

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

August 22, 2018
Date of Report (Date of earliest event reported)

HF Foods Group Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction
of incorporation)

001-38013

(Commission File Number)

n/a

(I.R.S. Employer
Identification No.)

**6001 W. Market Street
Greensboro, NC**

(Address of Principal Executive Offices)

27409

(Zip Code)

Registrant's telephone number, including area code: **(336) 268-2655**

Atlantic Acquisition Corp.
1250 Broadway, 36th Floor
New York, New York 10001

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging Growth Company Yes

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. No

Item 2.01. Completion of Acquisition or Disposition of Assets.

Effective August 22, 2018, Atlantic Acquisition Corp., a Delaware company (“Atlantic”) consummated the transactions contemplated by the merger agreement (the “Merger Agreement”), dated as of March 28, 2018, by and among HF Group Merger Sub Inc., a Delaware subsidiary formed by Atlantic, HF Group Holding Corporation, a North Carolina corporation (“HF Group”), the stockholders of HF Group, and Zhou Min Ni, as representative of the stockholders of HF Group.

Atlantic Acquisition Corp., or Atlantic, was incorporated in Delaware on May 19, 2016. Atlantic was formed with the purpose of acquiring, through a merger, share exchange, asset acquisition, share purchase, recapitalization, reorganization or similar business combination with one or more businesses or entities, what we refer to as a “target business.” Atlantic’s efforts to identify a prospective target business were not limited to any particular industry or geographic region, although it initially intended to focus on target businesses being operated by and/or serving ethnic minorities in the United States, especially within Asian-American communities.

Pursuant to the Merger Agreement, HF Group merged with HF Merger Sub and HF Group became the surviving entity (the “Merger”) and a wholly-owned subsidiary of Atlantic (the “Acquisition”). Additionally, upon the closing of the transactions contemplated by the Merger Agreement (the “Closing”), (i) the stockholders of HF Group became the holders of a majority of the shares of common stock of Atlantic, and (ii) Atlantic changed its name to HF Foods Group Inc. (collectively, these transactions are sometimes referred to as the “Transactions”).

The Transactions and certain other matters were voted upon by the Atlantic stockholders, and the terms of the Acquisition, financial information related to Atlantic and HF Group and other information required to be filed, except as otherwise noted herein, are described and contained in the definitive Proxy Statement dated as of July 16, 2018 (“Proxy Statement”) as filed with the Securities and Exchange Commission on July 18, 2018 and mailed to Atlantic’s stockholders on or about July 19, 2018.

Atlantic held a meeting of its stockholders on August 10, 2018, at which meeting its stockholders approved the Transactions and certain other matters, including the change of the name of Atlantic to HF Food Group Inc. Item 5.07 of this Current Report on Form 8-K is incorporated by reference herein. For purposes of this Report, we continue to refer to the public company, Atlantic Acquisition Corp, as “Atlantic” regardless of the name change which is being completed as of the Closing.

At closing on August 22, 2018, Atlantic issued the HF Group stockholders an aggregate of 19,969,831 shares of its common stock, equal to approximately 88.5% of the aggregate issued and outstanding shares of Atlantic’s common stock. The pre-Transaction stockholders of Atlantic own the remaining 11.5% of the issued and outstanding shares of common stock of the combined entities.

The Merger Agreement is described more fully in the sections entitled “*The Business Combination Proposal*” and “*The Acquisition Agreement*” beginning at pages 36 and 50, respectively, of the definitive Proxy Statement, and such description is incorporated herein by reference.

After giving effect to the Transactions, there are currently 22,558,492 shares of Atlantic’s common stock issued and outstanding (without giving effect to the post closing cancellation of 390,000 shares held by an unaffiliated stockholder as described on page 4 of this Report on Form 8-K). Upon the Closing, Atlantic’s rights and units ceased trading and Atlantic’s common stock commenced trading on Thursday, August 23, 2018 on the Nasdaq Capital Market under the symbol “HFFG”.

The Acquisition will be treated by Atlantic as a reverse business combination under the acquisition method of accounting in accordance with GAAP. For accounting purposes, HF Group is considered to be acquiring Atlantic in this transaction. Therefore, the aggregate consideration paid in connection with the business combination will be allocated to Atlantic's tangible and intangible assets and liabilities based on their fair market values. The assets and liabilities and results of operations of Atlantic will be consolidated into the results of operations of HF Group as of the completion of the business combination.

In connection with the Acquisition:

- HF Group, Zhou Min Ni, as representative of the stockholders of HF Group, and Loeb & Loeb LLP, as escrow agent, entered into an Escrow Agreement at Closing, pursuant to which Atlantic deposited shares of Atlantic common stock, representing 15% of the aggregate amount of shares (2,995,475 shares) to be issued to the stockholders of HF Group pursuant to the Acquisition, to secure the indemnification obligations of the stockholders of HF Group as contemplated by the Merger Agreement.
- Atlantic and each of the HF Group shareholders entered into a Lock-Up Agreement at Closing, pursuant to which the stockholders of HF Group agreed, for a period of 365 days from the Closing, not to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of common stock (including any securities convertible into, or exchangeable for, or representing the rights to receive, shares of common stock), enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such shares, or to enter into any transaction, swap, hedge or other arrangement, or engage in any short sales with respect to any security of Atlantic.
- In connection with the Acquisition, Atlantic and the HF Group stockholders entered into a Registration Rights Agreement to provide for the registration of the common stock being issued to the HF Group stockholders in connection with the Acquisition. The HF Group stockholders will be entitled to "piggy-back" registration rights with respect to registration statements filed following the consummation of the Acquisition. Atlantic will bear the expenses incurred in connection with the filing of any such registration statements.

FORM 10 INFORMATION

Pursuant to Item 2.01(f) of Form 8-K, if the registrant was a shell company, as Atlantic was immediately before the Transactions, then the registrant must disclose the information that would be required if the registrant were filing a registration statement on Form 10. Therefore, Atlantic is providing below the information that would be included in a Form 10 if it were to file a Form 10. Please note that the information provided below relates to the combined company after Atlantic's acquisition of HF Group pursuant to the Transactions, unless otherwise specifically indicated or the context otherwise requires.

Business

The business of HF Group is described in the Proxy Statement in the section entitled "*HF Group's Business*" beginning on page 70 and that information is incorporated herein by reference.

Risk Factors

The risks associated with HF Group's business are described in the Proxy Statement in the section entitled "*Risk Factors*" beginning on page 15 and are incorporated herein by reference.

Financial Information

Reference is made to the disclosure set forth in Section 9.01 of this Current Report on Form 8-K concerning the financial information of HF Group. Reference is further made to the disclosure contained in the Proxy Statement in the section entitled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of HF Group*” beginning on page 82, which is incorporated herein by reference, and the audited financial statements for the fiscal year ended December 31, 2017 and the unaudited financial statements for the three months period ending March 31, 2018 included in the Proxy Statement, which is incorporated herein by reference. The unaudited financial statements of HF Group for the period ending June 30, 2018, together with pro forma financial information, are included with this Report on Form 8-K as exhibits.. Further reference is made to the section entitled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of HF Group Holding Corporation*” as set forth below in Item 2.02, which is incorporated herein by reference.

Employees

The employees of HF Group are described in the Proxy Statement in the section entitled “*HF Group’s Business–Employees*” on page 64 and that information is incorporated herein by reference.

Properties

The facilities of HF Group are described in the Proxy Statement in the section entitled “*HF Group’s Business – Properties*” beginning on page 79 and that information is incorporated herein by reference.

Security Ownership of Certain Beneficial Owners and Management

The following tables set forth information regarding the beneficial ownership of Atlantic’s common stock as of August 22, 2018 following completion of the Acquisition:

- each person known to Atlantic who will be the beneficial owner of more than 5% of any class of its stock immediately after the Business Combination;
- each of its officers and directors; and
- all of its officers and directors as a group.

Unless otherwise indicated, Atlantic believes that all persons named in the table will have, immediately after the consummation of the Acquisition, sole voting and investment power with respect to all Atlantic securities beneficially owned by them.

Beneficial ownership is determined in accordance with SEC rules and includes voting or investment power with respect to securities. Except as indicated by the footnotes below, Atlantic believes, based on the information furnished to it, that the persons and entities named in the table below will have, immediately after the consummation of the Transactions, sole voting and investment power with respect to all stock that they beneficially own, subject to applicable community property laws. All Atlantic stock subject to options or warrants exercisable within 60 days of the consummation of the Acquisition are deemed to be outstanding and beneficially owned by the persons holding those options or warrants for the purpose of computing the number of shares beneficially owned and the percentage ownership of that person. They are not, however, deemed to be outstanding and beneficially owned for the purpose of computing the percentage ownership of any other person.

As of July 16, 2018, the record date for the meeting of Atlantic stockholders, there were 5,872,497 shares of Atlantic common stock issued and outstanding. In connection with the vote of stockholders, holders of 3,761,467 shares redeemed their shares of common stock. Immediately prior to the meeting of stockholders, as previously reported on the Report on Form 8-K filed by Atlantic with the SEC on August 8, 2018, Atlantic entered into an agreement with Polar Multi-Strategy Master Fund (“Polar”) pursuant to which Polar agreed to sell 400,000 shares of Atlantic’s common stock to Atlantic ten (10) days after the Closing of Atlantic’s business combination with HF Group Holding Corporation. Atlantic will pay \$4,120,000 for such shares and will issue Polar 10,000 new restricted shares of Atlantic’s common stock.

Subject to the paragraphs above, percentage ownership of outstanding shares is based on 22,080,863 shares of Atlantic common stock to be outstanding upon consummation of the Acquisition, including 3,761,467 shares of common stock which were redeemed as part of the Acquisition and without giving effect to the termination of 400,000 shares held by Polar and the issuance of 10,000 shares of common stock of Atlantic which Atlantic agreed to issue in the agreement with Polar dated August 8, 2018.

Name and Address of Beneficial Owner ⁽¹⁾	Amount and Nature of Beneficial Ownership	Percent of Class
Zhou Min Ni ⁽²⁾	6,689,896	30%
Chan Sin Wong ⁽²⁾	0	0
Jian Ming Ni	199,698	*
Ren Hua Zheng	33,031	*
Hong Wang	0	0
Zhehui Ni	0	0
All directors and executive officers as a group (6 individuals)	6,922,625	30%
Five Percent Holders:		
Irrevocable Trust for Raymond Ni ⁽³⁾	5,591,553	25%
Irrevocable Trust for Amanda Ni ⁽³⁾	798,793	3.6%
Irrevocable Trust for Ivy Ni ⁽³⁾	798,793	3.6%
Irrevocable Trust for Tina Ni ⁽³⁾	798,793	3.6%
HT Group Holding, L.L.C. ⁽⁵⁾	1,897,134	8.6%
Wah Lam ⁽⁶⁾	1,397,888	6%

*Less than one percent. Percentages are rounded.

(1) Unless otherwise indicated, the business address of each of the individuals is c/o HF Foods Group Inc. (formerly Atlantic Acquisition Corp.), 6001 West Market Street, Greensboro, North Carolina 27409.

(2) Consists of shares beneficially owned by Zhou Min Ni, the spouse of Chan Sing Wong.

(3) Jian Ming Ni has voting and dispositive power over the shares owned by the Irrevocable Trust for Raymond Ni, Irrevocable Trust for Amanda Ni, Irrevocable Trust for Ivy Ni and Irrevocable Trust for Tina Ni. The business address for the four (4) trusts is 810 Northern Shore Point, Greensboro, North Carolina. Mr., Jian Ming Ni has no pecuniary interests in the shares owned by the trust or any proceeds thereof.

(4) Xiao Yong Zhang has voting and dispositive power over the shares owned by HT Group Holding, L.L.C. Its business address is 4417 Shenandoah St., Dallas, Texas. Wah Lam is the sister-in-law of Zhou Min Ni.

(5) The business address of Wah Lam is 601 SW 33rd Ave, Ocala, Florida.

Directors and Executive Officers

The directors and executive officers of Atlantic upon the Closing are described in the Proxy Statement in the section entitled “*Directors, Executive Officers, Executive Compensation And Corporate Governance - Directors and Executive Officers after the Business Combination*” beginning on page 82 and that information is incorporated herein by reference.

Executive Compensation

The executive compensation of Atlantic’s and HF Group’s executive officers and directors is described in the Proxy Statement/Prospectus in the section entitled “*Directors, Executive Officers, Executive Compensation And Corporate Governance – Compensation of Directors and Executive Officers*” beginning on page 105 and that information is incorporated herein by reference.

Certain Relationships and Related Transactions

The certain relationships and related party transactions of HF Group are described in the Proxy Statement in the section entitled “*Certain Transactions*” beginning on page 115 and are incorporated herein by reference.

Government Regulation and Legal Proceedings

Reference is made to the disclosure regarding legal proceedings in the sections of the Proxy Statement entitled “*HF Group’s Business–Government Regulation*” and “*HF Group’s Business–Legal Proceedings*” beginning on page 79 and 81, respectively, which are incorporated herein by reference.

Market Price of and Dividends on the Registrant’s Common Equity and Related Stockholder Matters

Until completion of the closing, Atlantic’s common stock traded on the Nasdaq Capital Market under the symbol “ATAC”. Effective Thursday, August 23, 2018, Atlantic expects the trading symbol to change to “HFFG” to reflect the name change to HF Food Group Inc.

Atlantic has not paid any cash dividends on its ordinary shares to date. It is the present intention of Atlantic’s board of directors to retain all earnings, if any, for use in Atlantic’s business operations and, accordingly, Atlantic’s board does not anticipate declaring any dividends in the foreseeable future. The payment of dividends is within the discretion of Atlantic’s board of directors and will be contingent upon Atlantic’s future revenues and earnings, if any, capital requirements and general financial condition.

Information respecting Atlantic’s common stock, rights and units and related stockholder matters are described in the Proxy Statement in the section entitled “*Price Range of Securities and Dividends*” on page 14 and such information is incorporated herein by reference.

Description of Registrant’s Securities

The description of Atlantic’s securities is contained in the Proxy Statement in the section entitled “*Description of Atlantic’s Securities*” beginning at page 121 and is incorporated herein by reference.

Effective with the Closing, the rights and units of Atlantic ceased trading. Commencing on Thursday, August 23, 2018, the only securities of Atlantic which will be traded are the shares of Atlantic common stock.

Recent Sales of Unregistered Securities

Reference is made to the disclosure set forth under Item 3.02 of this Current Report on Form 8-K concerning the issuance of Atlantic’s common stock to the HF Group stockholders in the Transactions, which is incorporated herein by reference.

Item 2.02. Results of Operations and Financial Condition.

HF Group’s Management’s Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2017 and for the three months ended March 31, 2018 appears commencing at page 82 of the Proxy Statement which is incorporated herein by reference. Additionally, certain annual and quarterly financial information regarding HF Group for the quarter ending March 31, 2018 was included in the Proxy Statement, in the section entitled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of HF Group*” beginning on page 82, which is incorporated herein by reference. Management’s Discussion and Analysis of Financial Condition and Results of Operations for the six months ended June 30, 2018 for HF Group Holding Corporation appears below.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF HF GROUP HOLDING CORPORATION

You should read the following description of HF Group’s results of operations and financial condition in conjunction with its consolidated audited financial statements presented in this filing.

Overview

HF Group Holding Corporation, acting through its subsidiaries (“HF Group” or the “Group”), is a foodservice distributor operated by Chinese Americans, providing Chinese restaurants, primarily Chinese takeout restaurants located in the southeastern United States, with good quality food and supplies at competitive prices. Since its inception in 1997, fueled by increasing demand in the Chinese foods market segment, which is highly fragmented with unsophisticated competitors and has natural cultural barriers to entry, HF Group has grown its business and currently serves approximately 3,200 restaurant customers in ten states with its deep understanding of Chinese Culture and its good old-fashioned business know-how in the Chinese community.

Outlook

HF Group plans to expand its business through acquisition of other distributors and wholesalers, which heavily depends on having sufficient capital. If HF Group is not able to obtain equity or debt financing, or borrowings from bank loans, it may not be able to execute its plan to acquire smaller competitors. Even if HF Group is able to make such acquisitions, HF Group may not be able to successfully integrate the acquired businesses and improve their profitability as it plans, which could have a material adverse effect on its financial condition and future operating performance.

HF Group’s net revenue for the six months ended June 30, 2018 was \$146.9 million, a decrease of \$3.3 million, or 2.2%, from \$150.1 million for the six months ended June 30, 2017. Net income attributable to HF Group’s stockholders for the six months ended June 30, 2018 was \$2.4 million, a decrease of \$2.3 million, or 49.2%, from \$4.7 million for the six months ended June 30, 2017. Adjusted EBITDA for the six months ended June 30, 2018 was \$4.5 million, a decrease of \$1.7 million, or 27.5%, from \$6.2 million for the six months ended June 30, 2017. For additional information on Adjusted EBITDA, see the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations of HF Group Holding Corporation — Adjusted EBITDA” below.

HF Group’s net revenue for the year ended December 31, 2017 was \$295.5 million, an increase of \$16.0 million or 5.7%, from \$279.5 million for year ended December 31, 2016. Net income attributable to HF Group’s stockholders for the year ended December 31, 2017 was \$9.6 million, an increase of \$4.9 million, or 104.6%, from \$4.7 million for the year ended December 31, 2016. Adjusted EBITDA for the year ended December 31, 2017 was \$14.0 million, an increase of \$6.0 million, or 75.4%, from \$8.0 million for the year ended December 31, 2016. For additional information on Adjusted EBITDA, see the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations of HF Group Holding Corporation — Adjusted EBITDA” below.

How to Assess HF Group’s Performance

In assessing performance, HF Group considers a variety of performance and financial measures, including principal growth in net sales, gross profit and Adjusted EBITDA. The key measures that we use to evaluate the performance of HF Group’s business are set forth below:

Net Revenue

Net revenue is equal to gross sales minus sales returns; sales incentives that HF Group offers to its customers, such as rebates and discounts that are offsets to gross sales; and certain other adjustments. HF Group’s net sales are driven by changes in number of customers, product inflation that is reflected in the pricing of its products, and mix of products sold.

Gross Profit

Gross profit is equal to net sales minus cost of goods sold. Cost of goods sold primarily includes inventory costs (net of supplier consideration), inbound freight, custom clearance fees and other miscellaneous expenses. Cost of goods sold generally changes as HF Group incurs higher or lower costs from suppliers and as the customer and product mix changes.

Distribution, General and Administrative Expenses

Distribution, general and administrative expenses primarily consist of salaries and benefits for employees and contract laborers, trucking and fuels expenses, utilities, maintenance and repairs expenses, insurance expense, depreciation and amortization expenses, selling and marketing expenses, professional fees and other operating expenses.

Income taxes Provision

Prior to January 1, 2018, seven of HF Group's subsidiaries elected under the Internal Revenue Code to be S corporations, and three subsidiaries were formed as partnerships. An S corporation or partnership is considered a flow-through entity and is generally not subject to federal or state income tax on corporate level. In lieu of corporate income taxes, the stockholders and members of these entities are taxed on their proportionate share of the entities' taxable income. Only one subsidiary did not elect to be treated as S corporation and was the only entity that was subject to corporate income taxes as of December 31, 2017. Effective January 1, 2018, all of the S corporation and partnership entities have been converted to C corporations and will be taxed at corporate level going forward. Accordingly, the Company shall account for income taxes of all subsidiaries under ASC 740.

Adjusted EBITDA

HF Group believes that Adjusted EBITDA is a useful performance measure and can be used to facilitate a comparison of HF Group's operating performance on a consistent basis from period to period and to provide for a more complete understanding of factors and trends affecting HF Group's business than GAAP measures alone can provide. HF Group's management believes that Adjusted EBITDA is less susceptible to variances in actual performance resulting from depreciation, amortization and other non-cash charges and more reflective of other factors that affect its operating performance. HF Group's management believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing the company's financial measures with the companies in the same industry, many of which present similar non-GAAP financial measures to investors. HF Group presents Adjusted EBITDA in order to provide supplemental information that Management considers relevant for the readers of its consolidated financial statements included elsewhere in this Proxy Statement, and such information is not meant to replace or supersede U.S. GAAP measures.

HF Group's management defines Adjusted EBITDA as net income (loss) before interest expense, income taxes, and depreciation and amortization, further adjusted to exclude certain unusual, non-cash, non-recurring, cost reduction, and other adjustment items. The definition of Adjusted EBITDA may not be the same as similarly titled measures used by other companies in the industry. Adjusted EBITDA is not defined under U.S. GAAP and is subject to important limitations as analytical tools, you should not consider them in isolation or as substitutes for analysis of HF Group results as reported under U.S. GAAP. For example, Adjusted EBITDA:

- excludes certain tax payments that may represent a reduction in cash available to HF Group;
- does not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- does not reflect changes in, or cash requirements for, HF Group's working capital needs; and
- does not reflect the significant interest expense, or the cash requirements, necessary to service HF Group's debt.

Results of Operations for the six months ended June 30, 2018 and 2017

The following table sets forth a summary of HF Group's consolidated results of operations for the six months ended June 30, 2018 and 2017. The historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the six months ended June 30,		Changes	
	2018	2017	Amount	%
Net revenue	\$ 146,868,286	\$ 150,141,161	\$ (3,272,875)	(2.2)%
Cost of revenue	122,640,487	129,677,873	(7,037,386)	(5.4)%
Gross profit	24,227,799	20,463,288	3,764,511	18.4%
Distribution, selling and administrative expenses	21,340,382	15,385,111	5,955,271	38.7%
Income from operations	2,887,417	5,078,177	(2,190,760)	(43.1)%
Interest income	13,750	4,167	9,583	230%
Interest expenses and bank charges	(754,713)	(621,280)	(133,433)	21.5%
Other income	547,332	197,389	349,943	177.3%
Income before income tax provision	2,693,786	4,658,453	(1,964,667)	(42.2)%
Provision for income taxes	702,060	7,978	694,082	8699.9%
Net income	1,991,726	4,650,475	(2,658,749)	(57.2)%
Less: net loss attributable to noncontrolling interest	(381,455)	(21,254)	(360,201)	1694.7%
Net income attributable to HF Group Holding Corporation	\$ 2,373,181	\$ 4,671,729	\$ (2,298,548)	(49.2)%

Net Revenue

HF Group's net revenue was \$146.9 million for the six months ended June 30, 2018, which consisted of \$137.5 million, or 93.6% of net revenue, sold to independent restaurants (Chinese/Asian restaurants) and \$9.4 million, or 6.4% of net revenue, sold wholesale to smaller distributors. Net revenue was \$150.1 million for the six months ended June 30, 2017, which consisted of \$137.6 million, or 91.6% of net revenue, sold to independent restaurants and \$12.5 million, or 8.4% of net revenue, sold wholesale to smaller distributors.

