

# Asia Grocery Distribution Limited

## 亞洲雜貨有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Stock code : 8413



# Interim Report 2018/19

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

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

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

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





## HIGHLIGHTS

- The Group recorded revenue of approximately HK\$93,352,000 for the six months ended 30 September 2018 (six months ended 30 September 2017: approximately HK\$95,025,000).
- Profit attributable to owners of the Company for the six months ended 30 September 2018 amounted to approximately HK\$737,000 (six months ended 30 September 2017: approximately HK\$944,000).
- The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: nil).



## INTERIM RESULTS

The board of directors (the “**Directors**”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three and six months ended 30 September 2018, together with the unaudited comparative figures for the corresponding periods in 2017, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2018

	Notes	Three months ended 30 September		Six months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<b>Revenue</b>	3	<b>46,963</b>	47,757	<b>93,352</b>	95,025
Costs of sales		<b>(35,656)</b>	(35,475)	<b>(70,986)</b>	(70,624)
<b>Gross profit</b>		<b>11,307</b>	12,282	<b>22,366</b>	24,401
Other income	4	<b>101</b>	–	<b>163</b>	13
Other gain and losses, net	4	–	–	<b>11</b>	–
Selling and distribution expenses		<b>(5,091)</b>	(4,966)	<b>(10,021)</b>	(9,672)
Administrative expenses		<b>(5,531)</b>	(5,552)	<b>(11,270)</b>	(10,695)
Listing expenses		–	(777)	–	(2,075)
Finance costs	5	–	(19)	–	(42)
<b>Profit before taxation</b>	6	<b>786</b>	968	<b>1,249</b>	1,930
Income tax expense	7	<b>(290)</b>	(479)	<b>(512)</b>	(986)
<b>Profit and total comprehensive income for the period attributable to owners of the Company</b>		<b>496</b>	489	<b>737</b>	944
<b>Earnings per share</b>					
Basic (HK cents)	9	<b>0.04</b>	0.04	<b>0.06</b>	0.08



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	3,271	3,012
Deposits paid for acquisition of property, plant and equipment		–	595
Rental and other deposits		1,778	1,778
		<b>5,049</b>	5,385
<b>Current assets</b>			
Inventories – finished goods		28,663	28,564
Finance lease receivable		–	24
Trade receivables	11	20,691	20,931
Other receivables, deposits and prepayments	11	1,263	1,458
Amount due from a related party	12	64	–
Tax recoverable		623	1,135
Bank balances and cash		56,392	54,007
		<b>107,696</b>	106,119
<b>Current liabilities</b>			
Trade payables	13	5,742	6,687
Other payables and accrued charges	13	3,851	2,402
		<b>9,593</b>	9,089
<b>Net current assets</b>		<b>98,103</b>	97,030
<b>Net assets</b>		<b>103,152</b>	102,415
<b>Capital and reserves</b>			
Share capital	14	11,620	11,620
Reserves		91,532	90,795
<b>Equity attributable to owners of the Company</b>		<b>103,152</b>	102,415

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2018 (audited)	11,620	62,742	5,584	22,469	102,415
Profit and total comprehensive income for the period	-	-	-	737	737
At 30 September 2018 (unaudited)	11,620	62,742	5,584	23,206	103,152
At 1 April 2017 (audited)	156	7,682	5,584	20,075	33,497
Profit and total comprehensive income for the period	-	-	-	944	944
Placing and public offer of shares upon the listing (Note 14)	2,800	61,600	-	-	64,400
Issue of shares upon exercise of over-allocation option for public offer and placing (Note 14)	420	9,240	-	-	9,660
Transaction costs incurred directly attributable to issue of shares (Note 14)	-	(7,536)	-	-	(7,536)
Capitalisation Issue (Note 14)	8,244	(8,244)	-	-	-
At 30 September 2017 (unaudited)	11,620	62,742	5,584	21,019	100,965





## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Net cash generated from/(used in) operating activities	2,590	(12,395)
Net cash used in investing activities	(205)	(401)
Net cash generated from financing activities	–	60,169
Net increase in cash and cash equivalents	2,385	47,373
Cash and cash equivalents at the beginning of period	54,007	15,219
Cash and cash equivalents at the end of period, represented by bank balances and cash	56,392	62,592

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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 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 address of the Company’s registered office is P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands and the address of its principal place of business in Hong Kong is 4/F., How Ming Factory Building, 99 How Ming Street, Kwun Tong, Hong Kong.

