital Limited ("LY") to Sorrento Capital Limited ("Sorrento") as LY and the Company could not reach an agreement on the adjustment of fee to be payable by the Company to LY, effective on 10 July 2019. As informed by Sorrento, neither Sorrento nor any of its directors or employees or associates, has or may have, any interest in the Group as at 31 March 2020, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Sorrento dated 10 July 2019.

EVENT AFTER THE REPORTING PERIOD

On 24 April 2020 (after trading hours), Perfect Epoch Enterprises Limited, a wholly-owned subsidiary of the Company (the "Purchaser"), and the Company (as the Purchaser's warrantor) entered into a sale and purchase agreement with the vendors, being 37 individual beneficial owners of Car-T (Shanghai) Biotech Co., Ltd ("Car-T Biotech"), who in aggregate hold 100% of the equity interests in Car-T Biotech (the "Vendors") and are independent third parties, pursuant to which (i) the Vendors agreed to procure the reorganisation; and (ii) the Purchaser conditionally agreed to acquire from the Vendors, and the Vendors conditionally agreed to sell, the sale interests, which represents the effective control over the financial and operational management and results of Car-T Biotech and all the economic benefits derived from the operations of Car-T Biotech upon completion of the reorganisations, for the consideration of HK$1,200 million, of which (i) HK$628,000,000 shall be satisfied through the allotment and issuance of the consideration shares; and (ii) HK$572,000,000 shall be satisfied through the issuance of the promissory notes.

Car-T Biotech is engaged in (i) bioengineering, medical research and development with related fields of stem-cells and other related healthcare services; and (ii) patents licensing of pharmaceutical composition for use in emergency treatment and preparation method thereof in the PRC.

For further details, please refer to the announcements of the Company dated 24 April 2020, 15 May 2020 and 27 May 2020.

Saved as disclosed above, the Directors are not aware of any significant event which had material effect on the Group subsequent to 31 March 2020 and up to the date of this annual report.

Directors' 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. Wang Zhaobin 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 2020.

AUDITOR

With effect from 29 March 2018, Messrs. Deloitte Touche Tohmatsu resigned as auditors of the Company. Messrs. HLB Hodgson Impey Cheng Limited ("HLB") was appointed to fill the casual vacancy following the resignation of Messrs. Deloitte Touche Tohmatsu.

The consolidated financial statements of the Company for the year ended 31 March 2020 have been audited by HLB. HLB will retire and, being eligible, offer itself for re-appointment at the AGM. A resolution for the re-appointment of HLB as auditor of the Company will be proposed at the AGM.

By order of the Board
Wong Siu Man
Chairman and Executive Director

Hong Kong, 24 June 2020

Corporate Governance Report

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 March 2020.

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 2020. 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 2020 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. Ng Fan Kay Frankie
Mr. Wang Zhaobin (appointed on 27 November 2019)
Mr. To Yan Ming Edmond (deceased on 28 August 2019)
Mr. Wong Garrick Jorge Kar Ho

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) and on the GEM's website (www.hkgem.com) an updated list of current Directors (by category) identifying their role and function.

Mr. To Yan Ming, Edmond, an INED, the chairman of the remuneration committee, a member of each of the audit committee and the nomination committee of the Company, passed away on 28 August 2019. Mr. Wang Zhaobin has been appointed as an INED, the chairman of the remuneration committee, a member of each of the audit committee and the nomination committee of the Company on 27 November 2019. Saved as the aforesaid, during the year ended 31 March 2020, the Board has 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.

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.

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 or as an addition to the Board 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.

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 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 2020:

	Reading materials	**Attending seminars/ induction training**
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. Ng Fan Kay Frankie	✓	✓
Mr. Wang Zhaobin (appointed on 27 November 2019)	✓	✓
Mr. To Yan Ming Edmond (deceased on 28 August 2019)	✓	✓
Mr. Wong Garrick Jorge Kar Ho	✓	✓

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.

A.6.2 Directors' Attendance Records

During the year ended 31 March 2020, the Board convened nine Board meetings, one 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**
Executive Directors					
Mr. Wong Siu Man *(Chairman)*	9/9	N/A	N/A	N/A	1/1
Mr. Wong Siu Wa *(Chief Executive Officer)*	9/9	N/A	N/A	N/A	1/1
Mr. Yip Kam Cheong *(Compliance Officer)*	9/9	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Wong Chun Hung Hanson	9/9	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Ng Fan Kay Frankie	9/9	1/1	4/4	1/1	1/1
Mr. Wang Zhaobin (appointed on 27 November 2019)	3/3	N/A	1/1	N/A	N/A
Mr. To Yan Ming Edmond (deceased on 28 August 2019)	4/4	1/1	2/2	1/1	1/1
Mr. Wong Garrick Jorge Kar Ho	9/9	1/1	4/4	1/1	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.

B.1 Audit Committee

The AC consists of three INEDs, namely Mr. Ng Fan Kay Frankie, Mr. Wang Zhaobin 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 2020, 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 2020 pursuant to the GEM Listing Rules.

The attendance records of each Director at the meeting of the AC is set out on page 35 of this annual report.

During the year ended 31 March 2020, the fee paid/payable to auditor in respect of audit service and/or non-audit services were as follows:

Nature of services	**2020** **HK$'000**	2019 HK$'000
Audit services	**750**	800
Non-audit related services	**10**	10

B.2 Nomination Committee

The NC consists of three INEDs, namely Mr. Wong Garrick Jorge Kar Ho, Mr. Wang Zhaobin 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 2020, the NC held one meeting 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 annual general meeting 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 35 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.

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. Wang Zhaobin, Mr. Wong Garrick Jorge Kar Ho, and Mr. Ng Fan Kay Frankie. Mr. Wang Zhaobin 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 2020, the RC held one meeting 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 35 of this annual 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 2020 is set out below:

In the band of	Number of Individuals
Nil to HK$1,000,000	12
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 2020 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 Sorrento 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.

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 2020, 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 2020, 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 2020, 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 66 to 71 of this annual 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 2020.

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 2020.

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.

For the year ended 31 March 2020, 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.

Principal Risks

During the year ended 31 March 2020, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks:

Risk Areas	Principal Risks
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 2020 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 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.

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

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.

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 2020, 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 THIS REPORT

Asia Grocery Distribution Limited (the "Group") and its subsidiaries (collectively referred to as the "Group") is pleased to present its Environmental, Social and Governance ("ESG") Report (the "Report") for the year ended 31 March 2020. This Report provides an annual update of sustainability performance, accomplishments and challenges over the past years. It has been updated to reflect the interest of various stakeholders.

