

Asia Grocery Distribution Limited

亞洲雜貨有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8413

ANNUAL REPORT 2021

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

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This report, 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Siu Man (*Chairman*)
Mr. Wong Siu Wa (*Chief Executive Officer*)
Mr. Yip Kam Cheong (*Compliance Officer*)

Non-executive Director

Mr. Wong Chun Hung Hanson

Independent non-executive Directors

Ms. Chan Hoi Yee (appointed on 12 October 2020)
Mr. Ng Fan Kay Frankie
Mr. Wang Zhaobin
Mr. Wong Garrick Jorge Kar Ho
(resigned on 12 October 2020)

AUDIT COMMITTEE

Mr. Ng Fan Kay Frankie (*Chairman*)
Ms. Chan Hoi Yee (appointed on 12 October 2020)
Mr. Wang Zhaobin
Mr. Wong Garrick Jorge Kar Ho
(resigned on 12 October 2020)

REMUNERATION COMMITTEE

Mr. Wang Zhaobin (*Chairman*)
Ms. Chan Hoi Yee (appointed on 12 October 2020)
Mr. Ng Fan Kay Frankie
Mr. Wong Garrick Jorge Kar Ho
(resigned on 12 October 2020)

NOMINATION COMMITTEE

Ms. Chan Hoi Yee (*Chairlady*)
(appointed on 12 October 2020)
Mr. Wong Garrick Jorge Kar Ho (*Chairman*)
(resigned on 12 October 2020)
Mr. Ng Fan Kay Frankie
Mr. Wang Zhaobin

COMPLIANCE OFFICER

Mr. Yip Kam Cheong

COMPANY SECRETARY

Ms. Lau Yin Ping

AUTHORISED REPRESENTATIVES

Mr. Wong Siu Man
Ms. Lau Yin Ping

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

McMillan Woods (Hong Kong) CPA Limited
3/F, Winbase Centre
208 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank, Limited

COMPANY'S WEBSITE

www.agdl.com.hk

STOCK CODE

8413

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2021.

The Group has been engaged in the food and beverage grocery distribution business under the authentic and original "Hung Fat Ho" brand in Hong Kong for over 40 years, witnessing change of the society and the market. Years of experience also contributed to the business achievements of the Group. The Group supplied over 300 brands of products originated from different areas, with customers covering restaurants, non-commercial dining establishments, hotels and private clubs, food processing operators and wholesalers in Hong Kong.

According to the Census and Statistics Department of the Government of the Hong Kong Special Administrative Region, the total retail sales value of April 2020 to March 2021 was approximately HK\$332.7 billion, representing a year-on-year decrease of approximately 13.9% or HK\$53.5 billion. The near-term outlook for the retail trade is still challenging due to the outbreak of COVID-19, however the local consumption sentiment saw some improvement following the gradual relaxation of social distancing measures since mid-February 2021. The Group expects that its results of the coming year will remain stable.

Leveraging on strong relationships with suppliers and producers, the familiarity with the market as well as long established reputation and reliable performance, the Group was able to differentiate ourselves from our competitors in the fiercely competitive market. In addition, experienced team placed the Group in a position to adjust product portfolio to maintain its industry competitiveness by quickly responding to the change of customers' preference and catering to such preference.

In 2021, the Group has started to develop the business in provision of food catering services through restaurants so as to broaden the Group's source of income. In the future, the Group will continue to explore opportunities to expand our business in the ever changing food market by leveraging our competitive advantage and to diversify our business.

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the longstanding support of all our shareholders, suppliers, customers and business partners, as well as all staff for their continuous efforts. In the future, the Group will continue to expand and develop business, create better prospect and bring more satisfactory returns to the shareholders.

Wong Siu Man
Chairman and Executive Director

Hong Kong, 24 June 2021

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Siu Man (黃少文), aged 48, was appointed as an executive Director with effect from 29 September 2016. Mr. Wong Siu Man also acts as the chairman of our Board and is also one of the controlling shareholders of the Company (as defined in the GEM Listing Rules). Mr. Wong Siu Man is a director of Sky Alpha Investments Limited, a company which has an interest in the shares of the Company and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). Mr. Wong Siu Man is primarily responsible for the overall management, business direction and development strategies of our Group. Mr. Wong Siu Man has been responsible for the business development, sales and marketing and administrative departments of Hung Fat Ho Food Limited (“HFH Food”) since its incorporation in 2005. Mr. Wong Siu Man has also been responsible for managing business development and sales of Ongo Food Limited (“Ongo Food”) since July 2011. Mr. Wong Siu Man has been playing an important role in the establishment of our Group’s distribution channels and relationships with key customers. Mr. Wong Siu Man is the younger brother of Mr. Wong Siu Wa.

Mr. Wong Siu Wa (黃少華), aged 52, was appointed as an executive Director with effect from 29 September 2016. Mr. Wong Siu Wa is also our Chief Executive Officer and one of the controlling shareholders of the Company. Mr. Wong Siu Wa is a director of Sky Alpha Investments Limited, a company which has an interest in the shares of the Company and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). Mr. Wong Siu Wa is primarily responsible for the Group’s day-to-day management and operations and focuses on implementing the objectives, policies and strategies. Mr. Wong Siu Wa has been responsible for the procurement department of HFH Food since its incorporation in 2005 and has been playing an important role in developing relationships with our key suppliers through his work in heading the procurement department of HFH Food. Mr. Wong Siu Wa is the elder brother of Mr. Wong Siu Man.

Mr. Yip Kam Cheong (葉錦昌) (“**Mr. Jeremy Yip**”), aged 46, was appointed as an executive Director with effect from 29 September 2016, and as our Compliance Officer on 28 October 2016. Mr. Jeremy Yip has joined our Group as a senior sales manager since 2011. Mr. Jeremy Yip is primarily responsible for overseeing the sales department of our Group. Mr. Jeremy Yip has over 10 years of industry experience in the food and beverage industry. Mr. Jeremy Yip previously worked as an assistant sales manager at Wing Sang Cheong Limited between July 2009 and August 2011 mainly responsible for sales and client management, a company primarily engaged in the supply of food products.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Wong Chun Hung Hanson (黃俊雄) (“**Mr. Hanson Wong**”), aged 47, was appointed as a non-executive Director with effect from 29 September 2016. Mr. Hanson Wong has over 19 years of industry experience in the finance industry. Mr. Hanson Wong has been an executive director of Seazen Resources Capital Group Limited since January 2015, which mainly engaged in managing a portfolio of companies that carry on business or dealing in securities, futures contracts and asset management. Mr. Hanson Wong previously served as a sales manager at CSC Securities (HK) Limited whose business includes dealing in futures contracts from May 2001 to February 2010, acted as the chief operation officer at New Trend Futures Limited whose business includes dealing in futures contracts from March 2010 to December 2011, as a director from March 2010 to November 2013 at Well Smart Asia Investment Limited, as a futures broker from December 2011 to September 2013 at Stockwell Commodities Limited whose business includes dealing in futures contracts and as a director of SFG Management Limited from May 2012 to March 2015.

Mr. Hanson Wong was appointed as the charter committee member (創會會長) of the Kowloon City District Kindergarten Heads Association from August 2018 to July 2020, as the副理監事長 of the Shamshuiipo Kaifong Welfare Advancement Association with effect from January 2019, as the regional commander, Hong Kong & Islands (總區指揮官) of the Hong Kong Road Safety Patrol with effect from May 2019 and as the 17th, 18th and 20th chairman of the Hong Kong Precious Metals Traders Association Limited in May 2014, August 2016 and January 2020 respectively. He was an alternate committee member (候補理監事) of the Chinese Gold & Silver Exchange Society (金銀業貿易場) since January 2017. He was also appointed as the 40th term board of directors of Yan Oi Tong from April 2019 to March 2020, as the chairman of Hong Kong WuYi Youth Association since 2019, as the president of Resources Capital Football Club with effect from July 2016, as the charter committee member (創會理事) of the Happy Hong Kong Charity Foundation from May 2015 to May 2018, as the chairman of the Scout Association of Hong Kong, Kowloon City District in July 2013 and July 2015 and as vice president since September 2016 and as the vice president of Association of International Certified Financial Consultants in October 2016.

Mr. Hanson Wong completed his secondary education at Munsang College in July 1990. He was a licenced representative in carrying out dealing in futures contracts from April 2003 to November 2013, in advising on futures contracts from April 2003 to March 2004 and in asset management from April 2003 to March 2004 under the SFO.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Fan Kay Frankie (吳奮基) (“Mr. Ng”), aged 44, has over 20 years of experience in auditing, taxation and financial management and had been appointed as an independent non-executive Director with effect from 31 August 2018. Mr. Ng is also the chairman of our audit committee and a member of our remuneration committee and our nomination committee. Mr. Ng has been appointed as the Managing Director of Smartac International Holdings Limited (stock code: 0395) since January 2020.

Mr. Ng obtained a bachelor degree in accountancy from The Hong Kong Polytechnic University in 1999. He has been a member of Hong Kong Institute of Certified Public Accountants (“HKICPA”) and a Certified Tax Advisor of The Taxation Institute of Hong Kong since November 2009 and September 2010, respectively.

Mr Ng was the executive director of a leading corporate services provider, Vistra Services (Hong Kong) Limited, from May 2013 to June 2018 and was responsible for managing the Greater China business on company formation, corporates services, accounting, payroll and tax services for different jurisdictions including Hong Kong, PRC and offshore. From February 2007 to March 2013, he worked as a tax manager in Ernst and Young Tax Services Limited, an international accounting firm and has extensive experience in accounting and taxation.

Mr. Wang Zhaobin (王兆斌) (“Mr. Wang”), aged 36, was appointed as an independent non-executive Director with effect from 27 November 2019. Mr. Wang is currently also the chairman of our remuneration committee and a member of our audit and nomination committee. Mr. Wang graduated from Shangqiu Normal University with a bachelor’s degree in 2007. Mr. Wang has extensive experience in strategic planning and operation management. He has held senior managerial positions in sizeable corporations in the People’s Republic of China.

Ms. Chan Hoi Yee (陳愷兒) (“Ms. Chan”), aged 35, was appointed as an independent non-executive Director with effect from 12 October 2020. Ms Chan is also the chairlady of our nomination committee and a member of our audit committee and remuneration committee. Ms. Chan graduated from the City University of Hong Kong with a bachelor degree of business administration in 2007. Ms. Chan is a member of the HKICPA. Ms. Chan has over 10 years’ experience in auditing, commercial accounting and financial reporting. She had held accounting positions in several international accounting firms in Hong Kong.

Mr. Wong Garrick Jorge Kar Ho (黃嘉豪), aged 39, was appointed as an independent non-executive Director with effect from 27 March 2017 and has resigned with effect from 12 October 2020. Mr. Wong Garrick Jorge Kar Ho was the chairman of our nomination committee and a member of our remuneration committee and our audit committee. Mr. Wong Garrick Jorge Kar Ho has been the director and general manager of Kar Seng International Trade & Investment Company Limited (嘉承國際貿易投資有限公司), a company engaging in import and export trading and investment business in Macau, since 16 September 2010 and a director of Chip Seng Coffee Company Limited (捷成咖啡有限公司), an importer and food distributor of coffee products in Macau, since 1 July 2009. Mr. Wong Garrick Jorge Kar Ho obtained his Master of Business Administration degree from the University of Macau in May 2012 and his Bachelor of Science (Electrical Engineering) degree from the Queen’ University in May 2004.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Ms. Chan Lai In (陳麗妍) (“Ms. Sydney Chan”), aged 34, has joined our Group as the financial controller since August 2017. Ms. Sydney Chan is primarily responsible for the overall corporate financial matters, capital management, investor relations and the strategic planning of our Group. Ms. Sydney Chan obtained her bachelor of business administration degree in professional accountancy from the Chinese University of Hong Kong in December 2008. Ms. Sydney Chan is a member of the HKICPA since January 2012. She has extensive experience in accounting, auditing, taxation and initial public offer.

Ms. Kwong Oi Sze (鄺凱思) (“Ms. Victoria Kwong”), aged 45, has joined our Group as the general manager since March 2020. Ms. Victoria Kwong is primarily responsible for overall daily operations of the business units and direct management of key functions manager, business development and strategic brand positioning, key clients management, sales and marketing strategy; people and organizational development.

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

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

Mr. Wong Chun Fung (黃鎮鋒) (“Mr. Alex Wong”), aged 37, has joined our Group as a sales manager since December 2010. Mr. Alex Wong is primarily responsible for managing key customer accounts. Mr. Alex Wong has over 10 years of experience in food and beverage industry. Mr. Alex Wong started his career as a business development representative from March 2007 to April 2008 at Swire Beverages Limited which engaged in the supply of beverages; a sales supervisor from May 2008 to April 2010 at Wing Sang Cheong Limited which engaged in the supply of food products.

COMPANY SECRETARY

Ms. Lau Yin Ping (劉燕萍) (“Ms. Lau”), aged 38, has joined our Group in August 2018 and was appointed as our company secretary. Ms. Lau is primarily responsible for overseeing the company secretarial matters of our Group. Ms. Lau graduated from the Queensland University of Technology in Australia in 2006 with a Bachelor of Business degree in accountancy. Ms. Lau became a member of the HKICPA in 2012.

Management Discussion and Analysis

BUSINESS REVIEW

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

On 13 April 2017, the shares of the Company (the "Share") were successfully listed on GEM (the "Listing"). 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\$227,709,000 for the year ended 31 March 2021, representing an increase of approximately 11.4% as compared to approximately HK\$204,368,000 in the corresponding period of 2020.

Year 2020 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") 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 for our food and beverage products from our customers since the 2020 Chinese New Year. The Directors expect that it will take some time for the Hong Kong economy to recover to normal. With the development of COVID-19 vaccine in Hong Kong, the Directors expect that the daily life of the public will gradually return to normal. 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 2021 and 2020:

	2021 HK\$'000	2020 HK\$'000	Change %
Commodities and cereal products	58,019	53,707	8.0%
Packaged food	60,076	46,809	28.3%
Sauce and condiment	41,420	43,728	-5.3%
Dairy products and eggs	27,052	27,684	-2.3%
Beverage and wine	12,689	12,791	-0.8%
Kitchen and hygiene products	28,453	19,649	44.8%
	227,709	204,368	11.4%

Management Discussion and Analysis

During the years ended 31 March 2021 and 2020, commodities and cereal products, packaged food and sauce and condiment were the major food and beverage grocery categories sold by us, in aggregate, accounting for approximately 70.1% and 70.6% respectively, of our total revenue.

Our sales of commodities and cereal products increased by approximately 8.0% for the year ended 31 March 2021 as compared to the previous year mainly due to increased orders received for steady growth of existing products. Revenue generated from sales of commodities and cereal products for the years ended 31 March 2021 and 2020 accounted for approximately 25.5% and 26.3% of our total revenue respectively.

Revenue generated from sales of packaged food, which becomes our largest contributing product types for the year ended 31 March 2021, accounted for approximately 26.4% and 22.9% of our total revenue respectively for the years ended 31 March 2021 and 2020. Sales of packaged food increased by approximately 28.3% for the year ended 31 March 2021 as compared to the previous year as a result of sales of our high-value packaged food, which included ophiocordyceps sinensis and wild ginseng.