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 unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HKS**”) which is also the functional currency of the Company.

## 2. BASIS OF PREPARATION

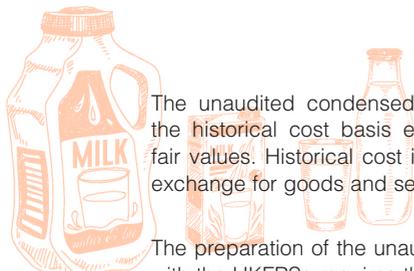
The unaudited condensed consolidated financial statements for the six months ended 30 September 2018 are prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”), and Interpretations issued by the HKICPA. The unaudited consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in preparing the audited financial statements for the year ended 31 March 2018.

In the current period, the Group has adopted all the new and revised HKFRSs, amendments to HKASs and Interpretations (hereinafter collectively referred to as “new and revised HKFRSs”) issued by HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1 January 2018. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and amounts reported for the current and prior periods.

The Group has not early adopted the new and revised HKFRSs issued by HKICPA that have been issued but are not yet effective for the current period.





The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of the unaudited condensed consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise their judgements in the process of applying the Group's accounting policies.

The unaudited condensed consolidated financial statements have not been audited by the Company's independent auditor, but have been reviewed by the Company's audit committee.

### 3. REVENUE

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

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Commodities and cereal products (Note a)	13,698	13,574	25,619	27,293
Packaged food (Note b)	11,304	13,334	23,651	25,472
Sauce and condiment	11,415	9,829	21,094	20,045
Dairy products and eggs	6,312	6,294	12,017	12,809
Beverage and wine	1,863	2,979	6,596	6,029
Kitchen products (Note c)	2,371	1,747	4,375	3,377
	<b>46,963</b>	47,757	<b>93,352</b>	95,025

Notes:

- Commodities and cereal products include rice, wheat flour, noodle products such as ramen and pasta, edible oil as well as sugar and salt.
- 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.
- 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.

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

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<b>Other income</b>				
Sundry income	101	–	163	13
<b>Other gain and losses, net</b>				
Reversal of bad and doubtful debts	–	–	11	–

#### 5. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interests on bank borrowing	–	19	–	42

#### 6. PROFIT BEFORE TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging:				
Directors' remuneration	913	908	1,822	1,909
Other staff costs				
Salaries and other benefits	2,371	1,987	4,658	4,347
Retirement benefits scheme contributions	91	79	182	156
Total staff costs	3,375	2,974	6,662	6,412
Depreciation of property, plant and equipment	246	445	602	663
Auditor's remuneration – audit service	150	200	300	500
Minimum lease payments under operating leases in respect of land and buildings	1,465	1,364	2,936	2,679
Cost of inventories recognised as an expense	35,656	35,475	70,986	70,624



## 7. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Hong Kong Profits Tax:				
- Current tax	290	479	512	986

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

## 8. DIVIDEND

No dividend was paid, declared or proposed during the period. The Directors do not recommend the payment of any dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: nil).

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<b>Earnings:</b>				
Earnings for the purpose of calculating basic earnings per share				
- Profit for the period attributable to owners of the Company	496	489	737	944
	'000	'000	'000	'000
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,162,000	1,162,000	1,162,000	1,140,885

For the six months ended 30 September 2017, the number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Capitalisation Issue (as defined in note 14) had been effective.

No diluted earnings per share for both periods were presented as there were no potential ordinary shares in issue for both periods.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired property, plant and machinery at a total cost of approximately HK\$861,000 (six months ended 30 September 2017: approximately HK\$1,172,000). Such additions are mainly comprised of furniture and fixtures of approximately HK\$861,000 (six months ended 30 September 2017: approximately HK\$425,000). No items of property, plant and equipment were disposed during the six months ended 30 September 2018 and 2017.

