

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Asia Grocery Distribution Limited

亞洲雜貨有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8413)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2020**

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

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

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

ANNUAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group” or “us” or “we” or “our”) for the year ended 31 March 2020, together with the comparative audited figures for the year ended 31 March 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	204,368	213,926
Cost of sales		(156,750)	(165,943)
Gross profit		47,618	47,983
Other income	4	554	387
Other gain and losses, net	4	(1,012)	15
Selling and distribution expenses		(23,345)	(20,623)
Administrative and other expenses		(26,657)	(22,825)
Finance costs	5	(438)	(6)
(Loss)/profit before taxation	6	(3,280)	4,931
Income tax expense	7	(293)	(1,022)
(Loss)/profit and total comprehensive (loss)/ income for the year		(3,573)	3,909
(Loss)/profit and total comprehensive (loss)/ income for the year attributable to:			
Owners of the Company		(3,573)	3,909
		<i>HK Cents</i>	<i>HK Cents</i>
(Loss)/earnings per share	9		
Basic and diluted		(0.31)	0.34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment		4,579	3,534
Right-of-use assets		6,352	–
Rental and other deposits	<i>11</i>	678	1,037
		11,609	4,571
Current Assets			
Inventories – finished goods		29,993	7,876
Trade receivables	<i>10</i>	19,587	32,375
Other receivables, deposits and prepayments	<i>11</i>	2,449	4,816
Tax recoverable		1,281	253
Bank balances and cash		54,001	64,745
		107,311	110,065
Current Liabilities			
Trade payables	<i>12</i>	4,850	4,861
Other payables and accrued charges	<i>13</i>	4,783	3,026
Contract liabilities		239	140
Lease liabilities/obligation under finance leases		3,039	67
		12,911	8,094
Net current Assets		94,400	101,971
Total asset less current liabilities		106,009	106,542
Non-current Liabilities			
Lease liabilities/obligation under finance leases		3,258	218
Net assets		102,751	106,324
Capital and reserves			
Share capital	<i>14</i>	11,620	11,620
Reserves		91,131	94,704
Equity attributable to owners of the Company		102,751	106,324

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2016 Revision) of the Cayman Islands on 29 September 2016. The shares of the Company (the “Shares”) have been listed on the GEM of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 13 April 2017. Its ultimate and immediate holding company is Sky Alpha Investments Limited (“Sky Alpha”), an entity incorporated in the British Virgin Islands (the “BVI”). The address of the Company’s registered office and principal place of business in Hong Kong is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and The Whole of Upper Ground Floor, Mai Tong Industrial Building, No. 22 Sze Shan Street, Kowloon, Hong Kong, respectively.

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

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

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

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

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

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

Early adoption of amendments to HKFRSs

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

Amendments to HKFRS 16	COVID-19-Related Rent Concession
------------------------	----------------------------------

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

HKFRS 16 Leases

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

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

Definition of a lease

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

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

As a lessor

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

As a lessee

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

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

- i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- ii. applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong was determined on a portfolio basis;
- iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;
- iv. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- v. relied on the assessment of whether lease are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment view.

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

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

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

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

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

Note:

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

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

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

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

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

Amendments to HKFRS 16 COVID-19-Related Rent Concession

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

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

- a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- c) there is no substantive change to other terms and conditions of the lease.

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

Issued but not yet effective Hong Kong Financial Reporting Standard

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

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁴ Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised “Conceptual Framework for Financial Reporting” was issued in 2018. Its consequential amendments, the “Amendments to References to the Conceptual Framework” in HKFRS Standards, will be effective for annual periods beginning on or after 1 April 2020. The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENTAL INFORMATION

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Disaggregation of revenue from contracts with customers		
An analysis of the Group's turnover is by types of goods as follows:		
Commodities and cereal products (<i>Note a</i>)	53,707	54,025
Packaged food (<i>Note b</i>)	46,809	65,622
Sauce and condiment	43,728	43,741
Dairy products and eggs	27,684	26,350
Beverage and wine	12,791	13,115
Kitchen products (<i>Note c</i>)	19,649	11,073
	<hr/>	<hr/>
Total revenue at a point in time	204,368	213,926
	<hr/>	<hr/>
Time of revenue recognition		
At a point in time	204,368	213,926
Over time	–	–
	<hr/>	<hr/>
	204,368	213,926
	<hr/> <hr/>	<hr/> <hr/>