Scope and boundary of this report

This Report details the ESG performance of the Group for the financial year ended 31 March 2020 (the "Reporting Period"). We apply the concept of materiality in planning and developing the Report. Unless otherwise indicated, the Report covers the Group and its subsidiaries.

Reporting principles

The Report is prepared in accordance with Appendix 20 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited. According to the guideline, the following principles are underpinned:

1. Materiality: Environmental, social and governance issues that have major impacts on investors and other stakeholders must be set out in this Report.

2. Quantitative: If the key performance indicators (KPIs) have been established, they must be measurable and applicable to valid comparisons under appropriate conditions. They must also be able to describe the purpose and impacts of quantitative information.

3. Balance: This Report must provide an unbiased picture of the environmental, social and governance performance of the Group. It should avoid selecting, omitting, or presenting formats that may inappropriately influence a decision or judgment by the reader.

4. Consistency: This Report should use consistent and disclose statistical methodologies to allow meaningful comparisons of related data over time. Any changes to the methods used must be specified in the Report.

Confirmation

The information documented in this report is sourced from official documents, statistical data, management and operation information of and collected by the Group in accordance with relevant internal policies. The Group has established internal controls and a formal review process to ensure that any information presented in this report is as accurate and reliable as possible.

Feedback

The Group discloses the latest business information regularly to investors and the public. We also welcome investors and shareholders to share their views with the board of directors of the Company by email us at fax@hfh.com.hk.

ABOUT THE GROUP

The Group owns, operates and manages 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRATEGIES

The Board of directors (the "Board") formulates the Group's environmental, social and governance strategies and the executive directors and senior management which then 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 waste management and health and safety as the major environmental, social and governance risks. Since the core business of the Group is distributing a wide range of food and beverage groceries to customers in Hong Kong, the Group ensures that product responsibility and safety are the top priority in its operation, and is maintained as a critical component in its workplace culture. It constantly strives to improve safety performances of its different business areas in order to provide a safe and healthy work environment to employees. For further details, please refer to the relevant sections of the Report.

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	• Compliance with listing rules	• Announcements in the Stock Exchange website • Discussions and meetings as necessary • Emails and other correspondences
Government and regulatory bodies	• Laws and regulations • Taxation	• Site visits and audits • Regular declarations • Public Notice of new laws and regulations in the Gazette • Reports and other publication in their websites
Shareholders and investors	• Return on investment • Information disclosure • Protection on rights and interests of shareholders and fair treatment of shareholders	• Annual and other general meeting of members • Annual reports, announcements and other disclosures/publications • Company website/Disclosures on the Stock Exchange website • Group email managed by designated employees
Employees	• Salaries and welfares • Protection on Employee's rights and interests • Health and safety • Feedback opportunities	• Regular meetings • Employee trainings • Intranet and emails • Regular employee activities
Customers	• Product safety and quality • Customer satisfaction • Business ethics • After sales services	• Website • Regular business visits • Participation in food exhibitions and events • Bidirectional customer evaluations

Major Stakeholder	Areas of Concern	Communication Channel
Suppliers	• Long-term and sustainable business relationship • Fair competition	• Supplier contracts, emails, teleconference, interview • Bidirectional supplier evaluation
Media	• Corporate governance • Environmental protection	• Correspondence and discussion on concerned topics
Community	• Environmental protection • Contribution to the community	• Voluntary activities • Community visits

Identifying Material Issues

Stakeholder participation helps the Group review potential risks and business opportunities, and also facilitates the mitigation of these risks as well as the identification of opportunities. Understanding stakeholders' views allows the Group to better fulfil their needs and expectations with its business practice and manage different stakeholders' opinions. Having taken the interview results and expert advice into consideration, the Group has been able to prioritise four issues from the eleven environmental and social aspects specified in the ESG Reporting Guide to be the material focus of this report. The four material issues are: anti-corruption, employment, supply chain management and product responsibility.

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.

Air emissions

Type	2019/20	2018/19	Unit
Nitrogen Oxides (NOx)	39,979	845	g
Sulphur Oxides (SOx)	52	15	g
Respirable suspended particulates (RSP)	208	62	g

The NOx has reached 39,979 g in the Reporting Period, an increase of 46 times compared with last year, mainly due to the increase in fuel consumption of the new light good vehicle.

Greenhouse Gas Emissions

During the Reporting Period, the total GHG emissions were 160,257 kg of CO_2 equivalent ("CO_2-e") and the GHG intensity is 786 kg of CO_2-e per million revenue. Comparing with the last fiscal year, both total GHG emissions and intensity increased by 8%.

The primary source of GHG emissions is the electricity consumption (Scope 2), comprising 136,492 kg of CO_2-e, accounting for approximately 85% of the Group's total emissions. The GHG emissions caused by electricity consumption decreased by 6% compared with the last fiscal year because of the reduction of overtime working during peak period. Other indirect emissions due to paper waste disposal is the second largest emissions source, contributing roughly 10% of the total emissions. Direct emissions from owned vehicles collectively made up 5% of the total GHG emissions. The 90% increase of Scope 3 from the last fiscal year is because the total paper consumption is much greater than last fiscal year. The Group will continue to assess and monitor its emissions to confirm the feasibility of establishing a carbon reduction strategy in the future.

Scope	2019/20	2018/19	Unit
Scope 1	8,477	2,437	kg of CO_2-e
Scope 2	136,492	145,934	kg of CO_2-e
Scope 3	15,288	8,040	kg of CO_2-e
Greenhouse gas emissions in total	160,257	156,401	kg of CO_2-e
Greenhouse gas intensity	786	731	kg of CO_2-e/million revenue

During the Reporting Period, Scope 1 includes direct emissions from combustions of fuel in mobile sources combustion and fugitive emission from fire suppression system; Scope 2 includes energy indirect emissions from the generation of purchased electricity; Scope 3 includes other indirect emissions from methane gas generation at landfill in Hong Kong due to disposal of paper waste, and GHG emissions due to electricity used for fresh water and sewage processing in Hong Kong. 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.

Compliance

The Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact concerning air and greenhouse gas emissions, discharges into water or land, or generation of hazardous and non-hazardous waste during the 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	220,148	1,077 kwh/HKD million	5,003.36 kwh/employee
Water consumption	m^3	108	0.53 m^3/HKD million	2.45 m^3/employee

Note 1: The density is calculated based on the number of employees. At the end of the Reporting Period, 44 employees were 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.