## 11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>30 September 2018 HK\$'000 (unaudited)</b>	31 March 2018 HK\$'000 (audited)
Trade receivables	<b>20,691</b>	20,931
Rental and utilities deposits	<b>1,797</b>	1,798
Prepayments to suppliers	<b>938</b>	1,017
Other prepayments	<b>222</b>	308
Prepaid rental expenses	<b>–</b>	7
Deposits paid for acquisition of property, plant and equipment	<b>–</b>	595
Other receivables	<b>84</b>	106
	<b>23,732</b>	24,762
Presented as non-current assets	<b>1,778</b>	2,373
Presented as current assets	<b>21,954</b>	22,389
	<b>23,732</b>	24,762

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.

	<b>30 September 2018 HK\$'000 (unaudited)</b>	31 March 2018 HK\$'000 (audited)
0 – 30 days	<b>11,821</b>	12,391
31 – 60 days	<b>7,441</b>	6,842
61 – 90 days	<b>1,387</b>	1,560
Over 90 days	<b>42</b>	138
	<b>20,691</b>	20,931



## 12. AMOUNT DUE FROM A RELATED PARTY

Amount is unsecured, interest free and is repayable on demand.

Details of amount due from a related company is as follows:

Name	30 September	31 March	Maximum	31 March
	2018	2018	amount outstanding	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(audited)	(unaudited)	(audited)
Good Days Store Limited (Note i)	64	–	114	–

Note:

- (i) Good Days Store Limited is a limited entity incorporated in Hong Kong on 22 June 2018 which is 100% owned by Mr. Wong Siu Man. During the six months ended 30 September 2018, Good Days Store Limited purchased goods from a subsidiary of the Group. The balances above represented the trade receivables from Good Days Store Limited of the Group as at 30 September 2018.

## 13. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	30 September	31 March
	2018	2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade payables	5,742	6,687
Accrued charges	2,035	954
Salaries and bonus payables	1,636	1,252
Other payables	180	196
	9,593	9,089

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:

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
0 – 30 days	5,638	6,351
31 – 60 days	104	336
	<b>5,742</b>	<b>6,687</b>

#### 14. SHARE CAPITAL

The share capital of the Company as at 31 March 2018 and 30 September 2018 is as follows:

	Number of shares	HK\$'000
Authorised:		
At 1 April 2017, 30 September 2017, 1 April 2018 and 30 September 2018	2,000,000,000	20,000
Issue and fully paid:		
At 1 April 2017	15,600,000	156
Placing and public offer of shares upon the listing ( <i>Note a</i> )	280,000,000	2,800
Issue of shares upon exercise of over-allocation option for public offer and placing ( <i>Note a</i> )	42,000,000	420
Capitalisation Issue ( <i>Note b</i> )	824,400,000	8,244
At 30 September 2017, 1 April 2018 and 30 September 2018	1,162,000,000	11,620

*Notes:*

- (a) In connection with the listing of the Shares on the GEM of the Stock Exchange (the "**Listing**") on 13 April 2017, the Company allotted and issued a total of 322,000,000 new shares at HK\$0.23 per share for the total proceeds of approximately HK\$74,060,000, with related issuance costs and listing expenses amounted to approximately HK\$7,536,000 being charged to share premium.
- (b) Pursuant to the resolutions passed at the EGM, the Directors are authorised to capitalise an amount of HK\$8,244,000 standing to the credit of the share premium account of the Company by applying such sum towards paying up in full at par a total of 824,400,000 shares for allotment and issue to Sky Alpha and Trillion Advance Investments Limited immediately prior to the Listing (the "**Capitalisation Issue**"). The Capitalisation Issue was completed on 13 April 2017.

## 15. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had entered into the following transaction with its related party during the reporting period:

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<b>Nature of transaction</b>				
Sales of goods to Good Days Store Limited (Note i)	179	–	179	–

Note:

- (i) Transactions were conducted with terms mutually agreed with Good Days Store Limited as disclosed in note 12.