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

Notes:

- (a) Commodities and cereal products include rice, wheat flour, noodle products such as ramen and pasta, edible oil as well as sugar and salt.
- (b) Packaged food includes processed products such as meat and vegetables in preserved, canned, frozen and other forms, as well as snacks and pre packaged food items.
- (c) Kitchen products include food wrap and food related products such as cling film, baking sheet, foil, cleaning products such as detergent, bleach, liquid soap and others such as tissue paper, toothpick and towel.

Segment information

The Group's operation is solely derived from sales of goods in Hong Kong for both years. For the purposes of resources allocation and performance assessment, the chief operation decision maker (i.e. the executive directors of the Company) (the "CODM") reviews the overall results and financial position of the Group as a whole which is prepared based on the same accounting policies. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of transactions and the Group's property, plant and equipment and right-of-use assets amounting to HK\$4,579,000 and HK\$6,352,000 respectively (2019: HK\$3,534,000 and HK\$nil) as at 31 March 2020 are all located in Hong Kong by physical location of assets.

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

4. OTHER INCOME AND GAIN AND LOSSES, NET

Other income

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income	475	387
Sundry income	59	–
Rent concession	20	–
	<u>554</u>	<u>387</u>

Other gain and losses, net

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

5. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on lease liabilities/obligation under finance leases	<u>438</u>	<u>6</u>

6. (LOSS)/PROFIT BEFORE TAXATION

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

7. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong Profits Tax:		
– Current tax	293	1,035
– Overprovision in prior years	<u>–</u>	<u>(13)</u>
	<u>293</u>	<u>1,022</u>

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

Accordingly, the Hong Kong profits tax is calculated at 8.25 % on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for both years.

8. DIVIDEND

No final dividend has been paid or proposed by the Company since its incorporation. The board of directors does not recommend the payments of any dividend in respect of the year ended 31 March 2020 and 2019.

9. (LOSS)/EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/earnings:		
(Loss)/earnings for the purpose of calculating basic earnings per share – (Loss)/profit for the year attributable to owners of the Company	<u>(3,573)</u>	<u>3,909</u>
	2020 <i>'000</i>	2019 <i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<u>1,162,000</u>	<u>1,162,000</u>

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

10. TRADE RECEIVABLES

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

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 78% (2019: 99%) of trade receivables as at 31 March 2020 that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

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

The Group has recognised written off of approximately HK\$85,000 on trade receivable (2019: HK\$nil), during the year ended 31 March 2020, as the directors of the Company considered that credit quality of these debtors are in doubt. The loss has been included in “other gain and losses, net” in the consolidated statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

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

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

12. TRADE PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	4,711	4,839
31 – 60 days	136	22
Over 60 days	3	–
	<u>4,850</u>	<u>4,861</u>

13. OTHER PAYABLES AND ACCRUED CHARGES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accrued charges	3,478	1,500
Salaries and bonus payables	<u>1,305</u>	<u>1,526</u>
	<u><u>4,783</u></u>	<u><u>3,026</u></u>

14. SHARE CAPITAL

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

On 13 April 2017, the shares of the Company (the "Share") were successfully listed on GEM (the "Listing") when 322,000,000 Shares were allotted and issued at HK\$0.23 each. The Group's business model, revenue structure and cost structure basically remain unchanged after the Listing. Based on the audited financial information of our Group, our revenue was approximately HK\$204,368,000 for the year ended 31 March 2020, representing a decrease of approximately 4.5% as compared to approximately HK\$213,926,000 in the corresponding period of 2019.

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

FINANCIAL REVIEW

Revenue

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

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

During the years ended 31 March 2020 and 2019, commodities and cereal products, packaged food, sauce and condiment, and dairy products and eggs were the major food and beverage grocery categories sold by us, in aggregate, accounting for approximately 84.1% and 88.7% respectively, of our total revenue.