The following table sets forth the breakdown of HF Group's net revenue:

	For the six months ended June 30,				Changes	
	2018		2017		Amount	%
	Amount	%	Amount	%		
Net revenue						
Sales to independent restaurants	\$ 137,516,339	93.6%	\$ 137,591,237	91.6%	\$ (74,898)	(0.1)%
Wholesale	9,351,947	6.4%	12,549,924	8.4%	(3,197,977)	(25.5)%
Total	<u>\$ 146,868,286</u>	<u>100.0%</u>	<u>\$ 150,141,161</u>	<u>100.0%</u>	<u>\$ (3,272,875)</u>	<u>(2.2)%</u>

Compared with the six months ended June 30, 2017, HF Group's net revenue decreased by \$3.3 million, or 2.2%, for the six months ended June 30, 2018, which was primarily attributable to a \$3.2 million decrease in sales to wholesale customers. The decrease was a result of HF Group's continuing effort to reduce wholesales with low margin to improve the overall margin. Sales to independent restaurants decreased by \$75,000 which within the was normal fluctuation of business operations.

HF Group conducts wholesale sales as a supplemental business for foodservice distribution to restaurants by purchasing full truckloads of product from suppliers and redistributing to smaller distributors who are typically not large enough to order truckload quantities, or do not want to keep inventory for long periods. The larger purchases can improve overall bargaining power with suppliers by increasing total order quantity. The net revenue from wholesale for the six months ended June 30, 2018 showed a 25.5% decrease compared with the six months ended June 30, 2017. In the second quarter of 2018, HF stopped selling to two customers with very low gross margin in order to improve the overall margin of the business.

Cost of sales and Gross Profit

The following tables set forth the calculation of gross profit and gross margin for HF Group's sales to independent restaurants, wholesale and total net revenue:

	For the six months ended June 30,		Changes	
	2018	2017	Amount	%
Sales to independent restaurants				
Net revenue	\$ 137,516,339	\$ 137,591,237	\$ (74,898)	(0.1)%
Cost of revenue	113,900,208	117,480,681	(3,580,473)	(3.0)%
Gross profit	\$ 23,616,131	\$ 20,110,556	\$ 3,505,575	17.4%
Gross Margin	17.2%	14.6%	2.6%	
Wholesale				
Net revenue	\$ 9,351,947	\$ 12,549,924	\$ (3,197,977)	(25.5)%
Cost of revenue	8,740,279	12,197,192	(3,456,913)	(28.3)%
Gross profit	\$ 611,668	\$ 352,732	\$ 258,936	73.4%
Gross Margin	6.5%	2.8%	3.7%	
Total sales				
Net revenue	\$ 146,868,286	\$ 150,141,161	\$ (3,272,875)	(2.2)%
Cost of revenue	122,640,487	129,677,873	(7,037,386)	(5.4)%
Gross profit	\$ 24,227,799	\$ 20,463,288	\$ 3,764,511	18.4%
Gross Margin	16.5%	13.6%	2.9%	

HF Group's cost of revenue was \$122.6 million for the six months ended June 30, 2018, a decrease of \$7.1 million, or 5.4%, from \$129.7 million for the six months ended June 30, 2017, which was primarily attributable to the decrease of \$3.6 million in cost of revenue for the sales to independent restaurants and a \$ 3.5 million decrease in cost for wholesale revenue.

HF Group's gross profit was \$24.2 million for the six months ended June 30, 2018, an increase of \$3.8 million, or 18.4%, from \$20.5 million for the six months ended June 30, 2017, which was primarily attributable to the increase of \$3.5 million in gross profit derived from sales to independent restaurants, from \$20.1 million for the six months ended June 30, 2017 to \$23.6 million for the six months ended June 30, 2018. The increase was mainly due to the improvement of negotiation power with vendors and the appreciation of USD to RMB, which lowered our purchase cost of products imported from China. Our gross margin for wholesale segment increase by \$259,000, while our wholesale revenue decreased by \$3.2 million. The increase of margin was a result of HF Group's continuing effort to improve the wholesale margin. In the second quarter of 2018, HF stopped selling to two customers with very low gross margin in order to improve overall margin of the business.

HF Group's gross margin increased from 13.6% for the six months ended June 30, 2017 to 16.5% for the six months ended June 30, 2018, representing an increase of 290 basis points, which primarily resulted from the increase of 260 basis point in gross margin from the sales to independent restaurants and 370 base point from the wholesale segment. The increase in gross margin was mainly attributable to (a) a lower purchase price negotiated with vendors as a result of larger purchase volumes and strengthened negotiating power with vendors, (b) the appreciation of USD to RMB, which lowered our purchase cost of imported products from China, (c) the improvement of the centralized procurement function resulting in more efficient management of inventory, logistics and vendor payment, and (d) reduction of sales to customers with low margins.

Distribution, Selling and Administrative Expenses

Distribution, selling and administrative expenses were \$21.3 million for the six months ended June 30, 2018, an increase of \$6.0 million, or 38.7%, from \$15.4 million for the six months ended June 30, 2017. The increase was mainly attributable to: (a) an increase of \$3.2 million in salaries for senior managements and contract labor costs for increasing 36 truck drivers preparing for business expansion, (b) \$2.2 million of labor dispute expenses for Kirnland Food Distribution (“Kirnland”), which was discussed below, (c) an increase of \$0.8 million in professional fee paid for legal service, consulting, auditing and others in regard with the Group’s restructure and preparing for the merger with Atlantic, and (d) an increase of \$0.4 million in advertising expenses.

Kirnland Food Distribution, Inc., a subsidiary of the Company, is currently under an inquiry by the United States Department of Labor, Wage and Hour Division, Atlanta Regional Office, concerning wage practices and record keeping during the years 2013 through 2016 and continuing through the present time. As of the date of these financial statements, that inquiry remains open and the company has received no final notice of findings or definitive assessment. The Department of Labor has indicated a preliminary determination in its inquiry, and has estimated that in its preliminary analysis the potential back wages, liquidated damages and related costs would be approximately \$2.2 million for the period from 2013 through current time, although the final amount has not yet been determined and could differ from the estimate. The \$2.2 million has been accrued in distribution, selling and administrative expenses in the unaudited condensed consolidated financial statements for the six months ended June 30, 2018.

The Company believes that it has resolved the past issues raised by the Department of Labor, and also plans on providing the Department of Labor with its actions taken to address the issues raised currently and on an ongoing basis.

Interest Expenses and Bank Charges

Interest expenses and bank charges are primarily generated from lines of credit, capital leases and long-term debt. Interest expenses and bank charges were \$0.8 million for the six months ended June 30, 2018, an increase of \$0.2 million, or 21.5%, compared with \$0.6 million for the six months ended June 30, 2017, which was primarily the result of an increase of interest rate.

Other Income

Other income primarily consists of non-operating income and rental income. Other income was \$0.5 million for the six months ended June 30, 2018 as compared to \$0.2 million for the six months ended June 30, 2017, representing an increase of \$0.3 million, which was primarily attributable to rental income of \$0.2 million derived from a subsidiary acquired in 2017, the financial results of which were not included in the June 30, 2017 unaudited condensed consolidated financial statements.

Income taxes Provision

HF Group’s provision for income taxes increased by \$0.7 million, or 8700%, from \$8,000 for the six months ended June 30, 2017 to \$0.7 million or the six months ended June 30, 2018, as a result of the fact that effective January 1, 2018, all of the S corporation and partnership entities within HF Group have been converted to C corporations and were taxed at the corporate level. Before January 1, 2018, only one subsidiary was taxed at the corporate level.

Net Loss Attributable to Noncontrolling interest

HF Group’s net loss attributable to noncontrolling interest was derived from one minority owned subsidiary and increased by \$360,000, or 1,695%, from \$21,000 for the six months ended June 30, 2017 to \$381,000 for the six months ended June 30, 2018, as a result of the increase of net loss of the subsidiary in which we have a noncontrolling interest.

Net Income Attributable to HF Group's Stockholder

As a result of above, HF Group's net income attributable to HF Group's stockholders decreased by \$2.3 million, or 49.2%, from \$4.7 million for six months ended June 30, 2017 to \$2.4 million for the six months ended June 30, 2018.

Adjusted EBITDA

The following table sets forth of the calculation of HF Group's adjusted EBITDA:

	For the six months ended June 30,		Changes	
	2018	2017	Amount	%
Net income	\$ 1,991,726	\$ 4,650,475	\$ (2,658,749)	(57.2)%
Interests expenses	754,713	621,280	133,433	21.5%
Income tax provision	702,060	7,978	694,082	8699.9%
Depreciation & Amortization	1,041,662	909,365	132,297	14.5%
Non-recurring expenses*	2,200,000	—	2,200,000	N/A
Adjusted EBITDA	\$ 6,690,161	\$ 6,189,098	\$ 501,063	8.1%
Percentage of revenue	4.6%	4.1%	0.5%	

* Non-recurring expenses represented \$2.2 million of labor dispute expenses for Kirnland accrued for the six months ended June 30, 2018, which was discussed in the section of Distribution, Selling and Administrative Expenses above.

HF Group's adjusted EBITDA was \$6.7 million for the six months ended June 30, 2018, an increase of \$0.5 million, or 8.1%, compared to \$6.2 million for the six months ended June 30, 2017, mainly attributable to the increase of gross margin due to the lower purchase price and the reduction of low margin wholesale in this quarter as discussed above. The percentage of revenue for adjusted EBITDA was 4.6% and 4.1% for the six months ended June 30, 2018 and 2017, respectively.

Results of Operations for 2017 and 2016

The following table sets forth a summary of HF Group's consolidated results of operations for the years ended December 31, 2017 and 2016. The historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the years ended December 31,		Changes	
	2017	2016	Amount	%
Net revenue	\$ 295,549,980	\$ 279,500,235	\$ 16,049,745	5.7%
Cost of revenue	251,615,013	243,193,112	8,421,901	3.5%
Gross profit	43,934,967	36,307,123	7,627,844	21.0%
Distribution, selling and administrative expenses	32,924,877	30,578,840	2,346,037	7.7%
Income from operations	11,010,090	5,728,283	5,281,807	92.2%
Interest income	21,105	1,634	19,471	1191.6%
Interest expenses and bank charges	(1,339,897)	(1,076,088)	(263,809)	24.5%
Other income	1,010,038	369,379	640,659	173.4%
Income before income tax provision	10,701,336	5,023,208	5,678,128	113.0%
Provision for income taxes	623,266	191,922	431,344	224.7%
Net income	10,078,070	4,831,286	5,246,784	108.6%
Less: net income attributable to noncontrolling interest	431,999	116,122	315,877	272.0%
Net income attributable to HF Group Holding Corporation	\$ 9,646,071	\$ 4,715,164	\$ 4,930,907	104.6%

Net Revenue

HF Group's net revenue was \$295.5 million for the year ended December 31, 2017, which consisted of \$275.5 million, or 93.2% of net revenue, sold to independent restaurants (Chinese/Asian restaurants) and \$20.0 million, or 6.8% of net revenue, sold as wholesale to smaller distributors. Net revenue was \$279.5 million for the year ended December 31, 2016, which consisted of \$259.4 million, or 92.8% of net revenue, sold to independent restaurants and \$20.1 million, or 7.2% of net revenue, as wholesale to smaller distributors.

The following table sets forth the breakdown of HF Group's net revenue:

	For the years ended December 31,					
	2017		2016		Changes	
	Amount	%	Amount	%	Amount	%
Net revenue						
Sales to independent restaurants	\$ 275,481,019	93.2%	\$ 259,402,812	92.8%	\$ 16,078,207	6.2%
Wholesale	20,068,961	6.8%	20,097,423	7.2%	(28,462)	-0.1%
Total	<u>\$ 295,549,980</u>	<u>100.0%</u>	<u>\$ 279,500,235</u>	<u>100.0%</u>	<u>\$ 16,049,745</u>	<u>5.7%</u>

Compared with the year ended December 31, 2016, HF Group's net revenue increased by \$16.0 million, or 5.7%, for the year ended December 31, 2017, which was primarily attributable to a \$16.0 million increase in sales to independent restaurants. HF Group believes the increase was a result of HF Group's continuing effort to provide better products to its customers and improve its customer service.

HF Group conducts wholesale as supplemental business for foodservice distribution to restaurants, by purchasing full truckloads of product from suppliers and redistributing to smaller distributors who are typically not large enough to order truckload quantities, or do not want to keep inventory for long periods. The larger purchase can improve overall bargaining power with manufacturers by increasing total order quantity. The net revenue from wholesale for the year ended December 31, 2017 showed a 0.1% decrease compared with the year ended December 31, 2016.

Cost of sales and Gross Profit

The following tables set forth the calculation of gross profit and gross margin for HF Group's sales to independent restaurants, wholesale and total net revenue:

	For the years ended December 31,		Changes	
	2017	2016	Amount	%
Sales to independent restaurants				
Net revenue	\$ 275,481,019	\$ 259,402,812	\$ 16,078,207	6.2%
Cost of revenue	232,914,638	224,361,340	8,553,298	3.8%
Gross profit	<u>\$ 42,566,381</u>	<u>\$ 35,041,472</u>	<u>\$ 7,524,909</u>	<u>21.5%</u>
Gross Margin	15.5%	13.5%	1.9%	
Wholesale				
Net revenue	\$ 20,068,961	\$ 20,097,423	\$ -28,462	-0.1%
Cost of revenue	18,700,375	18,831,772	-131,397	-0.7%
Gross profit	<u>\$ 1,368,586</u>	<u>\$ 1,265,651</u>	<u>\$ 102,935</u>	<u>8.1%</u>
Gross Margin	6.8%	6.3%	0.5%	
Total sales				
Net revenue	\$ 295,549,980	\$ 279,500,235	\$ 16,049,745	5.7%
Cost of revenue	251,615,013	243,193,112	8,421,901	3.5%
Gross profit	<u>\$ 43,934,967</u>	<u>\$ 36,307,123</u>	<u>\$ 7,627,844</u>	<u>21.0%</u>
Gross Margin	14.9%	13.0%	1.9%	

HF Group's cost of revenue was \$251.6 million for the year ended December 31, 2017, an increase of \$8.4 million, or 3.5%, from \$243.2 million for the year ended December 31, 2016, which was primarily attributable to the increase of \$8.6 million in cost of revenue for the sales to independent restaurants, from \$224.4 million for the year ended December 31, 2016 to \$232.9 million for the year ended December 31, 2017. The increase was mainly attributable to the increase in sales.

HF Group's gross profit was \$43.9 million for the year ended December 31, 2017, an increase of \$7.6 million, or 21.0%, from \$36.3 million for the year ended December 31, 2016, which was primarily attributable to the increase of \$7.5 million of increase in gross profit derived from sales to independent restaurants from \$35.0 million for the year ended December 31, 2016 to \$42.5 million for the year ended December 31, 2017. The increase was mainly a result of the increase in sales and improved gross margin derived from sales to independent restaurants.

HF Group's gross margin increased from 13.0% for the year ended December 31, 2016 to 14.9% for the year ended December 31, 2017, representing an increase of 190 basis points, which primarily resulted from the increase of 200 basis point in gross margin from the sales to independent restaurants from 13.5% for the year ended December 31, 2016 to 15.5% for the year ended December 31, 2017. HF Group believes the increase in gross margin was mainly attributable to (a) the offering of better products and value-added services with higher gross margins, (b) a lower purchase price negotiated with vendors as a result of larger purchase volumes and strengthened negotiating power with vendors, and (c) the improvement of the centralized procurement function resulting in more efficient management of inventory, logistics and vendor payment.

Distribution, selling and Administrative Expenses

Distribution, selling and administrative expenses were \$32.9 million for the year ended December 31, 2017, an increase of \$2.3 million, or 7.7%, from \$30.6 million for the year ended December 31, 2016. The increase was mainly attributable to: (a) an increase of \$0.7 million in professional fee paid for legal service, consulting, auditing and others in regard with the Group's restructure and preparing for the merger with Atlantic; (b) an increase of \$0.6 million in fuel expense which was primarily due to the increase of fuel prices in 2017; (c) an increase of \$0.4 million in insurance expenses for the Group's increasing insurance coverage; (d) an increase of \$0.3 million incurred by a new subsidiary included in the Group in 2017; and (e) an increase of 0.2 million selling expenses payment to the outsourced call center in consistent with the increase of sales revenue.

Interest Expenses and Bank Charges

Interest expenses and bank charges are primarily generated from lines of credit, capital leases and long-term debt. Interest expenses and bank charges were \$1.3 million for the year ended December 31, 2017, an increase of \$0.3 million or 24.5% compared with \$1.0 million for the year ended December 31, 2016, which was primarily the result of an increase in long-term debt.

Other Income

Other income primarily consists of non-operating income and rental income. Other income was \$1.0 million for the year ended December 31, 2017 as compared to \$0.4 million for the year ended December 31, 2016, representing an increase of \$0.6 million, which was primarily attributable to rental income of \$0.5 million derived from a subsidiary acquired in 2017, the financial results of which were not included in 2016 consolidated financial statements.

Income taxes Provision

HF Group's provision for income taxes increased by \$0.4 million, or 224.7%, from \$0.2 million for the year ended December 31, 2016 to \$0.6 million for the year ended December 31, 2017, as a result of the increase of current income tax from one subsidiary which was treated as C corporation and taxed for the two years ended December 31, 2017 and 2016.

Net Income Attributable to Noncontrolling interest

HF Group's net income attributable to noncontrolling interest was derived from one minority owned subsidiary and increased by \$0.3 million or 272.0% from \$0.1 million for the year ended December 31, 2016 to \$0.4 million for the year ended December 31, 2017, as a result of the increase of net income of the subsidiary of which we have a noncontrolling interest.

Net Income Attributable to HF Group's Stockholder

As a result, HF Group's net income attributable to HF Group's stockholder increased by \$4.9 million, or 104.6%, from \$4.7 million for the year ended December 31, 2016 to \$9.6 million for the year ended December 31, 2017.

Adjusted EBITDA

The following table sets forth of the calculation of HF Group's adjusted EBITDA:

	For the years ended December 31,		Changes	
	2017	2016	Amount	%
Net income	\$ 10,078,070	\$ 4,831,286	\$ 5,246,784	108.6%
Interests expenses	1,268,953	1,059,262	209,691	19.8%
Income tax provision	623,266	191,922	431,344	224.7%
Depreciation & Amortization	2,004,374	1,885,597	118,777	6.3%
Adjusted EBITDA	\$ 13,974,663	\$ 7,968,067	\$ 6,006,596	75.4%
Percentage of revenue	4.7%	2.9%	1.9%	

HF Group's adjusted EBITDA was \$14.0 million for the year ended December 31, 2017, an increase of \$6.0 million, or 75.4%, compared to \$8.0 million for the year ended December 31, 2016, mainly attributable to the increase of gross profit as a result of increase in net revenue and gross margin derived from the sales to independent restaurants with HF Group's continuing effort to offer better products and value-added services to its customers, strengthen its negotiation power with suppliers, and improve the operation efficiency for centralized procurement, inventory and logistics management. The percentage of revenue for adjusted EBITDA was 4.7% and 2.9% for the years ended December 31, 2017 and 2016, respectively.

Liquidity and Capital Resources

As of June 30, 2018, HF Group had cash of approximately \$5.2 million. HF Group has funded working capital and other capital requirements primarily by equity contribution from shareholders, cash flow from operations, and bank loans. Cash is required to pay purchase costs for inventory, salaries, fuel and trucking expenses, selling expenses, rental expenses, income taxes, other operating expenses and repay debts. Although HF Group's management believes that the cash generated from operations will be sufficient to meet its normal working capital needs for at least the next twelve months, its ability to repay its current obligation will depend on the future realization of its current assets. HF Group's management has considered the historical experience, the economy, trends in the foodservice distribution industry, the expected collectability of accounts receivable and the realization of the inventories as of June 30, 2018. Based on the above considerations, HF Group's management is of the opinion that HF Group has sufficient funds to meet its working capital requirements and debt obligations as they become due. However, there is no assurance that management will be successful in their plan. There are a number of factors that could potentially arise that could result in shortfalls to the Group's plan, such as the demand for its products, economic conditions, the competitive pricing in the foodservice distribution industry and its bank and suppliers being able to provide continued supports. If the future cash flow from operations and other capital resources are insufficient to fund its liquidity needs, HF Group may be forced to reduce or delay its expected acquisition plan, sell assets, obtain additional debt or equity capital or refinance all or a portion of its debt.

The following table summarizes HF Group's cash flow data for the six months ended June 30, 2018 and 2017:

	For the six months ended June 30,	
	2018	2017
Net cash provided by operating activities	\$ 6,100,471	\$ 4,754,577
Net cash used in investing activities	(5,292,804)	(2,649,215)
Net cash used in financing activities	(1,733,526)	(1,594,922)
Net (decrease) increase in cash and cash equivalents	<u>\$ (925,859)</u>	<u>\$ 510,440</u>

Operating Activities

Net cash provided by operating activities consists primarily of net income adjusted for non-cash items, including depreciation and amortization, changes in deferred income taxes and others, and adjusted for the effect of working capital changes. Net cash provided by operating activities was approximately \$6.1 million for the six months ended June 30, 2018, an increase of \$1.3 million, or 28%, compared to net cash provided by operating activities of \$4.8 million for the six months ended June 30, 2017. The increase was a result of an increase of \$4.3 million from change of working capital mainly resulting from the change in related party accounts receivable, offset by a decrease \$2.7 million in net income of and \$0.5 million in deferred tax benefit.

Investing Activities

Net cash used in investing activities was approximately \$5.3 million for the six months ended June 30, 2018, an increase of \$2.7 million, or 100%, compared to \$2.6 million net cash used in investing activities for the six months ended June 30, 2017. The increase was a combined result of an increase of \$1.8 million used in long term notes receivable, a decrease of \$1.7 million of collection from long-term notes receivable – related parties, offset by a decrease of \$0.8 million of cash paid for loans to shareholders.

Financing Activities

Net cash used in financing activities was approximately \$1.7 million for the six months ended June 30, 2018, an increase of \$0.1 million, or 9%, compared with \$1.6 million for the six months ended June 30, 2017. The increase was a combined result of an increase of \$2.9 million repayment made to lines of credit and long-term debt, and an increase of \$0.3 million payment made for the cash dividend to shareholders, offset by an increase of \$2.4 million proceeds from lines of credit.

The following table summarizes HF Group's cash flow data for the years ended December 31, 2017 and 2016:

	For the years ended December 31,	
	2017	2016
Net cash provided by operating activities	\$ 15,286,862	\$ 4,554,280
Net cash used in investing activities	(5,468,604)	(429,125)
Net cash used in financing activities	(9,688,359)	(2,458,592)
Net increase in cash and cash equivalents	<u>\$ 129,899</u>	<u>\$ 1,666,563</u>

Operating Activities

Net cash provided by operating activities consists primarily of net income adjusted for non-cash items, including depreciation and amortization, changes in deferred income taxes and others, and adjusted for the effect of working capital changes. Net cash provided by operating activities was approximately \$15.3 million for the year ended December 31, 2017, an increase of \$10.7 million, or 235.7%, compared to \$4.6 million for the year ended December 31, 2016. The increase was a result of an increase of cash generated from net income of \$5.2 million and an increase of \$5.4 million from change of working capital mainly resulting from the change in other current assets.