Our sales of kitchen and hygiene products increased sharply by approximately 44.8% for the year ended 31 March 2021 as compared to the previous year. Our high-quality kitchen and hygiene products included face masks, gloves, bleach, kitchen paper and toilet paper, etc. Due to the COVID-19 outbreak in year 2020, people's awareness of hygiene was raised, there was an excess demand for face masks in Hong Kong. Our Group was able to source large quantity of supply of face masks from oversea suppliers. The sales of face masks contributed approximately HK\$16,129,000 to our revenue during year ended 31 March 2021.

Set aside the effect of the sales of masks, ophiocordyceps sinensis and wild ginseng, revenue generated from sales of our food and beverage products generally decreased for the year ended 31 March 2021 as compared to the previous year. It was mainly due to the decrease in sales orders from local restaurants, hotels and private clubs. The business environment of the food and beverage industry has deteriorated in the last two years. 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, the government's strict enforcement actions to reduce social contacts and gatherings reduced the overall customer traffic of restaurants and therefore, our customers ordered less food and beverage products from us to avoid accumulation of stocks.

Revenue generated from sales of sauce and condiment and sales of dairy products and eggs decreased by approximately 5.3% and 2.3% for the year ended 31 March 2021 as compared to the previous year mainly due to decreased demand from customers.

Our sales of beverage and wine remained relatively stable for the year ended 31 March 2021 as compared to the previous year.

Management Discussion and Analysis

Cost of sales

Our cost of sales solely represented cost of inventories sold, which represented the cost of finished goods purchased by us from suppliers. Our cost of sales represents the costs of products, net of discounts and rebates, charged by our suppliers. Our cost of sales increased by approximately HK\$22,889,000 or approximately 14.6% to approximately HK\$179,639,000 for the year ended 31 March 2021 as compared to approximately HK\$156,750,000 for the year ended 31 March 2020 was due to the increased sales volumes and increase in cost of finished goods purchased from suppliers.

Gross profit and gross profit margin

The Group's gross profit increased from approximately HK\$47,618,000 for the year ended 31 March 2020 to approximately HK\$48,070,000 for the year ended 31 March 2021. Only slight increase in gross profit was recorded despite the sharp increase in revenue as the sales margins for face masks and high-value packaged food were low. The increase in gross profit generated by sales of face masks and high-value packaged food just compensated the decrease in sales of our food and beverage products. For the year ended 31 March 2021, the Group's gross profit margin decreased to 21.1% as compared with previous year at 23.3%.

Other income

Other income represented interest income from bank deposits, rent concessions, government grant and sundry income. Other income increased from approximately HK\$554,000 for the year ended 31 March 2020 to approximately HK\$2,580,000 for the year ended 31 March 2021 mainly due to the receipt of government grant from the Employment Support Scheme launched by the government to provide time-limited financial support to employers to retain their employees who will otherwise be made redundant.

Other gain and losses, net

The Group recorded net other losses of approximately HK\$200,000 for the year ended 31 March 2021 which was mainly attributable to the written off of bad debts. During the year ended 31 March 2020, net other losses of approximately HK\$1,012,000 was recorded mainly due to 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, the Group disposed items of property, plant and equipment which included leasehold improvement, plant and machinery and furniture and equipment in the offices and warehouses in Kwun Tong during the year ended 31 March 2020.

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 advertising expenses, partially offset by decrease in entertainment expenses. The selling and distribution expenses accounted for approximately 10.9% and 11.4% of the total revenue for the years ended 31 March 2021 and 2020 respectively.

Management Discussion and Analysis

Administrative expenses

For the year ended 31 March 2021, the Group's administrative expenses primarily comprised equity-settled share-based payment, legal and professional fees, staff costs for administrative and management personnel, directors' remuneration, depreciation on property, plant and equipment and depreciation on right-of-use assets. Administrative expenses increased from approximately HK\$26,657,000 for the year ended 31 March 2020 to approximately HK\$39,670,000 for the year ended 31 March 2021. The increase of administrative expenses of the Group was mainly due to the equity-settled share-based payment of approximately HK\$15,419,000 incurred in the current year and the increase in staff costs and directors' remuneration, partially offset by the decrease in legal and professional fees and short term lease expenses.

Finance costs

Finance costs amounted to approximately HK\$297,000 for the year ended 31 March 2021, decreased by approximately HK\$141,000 as compared to approximately HK\$438,000 for the year ended 31 March 2020. Finance costs of the Group represented interest expenses on lease liabilities.

Income tax expense

For the years ended 31 March 2021 and 2020, our income tax expense were approximately HK\$242,000 and HK\$293,000, respectively.

Loss and total comprehensive expense attributable to owners of the Company

For the year ended 31 March 2021 and 2020, the Group's loss and total comprehensive expense attributable to owners of the Company was approximately HK\$14,618,000 and HK\$3,573,000. The increase of loss and total comprehensive expense attributable to owners of the Company was mainly attributable to the equity-settled share-based payment of approximately HK\$15,419,000 incurred in the current year and the increase in staff costs, directors' remuneration and transportation expenses, partially offset by the one-off effect in loss on disposal of property, plant and equipment incurred in 2020 due to reallocation of headquarter and warehouse, the receipt of government grant in 2021 and decrease in legal and professional fees.

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 2021 (year ended 31 March 2020: nil).

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

Management Discussion and Analysis

Trade and other receivables

Trade receivables increased by 95.1% from approximately HK\$19,587,000 as at 31 March 2020 to approximately HK\$38,210,000 as at 31 March 2021. The increase was mainly attributable to the increased sales demand near the year end as the government relaxed some restrictions on restaurant dining services and eased some restrictions on social gatherings in Hong Kong near the current year end.

Other receivables, deposits and prepayment decreased by approximately HK\$677,000 from approximately HK\$2,449,000 as at 31 March 2020 to approximately HK\$1,772,000 as at 31 March 2021. The decrease was mainly due to the decrease in prepayments near the year end.

Trade and other payables

Trade payables increased from approximately HK\$4,850,000 as at 31 March 2020 to approximately HK\$7,947,000 as at 31 March 2021. The increase was mainly due to the increased purchase near year end in view of the increase in sales demand.

Other payables and accrued charges decreased by approximately HK\$993,000 from approximately HK\$4,783,000 as at 31 March 2020 to approximately HK\$3,790,000 as at 31 March 2021. The decrease was mainly due to the decrease in accrued legal and professional fees and accrued transportation expenses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2021, bank balances and cash of the Group amounted to approximately HK\$38,438,000 (As at 31 March 2020: approximately HK\$54,001,000). The current ratios (current asset divided by current liabilities) of the Group were 6.7 times and 8.3 times as at 31 March 2021 and 31 March 2020 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 2021 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 2021, 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.

Management Discussion and Analysis

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 (lease liabilities arising from leased properties and motor vehicles) of the Group as at 31 March 2021 was approximately HK\$8,044,000 (31 March 2020: approximately HK\$6,297,000). The Group's gearing ratio as at 31 March 2021 was approximately 7.8% (as at 31 March 2020: approximately 6.1%), which is calculated as the Group's total borrowing over the Group's total equity.

CAPITAL EXPENDITURE

During the year ended 31 March 2021, the Group invested approximately HK\$1,859,000 (During the year ended 31 March 2020: approximately HK\$4,579,000) in property, plant and equipment, mainly represented an increase in leasehold improvements of approximately HK\$1,213,000 for the newly rented restaurant which was opened in Tsim Sha Tsui in April 2021. In additions, two motor vehicles with total cost of approximately HK\$488,000 were bought in July 2020 and February 2021.

CAPITAL COMMITMENTS

As at 31 March 2021, the Group had no significant capital commitments (As at 31 March 2020: nil).

CHARGES ON THE GROUP'S ASSETS

One of the motor vehicle with carrying amount of approximately HK\$207,000 was charged to a financial institution as at 31 March 2021 (as at 31 March 2020: HK\$397,000).

Management Discussion and Analysis

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 30 September 2020, Perfect Epoch Enterprises Limited, a wholly-owned subsidiary of the Company, and the vendors, who in aggregate hold 100% of the equity interests in Car-T (Shanghai) Biotech Co., Ltd (“Car-T Biotech”), mutually agreed to terminate the sale and purchase agreement in respect of the sale interests of Car-T Biotech. For further details, please refer to the announcement of the Company dated 30 September 2020.

During the year ended 31 March 2021, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries, associates and joint venture.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, the Group did not have other future plan for material investments or capital assets.

CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any significant contingent liabilities (As at 31 March 2020: nil).

INFORMATION ON EMPLOYEES

As at 31 March 2021, the Group employed 50 employees (As at 31 March 2020: 44 employees) with total staff cost of approximately HK\$32,668,000 incurred for the year ended 31 March 2021 (for the year ended 31 March 2020: approximately HK\$15,161,000). The Group’s remuneration packages are generally structured with reference to market terms and individual merits.

Management Discussion and Analysis

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 change the use of the unutilised net proceeds to deploy its financial resources more efficiently. For details, please refer to the Company's announcements dated 27 March 2019, 14 August 2020 and 18 February 2021. Set out below is the actual utilisation of net proceeds up to the date of this annual report:

Intended use of the net proceeds	Allocation of net proceeds before 18 February 2021 HK\$'000	Unutilised net proceeds as at the date of 2020 annual report HK\$'000	Amount utilised from the date of 2020 annual report to 18 February 2021 HK\$'000		Revised allocation of net proceeds as at 18 February 2021 HK\$'000	Amount utilised from 19 February 2021 to the date of this annual report HK\$'000	Unutilised net proceeds as at the date of this annual report HK\$'000	Expected timeline for full utilisation of the unutilised net proceeds (Note)
			from the date of 2020 annual report to 18 February 2021 HK\$'000	to the date of this annual report HK\$'000				
Leasing of warehouse facility in Kowloon:								
- Rental deposits	900	330	-	-	-	-	-	N/A On or before
- Rental payments	7,400	4,740	(1,462)	3,278	(731)	2,547	31 December 2022	
- Renovation costs	7,000	3,482	(89)	-	-	-	-	N/A
- Start-up costs for warehouse facility	8,100	7,225	-	-	-	-	-	N/A
Development of the business in provision of food catering services through restaurants								
	-	-	-	9,000	(1,814)	7,186	31 December 2022	On or before
Upgrade of Enterprise Resource Planning ("ERP") system								
	12,560	9,182	(852)	8,330	(181)	8,149	31 December 2022	On or before
Conducting sales and marketing activities								
Installation of new repackaging equipment	5,540	5,092	(648)	4,444	(53)	4,391	31 December 2022	
	3,500	3,263	-	-	-	-	-	N/A On or before
General working capital								
	3,500	-	-	5,211	(536)	4,675	31 December 2022	
	48,500	33,314	(3,051)	30,263	(3,315)	26,948		

Note: The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the future market conditions made by the Group. It is subject to change based on the current and future development of the market condition.

As disclosed in the prospectus of the Company dated 31 March 2017, the Group's principal business objectives are to strengthen its position in the food and beverage grocery distribution industry and further expand its business operations with a view to creating long-term shareholders' value. The Directors intend to achieve the objectives by (a) increasing warehouse facilities strategically located in certain districts of Hong Kong in proximity to the Group's customers; (b) upgrading the ERP system to enhance the Group's operation efficiency; (c) further penetrating the food and beverage grocery distribution market through sales and marketing activities and the Group's quality value-added services; and (d) attracting and retaining quality personnel.

Management Discussion and Analysis

In light of the rise in number of customers and purchase orders, the Group had planned to lease two warehouse facilities, one in the New Territories and another on the Hong Kong Island for accommodating the increased inventory level. However, since the second half of 2017, the rent and the rent price index in the factory building rental market in Hong Kong showed a continuous uptrend and the Group had not yet identified suitable premises for the warehouse facilities in both areas, therefore the leasing was not yet commenced up to March 2019.

In early 2019, the Group surveyed a premise in Yau Tong, Kowloon, which size and location are suitable for our warehousing, and additionally, the proposed rental fee is relatively cost-effective. The Board evaluated that the premise in Yau Tong, Kowloon is meeting the Group's requirements for fair and efficient use of financial resources. Therefore, the Board had decided to establish a new warehouse at the above mentioned premise and migrated all inventory from the existing warehouses to the new location.

In view of the conditions and expansion of the existing business, there is no urgent need to lease another warehouse facility as the current warehouse facility has met the needs of the Group. Therefore, on 18 February 2021, the Board has resolved to reallocate all utilised net proceeds for leasing of warehouse facility in Kowloon to develop the business in provision of food catering services through restaurants and general working capital, except that approximately HK\$3,278,000 of the net proceeds are remained to settle the rental expenses of the Yau Tong premise. Up to 18 February 2021, a total of approximately HK\$5,052,000 was spent on rental deposits, renovation costs and start-up costs for the warehouse facility. Up to the date of this report, approximately HK\$4,853,000 was spent on rental payments.

The Group has 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. Up to the date of this report, the Group selected a new ERP software for implementation and a total of approximately HK\$4,411,000 was spent on consultancy services and software and hardware acquisition for the upgrade of the ERP system.

The Group has 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. Up to the date of this report, a total of approximately HK\$1,149,000 was spent on advertising and participating in domestic food exhibition and sales exhibition to showcase our products to potential buyers. The Group is currently recruiting new marketing company for upcoming new sales campaign.

The Group has planned to use approximately HK\$3,500,000 to purchase new repackaging equipment to further automate the repackaging process and increase efficiency. Since outsourcing the repackaging is more cost-effective compared to acquiring and installing new repackaging equipment under the current market conditions, the Board has resolved to reallocate all utilised net proceeds for installation of new repackaging equipment to develop the business in provision of food catering services through restaurants and general working capital on 18 February 2021. Up to 18 February 2021, a total of approximately HK\$237,000 was spent on purchasing new automatic repackaging machines.

Management Discussion and Analysis

In early 2021, the Group was planning to develop the business in provision of food catering services through restaurants in view of the low market rent under current economic conditions. Around 5 restaurants are currently planned to be opened before 31 December 2022, the first restaurant was opened in Tsim Sha Tsui in April 2021. The Board is of the view that such vertical expansion would give us a competitive advantage, given that it allows us to have better cost control of the supplies for the new restaurant business and improve the performance of our existing business. Approximately HK\$9,000,000 of the net proceeds is allocated for the start-up costs and renovation costs for the restaurants. Up to the date of this report, a total of approximately HK\$1,814,000 was spent on renovation and start-up of the new restaurant in Tsim Sha Tsui.

An addition of HK\$5,211,000 of the net proceeds is allocated for the general working capital to support the daily operation of the Group, such as rental deposits and rental payments for restaurants and to maintain sufficient working capital in preparation of any market upheaval. Among such amount, a total of approximately HK\$536,000 was utilised as general working capital up to the date of this report.

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

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

Directors' Report

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the provision of food and beverage grocery distribution. Details of the principal activities of its subsidiaries as at 31 March 2021 are set out in the note 27 to the consolidated financial statements in this annual report. There were no significant changes in the nature of the principal activities of the Group during the year.

