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**Asia Grocery Distribution Limited**

**亞洲雜貨有限公司**

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

**(Stock code: 8413)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE  
STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

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

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

## **HIGHLIGHTS**

- The Group recorded revenue of approximately HK\$95,025,000 for the six months ended 30 September 2017 (six months ended 30 September 2016: approximately HK\$93,583,000).
- Profit attributable to owners of the Company for the six months ended 30 September 2017 amounted to approximately HK\$944,000 (six months ended 30 September 2016: approximately HK\$427,000).
- The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Hung Fat Ho Holdings Limited (“**HFH Holdings**”) declared and paid interim dividend of HK\$700,000 to Mr. Wong Siu Man and Mr. Wong Siu Wa).

## 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 2017, together with the unaudited comparative figures for the corresponding periods in 2016, as follow:

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

*For the three and six months ended 30 September 2017*

	NOTES	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (audited)
Revenue	4	47,757	46,708	95,025	93,583
Costs of sales		(35,475)	(35,710)	(70,624)	(71,627)
<b>Gross profit</b>		<b>12,282</b>	10,998	<b>24,401</b>	21,956
Other income	5	–	–	13	–
Other gain and losses, net	5	–	–	–	(242)
Selling and distribution expenses		(4,966)	(4,603)	(9,672)	(8,949)
Administrative expenses		(5,552)	(4,338)	(10,695)	(7,064)
Listing expenses		(777)	(4,259)	(2,075)	(4,259)
Finance costs	6	(19)	–	(42)	–
<b>Profit/(Loss) before taxation</b>	7	<b>968</b>	(2,202)	<b>1,930</b>	1,442
Income tax expense	8	(479)	(409)	(986)	(1,015)
<b>Profit/(Loss) and total comprehensive income/(expense) for the period attributable to owners of the Company</b>		<b>489</b>	(2,611)	<b>944</b>	427
<b>Earnings/(Loss) per share</b>					
Basic (HK cents)	9	<b>0.04</b>	(0.33)	<b>0.08</b>	0.06

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2017*

	<i>NOTES</i>	As at <b>30 September 2017</b> <i>HK\$'000</i> <b>(unaudited)</b>	As at 31 March 2017 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>3,178</b>	2,669
Finance lease receivable		–	24
Deposits paid for acquisition of property, plant and equipment		<b>285</b>	–
Rental and other deposits		<b>1,750</b>	1,671
		<hr/> <b>5,213</b>	<hr/> 4,364
<b>Current assets</b>			
Inventories – finished goods		<b>10,940</b>	9,797
Finance lease receivable		<b>55</b>	63
Trade receivables	<i>11</i>	<b>19,665</b>	18,550
Other receivables, deposit and prepayments	<i>11</i>	<b>14,587</b>	6,984
Amount due from a director		–	740
Bank balances and cash		<b>62,592</b>	15,219
		<hr/> <b>107,839</b>	<hr/> 51,353
<b>Current liabilities</b>			
Trade payables	<i>12</i>	<b>6,679</b>	5,540
Other payables and accrued charges	<i>12</i>	<b>2,423</b>	13,522
Bank borrowing	<i>13</i>	<b>1,777</b>	2,515
Tax payable		<b>1,208</b>	643
		<hr/> <b>12,087</b>	<hr/> 22,220
<b>Net current assets</b>		<hr/> <b>95,752</b>	<hr/> 29,133
<b>Net assets</b>		<hr/> <b>100,965</b>	<hr/> 33,497
<b>Capital and reserves</b>			
Share capital	<i>14</i>	<b>11,620</b>	156
Reserves		<b>89,345</b>	33,341
		<hr/> <b>100,965</b>	<hr/> 33,497
<b>Equity attributable to owners of the Company</b>		<hr/> <b>100,965</b>	<hr/> 33,497

## 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 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, Uglan 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 (“**HK\$**”) which is also the functional currency of the Company. All values are rounded to the nearest thousand (“**HK\$’000**”) except otherwise indicated.

### 2. GROUP REORGANISATION

Pursuant to the corporate reorganisation (the “**Reorganisation**”) as fully explained in the section headed “**History, Reorganisation and Corporate Structure**” of the prospectus of the Company dated 31 March 2017 (the “**Prospectus**”), the Company became the holding company of the companies now comprising the Group on 30 September 2016. Prior to the completion of the Reorganisation, all the companies comprising the Group were ultimately jointly controlled by Mr. Wong Siu Man and Mr. Wong Siu Wa.

