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Asia Grocery Distribution Limited

亞洲雜貨有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8413)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2022**

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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

ANNUAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group” or “us” or “we” or “our”) for the year ended 31 March 2022, together with the comparative audited figures for the year ended 31 March 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	241,372	227,709
Cost of sales		(183,040)	(179,639)
Gross profit		58,332	48,070
Other income	4	433	2,580
Other gain and losses, net	4	(548)	(200)
Selling and distribution expenses		(28,689)	(24,859)
Administrative and other expenses		(30,567)	(39,670)
Finance costs	5	(499)	(297)
Loss before taxation	6	(1,538)	(14,376)
Income tax expense	7	(599)	(242)
Loss and total comprehensive expense for the year		(2,137)	(14,618)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		(2,137)	(14,618)
		<i>HK Cents</i>	<i>HK Cents</i>
Loss per share	9		
Basic		(0.18)	(1.26)
Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-Current Assets			
Property, plant and equipment		2,888	4,308
Right-of-use assets		8,123	7,849
Rental and other deposits	<i>11</i>	696	1,206
		11,707	13,363
Current Assets			
Inventories – merchandise at cost		38,406	32,280
Trade receivables	<i>10</i>	36,907	38,210
Other receivables, deposits and prepayments	<i>11</i>	6,346	1,772
Bank balances and cash		29,797	38,438
		111,456	110,700
Current Liabilities			
Trade payables	<i>12</i>	9,524	7,947
Other payables and accrued charges	<i>13</i>	3,088	3,790
Contract liabilities		440	636
Tax payable		229	94
Lease liabilities		3,157	4,149
		16,438	16,616
Net Current Assets		95,018	94,084
Total Asset less Current Liabilities		106,725	107,447
Non-Current Liabilities			
Lease liabilities		5,310	3,895
Net Assets		101,415	103,552
Capital and Reserves			
Share capital	<i>14</i>	11,620	11,620
Reserves		89,795	91,932
Equity Attributable to Owners of the Company		101,415	103,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phrase 2
Amendment to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021

The application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on or after 1 April 2021. These new and revised HKFRSs include the following which may be relevant to the Group:

		Effective for accounting periods beginning on or after
HKFRS 3 (Amendment)	Business Combination – Reference to the Conceptual Framework	1 January 2022
HKAS 16 (Amendment)	Property Plant and Equipment – Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendment)	Provision, Contingent liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
HKAS 1 (Amendment)	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 (Amendment)	Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendment)	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendment)	Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

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. 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Disaggregation of revenue from contracts with customers:		
An analysis of the Group's revenue by types of goods as follows:		
Commodities and cereal products (<i>note a</i>)	71,918	58,019
Packaged food (<i>note b</i>)	52,999	60,076
Sauce and condiment	48,924	41,420
Dairy products and eggs	31,205	27,052
Beverage and wine	16,287	12,689
Kitchen and hygiene products (<i>note c</i>)	17,564	28,453
Restaurants operation	2,475	–
	<u>241,372</u>	<u>227,709</u>
Time of revenue recognition within the scope of HKFRS 15:		
At a point in time	<u>241,372</u>	<u>227,709</u>

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. 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\$2,888,000 and HK\$8,123,000 respectively (2021: HK\$4,308,000 and HK\$7,849,000) as at 31 March 2022 are all located in Hong Kong by physical location of assets.

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

4. OTHER INCOME AND GAIN AND LOSSES, NET

Other income

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income	68	54
Government grant (<i>note</i>)	–	2,288
Sundry income	71	132
COVID-19-Related rent concessions	133	106
Gain on disposal of right-of-use assets	161	–
	<u>433</u>	<u>2,580</u>

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.