FINANCIAL SUMMARY

The five-year financial summary of the Group is set out on page 126 of this report. The summary does not form part of the audited financial statements.

BUSINESS REVIEW

The business of the Group for the year ended 31 March 2021 is set out in the section headed "Management Discussion and Analysis" on pages 9 to 18 of this annual report. These discussions form part of this Directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to operate in compliance with the applicable environmental laws as well as protecting the environment by minimising the negative impact of the Group's existing business activities on the environment. Details of the environmental policies and performance are set out in the section headed "Environmental Social and Governance Report" on pages 49 to 61 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 March 2021, as far as the Board and the management are aware, there was no breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the operation of the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 March 2021, there were no material and significant dispute between the Group and its employees, customers and suppliers.

Directors' Report

PRINCIPAL RISKS AND UNCERTAINTIES

Business Risk

The Group may be unable to retain or replace the Group's major customers. While the Group has good working relationships with the customers, there is no assurance that they will continue to place orders with the Group at all or at current levels in the future. In the event that the Group's major customers significantly reduce their orders with the Group, the business and results of operations of the Group will be adversely affected. As such, the Group is also exposed to inventory risk and stock obsolescence if the Group is unable to predict with certainty the customers' demands.

Economic and Political Risk

Adverse changes in the economic and political environment and government policies may affect the Group's ability to execute its strategies.

Financial Risk

The Group is exposed to foreign currency risk, interest rate risk, credit risk and liquidity risk in the normal course of business. Details of such financial risks are set out in note 29 to the consolidated financial statements in this annual report.

People Risk

It may be difficult for the Group to retain talent in the increasingly competitive market. Loss of key management personnel may affect the Group's business, prospects and financial performance.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2021 and the financial position of the Group as at 31 March 2021 are set out in the consolidated financial statements from page 68 to page 72 of this annual report.

The Board does not recommend the payment of a dividend for the year ended 31 March 2021 (year ended 31 March 2020: nil).

Directors' Report

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Company may declare and pay dividends to the shareholders of the Company. The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders of the Company.

Subject to compliance with applicable laws, rules, regulations and the articles of association of the Company (the "Articles of Association"), in deciding whether to propose a dividend payout, the Board will take into account, among other things, the Group's actual and expected financial performance, expected working capital requirements, capital expenditure requirements and future expansion plans, the retained earnings, distributable reserves and liquidity position of the Group, the general economic conditions and any other factors that the Board deems relevant.

The Board will review the dividend policy from time to time and there is no assurance that dividends will be paid in any particular amount for any given period.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 22 to the consolidated financial statements of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RESERVE

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively of this annual report.

Directors' Report

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2021, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately HK\$23,972,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2021, the aggregate revenue attributable to the five largest customers of the Group accounted for less than 30% of the Group's total revenue.

During the year ended 31 March 2021, the aggregate purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

During the year under review, none of the Directors or their close associates (as defined in the GEM Listing Rules) or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital), has any interests in any of the five largest customers and suppliers of the Group for the year.

DIRECTORS

The Directors who held office during the year ended 31 March 2021 and up to the date of this annual report are:

Executive Directors

Mr. Wong Siu Man (*Chairman*)

Mr. Wong Siu Wa (*Chief Executive Officer*)

Mr. Yip Kam Cheong (*Compliance Officer*)

Non-executive Director

Mr. Wong Chun Hung Hanson

Independent non-executive Directors

Ms. Chan Hoi Yee (appointed on 12 October 2020)

Mr. Ng Fan Kay Frankie

Mr. Wang Zhaobin

Mr. Wong Garrick Jorge Kar Ho (resigned on 12 October 2020)

Directors' Report

In accordance with article 16.18 of the Articles of Association, Mr. Wong Chun Hung Hanson, Mr. Ng Fan Kay Frankie and Mr. Wang Zhaobin shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the "AGM").

In accordance with article 16.2 of the Articles of Association, Ms. Chan Hoi Yee shall hold office until the AGM and, being eligible, offer herself for re-election at the AGM.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 5 to 8 of this annual report.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and considers that all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three (3) years and shall thereafter continue on a month to month basis, subject to retirement and re-election in accordance with the Articles of Association and GEM Listing Rules, unless terminated by either party by giving at least three (3) month's written notice to the other.

The non-executive Director and each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three (3) years and shall thereafter continue on a month to month basis, subject to retirement and re-election in accordance with the Articles of Association and GEM Listing Rules, unless terminated by either party by giving at least one (1) month's written notice to the other.

None of the Directors being proposed for re-election at the AGM has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Report

EMOLUMENT POLICY

The Group's policy and structure for emoluments of the Directors and senior management are reviewed by the remuneration committee of the Company, having regard to the Group's operating results, individual performance and comparable market statistics.

EMOLUMENTS OF DIRECTORS, SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, senior management and the five highest paid individuals of the Group are set out in notes 7(a) and 7(b) to the consolidated financial statements of this annual report.

MANAGEMENT CONTRACTS

During the year ended 31 March 2021, other than a contract of service with any Director or any person under the full-time employment of the Company, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

There were no transaction, arrangement, or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which any Director or any entities connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions in which they have taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register kept by the Company; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Positions

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

Notes:

- (1) The percentage has been computed based on 1,162,000,000 Shares, being the total number of ordinary shares of the Company in issue as at the 31 March 2021.
- (2) This represents the Shares held by Sky Alpha Investments Limited ("Sky Alpha"), a company beneficially owned as to 58.38% by Mr. Wong Siu Man, 38.92% by Mr. Wong Siu Wa and 2.7% by Glory Concord Limited ("Glory Concord") respectively, therefore, Mr. Wong Siu Man and Mr. Wong Siu Wa were deemed to be interested in 602,800,000 Shares under the SFO.

Save as disclosed above, as at 31 March 2021, none of the Directors or chief executive of the Company had registered an interest or short position in any shares or underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they have taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" in this report, at no time during the year ended 31 March 2021 and up to the date of this annual report was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2021, the persons (other than Directors or chief executive of the Company) who had interests and short positions in the shares or underlying share of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO were as follows:

Long positions

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

Notes:

- (1) The percentage has been computed based on 1,162,000,000 Shares, being the total number of ordinary shares of the Company in issue as at the 31 March 2021.
- (2) Sky Alpha is beneficially owned as to 58.38% by Mr. Wong Siu Man, an executive Director, 38.92% by Mr. Wong Siu Wa, an executive Director and 2.7% by Glory Concord, respectively. Mr. Wong Siu Man and Mr. Wong Siu Wa are therefore deemed to be interested in 602,800,000 Shares under the SFO.
- (3) Ms. Fan Wing is the spouse of Mr. Wong Siu Man. Under the SFO, Ms. Fan Wing is deemed to be interested in the same number of Shares in which Mr. Wong Siu Man is interested.
- (4) Ms. Chu Man is the spouse of Mr. Wong Siu Wa. Under the SFO, Ms. Chu Man is deemed to be interested in the same number of Shares in which Mr. Wong Siu Wa is interested.

Save as disclosed above, as at 31 March 2021, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had or is deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Directors' Report

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2021, the Group has not entered into any connected transaction with any of the controlling shareholders of the Company. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Subject to the Companies Law (2016 Revision), Cap 22 of the Cayman Islands, if any Director or other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

COMPETING INTEREST

During the year ended 31 March 2021, none of the Directors or the controlling shareholders of the Company or their close associates (as defined in the GEM Listing Rules) had interest in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

DEED OF NON-COMPETITION

The controlling shareholders of the Company, namely Mr. Wong Siu Man, Mr. Wong Siu Wa, Sky Alpha and Glory Concord, entered into a deed of non-competition dated 27 March 2017 ("Deed of Non-Competition") in favour of the Company (for itself and as trustee for each of its subsidiaries). For details of the Deed of Non-Competition, please refer to the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in the Prospectus. Each of the controlling shareholders of the Company has confirmed that none of them is engaged in, had interest in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group.

The independent non-executive Directors have also reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by each of the controlling shareholders during the year ended 31 March 2021.

Directors' Report

PURCHASE, SALES OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the year ended 31 March 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, at least 25% of the Company's total issued share capital was held by the public.

CORPORATE GOVERNANCE

Details of the principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 32 to 48 of this annual report.

SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 27 March 2017 (the "Share Option Scheme").

On 19 February 2021, a total of 112,000,000 share options were granted to the employees of the Group under the Share Option Scheme at an exercise price of HK\$0.30 per Share. The validity period of the share options is 19 February 2021 to 18 February 2023 (both days inclusive). The closing price of the Shares immediately before the date of grant was HK\$0.32.

Save as disclosed above, no share options was granted, exercised, lapsed or cancelled under the Share Option Scheme during the year ended 31 March 2021. As at 31 March 2021, there were 112,000,000 outstanding share options.

The following is a summary of the principal terms of the Share Option Scheme:

Purposes

The purpose of the Share Option Scheme is to enable the Group to grant share options to the eligible persons as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which any member of the Group holds any equity interest (the "Invested Entity").

Directors' Report

Eligible Participants

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

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

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 10% of the total number of Shares in issue from time to time. No share options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

As at the date of this annual report, no Share is available for issue under the Share Option Scheme.

Maximum entitlement under the scheme

The total number of Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Person (including exercised, cancelled and outstanding options) under the Share Option Scheme in any 12-month period must not exceed 1% of the issued share capital of the Company unless approved by the shareholders of the Company in general meeting with such Eligible Person and his/her close associates abstaining from voting.

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

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

Amount payable on acceptance of an option

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

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

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

Directors' Report

Basis of determining the exercise price

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

Remaining life of the Share Option Scheme

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

Further details of the Share Option Scheme are set out in note 26 to the consolidated financial statements in this annual report.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

EVENT AFTER THE REPORTING PERIOD

On 30 April 2021, the Company has entered into a non-legally binding memorandum of understanding with Beijing Douguo Yangtian Internet Technology Co., Limited in relation to a possible acquisition. For details, please refer to the Company's announcement dated 30 April 2021.

Saved as disclosed above, the Directors are not aware of any significant event which had material effect on the Group subsequent to 31 March 2021 and up to the date of this annual report.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company ("Audit Committee") comprises three independent non-executive Directors, namely, Mr. Ng Fan Kay Frankie (Chairman), Mr. Wang Zhaobin and Ms. Chan Hoi Yee. The Audit Committee, together with the management, have reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2021.

Directors' Report

AUDITOR

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

With effect from 3 May 2021, HLB resigned as auditors of the Company. McMillan Woods (Hong Kong) CPA Limited ("MMW") was appointed to fill the casual vacancy following the resignation of HLB.

The consolidated financial statements of the Company for the year ended 31 March 2021 have been audited by MMW. MMW will retire at the AGM and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of MMW as auditor of the Company will be proposed at the AGM.

By order of the Board

Wong Siu Man

Chairman and Executive Director

Hong Kong, 24 June 2021

Corporate Governance Report

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 March 2021.

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 "Shareholder(s)"). 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 2021. Key corporate governance principles and practices of the Company are summarised below.

A. THE BOARD

A.1 *Responsibilities and Delegation*

The Board is entrusted with the overall responsibility for promoting the success of the Company by providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations. The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control systems, risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, change of Directors, ad hoc projects and other significant financial and operational matters. The Board has the full support of the management to discharge its responsibilities.

The day to day management, administration and operation of the Company are delegated to executive Directors and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. All Directors have full and timely access to all relevant information of the Company, with a view to ensure that Board procedures and all applicable rules and regulations in Cayman Islands and Hong Kong are followed. Each Director is normally able to seek independent advice in appropriate circumstances at the Company's expense, upon making request to the Board.

Corporate Governance Report

In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this report.

The Board is also responsible for, among others, performing the corporate governance duties as set out in the Code Provision D.3.1 of the CG Code, which include:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
- to review the Group's compliance with the CG Code and disclosure in the corporate governance report.

The Company has arranged appropriate liability insurance coverage for all the Directors, including company securities, employment practices, regulatory crisis event, investigation, litigation, tax liabilities and public relation, etc., which is to be reviewed by the Board on a regular basis.

A.2 **Board Composition**

The Board comprised the following Directors during the year ended 31 March 2021 and up to the date of this annual report:

Executive Directors

Mr. Wong Siu Man (*Chairman*)
Mr. Wong Siu Wa (*Chief Executive Officer*)
Mr. Yip Kam Cheong (*Compliance Officer*)

Non-executive Director

Mr. Wong Chun Hung Hanson

Independent non-executive Directors

Ms. Chan Hoi Yee (appointed on 12 October 2020)
Mr. Ng Fan Kay Frankie
Mr. Wang Zhaobin
Mr. Wong Garrick Jorge Kar Ho (resigned on 12 October 2020)

Corporate Governance Report

The nomination committee of the Company ensures the composition of the Board constitutes a balance of skills, experiences, qualifications and diversity of perspective appropriate to the requirements of the business and development of the Company. The current Board composition of three executive Directors, one non-executive Director and three independent non-executive Directors (the “INED(s)”). The list of all Directors (by category) is set out under the section headed “Corporate Information” in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time. The Company also maintains on its website (www.agdl.com.hk) and on the GEM’s website (www.hkgem.com) an updated list of current Directors (by category) identifying their role and function.

During the year ended 31 March 2021, the Board has met the requirements of the GEM Listing Rules relating to the appointment of at least three INEDs with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise as required under the GEM Listing Rules.

The participation of INEDs in the Board brings a diverse range of expertise, skills and independent judgment on issues relating to the Group’s strategies, performance, conflicts of interests and management process to ensure that the interests of all Shareholders have been duly considered. Each of the INED has confirmed in writing his/her independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules and the Board considers that all the INEDs to be independent.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. The Directors’ biographical information is set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

Save as disclosed in the section headed “Biographical Details of Directors and Senior Management”, the Board members has no financial, business, family or other material/relevant relationships with each other.

Corporate Governance Report

A.3 *Chairman and Chief Executive Officer*

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Wong Siu Man is the Chairman and is responsible for major decision-making and implementation of business strategies of the Group. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contributions to Board's affairs and promoting a culture of openness and debate. The Chairman seeks to ensure that all Directors are properly briefed on issues arising at the Board meetings and have received adequate and reliable information in a timely manner.

Mr. Wong Siu Wa is the chief executive officer and is in charge of the Company's day-to-day management and operations and focuses on implementing the objectives, policies and strategies approved and delegated by the Board.

A.4 *Appointment and Re-election of Directors*

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three (3) years, subject to retirement and re-election in accordance with the Articles of Association and GEM Listing Rules, unless terminated by either party by giving at least three (3) month's written notice to the other. The non-executive Director and each of the INEDs has entered into a letter of appointment with the Company for an initial term of three (3) years, subject to retirement and re-election in accordance with the Articles of Association and GEM Listing Rules, unless terminated by either party by giving at least one (1) month's written notice to the other.

Pursuant to article 16.18 of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Pursuant to article 16.2 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of the Company after his/her appointment and shall be subject to re-election at such meeting.