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

Major packaging materials	**Usage**	**Density (revenue)**	**Density (no. of employee) (Note 1)**
Plastic bag	1,203 kg	5.9 kg/HKD million	27.34 kg/employee
Carton box (Note 2)	39,892 units	195.2 unit/HKD million	906.64 unit/employee
Adhesive tape (Note 2)	3,750 rolls	18.3 roll/HKD million	85.23 roll/employee

Note 1: The density is calculated based on the number of employees. At the end of the Reporting Period, 44 employees were 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.

The environment and natural resources

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.

SOCIAL ASPECTS

Employment and labour practices

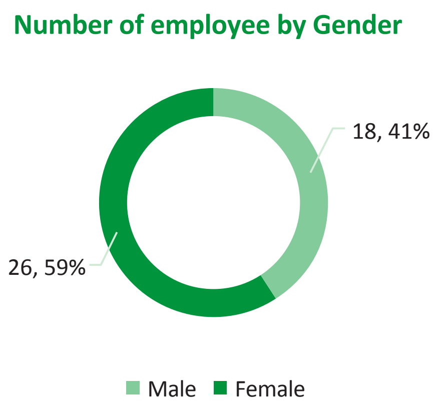
Employment

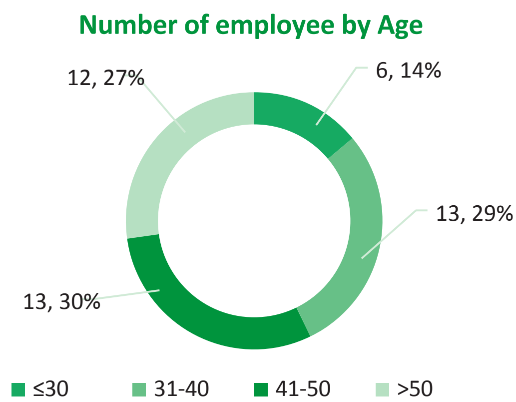
We are committed to building a harmonious working atmosphere for employees through encouraging mutual respect which ultimately promotes work creativity, flexibility and commitment.

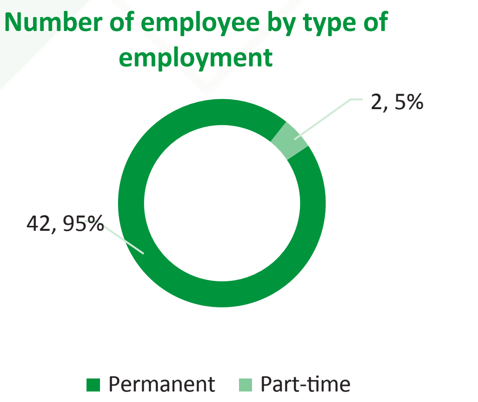
As at the end of the Reporting Period, the Group had an aggregate of 44 (2019: 42) employees. In order to cope with our continuously growing business scale, we acquire talents from different countries and backgrounds to join our team. The Group strictly complies with the relevant laws and regulations in our employment and labour process such as 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.

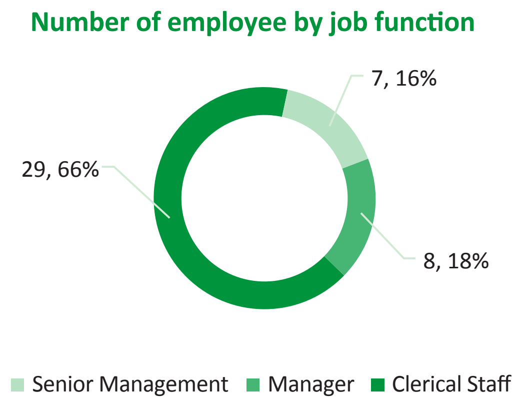
We review our human resources policies and ensure that they are in compliance with Hong Kong Employment Ordinance and other applicable laws and comparable to the general practice and benchmark of the industry. We have established a comprehensive system of remuneration, incentive and performance management 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.

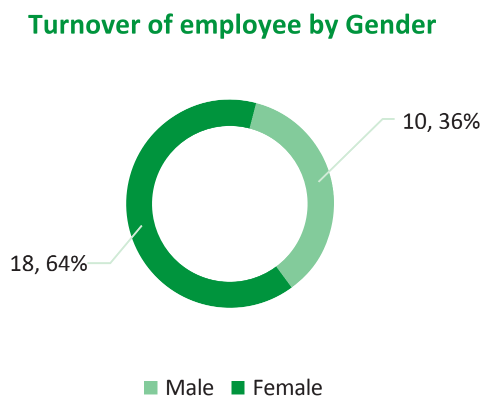


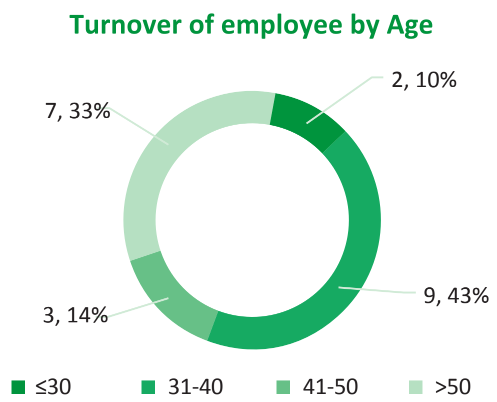






Our Company has been providing more employees' welfare and benefits in an effort to retain an optimal workforce. The following charts below show the turnover of the staffs by gender and age.





The Group has established human resource policy to ensure no child labour and forced labour are 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.

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 202 hours of training for 29 staff (4 being senior management, 5 being managerial grade and 20 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 Employment Ordinance 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 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 196 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 as a food importer and distributor;

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, there is no products sold or shipped subject to recalls for safety and health reasons and the Group was not aware of any violation of the laws and regulations in relation to the food safety.

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 the code of business ethics and put any corruption or bribery 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; (ii) the "Joyful @ Healthy Workplace" by the Occupational Safety & Health Council; (iii) "Heart to Heart Company" by the Hong Kong Federation of Youth Groups; and (iv) "Smart Energy Award 2019" by CLP Power Hong Kong; (v) the "Good Employer Charter" by the Labour Department; (vi) the "Family-Friendly Employers" by the Home Affairs Bureau and Family Council; and (vii) the "Energywi$e Certificate" and "Wastewi$e Certificate" by the Environmental Campaign Committee. The Group also donated cash, face mask, food and beverages and presents to different charity centers during the Reporting Period.

