



Asia Grocery Distribution Limited 亞洲雜貨有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8413

First Quarterly Report



**2017/
2018**

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

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

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Wong Chun Hung Hanson

Independent non-executive Directors

Mr. To Yan Ming Edmond
Mr. Chau Shing Yim David
Mr. Wong Garrick Jorge Kar Ho

AUDIT COMMITTEE

Mr. Chau Shing Yim David (*Chairman*)
Mr. To Yan Ming Edmond
Mr. Wong Garrick Jorge Kar Ho

REMUNERATION COMMITTEE

Mr. To Yan Ming Edmond (*Chairman*)
Mr. Chau Shing Yim David
Mr. Wong Garrick Jorge Kar Ho

NOMINATION COMMITTEE

Mr. Wong Garrick Jorge Kar Ho (*Chairman*)
Mr. Chau Shing Yim David
Mr. To Yan Ming Edmond

COMPLIANCE OFFICER

Mr. Yip Kam Cheong

COMPANY SECRETARY

Ms. Wong Man Shan Joyce

AUTHORISED REPRESENTATIVES

Mr. Wong Siu Man
Ms. Wong Man Shan Joyce

REGISTERED OFFICE

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Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kowloon, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
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Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISER

LY Capital Limited
Rooms 1901-02
China Insurance Group Building
141 Des Voeux Road, Central
Hong Kong

PRINCIPAL BANKER

Nanyang Commercial Bank, Limited

COMPANY'S WEBSITE

www.agdl.com.hk

STOCK CODE

8413

HIGHLIGHTS

- The Group recorded revenue of approximately HK\$47,268,000 for the three months ended 30 June 2017 (three months ended 30 June 2016: approximately HK\$46,875,000).
- Profit attributable to owners of the Company for the three months ended 30 June 2017 amounted to approximately HK\$455,000 (three months ended 30 June 2016: approximately HK\$3,038,000).
- The Board does not declare dividend for the three months ended 30 June 2017 (three months ended 30 June 2016: Hung Fat Ho Holdings Limited declared and paid interim dividend of HK\$700,000 to Mr. Wong Siu Man and Mr. Wong Siu Wa).

FIRST QUARTERLY RESULTS

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 30 June 2017, together with the unaudited comparative figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2017

	Notes	Three months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	4	47,268	46,875
Costs of sales		(35,149)	(35,917)
Gross profit		12,119	10,958
Other income	5	13	–
Other gain and losses, net	5	–	(242)
Selling and distribution expenses		(4,706)	(4,346)
Administrative expenses		(5,143)	(2,726)
Listing expenses		(1,298)	–
Finance costs	6	(23)	–
Profit before taxation	7	962	3,644
Income tax expense	8	(507)	(606)
Profit and total comprehensive income for the period attributable to owners of the Company		455	3,038
Earnings per share			
Basic (HK cents)	10	0.04	0.40

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2017

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Accumulated profits HK\$'000	
At 1 April 2017 (audited)	156	–	13,266	20,075	33,497
Issue of shares for public offer (Note i)	280	6,160	–	–	6,440
Issue of shares for placing (Note i)	2,520	55,440	–	–	57,960
Issue of shares upon exercise of over-allocation option for public offer and placing (Note i)	420	9,240	–	–	9,660
Transaction costs incurred directly attributable to issue of shares	–	(195)	–	–	(195)
Capitalisation of listing expenses	–	(7,039)	–	–	(7,039)
Capitalisation Issue (Note ii)	8,244	(8,244)	–	–	–
Profit and total comprehensive income for the period	–	–	–	455	455
At 30 June 2017 (unaudited)	11,620	55,362	13,266	20,530	100,778
At 1 April 2016 (audited)	78	–	5,584	22,599	28,261
Profit and total comprehensive income for the period	–	–	–	3,038	3,038
Dividend (Note 9)	–	–	–	(700)	(700)
At 30 June 2016 (unaudited)	78	–	5,584	24,937	30,599

Notes:

- (i) In connection with the listing of the shares of the Company (the “Shares”) on the GEM of the Stock Exchange (the “Listing”) on 13 April 2017 (the “Listing Date”), the Company allotted and issued a total of 322,000,000 new shares at HK\$0.23 per share for the total proceeds of approximately HK\$74,060,000, with related issuance costs and listing expenses amounted to approximately HK\$7,234,000 being charged to share premium.
- (ii) Pursuant to the resolutions passed at the extraordinary general meeting held on 27 March 2017, the Directors are authorised to capitalise an amount of HK\$8,244,000 standing to the credit of the share premium account of the Company by applying such sum towards paying up in full at par a total of 824,400,000 shares for allotment and issue to Sky Alpha Investments Limited (“Sky Alpha”) and Trillion Advance Investments Limited (“Trillion Advance”) immediately prior to the Listing (the “Capitalisation Issue”). The Capitalisation Issue was completed on 13 April 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 29 September 2016. The Shares have been listed on the GEM of the Stock Exchange since 13 April 2017. Its ultimate and immediate holding company is Sky Alpha, an entity incorporated in the British Virgin Islands. The address of the Company's registered office is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and the address of its principal place of business in Hong Kong is 4/F., How Ming Factory Building, 99 How Ming Street, Kwun Tong, Hong Kong.