Corporate Governance Report

A.5 *Induction and Continuous Professional Development for Directors*

Pursuant to Code Provision A.6.5 of CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills as to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 March 2021, all Directors have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements. All Directors are also provided with updates on the Group's business and operation plans from time to time. There are also arrangements in place for providing continuing briefing and professional development to each Director. All Directors are encouraged to attend relevant training courses at the Company's expense.

Pursuant to Code Provision A.6.1 of CG Code, each newly appointed Director should receive a comprehensive, formal and tailored induction on appointment, so as to ensure that he/she has appropriate understanding of the Group structure, Board and Board Committees meetings procedures, business, management and operations of the Company, etc. and that he/she is fully aware of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements in the Cayman Islands and Hong Kong. During the year ended 31 March 2021, all newly appointed Directors participated in the induction program regarding directors' responsibilities and obligations under the GEM Listing Rules which covered, among other topics, the CG Code, GEM Listing Rules and directors' continuing obligations.

According to the records maintained by the Company, the Directors received training regarding roles, function and duties of a director of a listed company or professional skills in compliance with the CG Code on continuous professional development during the year ended 31 March 2021 by attending seminars and/or courses organised by professional firms or institutions and reading materials.

Corporate Governance Report

A.6 Board Meetings

A.6.1 Board Practices and Conduct of Meetings

Pursuant to Code Provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year for reviewing and approving financial statements, operating performance, budgets, rules and regulations, announcements and circulars issued by the Company and considering and approving the progress of the various on-going projects, the overall strategies and policies of the Company. Additional meetings would be arranged if and when required. Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For all other Board meetings, notice is given in a reasonable time in advance. All Directors are supplied with agenda and relevant meeting materials at least 3 days before the date of the meeting or within a reasonable period of time in advance of the intended meeting date. All Directors are given opportunities to include matters in the agenda for regular Board meetings, if required. To enable the Directors to make informed decisions, adequate and appropriate information in relation to the matters of the meeting are sent to all Directors in a timely manner. The Board and each Director have separate and independent access to the management for enquiries and to obtain further information, when required.

After the meeting, draft minutes are circulated to all Directors for comments within a reasonable time. All minutes of the meetings are kept by the company secretary of the Company (the “Company Secretary”) and are available for inspection by the Directors at all times.

Directors may participate in meetings either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. If a substantial shareholder or a director has a conflict of interest in a transaction which the Board determines to be material, it will be considered and dealt with by the Board at a duly convened Board meeting rather than a written resolution, Independent non-executive Directors who have no material interest in the transaction should be present at that Board meeting.

Corporate Governance Report

A.6.2 Directors' Attendance Records

During the year ended 31 March 2021, the Board convened nine Board meetings and one general meeting. The attendance of each Director at the meetings of the Board, Board committees and general meeting is as follows:

	Board	Remuneration Committee	Number of meetings attended/eligible to attend		
			Audit Committee	Nomination Committee	General meeting
Executive Directors					
Mr. Wong Siu Man (<i>Chairman</i>)	9/9	N/A	N/A	N/A	1/1
Mr. Wong Siu Wa (<i>Chief Executive Officer</i>)	9/9	N/A	N/A	N/A	1/1
Mr. Yip Kam Cheong (<i>Compliance Officer</i>)	9/9	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Wong Chun Hung Hanson	9/9	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Ms. Chan Hoi Yee (appointed on 12 October 2020)	4/4	N/A	2/2	N/A	N/A
Mr. Ng Fan Kay Frankie	9/9	1/1	4/4	1/1	1/1
Mr. Wang Zhaobin	9/9	1/1	4/4	1/1	1/1
Mr. Wong Garrick Jorge Kar Ho (resigned on 12 October 2020)	5/5	1/1	2/2	1/1	1/1

B. BOARD COMMITTEES

The Board has established three Board committees, namely, the audit committee, remuneration committee and nomination committee (the "Committees"), for overseeing particular aspects of the Company's affairs. All Board Committees have been established with defined written terms of reference, which are posted on the websites of the GEM and the Company. All the Board Committees should report to the Board on their decisions or recommendations made. The practices, procedures and arrangements in conducting meetings of Board Committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board Committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

Corporate Governance Report

B.1 Audit Committee

As at the date of this report, the audit committee of the Company (the “AC”) consists of three INEDs, namely Mr. Ng Fan Kay Frankie, Mr. Wang Zhaobin and Ms. Chan Hoi Yee. Mr. Ng Fan Kay Frankie currently serves as the chairman of the AC, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

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

During the year ended 31 March 2021, the AC held four meetings and performed the following major tasks:

- Review and discussion of the quarterly, interim and annual financial statements, results announcements and reports, the related accounting principles and practices adopted by the Group and the relevant audit findings;
- Review and discussion of the risk management and internal control system of the Group; and
- Discussion and recommendation of the re-appointment of external auditor.

The attendance records of each Director at the meeting of the AC is set out on page 38 of this annual report.

During the year ended 31 March 2021, the fee paid/payable to auditor in respect of audit service and/or non-audit services were as follows:

Nature of services	2021 HK\$’000	2020 HK\$’000
Audit services	650	750
Non-audit related services	–	10

Corporate Governance Report

B.2 Nomination Committee

As at the date of this report, the nomination committee of the Company (the “NC”) consists of three INEDs, namely Ms. Chan Hoi Yee, Mr. Wang Zhaobin and Mr. Ng Fan Kay Frankie. Ms. Chan Hoi Yee currently serves as the chairlady of the NC.

The principal duties of the NC are to (i) review the structure, size and composition of the Board; (ii) review the board diversity policy and directors’ nomination policy; (iii) identify qualified individuals to become members of the Board; (iv) make recommendation to the Board on the appointment, re-appointment and succession planning of Directors; and (v) assess the independence of INEDs.

During the year ended 31 March 2021, the NC held one meeting and performed the following major tasks:

- Review the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;
- Assessment of the independence of the existing INEDs;
- Recommendation on the appointment of Director and re-appointment of retiring Directors at the annual general meeting pursuant to the Articles of Association; and
- Review the board diversity policy and nomination policy of the Company.

The attendance records of each Director at the meeting of the NC is set out on page 38 of this annual report.

The Company adopted a board diversity policy which sets out the approach to achieve diversity on the Board. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board’s composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Upon the review of the Board’s composition taking into account the diversity policy, the NC considers that the Board has maintained an appropriate mix and balance of age, ethnicity, skills, knowledge, experience and diversity of perspectives appropriate to the business requirements of the Company. The NC will review the board diversity policy to ensure its effectiveness on a regular basis or as required.

Corporate Governance Report

The Company adopted a nomination policy which sets out the selection criteria in assessing the suitability of a proposed candidate as Director and procedure of appointing and re-appointing a Director. In assessing the suitability of a proposed candidate, the NC would consider factors including but not limited to academic background, qualifications, relevant experiences in the industry, character and integrity of the candidate, whether the candidate can contribute to the diversity of the Board and the candidate's commitment in respect of available time and relevant interest. Suitable candidate can be nominated by any Director for the NC's consideration. NC should evaluate the personal profile of the candidate based on the selection criteria as set out in the nomination policy and undertake adequate due diligence in respect of each proposed candidate. After comprehensive assessment, the NC will then make recommendations to the Board for approval. The NC will review the nomination policy and assess its effectiveness on a regular basis or as required.

B.3 Remuneration Committee

As at the date of this report, the remuneration committee of the Company (the "RC") consists of three INEDs, namely Mr. Wang Zhaobin, Ms. Chan Hoi Yee, and Mr. Ng Fan Kay Frankie. Mr. Wang Zhaobin currently serves as the chairman of the RC.

The primary functions of the RC are to (i) review and make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management; (ii) determine the remuneration packages of the Directors and senior management; and (iii) ensure none of the Directors determine their own remuneration.

During the year ended 31 March 2021, the RC held one meeting and performed the following major tasks:

- Determine the remuneration package of the Directors and senior management of the Company with reference to the duties and responsibilities, business performance and profitability of the Group and market conditions, the corporate objective and goal set by the Board; and
- Review the remuneration policy and structure for fixing the remuneration packages.

The attendance records of each Director at the meeting of the RC is set out on page 38 of this annual report.

Corporate Governance Report

Pursuant to the Code Provision B.1.5 of the CG Code, the remuneration of the members of the Board and the senior management by band for the year ended 31 March 2021 is set out below:

In the band of	Number of Individuals
Nil to HK\$1,000,000	12
HK\$1,000,001 to HK\$2,000,000	2
HK\$2,000,001 to HK\$3,000,000	Nil
HK\$3,000,001 to HK\$4,000,000	Nil
Over HK\$4,000,000	Nil

Details of the remuneration of each Director and the five individuals with the highest emoluments in the Group for the year ended 31 March 2021 are set out in note 7 to the consolidated financial statements in this annual report.

C. COMPANY SECRETARY

Company Secretary supports the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on the corporate governance matters and facilitating induction and professional development of the Directors. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws, rules and regulations, are followed.

Ms. Lau Yin Ping was appointed as the Company Secretary of the Group on 31 August 2018. Ms. Lau Yin Ping has complied with all the required qualifications, experiences and training requirements under the GEM Listing Rules. For the year ended 31 March 2021, she has complied with the GEM Listing Rules by taking not less than 15 hours of relevant professional training.

Corporate Governance Report

D. DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 March 2021, which give a true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules.

As at 31 March 2021, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders of the Company. The independent auditor's report about their reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 62 to 67 of this annual report.

E. CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Directors will review the Group's corporate governance policies and compliance with CG Code each financial year and comply with the "comply or explain" principle in the corporate governance report which will be included in the annual reports.

F. 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 2021.

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 2021.

Corporate Governance Report

G. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard the assets of the Group and shareholder investments. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. Such review is done with a view to ensuring that resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions are adequate. The Directors consider that the Group has implemented appropriate procedures for safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, segregation of duties and putting plans and routines into execution with appropriate authority and in compliance with the relevant laws and regulations.

For the year ended 31 March 2021, the Board engaged an internal control consultant (the "Consultant"), an independent third party, to undertake a review of the internal control system of the Group. The results of the independent review and assessment were reported to the AC and the Board. Moreover, improvements in internal control and risk management measures as recommended by the Consultant to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of the Consultant as well as the comments of the AC, the Board is of the view that the risk management and internal control measures in place are adequate and effective to safeguard the Group's assets and the interest of Shareholders.

The Company does not have an internal audit function. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and the close supervision of the management could provide sufficient risk management and internal control for the Group. The Company will review the need for an internal audit function on an annual basis.

The Group adopts a risk management framework which comprises the following processes:

- Identify significant risk in the Group's operation environment and evaluate the impacts of those risks on the Group's business;
- Develop necessary measures to manage those risks; and
- Monitor and review the effectiveness of such measures.

Corporate Governance Report

The Group formulated the policies and procedures of risk management and internal control as follows:

- The Group established an organisational structure with clear operating and reporting procedures, lines of responsibility and delegated authority;
- Each operating subsidiary maintains internal controls and procedures appropriate to its structure whilst complying with the Group's policies, standards and guidelines;
- Relevant executive Directors and senior management have been delegated with specific accountability for monitoring the performance of designated business operating units;
- A systematic review of the financial and business processes in order to provide management on the adequacy and effectiveness of internal controls. Where weaknesses are identified in the system of internal controls, management will evaluate and take necessary measures to ensure that improvements are implemented; and
- Code of ethics are established and adhered to by all employees to ensure high standards of conduct and ethical values in all business practices.

Principal Risks

During the year ended 31 March 2021, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks:

Risk Areas	Principal Risks
Strategic risks	Market competition
Operational risks	Employee commitment and satisfaction, warehouse disruption
Financial risks	Credit risk of customers, fund investments and returns
Compliance risks	Change in relevant food safety regulation, company and tax regulations and ordinances, updates in accounting standards and listing rules

The Board reviewed that the risk management and internal control system adopted by the Group for the year ended 31 March 2021 and considered that it was effective and adequate.

Corporate Governance Report

H. PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board has approved and adopted the Inside Information Policy for monitoring inside information to ensure compliance with the GEM Listing Rules and the Securities and Futures Ordinance. The procedures and internal controls for handling and dissemination of inside information as set out in the Inside Information Policy are summarised below:

Handling of Inside Information

1. Inside information shall be announced as soon as reasonably practicable after it becomes known to the Board and/or is the subject of a decision by the Board in accordance with the GEM Listing Rules. In cases where a decision by the Board is pending or in cases of incomplete negotiations, the Group shall implement the procedures set out in the Inside Information Policy to maintain the confidentiality of information. Until an announcement is made, the Directors and the management should ensure that such information is kept strictly confidential. If the confidentiality cannot be maintained, an announcement shall be made as soon as practicable.
2. Each department shall keep inside information on transactions confidential. If there is a leakage of inside information, they shall inform the Directors and the Company Secretary immediately so that remedial actions, including making an inside information announcement, can be taken at the earliest opportunity.
3. The Group's finance department shall keep track of the Group's threshold levels for disclosure pursuant to the size tests under the GEM Listing Rules, so that an announcement can be made as soon as practicable should a notifiable transaction arises.

Dissemination of Inside Information

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

I. INVESTOR RELATIONS

The Board puts great emphasis on investor relationship in particular fair disclosure and comprehensive report of the Company's performance and activities.

Shareholders are encouraged to attend the general meetings of the Company and the Directors always make efforts to fully address any questions raised by the Shareholders at the annual general meetings and the extraordinary general meetings of the Company.

Corporate Governance Report

J. SHAREHOLDERS' RIGHTS

Pursuant to Articles of Association, any shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right to vote at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the said date of deposit of the requisition.

Pursuant to Articles of Association, if a Shareholder wishes to propose a person other than retiring Directors for election as a Director at a general meeting of the Company, the Shareholder should deposit a written notice of nomination which shall be given to the principal place of business of the Company in Hong during the period, which shall be at least 7 days, commencing the day after the despatch of the notice of the meeting and ending no later than 7 days prior to the date of such meeting.

Shareholders may at any time send their enquiries and concerns, in writing, to the Board by addressing them to the Company Secretary. Contact details are as follows:

Address: The Whole of Upper Ground Floor,
 Mai Tong Industrial Building,
 No.22 Sze Shan Street, Kowloon, Hong Kong

Fax: (852) 2389 1612

E-mail: fax@hfh.com.hk

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the Shareholders' questions.

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch registrar and transfer office, namely, Tricor Investor Services Limited, whose contact details are stated in the section headed "Corporate Information" of this annual report.

Corporate Governance Report

K. COMMUNICATION WITH SHAREHOLDERS

In order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company, the Company has established a number of channels for maintaining on-going dialogue with the Shareholders as follows:

- (a) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the websites of the GEM and of the Company;
- (b) latest information on the Group is available on the respective websites of the GEM and of the Company;
- (c) general meetings of the Company provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and
- (d) the Company's share registrars serve the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

L. CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2021, there had been no significant change in the constitutional documents of the Company. The Articles of Association are available on the websites of the GEM and of the Company.