The Group organised various voluntary activities 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.

Environmental, Social and Governance Report

SUMMARY OF KEY PERFORMANCE INDICATORS

Environmental performance

Environmental KPIs	Quantity	Unit
The types of emissions and respective emissions data		
Nitrogen oxides (NOx)	39,979	g
Sulphur oxides (SOx)	52	g
Respirable suspended particulates (RSP)	208	g
Greenhouse gas emissions in total		
Scope 1	8,477	kg of CO_2-e
Scope 2	136,492	kg of CO_2-e
Scope 3	15,288	kg of CO_2-e
Greenhouse gas emissions in total	160,257	kg of CO_2-e
Greenhouse gas intensity (by revenue)	786	kg of CO_2-e 2/HKD million
Total hazardous waste produced		
Total hazardous waste	Not applicable	
Hazardous waste intensity	Not applicable	
Total non-hazardous waste produced		
Total non-hazardous waste	Not applicable	
Non-hazardous waste	Not applicable	
Energy consumption by type		
Purchased Electricity	220,148	kWh
Energy intensity (by revenue)	1,077	kWh/HKD million
Energy intensity (by no. of employee)	5,003.36	kWh/employee
Water consumption in total and intensity		
Total water consumption	108	m^3
Water intensity (by revenue)	0.53	m^3/HKD million
Water intensity (by no. of employee)	2.45	m^3/employee
Packaging material		
Plastic bag	1,203	kg
Plastic bag intensity (by revenue)	5.9	kg/HKD million
Plastic bag intensity (by no. of employee)	27.34	kg/employee
Carbon box	39,892	unit
Carbon box intensity (by revenue)	195.2	unit/HKD million
Carbon box intensity (by no. of employee)	906.64	unit/employee
Adhesive tape	3,750	roll
Adhesive tape intensity (by revenue)	18.3	roll/HKD million
Adhesive tape intensity (by no. of employee)	85.23	roll/employee

Social performance

	Number of employees	Employee turnover and turnover rate
Gender		
Male	18	10 (56%)
Female	26	18 (69%)
Age		
≤ 30	6	2 (33%)
31-40	13	9 (69%)
41-50	13	3 (23%)
> 50	12	7 (58%)
Type of employment		
Permanent	42	27 (64%)
Part-time	2	1 (50%)
Level of Employees		
Senior management	7	Not Applicable
Manager	8	2 (25%)
Clerical Staff	29	26 (90%)
Total	44	28 (64%)
Number of work-related fatalities		0
Rate of work-related fatalities		0
Number of work-related injuries		0
Lost days due to work-related injuries		0

Percentage of employees trained and average training hours (%, hours)	
Senior management	57%, 5
Manager	63%, 4
Clerical Staff	69%, 3
Male	50%, 7
Female	77%, 2

Suppliers	Number of supplier(s)
Greece	1
Italy	2
Hong Kong	192
Korea	1

Community Investment	
Amount of contribution (HKD)	375,860

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Environmental, Social and Governance Report

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KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Community Investment	57
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Community Investment; Summary of key performance indicators	57, 59

Independent Auditors' 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 72 to 131, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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 ("**HKSAs**") 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.

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$29,993,000, which were food and beverage grocery products, as at 31 March 2020. The management of the Group reviewed the inventory ageing analysis at the end of the reporting period to identify slow moving and obsolete inventory items. During the year ended 31 March 2020, 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 how allowance for inventories is estimated by the management; • 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, on a sample basis, to the sales invoices and current market conditions of the inventories. We found the key assumptions were supported by the available evidence.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses assessment of trade receivables	
As at 31 March 2020, the carrying amount of trade receivables was HK$19,587,000. As disclosed in note 15 to the consolidated financial statements, no allowance for expected credit losses was recognised during the year ended 31 March 2020 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 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 2020 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 2020 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.

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 auditors' report thereon. (the "**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.

AUDITORS' 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITORS' 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.

AUDITORS' 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 auditors' 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 auditors' report is Hon Koon Fai, Alex.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 24 June 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5	**204,368**	213,926
Cost of sales		**(156,750)**	(165,943)
Gross profit		**47,618**	47,983
Other income	6	**554**	387
Other gain and losses, net	6	**(1,012)**	15
Selling and distribution expenses		**(23,345)**	(20,623)
Administrative and other expenses		**(26,657)**	(22,825)
Finance costs	8	**(438)**	(6)
(Loss)/profit before taxation	9	**(3,280)**	4,931
Income tax expense	10	**(293)**	(1,022)
(Loss)/profit and total comprehensive (loss)/income for the year		**(3,573)**	3,909
(Loss)/profit and total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(3,573)**	3,909
		HK Cents	HK Cents
(Loss)/earnings per share	12		
Basic and diluted		**(0.31)**	0.34

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current Assets			
Property, plant and equipment	13	**4,579**	3,534
Right-of-use assets	14	**6,352**	–
Rental and other deposits	16	**678**	1,037
		11,609	4,571
Current Assets			
Inventories – finished goods		**29,993**	7,876
Trade receivables	15	**19,587**	32,375
Other receivables, deposits and prepayments	16	**2,449**	4,816
Tax recoverable		**1,281**	253
Bank balances and cash	17	**54,001**	64,745
		107,311	110,065
Current Liabilities			
Trade payables	18	**4,850**	4,861
Other payables and accrued charges	19	**4,783**	3,026
Contract liabilities	20	**239**	140
Lease liabilities/obligation under finance leases	21	**3,039**	67
		12,911	8,094
Net current Assets		**94,400**	101,971
Total asset less current liabilities		**106,009**	106,542
Non-current Liabilities			
Lease liabilities/obligation under finance leases	21	**3,258**	218
Net assets		**102,751**	106,324
Capital and reserves			
Share capital	22	**11,620**	11,620
Reserves		**91,131**	94,704
Equity attributable to owners of the Company		**102,751**	106,324

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 June 2020 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 2020

	Attributable to owners of the Company				
	Share capital HK$'000	**Share premium** HK$'000	**Other reserve** HK$'000	**Accumulated profits** HK$'000	**Total** HK$'000
At 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
At 31 March 2019 and 1 April 2019	11,620	62,742	5,584	26,378	106,324
Loss and total comprehensive loss for the year	–	–	–	(3,573)	(3,573)
At 31 March 2020	11,620	62,742	5,584	22,805	102,751