Investing Activities

Net cash used in investing activities was approximately \$5.5 million for the year ended December 31, 2017, an increase of \$5.1 million, or 1174.4%, compared to \$0.4 million for the year ended December 31, 2016. The increase was a combined result of an increase of \$4.8 million used in payment made for related party loans, an increase of \$0.8 million used in payments made for long-term notes receivables, offset by a decrease of \$0.5 million used in purchase of property and equipment.

Financing Activities

Net cash used in financing activities was approximately \$9.7 million for the year ended December 31, 2017, an increase of \$7.2 million, or 294.1%, compared with \$2.5 million for the year ended December 31, 2016. The increase was a combined result of an increase of \$3.2 million used in cash distribution to shareholders, and increase of \$1.3 million used in repayment of credit line, and a decrease of \$2.7 million of proceeds received from credit line and long-term debt.

Commitments and Contractual Obligations

The following table presents the company's material contractual obligations as of June 30, 2018:

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than
Lines of credit	\$ 9,244,000	\$ 9,244,000	\$ —	\$ —	\$ —
Long-term debt	14,998,889	1,403,475	2,252,888	1,612,704	9,729,822
Capital lease obligations	343,271	343,271	—	—	—
Operating lease commitments	246,117	167,301	76,209	2,607	—
Total	\$ 24,832,277	\$ 11,158,047	\$ 2,329,097	\$ 1,615,311	\$ 9,729,822

Off -balance Sheet Arrangements

HF Group is not a party to any off -balance sheet arrangements.

Critical Accounting Estimates

The discussion and analysis of HF Group's financial condition and results of operations are based upon its financial statements, which have been prepared in accordance with GAAP. These principles require HF Group's management to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, cash flow and related disclosure of contingent assets and liabilities. The estimates include, but are not limited to, accounts receivable, revenue recognition, impairment of long-lived assets and income taxes. HF Group bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and the actual results, future financial statements will be affected.

HF Group's management believes that among their significant accounting policies, which are described in Note 2 to the audited consolidated financial statements of HF Group included in this proxy statement, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, HF Group's management believes these are the most critical to fully understand and evaluate its financial condition and results of operations.

Accounts receivable

Accounts receivable represent amounts due from customers in the ordinary course of business and are recorded at the invoiced amount and do not bear interest. Receivables are presented net of the allowance for doubtful accounts in the accompanying Consolidated Balance Sheets. The Company evaluates the collectability of its accounts receivable and determines the appropriate allowance for doubtful accounts based on a combination of factors. When the Company is aware of a customer's inability to meet its financial obligation, a specific allowance for doubtful accounts is recorded, reducing the receivable to the net amount the Company reasonably expects to collect. In addition, allowances are recorded for all other receivables based on historic collection trends, write-offs and the aging of receivables. The Company uses specific criteria to determine uncollectible receivables to be written off, including bankruptcy, accounts referred to outside parties for collection, and accounts past due over specified periods. As of June 30, 2018, and December 31, 2017, the allowances for doubtful accounts were \$609,917 and \$567,108, respectively. As of December 31, 2017, and 2016, the allowances for doubtful accounts were \$567,108 and \$670,280, respectively.

Revenue recognition

The Company recognizes revenue from the sale of product when title and risk of loss passes and the customer accepts the goods, which generally occurs at delivery. Sales taxes invoiced to customers and remitted to governmental authorities are excluded from net sales.

On January 1, 2018 the Company adopted Accounting Standards Update ("ASU") 2014-09 Revenue from Contracts with Customers (FASB ASC Topic 606) using the modified retrospective method for contracts that were not completed as of January 1, 2018. The results of applying Topic 606 using the modified retrospective approach were insignificant and did not have a material impact on our consolidated financial condition, results of operations, cash flows, business process, controls or systems.

The core principle underlying the revenue recognition ASU is that the Company will recognize revenue to represent the transfer of goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in such exchange. This will require the Company to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer. The majority of our contracts have one single performance obligation as the promise to transfer the individual goods is not separately identifiable from other promises in the contracts and is, therefore, not distinct. The Company's revenue streams are recognized at a point in time.

The contract assets and contract liabilities are recorded on the Condensed Consolidated Balance Sheet as accounts receivable and advance payment from customers as of June 30, 2018 and December 31, 2017. For the six and three months ended June 30, 2018, revenue recognized from performance obligations related to prior periods was insignificant.

Revenue expected to be recognized in any future periods related to remaining performance obligations is insignificant.

The following table summarizes disaggregated revenue from contracts with customers by geographic locations:

	For the Three Months Ended	
	June 30, 2018	June 30, 2017
North Carolina	\$ 34,571,240	\$ 38,938,811
Florida	21,971,797	22,152,737
Georgia	15,744,478	17,337,499
Total	<u>\$ 72,287,515</u>	<u>\$ 78,429,047</u>

	For the Six Months Ended	
	June 30, 2018	June 30, 2017
North Carolina	\$ 69,568,907	\$ 72,472,196
Florida	45,125,335	43,363,498
Georgia	32,174,044	34,305,467
Total	<u>\$ 146,868,286</u>	<u>\$ 150,141,161</u>

Impairment of Long-lived Assets

The Company assesses its long-lived assets such as property and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Factors which may indicate potential impairment include a significant underperformance related to the historical or projected future operating results or a significant negative industry or economic trend. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows the assets are expected to generate. If property and equipment are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the assets exceeds their fair value.

Income taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, we determine deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company recognizes deferred tax assets to the extent that we believe that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Company does not believe that there was any uncertain tax position at June 30, 2018, and December 31, 2017 and 2016.

Recent accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, “Leases” to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet with a corresponding liability and disclosing key information about leasing arrangements. For public business entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim reporting periods within those fiscal years. For all other entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and interim reporting periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is evaluating the impact of the adoption of this revised guidance on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-17, “Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control”. The amendments affect reporting entities that are required to evaluate whether they should consolidate a variable interest entity in certain situations involving entities under common control. Specifically, the amendments change the evaluation of whether a reporting entity is the primary beneficiary of a variable interest entity by changing how a reporting entity that is a single decision maker of a variable interest entity treats indirect interests in the entity held through related parties that are under common control with the reporting entity. The amendments are effective for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim reporting periods within fiscal years beginning after December 15, 2017. Early adoption is permitted. The Company does not expect that adoption of this guidance will have a material impact on its consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU No. 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash”, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this ASU apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The amendments should be applied using a retrospective transition method to each period presented. The adoption of this guidance will increase cash and cash equivalents by the amount of the restricted cash on the Company’s consolidated statement of cash flows.

In July 2017, the FASB issued ASU No. 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), and Derivatives and Hedging (Topic 815). The guidance of Part I is to clarify accounting for certain financial instruments with down round feature in a financial instrument that reduces the strike price of an issued financial instrument if the issuer sells shares of its stock for an amount less than the currently stated strike price of the issued financial instrument or issues an equity-linked financial instrument with a strike price below the currently stated strike price of the issued financial instrument. For freestanding equity classified financial instruments, the amendments require entities that present earnings per share (EPS) in accordance with Topic 260 to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. Convertible instruments with embedded conversion options that have down round features are now subject to the specialized guidance for contingent beneficial conversion features. The amendments also re-characterize the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception. Those amendments do not have an accounting effect. The amendments in Part I of ASU No. 2017-11 are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted for all entities, including adoption in an interim period. The amendments in Part II of this Update do not require any transition guidance because those amendments do not have an accounting effect. The Company has not early adopted this update and it will become effective on July 1, 2020. The Company is currently evaluating the impact of our pending adoption of ASU 2017-11 on its consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, “Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income”. The amendments eliminate the stranded tax effects resulting from the United States Tax Cuts and Jobs Act (the “Act”) and will improve the usefulness of information reported to financial statement users. ASU No. 2018-02 is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company has not early adopted this update and it will become effective on July 1, 2019. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements.

Item 3.02. Unregistered Sales of Equity Securities.

Pursuant to the Merger Agreement, the HF Group stockholders received, as consideration for the Acquisition, an aggregate of 19,969,831 shares of Atlantic common stock at the closing of the Transactions as described in Item 2.01, above, representing, in the aggregate approximately 88.5% of the issued and outstanding shares of common stock. The securities were issued pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, as the Transactions did not involve a public offering.

On August 8, 2018, Atlantic entered into an agreement with Polar Multi-Strategy Master Fund (“Polar”) pursuant to which Polar agreed to sell 400,000 shares of Atlantic’s common stock to Atlantic 10 days after the closing of Atlantic’s business combination with HF Group Holding Corporation. Atlantic will pay \$4,120,000 for such shares and will issue Polar 10,000 restricted shares of Atlantic’s common stock. The shares of common stock will be issued pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, as the transactions did not involve a public offering

Item 5.01. Changes in Control of Registrant.

Reference is made to the disclosure described in the Proxy Statement in the Sections entitled “*The Business Combination Proposal*” and “*The Acquisition Agreement*” beginning at pages 36 and 50, respectively, which are incorporated herein by reference. The disclosure contained in Item 2.01 of this Current Report on Form 8-K is also incorporated by reference herein.

Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

Reference is made to the sections entitled “*Directors, Executive Officers, Executive Compensation And Corporate Governance – Current Directors and Executive Officers*” and “*Directors, Executive Officers, Executive Compensation And Corporate Governance - Directors and Executive Officers after the Business Combination*” beginning on pages 105 and 108, respectively, of the Proxy Statement, and that information is incorporated herein by reference.

Effective at Closing, management of Atlantic resigned (other than Mr. Ren Hua Zheng who continues as a director) and the new management team was appointed to the Board of Directors of Atlantic and as officers of Atlantic and its subsidiaries, including HF Group.

Atlantic’s directors and executive officers after the Transactions will be as follows:

Name	Age	Position
Zhou Min Ni	50	Chairman and Chief Executive Officer
Chan Sin Wong	52	Director and President
Jian Ming Ni	46	Chief Financial Officer
Ren Hua Zheng	47	Independent Director
Hong Wang	59	Independent Director
Zhehui Ni	35	Independent Director

Item 5.03. Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

As a result of the Transactions, Atlantic Acquisition Corp. changed its name to HF Foods Group Inc. Upon Closing of the Transaction, the constitutional documents of Atlantic in effect prior to the Transaction remained the same. Atlantic filed an amendment to its certificate of incorporation to change its name to HF Foods Group Inc. on August 22, 2018. See the section of the Proxy Statement entitled “*The Name Change Proposal*” commencing on page 53.

Item 5.06. Change in Shell Company Status.

As a result of the Acquisition and the Transactions, Atlantic ceased being a shell company. Reference is made to the disclosure in the Proxy Statement in the sections “*The Business Combination Proposal*” and “*The Acquisition Agreement*” beginning at pages 36 and 50, respectively, which are incorporated herein by reference. Further reference is made to the information contained in Item 2.01 of this Form 8-K.

The Transactions will be accounted for as a “reverse merger” and recapitalization at the date of the consummation of the Transactions since the shareholders of HF Group will own at least 75.9% of the outstanding shares of common stock of Atlantic immediately following the completion of the Transactions (assuming no holder of Atlantic common stock seeks conversion rights) and HF Group’s operations will be the operations of Atlantic following the Transactions. Accordingly, HF Group will be deemed to be the accounting acquirer in the Transactions and, consequently, the Transactions are treated as a recapitalization of HF Group. As a result, the assets and liabilities and the historical operations that will be reflected in the Atlantic financial statements after consummation of the Transactions will be those of HF Group and will be recorded at the historical cost basis of HF Group. Atlantic’s assets, liabilities and results of operations will be consolidated with the assets, liabilities and results of operations of HF Group upon consummation of the Transactions.

Atlantic is an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act (or JOBS Act). It is anticipated that after the consummation of the Transactions, Atlantic (renamed HF Foods Group Inc.) will continue to be an “emerging growth company.” As an emerging growth company, Atlantic will be eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. These include, but are not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and the requirement to obtain shareholder approval of any golden parachute payments not previously approved. Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such an election to opt out is irrevocable. Each of Atlantic and HF Group have elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies.

Item 8.01. Other Events.

On August 23, 2018, Atlantic issued a press release announcing the completion of the Transactions, a copy of which is attached as Exhibit 99.1 to this Current Report on Form 8-K.

Item 9.01. Financial Statement and Exhibits.

(a)-(b) Financial Statements.

Financial statements of the HF Group for the fiscal years ended December 31, 2017 and 2016 and for the three months ended March 31, 2018 and 2017 were previously filed as part of the Proxy Statement beginning on page F-2 which information is incorporated herein by reference. In addition, Atlantic previously filed related "Unaudited Pro Forma Consolidated Financial Statements" beginning at page 99 of the Proxy Statement which information is incorporated herein by reference.

In accordance with an responsive to Item 9.01(a) and (b) of Form 8-K, the unaudited condensed consolidated financial statements of HF Group as of June 30, 2018 and updated unaudited pro forma condensed combined financial information as of June 30, 2018 are included as exhibits to this Report on Form 8-K as Exhibits 99.2 and 99.3, respectively.

Exhibit No.	Description
2.1	Merger Agreement ⁽¹⁾ .
3.1	Certificate of Incorporation of Atlantic Acquisition Corp. ⁽²⁾ .
3.1.2	Certificate of Amendment to Certificate of Incorporation of Atlantic Acquisition Corp.
3.2	Bylaws of Atlantic Acquisition Corp. ⁽²⁾ .
4.1	Specimen Unit Certificate ⁽²⁾
4.2	Specimen Common Stock Certificate ⁽²⁾ .
4.3	Specimen Right Certificate ⁽²⁾ .
10.8	Form of Escrow Agreement between Atlantic Acquisition Corp., Loeb and Loeb L.P. as escrow agent and HF Group and Zhou Min Ni, as representative of the stockholders of HF Group
10.9	Form of Registration Rights Agreement between the Company, HF Group Holdings Corporation and Zhou Min Ni, as representative of the stockholders of HF Group
10.10	Form of Lock Up Agreement dated August 22, 2018 between Atlantic Acquisition Corp. and the stockholders of HF Group
99.1	Press Release dated August 23, 2018
99.2	Unaudited Condensed Consolidated Financial Statements of HF Group Holdings Corporation for the six months ended June 30, 2018
99.3	Pro-Forma Financial Information for the six months ended June 30, 2018 giving effect to the completion of the business combination

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- * Previously filed.
- (1) Incorporated by reference to Atlantic's Proxy Statement dated July 16, 2018 as filed on July 18, 2018.
- (2) Incorporated by reference to Atlantic's Registration Statement on Form S-1 (333-214287).
- (3) Incorporated by reference to Atlantic's Registration Statement on Form S-1 (333-214287).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

Dated August 27, 2018

HF FOODS GROUP INC.
(formerly Atlantic Acquisition Corp.)

By: /s/ Jian Ming (Jonathan) Ni
Name: Jian Ming (“Jonathan”) Ni
Title: Chief Financial Officer and Principal Accounting Officer

**FORM OF CERTIFICATE OF AMENDMENT
OF THE
CERTIFICATE OF INCORPORATION
OF
ATLANTIC ACQUISITION CORP.
(PURSUANT TO SECTION 242 OF THE
GENERAL CORPORATION LAW OF THE STATE OF DELAWARE)**

Atlantic Acquisition Corp., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: That the Board of Directors of said corporation (the "Board"), adopted by unanimous written consent, a resolution proposing and declaring advisable the following amendment to the Certificate of Incorporation of said corporation:

RESOLVED, that the Certificate of Incorporation is hereby amended by striking Article FIRST thereof in its entirety and substituting in lieu thereof a new Article FIRST, which shall read in its entirety as follows:

FIRST: The name of the Corporation is HF Foods Group Inc.

SECOND: This Certificate of Amendment of Certificate of Incorporation has been duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law.

THIRD: This amendment has been duly adopted by unanimous written consent of the Board and a vote of a majority of the holders of the issued and outstanding shares of common stock of the Corporation at a meeting duly held in accordance with the applicable provisions of Section 144 and 211 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said Atlantic Acquisition Corp. has caused this certificate to be signed this 22 day of August, 2018.

/s/ Richard Xu

Richard Xu, Chief Executive Officer

FORM OF ESCROW AGREEMENT

This ESCROW AGREEMENT (the “Agreement”), dated as of August 22, 2018 by and among Loeb & Loeb LLP, as escrow agent (the “Escrow Agent”), Atlantic Acquisition Corp. (the “Purchaser” or the “Parent”) and Ni, Zhou Min (the “Stockholders’ Representative”) as the representative of the stockholders of HF Group Holding Corporation (the “Company”).

WHEREAS, the Purchaser, HF Group Merger Sub Inc., a wholly-owned subsidiary of Purchaser (“Merger Sub”), the Company, the stockholders of the Company (each a “Stockholder” and collectively the “Stockholders”) and the Stockholders’ Representative entered into a Merger Agreement, dated March 27, 2018 (the “Merger Agreement”), providing for, among other things, the merger of Merger Sub with and into the Company and the conversion of shares of Company Common Stock (excluding any shares held in the treasury of the Company) into the right to receive the Applicable Per Share Merger Consideration in accordance with the terms set forth in the Merger Agreement; and

WHEREAS, pursuant to Section 11.3 of the Merger Agreement, the Purchaser is required to deposit shares of Purchaser Common Stock, par value \$0.0001 per share, representing 15% of the aggregate amount of Closing Payment Shares (the “Escrow Shares”), which Escrow Shares would otherwise be issuable to the Stockholders, with the Escrow Agent on the date hereof in connection with the indemnification obligations of the Stockholders as contemplated by the Merger Agreement.

NOW, THEREFORE, the parties agree as follows:

1. Defined Terms. Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Merger Agreement.
2. Appointment and Acceptance of Escrow Agent. The Purchaser and the Stockholders’ Representative hereby appoint the Escrow Agent to act, and the Escrow Agent hereby agrees to act, as escrow agent hereunder.
3. Escrow Deposit. Concurrently with the execution of this Agreement, the Purchaser shall deposit the Escrow Shares with the Escrow Agent. The certificates representing the Escrow Shares will be in the name of “Loeb & Loeb LLP, as escrow agent”. The Escrow Shares will be deemed to be beneficially owned by the persons listed on Exhibit A attached hereto and shall be voted in accordance with the instructions provided by the Stockholder’s Representative.
4. [Intentionally Omitted].
5. Disbursement of Deposit.

a. In the event that any Purchaser Indemnitee is entitled to indemnification under the terms of Article XI of the Merger Agreement, such Purchaser Indemnitee (an “Indemnified Party”) shall give the Escrow Agent and the Stockholders’ Representative prompt notice of such claim (a “Claim”) against the Escrow Shares in accordance with Section 16 of this Agreement. Such notice shall describe, in reasonable detail, the Loss that has been or may be suffered by the Indemnified Party. Unless the Escrow Agent receives a timely Objection Notice (as defined below) from the Stockholders’ Representative pursuant to Section 6, the Escrow Agent shall disburse the amount of Escrow Shares specified in the Claim notice as directed therein.

b. In the event that the Escrow Agent receives an instruction letter signed by the Purchaser and the Stockholders' Representative, the Escrow Agent shall promptly distribute all or any portion of the Escrow Shares as directed by such instruction letter.

c. In the event that any portion of the Escrow Shares (not including any amounts subject to an Objection Notice pursuant to Section 6 of this Agreement, which amounts will remain in escrow pursuant to this Agreement until disbursed in accordance with Section 6) remains in escrow with the Escrow Agent on the date that is eighteen (18) months after the Closing (the "Termination Date"), the Escrow Agent shall, within five (5) Business Days following the receipt of an instruction letter from the Stockholders' Representative at any time after the Termination Date (the "Release Date"), release the remaining Escrow Shares to the Stockholders' Representative for distribution to the Stockholders in accordance with the applicable percentage of Escrow Shares for each Stockholder indicated on Exhibit A.

6. Dispute of Claim. The Stockholders' Representative shall have the right to dispute any Claim against the Escrow Shares within the thirty (30) day period following the Stockholders' Representative's receipt of a copy of a Claim notice by delivering to the Escrow Agent and the Purchaser Indemnitee written notice (an "Objection Notice") that the Stockholders' Representative disputes the matter(s) set forth in such Claim notice either with respect to the validity or the amount of the Claim (or both). Such notice shall include the basis, with reasonable specificity, of the objection. If an Objection Notice is not received within such thirty (30) day period, the Stockholders' Representative will be deemed to have waived its right to object to the disbursement of all or any portion of the Escrow Shares pursuant to such Claim. Upon timely receipt of an Objection Notice, Escrow Agent shall take no action with respect to the Claim, except upon receipt of joint written instructions from the Stockholders' Representative and such Purchaser Indemnitee or by a final non-appealable order of a court of competent jurisdiction ("Final Order"). Escrow Agent shall promptly follow such instructions or Final Order upon receipt thereof. Escrow Agent shall be entitled to receive an opinion of counsel (which will be paid for by the Purchaser) that such Final Order is final and binding. If the amount necessary to satisfy any disputed Claim, as ultimately determined via joint written instructions or Final Order, is in excess of the Escrow Shares, then Escrow Agent shall pay over the Escrow Shares pursuant to the joint written instructions or Final Order, but shall in no way be responsible for any such excess.

7. Liability of Escrow Agent. Escrow Agent shall be liable only for its bad faith, willful misconduct or gross negligence and not for any act done or omitted by it hereunder in good faith. The parties hereto agree that Escrow Agent will not be called upon to construe any contract or instrument. Escrow Agent is authorized to comply with and obey laws, orders, judgments, decrees, and regulations of any governmental authority, court, tribunal, or arbitrator; provided, however, that Escrow Agent shall, to the extent practicable, give each of the other parties hereto reasonable notice of its intention to comply with or obey any such law, order, judgment, decree, or regulation and the opportunity to object to such intention to comply or obey (for which Escrow Agent shall be entitled to indemnification as provided in this Agreement); provided, further, that Escrow Agent shall not be required to give any such notice if, in its reasonable judgment, a delay in complying or obeying any such law, order, judgment, decree, or regulation would prejudice any rights of Escrow Agent or subject it to any liability. If Escrow Agent complies with or obeys any such law, order, judgment, decree, or regulation, Escrow Agent shall not be liable to any of the parties hereto or to any other person even if such law, order, judgment, decree, or regulation is subsequently reversed, modified, annulled, set aside, vacated, found to have been entered without jurisdiction, or found to be in violation of or beyond the scope of a constitution or a law.