Accordingly, the condensed consolidated financial statements of the Group for the six months ended 30 September 2016 have been prepared using the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as if the current group structure had been in existence throughout the period, or since their respective dates of incorporation or acquisition, where there is a shorter period.

Upon the completion of the Reorganisation, the Company holds the entire equity interests, directly or indirectly, of companies comprising the Group. All intra-group transactions and balances have been eliminated.

### 3. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2017 are prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term 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 2017.

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 April 2017. 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. 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.

#### 4. 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	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (audited)
Commodities and cereal products ( <i>Note a</i> )	13,574	13,585	27,293	27,359
Packaged food ( <i>Note b</i> )	13,334	11,649	25,472	24,758
Sauce and condiment	9,829	10,419	20,045	18,767
Dairy products and eggs	6,294	8,036	12,809	13,698
Beverage and wine	2,979	1,567	6,029	5,983
Kitchen products ( <i>Note c</i> )	1,747	1,452	3,377	3,018
	<u>47,757</u>	<u>46,708</u>	<u>95,025</u>	<u>93,583</u>

*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.

**5. OTHER INCOME AND GAIN AND LOSSES, NET**

	Three months ended 30 September		Six months ended 30 September	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (audited)
<b>Other income</b>				
Sundry income	–	–	<b>13</b>	–
<b>Other gain and losses, net</b>				
Allowance for bad and doubtful debts	–	–	–	(242)

**6. FINANCE COSTS**

	Three months ended 30 September		Six months ended 30 September	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (audited)
Interests on Bank borrowing	<b>19</b>	–	<b>42</b>	–

**7. PROFIT/(LOSS) BEFORE TAXATION**

	Three months ended 30 September		Six months ended 30 September	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (audited)
Profit/(Loss) before taxation has been arrived at after charging:				
Auditor's remuneration	<b>200</b>	850	<b>500</b>	900
Depreciation of property, plant and equipment	<b>445</b>	324	<b>663</b>	553
Directors' remuneration	<b>908</b>	471	<b>1,909</b>	877
Other staff costs				
Salaries and other benefits	<b>1,987</b>	1,752	<b>4,347</b>	3,224
Retirement benefits scheme contributions	<b>79</b>	76	<b>156</b>	142
Total staff costs	<b>2,974</b>	2,299	<b>6,412</b>	4,243
Minimum lease payments under operating leases in respect of land and buildings	<b>1,364</b>	1,036	<b>2,679</b>	2,176
Cost of inventories recognised as an expense	<b>35,475</b>	35,710	<b>70,624</b>	71,627

## 8. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (audited)
Hong Kong Profits Tax:				
– Current tax	<u>479</u>	<u>409</u>	<u>986</u>	<u>1,015</u>

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

## 9. EARNINGS/(LOSS) 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	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (audited)
<b>Earnings/(Loss):</b>				
Earnings/(Loss) for the purpose of calculating basic earnings/(loss) per share				
– Profit/(Loss) for the period attributable to owners of the Company	<u>489</u>	<u>(2,611)</u>	<u>944</u>	<u>427</u>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<u>1,162,000</u>	<u>786,115</u>	<u>1,140,885</u>	<u>769,118</u>

The number of ordinary shares for the purpose of calculating basic earnings/(loss) per share for the three and six months ended 30 September 2016 has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in note 14) had been effective on 1 April 2016.

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 2017, the Group acquired property, plant and machinery at a total cost of approximately HK\$1,172,000 (six months ended 30 September 2016: approximately HK\$2,147,000). Such additions are mainly comprised of motor vehicle of HK\$699,000 (six months ended 30 September 2016: nil) and furniture and fixtures of HK\$425,000 (six months ended 30 September 2016: HK\$394,000). No items of property, plant and equipment were disposed during the six months ended 30 September 2017 and 2016.

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

	<b>30 September 2017 HK\$'000 (unaudited)</b>	31 March 2017 HK\$'000 (audited)
Trade receivables	19,665	18,550
Rental and utilities deposits	1,763	1,679
Deposits paid for acquisition of property, plant and equipment	285	–
Prepayments to suppliers	12,915	579
Other prepayments	1,148	562
Prepaid rental expenses	511	1,015
Deferred listing expenses	–	4,818
Other receivables	–	2
	<u>36,287</u>	<u>27,205</u>
Presented as non-current assets	2,035	1,671
Presented as current assets	<u>34,252</u>	<u>25,534</u>
	<u>36,287</u>	<u>27,205</u>

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 2017 HK\$'000 (unaudited)</b>	31 March 2017 HK\$'000 (audited)
0 – 30 days	12,674	12,345
31 – 60 days	6,101	5,127
61 – 90 days	655	932
Over 90 days	235	146
	<u>19,665</u>	<u>18,550</u>