Environmental, Social and Governance Report

The Board of directors (the “Board”) formulates Asia Grocery Distribution Limited (the “Company”) and its subsidiaries’ (collectively referred to as the “Group”) Environmental, Social and Governance (“ESG”) strategies and the executive directors and senior management then execute the plan. The executive directors and senior management are responsible for reviewing and monitoring the Group’s ESG policies and practices and discuss with external professional consultants regularly to ensure that the Group complies with relevant legal and regulatory requirements. The executive directors and senior management monitor and respond to the latest environmental, social and governance issues, report to the Board on major issues and make relevant recommendations to enhance the Group’s environmental, social and governance performance.

The Board reviews the Group’s ESG report annually, discusses among the key risks and makes relevant recommendations for the coming year. Thereafter, the executive directors and senior management report the key risks and execution progress of the recommendations at the regular Board meeting and the Board takes appropriate measures if required.

ABOUT THIS REPORT

This ESG Report (the “Report”) provides an annual update of the Group’s sustainability performance, achievements and challenges for the year ended 31 March 2021 (the “Reporting Period”). We apply the concept of materiality in planning and developing the Report. Unless otherwise indicated, the Report covers the Company and its subsidiaries.

Reporting Principles

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

1. Materiality: Environmental, social and governance issues that have major impacts on investors and other stakeholders must be set out in this Report.
2. Quantitative: If the key performance indicators (KPIs) have been established, they must be measurable and applicable to valid comparisons under appropriate conditions. They must also be able to describe the purpose and impacts of quantitative information.
3. Balance: This Report must provide an unbiased picture of the environmental, social and governance performance of the Group. It should avoid selecting, omitting, or presenting formats that may inappropriately influence a decision or judgment by the reader.
4. Consistency: This Report should use consistent and disclose statistical methodologies to allow meaningful comparisons of related data over time. Any changes to the methods used must be specified in the Report.

Environmental, Social and Governance Report

IDENTIFYING MATERIAL ISSUES

Understanding stakeholders' views allows the Group to better fulfil their needs and expectations with its business practice and manage different stakeholders' opinions. The Group has been able to prioritise four issues from the eleven environmental and social aspects specified in the ESG Reporting Guide to be the material focus of this report. The four material issues are: Efficient Use of Energy, Use of Packaging Materials, Supply Chain Management and Product Responsibility.

Stakeholder Engagement

As part of the business strategies, the Group communicates with the stakeholders in an open, honest and proactive way. To achieve this objective and improve transparency, we take active measures to promote investor relations and communication. In addition, we have developed the investor relations policy to ensure that investors have fair and timely access to the information of the Group.

ENVIRONMENTAL ASPECTS

The Group provides food and beverage groceries distribution solutions to its customers. The Group focuses on those emissions that may adversely affect the environment and tries to minimise the waste emission during the operation. The Group complied with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste in Hong Kong and no violations were reported during the Reporting Period.

The Group encourages energy conservation and emission reduction in all processes of procurement, inventory management, repackaging and sales and delivery. The Group has reduced the frequency of transportation by simplifying inventory management and delivery process in order to reduce carbon emissions from diesel and gasoline consumption.

Emissions

Air Emissions

The Group has appointed third-party transportation companies to deliver products to its customers. The main sources of carbon emissions come from the Group's owned vehicles. In order to reduce air pollutant emission in logistic operation, the Group focuses on the selection process of third-party transportation companies, while there is no direct calculation on the emission figures for the transportation carried by them.

Type of Emissions	Quantity	Unit
Nitrogen Oxides (NOx)	75.77	kg
Sulphur Oxides (SOx)	0.02	kg
Respirable suspended particulates (RSP)	3.55	kg

Environmental, Social and Governance Report

Greenhouse Gas Emissions

During the Reporting Period, the total GHG emissions were about 114.1 tonnes of CO₂ equivalent (“CO₂-e”) and the GHG intensity is 0.5 tonnes of CO₂-e per HKD million revenue.

The primary source of GHG emissions is indirect emissions from purchased electricity (Scope 2), accounting for approximately 97% of the Group’s total emissions. Direct emissions from owned vehicles collectively made up 3% of the total GHG emissions. The Group will continue to assess and monitor its emissions to confirm the feasibility of establishing a carbon reduction strategy in the future.

Scope	Quantity	Unit
Scope 1 – Direct emissions	3.4	tonnes of CO ₂ -e
Scope 2 – Energy indirect emissions	110.7	tonnes of CO ₂ -e
Total GHG Emissions	114.1	tonnes of CO ₂ -e

Waste Management

The Group upholds the principles of waste management and is committed to the proper handling and disposal of all wastes from our business activities. Due to our business nature, the Group does not produce any hazardous waste, while the key non-hazardous wastes generated by us mainly include daily rubbish such as stationeries. During the Reporting Period, the total non-hazardous waste produced were 0.67 tonnes and the non-hazardous waste intensity is 0.003 tonnes per HKD million revenue.

The Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact concerning air and greenhouse gas emissions, discharges into water or land, or generation of hazardous and non-hazardous waste during the Reporting Period.

Use of Resources

In the business operation, apart from electricity, major resources consumed include water, paper and packaging materials.

Water Use

The Group has imposed water-saving policies to reduce water consumption.

Environmental, Social and Governance Report

Energy Use

In order to increase energy efficiency, the Group has imposed several policies including reduction of electricity usage by maintaining indoor temperature at a reasonable level and regular maintenance of the ventilation system. The Group did not have issue with sourcing water that is fit for purpose during the Reporting Period.

Type of Resources	Quantity	Unit
Direct Energy Consumption – Petrol	43.2	GJ
Indirect Energy Consumption – Electricity	217.0	MWh
Total Energy Consumption	229.0	MWh-e
Water Consumption in Total	219.6	m ³

Use of Raw Materials and Packaging Materials

The Group encourages its employees to use double-side paper printing and photocopying, reduce wastes and adopt garbage separation. Product repackaging is part of our core business and packaging materials are another resource that we consume. The Group understands the importance of waste reduction. Therefore, we choose the materials that are environmentally friendly and re-useable, such as reusable cartons and plastic bags. During the Reporting Period, the major packaging materials purchased by the Group are as follows:

Type of Packaging Materials	Quantity	Unit
Plastic Bag	1.7	tonnes
Carton Box	1.4	tonnes
Adhesive Tape	46.8	tonnes
Total	49.9	tonnes

The Environment and Natural Resources

The Group strives to contribute to environmental protection and minimise the environmental impact associated with our business activities. During the packaging process, we reduce the carbon emissions by reusing cartons and other packaging materials. In day-to-day operation, the Group motivates its employees to save energy and create a green working environment.

We will continue to assess the environmental risks of our business, review the environmental practices and adopt preventive measures as necessary to reduce the risks and ensure the compliance with relevant laws and regulations.

Environmental, Social and Governance Report

SOCIAL ASPECTS

Employment and Labour Practices

Employment

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

As at the end of the Reporting Period, the Group had an aggregate of 50 (2020: 44) employees. In order to cope with our continuously growing business scale, we acquire talents from different countries and backgrounds to join our team. The Group strictly complies with the relevant laws and regulations in our employment and labour process such as recruitment, dismissal, promotion and remuneration of employees regardless of where we operate. The legitimate rights and interests of employees are protected in accordance with laws and regulations.

We review our human resources policies and ensure that they are in compliance with Hong Kong Employment Ordinance and other applicable laws and comparable to the general practice and benchmark of the industry. We have established a comprehensive system of remuneration, incentive and performance management to attract and retain talents for our long-term and stable growth. The system consists of basic salary, mandatory and extra benefits (i.e. mandatory provident fund, medical and other insurance, annual leave, sick leave and other allowance), and monetary and non-monetary rewards (i.e. discretionary bonus and sales commission) for our employees.

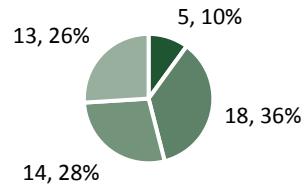
The following figures are based on the total number of employees at the end of the Reporting Period

By Gender



- No. of female employees
- No. of male employees

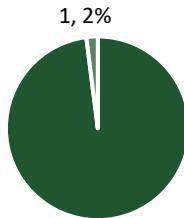
By Age



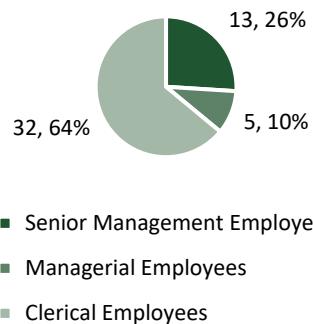
- Under 30 years old
- 31-40 years old
- 41-50 years old
- Over 50 years old

Environmental, Social and Governance Report

By Type of Employment

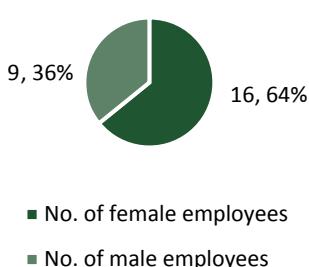


By Job Function

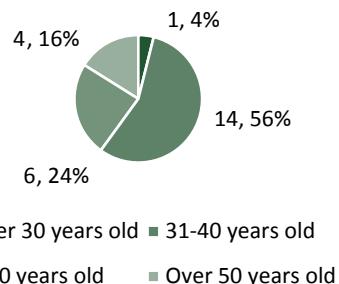


Our Company has been providing more employees' welfare and benefits in an effort to retain an optimal workforce. The charts below show the turnover of the staffs by gender and age.

Turnover by Gender



Turnover by Age



Labour Standards

The Group has established human resource policies to ensure no child labour and forced labour are being employed. The Group aims to protect the employees from any discrimination, including racial, religious, age and disability discrimination. If any improper or illegal conducts are discovered, the Group will investigate, punish or dismiss the relevant employees. The Group will further improve the mechanism against illegal behaviour when necessary. All dismissal procedures strictly follow the applicable laws and internal guidelines. The Group complied with the relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare and no violations were reported during the Reporting Period.

Environmental, Social and Governance Report

Health and Safety

Occupational safety is always the Group's top priority in designing and implementing business flow. We have established workplace health and safety policies in compliance with relevant laws. To ensure safety of the workplace, we offer our employees various supporting devices such as the use of hand pallet truck to avoid injuries when moving heavy items. Moreover, the Group displays posters about workplace safety at prominent places in warehouse and offices to raise awareness of health and safety among our employees.

The Group did not identify any casualties and accidents, nor did the Group identify any violations of laws and regulations in relation to the provision of a safe working environment and protecting employees from occupational hazards during the Reporting Period.

Development and Training

To maintain the competitiveness of the Group and our employees, training courses are organised by our human resource team, aiming at employees' individual growth and sustainable development. All directors, company secretary and senior management attend training courses and receive up-to-date information of corporate governance and listing regulations. In 2021, the Group has also participated in the mentorship program by the Employees Retraining Board called the SME Mentorship Programme.

As a result of continuous changing regulations on food safety, comprehensive training courses are provided to our procurement staff, warehouse staff and other relevant employees. We also encourage our employees to attend seminars, workshops and conferences related to business management, system operation, communication skills and workforce safety.

During the Reporting Period, apart from on-the-job training, the Group sponsored and organised a total of 9 hours of training for 2 staff (1 being senior management and 1 being clerical staff).

The Group also offers opportunities of internal promotion for employees in recognition of their outstanding performance and effort. We aspire to retain talents and develop their strengths and potential.

Labour Standards

The Group's labour standards primarily focus on conformity with local labour laws and regulations. We prohibit any child and forced labour in any of our operations and production process. We established a strict protocol for hiring, of which we screen candidates in accordance with the minimum age of their respective work locations.

Environmental, Social and Governance Report

The Group strictly complied with the Employment Ordinance of Hong Kong and provided the required labour protection, safety and health conditions to ensure employees' safety during their services. The Group also paid wages and salaries, benefits and compensations on schedule.

During the Reporting Period, there have been no cases of prosecution against the Group due to violation of any relevant labour laws and regulations including but not limited to the prevention of child and forced labour.

Operating Practices

Supply Chain Management

The Group attaches great importance to building and maintaining sustainable and reliable relationships with our suppliers. As one of the intermediate suppliers in the food and beverage groceries supply chain, we procure food and beverage groceries from upper-tier suppliers (for examples, food importers, wholesalers, brand owners, producers, agents and distributors). To ensure our product quality, we have established an extensive procurement network with reliable suppliers that have proven business records and high integrity. We perform regular verification of product quality against the information provided by the suppliers. Suppliers that do not meet our quality requirement standards will be replaced in due course.

Product Responsibility

The principal activities of the Group include food packaging, warehouse storage and logistics. As a responsible food distributor, we strictly follow registration schemes for food importers and food distributors.

On top of the requirements by law, we highly emphasise the source and quality of our products. During product selection, besides economic considerations, we also take into account the products' origin, nutrition values, freshness and food safety. The Group adheres to the standard preservation method for each category of food and the recommended shelf life. For example, products are well kept in freezers to preserve their freshness when necessary.

Our procurement manager regularly reviews our internal control manual to ensure the suggested procedures laid down by the relevant authorities are followed. Examples of the suggested procedures are to:

1. apply for registration as a food importer and distributor;
2. update the main food categories and classifications applicable to us when there are changes of food types; and
3. renew and update the registrations, when necessary, to ensure our food safety measures are up to the latest standard.

Environmental, Social and Governance Report

The Group has implemented after sales services to handle customers' complaints and product recall. Upon receiving any complaints, we investigate and identify the causes and take rectification measures. During the Reporting Period, there is no products sold or shipped subject to recalls for safety and health reasons and the Group was not aware of any violation of the laws and regulations in relation to the food safety.

The Group is committed to protecting customer data and privacy, as well as intellectual property rights. As stated in the Employee Handbook, employees should protect information defined as confidential by the Group and respect intellectual property. Confidential information must not be disclosed to third parties on any platform without prior approval from the senior management, otherwise investigation and disciplinary actions will be conducted. Employees are requested not to disclose any confidential information pertaining to the Company at any time during or after the period of their employment with the Company.

During the Reporting Period, the Group was not aware of any violation of intellectual property rights and data privacy.

Anti-Corruption

The Group requires employees to strictly conform to the code of business ethics and put any corruption or bribery behaviour to an end as stipulated in the employment contracts and the relevant policies of the Group. We adopt our zero-tolerance policy for misconduct. In the case of conflict of interest, it must be reported to the Group's management. Employees who engage in business operations and represent the Group are strictly prohibited to use business opportunities or power inherent from their position for personal interest or benefit.

The Group is committed to work with suppliers who operate in an honest and transparent way. We also request our business partners to follow our anti-corruption policies. To promote anti-corruption, the Group provides comprehensive training courses and reference materials from Independent Commission Against Corruption to our employees. We have also uploaded the whistleblowing policy to our company website to enable our employees to raise concerns and report information when the employees have reasonable grounds to believe a malpractice or impropriety.

During the Reporting Period, the Group did not identify any non-compliance or legal cases in relation to corruption, fraud, money laundering and bribery.