8. Actions Protected. Escrow Agent may rely, and shall be protected in acting or refraining from acting, upon any written notice, waiver, consent, certificate, receipt, authorization, power of attorney, instruction, request or other paper or document (each a “Notice”), furnished to it hereunder and believed by it to be genuine. If Escrow Agent receives a Notice under which some action is to be taken by it, it shall not be required to act thereon until it has had an opportunity, if it so desires and in its sole discretion, to investigate the authenticity of such Notice.

9. Legal Counsel. Escrow Agent may consult with and obtain advice from legal counsel of its own choice in the event of any question as to the provisions hereof or its duties hereunder and shall have full and complete authorization and protection for any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel. The Stockholders’ Representative acknowledges that Loeb & Loeb LLP acts as counsel to the Purchaser and may continue to serve in that capacity, and neither anything contained herein, the execution or delivery hereof by Escrow Agent, nor the performance by Escrow Agent of its duties hereunder shall in any way affect or require termination of such relationship and the Stockholders’ Representative hereby waives any conflict or potential conflict resulting from such representation. Escrow Agent shall be fully protected in acting in good faith, including without limitation acting in accordance with the opinion and instructions of legal counsel, including attorneys at Loeb & Loeb LLP.

10. No Other Duties. Escrow Agent shall have no duties arising from this Agreement except those expressly set forth herein, and it shall not be bound by any notice of claim or demand with respect thereto, or any waiver, modification, amendment, termination, cancellation revision or rescission of this Agreement, unless received by it in writing in conformity with the provisions hereof, and, if Escrow Agent’s duties hereunder are affected, unless it shall have given its prior written consent thereto. Escrow Agent shall not be bound by any assignment by the Purchaser or by the Stockholders’ Representative of any rights hereunder unless Escrow Agent shall have received written notice thereof from the assignor.

11. Compensation of Escrow Agent; Indemnification. Except as specifically set forth herein, Escrow Agent shall receive no compensation for its services under this Agreement. Notwithstanding the foregoing, the Purchaser and the Stockholders’ Representative, jointly and severally, agree to indemnify Escrow Agent for, and to hold it harmless against, any loss, liability, damage or expense incurred by Escrow Agent arising out of, or in connection with, this Agreement, any litigation arising in connection with this Agreement or any transaction related in any way hereto, including but not limited to attorneys’ fees and other costs and expenses of defending itself against any claim of liability, except for liability or expense resulting from the bad faith, willful misconduct or gross negligence of Escrow Agent.

12. Payment of Expenses. The Purchaser shall be responsible for the reasonable out-of-pocket expenses of Escrow Agent incurred by it in connection with its acting as escrow agent hereunder.

13. Termination. Escrow Agent's responsibilities and liabilities hereunder, except as a result of its own bad faith, willful misconduct or gross negligence, will terminate upon distribution of all Escrow Shares held by Escrow Agent in accordance with the provisions of this Agreement.

14. Successor Escrow Agents. Escrow Agent has the right to, and may, at any time, resign and be discharged from its duties hereunder by giving notice in writing of such resignation, specifying a date (no earlier than ten (10) business days after the giving of such notice) when such resignation shall take effect. If the other parties hereto do not appoint a substitute escrow agent prior to the effective date of Escrow Agent's resignation, Escrow Agent shall appoint a successor escrow agent, or, if Escrow Agent is unable to make such an appointment, may deposit the Escrow Shares with a court of appropriate jurisdiction, and thereupon Escrow Agent shall be fully relieved and discharged of any further duties hereunder.

15. Amendment. Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by each party hereto, or in the case of a waiver, by the party against whom the waiver is to be effective.

16. Notices. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when (a) delivered in person, (b) transmitted by facsimile or e-mail or (c) mailed by first class, overnight or certified mail, return receipt requested, postage prepaid, addressed to the parties at the following addresses or to such other address as a party shall hereafter specify by notice to the other parties:

If to the Purchaser, to:

Atlantic Acquisition Corp.
1250 Broadway, 36th Floor
New York, NY
Attention: Richard Xu
Email: rxu@atlantic-acquisition.com

With a copy (which shall not constitute notice) to:

Loeb & Loeb LLP
345 Park Avenue
New York, New York 10154
Attn: Giovanni Caruso, Esq.
Email: gcaruso@loeb.com
Fax: (212) 407-4866

If to the Stockholders' Representative:

Ni, Zhou Min
Email: min@hanfenginc.com
Fax: (336) 268-2642

If to Escrow Agent:

Loeb & Loeb LLP
345 Park Avenue
New York, New York 10154
Attn: Giovanni Caruso, Esq.
Email: gcaruso@loeb.com
Fax: (212) 407-4866

All such notices and communications shall be deemed to be effective and to have been delivered on (i) the date of delivery thereof if delivered in person, (ii) one day after a facsimile or e-mail is sent, provided that an appropriate electronic confirmation is received, (iii) 24 hours after being sent by overnight courier, or (iv) on the third business day after the mailing thereof to the last known address of the recipient, except that notice of change of address shall be effective only upon receipt or upon refusal to accept delivery thereof.

17. Recovery of Attorneys' Fees and Court Costs. In the event of a dispute concerning the disbursement or distribution of the Escrow Shares which dispute is resolved by a court order, the prevailing party shall be entitled to recovery of its reasonable attorneys' fees, court costs, and other related expenses incident to such cause of action from the other party.

18. Entire Agreement. This Agreement, together with the Merger Agreement, as referenced herein, constitutes the entire agreement among the parties and supersedes all prior agreements, understandings and arrangements, oral or written, among the parties with respect to the subject matter hereof. Any party hereto may, by an instrument in writing, waive compliance by another party hereto with any term or provision of this Agreement on the part of such other party hereto to be performed or complied with. The waiver by any party hereto of a breach of any term or provision of this Agreement shall not be construed as a waiver of any subsequent breach.

19. Successors and Assigns. This Agreement shall inure to the benefit of and shall be binding upon the parties and their respective heirs, successors and assigns. Nothing in this Agreement, expressed or implied, is intended to or shall (a) confer on any person other than the parties, or their respective successors or assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, or (b) constitute the parties' partners or participants in a joint venture. Escrow Agent shall not be obliged to recognize any such succession or assignment until written evidence thereof shall have been received by it.

20. Severability. In case any one or more of the provisions of this Agreement shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Agreement shall not in any way be affected or impaired thereby and the parties will attempt to agree upon a valid and enforceable provision which shall be a reasonable substitute therefor, in light of the tenor of this Agreement, and upon so agreeing, shall incorporate such substitute provision in this Agreement. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall not affect the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction.

21. Assignment. This Agreement shall not be assignable by any party without the prior written consent of the other parties hereto.

22. Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to conflicts of law principles thereof.

23. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same instrument and any one of which may be introduced in evidence or used for any other purpose without the production of its duplicate counterparts.

24. Headings. The headings of the foregoing paragraphs of this Agreement are inserted herein for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above written.

Escrow Agent:
LOEB & LOEB LLP

By: _____
Name:
Title:

Purchaser:

ATLANTIC ACQUISITION CORP.

By: _____
Name:
Title:

STOCKHOLDERS' REPRESENTATIVE

Ni, Zhou Min

EXHIBIT A

<u>Stockholder</u>	<u>Percentage</u>
Zhou Min Ni	33.50%
Irrevocable Trust for Raymond Ni	28.00%
Irrevocable Trust for Amanda Ni	4.00%
Irrevocable Trust for Ivy Ni	4.00%
Irrevocable Trust for Tina Ni	4.00%
HT Group Holding, LLC	9.50%
Wah Lam	7.00%
Wei Hui Kwok	2.00%
Jin Zhang	2.00%
Xinsen Zheng	4.00%
Jian Ming Ni	1.00%
Qiao Chen	1.00%

FORM OF REGISTRATION RIGHTS AGREEMENT

FORM OF
REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "**Agreement**") is entered into as of the ____ day of August, 2018, by and among HF Food Group, Inc., formerly known as Atlantic Acquisition Corp., a Delaware corporation (the "**Company**") and the undersigned parties listed under Stockholder on the signature page hereto (each, an "Stockholder" and collectively, the "**Stockholders**").

WHEREAS, pursuant to a Merger Agreement dated as of March 27, 2018 ("**Merger Agreement**") by and among the Company, the Stockholders and certain other persons and entities, the Stockholders agreed to accept shares of Common Stock of the Company in exchange for their shares of Common Stock of HF Group Holding Corporation ("**HF Group**"), and HF Group became a wholly-owned subsidiary of the Company in a tax free reorganization and merger under Section 368 of the Internal Revenue Code;

WHEREAS, pursuant to the terms of the Merger Agreement, the Company agreed to register the Merger Shares (as defined below) held by the Stockholders for resale under the Securities Act (as defined below) and the Stockholders and the Company desire to enter into this Agreement to provide the Stockholders with certain rights relating to the registration of the securities held by them as of the date hereof;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **DEFINITIONS.** The following capitalized terms used herein have the following meanings:

"**Agreement**" means this Agreement, as amended, restated, supplemented, or otherwise modified from time to time.

"**Business Combination**" means the acquisition of direct or indirect ownership through a merger, share exchange, asset acquisition, share purchase, recapitalization, reorganization or other similar type of transaction, of one or more businesses or entities.

"**Commission**" means the Securities and Exchange Commission, or any other Federal agency then administering the Securities Act or the Exchange Act.

"**Common Stock**" means the common stock, par value \$0.0001 per share, of the Company.

“**Company**” is defined in the preamble to this Agreement.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, all as the same shall be in effect at the time.

“**Form S-3**” is defined in Section 2.3.

“**Indemnified Party**” is defined in Section 4.3.

“**Indemnifying Party**” is defined in Section 4.3.

“**Stockholder Indemnified Party**” is defined in Section 4.1.

“**Maximum Number of Shares**” means the number of shares of Common Stock of the Company in an underwritten offering, if the managing Underwriter or Underwriters advises the Company in writing that the dollar amount or number of shares of Registrable Securities which the Stockholders desire to sell, taken together with all other shares of Common stock or other securities which the Company desires to sell and the shares of Common Stock, if any, as to which registration has been requested pursuant to written contractual registration rights held by other shareholders of the Company who desire to sell, which exceeds the maximum dollar amount or maximum number of shares that can be sold in such offering without adversely affecting the proposed offering price, the timing, the distribution method, or the probability of success of such offering such maximum dollar amount or maximum number of shares.

“**Merger Shares**” means the shares of Common Stock of the Company issued or issuable to the Stockholders pursuant to the terms of the Merger Agreement.

“**Notices**” is defined in Section 6.3.

“**Piggy-Back Registration**” is defined in Section 2.1.1.

“**Register**,” “**Registered**” and “**Registration**” mean a registration effected by preparing and filing a registration statement or similar document in compliance with the requirements of the Securities Act, and the applicable rules and regulations promulgated thereunder, and such registration statement becoming effective.

“**Registrable Securities**” means (i) the Merger Shares and (ii) any warrants, shares of capital stock or other securities of the Company issued as a dividend or other distribution with respect to or in exchange for or in replacement of such Merger Shares. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when: (a) a Registration Statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been sold, transferred, disposed of or exchanged in accordance with such Registration Statement; (b) such securities shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent public distribution of them shall not require registration under the Securities Act; (c) such securities shall have ceased to be outstanding, or (d) the Registrable Securities are freely saleable under Rule 144 without volume limitations.

“**Registration Statement**” means a registration statement filed by the Company with the Commission in compliance with the Securities Act and the rules and regulations promulgated thereunder for a public offering and sale of equity securities, or securities or other obligations exercisable or exchangeable for, or convertible into, equity securities (other than a registration statement on Form S-4 or Form S-8, or their successors, or any registration statement covering only securities proposed to be issued in exchange for securities or assets of another entity).

“**SEC**” means the Securities and Exchange Commission.

“**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder, all as the same shall be in effect at the time.

“**Stockholder**” is defined in the preamble to this Agreement.

“**Underwriter**” means a securities broker-dealer who purchases any Registrable Securities as principal in an underwritten offering and not as part of such broker-dealer’s market-making activities.

2. REGISTRATION RIGHTS.

2.1 Piggy-Back Registration.

2.1.1 Piggy-Back Rights. If at any time on or after the date of this Agreement the Company proposes to file a Registration Statement under the Securities Act with respect to an offering of equity securities, or securities or other obligations exercisable or exchangeable for, or convertible into, equity securities, by the Company for its own account or for shareholders of the Company for their account (or by the Company and by shareholders of the Company), other than a Registration Statement (i) filed in connection with any employee stock option or other benefit plan, (ii) for an exchange offer or offering of securities solely to the Company’s existing shareholders, (iii) for an offering of debt that is convertible into equity securities of the Company or (iv) for a dividend reinvestment plan, then the Company shall (x) give written notice of such proposed filing to the holders of Registrable Securities as soon as practicable but in no event less than ten (10) days before the anticipated filing date, which notice shall describe the amount and type of securities to be included in such offering, the intended method(s) of distribution, and the name of the proposed managing Underwriter or Underwriters, if any, of the offering, and (y) offer to the holders of Registrable Securities in such notice the opportunity to register the sale of such number of shares of Registrable Securities as such holders may request in writing within five (5) days following receipt of such notice (a “**Piggy-Back Registration**”). The Company shall cause such Registrable Securities to be included in such registration and shall use its best efforts to cause the managing Underwriter or Underwriters of a proposed underwritten offering to permit the Registrable Securities requested to be included in a Piggy-Back Registration on the same terms and conditions as any similar securities of the Company and to permit the sale or other disposition of such Registrable Securities in accordance with the intended method(s) of distribution thereof. All holders of Registrable Securities proposing to distribute their securities through a Piggy-Back Registration that involves an Underwriter or Underwriters shall enter into an underwriting agreement in customary form with the Underwriter or Underwriters selected for such Piggy-Back Registration.

2.1.2 Reduction of Offering. If the managing Underwriter or Underwriters for a Piggy-Back Registration under this Agreement or a demand registration on behalf of other holders of the Company's securities under that certain Registration Rights Agreement dated as of August 8, 2017 ("Prior Agreement") that is to be an underwritten offering advises the Company and the holders of Registrable Securities hereunder in writing that the dollar amount or number of shares of Common Stock which the Company desires to sell, taken together with the shares of Common Stock, if any, as to which registration has been demanded pursuant to the Prior Agreement, the Registrable Securities as to which registration shall otherwise be required under this Section 2.1, and the shares of Common Stock, if any, as to which registration has been requested pursuant to the this Agreement and the Prior Agreement, exceeds the Maximum Number of Shares in an underwritten offering, then the Company shall include in any such registration:

a) If the registration is undertaken for the Company's account and the Company has previously complied with a demand registration made pursuant to the Prior Agreement or the date of the initial filing of the registration statement for such offering is more than 12 months after the date of this Agreement: (A) first, the shares of Common Stock or other securities that the Company desires to sell that can be sold without exceeding the Maximum Number of Shares; (B) second, to the extent that the Maximum Number of Shares has not been reached under the foregoing clause (A), the shares of Common Stock or other securities, if any, comprised of Registrable Securities, as to which registration has been requested pursuant to the applicable piggy-back registration rights of security holders party to this Agreement, and the holders of securities under the Prior Agreement, Pro Rata, that can be sold without exceeding the Maximum Number of Shares; and (C) third, to the extent that the Maximum Number of Shares has not been reached under the foregoing clauses (A) and (B), the shares of Common Stock or other securities for the account of other persons that the Company is obligated to register pursuant to written contractual piggy-back registration rights with such persons and that can be sold without exceeding the Maximum Number of Shares;

(b) If the registration is undertaken for the Company's account and the Company has not complied with a demand registration made pursuant to the Prior Agreement or the date of the initial filing of the registration statement for such offering is within 12 months of the date of this Agreement: (A) first, the shares of Common Stock or other securities that the Company desires to sell that can be sold without exceeding the Maximum Number of Shares; (B) second, to the extent that the Maximum Number of Shares has not been reached under the foregoing clause (A), to the holders of securities party to the Prior Agreement, (C) third, to the extent that the Maximum Number of Shares has not been reached under the foregoing clauses (A) and (B), the shares of Common Stock or other securities, if any, comprised of Registrable Securities, as to which registration has been requested pursuant to the applicable piggy-back registration rights of security holders party to this Agreement, and the holders of securities under the Prior Agreement, Pro Rata, that can be sold without exceeding the Maximum Number of Shares; and (D) fourth, to the extent that the Maximum Number of Shares has not been reached under the foregoing clauses (A), (B) and (C), the shares of Common Stock or other securities for the account of other persons that the Company is obligated to register pursuant to written contractual piggy-back registration rights with such persons and that can be sold without exceeding the Maximum Number of Shares;

c) If the registration is a “demand” registration undertaken at the demand of persons , (A) first, the shares of Common Stock or other securities for the account of the demanding persons under the Prior Agreement that can be sold without exceeding the Maximum Number of Shares; (B) second, to the extent that the Maximum Number of Shares has not been reached under the foregoing clause (A), the shares of Common Stock or other securities that the Company desires to sell that can be sold without exceeding the Maximum Number of Shares; (C) third, to the extent that the Maximum Number of Shares has not been reached under the foregoing clauses (A) and (B), collectively the shares of Common Stock or other securities comprised of Registrable Securities, Pro Rata, as to which registration has been requested pursuant to the terms hereof, that can be sold without exceeding the Maximum Number of Shares; and (D) fourth, to the extent that the Maximum Number of Shares has not been reached under the foregoing clauses (A), (B) and (C), the shares of Common Stock or other securities for the account of other persons that the Company is obligated to register pursuant to written contractual arrangements with such persons, that can be sold without exceeding the Maximum Number of Shares.

2.1.3 Withdrawal. Any holder of Registrable Securities may elect to withdraw such holder’s request for inclusion of Registrable Securities in any Piggy-Back Registration by giving written notice to the Company of such request to withdraw prior to the effectiveness of the Registration Statement. The Company (whether on its own determination or as the result of a withdrawal by persons making a demand pursuant to written contractual obligations) may withdraw a Registration Statement at any time prior to the effectiveness of such Registration Statement. Notwithstanding any such withdrawal, the Company shall pay all expenses incurred by the holders of Registrable Securities in connection with such Piggy-Back Registration as provided in Section 3.3.

2.1.4 Registrations on Form S-3. The holders of Registrable Securities may at any time and from time to time, request in writing that the Company register the resale of any or all of such Registrable Securities on Form S-3 or any similar short-form registration which may be available to the Company under the Securities Act and the rules and regulations of the SEC at such time (“**Form S-3**”); provided, however, that the Company shall not be obligated to effect such request through an underwritten offering. Upon receipt of such written request, the Company will promptly give written notice of the proposed registration to all other holders of Registrable Securities, and, as soon as practicable thereafter, effect the registration of all or such portion of such holder’s or holders’ Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities or other securities of the Company, if any, of any other holder or holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration pursuant to this Section 2.3: (i) if Form S-3 is not available for such offering; or (ii) if the holders of the Registrable Securities, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at any aggregate price to the public of less than \$500,000.

3. REGISTRATION PROCEDURES.

3.1 Filings; Information. Whenever the Company is required to effect the registration of any Registrable Securities pursuant to Section 2, the Company shall use its best efforts to effect the registration and sale of such Registrable Securities in accordance with the intended method(s) of distribution thereof as expeditiously as practicable, and in connection with any such request:

3.1.1 Copies. The Company shall, prior to filing a Registration Statement or prospectus, or any amendment or supplement thereto, furnish without charge to the holders of Registrable Securities included in such registration, and such holders' legal counsel, copies of such Registration Statement as proposed to be filed, each amendment and supplement to such Registration Statement (in each case including all exhibits thereto and documents incorporated by reference therein), the prospectus included in such Registration Statement (including each preliminary prospectus), and such other documents as the holders of Registrable Securities included in such registration or legal counsel for any such holders may request in order to facilitate the disposition of the Registrable Securities owned by such holders.

3.1.2 Amendments and Supplements. The Company shall prepare and file with the Commission such amendments, including post-effective amendments, and supplements to such Registration Statement and the prospectus used in connection therewith as may be necessary to keep such Registration Statement effective and in compliance with the provisions of the Securities Act until all Registrable Securities and other securities covered by such Registration Statement have been disposed of in accordance with the intended method(s) of distribution set forth in such Registration Statement or such securities have been withdrawn.

3.1.3 Notification. After the filing of a Registration Statement, the Company shall promptly, and in no event more than two (2) business days after such filing, notify the holders of Registrable Securities included in such Registration Statement of such filing, and shall further notify such holders promptly and confirm such advice in writing in all events within two (2) business days of the occurrence of any of the following: (i) when such Registration Statement becomes effective; (ii) when any post-effective amendment to such Registration Statement becomes effective; (iii) the issuance or threatened issuance by the Commission of any stop order (and the Company shall take all actions required to prevent the entry of such stop order or to remove it if entered); and (iv) any request by the Commission for any amendment or supplement to such Registration Statement or any prospectus relating thereto or for additional information or of the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the securities covered by such Registration Statement, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and promptly make available to the holders of Registrable Securities included in such Registration Statement any such supplement or amendment; except that before filing with the Commission a Registration Statement or prospectus or any amendment or supplement thereto, including documents incorporated by reference, the Company shall furnish to the holders of Registrable Securities included in such Registration Statement and to the legal counsel for any such holders, copies of all such documents proposed to be filed sufficiently in advance of filing to provide such holders and legal counsel with a reasonable opportunity to review such documents and comment thereon, and the Company shall not file any Registration Statement or prospectus or amendment or supplement thereto, including documents incorporated by reference, to which such holders or their legal counsel shall object.

3.1.4 State Securities Laws Compliance. The Company shall use its best efforts to (i) register or qualify the Registrable Securities covered by the Registration Statement under such securities or “blue sky” laws of such jurisdictions in the United States as the holders of Registrable Securities included in such Registration Statement (in light of their intended plan of distribution) may request and (ii) take such action necessary to cause such Registrable Securities covered by the Registration Statement to be registered with or approved by such other governmental authorities as may be necessary by virtue of the business and operations of the Company and do any and all other acts and things that may be necessary or advisable to enable the holders of Registrable Securities included in such Registration Statement to consummate the disposition of such Registrable Securities in such jurisdictions; provided, however, that the Company shall not be required to qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph or subject itself to taxation in any such jurisdiction.

3.1.5 Agreements for Disposition. The Company shall enter into customary agreements (including, if applicable, an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of such Registrable Securities. The representations, warranties and covenants of the Company in any underwriting agreement which are made to or for the benefit of any Underwriters, to the extent applicable, shall also be made to and for the benefit of the holders of Registrable Securities included in such registration statement. No holder of Registrable Securities included in such registration statement shall be required to make any representations or warranties in the underwriting agreement except, if applicable, with respect to such holder’s organization, good standing, authority, title to Registrable Securities, lack of conflict of such sale with such holder’s material agreements and organizational documents, and with respect to written information relating to such holder that such holder has furnished in writing expressly for inclusion in such Registration Statement or as otherwise provided herein.