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

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

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

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

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

Our sales of kitchen products increased by approximately 77.4% for the year ended 31 March 2020 as compared to the previous year. The increase was mainly due to a sharp increase in demand for our high-quality kitchen products, included face masks, gloves, bleach, kitchen paper and toilet paper, etc. due to the COVID-19 outbreak which raised people's awareness of hygiene during the current year.

Cost of sales

Our cost of sales solely represented cost of inventories sold, which represented the cost of finished goods purchased by us from suppliers. Our cost of sales represents the costs of products, net of discounts and rebates, charged by our suppliers. Our cost of sales decreased by approximately HK\$9,193,000 or approximately 5.5% to approximately HK\$156,750,000 for the year ended 31 March 2020 as compared to approximately HK\$165,943,000 for the year ended 31 March 2019 was due to the combined effect of decreased sales volumes and cost efficiencies in cost of finished goods purchased from direct manufacturers and end suppliers.

Gross profit and gross profit margin

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

Other income

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

Other gain and losses, net

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

Selling and distribution expenses

Our selling and distribution expenses mainly comprised transportation expenses, commission expenses to sales person based on a certain percentage of the gross profit on successful sales, staff costs for our sales team, advertising and marketing expenses. The increase of selling and distribution expenses of the Group were mainly due to increase in transportation expenses and hiring of new logistic staffs to increase the efficiency of the delivery process. The selling and distribution expenses accounted for approximately 11.4% and 9.6% of the total revenue for the years ended 31 March 2020 and 2019 respectively.

Administrative expenses

For the year ended 31 March 2020, the Group's administrative expenses primarily comprised legal and professional fees, rent, rates and management fee for office and warehouses, staff costs for administrative and management personnel, directors' remuneration and depreciation. Administrative expenses increased from approximately HK\$22,825,000 for the year ended 31 March 2019 to approximately HK\$26,657,000 for the year ended 31 March 2020. The increase of administrative expenses of the Group was mainly due to increase in legal and professional fees offset by decrease in rental expenses. Also, the Group renovated and purchased new furniture and equipment for the new office and warehouse which incurred additional depreciation.

Finance costs

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

Income tax expense

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

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

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

Dividend

No dividend was paid, declared or proposed during the year. The Directors do not recommend the payment of any dividend for the year ended 31 March 2020 (year ended 31 March 2019: nil).

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

Trade and other receivables

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

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

Trade and other payables

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, bank balances and cash of the Group amounted to approximately HK\$54,001,000 (As at 31 March 2019: approximately HK\$64,745,000). The current ratios (current asset divided by current liabilities) of the Group were 8.3 times and 13.6 times as at 31 March 2020 and 31 March 2019 respectively. The Group generally financed its daily operations from internally generated cash flows. The Group financed its business expansion and new business opportunities from the net proceeds from the Listing. The remaining unused net proceeds as at 31 March 2020 were placed as interest bearing deposits with licensed bank in Hong Kong.

CAPITAL STRUCTURE

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

As at 31 March 2020, the Company's issued share capital was HK\$11,620,000 and the number of its issued ordinary Shares was 1,162,000,000 of HK\$0.01 each.

FOREIGN EXCHANGE EXPOSURE RISKS

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

FINANCIAL POLICIES

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

GEARING RATIO

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

CAPITAL EXPENDITURE

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

CAPITAL COMMITMENTS

As at 31 March 2020, the Group had no significant capital commitments.

CHARGES ON THE GROUP'S ASSETS

There were no charges on the Group's assets for the year ended 31 March 2020.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2020, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any significant contingent liabilities (31 March 2019: nil).

INFORMATION ON EMPLOYEES

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

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

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

	Original use of net proceeds <i>HK\$'000</i>	Updated use of 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	–	–	–
– Rental payments	6,455	–	–	–
– Renovation costs	6,000	–	–	–
– Start-up costs for warehouse facility	9,775	–	–	–
Leasing of warehouse facility in Kowloon:				
– Rental deposits	–	900	(570)	330
– Rental payments	–	7,400	(2,660)	4,740
– Renovation costs	–	7,000	(3,518)	3,482
– Start-up costs for warehouse facility	–	8,100	(875)	7,225
Upgrade of Enterprise Resource Planning ("ERP") system	12,560	12,560	(3,378)	9,182
Conducting sales and marketing activities	5,540	5,540	(448)	5,092
Installation of new repackaging equipment	3,500	3,500	(237)	3,263
General working capital	3,500	3,500	(3,500)	–
	<u>48,500</u>	<u>48,500</u>	<u>(15,186)</u>	<u>33,314</u>