## 12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	<b>30 September 2017 HK\$'000 (unaudited)</b>	31 March 2017 HK\$'000 (audited)
Trade payables	6,679	5,540
Accrued listing expenses	–	10,924
Accrued charges	865	1,421
Salaries and bonus payables	1,317	1,022
Other payables	241	155
	<u>9,102</u>	<u>19,062</u>

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:

	<b>30 September 2017 <i>HK\$'000</i> (unaudited)</b>	31 March 2017 <i>HK\$'000</i> (audited)
0 – 30 days	<b>6,568</b>	5,537
31 – 60 days	<b>111</b>	3
	<hr/> <b>6,679</b> <hr/>	<hr/> 5,540 <hr/>

### 13. BANK BORROWING

	<b>30 September 2017 <i>HK\$'000</i> (unaudited)</b>	31 March 2017 <i>HK\$'000</i> (audited)
The carrying amount of bank loan that contains a repayment on demand clause (shown under current liabilities) but repayable:		
– within one year	<b>1,519</b>	981
– within a period of more than one year but not exceeding two years	<b>258</b>	1,534
	<hr/> <b>1,777</b> <hr/>	<hr/> 2,515 <hr/>

The unsecured bank borrowing carries interest rate of Hong Kong Prime Rate minus 1.25% per annum in both periods.

## 14. SHARE CAPITAL

The share capital of the Company as at 31 March 2017 and 30 September 2017 is as follows:

	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
At 29 September 2016 (date of incorporation) with par value of US\$1 each ( <i>Note a</i> )	50,000	390
Increase of authorized share capital with par value of HK\$0.01 each on 27 March 2017 ( <i>Note c</i> )	39,000,000	390
Cancellation of authorized share capital with par value of US\$1 each ( <i>Note c</i> )	(50,000)	(390)
Increase of authorized share capital with par value of HK\$0.01 each ( <i>Note d</i> )	1,961,000,000	19,610
	<u>2,000,000,000</u>	<u>20,000</u>
At 31 March 2017 and 30 September 2017		
Issue and fully paid:		
At 29 September 2016 (date of incorporation) with par value of US\$1 each ( <i>Note a</i> )	1	–
Issue of shares with par value of US\$1 each upon reorganization ( <i>Note b</i> )	19,999	156
Repurchase of shares with par value of US\$1 each ( <i>Note c</i> )	(20,000)	(156)
Issue of shares with par value of HK\$0.01 each ( <i>Note c</i> )	15,600,000	156
	<u>15,600,000</u>	<u>156</u>
At 31 March 2017	28,000,000	280
Issue of shares for public offer ( <i>Note f</i> )	252,000,000	2,520
Issue of shares upon exercise of over-allocation option for public offer and placing ( <i>Note f</i> )	42,000,000	420
Capitalisation Issue ( <i>Note e</i> )	824,400,000	8,244
	<u>1,162,000,000</u>	<u>11,620</u>
At 30 September 2017		

*Notes:*

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

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

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

- (d) Pursuant to the resolutions passed at the EGM, the authorised share capital of the Company was increased to HK\$20,000,000 divided into 2,000,000,000 shares of a par value of HK\$0.01 each by the creation of an additional 1,961,000,000 shares.
- (e) Pursuant to the resolutions passed at the EGM, the Directors are authorised to capitalise an amount of HK\$8,244,000 standing to the credit of the share premium account of the Company by applying such sum towards paying up in full at par a total of 824,400,000 shares for allotment and issue to Sky Alpha and Trillion Advance immediately prior to the Listing (the “**Capitalisation Issue**”). The Capitalisation Issue was completed on 13 April 2017.
- (f) In connection with the listing of the Shares on the GEM of the Stock Exchange (the “**Listing**”) on 13 April 2017 (the “**Listing Date**”), the Company allotted and issued a total of 322,000,000 new shares at HK\$0.23 per share for the total proceeds of approximately HK\$74,060,000, with related issuance costs and listing expenses amounted to approximately HK\$7,536,000 being charged to share premium.

## 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.

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

On 13 April 2017, the Shares 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, we continued to record growth in our revenue and gross profit for the six months ended 30 September 2017 as compared to the corresponding period in 2016. The Listing enhances the Group's market position and further strengthens the Group's reputation in the industry, which in turn helps maintaining the existing business relationship with the network of suppliers and customers and exploring potential business opportunities with new suppliers and customers.