3.1.6 Cooperation. The principal executive officer of the Company, the principal financial officer of the Company, the principal accounting officer of the Company and all other officers and members of the management of the Company shall cooperate fully in any offering of Registrable Securities hereunder, which cooperation shall include, without limitation, the preparation of the Registration Statement with respect to such offering and all other offering materials and related documents, and participation in meetings with Underwriters, attorneys, accountants and potential stockholders.

3.1.7 Records. The Company shall make available for inspection by the holders of Registrable Securities included in such Registration Statement, any Underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other professional retained by any holder of Registrable Securities included in such Registration Statement or any Underwriter, all financial and other records, pertinent corporate documents and properties of the Company, as shall be necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information requested by any of them in connection with such Registration Statement.

3.1.8 Opinions and Comfort Letters. Upon request, the Company shall furnish to each holder of Registrable Securities included in any Registration Statement a signed counterpart, addressed to such holder, of (i) any opinion of counsel to the Company delivered to any Underwriter and (ii) any comfort letter from the Company's independent public accountants delivered to any Underwriter. In the event no legal opinion is delivered to any Underwriter, the Company shall furnish to each holder of Registrable Securities included in such Registration Statement, at any time that such holder elects to use a prospectus, an opinion of counsel to the Company to the effect that the Registration Statement containing such prospectus has been declared effective and that no stop order is in effect.

3.1.8 Earnings Statement. The Company shall comply with all applicable rules and regulations of the Commission and the Securities Act, and make available to its shareholders, as soon as practicable, an earnings statement covering a period of twelve (12) months, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

3.1.10 Listing. The Company shall use its best efforts to cause all Registrable Securities included in any registration to be listed on such exchanges or otherwise designated for trading in the same manner as similar securities issued by the Company are then listed or designated or, if no such similar securities are then listed or designated, in a manner satisfactory to the holders of a majority of the Registrable Securities included in such registration.

3.1.11 Road Show. If the registration involves the registration of Registrable Securities involving gross proceeds in excess of \$5,000,000, the Company shall use its reasonable efforts to make available senior executives of the Company to participate in customary "road show" presentations that may be reasonably requested by the Underwriter in any underwritten offering.

3.2 Obligation to Suspend Distribution. Upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3.1.3 (iv), or, in the case of a resale registration on Form S-3 pursuant to Section 2.3 hereof, upon any suspension by the Company, pursuant to a written insider trading compliance program adopted by the Company's Board of Directors, of the ability of all "insiders" covered by such program to transact in the Company's securities because of the existence of material non-public information, each holder of Registrable Securities included in any registration shall immediately discontinue disposition of such Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such holder receives the supplemented or amended prospectus contemplated by Section 3.1.4(iv) or the restriction on the ability of "insiders" to transact in the Company's securities is removed, as applicable, and, if so directed by the Company, each such holder will deliver to the Company all copies, other than permanent file copies then in such holder's possession, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice.

3.3 Registration Expenses. The Company shall bear all costs and expenses incurred in connection with any Piggy-Back Registration pursuant to Section 2.1, and any registration on Form S-3 effected pursuant to Section 2.3, and all expenses incurred in performing or complying with its other obligations under this Agreement, whether or not the Registration Statement becomes effective, including, without limitation: (i) all registration and filing fees; (ii) fees and expenses of compliance with securities or “blue sky” laws (including fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities); (iii) printing expenses; (iv) the Company’s internal expenses (including, without limitation, all salaries and expenses of its officers and employees); (v) the fees and expenses incurred in connection with the listing of the Registrable Securities as required by Section 3.1.11; (vi) Financial Industry Regulatory Authority fees; (vii) fees and disbursements of counsel for the Company and fees and expenses for independent certified public accountants retained by the Company (including the expenses or costs associated with the delivery of any opinions or comfort letters requested pursuant to Section 3.1.9); (viii) the reasonable fees and expenses of any special experts retained by the Company in connection with such registration and (ix) the reasonable fees and expenses of one legal counsel selected by the holders of a majority-in-interest of the Registrable Securities included in such registration. The Company shall have no obligation to pay any underwriting discounts or selling commissions attributable to the Registrable Securities being sold by the holders thereof, which underwriting discounts or selling commissions shall be borne by such holders. Additionally, in an underwritten offering, all selling shareholders and the Company shall bear the expenses of the Underwriter pro rata in proportion to the respective amount of shares each is selling in such offering.

3.4 Information. The holders of Registrable Securities shall provide such information as may reasonably be requested by the Company, or the managing Underwriter, if any, in connection with the preparation of any Registration Statement, including amendments and supplements thereto, in order to effect the registration of any Registrable Securities under the Securities Act pursuant to Section 2 and in connection with the Company’s obligation to comply with Federal and applicable state securities laws. In addition, the holders of Registrable Securities shall comply with all prospectus delivery requirements under the Securities Act and applicable SEC regulations.

4. INDEMNIFICATION AND CONTRIBUTION.

4.1 Indemnification by the Company. The Company agrees to indemnify and hold harmless each Stockholder and each other holder of Registrable Securities, and each of their respective officers, employees, affiliates, directors, partners, members, attorneys and agents, and each person, if any, who controls an Stockholder and each other holder of Registrable Securities (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) (each, an “**Stockholder Indemnified Party**”), from and against any expenses, losses, judgments, claims, damages or liabilities, whether joint or several, arising out of or based upon any untrue statement (or allegedly untrue statement) of a material fact contained in any Registration Statement under which the sale of such Registrable Securities was registered under the Securities Act, any preliminary prospectus, final prospectus or summary prospectus contained in the Registration Statement, or any amendment or supplement to such Registration Statement, or arising out of or based upon any omission (or alleged omission) to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or any violation by the Company of the Securities Act or any rule or regulation promulgated thereunder applicable to the Company and relating to action or inaction required of the Company in connection with any such registration; and the Company shall promptly reimburse the Stockholder Indemnified Party for any legal and any other expenses reasonably incurred by such Stockholder Indemnified Party in connection with investigating and defending any such expense, loss, judgment, claim, damage, liability or action; provided, however, that the Company will not be liable in any such case to the extent that any such expense, loss, claim, damage or liability arises out of or is based upon any untrue statement or allegedly untrue statement or omission or alleged omission made in such Registration Statement, preliminary prospectus, final prospectus, or summary prospectus, or any such amendment or supplement, in reliance upon and in conformity with information furnished to the Company, in writing, by such selling holder expressly for use therein. The Company also shall indemnify any Underwriter of the Registrable Securities, their officers, affiliates, directors, partners, members and agents and each person who controls such Underwriter on substantially the same basis as that of the indemnification provided above in this Section 4.1.

4.2 Indemnification by Holders of Registrable Securities. Each selling holder of Registrable Securities will, in the event that any registration is being effected under the Securities Act pursuant to this Agreement of any Registrable Securities held by such selling holder, indemnify and hold harmless the Company, each of its directors and officers and each Underwriter (if any), and each other selling holder and each other person, if any, who controls another selling holder or such Underwriter within the meaning of the Securities Act, against any losses, claims, judgments, damages or liabilities, whether joint or several, insofar as such losses, claims, judgments, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or allegedly untrue statement of a material fact contained in any Registration Statement under which the sale of such Registrable Securities was registered under the Securities Act, any preliminary prospectus, final prospectus or summary prospectus contained in the Registration Statement, or any amendment or supplement to the Registration Statement, or arise out of or are based upon any omission or the alleged omission to state a material fact required to be stated therein or necessary to make the statement therein not misleading, if the statement or omission was made in reliance upon and in conformity with information furnished in writing to the Company by such selling holder expressly for use therein, and shall reimburse the Company, its directors and officers, and each other selling holder or controlling person for any legal or other expenses reasonably incurred by any of them in connection with investigation or defending any such loss, claim, damage, liability or action. Each selling holder’s indemnification obligations hereunder shall be several and not joint and shall be limited to the amount of any net proceeds actually received by such selling holder.

4.3 Conduct of Indemnification Proceedings. Promptly after receipt by any person of any notice of any loss, claim, damage or liability or any action in respect of which indemnity may be sought pursuant to Section 4.1 or 4.2, such person (the "Indemnified Party") shall, if a claim in respect thereof is to be made against any other person for indemnification hereunder, notify such other person (the "**Indemnifying Party**") in writing of the loss, claim, judgment, damage, liability or action; provided, however, that the failure by the Indemnified Party to notify the Indemnifying Party shall not relieve the Indemnifying Party from any liability which the Indemnifying Party may have to such Indemnified Party hereunder, except and solely to the extent the Indemnifying Party is actually prejudiced by such failure. If the Indemnified Party is seeking indemnification with respect to any claim or action brought against the Indemnified Party, then the Indemnifying Party shall be entitled to participate in such claim or action, and, to the extent that it wishes, jointly with all other Indemnifying Parties, to assume control of the defense thereof with counsel satisfactory to the Indemnified Party. After notice from the Indemnifying Party to the Indemnified Party of its election to assume control of the defense of such claim or action, the Indemnifying Party shall not be liable to the Indemnified Party for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that in any action in which both the Indemnified Party and the Indemnifying Party are named as defendants, the Indemnified Party shall have the right to employ separate counsel (but no more than one such separate counsel) to represent the Indemnified Party and its controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the Indemnified Party against the Indemnifying Party, with the fees and expenses of such counsel to be paid by such Indemnifying Party if, based upon the written opinion of counsel of such Indemnified Party, representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, consent to entry of judgment or effect any settlement of any claim or pending or threatened proceeding in respect of which the Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such judgment or settlement includes an unconditional release of such Indemnified Party from all liability arising out of such claim or proceeding.

4.4 Contribution.

4.4.1 If the indemnification provided for in the foregoing Sections 4.1, 4.2 and 4.3 is unavailable to any Indemnified Party in respect of any loss, claim, damage, liability or action referred to herein, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, damage, liability or action in such proportion as is appropriate to reflect the relative fault of the Indemnified Parties and the Indemnifying Parties in connection with the actions or omissions which resulted in such loss, claim, damage, liability or action, as well as any other relevant equitable considerations. The relative fault of any Indemnified Party and any Indemnifying Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such Indemnified Party or such Indemnifying Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

4.4.2 The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 4.4 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding Section 4.4.1.

4.4.3 The amount paid or payable by an Indemnified Party as a result of any loss, claim, damage, liability or action referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 4.4, no holder of Registrable Securities shall be required to contribute any amount in excess of the dollar amount of the net proceeds (after payment of any underwriting fees, discounts, commissions or taxes) actually received by such holder from the sale of Registrable Securities which gave rise to such contribution obligation. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

5. RULE 144.

5.1 Rule 144. The Company covenants that it shall file any reports required to be filed by it under the Securities Act and the Exchange Act and shall take such further action as the holders of Registrable Securities may reasonably request, all to the extent required from time to time to enable such holders to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 under the Securities Act, as such Rules may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission.

6. MISCELLANEOUS.

6.1 Assignment; No Third Party Beneficiaries. This Agreement and the rights, duties and obligations of the Company hereunder may not be assigned or delegated by the Company in whole or in part. This Agreement and the rights, duties and obligations of the holders of Registrable Securities hereunder may be freely assigned or delegated by such holder of Registrable Securities in conjunction with and to the extent of any transfer of Registrable Securities by any such holder. This Agreement and the provisions hereof shall be binding upon and shall inure to the benefit of each of the parties, to the permitted assigns of the Stockholders or holder of Registrable Securities or of any assignee of the Stockholders or holder of Registrable Securities. This Agreement is not intended to confer any rights or benefits on any persons that are not party hereto other than as expressly set forth in Article 4 and this Section 6.2.

6.2 Notices. All notices, demands, requests, consents, approvals or other communications (collectively, "Notices") required or permitted to be given hereunder or which are given with respect to this Agreement shall be in writing and shall be personally served, delivered by reputable air courier service with charges prepaid, or transmitted by hand delivery, telegram, telex or facsimile, addressed as set forth below, or to such other address as such party shall have specified most recently by written notice. Notice shall be deemed given on the date of service or transmission if personally served or transmitted by telegram, telex or facsimile; provided, that if such service or transmission is not on a business day or is after normal business hours, then such notice shall be deemed given on the next business day. Notice otherwise sent as provided herein shall be deemed given on the next business day following timely delivery of such notice to a reputable air courier service with an order for next-day delivery.

To the Company:

Attn: _____, Chief Executive Officer

with a copy to:

Becker & Poliakoff
45 Broadway, 17th Floor
New York, NY 10006
Attn: Jie Xiu, Esq.

To an Stockholder, to the address set forth below such Stockholder's name on Exhibit A hereto.

6.3 Severability. This Agreement shall be deemed severable, and the invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of this Agreement or of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the parties hereto intend that there shall be added as a part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible that is valid and enforceable.

6.4 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

6.5 Entire Agreement. This Agreement (including all agreements entered into pursuant hereto and all certificates and instruments delivered pursuant hereto and thereto) constitute the entire agreement of the parties with respect to the subject matter hereof and supersede all prior and contemporaneous agreements, representations, understandings, negotiations and discussions between the parties, whether oral or written.

6.6 Modifications and Amendments. No amendment, modification or termination of this Agreement shall be binding upon the Company unless executed in writing by the Company. No amendment, modification or termination of this Agreement shall be binding upon the holders of the Registrable Securities unless executed in writing by the holders of the majority Registrable Securities.

6.7 Titles and Headings. Titles and headings of sections of this Agreement are for convenience only and shall not affect the construction of any provision of this Agreement.

6.8 Waivers and Extensions. Any party to this Agreement may waive any right, breach or default which such party has the right to waive, provided that such waiver will not be effective against the waiving party unless it is in writing, is signed by such party, and specifically refers to this Agreement. Waivers may be made in advance or after the right waived has arisen or the breach or default waived has occurred. Any waiver may be conditional. No waiver of any breach of any agreement or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof nor of any other agreement or provision herein contained. No waiver or extension of time for performance of any obligations or acts shall be deemed a waiver or extension of the time for performance of any other obligations or acts.

6.9 Remedies Cumulative. In the event that the Company fails to observe or perform any covenant or agreement to be observed or performed under this Agreement, the Stockholder or any other holder of Registrable Securities may proceed to protect and enforce its rights by suit in equity or action at law, whether for specific performance of any term contained in this Agreement or for an injunction against the breach of any such term or in aid of the exercise of any power granted in this Agreement or to enforce any other legal or equitable right, or to take any one or more of such actions, without being required to post a bond. None of the rights, powers or remedies conferred under this Agreement shall be mutually exclusive, and each such right, power or remedy shall be cumulative and in addition to any other right, power or remedy, whether conferred by this Agreement or now or hereafter available at law, in equity, by statute or otherwise.

6.10 Governing Law. This Agreement shall be governed by, interpreted under, and construed in accordance with the internal laws of the State of New York applicable to agreements made and to be performed within the State of New York, without giving effect to any choice-of-law provisions thereof that would compel the application of the substantive laws of any other jurisdiction.

6.11 Waiver of Trial by Jury. Each party hereby irrevocably and unconditionally waives the right to a trial by jury in any action, suit, counterclaim or other proceeding (whether based on contract, tort or otherwise) arising out of, connected with or relating to this Agreement, the transactions contemplated hereby, or the actions of the Stockholder in the negotiation, administration, performance or enforcement hereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have caused this Registration Rights Agreement to be executed and delivered by their duly authorized representatives as of the date first written above.

COMPANY:

HF Foods Group, Inc.

By:

Name: Zhou Min Ni

Title: Chief Executive Officer

STOCKHOLDERS:

Zhou Min Ni

EXHIBIT A

Name and Address of Shareholders

To all Shareholders:

FORM OF RESALE LOCK-UP AGREEMENT

THIS RESALE LOCK-UP AGREEMENT (this "Agreement") is dated as of August 22, 2018, by and between the stockholder set forth on the signature page to this Agreement (the "Holder") and Atlantic Acquisition Corp., a Delaware corporation (the "Purchaser" or the "Parent"). Capitalized terms used and not otherwise defined herein shall have the meanings given such terms in the Merger Agreement (as defined below).

BACKGROUND

A. The Purchaser has entered into that certain Merger Agreement, dated as of March 28, 2018 (the "Merger Agreement"), by and among the Purchaser, HF Group Holding Corporation, a North Carolina corporation (the "Company"), HF Group Merger Sub Inc., a wholly-owned subsidiary of Purchaser ("Merger Sub"), the stockholders of the Company, and Ni, Zhou Min as the representative of such stockholders.

B. The Merger Agreement provides for, among other things, the merger of Merger Sub with and into the Company and the conversion of shares of Company Common Stock (excluding any shares held in the treasury of the Company) into the right to receive the Applicable Per Share Merger Consideration, which includes the right to receive shares of common stock of the Purchaser (the "Purchaser Shares").

C. Each Holder is the record and/or beneficial owner of shares of common stock of the Company and is therefore entitled to receive Purchaser Shares pursuant to the Merger Agreement.

D. As a condition of, and as a material inducement for the Purchaser to enter into and consummate the transactions contemplated by the Merger Agreement, the Holder has agreed to execute and deliver this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties, intending to be legally bound, agree as follows:

AGREEMENT1. Lock-Up.

(a) During the Lock-up Period (as defined below), the Holder irrevocably agrees that it, he or she will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any of the Lock-up Shares (as defined below) (including any securities convertible into, or exchangeable for, or representing the rights to receive, Lock-up Shares), enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such Lock-up Shares, whether any of these transactions are to be settled by delivery of any such Lock-up Shares, in cash or otherwise, publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, or engage in any Short Sales (as defined below) with respect to any security of the Purchaser.

(b) In furtherance of the foregoing, the Purchaser will (i) place an irrevocable stop order on all Purchaser Shares which are Lock-up Shares, including those which may be covered by a registration statement, and (ii) notify the Purchaser's transfer agent in writing of the stop order and the restrictions on such Lock-up Shares under this Agreement and direct the Purchaser's transfer agent not to process any attempts by the Holder to resell or transfer any Lock-up Shares, except in compliance with this Agreement.

(c) For purposes hereof, “Short Sales” include, without limitation, all “short sales” as defined in Rule 200 promulgated under Regulation SHO under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and all types of direct and indirect stock pledges, forward sale contracts, options, puts, calls, swaps and similar arrangements (including on a total return basis), and sales and other transactions through non-US broker dealers or foreign regulated brokers.

(d) For purpose of this agreement, “Lock-up Period” means a period of 365 calendar days from the Closing Date under the Merger Agreement.

2. Representations and Warranties. Each of the parties hereto, by their respective execution and delivery of this Agreement, hereby represents and warrants to the others and to all third party beneficiaries of this Agreement that (a) such party has the full right, capacity and authority to enter into, deliver and perform its respective obligations under this Agreement, (b) this Agreement has been duly executed and delivered by such party and is the binding and enforceable obligation of such party, enforceable against such party in accordance with the terms of this Agreement, and (c) the execution, delivery and performance of such party’s obligations under this Agreement will not conflict with or breach the terms of any other agreement, contract, commitment or understanding to which such party is a party or to which the assets or securities of such party are bound. The Holder has independently evaluated the merits of its decision to enter into and deliver this Agreement, and such Holder confirms that it has not relied on the advice of the Purchaser, the Purchaser’s legal counsel, or any other person.

3. Beneficial Ownership. The Holder hereby represents and warrants that it does not beneficially own, directly or through its nominees (as determined in accordance with Section 13(d) of the Exchange Act, and the rules and regulations promulgated thereunder), any shares of capital stock of the Purchaser, or any economic interest in or derivative of such stock, other than those Purchaser Shares specified on the signature page hereto. For purposes of this Agreement, the Purchaser Shares beneficially owned by the Holder as specified on the signature hereto, together with any Purchaser Shares acquired during the Lock-Up Period, if any, are collectively referred to as the “Lock-up Shares.”

4. No Additional Fees/Payment. Other than the consideration specifically referenced herein, the parties hereto agree that no fee, payment or additional consideration in any form has been or will be paid to the Holder in connection with this Agreement.

5. Notices. Any notices required or permitted to be sent hereunder shall be delivered personally or by courier service to the following addresses, or such other address as any party hereto designates by written notice to the other party. Provided, however, a transmission per telefax or email shall be sufficient and shall be deemed to be properly served when the telefax or email is received if the signed original notice is received by the recipient within three (3) calendar days thereafter.

(a) If to the Purchaser:

Atlantic Acquisition Corp.
1250 Broadway, 36th Floor
New York, NY
Attention: Richard Xu
Email: rxu@atlantic-acquisition.com

With a copy (which shall not constitute notice) to:

Loeb & Loeb LLP
345 Park Avenue
New York, NY 10154
Attention: Giovanni Caruso, Esq.
Email: gcaruso@loeb.com
Fax: (212) 407-4866

- (b) If to the Holder, to the address set forth on the Holder's signature page hereto, with a copy, which shall not constitute notice, to:

Becker & Poliakoff LLP
45 Broadway, 17th Floor
New York, NY 10006
Attn: Jie Xiu, Esq.
Email: Jxiu@beckerlawyers.com
Fax: (212) 557-0295

or to such other address as any party may have furnished to the others in writing in accordance herewith.

6. Enumeration and Headings. The enumeration and headings contained in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

7. Counterparts. This Agreement may be executed in facsimile and in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all of which shall together constitute one and the same agreement.

8. Successors and Assigns. This Agreement and the terms, covenants, provisions and conditions hereof shall be binding upon, and shall inure to the benefit of, the respective heirs, successors and assigns of the parties hereto. The Holder hereby acknowledges and agrees that this Agreement is entered into for the benefit of and is enforceable by the Purchaser and its successors and assigns.

9. Severability. If any provision of this Agreement is held to be invalid or unenforceable for any reason, such provision will be conformed to prevailing law rather than voided, if possible, in order to achieve the intent of the parties and, in any event, the remaining provisions of this Agreement shall remain in full force and effect and shall be binding upon the parties hereto.

10. Amendment. This Agreement may be amended or modified by written agreement executed by each of the parties hereto.

11. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

12. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

13. Dispute Resolution. Article XII of the Merger Agreement regarding arbitration of disputes is incorporated by reference herein to apply with full force to any disputes arising under this Agreement.

14. Governing Law. The terms and provisions of this Agreement shall be construed in accordance with the laws of the State of New York.

15. Controlling Agreement. To the extent the terms of this Agreement (as amended, supplemented, restated or otherwise modified from time to time) directly conflicts with a provision in the Merger Agreement, the terms of this Agreement shall control.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Resale Lock-Up Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

ATLANTIC ACQUISITION CORP.