Environmental, Social and Governance Report

Community

Community Investment

The Group upholds the philosophy of “Take from society, give back to society” that we play an active role in community affairs. Besides making regular donations to various charitable organisations, the Group takes an active role in promoting voluntary activities such that we can offer help and care to the underprivileged. The Group was awarded the “Caring Company” by the Hong Kong Council of Social Service and the “Heart to Heart Company” by the Hong Kong Federation of Youth Groups for six consecutive years. During the Reporting Period, the Group was awarded the “Good Employer Charter” by the Labour Department; the “Family-Friendly Employers” by the Home Affairs Bureau and Family Council; the “Social Capital Builder” by the Labour and Welfare Bureau; the “Happy Company 2021” by the Promoting Happiness Index Foundation; and the “Energywi\$e Certificate” and “Wastewi\$e Certificate” by the Environmental Campaign Committee. The Group also donated cash, face masks and food to different charity centers during the Reporting Period.

The Group organised various voluntary activities and was awarded the “Hong Kong Outstanding Corporate Citizenship” by the Hong Kong Productivity Council. The Group always seeks to promote community service and contribute to local community.

Receiving Party	Type of Donation	Quantity	Units
Hong Kong Peace Lions Club	Monetary	7,850	HKD
The Hong Kong Federation of Youth Groups	Monetary	4,000	HKD
The Hong Kong Federation of Youth Groups	Volunteering	18	hours
Food Angel	Baked Beans	1,056	cans
People's Talents Bank	Baked Beans	912	cans
Fresh Fish Traders' School	500ml Hand Sanitizer	240	bottles

Environmental, Social and Governance Report

SUMMARY OF KEY PERFORMANCE INDICATORS (KPIS)

KPIs	Quantity	Unit
ENVIRONMENTAL ASPECTS		
<i>Aspect A1: Emissions</i>		
A1.1	The types of emissions and respective emissions data	
Nitrogen Oxides (NOx)	75.77	kg
Sulphur Oxides (SOx)	0.02	kg
Respirable suspended particles (RSP)	3.55	kg
A1.2	Greenhouse gas emissions in total and intensity	
Total GHG emissions	114.1	tonnes CO ₂ -e
Scope 1 emissions	3.4	tonnes CO ₂ -e
Scope 2 emissions	110.7	tonnes CO ₂ -e
Greenhouse gas intensity (by revenue)	502	kg CO ₂ -e/HKD million
A1.4	Non-hazardous waste in total and intensity	
Total non-hazardous waste produced	0.67	tonnes
Non-hazardous waste intensity	0.003	tonnes/HKD million
<i>Aspect A2: Use of Resources</i>		
A2.1	Direct and indirect energy consumption by type	
Total energy consumption	229.0	MWh-e
Direct energy consumption	43.2	GJ
Indirect energy consumption	217.0	MWh
Energy intensity (by revenue)	1.006	MWh-e/HKD million
A2.2	Water consumption in total and intensity	
Total water consumption	219.6	m ³
Water consumption intensity (by revenue)	0.96	m ³ /HKD million
A2.3	Total Packaging Material Used for Finished Products	
Total packaging material used	49.9	tonnes
Packaging material used (by revenue)	0.219	tonnes/HKD million

Environmental, Social and Governance Report

KPIs	Quantity	Unit
SOCIAL ASPECTS		
Employment and Labour Practices		
<i>Aspect B1: Employment</i>		
B1.1 Total workforce by gender, employment type and age group		
By Gender		
– male	23	employees
– female	27	employees
By Employment Type		
– full-time	49	employees
– part-time	1	employees
By Age Group		
– <30	5	employees
– 31-40	18	employees
– 41-50	14	employees
– >50	13	employees
B1.2 Employee turnover rate by gender and age group		
By Gender		
– male	39	%
– female	59	%
By Age Group		
– <30	20	%
– 31-40	78	%
– 41-50	43	%
– >50	31	%
<i>Aspect B2: Health and Safety</i>		
B2.1 Number and rate of work-related fatalities		
No. (rate) of work-related fatalities in 2021	0 (0)	– (%)
B2.2 Lost days due to work injury		
The no. of lost-days as a result of work injuries	/	day

Environmental, Social and Governance Report

KPIs		Quantity	Unit
<i>Aspect B3: Development and Training</i>			
B3.1	The percentage of employees trained by gender and employee category		
	By Gender		
	– male	0	%
	– female	100	%
	By Employee Category		
	– senior management	50	%
	– manager	0	%
	– clerical staff	50	%
B3.2	The average training hours completed per employee by gender and employee category		
	By Gender		
	– male	0	hours/employee
	– female	0.3	hours/employee
	By Employee Category		
	– senior management	0.2	hours/employee
	– manager	0	hours/employee
	– clerical staff	0.2	hours/employee
Operating Practices			
<i>Aspect B5: Supply Chain Management</i>			
B5.1	Number of Suppliers by Geographical Region		
	Greece	1	–
	Italy	2	–
	Hong Kong	189	–
	China	1	–

Independent Auditor's Report



TO THE SHAREHOLDERS OF ASIA GROCERY DISTRIBUTION LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Asia Grocery Distribution Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 68 to 125, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

1. Valuation of inventories
2. Allowances for expected credit losses assessment of trade receivables

Key audit matter	How our audit addressed the key audit matter
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Valuation of inventories

We identified the valuation of inventories as a key audit matter due to the use of estimation by the management of the Group in identifying slow moving and obsolete inventories and estimating the allowance for inventories.

As disclosed in note 3 and 4(a) to the consolidated financial statements of significant accounting policies and key source of estimation uncertainty respectively, the Group had a significant inventories balance of HK\$32,280,000, which were merchandises of food and beverage grocery products, as at 31 March 2021.

The management of the Group reviewed the ageing analysis of the items of inventory and conditions at the end of the reporting period to identify slow moving and obsolete inventory items. Further, the management of the Group further assessed the net realisable value of the items of inventory by considering the subsequent selling prices and current market conditions.

Our procedures in relation to the valuation of inventories included:

- Obtaining an understanding of the Group's policy and how allowance for inventories is estimated by the management;
- Attending physical inventory counting to identify the existence of any slow moving and obsolete inventories by observing the physical conditions of inventories;
- Evaluating the accuracy of the ageing analysis of the inventories, on a sample basis, by agreeing the ageing date to goods receipt notes to identify any slow moving items of inventory; and
- Assessing the reasonableness of net realisable values with reference to the selling prices subsequent to year end, on a sample basis, against the sales invoices and current market conditions of the inventories.

Independent Auditor's Report

Key audit matter

Allowance for expected credit losses assessment of trade receivables

Refer to note 3, 4(b) and 15 to the consolidated financial statements of significant accounting policies, key source of estimation uncertainty and relevant disclosure.

As at 31 March 2021, the carrying amount of the Group's trade receivables was HK\$38,210,000.

In general, the credit terms granted by the Group to the customers ranged between 0 to 90 days on sales of food and grocery products. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and ongoing trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the allowance for expect credit loss assessment.

We focused on this area due to the allowance for expect credit loss assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates, and it represents approximately 31% of the Group's total assets.

How our audit addressed the key audit matter

Our procedures in relation to management's assessment of the trade receivables included:

- Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis;
- Checking, on a sample basis, the ageing profile of the trade receivables as at 31 March 2021 to the underlying financial records and post year-end settlements against bank receipts;
- Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding ongoing business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and
- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2020, were audited by another auditor who expressed an unmodified option on those statements on 24 June 2020.

Independent Auditor's Report

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. (the "Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

McMillan Woods (Hong Kong) CPA Limited

Certified Public Accountants

Hui Chi Kong

Audit Engagement Director

Practising Certificate Number: P07348

3/F, Winbase Centre,
208 Queen's Road Central,
Hong Kong

Hong Kong, 24 June 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	5	227,709	204,368
Cost of sales		(179,639)	(156,750)
Gross profit		48,070	47,618
Other income	6	2,580	554
Other gain and losses, net	6	(200)	(1,012)
Selling and distribution expenses		(24,859)	(23,345)
Administrative and other expenses		(39,670)	(26,657)
Finance costs	8	(297)	(438)
Loss before taxation	9	(14,376)	(3,280)
Income tax expense	10	(242)	(293)
Loss and total comprehensive expense for the year		(14,618)	(3,573)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		(14,618)	(3,573)
Loss per share	12	HK Cents	HK Cents
Basic		(1.26)	(0.31)
Diluted		N/A	N/A

Consolidated Statement of Financial Position

As at 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-Current Assets			
Property, plant and equipment	13	4,308	4,579
Right-of-use assets	14	7,849	6,352
Rental and other deposits	16	1,206	678
		13,363	11,609
Current Assets			
Inventories – merchandise at cost		32,280	29,993
Trade receivables	15	38,210	19,587
Other receivables, deposits and prepayments	16	1,772	2,449
Tax recoverable		–	1,281
Bank balances and cash	17	38,438	54,001
		110,700	107,311
Current Liabilities			
Trade payables	18	7,947	4,850
Other payables and accrued charges	19	3,790	4,783
Contract liabilities	20	636	239
Tax payable		94	–
Lease liabilities	21	4,149	3,039
		16,616	12,911
Net Current Assets		94,084	94,400
Total Asset less Current Liabilities		107,447	106,009
Non-Current Liabilities			
Lease liabilities	21	3,895	3,258
Net Assets		103,552	102,751
Capital and Reserves			
Share capital	22	11,620	11,620
Reserves		91,932	91,131
Equity Attributable to Owners of the Company		103,552	102,751

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 June 2021 and signed on its behalf by:

Mr. Wong Siu Man
Director

Mr. Wong Siu Wa
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Attributable to owners of the Company					
	Share					
	Share capital HK\$'000	Share premium HK\$'000 (note i)	based-payment reserve HK\$'000 (note ii)	Other reserve HK\$'000 (note iii)	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2019	11,620	62,742	-	5,584	26,378	106,324
Loss and total comprehensive expense and changes in equity for the year	-	-	-	-	(3,573)	(3,573)
At 31 March 2020 and 1 April 2020	11,620	62,742	-	5,584	22,805	102,751
Loss and total comprehensive expense for the year	-	-	-	-	(14,618)	(14,618)
Recognition of equity-settled share-based payments	-	-	15,419	-	-	15,419
Changes in equity for the year	-	-	15,419	-	(14,618)	801
At 31 March 2021	11,620	62,742	15,419	5,584	8,187	103,552

notes:

- (i) Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (ii) It represents the fair value of the shares granted to the employees of the Company and its subsidiaries on 19 February 2021 under the Share Option Scheme that has been recognised in accordance with the accounting policy adopted for equity-settled share-based payment transaction.
- (iii) The amounts represent the difference between acquisition of addition of interests of subsidiaries and the share capital of subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Operating activities			
Loss before taxation		(14,376)	(3,280)
Adjustments for:			
Interest income	6	(54)	(475)
COVID-19-Related rent concessions	6	(106)	(20)
Loss on disposal of property, plant and equipment	6	–	927
Depreciation of property, plant and equipment	9	2,130	2,020
Depreciation of right-use assets	9	3,504	3,428
Equity-settled share-based payments	9	15,419	–
Bad debts written off	6	200	85
Finance costs	8	297	438
Operating cash flows before movements in working capital		7,014	3,123
Increase in inventories		(2,287)	(22,117)
Increase/(decrease) in trade receivables		(18,823)	12,703
Decrease in other receivables, deposits and prepayments		128	2,644
Increase/(decrease) in trade payables		3,097	(11)
(Decrease)/increase in other payables and accrued charges		(993)	1,757
Increase in contract liabilities		397	99
Cash used in operations		(11,467)	(1,802)
Income tax refund/(paid)		1,133	(1,321)
Interest on lease liabilities		(283)	(438)
Net cash used in operating activities		(10,617)	(3,561)
Investing activities			
Interest received		10	433
Purchases of property, plant and equipment		(1,859)	(4,579)
Net cash used in investing activities		(1,849)	(4,146)

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Financing activities			
Repayment of lease liabilities		(3,097)	(3,037)
Net cash used in financing activities		(3,097)	(3,037)
Net decrease in cash and cash equivalents		(15,563)	(10,744)
Cash and cash equivalents at the beginning of the year		54,001	64,745
Cash and cash equivalents at the end of year		38,438	54,001
Cash and cash equivalents at end of the year, represented by bank balances and cash	17	38,438	54,001

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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 GEM of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 13 April 2017. Its ultimate and immediate holding company is Sky Alpha Investments Limited (“Sky Alpha”), an entity incorporated in the British Virgin Islands (the “BVI”). The address of the Company’s registered office and principal place of business in Hong Kong is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and The Whole of Upper Ground Floor, Mai Tong Industrial Building, No. 22 Sze Shan Street, Kowloon, Hong Kong, respectively.

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

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

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

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

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

HKAS 1 and HKAS 8 (Amendment)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendment)	Interest Rate Benchmark Reform
HKFRS 3 (Amendment)	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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

New and revised HKFRSs in issue but not yet effective

Other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions, the Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2020. These new and revised HKFRSs include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
HKAS 16 (Amendment)	Property, plant and equipment: Proceed before intended use
HKAS 37 (Amendment)	Onerous Contracts – cost of fulfilling a contract
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020
HKFRS 3, HKAS 16 and HKAS 37 (Amendment)	Narrow-scope Amendments
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 16 (Amendment)	COVID-19 Related Rent Concessions beyond 30 June 2021

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application so far, the directors of the Company anticipate that the application of these new and amendments to HKFRSs will likely have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limieted (“GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

The consolidated financial statements have been prepared on the historical cost basis.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share based payment transactions that are within the scope of HKFRS 2 Share based payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of assets.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Sale of goods

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

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest come is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

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

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

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

Inventories

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment loss on assets other than financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Leasing

Definition of a lease

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

As a lessee

Allocation of consideration to components of a contract

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

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

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

As a lessee (continued)

Right-of-use assets (continued)

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

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

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

Refundable rental deposits

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

Lease liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

As a lessee (continued)

Lease liabilities (continued)

The lease payments include:

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

As a lessee (continued)

Lease modifications

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

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

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

COVID-19-Related rent concessions

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 concessions occurring as a direct consequence of the covid-19 pandemic.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the group entity becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised in profit or loss.

Financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

A financial asset is classified as held for trading if:

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

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

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, rental deposits, other receivables and other deposits and bank balances and cash). The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Definition of default (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

The Group uses a practical expedient in estimating ECL on trade receivables using a provisional matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without under cost or effort.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Definition of default (continued)

Measurement and recognition of ECL (continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

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

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Financial liabilities and equity instruments

Classification as financial liabilities or equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derivative financial instruments

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

Derecognition

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

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

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

Employee benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution plan are recognised as an expense when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefit costs (continued)

Short term and other long term employee benefits

Short term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Foreign currencies

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

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

Related parties

A related party is considered to be related to the Group if:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Share-based payments

Equity-settled share-based payments transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share capital and share premium reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share capital.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Equity-settled share-based payments transactions (continued)

Shares/Share options granted to non-employees

Equity-settled share-based payments transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

Cash-settled share-based payment transactions

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. The fair value of the cash-settled share-based payments is determined without taking into consideration all non-market vesting conditions.