## Compensation of key management personnel

The remuneration of directors and other members of key management during the six months ended 30 September 2018 were as follows:

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Short term benefits	1,577	1,639	3,200	3,352
Post employment benefits	38	40	76	76
	1,615	1,679	3,276	3,428

# 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 widely 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 were successfully listed on the GEM of the Stock Exchange 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 unaudited financial information of our Group, our revenue was approximately HK\$93,352,000 for the six months ended 30 September 2018, representing a slight decrease of approximately 1.8% as compared to approximately HK\$95,025,000 in the corresponding period of 2017.

The past six months was a difficult period for Hong Kong's food and beverage industry as a whole. The industry faced a lot of challenges such as the high upfront costs, skyrocketing rentals and increasing labor costs, as well as difficulty in retaining talent in an increasingly competitive market. Therefore, during the six months ended 30 September 2018, the Group consistently adhered to the principle of maintaining profitability while striving for better results, and continued to step up its efforts in controlling expenditure, and at the same time enhancing its presence in the food and beverage grocery distribution market by devoting more resources to sales and marketing activities and actively facilitating the business development of new products. Despite this, the Directors expect that the competition of the market will continue to be intense.

## FINANCIAL REVIEW

### Revenue

During the six months ended 30 September 2018, our revenue decreased by approximately HK\$1,673,000 or approximately 1.8% to approximately HK\$93,352,000 (six months ended 30 September 2017: approximately HK\$95,025,000), mainly due to temporary slowdown of demand from our customers as a result of intensifying market competition.





## Cost of sales

Our cost of sales solely represented cost of inventories sold, which represented the cost of finished goods purchased by us from suppliers. Our cost of sales represents the costs of products, net of discounts and rebates, charged by our suppliers. Our cost of sales increased by approximately HK\$362,000 or approximately 0.5% to approximately HK\$70,986,000 for the six months ended 30 September 2018, as compared to approximately HK\$70,624,000 for the six months ended 30 September 2017, due to increase in cost of finished goods purchased from suppliers.

## Gross profit and gross profit margin

The Group's gross profit decreased by approximately 8.3% from approximately HK\$24,401,000 for the six months ended 30 September 2017 to approximately HK\$22,366,000 for the six months ended 30 September 2018. The decrease in gross profit was due to decrease in sales order from our customers and higher cost of goods purchased from suppliers. For the six months ended 30 September 2018, the Group's gross profit margin reduced to 24.0% as compared with the same period in 2017 at 25.7%.

## Other income

Other income consisted of interest income from bank deposits and sundry income. Other income increased from approximately HK\$13,000 for the six months ended 30 September 2017 to approximately HK\$163,000 for the six months ended 30 September 2018 mainly due to increase in interest income from fixed bank deposits.

## Other gain and losses, net

The Group recorded a net gain of approximately HK\$11,000 for the six months ended 30 September 2018 (six months ended 30 September 2017: nil), which was attributable to the reversal of bad and doubtful debts.

## Selling and distribution expenses

Our selling and distribution expenses mainly comprised transportation expenses, commission expenses to sales persons 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 advertising expenses in an attempt to boost sales in the coming months. The selling and distribution expenses accounted for approximately 10.7% and 10.2% of the total revenue for the six months ended 30 September 2018 and 2017 respectively.

## Administrative expenses

For the six months ended 30 September 2018, the Group's administrative expenses primarily comprised legal and professional fees, rent, rates and management fee for office and warehouses, staff costs for administrative and management personnel, directors' remuneration, depreciation and insurance. Administrative expenses increased from approximately HK\$10,695,000 for the six months ended 30 September 2017 to approximately HK\$11,270,000 for the six months ended 30 September 2018. The increase of administrative expenses of the Group was mainly due to increase in legal and professional fees to cope with the needs of compliance work as a result of the listing status of the Company, hiring of management personnel and increase in rental cost of warehouse.

## Listing expenses

No listing expense incurred for the six months ended 30 September 2018. Listing expenses amounted to approximately HK\$2,075,000 for the six months ended 30 September 2017 which comprised professional and other expenses in relation to the Listing.