Other gain and losses, net

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bad debts written off	(101)	(200)
Loss on disposal of property, plant and equipment	(447)	–
	<u>(548)</u>	<u>(200)</u>

5. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on lease liabilities	<u>499</u>	<u>297</u>

6. LOSS BEFORE TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging:		
Directors' remuneration	5,620	4,575
Other staff costs		
Salaries and other benefits	15,175	12,146
Equity-settled share-based payment expense	–	15,419
Retirement benefits scheme contributions	632	528
	<u>21,427</u>	<u>32,668</u>
Total staff costs		
	<u>21,427</u>	<u>32,668</u>
Depreciation of property, plant and equipment	2,809	2,130
Depreciation of right-of-use assets	4,850	3,504
Auditor's remuneration		
– audit service	570	570
– under provision in prior year	–	80
Expenses relating to short term lease	721	274
Cost of inventories recognised as an expense	183,040	179,639
	<u>183,040</u>	<u>179,639</u>

7. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong Profits Tax:		
– Current tax	599	330
– Overprovision in prior years	–	(88)
	<u>599</u>	<u>242</u>

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% (2021: 8.25%), and assessable profits above HK\$2,000,000 will be taxed at 16.5% (2021: 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%.

8. DIVIDEND

The board of directors does not recommend the payments of any dividend in respect of the years ended 31 March 2022 and 2021.

9. LOSS PER SHARE

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

	2022 HK\$'000	2021 <i>HK\$'000</i>
Loss		
Loss for the purpose of calculating basic loss per share		
– Loss for the year attributable to owners of the Company	<u>(2,137)</u>	<u>(14,618)</u>
	2022 '000	2021 <i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of calculating basic loss per share	<u>1,162,000</u>	<u>1,162,000</u>

No diluted loss per share has been presented as the outstanding share options are anti-dilutive for the years ended 31 March 2022 and 2021.

10. TRADE RECEIVABLES

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

	2022 HK\$'000	2021 <i>HK\$'000</i>
0 – 30 days	15,363	14,019
31 – 60 days	3,662	5,925
61 – 90 days	5,118	1,145
Over 90 days	<u>12,764</u>	<u>17,121</u>
	<u>36,907</u>	<u>38,210</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 43% (2021: 84%) of trade receivables as at 31 March 2022 that are neither past due nor impaired have good credit quality. In addition, trade receivables of HK\$3,534,000 (2021: HK\$4,797,000) was overdue for 0-30 days, HK\$5,280,000 (2021: HK\$1,052,000) was overdue for 31-60 days, HK\$11,864,000 (2021: HK\$224,000) was overdue for 61-90 days and HK\$482,000 (2021: HK\$48,000) was overdue 90 days as at 31 March 2022.

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, past collection history of each client and supportive forward-looking information.

The Group has recognised written off of approximately HK\$101,000 (2021: HK\$200,000) on trade receivable, during the year ended 31 March 2022, as the directors of the Company considered that collectibility 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.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Rental and utilities deposits	1,576	1,227
Prepayments to suppliers	4,912	961
Other prepayments	456	658
Other receivables	98	132
	<u>7,042</u>	<u>2,978</u>
Presented as non-current assets	696	1,206
Presented as current assets	6,346	1,772
	<u>7,042</u>	<u>2,978</u>

12. TRADE PAYABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	8,796	7,823
31 – 60 days	149	96
Over 60 days	579	28
	<u>9,524</u>	<u>7,947</u>

13. OTHER PAYABLES AND ACCRUED CHARGES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Accrued charges	1,515	2,017
Salaries and bonus payables	1,573	1,773
	<u>3,088</u>	<u>3,790</u>

14. SHARE CAPITAL

The share capital of the Group as at 31 March 2022 represented the share capital of the Company and details are disclosed as follows:

	Number of shares	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>1,162,000,000</u>	<u>11,620</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Since the outbreak of the Coronavirus Disease ("COVID-19") at the start of January 2020, the global business environment has been adversely affected. Although the Group's operations continued as usual, the COVID-19 outbreak caused a temporary slowdown of demand and decrease in sales orders for our food and beverage products from our customers from February 2020 till March 2021.

With the government's financial stimulus through consumption vouchers and the easing of the pandemic situation in Hong Kong since April 2021, the business of the Group recorded a rebound in the second half of 2021. Total sales rose considerably by comparison with the previous year, taking the Group back to pre-pandemic levels and reversing the drop in sales recorded in 2020.

In late December 2021, Hong Kong has confirmed its first community transmission of the Omicron-variant of COVID-19, which is rumored to spread multiple times faster than previous major strains. Therefore, social distancing rules in Hong Kong have been tightened again since 7 January 2022. The closure requirements on catering businesses and scheduled premises caused a revenue contraction to the Group in the first quarter of 2022, in line with the experience from prior lockdowns. The Directors expect that it will take some time for the Hong Kong economy to recover to normal. The Group will closely monitor the market conditions and seek suitable business opportunities in order to minimize the negative effects of the renewed outbreak of COVID-19 to our business.