At the end of each reporting period until the liability is settled, and at the date of settlement, the liability is remeasured to fair value. For cash-settled share-based payments that are already vested, any changes in fair value are recognised in profit or loss for the year. For cash-settled share-based payments which are still subject to non-market vesting conditions, the effects of vesting and non-vesting conditions are accounted on the same basis as equity-settled share-based payments.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flow. Cash and cash equivalents are assessed for ECL.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying accounting policies (continued)

(a) *Allowances for inventories*

Management of the Group reviews the inventory ageing analysis at the end of the reporting period in order to identify slow moving inventory items. Management estimates the net realisable value for inventories based primarily on the latest market prices and current market conditions. In addition, the Group carries out an inventory review on a product by product basis at the end of the reporting period and provides necessary allowance if the net realisable value is estimated to be below the cost.

No allowance for inventories are charged for the years ended 31 March 2021 and 2020. The carrying amounts of inventories, which are food and beverage grocery products, are HK\$32,280,000 (2020: HK\$29,993,000).

(b) *Allowance for expected credit losses*

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 29 to the consolidated financial statement.

As at 31 March 2021, the carrying amount of trade receivables were approximately HK\$38,210,000 (2020: HK\$19,587,000).

No impairment losses were recognised during the year ended 31 March 2021 (2020: HK\$nil). Details of the trade receivables are disclosed in note 15 of the consolidated financial statements.

(c) *Impairment of property, plant and equipment and right-of-use assets*

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying accounting policies (continued)

(c) *Impairment of property, plant and equipment and right-of-use assets (continued)*

As at 31 March 2021, the carrying amounts of property, plant and equipment and right-of-use assets amounted to HK\$4,308,000 (2020: HK\$4,579,000) and HK\$7,849,000 (2020: HK\$6,352,000) respectively. No impairment losses were recognised during the year ended 31 March 2021 (2020: HK\$nil). Details of the property, plant and equipment and right-of-use assets are disclosed in note 13 and 14 to the consolidated financial statements respectively.

(d) *Determining the lease term*

As explained in note 3 to the consolidated financial statements, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying assets to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(e) *Income taxes*

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, HK\$242,000 (2020: HK\$293,000) of income tax was charged to profit or loss based on the estimated profit from continuing operations.

(f) *Significant increase in credit risk*

As explained in note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

5. REVENUE AND SEGMENTAL INFORMATION

All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed, please refer to note 3 to the consolidated financial statements for details of revenue recognition.

	2021 HK\$'000	2020 HK\$'000
Disaggregation of revenue from contracts with customers		
An analysis of the Group's revenue is by types of goods as follows:		
Commodities and cereal products (note a)	58,019	53,707
Packaged food (note b)	60,076	46,809
Sauce and condiment	41,420	43,728
Dairy products and eggs	27,052	27,684
Beverage and wine	12,689	12,791
Kitchen and hygiene products (note c)	28,453	19,649
	227,709	204,368
Time of revenue recognition within the scope of HKFRS 15:		
At a point in time	227,709	204,368

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

5. REVENUE AND SEGMENTAL INFORMATION (continued)

The customers of the Group are 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 and hygiene 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, hygiene products such as face masks and gloves.

Segment information

The Group's operation is solely derived from sales of goods in Hong Kong for both years. For the purposes of resources allocation and performance assessment, the chief operation decision maker (i.e. the executive directors of the Company) (the "CODM") reviews the overall results and financial position of the Group as a whole which is prepared based on the same accounting policies as set out in note 3 to the consolidated financial statements. 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\$4,308,000 and HK\$7,849,000 respectively (2020: HK\$4,579,000 and HK\$6,352,000) as at 31 March 2021 are all located in Hong Kong by physical location of assets.

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

6. OTHER INCOME AND GAIN AND LOSSES, NET

Other income

	2021 HK\$'000	2020 HK\$'000
Interest income	54	475
Government grant (note)	2,288	–
Sundry income	132	59
COVID-19-Related rent concessions	106	20
	2,580	554

Note: The government grant for the year ended 31 March 2021 represents the grant in relation to the Employment Support Scheme, of which the Group complied with all attached conditions and therefore such grants were recognised as other income during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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

Other gain and losses, net

	2021 HK\$'000	2020 HK\$'000
Bad debts written off	(200)	(85)
Loss on disposal of property, plant and equipment	–	(927)
	(200)	(1,012)

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Mr. Wong Siu Man, Mr. Wong Siu Wa, Mr. Yip Kam Cheong ("Mr. Jeremy Yip") and Mr. Wong Chun Hung, Hanson ("Mr. Hanson Wong") were appointed as directors of the Company on 29 September 2016. The emoluments paid or payable to the directors of the Company (including emoluments for services as employee/directors of the Group entities) by the entities comprising the Group during the year, were as follows:

For the year ended 31 March 2021

	Mr. Wong Siu Man HK\$'000 (Note a)	Mr. Wong Siu Wa HK\$'000 (Note a)	Mr. Jeremy Yip HK\$'000 (Note a)	Mr. Hanson Wong HK\$'000 (Note a)	Mr. Wong Garrick Jorge Kar Ho HK\$'000 (Note e)	Mr. Wang Zhaobin HK\$'000 (Note c)	Mr. Chan Hoi Yee HK\$'000 (Note d)	Ms. Fan Kay Frankie HK\$'000 (Note d)	Mr. Ng Total HK\$'000
Fee	–	–	162	50	64	96	56	180	608
Other emoluments	160	140	–	–	–	–	–	–	300
Salaries and other benefits	1,560	1,440	605	–	–	–	–	–	3,605
Retirement benefit scheme contributions	18	18	26	–	–	–	–	–	62
Total emoluments	1,738	1,598	793	50	64	96	56	180	4,575

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

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

Year ended 31 March 2020

	Mr. Wong Siu Man HK\$'000 (Note a)	Mr. Wong Siu Wa HK\$'000 (Note a)	Mr. Jeremy Yip HK\$'000 (Note a)	Mr. Hanson Wong HK\$'000 (Note a)	Mr. Wong Jorge Kar Ho HK\$'000 (Note e)	Mr. Garrick Zhaobin HK\$'000 (Note c)	Mr. Wang Edmond HK\$'000 (Note c)	Mr. To Yan Ming HK\$'000 (Note b)	Mr. Ng Fan Kay Frankie HK\$'000 Total HK\$'000
Fee	-	-	162	50	120	33	50	180	595
Other emoluments	100	100	-	-	-	-	-	-	200
Salaries and other benefits	1,200	1,200	588	-	-	-	-	-	2,988
Retirement benefit scheme contributions	18	18	26	-	-	-	-	-	62
Total emoluments	1,318	1,318	776	50	120	33	50	180	3,845

Notes:

- (a) The emoluments of these directors were mainly for their services in connection with management of the affairs of the Company and its subsidiaries.
- (b) Mr. To Yan Ming Edmond passed away on 28 August 2019.
- (c) Mr. Wang Zhaobin was appointed as an independent non-executive director of the Company on 27 November 2019.
- (d) Ms. Chan Hoi Yee was appointed as independent non-executive director of the Company on 12 October 2020.
- (e) Mr. Wong Garrick Jorge Kar Ho was resigned from independent non-executive director on 12 October 2020.

During both years, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any remuneration during both years.

There was no discretionary bonus paid or payable to any of the directors during the year (2020: nil).

Save as disclosed in note 23 to the consolidated financial statements, no other significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The five highest paid individuals include three (2020: three) directors of the Company whose emoluments are included in the disclosures in (a) above for the year ended 31 March 2021. The emoluments of the remaining two (2020: two) individuals for the year ended 31 March 2021 were as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other benefits	1,558	1,443
Bonus (note)	–	158
Retirement benefit scheme contributions	38	36
	1,596	1,637

Their emoluments were within the following bands:

	2021 Number of employees	2020 Number of employees
Nil to HK\$1,000,000	2	2

Note: Performance bonus is determined by reference to the duties and responsibilities of relevant individual within the Group and the Group's performance.

During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities	297	438

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9. LOSS BEFORE TAXATION

	2021 HK\$'000	2020 HK\$'000
Loss before taxation has been arrived at after charging:		
Directors' remuneration (note 7)	4,575	3,845
Other staff costs		
Salaries and other benefits	12,146	10,842
Equity-settled share-based payment expense	15,419	-
Retirement benefits scheme contributions	528	474
Total staff costs	32,668	15,161
Depreciation of property, plant and equipment	2,130	2,020
Depreciation of right-of-use assets	3,504	3,428
Auditor's remuneration		
– audit service	570	750
– under provision in prior year	80	-
Expenses relating to short term lease	274	1,197
Cost of inventories recognised as an expense	179,639	156,750

10. INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000
Hong Kong Profits Tax:		
– Current tax	330	293
– Overprovision in prior years	(88)	–
	242	293

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% (2020: 8.25%), and assessable profits above HK\$2,000,000 will be taxed at 16.5% (2020: 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%.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

10. INCOME TAX EXPENSE (continued)

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

	2021 HK\$'000	2020 HK\$'000
Loss before taxation	(14,376)	(3,280)
Tax at the domestic income tax rate	(2,372)	(541)
Tax effect of income not taxable for tax purpose	(379)	(830)
Tax effect of expenses not deductible for tax purpose	3,360	1,861
Tax effect of deductible temporary differences not recognised	(129)	–
Tax effect of tax losses not recognised	68	–
Utilisation of tax losses previously not recognised	(23)	–
Statutory tax concession	(195)	(197)
Overprovision in prior years	(88)	–
 Tax charge for the year	 242	 293

As at 31 March 2021, the Group has unused estimate tax losses of approximately HK\$404,000 (2020: Nil) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused estimated tax losses due to the unpredictability of future profit streams and unrecognised tax losses may be carried forward indefinitely.

11. DIVIDEND

No final dividend has been paid or proposed by the Company since its incorporation. The board of directors does not recommend the payments of any dividend in respect of the years ended 31 March 2021 and 2020.

12. LOSS PER SHARE

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

	2021 HK\$'000	2020 HK\$'000
Loss		
Loss for the purpose of calculating basic earnings per share		
– Loss for the year attributable to owners of the Company	(14,618)	(3,573)
 Number of shares:		
Number of ordinary shares for the purpose of calculating basic loss per share	1,162,000	1,162,000

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For the year ended 31 March 2021

12. LOSS PER SHARE (continued)

No diluted loss per share has been presented as the outstanding share options are anti-dilutive for the year ended 31 March 2021 and there were no potential ordinary shares in issue for the year ended 31 March 2020.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1 April 2019	3,487	1,018	2,967	707	8,179
Additions	3,496	383	476	224	4,579
Disposals	(3,267)	(261)	(758)	–	(4,286)
At 31 March 2020 and 1 April 2020	3,716	1,140	2,685	931	8,472
Additions	1,213	78	80	488	1,859
At 31 March 2021	4,929	1,218	2,765	1,419	10,331
Accumulated depreciation					
At 1 April 2019	2,572	657	1,597	406	5,232
Provided for the year	1,043	242	467	268	2,020
Disposals	(2,470)	(262)	(627)	–	(3,359)
At 31 March 2020 and 1 April 2020	1,145	637	1,437	674	3,893
Provided for the year	1,219	248	420	243	2,130
At 31 March 2021	2,364	885	1,857	917	6,023
Carrying amounts					
At 31 March 2021	2,565	333	908	502	4,308
At 31 March 2020	2,571	503	1,248	257	4,579

Notes to the Consolidated Financial Statements

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold improvements	Over shorter of lease terms or four years
Plant and machinery	30%
Furniture and fixtures	20%
Motor vehicles	30%

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

14. RIGHT-OF-USE ASSETS

	Leased properties HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost			
At 1 April 2019, 31 March 2020 and 1 April 2020	9,193	635	9,828
Additions			
	5,001	–	5,001
At 31 March 2021	14,194	635	14,829
Accumulated depreciation			
At 1 April 2019	–	48	48
Provided for the year	3,238	190	3,428
At 31 March 2020 and 1 April 2020	3,238	238	3,476
Provided for the year	3,314	190	3,504
At 31 March 2021	6,552	428	6,980
Carrying amounts			
At 31 March 2021	7,642	207	7,849
At 31 March 2020	5,955	397	6,352

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

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For the year ended 31 March 2021

14. RIGHT-OF-USE ASSETS (continued)

During the year, the Group leases properties for self-own use. Lease contracts are entered into for fixed term of 2 to 4.5 years (2020: 3 to 4.5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The carrying amount of the Group's motor vehicles held under finance lease amounted to approximately HK\$207,000 as at 31 March 2021 (2020: HK\$397,000).

Expense relating to short-term leases and other leases with lease terms end within 12 months amounted to approximately HK\$274,000 during current year (2020: HK\$1,197,000).

Lease liabilities of HK\$8,044,000 (2020: HK\$6,297,000) are recognised with the related right-of-use assets of HK\$7,849,000 (2020: HK\$6,352,000) at 31 March 2021.

	2021 HK\$'000	2020 HK\$'000
Depreciation expenses on right-of-use assets	3,504	3,428
Interest expense on lease liabilities (included in finance costs)	297	438
COVID-19 Related rent concessions received	(106)	(20)

15. TRADE RECEIVABLES

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

	2021 HK\$'000	2020 HK\$'000
0 – 30 days	14,019	9,615
31 – 60 days	5,925	4,216
61 – 90 days	1,145	5,077
Over 90 days	17,121	679
	38,210	19,587

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For the year ended 31 March 2021

15. TRADE RECEIVABLES (continued)

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 84% (2020: 78%) of trade receivables as at 31 March 2021 that are neither past due nor impaired have good credit quality. In addition, trade receivables of HK\$4,797,000 was overdue for 0-30 days, HK\$1,052,000 was overdue for 31-60 days, HK\$224,000 was overdue for 61-90 days and HK\$48,000 was overdue 90 days as at 31 March 2021. 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\$200,000 on trade receivable (2020: HK\$85,000), during the year ended 31 March 2021, 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.

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 shared credit risk characteristics.

The details of the ECL assessment are set out in note 29 to the consolidated financial statements.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 HK\$'000	2020 HK\$'000
Rental and utilities deposits	1,227	972
Prepayments to suppliers	961	833
Other prepayments	658	1,225
Other receivables	132	97
	2,978	3,127
Presented as non-current assets	1,206	678
Presented as current assets	1,772	2,449
	2,978	3,127

The details of the ECL assessment are set out in note 29 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

17. BANK BALANCES AND CASH

Cash and cash equivalents consist of cash on hand and balance with banks. Bank balances carry interest at market rates ranged from 0% to 0.3% (2020: 0% to 3%) per annum as at 31 March 2021.

The carrying amount of bank balances and cash are denominated in HK\$, US\$ and Euro dollars ("EUR").

18. TRADE PAYABLES

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

	2021 HK\$'000	2020 HK\$'000
0 – 30 days	7,823	4,711
31 – 60 days	96	136
Over 60 days	28	3
	7,947	4,850

19. OTHER PAYABLES AND ACCRUED CHARGES

	2021 HK\$'000	2020 HK\$'000
Accrued charges	2,017	3,478
Salaries and bonus payables	1,773	1,305
	3,790	4,783

20. CONTRACT LIABILITIES

	2021 HK\$'000	2020 HK\$'000
Receipts in advance from customers	636	239
	2021 HK\$'000	2020 HK\$'000
Opening balance at 1 April	239	140
Recognising revenues during the year that was included in the contract liabilities at the beginning of the year	(239)	(140)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

20. CONTRACT LIABILITIES (continued)

The contract liabilities represent the Group's obligation to transfer goods for which the Group has received consideration. The contract liabilities will be recognised as revenue when the Group transferred the control of the goods or services underlying the particular performance obligation is transferred to customers. The contract liabilities would be recognised within one year.