### **Financial Review**

#### ***Revenue***

During the six months ended 30 September 2017, our revenue increased by approximately HK\$1,442,000 or approximately 1.5% to approximately HK\$95,025,000 (six months ended 30 September 2016: approximately HK\$93,583,000), mainly due to increased orders from our customers as a result of the increased demand from our customers to cater their business needs.

### ***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 reduced by approximately HK\$1,003,000 or approximately 1.4% to approximately HK\$70,624,000 for the six months ended 30 September 2017, as compared to approximately HK\$71,627,000 for the six months ended 30 September 2016, due to lower cost of finished goods purchased from direct manufacturers and end suppliers.

### ***Gross profit and gross profit margin***

The Group's gross profit increased by approximately 11.1% from approximately HK\$21,956,000 for the six months ended 30 September 2016 to approximately HK\$24,401,000 for the six months ended 30 September 2017. The increase in gross profit was due to our enlarged customer base to high-end customers and lower cost of goods purchased from direct suppliers. For the six months ended 30 September 2017, the Group's gross profit margin increased to 25.7% as compared with previous period at 23.5%.

### ***Other income***

Other income consisted of sundry income for the six months ended 30 September 2017.

### ***Other gain and losses, net***

Other gain and losses, net recorded a loss of approximately HK\$242,000 for the six months ended 30 September 2016, which was attributable to the allowance for 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 matched with the revenue increment and were mainly due to increase in commission expense and bonus to sales persons. The selling and distribution expenses accounted for approximately 10.2% and 9.6% of the total revenue for the six months ended 30 September 2017 and 2016 respectively.

### ***Administrative expenses***

For the six months ended 30 September 2017, 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\$7,064,000 for the six months ended 30 September 2016 to approximately HK\$10,695,000 for the six months ended 30 September 2017. 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, hiring of management personnel and new rental of warehouse.

### ***Listing expenses***

Listing expenses comprised professional and other expenses in relation to the Listing. The listing expenses amounted to approximately HK\$2,075,000 for the six months ended 30 September 2017 (six months ended 30 September 2016: approximately HK\$4,259,000).

### ***Finance costs***

Finance costs for the six months ended 30 September 2017 represented interest expenses on bank borrowing.

### ***Income tax expenses***

For the six months ended 30 September 2017 and 2016, our income tax expenses were approximately HK\$986,000 and HK\$1,015,000, respectively, and our effective tax rate (excluding the non-recurring listing expenses) for the same period was approximately 32.5% and 21.7%, respectively.

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

For the six months ended 30 September 2017 and 2016, the Group's profit and total comprehensive income attributable to owners of the Company was approximately HK\$944,000 and HK\$427,000, respectively. The increase of profit and total comprehensive income attributable to owners of the Company was mainly attributable to the increase in revenue and decrease in listing expenses, offset by increased staff costs and legal and professional fees.

### ***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 2017.

During the six months ended 30 September 2016, HFH Holdings declared and paid interim dividend of HK\$700,000 to Mr. Wong Siu Man and Mr. Wong Siu Wa.

### ***Trade and other receivables***

Trade receivables increased by 6.0% from approximately HK\$18,550,000 as at 31 March 2017 to approximately HK\$19,665,000 as at 30 September 2017. The increase was in line with the revenue increment.

Other receivables increased by HK\$7,603,000 from approximately HK\$6,984,000 as at 31 March 2017 to approximately HK\$14,587,000 as at 30 September 2017. The increase was mainly due to a prepayment to a supplier near period end for a bulk purchase of finished goods and decrease of deferred listing expenses.

### ***Trade and other payables***

Trade payables increased by 20.6% from approximately HK\$5,540,000 as at 31 March 2017 to approximately HK\$6,679,000 as at 30 September 2017. The increase was mainly due to the increased purchase near period end to cope with the increase in sales demand.

Other payables decreased by HK\$11,099,000 from approximately HK\$13,522,000 as at 31 March 2017 to approximately HK\$2,423,000 as at 30 September 2017. The decrease was mainly due to the reduction of accrued listing expenses.

### **LIQUIDITY AND FINANCIAL RESOURCES**

During the six months ended 30 September 2017, the Group's working capital was financed by both internal resources and bank borrowing. The quick ratio of the Group was approximately 8.0 times (31 March 2017: approximately 1.9 times). Increase of quick ratio was mainly due to the increase in bank balances and cash of approximately HK\$47,373,000 from approximately HK\$15,219,000 as at 31 March 2017 to approximately HK\$62,592,000 as at 30 September 2017. Upon the Listing, the Group obtained net proceeds (after deducting the underwriting fees and related expenses) of approximately HK\$48,500,000. 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. The remaining unused net proceeds as at 30 September 2017 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 2017, the Company's issued share capital was HK\$11,620,000 and the number of its issued ordinary shares was 1,162,000,000 of HK\$0.01 each.