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Operating activities			
(Loss)/profit before taxation		**(3,280)**	4,931
Adjustments for:			
Interest income	6	**(475)**	(387)
Rent concession	6	**(20)**	–
Loss on disposal of property, plant and equipment	6	**927**	–
Depreciation of property, plant and equipment	9	**2,020**	1,264
Depreciation of right-use assets	9	**3,428**	–
Bad debts written off/(reversal)	6	**85**	(15)
Finance costs	8	**438**	6
Operating cash flows before movements in working capital		**3,123**	5,799
(Increase)/decrease in inventories		**(22,117)**	20,688
Decrease/(increase) in trade receivables		**12,703**	(11,429)
Decrease/(increase) in other receivables, deposits and prepayments		**2,644**	(2,617)
Decrease in trade payables		**(11)**	(1,826)
Increase in other payables and accrued charges		**1,757**	750
Increase in contract liabilities		**99**	14
Cash (used in)/generated from operations		**(1,802)**	11,379
Income tax paid		**(1,321)**	(140)
Net cash (used in)/generated from operating activities		**(3,123)**	11,239
Investing activities			
Interest received		**433**	387
Purchases of property, plant and equipment		**(4,579)**	(856)
Repayment from a finance lease receivable		**–**	24
Net cash used in investing activities		**(4,146)**	(445)

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
Financing activities		
Interest paid	**(438)**	(6)
Repayment of lease liabilities/obligation under finance leases	**(3,037)**	(50)
Net cash used in financing activities	**(3,475)**	(56)
Net (decrease)/increase in cash and cash equivalents	**(10,744)**	10,738
Cash and cash equivalents at the beginning of the year	**64,745**	54,007
Cash and cash equivalents at end of the year, represented by bank balances and cash	**54,001**	64,745

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 The Whole of Upper Ground Floor, Mai Tong Industrial Building, No. 22 Sze Shan Street, Kowloon, 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")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Early adoption of amendments to HKFRSs

The following amendments to HKFRSs, which is applicable to the Group but are not yet effective for the current year, have been early adopted in current year:

Amendments to HKFRS 16	COVID-19-Related Rent Concession

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

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

HKFRS 16 Leases

Transition and summary of effects arising from initial application of HKFRS 16

On 1 April 2019, the Group has applied HKFRS 16. HKFRS 16 superseded HKAS 17, and the related interpretations. The Group applied the HKFRS 16 in accordance with the transition provisions of HKFRS 16.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HKFRIC – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessor

During the year ended 31 March 2020, application of HKFRS 16 by the Group as a lessor has no material impact on the Group's consolidated financial statements.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

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

HKFRS 16 Leases (continued)

As a lessee (continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

ii. applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong was determined on a portfolio basis;

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

iv. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

v. relied on the assessment of whether lease are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment view.

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 Leases (continued)

As a lessee (continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted-average incremental borrowing rates applied by relevant group entities ranged from 2.50% to 5.67%.

	At 1 April 2019
	HK$'000
Operating lease commitments disclosed as at 31 March 2019	11,039
Less: practical expedient – leases with lease term ending within 12 months from date of initial application	(1,159)
Less: Effect from discounting at the incremental borrowing rate as at 1 April 2019	(811)
	9,069
Add: obligation under finance lease recognised as at 31 March 2019	285
Lease liabilities as at 1 April 2019	9,354
Analysed as:	
Current	3,063
Non-current	6,291
	9,354

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 Leases (continued)

As a lessee (continued)

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	At 1 April 2019
	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	9,069
Add: Right-of-use assets relating to deposits of operating leases recognised upon application of HKFRS 16	124
Add: Amounts included in property, plant and equipment under HKAS 17	
– Assets previously under finance leases	587
	9,780
By class	
Motor vehicles	587
Leased properties	9,193
	9,780

Note:

In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK$587,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$67,000 and HK$218,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$124,000 was adjusted to refundable rental deposits paid and right-of-use assets.

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 Leases (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously report at 31 March 2019 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK$'000
Non-current assets			
Property, plant and equipment	3,534	(587)	2,947
Right-of-use assets	–	9,780	9,780
Rental and other deposits	1,037	(124)	913
Current liabilities			
Obligation under finance lease	67	(67)	–
Lease liabilities – due within one year	–	3,063	3,063
Non-current liabilities			
Obligation under finance lease	218	(218)	–
Lease liabilities – due over one year	–	6,291	6,291

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

Amendments to HKFRS 16 COVID-19-Related Rent Concession

The Group has elected the practical expedient to apply amendments to HKFRS 16 to account for any change in lease payments resulting from the rent concession occurring as a direct consequence of the COVID-19 pandemic.

The Group has applied the practical expedient to rent concession that meet all of the following conditions:

a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

c) there is no substantive change to other terms and conditions of the lease.

The rent concession recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2020 amounted to HK$20,000.

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Issued but not yet effective Hong Kong Financial Reporting Standard

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9 HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2021
3 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 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised "Conceptual Framework for Financial Reporting" was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework" in HKFRS Standards, will be effective for annual periods beginning on or after 1 April 2020. The directors of the Company 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA and accounting principles generally accepted in Hong Kong. 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 of Hong Kong Limieted ("GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Preparation (continued)

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 accounted for in accordance with HKFRS 16 (since 1 January 2019) of HKAS 17 (before application of HKFRS 16), 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.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and (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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

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.

When 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 interests in 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 relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance complete to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Sale of goods

Revenue from sales of food and grocery products are recognised when control of the products has transferred, being when the products are delivered and the customers have inspected and accepted the products.

Interest income

Interest income from a financial asset is recognised 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.

Property, Plant and Equipment

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

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

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Leasing (upon application HKFRS 16 and amendments to HKFRS 16 as at 1 April 2019)

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (upon application HKFRS 16 and amendments to HKFRS 16 as at 1 April 2019) (continued)

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of property that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (upon application HKFRS 16 and amendments to HKFRS 16 as at 1 April 2019) (continued)

As a lessee (continued)

Short-term leases and leases of low-value assets (continued)

Right-of-use assets (continued)

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (upon application HKFRS 16 and amendments to HKFRS 16 as at 1 April 2019) (continued)

As a lessee (continued)

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (upon application HKFRS 16 and amendments to HKFRS 16 as at 1 April 2019) (continued)

As a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

COVID-19-Related Rent Concession upon early adoption with disclosure in Note 2

The Group has elected the practical expedient to apply amendments to HKFRS 16 to account for any change in lease payments resulting from the rent concession occurring as a direct consequence of the covid-19 pandemic.