Based on the audited financial information of our Group, our revenue was approximately HK\$241,372,000 for the year ended 31 March 2022, representing an increase of approximately 6.0% as compared to approximately HK\$227,709,000 in the corresponding period of 2021. In early 2021, the Group has commenced the business in provision of food catering services through restaurants, revenue generated from such segment accounted for approximately 1.0% of our total revenue for the year ended 31 March 2022.

In light of the rise in number of customers and purchases orders since April 2021, the Group leased a premise in Tuen Mun and established a new warehouse at that premise to accommodate the increased inventory level and facilitate delivery to customers in the New Territories.

FINANCIAL REVIEW

Revenue

The following table sets forth the breakdown of the Group's revenue for the years ended 31 March 2022 and 2021:

	2022	2021	
	<i>HK\$'000</i>	<i>HK\$'000</i>	Change %
Commodities and cereal products	71,918	58,019	24.0%
Packaged food	52,999	60,076	-11.8%
Sauce and condiment	48,924	41,420	18.1%
Dairy products and eggs	31,205	27,052	15.4%
Beverage and wine	16,287	12,689	28.4%
Kitchen and hygiene products	17,564	28,453	-38.3%
Restaurants operation	2,475	-	N/A
	<u>241,372</u>	<u>227,709</u>	6.0%

During the years ended 31 March 2022 and 2021, 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 72.0% and 70.1% respectively, of our total revenue.

Our sales of commodities and cereal products, which becomes our largest contributing product types for the year ended 31 March 2022, increased by approximately 24.0% for the year ended 31 March 2022 as compared to the previous year mainly due to increased orders received from customers as a result of the revenue rebound in the second half of 2021. Revenue generated from sales of commodities and cereal products for the years ended 31 March 2022 and 2021 accounted for approximately 29.8% and 25.5% of our total revenue respectively.

Revenue generated from sales of sauce and condiment and sales of dairy products and eggs increased by approximately 18.1% and 15.4% for the year ended 31 March 2022 as compared to the previous year mainly due to increased demand from customers.

Also, our sales of beverage and wine increased sharply by approximately 28.4% for the year ended 31 March 2022 as compared to the previous year.

Revenue generated from sales of our food and beverage products generally increased for the year ended 31 March 2022 as compared to the previous year. With the gradual relaxation of government's social distancing measures since mid-February 2021, there was an increase in the overall customer traffic of restaurants and therefore, our customers ordered more food and beverage products from us to cope with the increased demand. Sales demand for our food and beverage products from local restaurants, hotels and private clubs increased dramatically from April 2021 till December 2021.

Revenue generated from sales of packaged food accounted for approximately 22.0% and 26.4% of our total revenue respectively for the years ended 31 March 2022 and 2021. Sales of packaged food decreased by approximately 11.8% for the year ended 31 March 2022 as compared to the previous year as a result of the decrease in sales of our high-value packaged food, which included ophiocordyceps sinensis and wild ginseng during the current year.

Our sales of kitchen and hygiene products decreased sharply by approximately 38.3% for the year ended 31 March 2022 as compared to the previous year. Our high-quality kitchen and hygiene products included face masks, gloves, bleach, kitchen paper and toilet paper, etc. During the COVID-19 outbreak in 2020, people's awareness of hygiene was raised, there was a sudden excess demand for face masks in Hong Kong. Our Group was able to source large quantity of supply of face masks from oversea suppliers and the sales of face masks contributed approximately HK\$16,129,000 to our revenue during year ended 31 March 2021. During the year ended 31 March 2022, the demand for our Group's face masks returned to normal level.

The Group opened its first restaurant in Tsim Sha Tsui in April 2021. However, due to the recent pandemic situation in Hong Kong, the Directors decided to close down the restaurant in Tsim Sha Tsui in March 2022.