21. LEASE LIABILITIES

	Minimum lease payment		Present value of minimum lease payment	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Amounts payable under lease liabilities				
Within one year	4,465	3,306	4,149	3,039
Within two to five year	4,034	3,400	3,895	3,258
	8,499	6,706	8,044	6,297
Less: Future finance charges	(455)	(409)	-	-
Present value of lease obligations	8,044	6,297	8,044	6,297
Less: Amount due within one year classified as current liabilities			(4,149)	(3,039)
Amount due after one year classified as non-current liabilities			3,895	3,258

The Group entered into lease arrangements with independent third parties in relation to certain properties and motor vehicles. The lease terms ranged from 2 to 4.5 years (2020: 3 to 4.5 years). Incremental borrowing rates of underlying lease liabilities at the date of inception is 2.5% to 5.67% and 2.5% to 5.67% per annum as at 31 March 2021 and 2020, respectively.

HK\$158,000 of lease liabilities are secured by the lessor's charge over the leased assets.

All lease liabilities are denominated in Hong Kong dollars.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

22. SHARE CAPITAL

The share capital of the Group as at 31 March 2021 represented the share capital of the Company and details are disclosed as follows:

	Number of shares	HK\$'000
<hr/>		
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	2,000,000,000	20,000
<hr/>		
Issue and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	1,162,000,000	11,620
<hr/>		

23. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this consolidated financial statements, the Group entered the following material related party transactions:

Compensation of key management personnel

The remuneration of directors and other members of key management during the year ended 31 March 2021 and 2020 were as follows:

	2021 HK\$'000	2020 HK\$'000
<hr/>		
Short term benefits	7,451	6,470
Post employment benefits	158	152
	7,609	6,622
<hr/>		

Notes to the Consolidated Financial Statements

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24. RETIREMENT BENEFITS SCHEMES

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme as a defined contribution scheme is available to reduce the contribution payable in future years. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees and capped at HK\$1,500 per month (2020: HK\$1,500).

The retirement benefits schemes contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in note 9 to the consolidated financial statements.

25. SETTLEMENT GUARANTEE

As at 31 March 2021, settlement guarantee of HK\$420,000 (2020: HK\$420,000) was given by a bank in favour of a Group's supplier. If the Group fails to settle its trade payables to the supplier, such supplier may demand the bank to pay to it the sum or sum stipulated in such demand. The Group will become liable to compensate the bank accordingly. The settlement guarantee will be released only if (i) the Group settles all its trade payables outstanding to the supplier and (ii) submits a request to cancel the settlement guarantee to the bank. The settlement guarantee was granted under the banking facility with the Company as the guarantor.

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26. SHARE OPTION SCHEME

The Company conditionally operates a share option scheme (“Share Option Scheme”) for the purpose of attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group. The Share Option Scheme was adopted on 23 March 2017 and, unless otherwise terminated by ordinary resolution in general meeting or the board of directors, will remain in full force for ten years from that date.

The eligible persons of the Share Option Scheme include directors, employee, consultants or advisers and any other person has contributed to the Group (the “Eligible Persons”).

The subscription price of the share options shall be a price determined by the board of directors and shall be at least the highest of (i) the closing price per share as stated in the Stock Exchange’s daily quotation sheet on the offer date; (ii) the average of the closing prices per share as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the offer date; or (iii) the nominal value of the share.

The amount payable by the grantee to the Company on acceptance of the offer shall be a non-refundable payment of HK\$1.00 (or such other sum in any currency as the Board may determine).

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the Share Option Scheme.

The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Person (including both exercised and outstanding options under the Share Option Scheme) in any twelve-month period must not exceed 1% of the issued share capital of the Company unless approved in advance by the Shareholders of the Company in general meeting with such eligible person and his close associates or his associates abstaining from voting.

As at 31 March 2020, no share option has been granted or agreed to be granted under the share option scheme.

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26. SHARE OPTION SCHEME (continued)

On 19 February 2021, a total of 112,000,000 share options were granted to the employees of the Company and its subsidiaries (“**Grantees**”) to subscribe for an aggregate of 112,000,000 ordinary shares of HK\$0.01 each of the Company under the Share Option Scheme, subject to acceptance of the grantees and the payment of HK\$1.00 by each of the grantees upon acceptance of the share options. The share options shall be exercised from 19 February 2021 to 18 February 2023 (both days inclusive).

The estimated fair values of the options granted on 19 February 2021 (the “**Valuation Date**”) was HK\$15,419,000, and fully recognised in administrative and other expense on the Valuation Date. The fair value was determined by Greater China Appraisal Limited, an independent professional valuer, calculated using Binomial model. The inputs into the model were as follows:

2021	
Weighted average share price	HK\$0.30
Exercise price	HK\$0.30
Expected volatility	103.7%
Expected life	2 years
Risk-free rate	0.11%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company’s share price over the previous 2 years, quoted from Bloomberg. The expected life used in the model has been adjusted, based on the valuer’s best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

2021	
Outstanding at the beginning of year	–
Granted during the year	112,000,000
Forfeited during the year	–
Exercised during the year	–
Expired during the year	–
Outstanding at the end of the year	112,000,000
Exercisable at the end of the year	112,000,000
Weighted average remaining contractual life	1.89 years

During the year ended 31 March 2021, no share option were exercised, lapsed or cancelled.

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27. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Class of shares held	Place of incorporation/registration and business	Issued and fully paid share capital	Percentage of equity attributable to the Company				Principal activities
				2021 Direct	2021 Indirect	2020 Direct	2020 Indirect	
Hung Fat Ho Holdings Limited	Ordinary	BVI, limited liability company	US\$20,000	100%	-	100%	-	Investment holding
Hung Fat Ho Food Limited	Ordinary	HK, limited liability company	HK\$5,000,000	-	100%	-	100%	Trading and distribution of food and beverage grocery products
Ongo Food Limited	Ordinary	HK, limited liability company	HK\$500,000	-	100%	-	100%	Trading and distribution of food and beverage grocery products
Eagle Food Limited	Ordinary	HK, limited liability company	HK\$500,000	-	100%	-	100%	Trading and distribution of food and beverage grocery products
Lofty Idea Investments Limited	Ordinary	BVI, limited liability company	US\$10,000	-	100%	-	100%	Holding of trademark and other intellectual property rights for the Group
Perfect Epoch Enterprises Limited	Ordinary	BVI, limited liability company	US\$50,000	100%	-	100%	-	Dormant
Food Boy Restaurants Limited	Ordinary	HK, limited liability company	HK\$10,000	-	100%	-	-	Restaurant operation

None of the subsidiaries has issued any debt securities at the end of the year. The Group has maintained a sufficient public float to comply with the GEM Listing Rules from the date of its listing to the year ended 31 March 2021.

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt and equity of the Group, comprising issued share capital, other reserves and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings.

No change was made in the objectives, policies or processes for managing capital during the years ended 31 March 2021 and 2020.

The only externally imposed capital requirement for those Group's that to maintain listing on the Stock Exchange, it has to have a public float of at least 25% (2020: 25%) of the Shares.

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29. FINANCIAL INSTRUMENTS

Categories of financial instruments at 31 March:

	2021 HK\$'000	2020 HK\$'000
Financial assets		
At amortised cost (including cash and cash equivalents)		
Trade receivables	38,210	19,587
Other receivables and deposits	1,359	1,069
Bank balances and cash	38,438	54,001
	78,007	74,657
Financial liabilities		
At amortised cost		
Trade payables	7,947	4,850
Other payables and accrued charges	3,790	4,783
	11,737	9,633

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables and deposits, bank balances and cash, trade payables and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group has foreign currency purchases, which accounted for 4% (2020: 9%) of the Group's purchase during the year ended 31 March 2021 which exposes the Group to foreign currency risk. Certain bank balances of the Group are denominated in foreign currencies, i.e. EUR and US\$. The carrying amounts of the Group's bank balances denominated in foreign currencies at the end of the reporting period are as follows:

	Bank balances	
	2021 HK\$'000	2020 HK\$'000
EUR	75	386
US\$	1	1

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

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29. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Currency risk (continued)

Since the exchange rate of HK\$ is pegged to US\$, the Group does not expect significant movement in the US\$/HK\$ exchange rate, therefore US\$ is not considered in the sensitivity analysis.

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

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank and cash balance. The cash flow interest rate risk is mainly concentrated on fluctuations associated with variable rate bank and cash balance.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

No sensitivity analysis of bank balance and cash is presented as a reasonably possible change in interest rate would not have significant impact on profit or loss of the Group.

The Group's lease liabilities expose the Group to fair value interest rate risk. During the reporting period, the Group did not hedge its fair value interest rate risk.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of the reporting period.

Notes to the Consolidated Financial Statements

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29. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

Trade receivables

In order to minimise the credit risk of trade receivables, the management of the Group adopted a policy on providing credit facilities to new customers. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis. Management of the Group has delegated a team responsible for monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and measures the lifetime ECL on shared credit risk characteristics.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forward-looking information.

Other receivables and other deposit

Other receivables and other deposit relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

At 31 March 2021 and at 31 March 2020, as most of the trade receivables, other receivables and other deposit are neither past due or overdue for 1–30 days with a minimal expected loss rate, and have no material impact on the consolidated financial statements, no provision of expected credit losses on trade receivables, other receivables and other deposit was recognised.

The credit risk for bank balances is considered as not material as such amount is placed in banks with good reputation.

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29. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non derivative financial liabilities are based on the agreed repayment dates.

As at 31 March 2021

	Weighted		Total			Total carrying amount HK\$'000
	average	Repayable	Within	Within	undiscounted	
	effective	on demand	1 year	2 to 5 years	cash flows	
	interest rate	%	HK\$'000	HK\$'000	HK\$'000	
Non derivative financial liabilities						
Trade payables	N/A	-	7,947	-	7,947	7,947
Other payables and accrued charges	N/A	-	3,790	-	3,790	3,790
Lease liabilities	5.26	-	4,465	4,034	8,499	8,044
		-	16,202	4,034	20,236	19,781

As at 31 March 2020

	Weighted		Total			Total carrying amount HK\$'000
	average	Repayable	Within	Within	undiscounted	
	effective	on demand	1 year	2 to 5 years	cash flows	
	interest rate	%	HK\$'000	HK\$'000	HK\$'000	
Non derivative financial liabilities						
Trade payables	N/A	-	4,850	-	4,850	4,850
Other payables and accrued charges	N/A	-	4,783	-	4,783	4,783
Lease liabilities	5.53	-	3,306	3,400	6,706	6,297
		-	12,939	3,400	16,339	15,930

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

29. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities.

	Lease liabilities (Note 21) HK\$'000
At 1 April 2019	9,354
COVID-19 Related rent concessions	(20)
Repayment of lease liabilities	(3,037)
Interest paid	(438)
Finance costs (Note 8)	438
At 31 March 2020 and 1 April 2020	6,297
Lease liabilities raised	4,936
COVID-19 Related rent concessions	(106)
Repayment of lease liabilities	(3,097)
Interest paid	(283)
Finance costs (Note 8)	297
At 31 March 2021	8,044

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Note	2021 HK\$'000	2020 HK\$'000
Non-Current Assets			
Investment in subsidiaries	27	32,510	32,122
Current Assets			
Prepayments, deposits and other receivables		112	912
Amounts due from subsidiaries		42,928	40,428
Bank balances and cash		9,024	14,747
		52,064	56,087
Current Liabilities			
Other payables and accrued charges		282	2,170
Amounts due to subsidiaries		18,734	17,619
		19,016	19,789
Net Current Assets		33,048	36,298
Net Assets		65,558	68,420
Capital and Reserves			
Share capital		11,620	11,620
Reserves (note)		53,938	56,800
Total Equity		65,558	68,420

The financial statements were approved and authorised for issue by the board of directors on 24 June 2021 and signed on its behalf by:

Mr. Wong Siu Man
Director

Mr. Wong Siu Wa
Director

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Note:

The movements of the reserves of the Company are as follows:

	Share premium HK\$'000	based-payment reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2019	57,060	–	29,966	(23,350)	63,676
Loss and total comprehensive expense and changes in equity for the year	–	–	–	(6,876)	(6,876)
At 31 March 2020 and 1 April 2020	57,060	–	29,966	(30,226)	56,800
Loss and total comprehensive expense for the year	–	–	–	(18,281)	(18,281)
Recognition of equity-settled share-based payments	–	15,419	–	–	15,419
Changes in equity for the year	–	15,419	–	(18,281)	(2,862)
At 31 March 2021	57,060	15,419	29,966	(48,507)	53,938

32. EVENT AFTER THE REPORTING PERIOD

On 30 April 2021, the Company entered into a non-legally binding memorandum of understanding (“MOU”) with Beijing Douguo Yangtian Internet Technology Co., Limited (the “Vendor”), a company established in the PRC with limited liability, in relation to the possible acquisition of certain percentage of issued share capital of the Beijing Douguo Information Technology Co., Limited (the “Target Company”) and its subsidiaries.

Pursuant to the MOU, the Company intends to acquire and the Vendor intends to sell certain percentage in the issued share capital of the Target Company. The Target Company together with its subsidiaries, is principally engaged in operating a food and cooking guide app and website and as well as online shopping platform in the PRC.

33. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 June 2021.

Financial Summary

The following is a summary of the published consolidated results and of the assets and liabilities of the Group:

RESULTS

	2021 HK\$'000	Year ended 31 March			
		2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Consolidated results summary					
Revenue	227,709	204,368	213,926	194,137	188,298
(Loss)/profit before taxation	(14,376)	(3,280)	4,931	3,821	738
Income tax expense	(242)	(293)	(1,022)	(1,427)	(2,562)
(Loss)/profit and total comprehensive (expense)/income for year	(14,618)	(3,573)	3,909	2,394	(1,824)
(Loss)/profit and total comprehensive (expense)/income for year attributable to:					
– Owners of the Company	(14,618)	(3,573)	3,909	2,394	(1,824)
– Non-controlling interests	–	–	–	–	–
	(14,618)	(3,573)	3,909	2,394	(1,824)

ASSETS AND LIABILITIES

	2021 HK\$'000	As at 31 March			
		2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Non-current assets	13,363	11,609	4,571	5,385	4,364
Current assets	110,700	107,311	110,065	106,119	51,353
Current liabilities	(16,616)	(12,911)	(8,094)	(9,089)	(22,220)
Non-current liabilities	(3,895)	(3,258)	(218)	–	–
Total net assets	103,552	102,751	106,324	102,415	33,497
Equity attributable to:					
Owners of the Company	103,552	102,751	106,324	102,415	33,497
Non-controlling interests	–	–	–	–	–
Total equity	103,552	102,751	106,324	102,415	33,497