The Group has applied the practical expedient to rent concession that meet all of the following conditions:

a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

c) there is no substantive change to other terms and conditions of the lease.

The Group has elected to apply the practical expedient and applied it consistently to all lease contracts with similar characteristics and in similar circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (before application of HKFRS 16 as at 1 April 2019)

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 the group entity becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value except for trade receivable 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

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.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting 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.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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 (see below). 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 recognised 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.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gain and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, deposit paid, other receivables, loan receivables, time deposits, loan to director and cash and bank balances). The amount of ECL is updated at 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 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.

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 as at 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Significant increase in credit risk (continued)

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;

- 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.

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

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Definition of default (continued)

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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) 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;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Definition of default (continued)

Measurement and recognition of ECL (continued)

Generally, the ECL is 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 (i.e. the Group's trade receivables are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue 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 recognised through a loss allowance account.

Financial liabilities and equity instruments

Classification as financial liabilities or equity

Financial liabilities 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.

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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

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 are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Foreign Currencies

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related Parties (continued)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment Reporting (continued)

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 2020 and 2019. The carrying amounts of inventories, which are food and beverage grocery products, are HK$29,993,000 (2019: HK$7,876,000).

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.

Impairment of right-of-use assets

Right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 March 2020, the carrying amounts of right-of-use assets amounted to HK$6,352,000. No impairment losses were recognised during the year ended 31 March 2020. Details of the right-of-use assets are disclosed in note 14.

Determining the Lease Term

As explained in note 2, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying assets to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

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 contacts is not disclosed, please refer to note 3 for details of revenue recognition.

	2020 HK$'000	2019 HK$'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)	**53,707**	54,025
Packaged food (Note b)	**46,809**	65,622
Sauce and condiment	**43,728**	43,741
Dairy products and eggs	**27,684**	26,350
Beverage and wine	**12,791**	13,115
Kitchen products (Note c)	**19,649**	11,073
Total revenue at a point in time	**204,368**	213,926
Time of revenue recognition		
At a point in time	**204,368**	213,926
Over time	**–**	–
	204,368	213,926

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 and right-of-use assets amounting to HK$4,579,000 and HK$6,352,000 respectively (2019: HK$3,534,000 and HK$nil) as at 31 March 2020 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

	2020 **HK$'000**	2019 HK$'000
Interest income	**475**	387
Sundry income	**59**	–
Rent concession	**20**	–
	554	387

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

Other gain and losses, net

	2020 HK$'000	2019 HK$'000
Bad debts (written off)/reversal	(85)	15
Loss on disposal of property, plant and equipment	(927)	–
	(1,012)	15

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 2020

	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$'000	Mr. Wang Zhaobin HK$'000 (Note e)	Mr. To Yan Ming Edmond HK$'000 (Note d)	Mr. Ng Fan Kay Frankie HK$'000 (Note b)	Total HK$'000
Fee	–	–	162	50	120	33	50	180	595
Other emoluments	100	100	–	–	–	–	–	–	200
Salaries and other benefits	1,200	1,200	588	–	–	–	–	–	2,988
Retirement benefit scheme contributions	18	18	26	–	–	–	–	–	62
Total emoluments	1,318	1,318	776	50	120	33	50	180	3,845

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

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

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:

(a) The emoluments of these directors were mainly for their services in connection with management of the affairs of the Company and its subsidiaries.

(b) Mr. Ng Fan Kay Frankie was appointed as independent non-executive director of the Company on 31 August 2018.

(c) Mr. Chau Shing Yim David resigned as independent non-executive director of the Company on 31 August 2018.

(d) Mr. To Yan Ming Edmond passed away on 28 August 2019, was appointed as an independent non-executive director on 27 March 2017.

(e) Mr. Wang Zhaobin was appointed as an independent non-executive director of the Company on 27 November 2019.

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.

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The five highest paid individuals included three (2019: three) directors of the Company whose emoluments are included in the disclosures in (a) above for the year ended 31 March 2020. The emoluments of the remaining two (2019: two) individuals for the year ended 31 March 2020 were as follows:

	2020 **HK\$'000**	2019 HK\$'000
Salaries and other benefits	**1,443**	1,503
Bonus (Note)	**158**	141
Retirement benefit scheme contributions	**36**	36
	1,637	1,680

Their emoluments were within the following bands:

	2020 **Number of employees**	2019 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

	2020 **HK\$'000**	2019 HK\$'000
Interest on lease liabilities/obligation under finance leases	**438**	6

9. (LOSS)/PROFIT BEFORE TAXATION

	2020 HK$'000	2019 HK$'000
(Loss)/profit before taxation has been arrived at after charging:		
Directors' remuneration (note 7)	**3,845**	3,865
Other staff costs		
Salaries and other benefits	**10,842**	9,700
Retirement benefits scheme contributions	**474**	398
Total staff costs	**15,161**	13,963
Depreciation of property, plant and equipment	**2,020**	1,264
Depreciation of right-of-use assets	**3,428**	–
Auditors' remuneration		
– audit service	**750**	800
Minimum lease payments under operating leases in respect of land and buildings	**–**	5,884
Expenses relating to short term lease	**1,197**	–
Cost of inventories recognised as an expense	**156,750**	165,943

10. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Hong Kong Profits Tax:		
– Current tax	**293**	1,035
– Overprovision in prior years	**–**	(13)
	293	1,022

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, 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 for both years.

10. INCOME TAX EXPENSE (continued)

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

	2020 HK$'000	2019 HK$'000
(Loss)/profit before taxation	(3,280)	4,931
Tax at the domestic income tax rate	(541)	814
Tax effect of income not taxable for tax purpose	(830)	(128)
Tax effect of expenses not deductible for tax purpose	1,861	550
Statutory tax concession	(197)	(201)
Overprovision in prior years	–	(13)
Tax charge for the year	293	1,022

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 2020 and 2019.