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\$3,401,000 or approximately 1.9% to approximately HK\$183,040,000 for the year ended 31 March 2022 as compared to approximately HK\$179,639,000 for the year ended 31 March 2021 was due to the increased sales volumes, partially offset by cost efficiencies in cost of finished goods purchased from direct manufacturers and suppliers.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 21.3% from approximately HK\$48,070,000 for the year ended 31 March 2021 to approximately HK\$58,332,000 for the year ended 31 March 2022. The increase in gross profit was due to the combined effect of our increased revenue resulted from the easing COVID-19 restrictions, our enlarged customer base to high-end customers and lower cost of goods purchased from suppliers. For the year ended 31 March 2022, the Group's gross profit margin increased to 24.2% as compared with previous year at 21.1%.

Other income

Other income represented interest income from bank deposits, rent concessions, government grant, gain on disposal of right of-use-assets and sundry income. Other income decreased from approximately HK\$2,580,000 for the year ended 31 March 2021 to approximately HK\$433,000 for the year ended 31 March 2022 mainly due to no government grant was received during the current year. During the year ended 31 March 2021, the Group received government grant of approximately HK\$2,288,000, mainly 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\$548,000 for the year ended 31 March 2022 which was mainly attributable to the loss on disposal of items of property, plant and equipment and written off of bad debts. Due to the outbreak of the Omicron-variant of COVID-19 and the tightening of government policies in Hong Kong, the Group closed down the restaurant in Tsim Sha Tsui in March 2022 and sold all the property, plant and equipment to a third party at a loss of approximately HK\$447,000. During the year ended 31 March 2021, net other losses of approximately HK\$200,000 represented written off of bad debts.

Selling and distribution expenses

Our selling and distribution expenses mainly comprised transportation expenses, commission expenses to sales person based on a certain percentage of the gross profit on successful sales, staff costs for our sales team and entertainment expenses. The increase of selling and distribution expenses of the Group were in line with the revenue increment and were mainly due to the increase in transportation expenses, partially offset by decrease in advertising and marketing expenses. The selling and distribution expenses accounted for approximately 11.9% and 10.9% of the total revenue for the years ended 31 March 2022 and 2021 respectively.

Administrative expenses

For the year ended 31 March 2022, the Group's administrative expenses primarily comprised staff costs for administrative and management personnel, directors' remuneration, depreciation on property, plant and equipment and deprecation on right-of-use assets. Administrative expenses decreased from approximately HK\$39,670,000 for the year ended 31 March 2021 to approximately HK\$30,567,000 for the year ended 31 March 2022. The decrease of administrative expenses of the Group was mainly due to no equity-settled share-based payment incurred in the current year (approximately HK\$15,419,000 equity-settled share-based payment was incurred during the year ended 31 March 2021) and decrease in legal and professional fees, partially offset by the increase in staff costs as a result of hiring of new staffs and increase in depreciation on right-of-use assets for the newly rented restaurant and Tuen Mun warehouse.

Finance costs

Finance costs amounted to approximately HK\$499,000 for the year ended 31 March 2022, increased by approximately HK\$202,000 as compared to approximately HK\$297,000 for the year ended 31 March 2021. Finance costs of the Group represented interest expenses on lease liabilities. The increase was mainly due to the increased interest expenses incurred for the newly rented Tuen Mun warehouse since September 2021.

Income tax expense

For the years ended 31 March 2022 and 2021, our income tax expense were approximately HK\$599,000 and HK\$242,000, respectively.

Loss and total comprehensive expense attributable to owners of the Company

For the year ended 31 March 2022 and 2021, the Group's loss and total comprehensive expense attributable to owners of the Company was approximately HK\$2,137,000 and HK\$14,618,000. The decrease of loss and total comprehensive expense attributable to owners of the Company was mainly attributable to increase in revenue, decrease in equity-settled share-based payment and decrease in legal and professional fees, partially offset by decrease in receipt of government grant, increase in transportation expenses, increase in staff costs and directors' remuneration, increase in depreciation on right-of-use assets for the newly rented restaurant and Tuen Mun warehouse and the one-off effect in loss on disposal of property, plant and equipment incurred in March 2022 due to the close down of the restaurant in Tsim Sha Tsui.

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 2022 (year ended 31 March 2021: nil).

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

Trade and other receivables

Trade receivables decreased by approximately 3.4% from approximately HK\$38,210,000 as at 31 March 2021 to approximately HK\$36,907,000 as at 31 March 2022. The decrease was mainly attributable to the decreased sales demand near the year end as the government tightened restrictions on social gatherings and restaurant dining services in Hong Kong since January 2022 due to the outbreak of the Omicron-variant of COVID-19. Our customers ordered less food and beverage products from us near the year end to avoid accumulation of stocks.