By: _____

Name: Richard Xu

Title: Chief Executive Officer

IN WITNESS WHEREOF, the parties hereto have caused this Resale Lock-Up Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

HOLDER

By: _____

Address:

[•]

NUMBER OF LOCK-UP SHARES:

____ shares of the Purchaser

PRESS RELEASE DATED AS OF AUGUST 23, 2018

For Immediate Release

August 23, 2018

Media Contact:

Jonathan Ni
336-268-2655

Atlantic Acquisition Corp. Announces Completion of Merger with HF Group Holding Corp.

Newly Formed HF Group Set to Dominate Asian/Chinese Food Distribution in U.S.

GREENSBORO, N.C. – Today, HF Foods Group Inc. (NASDAQ: HFFG), formerly known as Atlantic Acquisition Corp. (NASDAQ: ATACU, ATAC, ATACR), announced the consummation of its business combination with privately-held HF Group Holding Corporation. As previously announced, the business combination was approved by stockholders of Atlantic Acquisition Corp. at its August 10 meeting. Additionally, stockholders approved a name change to HF Foods Group Inc. As a result of the completion of the business combination, the former shareholders of HF Group Holding Corporation will be issued 19.97 million shares of stock (representing approximately 88.5% of the outstanding common stock) at a value of \$10.00 each, based on a \$199.7M valuation of the combined company.

HF Group Holding Corporation, acting through its subsidiaries, is a foodservice distributor in the southeastern United States offering high quality, affordable food to Asian/Chinese restaurants. The company was founded in 1997 and has grown to serve over 3,200 restaurants across 10 states. With nearly 400 employees, HF Group's multilingual sales and customer service divisions, allow the company to overcome the language and culture barriers that are hallmarks of the fragmented and fast growing sector.

"Zhou Min Ni has done a phenomenal job creating one of the leading foodservice distribution companies in the Asian/Chinese restaurant market in the United States," said Richard Xu, former Chairman and CEO of Atlantic Acquisition Corp. "Mr. Ni and his team have been exceptional partners throughout this process, and we look forward to HF Foods Group continuing its success as a public company."

Zhou Min Ni, CEO and Chairman of HF Foods Group said "Our long-term vision is to become a nation-wide leader in this niche market. After more than 20 years of operational experience and growing into a nearly \$300M U.S. entity, we are excited to introduce HF Foods Group as a public company listed on the NASDAQ stock market. We look forward to expanding our customer base, streamlining infrastructure and undertaking strategic expansion through product enhancements, all of which we expect to create value for our investors."

The existing management team of HF Group Holding continues to operate the business post-transaction and will serve as executive management of the post business combination public company. Zhou Min Ni will be Chairman and CEO, and his wife, Chan Sin Wong, will serve as President and as a Director. Jian ("Jonathan") Ming Ni continues as the company's CFO, a position he has held since 2008.

HF Foods Group's new Board of Directors will be comprised of three additional persons: ATAC Independent Director Ren Hua Zheng, Professor Hong Wang of North Carolina A&T State University, and Vice President Zhehui Ni of Shanghai Electric Investment Company. Together, the board brings years of expertise in strategy, sales, operations, management and financial investment to HF Group.

The common stock is expected to begin trading under the new symbol HFFG on Thursday, August 23rd. As of the closing of the business combination on August 22, 2018, the rights and units of the former Atlantic Acquisition Corp. no longer trade on any securities market.

Chardan Capital Markets acted as Atlantic's advisor in connection with the transaction.

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About HF Group Holding Corp.

HF Group Holding Corporation operates as a food service distributor for Chinese restaurants and other businesses. The company was founded in 2018 and is based in Greensboro, North Carolina. Zhou Min Ni and his wife, Chan Sin Wong, co-founded Han Feng Inc., one of HF Group Holding Corporation's subsidiaries, in Kernersville, North Carolina in 1997 and have since opened three distribution centers in North Carolina, Florida and Georgia. HF Group Holding Corporation currently employs approximately 400 people and distributes its products to a network of 3,200 Chinese restaurants across 10 states.

About Atlantic Acquisition Corp.

Atlantic Acquisition Corp. was incorporated as a blank check company formed for the purpose of entering into a merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities. The Company's efforts to identify a target business were not be limited to a particular industry or geographic region, although it intended to focus its efforts on seeking a business combination with a company or companies being operated by and/or serving ethnic minorities in the United States, especially within Asian-American communities in the consumer industry.

Forward Looking Statements

This communication includes certain statements that may constitute “forward-looking statements” for purposes of the federal securities laws. Forward-looking statements include, but are not limited to, statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions. The words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intends,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “would” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements may include, for example, statements about the benefits of the transaction described in this communication; the future financial performance of HF Foods Group following the transaction; changes in HF Foods Group’s reserves and future operating results; and expansion plans and opportunities. These forward-looking statements are based on information available as of the date of this communication, and current expectations, forecasts and assumptions, and involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing HF Foods Group’s views as of any subsequent date, and HF Foods Group does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. You should not place undue reliance on these forward-looking statements. As a result of a number of known and unknown risks and uncertainties, HF Foods Group’s actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include HF Foods Group’s ability to recognize the anticipated benefits of the transaction, which may be affected by, among other things, competition and the ability of HF Foods Group to grow and manage growth profitably following the transaction; changes in applicable laws or regulations; the possibility that HF Foods Group may be adversely affected by other economic, business, and/or competitive factors; and other risks and uncertainties indicated in Silver Run’s public filings with the Securities and Exchange Commission.

Index to Financial Statements

Financial Statements	
Unaudited Condensed Consolidated Financial Statements of HF Group Holding Corporation and Subsidiaries for Six Months Ended June 30, 2018	F-1
Unaudited Pro Forma Condensed Combined Financial Statements of HF Foods Group Inc.	F-24

HF GROUP HOLDING CORPORATION AND SUBSIDIARIES
INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

As of and for the six months ended June 30, 2018 and 2017

Unaudited Condensed Consolidated Financial Statements of

Condensed Consolidated Balance Sheets (Unaudited)	F-2
Condensed Consolidated Statements of Income (Unaudited)	F-3
Condensed Consolidated Statements of Cash Flows (Unaudited)	F-4
Notes to Unaudited Condensed Consolidated Financial Statements	F-5–F-23

Unaudited Pro Forma Condensed Combined Financial Statements

Pro Forma Condensed Combined Balance Sheet As of June 30, 2018 (Unaudited)	F-25
Pro Forma Condensed Combined Income Statement For the Six Months ended June 30, 2018 (Unaudited)	F-26
Pro Forma Condensed Combined Income Statement For the Year ended December 31, 2017 (Unaudited)	F-27
Notes To Unaudited Pro Forma Condensed Combined Financial Information	F-28–F-29

HF GROUP HOLDING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30 2018	As of December 31 2017
ASSETS		
CURRENT ASSETS:		
Cash	\$ 5,160,185	\$ 6,086,044
Accounts receivable, net	13,754,651	14,700,854
Accounts receivable - related parties, net	1,910,116	1,586,420
Inventories, net	24,746,386	22,669,225
Advances to suppliers, net	550,116	1,042,554
Advances to suppliers - related parties, net	2,801,336	3,248,309
Notes receivable	2,543,348	—
Notes receivable - related parties	60,000	—
Other current assets	616,236	554,865
TOTAL CURRENT ASSETS	52,142,374	49,888,271
Property and equipment, net	22,737,185	21,709,467
Deferred tax assets	88,668	—
Long-term notes receivable	—	764,493
Long-term notes receivable - related parties	7,123,027	6,860,056
Loan to shareholders	1,121,598	—
Other long-term assets	189,097	1,435,613
TOTAL ASSETS	\$ 83,401,949	\$ 80,657,900
CURRENT LIABILITIES:		
Lines of credit	\$ 12,094,146	\$ 11,894,146
Accounts payable	19,387,476	17,275,485
Accounts payable - related parties	4,780,171	4,075,927
Advance from customers	169,975	49,677
Advance from customers - related parties	125,946	1,350,296
Current portion of long-term debt, net	1,403,475	1,372,125
Current portion of obligations under capital leases	343,271	434,003
Income tax payable	126,355	512,415
Shareholder distribution payable	438,555	1,000,000
Accrued expenses	2,587,327	991,388
TOTAL CURRENT LIABILITIES	41,456,697	38,955,462
Long-term debt, net	13,595,414	14,249,579
Obligations under capital leases, non-current	—	118,535
Deferred tax liabilities	—	436,212
TOTAL LIABILITIES	55,052,111	53,759,788
Commitments and contingencies		
EQUITY:		
Common stock, no par value, 200,000,000 shares authorized; 100,000 shares issued and outstanding as of June 30, 2018 and December 31, 2017, respectively	—	—
Additional paid-in capital	21,551,700	21,551,700
Retained earnings	6,268,214	4,255,213
Total shareholders' equity	27,819,914	25,806,913
Noncontrolling interest	529,924	1,091,199
TOTAL EQUITY	28,349,838	26,898,112
TOTAL LIABILITIES AND EQUITY	\$ 83,401,949	\$ 80,657,900

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

HF GROUP HOLDING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	For the three months Ended June 30,		For the six months Ended June 30,	
	2018	2017	2018	2017
Net revenue - third parties	\$ 68,055,945	72,248,588	\$ 137,931,855	\$ 139,264,496
Net revenue - related parties	4,231,570	6,180,459	8,936,431	10,876,665
TOTAL NET REVENUE	72,287,515	78,429,047	146,868,286	150,141,161
Cost of revenue - third parties	56,034,520	62,136,973	113,901,064	119,021,095
Cost of revenue - related parties	4,129,262	6,128,037	8,739,423	10,656,778
TOTAL COST OF REVENUE	60,163,782	68,265,010	122,640,487	129,677,873
GROSS PROFIT	12,123,733	10,164,037	24,227,799	20,463,288
DISTRIBUTION, SELLING AND ADMINISTRATIVE EXPENSES	11,267,770	7,880,579	21,340,382	15,385,111
INCOME FROM OPERATIONS	855,963	2,283,458	2,887,417	5,078,177
Other Income (Expenses)				
Interest income	6,875	4,167	13,750	4,167
Interest expense and bank charges	(349,150)	(315,181)	(754,713)	(621,280)
Other income	290,142	107,704	547,332	197,389
Total Other Expenses, net	(52,133)	(203,310)	(193,631)	(419,724)
INCOME BEFORE INCOME TAX PROVISION	803,830	2,080,148	2,693,786	4,658,453
PROVISION (BENEFIT) FOR INCOME TAXES	198,579	(75,378)	702,060	7,978
NET INCOME	605,251	2,155,526	1,991,726	4,650,475
Less: net loss attributable to non-controlling interest	(419,980)	(107,555)	(381,455)	(21,254)
NET INCOME ATTRIBUTABLE TO HF GROUP HOLDING CORPORATION	\$ 1,025,231	2,263,081	\$ 2,373,181	\$ 4,671,729
NET INCOME	605,251	2,155,526	1,991,726	4,650,475
Pro forma adjustment to reflect income tax expenses if taxed under C Corporation	—	(938,184)		(1,804,596)
Net loss attributable to non-controlling interest	(419,980)	(107,555)	(381,455)	(21,254)
Net income used to compute pro forma net earnings per share	1,025,231	1,324,897	2,373,181	2,867,133
Earnings per common share - basic and diluted	\$ 10.25	22.63	\$ 23.73	\$ 46.72
Pro Forma earnings per common share - basic and diluted	10.25	13.25	23.73	28.67
Weighted average shares - basic and diluted	100,000	100,000	100,000	100,000

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

HF GROUP HOLDING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the six months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net Income	\$ 1,991,726	\$ 4,650,475
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	1,041,662	909,365
Provision of doubtful accounts	42,809	(34,580)
Deferred tax benefit	(524,880)	7,978
Changes in operating assets and liabilities:		
Accounts receivable, net	903,394	(403,264)
Accounts receivable - related parties, net	(323,696)	(6,032,224)
Inventories	(2,077,161)	1,912,688
Advances to suppliers	492,438	(134,850)
Advances to suppliers - related parties, net	446,973	733,531
Other current assets	(61,372)	2,882,372
Other long-term assets	1,246,516	353,187
Accounts payable	2,111,991	(3,032,407)
Accounts payable - related parties	704,244	4,274,464
Advance from customers	120,298	(13,096)
Advance from customers - related parties	(1,224,350)	(975,765)
Income tax payable	(386,060)	(222,000)
Accrued expenses	1,595,939	(121,297)
Net cash provided by operating activities	6,100,471	4,754,577
Cash flows from investing activities:		
Purchase of property and equipment	(2,069,380)	(2,116,187)
Payments made for long-term notes receivable	(1,778,855)	—
Proceeds from long-term notes receivable to related parties	(322,971)	1,340,414
Payments made for shareholder loan	(1,121,598)	(1,873,442)
Net cash used in investing activities	(5,292,804)	(2,649,215)
Cash flows from financing activities:		
Proceeds from lines of credit	2,600,000	200,000
Repayment of lines of credit	(2,400,000)	(800,000)
Proceeds from long-term debt	1,365,474	1,300,598
Repayment of long-term debt	(2,197,555)	(900,615)
Cash distribution to shareholders	(1,101,445)	(1,394,905)
Net cash used in financing activities	(1,733,526)	(1,594,922)
Net increase (decrease) in cash	(925,859)	510,440
Cash at beginning of period	6,086,044	5,956,145
Cash at end of period	\$ 5,160,185	\$ 6,466,585
Supplemental cash flow information		
Cash paid for interest	\$ 683,675	\$ 1,613,000
Cash paid for income taxes	\$ 1,613,000	\$ 222,000

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

HF GROUP HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND BUSINESS DESCRIPTION

HF Group Holding Corporation (“HF Holding”) was incorporated in the State of North Carolina on October 11, 2017. Effective January 1, 2018, HF Holding entered into a Contribution Agreement (the “Agreement”) whereby the controlling shareholders of the following 11 entities contributed their respective stocks to HF Holding in exchange for all of HF Holding’s outstanding shares. Upon completion of the share exchanges, these entities became either wholly-owned or majority-owned subsidiaries of HF Holding (hereafter collectively referred to as “Han Feng Group”, or the “Company”).

- Han Feng, Inc. (“Han Feng”)
- Truse Trucking, Inc. (“TT”)
- Morning First Delivery (“MFD”)
- R&N Holdings, LLC (“R&N Holdings”)
- R&N Lexington, LLC (“R&N Lexington”)
- Kirnsway Manufacturing Inc. (“Kirnsway”)
- Chinesetg, Inc. (“Chinesetg”)
- New Southern Food Distributors, Inc. (“NSF”)
- B&B Trucking Services, Inc. (“BB”)
- Kirnland Food Distribution, Inc. (“Kirnland”)
- HG Realty LLC (“HG Realty”)

In accordance with Accounting Standards Codification (“ASC”) 805-50-25, the transaction consummated through the Agreement has been accounted for as a transaction among entities under common control since the same shareholders control all these 11 entities prior to the execution of the Agreement. The consolidated financial statements of the Company have been prepared to report results of operations for the period in which the transfer occurred as though the transfer of net assets or exchange of equity interests had occurred at the beginning of the period presented, in this case January 1, 2016, except HG Realty. One of the controlling shareholders of the Company owned 45% equity interest of HG Realty since its establishment in 2012 and did not have control in HG Realty until September 2017, when this controlling shareholder entered into an equity purchase agreement with the other shareholders of the remaining 55% interest of HG Realty and owns 100% equity interest of HG Realty thereafter. Results of operations for the period presented comprise those of the previously separate entities combined from the beginning of the period to the end of the period. By eliminating the effects of intra-entity transactions in determining the results of operations for the period before the combination, those results will be on substantially the same basis as the results of operations for the period after the date of combination. The effects of intra-entity transactions on current assets, current liabilities, revenue, and cost of sales for periods presented and on retained earnings at the beginning of the periods presented are eliminated to the extent possible. Furthermore, ASC 805-50-45-5 indicates that the financial statements and financial information presented for prior years also shall be retrospectively adjusted to furnish comparative information.

In accordance with ASC 805-50-30-5, when accounting for a transfer of assets or exchange of shares between entities under common control, the entity that receives the net assets or the equity interests should initially recognize the assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of the transfer. If the carrying amounts of the assets and liabilities transferred differ from the historical cost of the parent of the entities under common control, then the financial statements of the receiving entity should reflect the transferred assets and liabilities at the historical cost of the parent of the entities under common control. Accordingly, the Company has recorded the assets and liabilities transferred from the above entities at their carrying amount.

The following table summarizes the entities under Han Feng Group after the above-mentioned reorganization:

Name	Date of incorporation	Place of incorporation	Percentage of legal ownership by Han Feng Holding	Principal activities
Parent:				
HF Holding	October 11, 2017	North Carolina, USA	—	Holding Company
Subsidiaries:				
Han Feng	January 14, 1997	North Carolina, USA		Distributing food and related products
TT	August 6, 2002	North Carolina, USA	100%	Trucking service
MFD	April 15, 1999	North Carolina, USA	100%	Trucking service
R&N Holdings	November 21, 2002	North Carolina, USA	100%	Real estate holding
R&N Lexington	May 27, 2010	North Carolina, USA	100%	Real estate holding
Kimsway	May 24, 2006	North Carolina, USA	100%	Design and printing services
Chinesetg	July 12, 2011	North Carolina, USA	100%	Design and printing services
NSF	December 17, 2008	Florida, USA		Distributing food and related products
BB	September 12, 2001	Florida, USA	100%	Trucking service
Kirmland	April 11, 2006	Georgia, USA	66.7%	Distributing food and related products
HG Realty	May 11, 2012	Georgia, USA	100%	Real estate holding

The Company markets and distributes fresh produce, frozen and dry food, and non-food products to primarily Asian/Chinese restaurants and other foodservice customers throughout the Southeast region of the United States of America (“USA”).

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The Company's unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The unaudited condensed consolidated financial statements include the financial statements of HF Holding and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

The unaudited interim condensed consolidated financial information as of June 30, 2018 and for the three and six months ended June 30, 2018 and 2017 have been prepared, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures, which are normally included in annual financial statements prepared in accordance with U.S. GAAP, may have been omitted pursuant to those rules and regulations. The unaudited interim condensed consolidated financial information should be read in conjunction with the audited consolidated financial statements and the notes thereto for the fiscal years ended December 31, 2017 and 2016.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair presentation of the Company's financial position as of June 30, 2018, its results of operations and its cash flows for the six months ended June 30, 2018 and 2017, as applicable, have been made. The unaudited interim results of operations are not necessarily indicative of the operating results for the full fiscal year or any future periods.

Noncontrolling interests

U.S. GAAP requires that noncontrolling interests in subsidiaries and affiliates be reported in the equity section of a company's balance sheet. In addition, the amounts attributable to the net income (loss) of those subsidiaries are reported separately in the consolidated statements of income.

Uses of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during each reporting period. Actual results could differ from those estimates. Significant accounting estimates reflected in the Company's consolidated financial statements include the allowances for doubtful accounts, estimated useful lives and fair value in connection with the impairment of property and equipment. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three or fewer months to be cash equivalents. As of June 30, 2018 and December 31, 2017, the Company had no cash equivalents.

Accounts Receivable

Accounts receivable represent amounts due from customers in the ordinary course of business and are recorded at the invoiced amount and do not bear interest. Receivables are presented net of the allowance for doubtful accounts in the accompanying unaudited condensed consolidated balance sheets. The Company evaluates the collectability of its accounts receivable and determines the appropriate allowance for doubtful accounts based on a combination of factors. When the Company is aware of a customer's inability to meet its financial obligation, a specific allowance for doubtful accounts is recorded, reducing the receivable to the net amount the Company reasonably expects to collect. In addition, allowances are recorded for all other receivables based on historic collection trends, write-offs and the aging of receivables. The Company uses specific criteria to determine uncollectible receivables to be written off, including bankruptcy, accounts referred to outside parties for collection, and accounts past due over specified periods. As of June 30, 2018 and December 31, 2017, the allowances for doubtful accounts were \$609,917 and \$567,108, respectively.

Inventories

The Company's inventories, consisting mainly of food and other food service-related products, are primarily considered finished goods. Inventory costs, including the purchase price of the product and freight charges to deliver it to the Company's warehouses, are net of certain cash or non-cash consideration received from vendors. The Company assesses the need for valuation allowances for slow-moving, excess and obsolete inventories by estimating the net recoverable value of such goods based upon inventory category, inventory age, specifically identified items, and overall economic conditions. Inventories are stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Following are the estimated useful lives of the Company's property and equipment:

	Estimated useful lives
Buildings and improvements	7-39 years
Machinery and equipment	3-7 years
Motor vehicles	5 years

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterment that extends the useful lives of property, plant and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in the consolidated statements of income in other income or expenses.

Impairment of Long-lived Assets

The Company assesses its long-lived assets such as property and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Factors which may indicate potential impairment include a significant underperformance related to the historical or projected future operating results or a significant negative industry or economic trend. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows the assets are expected to generate. If property and equipment are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the assets exceeds their fair value. The Company did not record any impairment loss on its long-lived assets as of June 30, 2018 and December 31, 2017.

Revenue recognition

The Company recognizes revenue from the sale of product when title and risk of loss passes and the customer accepts the goods, which generally occurs at delivery. Sales taxes invoiced to customers and remitted to governmental authorities are excluded from net sales.

On January 1, 2018 the Company adopted Accounting Standards Update ("ASU") 2014-09 Revenue from Contracts with Customers (FASB ASC Topic 606) using the modified retrospective method for contracts that were not completed as of January 1, 2018. The results of applying Topic 606 using the modified retrospective approach were insignificant and did not have a material impact on our consolidated financial condition, results of operations, cash flows, business process, controls or systems.

The core principle underlying the revenue recognition ASU is that the Company will recognize revenue to represent the transfer of goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in such exchange. This will require the Company to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer. The majority of our contracts have one single performance obligation as the promise to transfer the individual goods is not separately identifiable from other promises in the contracts and is, therefore, not distinct. The Company's revenue streams are recognized at a point in time.

The contract assets and contract liabilities are recorded on the Condensed Consolidated Balance Sheet as accounts receivable and advance payment from customers as of June 30, 2018 and December 31, 2017. For the six and three months ended June 30, 2018, revenue recognized from performance obligations related to prior periods was insignificant.

Revenue expected to be recognized in any future periods related to remaining performance obligations is insignificant.