12. (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:

	2020 HK$'000	2019 HK$'000
(Loss)/earnings:		
(Loss)/earnings for the purpose of calculating basic earnings per share		
– (Loss)/profit for the year attributable to owners of the Company	(3,573)	3,909

12. (LOSS)/EARNINGS PER SHARE (continued)

	2020 '000	2019 '000
Number of shares:		
Number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	1,162,000	1,162,000

Diluted and basic (loss)/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
Cost					
At 1 April 2018	3,487	728	2,106	707	7,028
Additions	–	290	861	635	1,786
At 31 March 2019	3,487	1,018	2,967	1,342	8,814
Adjustments upon application of HKFRS 16 (Note 2)	–	–	–	(635)	(635)
At 1 April 2019 (restated)	3,487	1,018	2,967	707	8,179
Additions	3,496	383	476	224	4,579
Disposals	(3,267)	(261)	(758)	–	(4,286)
At 31 March 2020	**3,716**	**1,140**	**2,685**	**931**	**8,472**
Accumulated depreciation					
At 1 April 2018	2,106	550	1,165	195	4,016
Provided for the year	466	107	432	259	1,264
At 31 March 2019	2,572	657	1,597	454	5,280
Adjustments upon application of HKFRS 16 (Note 2)	–	–	–	(48)	(48)
At 1 April 2019 (restated)	2,572	657	1,597	406	5,232
Provided for the year	1,043	242	467	268	2,020
Disposals	(2,470)	(262)	(627)	–	(3,359)
At 31 March 2020	**1,145**	**637**	**1,437**	**674**	**3,893**
Carrying amounts					
At 31 March 2020	**2,571**	**503**	**1,248**	**257**	**4,579**
At 31 March 2019	915	361	1,370	888	3,534

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%

The carrying amount of the Group's motor vehicles held under finance lease amounted to HK$587,000 as at 31 March 2019.

Upon initial application of HKFRS 16, the Group's motor vehicles were classified as right-of-use assets.

14. RIGHT-OF-USE ASSETS

	Leased Properties HK$'000	**Motor Vehicles** HK$'000	**Total** HK$'000
Cost			
At 1 April 2019 (note 2)	9,193	635	9,828
At 31 March 2020	9,193	635	9,828
Accumulated depreciation and impairment losses			
At 1 April 2019 (note 2)	–	48	48
Provided for the year	3,238	190	3,428
At 31 March 2020	3,238	238	3,476
Carrying amounts			
At 31 March 2020	**5,955**	**397**	**6,352**
At 1 April 2019 (restated) (Note 2)	9,193	587	9,780

Details of total cash outflow of leases is set out in the consolidated cash flow statements.

14. RIGHT-OF-USE ASSETS (continued)

During the current year, the Group leases properties for self-own. Lease contracts are entered into for fixed term of 3 to 3.5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The carrying amount of the Group's motor vehicles held under finance lease amounted to approximately HK$397,000 as at 31 March 2020.

Expense relating to short-term leases and other leases with lease terms end within 12 months from the date of initial application of HKFRS 16 amounted to approximately HK$1,197,000 during current year.

Lease liabilities of HK$6,297,000 are recognised with the related right-of-use assets of HK$6,352,000 at 31 March 2020.

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.

	2020 **HK$'000**	2019 HK$'000
0 – 30 days	**9,615**	24,750
31 – 60 days	**4,216**	5,689
61 – 90 days	**5,077**	1,787
Over 90 days	**679**	149
	19,587	32,375

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 78% (2019: 99%) of trade receivables as at 31 March 2020 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 expected credit losses 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.

15. TRADE RECEIVABLES (continued)

The Group has recognised written off of approximately HK$85,000 on trade receivable (2019: HK$nil), during the year ended 31 March 2020, 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.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 **HK$'000**	2019 HK$'000
Rental and utilities deposits	**972**	2,546
Prepayments to suppliers	**833**	1,107
Other prepayments	**1,225**	420
Prepaid rental expenses	**–**	190
Deposits paid for acquisition of property, plant and equipment	**–**	1,497
Other receivables	**97**	93
	3,127	5,853
Presented as non-current assets	**678**	1,037
Presented as current assets	**2,449**	4,816
	3,127	5,853

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

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 3% (2019: 0% to 2.2%) per annum as at 31 March 2020.

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:

	2020 **HK$'000**	2019 HK$'000
0 – 30 days	**4,711**	4,839
31 – 60 days	**136**	22
Over 60 days	**3**	–
	4,850	4,861

19. OTHER PAYABLES AND ACCRUED CHARGES

	2020 **HK$'000**	2019 HK$'000
Accrued charges	**3,478**	1,500
Salaries and bonus payables	**1,305**	1,526
	4,783	3,026

20. CONTRACT LIABILITIES

	2020 **HK$'000**	2019 HK$'000
Receipts in advance from customers	**239**	140

	2020 **HK$'000**	2019 HK$'000
Balance at 1 April	**140**	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	**(140)**	(126)
Increase in contract liabilities as a result consideration received during the year	**239**	140
Balance at 31 March	**239**	140

The contract liabilities represent the Group's obligation to transfer goods for which the Group has received consideration The contract liabilities will be recognised as revenue when the Group transferred goods to customers. The contract liabilities would be recognised within one year.

21. LEASE LIABILITIES/OBLIGATION UNDER FINANCE LEASE

	Minimum lease payment		PV of minimum lease payment	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance lease				
Within one year	**3,306**	75	**3,039**	67
Within two to five year	**3,400**	245	**3,258**	218
	6,706	320	**6,297**	285
Less: Future finance charges	**(409)**	(35)	**–**	–
Present value of lease obligations	**6,297**	285	**6,297**	285
Less: Amount due within one year shown under current liabilities			**(3,039)**	(67)
Amount due after one year shown under non-current liabilities			**3,258**	218

The Group entered into lease arrangements with independent third parties in relation to certain properties and motor vehicles. The lease terms ranged from 3 to 4.5 years (2019: 4.5 years). Interest rates of underlying lease liabilities at the date of inception is 2.5% to 5.67% and 2.5% per annum as at 31 March 2020 and 2019, respectively. Obligation under finance lease were reclassified to lease liabilities on 1 April 2019 upon the adoption of HKFRS 16 as set out in note 2.

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 March 2019 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 2.