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 and another on the Hong Kong Island for accommodating the increased inventory level. However, since the second half of 2017, the rent and the rent price index in the factory building rental market in Hong Kong showed a continuous uptrend and the Group had not yet identified suitable premises for the warehouse facilities in both areas, therefore the leasing was not yet commenced up to March 2019.

In early 2019, the Group surveyed a premise in Yau Tong, Kowloon, which size and location are suitable for our warehousing, and additionally, the proposed rental fee is relatively cost-effective. The Board evaluated that the premise in Yau Tong, Kowloon is meeting the Group's requirements for fair and efficient use of financial resources. Therefore, the Board had decided to establish a new warehouse at the above mentioned premise and migrated all inventory from the existing warehouses to the new location. As at 31 March 2020, a total of approximately HK\$7,623,000 was spent on rental deposits, rental payments, renovation costs and start-up costs for the warehouse facility.

The Group had planned to use approximately HK\$12,560,000 of the net proceeds to upgrade the ERP system, which is used to monitor the inventory level and minimise incidences of overstocking, so as to enhance the operational efficiency of the Group. As at 31 March 2020, the Group selected a new ERP software for implementation and a total of approximately HK\$3,378,000 was spent on consultancy services and software and hardware acquisition for the upgrade of the ERP system.

The Group had planned to use approximately HK\$5,540,000 of the net proceeds to conduct sales and marketing activities to attract more customers and strengthen customer loyalty so as to further penetrate the food and beverage grocery distribution market. As at 31 March 2020, a total of approximately HK\$448,000 was spent on participating in domestic food exhibition and sales exhibition to showcase our products to potential buyers.

The Group had planned to use approximately HK\$3,500,000 to purchase new repackaging equipment to further automate the repackaging process and increase efficiency. As at 31 March 2020, a total of approximately HK\$237,000 was spent on purchasing new automatic repackaging machines. The Group will continue to install more repackaging equipment and develop packaging design.

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

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

OTHER INFORMATION

Corporate governance practices

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

In the opinion of the Board, the Company has complied with the CG Code during the year ended 31 March 2020.

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 principle duties of the AC are to (i) monitor integrity of the Company's financial statements, financial reports and accounts and to review the financial and accounting policies and practices of the Company; (ii) assist the Board in providing an independent view of the effectiveness of the Group's financial controls, internal control and risk management systems; and (iii) to make recommendations to the Board on the appointment, re-appointment and removal of external auditors.

The Audit Committee currently consists of all three of our independent non-executive Directors, namely Mr. Wang Zhaobin, 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.

The audited consolidated financial statements of the Group for the year ended 31 March 2020 had been reviewed by the Audit Committee, which was of the opinion that the audited consolidated financial statements have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

Event after the reporting period

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

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

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

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

Directors’ securities transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Model Code”). Having made specific enquiry of all the Directors, each of the Directors have confirmed that they have complied with the Model Code during the year ended 31 March 2020.

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

No incident of non-compliance of the Model Code and/or the Inside Information Policy was noted by the Company during the year ended 31 March 2020.

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

Neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the year ended 31 March 2020.

Scope of work of Messrs. HLB Hodgson Impey Cheng Limited

The figures in respect of the Group's consolidated statement of the financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2020. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. HLB Hodgson Impey Cheng Limited on this preliminary announcement.

Interests of the compliance adviser

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

Publication of the 2020 annual report on the websites of the Stock Exchange and the Company

Pursuant to the requirements of the GEM Listing Rules, the 2020 annual report of the Company will set out all information required by the GEM Listing Rules and will be published on the GEM website at www.hkgem.com and the Company's website at www.agdl.com.hk on or before 30 June 2020.

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

Hong Kong, 24 June 2020

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. Ng Fan Kay Frankie, Mr. Wang Zhaobin and Mr. Wong Garrick Jorge Kar Ho.

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