The following table summarizes disaggregated revenue from contracts with customers by geographic locations:

	<u>For the Three Months Ended</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
North Carolina	\$ 34,571,240	\$ 38,938,811
Florida	21,971,797	22,152,737
Georgia	15,744,478	17,337,499
Total	<u>\$ 72,287,515</u>	<u>\$ 78,429,047</u>

	<u>For the Six Months Ended</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
North Carolina	\$ 69,568,907	\$ 72,472,196
Florida	45,125,335	43,363,498
Georgia	32,174,044	34,305,467
Total	<u>\$ 146,868,286</u>	<u>\$ 150,141,161</u>

Shipping and handling costs

Shipping and handling costs, which include costs related to the selection of products and their delivery to customers, are presented in distribution, selling and administrative expenses. Shipping and handling costs were \$2,824,454, and \$3,478,932 for the six months ended June 30, 2018 and 2017, and \$1,750,661 and \$1,843,733 for the three months ended June 30, 2018 and 2017, respectively.

Income taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, we determine deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company recognizes deferred tax assets to the extent that we believe that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Company does not believe that there was any uncertain tax positions at June 30, 2018 and December 31, 2017.

Capital lease obligations

The Company has recorded capital lease obligations for equipment leases at both June 30, 2018 and December 31, 2017. In each case, the Company records the equipment as its own assets under lease accounting guidance. Further, each lease contains provisions indicating continuing involvement with the equipment at the end of the lease period. As a result, in accordance with applicable accounting guidance, related assets subject to the leases are reflected on the Company's unaudited condensed consolidated balance sheets and depreciated over the lesser of the lease term or their remaining useful lives. The present value of the lease payments associated with the equipment is recorded as capital lease obligations.

Earnings per Share

The Company computes earnings per share ("EPS") in accordance with ASC 260, "Earnings per Share" ("ASC 260"). ASC 260 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as net income divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. There is no anti-dilutive effect for the three months ended June 30, 2018 and 2017.

Fair value of financial instruments

The Company follows the provisions of FASB ASC 820, Fair Value Measurements and Disclosures. ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2 - Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 - Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The carrying amounts reported in the balance sheets for cash, accounts receivable, advances to suppliers, other current assets, accounts payable, income tax payable, advance from customers, accrued and other liabilities approximate their fair value based on the short-term maturity of these instruments.

Concentrations and credit risk

Credit risk

Accounts receivable are typically unsecured and derived from revenue earned from customers, thereby exposed to credit risk. The risk is mitigated by the Company's assessment of its customers' creditworthiness and its ongoing monitoring of outstanding balances.

Concentration risk

There were no receivables from any one customer representing more than 10% of our consolidated gross accounts receivable at June 30, 2018 and December 31, 2017.

For the six and three months ended June 30, 2018 and three months ended June 30, 2017, no supplier accounted for more than 10% of the total cost of revenue. For the six months ended June 30, 2017, one supplier accounted for 11% of the total cost of revenue. As of June 30, 2018, three suppliers accounted for 38%, 15% and 11% of total advance payments, respectively. One of these suppliers accounted for 100% of advance payments to related parties. As of December 31, 2017, one supplier accounted for 69% of total advance payments outstanding and this supplier accounted for 92% of advance payments to related parties.

Recent accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, "Leases" to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet with a corresponding liability and disclosing key information about leasing arrangements. For public business entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim reporting periods within those fiscal years. For all other entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and interim reporting periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is evaluating the impact of the adoption of this revised guidance on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-17, "Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control". The amendments affect reporting entities that are required to evaluate whether they should consolidate a variable interest entity in certain situations involving entities under common control. Specifically, the amendments change the evaluation of whether a reporting entity is the primary beneficiary of a variable interest entity by changing how a reporting entity that is a single decision maker of a variable interest entity treats indirect interests in the entity held through related parties that are under common control with the reporting entity. The amendments are effective for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim reporting periods within fiscal years beginning after December 15, 2017. Early adoption is permitted. The Company does not expect that adoption of this guidance will have a material impact on its consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash", which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this ASU apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The amendments should be applied using a retrospective transition method to each period presented. The adoption of this guidance will increase cash and cash equivalents by the amount of the restricted cash on the Company's consolidated statement of cash flows.

In July 2017, the FASB issued ASU No. 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), and Derivatives and Hedging (Topic 815). The guidance of Part I is to clarify accounting for certain financial instruments with down round feature in a financial instrument that reduces the strike price of an issued financial instrument if the issuer sells shares of its stock for an amount less than the currently stated strike price of the issued financial instrument or issues an equity-linked financial instrument with a strike price below the currently stated strike price of the issued financial instrument. For freestanding equity classified financial instruments, the amendments require entities that present earnings per share (EPS) in accordance with Topic 260 to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. Convertible instruments with embedded conversion options that have down round features are now subject to the specialized guidance for contingent beneficial conversion features. The amendments also re-characterize the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception. Those amendments do not have an accounting effect. The amendments in Part I of ASU No. 2017-11 are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted for all entities, including adoption in an interim period. The amendments in Part II of this Update do not require any transition guidance because those amendments do not have an accounting effect. The Company has not early adopted this update and it will become effective on July 1, 2020. The Company is currently evaluating the impact of our pending adoption of ASU 2017-11 on its consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, “Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income”. The amendments eliminate the stranded tax effects resulting from the United States Tax Cuts and Jobs Act (the “Act”) and will improve the usefulness of information reported to financial statement users. ASU No. 2018-02 is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company has not early adopted this update and it will become effective on July 1, 2019. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements.

NOTE 3 - ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of the following:

	As of June 30, 2018	As of December 31, 2017
Accounts receivable	\$ 14,364,568	\$ 15,267,962
Less: allowance for doubtful accounts	(609,917)	(567,108)
Accounts receivable, net	<u>\$ 13,754,651</u>	<u>\$ 14,700,854</u>

Movement of allowance for doubtful accounts is as follows:

	For the Six Months Ended	
	June 30, 2018	June 30, 2017
Beginning balance	\$ 567,108	\$ 670,280
Provision for doubtful accounts	55,531	55,268
Less: write off/recovery	(12,722)	(23,948)
Ending balance	<u>\$ 609,917</u>	<u>\$ 701,600</u>

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	As of June 30, 2018	As of December 31, 2017
Land	\$ 1,608,647	\$ 1,608,647
Buildings and improvements	18,784,628	18,589,496
Machinery and equipment	9,926,496	9,430,221
Motor vehicles	9,494,798	8,288,868
Subtotal	39,814,569	37,917,232
Less: accumulated depreciation	(17,077,384)	(16,207,765)
Property and equipment, net	<u>\$ 22,737,185</u>	<u>\$ 21,709,467</u>

Depreciation expense was \$1,041,662 and \$909,365 for the six months ended June 30, 2018 and 2017, and \$545,567 and \$464,060 for the three months ended June 30, 2018 and 2017, respectively.

NOTE 5 - LINES OF CREDIT

On July 1, 2016, Han Feng, the Company's main operating entity, entered into a line of credit agreement with East West Bank. The line of credit agreement provided for a revolving credit of \$14,500,000. The line of credit is secured by virtually all assets of Han Feng, premises and an adjoining undeveloped parcel of land owned by R&N Holding, and premises owned by R&N Lexington. The principal and all accrued unpaid interest were originally due in May 2018 and was extended to August 31, 2018. Interest is based on the prime rate less 0.15%, but in no event less than 3.25% per annum, and is payable monthly (4.85% at June 30, 2018). The outstanding balance on the line of credit as at June 30, 2018 and December 31, 2017 was \$9,244,000 and \$9,344,000, respectively. The line of credit agreement contains certain financial covenants which, among other things, require Han Feng to maintain certain financial ratios. At June 30, 2018 and December 31, 2017, Han Feng was in compliance with the covenants under the line of credit agreement. The line of credit was guaranteed by the two shareholders of the Company, as well as four subsidiaries of the Company, TT, MFD, R&N Holding and R&N Lexington.

On November 14, 2012, NSF, the Company's another operating entity, entered into a line of credit agreement with Bank of America. The line of credit agreement provided for a revolving credit of \$4,000,000. The line of credit is secured by three real properties owned by NSF, and guaranteed by the two shareholders of the Company, as well as BB, a subsidiary of the Company. The maximum borrowings are determined by certain percentages of eligible accounts receivable and inventories. The principal and all accrued unpaid interest were due in January 2018. The loan was renewed upon maturity and is now due in February 2020. Interest is based on the LIBOR rate plus 2.75% (4.8435% at June 30, 2018). The outstanding balance on the line of credit as at June 30, 2018 and December 31, 2017 was \$2,850,146 and \$2,550,146, respectively. The line of credit agreement contains certain financial covenants which, among other things, require NSF to maintain certain financial ratios. At June 30, 2018 and December 31, 2017, NSF was in compliance with the covenants under the line of credit agreement.

NOTE 6 - LONG-TERM DEBT

Long-term debt at June 30, 2018 and December 31, 2017 is as follows:

Bank name	Maturity	Interest rate at December 31, 2017	As of June 30, 2018	As of December 31, 2017
East West Bank – (b)	June 2022 - August 2027	4.25% - 4.75%	\$ 5,137,141	\$ 5,220,809
Capital Bank – (c)	October 2027	3.85%	5,244,417	5,333,677
Bank of America – (d)	February 2023	4.2095%	1,715,284	2,262,500
Bank of Montreal – (a)	April 2022 - June 2023	5.99% - 6.87%	2,291,677	1,071,398
GE Capital – (a)	October 2019	5.94%	—	36,359
Other finance companies – (e)	September 2018 - December 2023	3.99% - 6.69%	610,370	1,696,961
Total debt			14,998,889	15,621,704
Less: current portion			(1,403,475)	(1,372,125)
Long-term debt			<u>\$ 13,595,414</u>	<u>\$ 14,249,579</u>

The terms of the various loan agreements relating to long-term bank borrowings contain certain restrictive financial covenants which, among other things, require the Company to maintain specified levels of debt to tangible net worth and debt service coverage. As of June 30, 2018 and December 31, 2017, the Company was in compliance with such covenants.

The loans outstanding were guaranteed by the following properties, entities or individuals:

- (a) Not collateralized or guaranteed.
- (b) Guaranteed by two shareholders of the Company, as well as five subsidiaries of the Company, Han Feng, TT, MFD, R&N Holding and R&N Lexington. Also secured by assets of Han Feng and R&N Lexington and R&N Holding, two real properties of R&N Holding, and a real property of R&N Lexington. Balloon payment of these long-term debts is \$3,642,215.
- (c) Guaranteed by two shareholders, as well as Han Feng, one subsidiary of the Company. Also secured by a real property owned by HG Realty. Balloon payment of this debt is \$3,116,687.
- (d) Guaranteed by two shareholders, as well as two subsidiaries of the Company, NSF and BB. Secured by a real property, equipment and fixtures, inventories, receivables and all other personal property owned by NSF. Balloon payment of this long-term debt is \$1,684,898. The loan agreement has been renewed on February 26, 2018.
- (e) Secured by vehicles.

The future maturities of long-term debt at June 30,2018 are as follows:

Twelve months ending June	
2019	\$ 1,403,475
2020	1,223,678
2021	1,029,210
2022	848,339
2023	764,365
Thereafter	9,729,822
Total	\$ 14,998,889

NOTE 7 - LEASES

Capital Lease Obligations

The Company leases vehicles or delivery trucks under capital leases with various expiration dates through 2021. At June 30, 2018 and December 31, 2017, the cost of assets acquired under capital leases is \$1,297,900 and \$1,297,900, respectively, the related accumulated amortization is \$665,380 and \$535,590, respectively, and the net book value is \$629,520 and \$762,310, respectively. Depreciation expense related to these assets for the six months ended June 30, 2018 and 2017 were \$129,790 and \$129,790, respectively.

Capital lease obligations consisted of the following:

	As of June 30, 2018	As of December 31, 2017
Vehicles due in monthly installments of \$40,470 inclusive of interest at 14.38%, due in March 2019	\$ 343,271	\$ 552,538
Less: current portion	(343,271)	(434,003)
Obligations under capitalized leases payable after one year	<u>\$ —</u>	<u>\$ 118,535</u>

Operating lease commitments

The Company's operating leases mainly include forklifts and housing units. These leases had an average remaining lease term of approximately 5 years as of June 30, 2018. Rental expense charged to expenses under operating leases for the six months ended June 30, 2018 and 2017 amounted to \$196,369 and \$269,595, and \$49,456 and 108,913 for the three months ended June 30, 2018 and 2017, respectively.

Future minimum lease obligations for operating leases with initial terms in excess of one year at June 30, 2018 are as follows:

Twelve months ended June 30,	
2018	\$ 167,301
2019	53,371
2020	22,838
2021	2,607
2022	—
Total	<u>\$ 246,117</u>

A subsidiary of the Company, RN Holding, leases a facility to a related party under an operating lease agreement expiring in 2019. The cost of the leased building is \$400,000 at June 30, 2018 and December 31, 2017, and the accumulated depreciation of the leased building is \$94,871 and \$89,743 at June 30, 2018 and December 31, 2017, respectively. Rental income for the six months ended June 30, 2018 and 2017 amounted to \$22,800 and \$22,800, and \$11,400 and \$11,400 for the three months ended June 30, 2018 and 2017, respectively.

In 2017, a subsidiary of the Company, HG Realty, leased a warehouse to a related party under an operating lease agreement expiring on September 21, 2027. The cost of the leased building is \$3,223,745 as at June 30, 2018 and December 31, 2017, and the accumulated depreciation of the leased building is \$392,636 and \$351,306 as at June 30, 2018 and December 31, 2017, respectively. Rental income for the six months ended June 30, 2018 was \$240,000. Rental income for the six months ended June 30, 2017 was \$120,000. There was no rental income recorded for the three months ended June 30, 2017 since HG Realty only became a subsidiary of the Company in 2017.

NOTE 8 - TAXES

A. Corporate Income Taxes ("CIT")

Prior to January 1, 2018, Han Feng, TT, MFD, Kimsway, Chinesetg, NSF and BB had elected under the Internal Revenue Code to be S corporations. R&N Holdings, R&N Lexington and HG realty are formed as partnerships. An S corporation or partnership is considered a flow-through entity and is generally not subject to federal or state income tax on corporate level. In lieu of corporate income taxes, the stockholders and members of these entities are taxed on their proportionate share of the entities' taxable income. Kirmland did not elect to be treated as S corporation and is the only entity that is subject to corporate income taxes under this report.

Effective January 1, 2018, all of the above-listed S corporation and partnership entities have been converted to C corporations and will be taxed at corporate level going forward. Accordingly, the Company shall account for income taxes of all these entities under ASC 740. The Company has recognized the impact on deferred income tax assets and liabilities from the future conversion of the above-mentioned S corporations and partnership entities to C corporations in the consolidated financial statements as of December 31, 2017.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the “Act”), which significantly changed U.S. tax law. The Act lowered the Company’s U.S. statutory federal income tax rate from 35% to 21% effective January 1, 2018, while also imposing a deemed repatriation tax on deferred foreign income. The Act also created a new minimum tax on certain future foreign earnings. The Company expects the new federal income tax rate will significantly lower the Company’s income tax expenses going forward. The Company does not expect the repatriation tax and new minimum tax on certain future foreign earnings to have any impact on the Company’s operations since it currently has no foreign income and does not expect to generate any foreign income in the future.

(i) *The Income tax provision (benefit) of the Company for the six and three months ended June 30, 2018 and 2017 consists of the following:*

	For the Six Months Ended	
	June 30, 2018	June 30, 2017
Current:		
Federal	\$ 985,237	\$ —
State	241,703	—
Current income tax provision	<u>1,226,940</u>	<u>—</u>
Deferred:		
Federal	(429,903)	4,415
State	(94,977)	3,563
Deferred income tax benefit	<u>(524,880)</u>	<u>7,978</u>
Total income tax provision	<u>\$ 702,060</u>	<u>\$ 7,978</u>
	For the three Months Ended	
	June 30, 2018	June 30, 2017
Current:		
Federal	\$ 565,219	\$ (76,465)
State	154,843	(14,110)
Current income tax provision	<u>720,062</u>	<u>(90,575)</u>
Deferred:		
Federal	(425,931)	12,398
State	(95,552)	2,799
Deferred income tax benefit	<u>(521,483)</u>	<u>15,197</u>
Total income tax provision	<u>\$ 198,579</u>	<u>\$ (75,378)</u>

(ii) Temporary differences and carryforwards of the Company that created significant deferred tax assets and liabilities are as follows:

	As of June 30, 2018	As of December 31, 2017
Deferred tax assets:		
Allowance for doubtful accounts	\$ 153,078	\$ 139,947
Inventories	105,536	1,750
Section 481(a) adjustment	147,961	140,310
Other accrued expenses	674,902	237,550
Others	45,962	—
Total deferred tax assets	1,127,439	519,557
Deferred tax liabilities:		
Property and equipment	(1,038,771)	(955,769)
Total deferred tax liabilities	(1,038,771)	(955,769)
Net deferred tax assets (liabilities)	\$ 88,668	\$ (436,212)

The above-disclosed deferred income assets and liabilities as of December 31, 2017 included deferred tax assets in the amount of \$398,699 and deferred tax liabilities in the amount of \$934,529 derived from the effect of future conversion of the above-mentioned S corporations and partnership entities to C corporations.

(iii) Reconciliations of the statutory income tax rate to the effective income tax rate are as follows:

	For the Six Months Ended	
	June 30, 2018	June 30, 2017
Federal statutory tax rate	21.0%	34.0%
State statutory tax rate	5.4%	4.0%
U.S. permanent difference	1.6%	2.1%
Others	(1.9)%	(1.2)%
Effect of flow-through entities	—	(38.7)%
Effective tax rate	26.1%	0.2%

B. Pro forma Income Taxes information

As mentioned before, prior to January 1, 2018, Han Feng, TT, MFD, Kirnsway, Chinesetg, NSF and BB have elected under the Internal Revenue Code to be S corporations. R&N Holdings, R&N Lexington, and HG realty are formed as partnerships. Starting January 1, 2018, all of the above-mentioned entities have been converted to C corporations and will be subject to regular corporate income tax rate going forward.

The following pro forma financial information presents the income tax expenses and EPS for the six months ended June 30, 2017, as if all of these S corporation and partnership entities had been converted to C corporations as of the beginning of each period presented:

(i) The Pro forma Income tax provision (benefit) of the Company for the six and three months ended June 30, 2017 consists of the following:

	For the six months end June 30, 2017	For the three months end June 30, 2017
Current:		
Federal	\$ 1,598,245	\$ 736,738
State	178,942	79,283
Current income tax provision	1,777,187	816,021
Deferred:		
Federal	27,526	40,371
State	7,861	6,414
Deferred income tax benefit	35,387	46,785
Total income tax provision	\$ 1,812,574	\$ 862,806

(iii) The Pro forma earnings per share:

	For the Six Months ended June 30, 2017 (Unaudited)	For the Three Months ended June 30, 2017 (Unaudited)
Pro Forma Net Income	\$ 2,845,879	1,217,342
Less: net income (loss) attributable to noncontrolling interest	(21,254)	(107,555)
Pro Forma Net Income Attributable to HF Group Holding Corporation	<u>2,867,133</u>	<u>1,324,897</u>
Pro Forma Earnings per common share - basic and diluted	\$ 28.67	13.25
Pro Forma Weighted average shares - basic and diluted	<u>100,000</u>	<u>100,000</u>

NOTE 9 – RELATED PARTY TRANSACTIONS

The Company records transactions with various related parties. These related party transactions as of June 30, 2018 and December 31, 2017 and for the six and three months ended June 30, 2018 and, 2017 are identified as follows:

Related party balances:

a. Accounts receivable - related parties, net

Below is a summary of accounts receivable with related parties as of June 30, 2018 and December 31, 2017, respectively:

Name of Related Party	As of June 30, 2018	As of December 31, 2017
(a) Allstate Trading Company Inc.	\$ 52,120	\$ 176,660
(b) Enson Seafood GA Inc. (formerly “GA-GW Seafood, Inc.”)	86,822	87,814
(c) Eagle Food Service LLC	265,864	656,799
(d) Fortune One Foods Inc.	18,948	154,904
(e) Eastern Fresh LLC	1,409,671	340,114
(f) New Marco Food Inc.	76,691	170,129
Total	<u>\$ 1,910,116</u>	<u>\$ 1,586,420</u>

- (a) Mr. Zhou Min Ni, the Chairman and Chief Executive Officer of the Company, owns 40% equity interest of this entity;
- (b) Mr. Zhou Min Ni owns 45% equity interest of this entity;
- (c) Tina Ni, one of Mr. Zhou Min Ni’s family member owns 50% equity interest of this entity;
- (d) Mr. Zhou Min Ni owns 17.5% equity interest of this entity;
- (e) Mr. Zhou Min Ni owns 30% equity interest of this entity;
- (f) Mr. Zhou Min Ni owns 30% equity interest of this entity.

All accounts receivable from these related parties are current and considered fully collectible. No allowance is deemed necessary.

b. Advances to suppliers - related parties, net

The Company periodically provides purchase advances to various vendors, including the related party suppliers. These advances are made in the normal course of business and are considered fully realizable.

Below is a summary of advances to related party suppliers as of June 30, 2018 and December 31, 2017, respectively:

Name of Related Party	As of June 30, 2018	As of December 31, 2017
(1) Enson Seafood GA Inc. (formerly "GA-GW Seafood, Inc.")	\$ 1,785,139	\$ 2,978,161
(2) Ocean Pacific Seafood Group	200,687	145,888
(3) Eastern Fresh LLC	187,587	—
(4) Han Feng Information Tech. Jinhua Inc.	—	5,167
(5) NSG International Inc. ("NSG")	79,841	119,093
(6) Revolution Industry LLC.	548,082	—
Total	\$ 2,801,336	\$ 3,248,309

(1) Mr. Zhou Min Ni owns 45% equity interest of this entity. The large advances to GW Seafood made in 2018 and 2017 was a result of the Company's decision to take advantage of the large refrigerated facilities owned by GW Seafood. The Company made these advances to GW Seafood for the purchases of large quantities of frozen foods. GW Seafood takes possession of these frozen goods until they are shipped based on the Company's sales orders. The Company did not include these advanced purchases in its inventory since the title and risk of these goods remained with GW Seafood;

(2) Mr. Zhou Min Ni owns 25% equity interest of this entity;

(3) Mr. Zhou Min Ni owns 30% equity interest of this entity;

(4) Mr. Zhou Min Ni owns 37% of its equity interest;

(5) Mr. Zhou Min Ni owns 30% of its equity interest.

(6) Mr. Zhou Min Ni owns a 51% equity interest in Revolution Industry LLC

c. Long-term notes receivables - related parties

The Company had previously made advances or loans to certain entities that are either owned by the controlling shareholders of the Company or family members of the controlling shareholders.