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

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("**HK\$**") which is also the functional currency of the Company. All values are rounded to the nearest thousand ("**HK\$'000**") except otherwise indicated.

2. GROUP REORGANISATION

Pursuant to the corporate reorganisation (the "**Reorganisation**") as fully explained in the section headed "History, Reorganisation and Corporate Structure" of the prospectus of the Company dated 31 March 2017 (the "**Prospectus**"), the Company became the holding company of the companies now comprising the Group on 30 September 2016. Prior to the completion of the Reorganisation, all the companies comprising the Group were ultimately jointly controlled by Mr. Wong Siu Man and Mr. Wong Siu Wa except Eagle Food Limited which was acquired by the Group on 30 July 2015.

Accordingly, the condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of changes in equity of the Group for the three months ended 30 June 2016 have been prepared using the principles of merger accounting as if the current group structure had been in existence throughout the period, or since their respective dates of incorporation or acquisition, where there is a shorter period.

Upon the completion of the Reorganisation, the Company holds the entire equity interests, directly or indirectly, of companies comprising the Group.

All intra-group transactions and balances have been eliminated.

3. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 30 June 2017 are prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The unaudited consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in preparing the audited financial statements for the year ended 31 March 2017.

In the current period, the Group has adopted all the new and revised HKFRSs, amendments to HKASs and Interpretations (hereinafter collectively referred to as “**new and revised HKFRSs**”) issued by HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1 April 2017. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and amounts reported for the current and prior periods.

The Group has not early adopted the new and revised HKFRSs issued by HKICPA that have been issued but are not yet effective for the current period.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of the unaudited condensed consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise their judgements in the process of applying the Group’s accounting policies.

The unaudited condensed consolidated financial statements have not been audited by the Company’s independent auditor, but have been reviewed by the Company’s audit committee.

4. REVENUE

Revenue represents the fair value of amounts received and receivable from sales of food and grocery products by the Group to external customers, net of discounts and sales returns, and is analysed as follows:

	Three months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Commodities and cereal products (<i>Note a</i>)	13,719	13,774
Packaged food (<i>Note b</i>)	12,138	13,109
Sauce and condiment	10,216	8,348
Dairy products and eggs	6,515	5,662
Beverage and wine	3,050	4,416
Kitchen products (<i>Note c</i>)	1,630	1,566
	47,268	46,875

Notes:

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

5. OTHER INCOME AND GAIN AND LOSSES, NET

	Three months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Other income		
Sundry income	13	–
Other gain and losses, net		
Allowance for bad and doubtful debts	–	(242)

6. FINANCE COSTS

	Three months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interests on bank borrowing	23	–

7. PROFIT BEFORE TAXATION

	Three months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	300	50
Depreciation of property, plant and equipment	218	229
Directors' remuneration	1,001	406
Other staff costs		
Salaries and other benefits	2,360	1,472
Retirement benefits scheme contributions	77	66
Total staff costs	3,438	1,944
Minimum lease payments under operating leases in respect of land and buildings	1,315	1,140
Cost of inventories recognised as an expense	35,149	35,917

8. INCOME TAX EXPENSE

	Three months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
– Current tax	507	606

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

9. DIVIDEND

No dividend was paid, declared or proposed during the period. The Directors do not recommend the payment of any dividend for the three months ended 30 June 2017.

During the three months ended 30 June 2016, Hung Fat Ho Holdings Limited declared and paid interim dividend of HK\$700,000 to Mr. Wong Siu Man and Mr. Wong Siu Wa.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share		
– Profit for the period attributable to owners of the Company	455	3,038
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,119,538	751,934

The number of ordinary shares for the purpose of calculating basic earnings per share for the three months ended 30 June 2016 has been determined on the assumption that the Reorganisation and the Capitalisation Issue had been effective on 1 April 2016.

No diluted earnings per share for both periods were presented as there were no potential ordinary shares in issue for both periods.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

On 13 April 2017, the Shares were successfully listed on the GEM of the Stock Exchange. With a widening financing platform, the Group can have more financing channels to raise funds to fulfil capital needs. The Listing also enhances the Group's market position and further strengthens the Group's reputation in the industry, which in turn helps maintaining the existing business relationship with the network of suppliers and customers and exploring potential business opportunities with new suppliers and customers.