### **FOREIGN EXCHANGE EXPOSURE RISKS**

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

### **FINANCIAL POLICIES**

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

## **GEARING RATIO**

The total interest-bearing borrowing of the Group as at 30 September 2017 were approximately HK\$1,777,000 (31 March 2017: approximately HK\$2,515,000). The Group's gearing ratio as at 30 September 2017 was approximately 1.8% (31 March 2017: approximately 7.5%), which is calculated as the Group's total borrowing over the Group's total equity. The decrease in gearing ratio was mainly due to the repayment of bank borrowing and increase in issued share capital.

## **CAPITAL EXPENDITURE**

During the six months ended 30 September 2017, the Group invested approximately HK\$1,172,000 in property, plant and equipment, mainly represented motor vehicle and furniture and fixtures for our rented new warehouse located in Kwun Tong.

## **CAPITAL COMMITMENTS**

As at 30 September 2017, the Group had no significant capital commitments.

## **CHARGES ON THE GROUP'S ASSETS**

There were no charges on the Group's assets for the six months ended 30 September 2017.

## **SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

During the six months ended 30 September 2017, 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, the Group did not have other future plans for material investments or capital assets.

## **CONTINGENT LIABILITIES**

As at 30 September 2017, the Group did not have any significant contingent liabilities (31 March 2017: nil).

## **INFORMATION ON EMPLOYEES**

As at 30 September 2017, the Group employed 33 employees (31 March 2017: 33 employees) with total staff cost of approximately HK\$6,412,000 incurred for the six months ended 30 September 2017 (six months ended 30 September 2016: HK\$4,243,000). 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 announcement:

	Net proceeds <i>HK\$'000</i>	Utilised <i>HK\$'000</i>	Unutilised <i>HK\$'000</i>
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	(978)	11,582
Conducting sales and marketing activities	5,540	(23)	5,517
Installation of new repackaging equipment	3,500	–	3,500
General working capital	3,500	–	3,500
	<u>48,500</u>	<u>(1,001)</u>	<u>47,499</u>

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 2017, the Group selected a new ERP software for implementation and a total of approximately HK\$978,000 was spent on consultancy services and software and hardware acquisition.

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 2017, a total of approximately HK\$23,000 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 new sales campaign.

The Group had planned to use approximately HK\$3,500,000 to purchase new repackaging equipment to further automate the repackaging process and increase efficiency. The Group is in the process of negotiation with potential suppliers and the installation is still expected to be completed in year 2018.

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**

### **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 period from 13 April 2017, being the date on which the Shares were listed on the GEM of the Stock Exchange, to 30 September 2017 (the "**Relevant Period**").

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

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

## **Competing interest**

During the six months ended 30 September 2017, none of the Directors or the controlling shareholders of the Company or their close associates (as defined in the GEM Listing Rules) is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group 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 Relevant Period.

## **Purchase, sales or redemption of the company’s listed securities**

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

## **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 Relevant Period, 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 2017 and up to the date of this announcement.

### **Interest of the compliance adviser**

As notified by LY Capital Limited (“LY”), the Company’s compliance adviser, save for the compliance agreement entered into between the Company and LY dated 3 November 2016 in connection with the Listing, none of LY or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Group as at 30 September 2017, 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) reviewing the draft quarterly, half-year and annual financial statements and the draft results announcement of the Company, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval; (ii) reviewing and monitoring the external auditor’s independence and objectivity and the effectiveness of audit process in accordance with applicable standards; (iii) assessing the independence of the Company’s external auditor; (iv) recommending to the Board regarding the appointment and remuneration of the external auditor; (v) reviewing the adequacy and effectiveness of the Group’s systems of risk management and internal controls through a review of the work undertaken by the Group’s external auditor, written representations by the senior management of each of the Group’s business divisions and discussions with the Board; (vi) reviewing and approving the internal audit programme, reviewing the internal audit reports and discussing any significant issues with the Group’s senior management; and (vii) reviewing the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group’s accounting, internal audit and financial reporting functions through a review of the work undertaken by the Group’s senior financial management and internal audit.

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

The financial information contained in this announcement has not been audited by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 September 2017 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, 10 November 2017

*As at the date of this announcement, 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. Chau Shing Yim David and Mr. Wong Garrick Jorge Kar Ho.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and on the Company’s website at [www.agdl.com.hk](http://www.agdl.com.hk).*