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

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

22. SHARE CAPITAL

The share capital of the Group as at 31 March 2020 represented the share capital of the Company and details are disclosed as follows:

	Number of shares	HK$'000
Authorised:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	2,000,000,000	20,000
Issue and fully paid:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	1,162,000,000	11,620

23. OPERATING LEASE COMMITMENTS

The Group as lessee

As at 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK$'000
Within one year	4,389
In the second to fifth year inclusive	6,650
	11,039

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. MATERIAL 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 2020 and 2019 were as follows:

	2020 HK$'000	2019 HK$'000
Short term benefits	6,470	6,602
Post employment benefits	152	153
	6,622	6,755

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 2020, settlement guarantee of HK$420,000 (2019: 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.

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 2020 and 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 2020 Direct	2020 Indirect	2019 Direct	2019 Indirect	Principal activities
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.

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:

	2020 HK$'000	2019 HK$'000
Financial assets		
At amortised cost (including cash and cash equivalents)	**74,657**	101,256
Financial liabilities		
At amortised cost	**11,147**	5,146

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables and deposits, bank balances and cash, trade payables, other payables and lease liabilities/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.

Currency risk

The Group has foreign currency purchases, which accounted for 9% (2019: 7%) of the Group's purchase during the year ended 31 March 2020 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	
	2020 HK$'000	2019 HK$'000
EUR	**42**	1
US$	**1**	386

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.

30. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Currency risk (continued)

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.

No sensitivity analysis in change in exchange rate of HK$ against EUR is presented, as a reasonably possible change in exchange rate would have no significant impact on the Group's profit or loss.

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 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.

30. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

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. 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.

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 31 March 2020 and at 31 March 2019, no provision of expected credit losses was recognised on other receivables and other deposit. 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.

30. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

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 2020

	Weighted average effective interest rate %	Repayable on demand HK$'000	Within 1 year HK$'000	Within 2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non derivative financial liabilities						
Trade payables	N/A	–	4,850	–	4,850	4,850
Lease liabilities	5.53	–	3,306	3,400	6,706	6,297
		–	8,156	3,400	11,556	11,147

As at 31 March 2019

	Weighted average effective interest rate %	Repayable on demand HK$'000	Within 1 year HK$'000	Within 2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non derivative financial liabilities						
Trade payables	N/A	–	4,861	–	4,861	4,861
Obligation under finance lease	2.5	–	75	245	320	285
		–	4,936	245	5,181	5,146

30. FINANCIAL INSTRUMENTS (continued)

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.

	Lease liabilities/ Obligation under finance lease (Note 21) HK$'000
At 1 April 2018	–
Obligation under finance lease raised	335
Changes from financing cash flows	
Repayment of obligation under finance lease	(50)
Interest paid	(6)
Finance cost (Note 8)	6
At 31 March 2019 and 1 April 2019	285
Lease liabilities raised upon application of HKFRS 16	9,069
Changes from financing cash flows	
Rent concession	(20)
Repayment of lease liabilities	(3,037)
Interest paid	(438)
Finance cost (Note 8)	438
At 31 March 2020	6,297

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Non-current assets		
Investment in subsidiaries	32,122	32,122
Current assets		
Prepayments, deposits and other receivables	912	200
Amounts due from subsidiaries	22,809	25,860
Bank balances and cash	14,747	17,169
	38,468	43,229
Current liabilities		
Other payables and accruals	2,170	55
	2,170	55
Net current assets	36,298	43,174
Net assets	68,420	75,296
Capital and reserves		
Share capital	11,620	11,620
Reserves (Note)	56,800	63,676
Total equity	68,420	75,296

The financial statements were approved and authorized for issue by the board of directors on 24 June 2020 and signed on behalf by:

Mr. Wong Siu Man
Director

Mr. Wong Siu Wa
Director

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 2018	57,000	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
At 1 April 2019	57,060	29,966	(23,350)	63,676
Total comprehensive loss for the year	–	–	(6,876)	(6,876)
At 31 March 2020	57,060	29,966	(30,226)	56,800

33. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under the transition methods, comparative information is not restated. Further details of the changes in accounting policies are stated in note 2.

34. EVENT AFTER THE REPORTING PERIOD

On 24 April 2020 (after trading hours), Perfect Epoch Enterprises Limited, a wholly-owned subsidiary of the Company (the "Purchaser"), and the Company (as the Purchaser's warrantor) entered into a sale and purchase agreement with the vendors, being 37 individual beneficial owners of Car-T (Shanghai) Biotech Co., Ltd ("Car-T Biotech"), who in aggregate hold 100% of the equity interests in Car-T Biotech (the "Vendors") and are independent third parties, pursuant to which (i) the Vendors agreed to procure the reorganisation; and (ii) the Purchaser conditionally agreed to acquire from the Vendors, and the Vendors conditionally agreed to sell, the sale interests, which represents the effective control over the financial and operational management and results of Car-T Biotech and all the economic benefits derived from the operations of Car-T Biotech upon completion of the reorganisations, for the consideration of HK$1,200 million, of which (i) HK$628,000,000 shall be satisfied through the allotment and issuance of the consideration shares; and (ii) HK$572,000,000 shall be satisfied through the issuance of the promissory notes.

Car-T Biotech is engaged in (i) bioengineering, medical research and development with related fields of stem-cells and other related healthcare services; and (ii) patents licensing of pharmaceutical composition for use in emergency treatment and preparation method thereof in the PRC.

For further details, please refer to the announcement of the Company dated 24 April 2020, 15 May 2020 and 27 May 2020.

35. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 June 2020.

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			
	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Consolidated results summary				
Revenue	**204,368**	213,926	194,137	188,298
(Loss)/profit before taxation	**(3,280)**	4,931	3,821	738
Income tax expense	**(293)**	(1,022)	(1,427)	(2,562)
(Loss)/profit and total comprehensive (expense)/income for year	**(3,573)**	3,909	2,394	(1,824)
(Loss)/profit and total comprehensive (expense)/income for year attributable to:				
– Owners of the Company	**(3,573)**	3,909	2,394	(1,824)
– Non-controlling interests	**–**	–	–	–
	(3,573)	3,909	2,394	(1,824)

ASSETS AND LIABILITIES

	As at 31 March			
	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**11,609**	4,571	5,385	4,364
Current assets	**107,311**	110,065	106,119	51,353
Current liabilities	**(12,911)**	(8,094)	(9,089)	(22,220)
Non-current liabilities	**(3,258)**	(218)	–	–
Total net assets	**102,751**	106,324	102,415	33,497
Equity attributable to:				
Owners of the Company	**102,751**	106,324	102,415	33,497
Non-controlling interests	**–**	–	–	–
Total equity	**102,751**	106,324	102,415	33,497