## Finance costs

No finance cost incurred for the six months ended 30 September 2018. Finance costs for the six months ended 30 September 2017 amounted to approximately HK\$23,000 which represented interest expenses on a bank borrowing drawn in November 2016. The bank borrowing was early repaid in December 2017. The unsecured bank borrowing carried interest rate of Hong Kong Prime Rate minus 1.25% per annum.

## Income tax expense

For the six months ended 30 September 2018 and 2017, our income tax expenses were approximately HK\$512,000 and HK\$986,000, respectively, and our effective tax rate (excluding the non-recurring listing expenses) for the same period was approximately 41.0% and 32.5%, respectively.

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

For the six months ended 30 September 2018 and 2017, the Group's profit and total comprehensive income attributable to owners of the Company was approximately HK\$737,000 and HK\$944,000, respectively. The decrease of profit and total comprehensive income attributable to owners of the Company was mainly attributable to the decrease in revenue and increase in staff costs, transportation expenses and rental cost of warehouse, offset by decreased listing expenses.

## Dividend

No dividend was paid, declared or proposed during the period. The Directors do not recommend the payment of any dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: nil).





## Trade and other receivables

Trade receivables decreased by approximately 1.1% from approximately HK\$20,931,000 as at 31 March 2018 to approximately HK\$20,691,000 as at 30 September 2018. The decrease was in line with the revenue decrement.

Other receivables decreased by approximately HK\$195,000 from approximately HK\$1,458,000 as at 31 March 2018 to approximately HK\$1,263,000 as at 30 September 2018. The decrease was mainly due to decrease of deposits paid for acquisition of property, plant and equipment.

## Trade and other payables

Trade payables decreased by approximately 14.1% from approximately HK\$6,687,000 as at 31 March 2018 to approximately HK\$5,742,000 as at 30 September 2018. The decrease was mainly due to the decreased purchase near period end in view of the decrease in sales demand.

Other payables increased by approximately HK\$1,449,000 from approximately HK\$2,402,000 as at 31 March 2018 to approximately HK\$3,851,000 as at 30 September 2018. The increase was mainly due to the increase in accrued transportation expenses.

## LIQUIDITY AND FINANCIAL RESOURCES

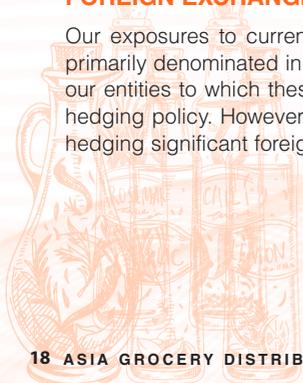
As at 30 September 2018, bank balances and cash of the Group amounted to approximately HK\$56,392,000 (As at 31 March 2018: approximately HK\$54,007,000). The current ratios (current asset divided by current liabilities) of the Group were 11.2 times and 11.7 times as at 30 September 2018 and 31 March 2018 respectively. The Group generally financed its daily operations from internally generated cash flows. The Group financed its business expansion and new business opportunities from the net proceeds from the Listing. The remaining unused net proceeds as at 30 September 2018 were placed as interest bearing deposits with licensed bank in Hong Kong.

## CAPITAL STRUCTURE

The Shares were successfully listed on the GEM of the Stock Exchange 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 30 September 2018, 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 position of the Group to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in both short and long term.

## GEARING RATIO

The total interest-bearing borrowing of the Group as at 30 September 2018 was nil (31 March 2018: nil). The Group's gearing ratio as at 30 September 2018 was 0% (31 March 2018: 0%), which is calculated as the Group's total borrowing over the Group's total equity.

## CAPITAL EXPENDITURE

During the six months ended 30 September 2018, the Group invested approximately HK\$861,000 in property, plant and equipment, mainly represented furniture and fixtures.

## CAPITAL COMMITMENTS

As at 30 September 2018, the Group had no significant capital commitments.

## CHARGES ON THE GROUP'S ASSETS

There were no charges on the Group's assets for the six months ended 30 September 2018.

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the six months ended 30 September 2018, 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 plans for material investments or capital assets.

## CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any significant contingent liabilities (31 March 2018: nil).

## INFORMATION ON EMPLOYEES

As at 30 September 2018, the Group employed 38 employees (31 March 2018: 35 employees) with total staff cost of approximately HK\$6,662,000 incurred for the six months ended 30 September 2018 (six months ended 30 September 2017: approximately HK\$6,412,000). 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) which amounted to approximately HK\$48,500,000 will be used for the intended purposes as set out in the section headed "Statement of Business Objectives and Use of Proceeds" of the Prospectus. Set out below is the actual utilisation of net proceeds up to the date of this interim report:

	Net proceeds HK\$'000	Utilised HK\$'000	Unutilised HK\$'000
Leasing of warehouse facility in New Territories & Hong Kong Island:			
– Rental deposits	1,170	–	1,170
– Rental payments	6,455	–	6,455
– Renovation costs	6,000	–	6,000
– Start-up costs for warehouse facility	9,775	–	9,775
Upgrade of Enterprise Resource Planning ("ERP") system	12,560	(2,291)	10,269
Conducting sales and marketing activities	5,540	(375)	5,165
Installation of new repackaging equipment	3,500	(237)	3,263
General working capital	3,500	(3,000)	500
	48,500	(5,903)	42,597

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

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

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 in the first year after the Listing and another on the Hong Kong Island in the second year after the Listing, respectively, for accommodating the increased inventory level. The Group has not yet identified suitable premises for the warehouse facilities in the New Territories. The Group expects the leasing will be delayed till the first half of 2018.

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 30 September 2018, the Group selected a new ERP software for implementation and a total of approximately HK\$2,291,000 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 30 September 2018, a total of approximately HK\$375,000 was spent on participating in domestic food exhibition to showcase our products to potential buyers. The Group is currently recruiting new marketing staff for upcoming sales campaign.

The Group had planned to use approximately HK\$3,500,000 to purchase new repackaging equipment to further automate and increase the efficiency of the repackaging process. As at 30 September 2018, a total of approximately HK\$237,000 was spent on purchasing new automatic repackaging machines. The Group will continue to install more repackaging equipment and develop packaging design.

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





## OTHER INFORMATION

### DISCLOSURE OF INTEREST

#### 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 30 September 2018, 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 Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

#### Long positions

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding <sup>(1)</sup>
Mr. Wong Siu Man <sup>(2)</sup>	Interest in controlled corporation	602,800,000	51.88%
Mr. Wong Siu Wa <sup>(2)</sup>	Interest in controlled corporation	602,800,000	51.88%

#### Notes:

- (1) The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 30 September 2018, being 1,162,000,000 shares.
- (2) This represents the Shares held by 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 respectively. Pursuant to the SFO, Mr. Wong Siu Man and Mr. Wong Siu Wa are deemed to be interested in 602,800,000 Shares held by Sky Alpha.

Save as disclosed above, as at 30 September 2018, none of the Directors or chief executive of the Company had an interest or short position in any shares or underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## Substantial shareholders' interests and short positions in shares and underlying shares of the Company

So far as the Directors are aware, as at 30 September 2018, the following persons (other than Directors or chief executive of the Company) who had interests in the shares of the Company within the meaning of Part XV of the SFO which are required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register of the Company were as follows:

### Long positions

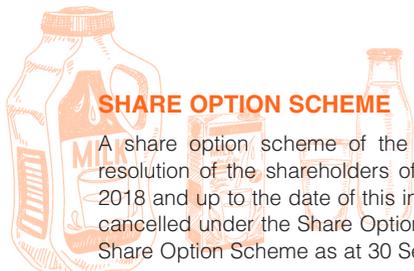
Name of shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding <sup>(1)</sup>
Sky Alpha <sup>(2)</sup>	Legal and Beneficial owner	602,800,000	51.88%
Ms. Fan Wing <sup>(2) &amp; (3)</sup>	Interest of spouse	602,800,000	51.88%
Ms. Chu Man <sup>(2) &amp; (4)</sup>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

#### Notes:

- (1) The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 30 September 2018, being 1,162,000,000 shares.
- (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 Limited, 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 30 September 2018, the Directors were not aware of any other person (other than the Directors or chief executive of the Company as disclosed in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures of the Company and its associated corporations" above) who had or deemed to have interests or short positions in the shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO.