Other receivables, deposits and prepayment increased by approximately HK\$4,574,000 from approximately HK\$1,772,000 as at 31 March 2021 to approximately HK\$6,346,000 as at 31 March 2022. The increase was mainly due to the increase in prepayment to suppliers. Due to the increased shipment costs to Hong Kong, some of our large overseas suppliers informed us that they decided to increase the price of their products after the end of March 2022, therefore, our Group increased purchases and prepayment near the current year end before the price change.

Trade and other payables

Trade payables increased from approximately HK\$7,947,000 as at 31 March 2021 to approximately HK\$9,524,000 as at 31 March 2022. The increase was mainly due to the increased purchase near year end in view of the potential increase in price of the inventory purchased after March 2022.

Other payables and accrued charges decreased by approximately HK\$702,000 from approximately HK\$3,790,000 as at 31 March 2021 to approximately HK\$3,088,000 as at 31 March 2022. The decrease was mainly due to the decrease in accrued audit fee.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2022, bank balances and cash of the Group amounted to approximately HK\$29,797,000 (as at 31 March 2021: approximately HK\$38,438,000). The current ratios (current asset divided by current liabilities) of the Group were approximately 6.8 times and 6.7 times as at 31 March 2022 and 31 March 2021 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 2022 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 2022, the Company's issued share capital was HK\$11,620,000 and the number of its issued ordinary Shares was 1,162,000,000 of HK\$0.01 each.

FOREIGN EXCHANGE EXPOSURE RISKS

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

FINANCIAL POLICIES

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

GEARING RATIO

The total interest-bearing borrowing (lease liabilities arising from leased properties and motor vehicles) of the Group as at 31 March 2022 was approximately HK\$8,467,000 (31 March 2021: approximately HK\$8,044,000). The Group's gearing ratio as at 31 March 2022 was approximately 8.3% (as at 31 March 2021: approximately 7.8%), which is calculated as the Group's total borrowing over the Group's total equity.

CAPITAL EXPENDITURE

During the year ended 31 March 2022, the Group invested approximately HK\$2,266,000 (during the year ended 31 March 2021: approximately HK\$1,859,000) in property, plant and equipment, mainly represented an increase in leasehold improvements of approximately HK\$1,218,000 and plant and machinery of approximately HK\$671,000 for the newly rented Tuen Mun warehouse in September 2021.

CAPITAL COMMITMENTS

As at 31 March 2022, the Group had no significant capital commitments (as at 31 March 2021: nil).

CHARGES ON THE GROUP'S ASSETS

There were no charges on Group's assets as at 31 March 2022. As at 31 March 2021, one of the motor vehicle with carrying amount of approximately HK\$207,000 was charged to a financial institution. Such motor vehicle has been disposed during the current period.

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

During the year ended 31 March 2022, 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

The Group did not have other future plan for material investments or capital assets.

CONTINGENT LIABILITIES

As at 31 March 2022, the Group did not have any significant contingent liabilities (as at 31 March 2021: nil).

INFORMATION ON EMPLOYEES

As at 31 March 2022, the Group employed 59 employees (as at 31 March 2021: 50 employees) with total staff cost of approximately HK\$21,427,000 incurred for the year ended 31 March 2022 (for the year ended 31 March 2021: approximately HK\$32,668,000). The Group's remuneration packages are generally structured with reference to market terms and individual merits.

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

The net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately HK\$48,500,000. Following the Listing, in response to changing business environment and business development requirement of the Group, the Board has resolved to 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 announcement:

Intended use of the net proceeds	Allocation of net proceeds before 18 February 2021 <i>HK\$'000</i>	Revised allocation of net proceeds as at 18 February 2021 <i>HK\$'000</i>	Unutilised net proceeds as at the date of 2021 annual report <i>HK\$'000</i>	Amount utilised from the date of 2021 annual report up to the date of this announcement <i>HK\$'000</i>	Unutilised net proceeds as at the date of this announcement <i>HK\$'000</i>	Expected timeline for full utilisation of the unutilised net proceeds <i>(Note)</i>
Leasing of warehouse facility in Kowloon:						
– Rental deposits	900	–	–	–	–	N/A
– Rental payments	7,400	3,278	2,547	(1,644)	903	On or before 31 December 2022
– Renovation costs	7,000	–	–	–	–	N/A
– Start-up costs for warehouse facility	8,100	–	–	–	–	N/A
Development of the business provision of food catering in services through restaurants	–	9,000	7,186	(1,250)	5,936	On or before 31 December 2022
Upgrade of Enterprise Resource Planning (“ERP”) system	12,560	8,330	8,149	(573)	7,576	On or before 31 December 2022
Conducting sales and marketing activities	5,540	4,444	4,391	(72)	4,319	On or before 31 December 2022
Installation of new repackaging equipment	3,500	–	–	–	–	N/A
General working capital	3,500	5,211	4,675	(4,675)	–	N/A
	<u>48,500</u>	<u>30,263</u>	<u>26,948</u>	<u>(8,214)</u>	<u>18,734</u>	

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.

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 unutilised 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 announcement, approximately HK\$6,497,000 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 announcement, the Group selected a new ERP software for implementation and a total of approximately HK\$4,984,000 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 announcement, a total of approximately HK\$1,221,000 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 unutilised 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.

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. 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 announcement, a total of approximately HK\$3,064,000 was spent on renovation and start-up of the new restaurant in Tsim Sha Tsui. However, due to the recent pandemic situation in Hong Kong, the Directors decided to close down the restaurant in Tsim Sha Tsui in March 2022 and are looking for opportunities to develop such segment.

An addition of approximately HK\$5,211,000 of the net proceeds is allocated for the general working capital to support the daily operation of the Group and to maintain sufficient working capital in preparation of any market upheaval. Full amount was utilised as general working capital up to the date of this announcement.

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

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

OTHER INFORMATION

Corporate governance practices

The Company is committed to maintaining high standards of corporate governance. The Company believes that sound corporate governance practices are essential to the effective and transparent operation of the Company and to its ability to safeguard the interest of the shareholders of the Company (the "Shareholder(s)"). The Company has applied the principles and code provisions as set out in Corporate Governance Code (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 2022. Key corporate governance principles and practices of the Company are summarised below.

Audit Committee

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

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

The Audit Committee currently consists of all three of our independent non-executive Directors, namely Mr. Wang Zhaobin, Mr. Ng Fan Kay Frankie and Ms. Chan Hoi Yee and the chairman is Mr. Ng Fan Kay Frankie, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The audited consolidated financial statements of the Group for the year ended 31 March 2021 had been reviewed by the Audit Committee, which was of the opinion that the audited consolidated financial statements have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

Event after the reporting period

The outburst of COVID-19 Pandemic has brought additional uncertainties in the global macroeconomic situation which may affect the Group’s financial performance. However, since the outburst is a fluid and challenging situation facing all the industries globally, the degree of impact could not be reasonably estimated at this stage. The Group will closely monitor the development of the outburst and assess its impact on the financial position and operating results of the Group.

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 2022.

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 2022.

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 2022.

Scope of work of McMillan Woods (Hong Kong) CPA Limited

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 March 2022 have been compared by the Company's auditor, McMillan Woods (Hong Kong) CPA Limited ("McMillan Woods"), to the amounts set out in the Group's financial statements for the year and the amounts were found to be in agreement. The work performed by McMillan Woods in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this preliminary announcement of results.

Publication of the 2022 annual report on the websites of the Stock Exchange and the Company

Pursuant to the requirements of the GEM Listing Rules, the 2022 annual report of the Company will set out all information required by the GEM Listing Rules and will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.agdl.com.hk on or before 30 June 2022.

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

Hong Kong, 23 June 2022

As at the date of this announcement, the executive Directors are Mr. Wong Siu Man (Chairman), Mr. Wong Siu Wa (Chief Executive Officer) and Mr. Yip Kam Cheong (Compliance Officer), the non-executive Director is Mr. Wong Chun Hung Hanson and the independent non-executive Directors are Mr. Ng Fan Kay Frankie, Mr. Wang Zhaobin and Ms. Chan Hoi Yee.

This announcement will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the date of its posting and on the Company's website at www.agdl.com.hk.