As of June 30, 2018 and December 31, 2017, the outstanding loans to various related parties consist of the following:

Name of Related Party	As of June 30, 2018	As of December 31, 2017
Enson Seafood GA Inc. (formerly "GA-GW Seafood, Inc.")	\$ 550,000	\$ 550,000
NSG International Inc. ("NSG")	6,143,391	5,993,552
Eastern Fresh LLC ("Eastern")	—	316,504
Revolution Automotive LLC	489,636	—
Total	\$ 7,183,027	\$ 6,860,056
Less: Current portion	\$ 60,000	\$ —
Total	\$ 7,123,027	\$ 6,860,056

On January 1, 2018, the Company signed separate promissory note agreements (“Agreement”) with NSG and GW Seafood. Pursuant to the Agreement, the outstanding balances of \$5,993,552 due from NSG and \$550,000 from GW Seafood as of December 31, 2017 were converted into promissory notes bearing annual interest of 5%. The interest shall be accrued starting January 1, 2018. The principal plus interest shall be paid off no later than December 31, 2019. Interest is computed on the outstanding balance on the basis of the actual number of days elapsed in a year of 360 days.

The promissory note with Eastern in the original amount of \$1,000,000 was signed on May 31, 2017 bearing annual interest rate of 5%. This note has been repaid in full as of June 30, 2018.

On March 1, 2018, the Company signed promissory note agreement (“Agreement”) with Revolution Automotive LLC (“Revolution Automotive “) for \$483,628. Pursuant to the Agreement, Revolution Automotive will make monthly payment of \$5,000 for 60 months, with final payment of \$284,453. The loan bears interest of 5% per annum. Interest is computed on the outstanding balance on the basis of the actual number of days elapsed in a year of 360 days. The principal plus interest shall be paid off no later than April 30, 2023.

d. Accounts payable - related parties

As of March 31 and December 31, 2017, the Company had a total accounts payable balance of \$4,780,171 and \$ 4,075,927 due to various related parties, respectively. All these accounts payable to related parties occurred in the ordinary course of business and are payable upon demand without interest.

e. Advance from customers - related parties

The Company also periodically receives advances from its related parties for business purposes. These advances are interest free and due upon demand. The balances for advance from customers involving related parties amounted to \$125,946 and \$1,350,296 as of June 30, 2018 and December 31, 2017, respectively.

f. Loan to shareholder

The Company loaned \$1.1 million to two of its shareholders to pay 2017 individual income tax. The loans bear 5% of interest rate per year and is due on December 31, 2019 and December 31, 2020.

Related party sales and purchases transactions:

The Company also makes regular sales to or purchases from various related parties during the normal course of business. The total sales made to related parties amounted to \$8,936,431 and \$10,876,665 for the six months ended June 30, 2018 and 2017, and \$4,231,570 and \$6,180,459 for the three months ended June 30, 2018 and 2017 respectively. The total purchases made from related parties were \$13,010,492 and \$12,720,024 for the six months ended June 30, 2018 and 2017, and \$5,875,732 and \$6,291,094 for the three months ended June 30, 2018 and 2017, respectively.

NOTE 10 - EQUITY

HF Holding had authority to issue a total of 100,000,000 shares of voting common stocks and 100,000,000 shares of non-voting common stocks both with no par value when incorporated in the State of North Carolina on October 11, 2017. On February 27, 2018, 100,000 voting shares were issued to the shareholders at no par value. The issuance of these 100,000 shares is considered as a part of the reorganization of the Company, which was retroactively applied as if the transaction occurred at the beginning of the period presented. As a result, the Company had 200,000,000 authorized common shares at no par value, of which 100,000 voting shares were issued and outstanding as of June 30, 2018 and December 31, 2017.

The Company has converted the accumulated undistributed retaining earnings in the total amount of \$5,250,000 as of December 31, 2017 into additional paid-in capital as shareholder contribution to the capital of the Company.

NOTE 11 - SEGMENT REPORTING

ASC 280, "Segment Reporting," establishes standards for reporting information about operating segments on a basis consistent with the Company's internal organizational structure as well as information about geographical areas, business segments and major customers in financial statements for details on the Company's business segments. The Company uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company's reportable segments. Management, including the chief operating decision maker, reviews operation results by the revenue of different products. Based on management's assessment, the Company has determined that it has two operating segments: sales to independent restaurants and wholesale.

The following table presents net sales by segment for the six and three months ended June 30, 2018 and 2017, respectively:

	For the Six Months Ended	
	June 30, 2018	June 30, 2017
Sales to independent restaurants	\$ 137,516,339	\$ 137,591,237
Wholesale	9,351,947	12,549,924
Total	<u>\$ 146,868,286</u>	<u>\$ 150,141,161</u>

	For the Three Months Ended	
	June 30, 2018	June 30, 2017
Sales to independent restaurants	\$ 67,640,429	\$ 70,575,329
Wholesale	4,647,086	7,853,718
Total	<u>\$ 72,287,515</u>	<u>\$ 78,429,047</u>

All the Company's revenue was generated from its business operation in the U.S.

	For the Six Months Ended June 30, 2018		
	Sales to independent restaurants	Wholesale	Total
Revenue	\$ 137,516,339	\$ 9,351,947	\$ 146,868,286
Cost of revenue	113,900,208	8,740,279	122,640,487
Gross profit	<u>\$ 23,616,131</u>	<u>\$ 611,668</u>	<u>\$ 24,227,799</u>
Depreciation and amortization	\$ 975,333	\$ 66,329	\$ 1,041,662
Total capital expenditures	<u>\$ 1,937,611</u>	<u>\$ 131,769</u>	<u>\$ 2,069,380</u>

	For the Six Months Ended June 30, 2017		
	Sales to independent restaurants	Wholesale	Total
Revenue	\$ 137,591,237	\$ 12,549,924	\$ 150,141,161
Cost of revenue	117,480,681	12,197,192	129,677,873
Gross profit	<u>\$ 20,110,556</u>	<u>\$ 352,732</u>	<u>\$ 20,463,288</u>
Depreciation and amortization	\$ 833,353	\$ 76,012	\$ 909,365
Total capital expenditures	<u>\$ 1,939,300</u>	<u>\$ 176,887</u>	<u>\$ 2,116,187</u>

	For the Three Months Ended June 30, 2018		
	Sales to		
	independent	Wholesale	Total
	restaurants		
Revenue	\$ 67,640,429	\$ 4,647,086	\$ 72,287,515
Cost of revenue	56,033,664	4,130,118	60,163,782
Gross profit	\$ 11,606,765	\$ 516,968	\$ 12,123,733
Depreciation and amortization	\$ 510,534	\$ 35,033	\$ 545,567
Total capital expenditures	\$ 673,062	\$ 46,625	\$ 719,687

	For the Three Months Ended June 30, 2017		
	Sales to		
	independent	Wholesale	Total
	restaurants		
Revenue	\$ 70,575,329	\$ 7,853,718	\$ 78,429,047
Cost of revenue	60,596,559	7,668,451	68,265,010
Gross profit	\$ 9,978,770	\$ 185,267	\$ 10,164,037
Depreciation and amortization	\$ 417,210	\$ 46,850	\$ 464,060
Total capital expenditures	\$ 1,216,837	\$ 126,259	\$ 1,343,096

	As of	As of
	June 30, 2018	December 31, 2017
Total assets:		
Sales to independent restaurants	\$ 78,091,268	\$ 75,180,924
Wholesale	5,310,681	5,476,976
Total Assets	\$ 83,401,949	\$ 80,657,900

NOTE 12 – CONTINGENCY

Kirland Food Distribution, Inc., a subsidiary of the Company, is currently under an inquiry by the United States Department of Labor, Wage and Hour Division, Atlanta Regional Office, concerning wage practices and record keeping during the years 2013 through 2016 and continuing through the present time. As of the date of these financial statements, that inquiry remains open and the company has received no final notice of findings or definitive assessment. On July 3, 2018, the Department of Labor has indicated a preliminary determination in its inquiry, and has estimated that in its preliminary analysis the potential back wages, liquidated damages and related costs would be approximately \$2.2 million for the period from 2013 through current time, although the final amount has not yet been determined and could differ from the estimate. The \$2.2 million has been accrued in distribution, selling and administrative expenses in the unaudited condensed consolidated financial statements for the six months ended June 30, 2018.

The Company believes that it has resolved the past issues raised by the Department of Labor, and also plans on providing the Department of Labor with its actions taken to address the issues raised currently and on an ongoing basis.

NOTE 13 – SUBSEQUENT EVENTS

The Company's management reviewed all material events that have occurred after the balance sheet date through the date which these financial statements were issued. Based upon this review, the Company did not identify any subsequent events that would have required adjustment or disclosure in the financial statements.

Unaudited Pro Forma Condensed Combined Financial Statements

On March 28, 2018, Atlantic Acquisition Corp. (“Atlantic” or the “Company”), HF Group Merger Sub Inc., a Delaware corporation and wholly owned subsidiary of Atlantic, or “Merger Sub”, HF Group Holding Corporation, a North Carolina corporation, or “HF Group”, the stockholders of HF Group, and Zhou Min Ni, as representative of the stockholders, entered into the Acquisition Agreement, pursuant to which Merger Sub merged into HF Group resulting in HF Group becoming a wholly owned subsidiary of Atlantic. On August [15], the Company closed the business combination by issuing HF Group’s stockholders 19,969,833 shares of Atlantic common stock. In connection with the closing, holders of 3,761,467 shares of the Company’s common stock elected to redeem their shares and the Company paid \$38,838,575 in connection with such redemption.

Atlantic is providing the following unaudited pro forma condensed combined financial information to aid you in your analysis of the financial aspects of the transactions.

The following unaudited pro forma condensed combined balance sheet as of June 30, 2018 combines the unaudited historical consolidated balance sheet of Atlantic as of June 30, 2018 with the unaudited historical consolidated balance sheet of HF Group as of June 30, 2018, giving effect to the transactions as if they had been consummated as of that date.

The following unaudited pro forma condensed combined income statement for the six months ended June 30, 2018 combines the unaudited historical statement of operations of Atlantic for the six months ended June 30, 2018 with the unaudited historical consolidated statement of operations of HF Group for the six months ended June 30, 2018, giving effect to the transactions as if they had been consummated as of January 1, 2018.

The following unaudited pro forma condensed combined income statement for the year ended December 31, 2017 combines the audited historical statement of operations of Atlantic for the year ended December 31, 2017 with the audited historical consolidated statement of operations of HF Group for the year ended December 31, 2017, giving effect to the transactions as if they had been consummated as of January 1, 2017.

The historical financial information has been adjusted to give effect to pro forma events that are related and/or directly attributable to the transactions, are factually supportable and are expected to have a continuing impact on the combined results. The adjustments presented on the unaudited pro forma condensed combined financial statements have been identified and presented to provide relevant information necessary for an accurate understanding of the combined company upon consummation of the transactions.

The unaudited pro forma condensed combined financial information is for illustrative purposes only. The financial results may have been different had the companies always been combined. You should not rely on the unaudited pro forma condensed combined financial information as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined company will experience. Atlantic and HF Group have not had any historical relationship prior to the transactions. Accordingly, no pro forma adjustments were required to eliminate activities between the companies.

The transactions will be accounted for as a “reverse merger” and recapitalization at the date of the consummation of the transaction since the shareholders of HF Group will own 90.1% of the outstanding shares of common stock of Atlantic immediately following the completion of the transactions and HF Group’s operations will be the operations of Atlantic following the transactions. Accordingly, HF Group will be deemed to be the accounting acquirer in the transaction and, consequently, the transaction is treated as a recapitalization of HF Group. As a result, the assets and liabilities and the historical operations that will be reflected in the Atlantic financial statements after consummation of the transactions will be those of HF Group and will be recorded at the historical cost basis of HF Group. Atlantic’s assets, liabilities and results of operations will be consolidated with the assets, liabilities and results of operations of HF Group upon consummation of the transactions.

HF Foods Group Inc.
(formerly Atlantic Acquisition Corp.)
Pro Forma Condensed Combined Balance Sheet
As of June 30, 2018
(Unaudited)

	Atlantic Acquisition Corp. Historical Unaudited	HF Group Holding Corporation Historical Unaudited	Adjustments for Merger	Pro Forma Unaudited, Combined
ASSET				
Current assets:				
Cash	\$ 359,289	\$ 5,160,185	\$ 45,593,714(a) (38,838,575)(b) (1,106,250)(f) (500,000)(g) (4,120,000)(h)	\$ 6,548,363
Accounts receivable, net	—	13,754,651	—	13,754,651
Accounts receivable - related parties, net	—	1,910,116	—	1,910,116
Inventories, net	—	24,746,386	—	24,746,386
Advances to suppliers, net	—	550,116	—	550,116
Advances to suppliers - related parties, net	—	2,801,336	—	2,801,336
Notes receivable	—	2,543,348	—	2,543,348
Notes receivable - related parties	—	60,000	—	60,000
Other current assets	28,083	616,236	—	644,319
Cash and investments held in trust account	45,593,714	—	(45,593,714)(a)	—
Total current assets	45,981,086	52,142,374	(44,564,825)	53,558,635
Property and equipment, net	—	22,737,185	—	22,737,185
Deferred tax assets	—	88,668	—	88,668
Long-term notes receivables - related parties	—	7,123,027	—	7,123,027
Loan to shareholders	—	1,121,598	—	1,121,598
Other long-term assets	—	189,097	—	189,097
Total assets	\$ 45,981,086	\$ 83,401,949	\$ (44,564,825)	\$ 84,818,210
LIABILITIES AND STOCKHOLDER'S EQUITY				
Current liabilities:				
Lines of credit	\$ —	\$ 12,094,146	\$ —	\$ 12,094,146
Accounts payable	3,000	19,387,476	—	19,390,476
Accounts payable - related parties	—	4,780,171	—	4,780,171
Advance from customers	—	169,975	—	169,975
Advance from customers - related parties	—	125,946	—	125,946
Current portion of long-term debt, net	—	1,403,475	—	1,403,475
Current portion of obligations under capital leases	—	343,271	—	343,271
Income tax payable	—	126,355	—	126,355
Shareholder distribution payable	—	438,555	—	438,555
Deferred underwriting compensation	1,106,250	—	(1,106,250)(f)	—
Accrued expenses	59,178	2,587,327	—	2,646,505
Total current liabilities	1,168,428	41,456,697	(1,106,250)	41,518,875
Long-term debt	—	13,595,414	—	13,595,414
Total liabilities	1,168,428	55,052,111	(1,106,250)	55,114,289
Commitments and contingencies				
Redeemable common stock	39,812,657	—	(39,812,657)(b)	—
Stockholder's equity				
Preferred Stock	—	—	—	—
Common stock	200	—	13(b) 1,997(d) 48(e) (40)(h)	2,218
Additional paid-in capital	4,917,276	21,551,700	82,525(c) 974,069(b) (1,997)(d) (48)(e) (500,000)(g) (4,119,960)(h)	22,903,565
Retained earnings	82,525	6,268,214	(82,525)(c)	6,268,214
Noncontrolling interest	—	529,924	—	529,924
Total stockholders' equity	5,000,001	28,349,838	(3,645,918)	29,703,921
Total liabilities and stockholder's equity	\$ 45,981,086	\$ 83,401,949	\$ (44,564,825)	\$ 84,818,210

Shares Outstanding as of June 30, 2018	<u>2,003,058</u>	<u>100,000</u>	<u>22,157,488</u>
Book Value Per Share or Pro Forma Book Value Per Share as of June 30, 2018 ⁽¹⁾	<u>\$ 2.50</u>	<u>\$ 278.20</u>	<u>\$ 1.34</u>
Equivalent Pro Forma Book Value Per Share of HF Group as of June 30, 2018 ⁽²⁾			<u>\$ 267.71</u>

- (1) The equity of noncontrolling interest was excluded from the calculation of book value per share related to HF Group Holding Corporation and pro forma book value per share after merger because it was not attributable to the common stockholders of HF Group Holding Corporation before the business combination and will not be attributable to HF Foods Group Inc. (formerly Atlantic Acquisition Corp.) after the business combination, but will be attributable to the minority shareholders of one of the Group's subsidiaries.
- (2) Equivalent pro forma book value per share of HF Group was calculated by multiplying the share exchange ratio between Atlantic and HF Group (approximately 200/1) by pro forma book value per share.

See notes to unaudited pro forma condensed combined financial statements

HF Foods Group Inc.
(formerly Atlantic Acquisition Corp.)
Pro Forma Condensed Combined Income Statement
For the Six Months ended June 30, 2018
(Unaudited)

	Atlantic Acquisition Corp. Historical Unaudited	HF Group Holding Corporation Historical Unaudited	Adjustment for Merger	Pro Forma Unaudited, Combined
Total net revenue	\$ —	\$ 146,868,286	\$ —	\$ 146,868,286
Cost of revenue	—	122,640,487	—	122,640,487
Gross profit	—	24,227,799	—	24,227,799
Distribution, selling and administrative expenses	267,565	21,340,382	—	21,607,947
Income from operations	(267,565)	2,887,417	—	2,619,852
Interest income	318,370	13,750	—	332,120
Interest expenses and bank charges	—	(754,713)	—	(754,713)
Other income	—	547,332	—	547,332
Income before income tax provision	50,805	2,693,786	—	2,744,591
Income tax provision	22,494	702,060	—	724,554
Net income	\$ 28,311	\$ 1,991,726	\$ —	\$ 2,020,037
Less: income attributable to common stock subject to redemption	221,543	—	(6,166)(i)	215,377
Less: net loss attributable to noncontrolling interest	—	(381,455)	—	(381,455)
Net (loss) income attributable to common stockholders	\$ (193,232)	\$ 2,373,181	\$ 6,166	\$ 2,186,115
Weighted Average Shares Outstanding — Basic and Diluted	2,003,058	100,000		22,157,488
(Loss) Income or Pro Forma Earnings Per Share — Basic and Diluted	\$ (0.10)	\$ 23.73		\$ 0.10
Equivalent Pro Forma Earnings Per Share of HF Group — Basic and Diluted ⁽¹⁾				\$ 19.70

(1) Equivalent pro forma net earnings per share of HF Group was calculated by multiplying the share exchange ratio between Atlantic and HF Group (approximately 200/1) by pro forma income per share.

HF Foods Group Inc.
(formerly Atlantic Acquisition Corp.)
Pro Forma Condensed Combined Income Statement
For the Year ended December 31, 2017
(Unaudited)

	<u>Atlantic Acquisition Corp. Historical Audited</u>	<u>HF Group Holding Corporation Historical Audited</u>	<u>Adjustment for Merger</u>	<u>Pro Forma Unaudited, Combined</u>
Total net revenue	\$ —	\$ 295,549,980	\$ —	\$ 295,549,980
Cost of revenue	—	251,615,013	—	251,615,013
Gross profit	—	43,934,967	—	43,934,967
Distribution, selling and administrative expenses	128,271	32,924,877	—	33,053,148
Income from operations	(128,271)	11,010,090	—	10,881,819
Interest income	183,185	21,105	—	204,290
Interest expenses and bank charges	—	(1,339,897)	—	(1,339,897)
Other income	—	1,010,038	—	1,010,038
Income before income tax provision	54,914	10,701,336	—	10,756,250
Income tax provision	—	623,266	—	623,266
Net income	\$ 54,914	\$ 10,078,070	\$ —	\$ 10,132,984
Less: income attributable to common stock subject to redemption	130,643	—	(3,636)(i)	127,007
Less: net income attributable to noncontrolling interest	—	431,999	—	431,999
Net income (loss) attributable to common stockholders	\$ (75,729)	\$ 9,646,071	\$ 3,636	\$ 9,573,978
Weighted Average Shares Outstanding — Basic and Diluted	<u>1,368,301</u>	<u>100,000</u>		<u>22,157,488</u>
(Loss) Income or Pro Forma Earnings Per Share — Basic and Diluted	\$ (0.06)	\$ 96.46		\$ 0.43
Equivalent Pro Forma Earnings Per Share of HF Group — Basic and Diluted ⁽¹⁾				<u>\$ 86.29</u>

(1) Equivalent pro forma net earnings per share of HF Group was calculated by multiplying the share exchange ratio between Atlantic and HF Group (approximately 200/1) by pro forma income per share.

See notes to unaudited pro forma condensed combined financial statements

**NOTES TO UNAUDITED PRO FORMA
CONDENSED COMBINED FINANCIAL INFORMATION**

1. Unaudited Pro Forma Condensed Combined Balance Sheet Adjustments

- (a) Release of \$45,593,714 of the proceeds held in the trust account to pay for the acquisition or the share conversion into cash.
- (b) Redemption of 3,761,467 shares for cash of \$38,838,575
- (c) Reclassification of Atlantic's retained earnings to additional paid-in capital.
- (d) Issuance of the stock consideration of 19,969,833 shares.
- (e) Conversion of outstanding 4,766,250 rights to 476,625 shares.
- (f) Payment of deferred underwriting fees of \$1,106,250.
- (g) The effects of approximately \$0.5 million of incremental transaction costs associated with the merger.
- (h) Purchase of 400,000 shares from one shareholder for total consideration of \$4,120,000 and the issuance of 10,000 new shares to this one shareholder, effected post-closing.
- (i) The adjustment for income attributable to common stock subject to redemption, of which the shares were not redeemed at closing.

2. Reconciliation of Pro Forma Adjusted EBITDA

	Atlantic Acquisition Corp. Historical Unaudited	HF Group Holdings Corporation Historical Unaudited	Pro Forma Unaudited Combined
For the Six Months ended June, 2018			
Net income	\$ 28,311	\$ 1,991,726	\$ 2,020,037
Interests expenses	—	754,713	754,713
Income tax provision	22,494	702,060	724,554
Depreciation and amortization	—	1,041,662	1,041,662
Non-recurring expenses	—	2,200,000	2,200,000
Adjusted EBITDA	\$ 50,805	\$ 6,690,161	\$ 6,740,966
For the Year ended December 31, 2017			
Net income	\$ 54,914	\$ 10,078,070	\$ 10,132,984
Interests expenses	—	1,268,953	1,268,953
Income tax provision	—	623,266	623,266
Depreciation and Amortization	—	2,004,374	2,004,374
Adjusted EBITDA	\$ 54,914	\$ 13,974,663	\$ 14,029,577

*Non-recurring expenses represented \$2.2 million of labor dispute expenses for Kirmland accrued for the six months ended June 30, 2018.

HF Group's management defines Adjusted EBITDA as net income (loss) before interest expense, income taxes, and depreciation and amortization, further adjusted to exclude certain unusual, non-cash, non-recurring, cost reduction, and other adjustment items. The definition of Adjusted EBITDA may not be the same as similarly titled measures used by other companies in the industry. Adjusted EBITDA is not defined under U.S. GAAP and is subject to important limitations as analytical tools, you should not consider them in isolation or as substitutes for analysis of HF Group results as reported under U.S. GAAP. For example, Adjusted EBITDA:

- excludes certain tax payments that may represent a reduction in cash available to HF Group;
- does not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;

- does not reflect changes in, or cash requirements for, HF Group's working capital needs; and
- does not reflect the significant interest expense, or the cash requirements, necessary to service HF Group's debt.