## SHARE OPTION SCHEME

A share option scheme of the Company (the “**Share Option Scheme**”) was approved by a resolution of the shareholders of the Company passed on 27 March 2017. As at 30 September 2018 and up to the date of this interim 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 30 September 2018 and as at the date of this interim report.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the “**Model Code**”). Having made specific enquiry, all the Directors have confirmed that they have complied with the Model Code for the six months ended 30 September 2018.

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

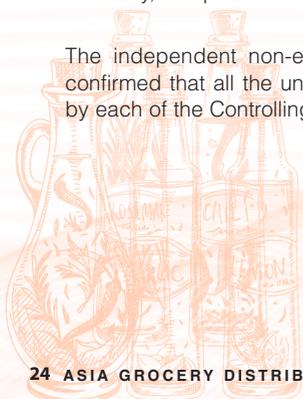
No incident of non-compliance of the Model Code and/or the Inside Information Policy by such relevant employees was noted by the Company during the six months ended 30 September 2018.

## COMPETING INTEREST

During the six months ended 30 September 2018, none of the Directors or the controlling shareholders of the Company or their close associates (as defined in the GEM Listing Rules) is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group or has any conflicts of interest 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 Limited (the “**Controlling Shareholders**”) entered into a deed of non-competition dated 27 March 2017 (“**Deed of Non-competition**”) in favour of the Company (for itself and as trustee for each of its subsidiaries). For details of the Deed of Non-competition, please refer to the section headed “Relationship with Controlling Shareholders – Non-competition Undertaking” in the Prospectus. Each of the Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group.



The independent non-executive Directors have also reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition have been complied with by each of the Controlling Shareholders during the six months ended 30 September 2018.

## PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the six months ended 30 September 2018.

## CORPORATE GOVERNANCE PRACTICES

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

During the six months ended 30 September 2018, the Directors considered that the Company has complied with the applicable code provisions of the CG Code.

## EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event which had material effect on the Group subsequent to 30 September 2018 and up to the date of this interim report.

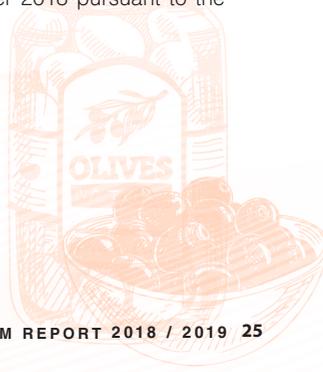
## INTEREST OF THE COMPLIANCE ADVISER

As notified by LY Capital Limited ("**LY**"), the Company's compliance adviser, save for the compliance agreement entered into between the Company and LY dated 3 November 2016 in connection with the Listing, none of LY or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Group as at 30 September 2018, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## AUDIT COMMITTEE

The Group has established an audit committee of the Directors (the "**Audit Committee**") pursuant to a resolution of the Directors passed on 27 March 2017 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code.

The primary duties of the Audit Committee include (i) 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; (ii) review and discussion of the risk management and internal control system of the Group; (iii) discussion and recommendation of the re-appointment of external auditor; and (iv) review of the Group's continuing connected transactions for the six months ended 30 September 2018 pursuant to the GEM Listing Rules.





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

Deloitte Touche Tohmatsu resigned as auditor of the Company on 29 March 2018. HLB Hodgson Impey Cheng Limited ("**HLB**") was appointed as auditor of the Company on 29 March 2018.

The financial information contained in this interim report has not been audited by HLB, but the Audit Committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 September 2018 and is of the opinion that the preparation of such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 14 November 2018

*As at the date of this interim report, the executive Directors are Mr. Wong Siu Man (Chairman), Mr. Wong Siu Wa (Chief Executive Officer) and Mr. Yip Kam Cheong (Compliance Officer), the non-executive Director is Mr. Wong Chun Hung Hanson and the independent non-executive Directors are Mr. To Yan Ming Edmond, Mr. Ng Fan Kay Frankie and Mr. Wong Garrick Jorge Kar Ho.*