FUTURE PROSPECTS

Looking forward, the keen competition in the food and beverage grocery distribution industry provides impetus for the Group to further enhance the capabilities of offering a wide spectrum of products for customers.

In light of the rise in number of customers and purchase orders, the Group will lease one warehouse facility in the New Territories for accommodating the increased inventory level. Since storage and stocking are critical to the Group's operation, the Group plans to upgrade the Enterprise Resource Planning ("**ERP**") system, which is used to monitor the inventory level and minimise incidences of overstocking, so as to enhance the operational efficiency of the Group. To further penetrate the food and beverage grocery distribution market, more efforts will be put on sales and marketing activities. With improved quality value-added services, the Group believes more customers will be attracted and customer loyalty can be further strengthened. As a result, new repackaging equipment will be purchased to further automate the repackaging process and increase efficiency. The Group will continue to expand to become one of the leading food and beverage grocery distributors in Hong Kong.

FINANCIAL REVIEW

Revenue

Our revenue slightly increased by approximately HK\$393,000 or approximately 0.8% to approximately HK\$47,268,000 for the three months ended 30 June 2017, as compared to approximately HK\$46,875,000 for the three months ended 30 June 2016, mainly due to increased orders from our customers as a result of the increased demand from our customers to cater their business needs.

Cost of sales

Our cost of sales solely represented cost of inventories sold, which represented the cost of finished goods purchased by us from suppliers. Our cost of sales represents the costs of products, net of discounts and rebates, charged by our suppliers. Our cost of sales reduced by approximately HK\$768,000 or approximately 2.1% to approximately HK\$35,149,000 for the three months ended 30 June 2017, as compared to approximately HK\$35,917,000 for the three months ended 30 June 2016, due to lower cost of finished goods purchased from direct manufacturers and end suppliers.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 10.6% from approximately HK\$10,958,000 for the three months ended 30 June 2016 to approximately HK\$12,119,000 for the three months ended 30 June 2017. The increase in gross profit was due to our enlarged customer base to high-end customers and lower cost of goods purchased from direct suppliers. For the three months ended 30 June 2017, the Group's gross profit margin increased to 25.6% as compared with previous year at 23.4%.

Other income

Other income consisted of sundry income for the three months ended 30 June 2017.

Other gain and losses, net

Other gain and losses, net recorded a loss of approximately HK\$242,000 for the three months ended 30 June 2016, which was attributable to the allowance for bad and doubtful debts.

Selling and distribution expenses

Our selling and distribution expenses mainly comprised transportation expenses, commission expenses to sales persons based on a certain percentage of the gross profit on successful sales, staff costs for our sales team, advertising and marketing expenses. The increase of selling and distribution expenses of the Group were mainly due to increase in commission expense and bonus to sales persons. The selling and distribution expenses accounted for approximately 10.0% and 9.3% of the total revenue for the three months ended 30 June 2017 and 2016 respectively.

Administrative expenses

For the three months ended 30 June 2017, the Group's administrative expenses primarily comprised legal and professional fees, rent, rates and management fee for office and warehouses, staff costs for administrative and management personnel, directors' remuneration, depreciation and insurance. Administrative expenses increased from approximately HK\$2,726,000 for the three months ended 30 June 2016 to approximately HK\$5,143,000 for the three months ended 30 June 2017. The increase of administrative expenses of the Group was mainly due to increase in legal and professional fees to cope with the needs of compliance work as a result of the listing status, hiring of management personnel and new rental of warehouse.

Listing expenses

Listing expenses comprised professional and other expenses in relation to the Listing. The listing expenses amounted to approximately HK\$1,298,000 for the three months ended 30 June 2017. No listing expenses was incurred for the three months ended 30 June 2016 as listing process had not started.

Finance costs

Finance costs for the three months ended 30 June 2017 represented interest expenses on bank borrowing.

Income tax expense

For the three months ended 30 June 2017 and 2016, our income tax expense was approximately HK\$507,000 and HK\$606,000, respectively.

Profit and total comprehensive income attributable to owners of the Company

For the three months ended 30 June 2017 and 2016, the Group's profit and total comprehensive income attributable to owners of the Company was approximately HK\$455,000 and HK\$3,038,000, respectively. The decrease of profit and total comprehensive income attributable to owners of the Company was mainly attributable to the increase in staff costs, legal and professional fees and non-recurring listing expenses.

DIVIDEND

No dividend was paid, declared or proposed during the period. The Directors do not recommend the payment of any dividend for the three months ended 30 June 2017.

During the three months ended 30 June 2016, Hung Fat Ho Holdings Limited declared and paid interim dividend of HK\$700,000 to Mr. Wong Siu Man and Mr. Wong Siu Wa.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

As at 30 June 2017, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies.

USE OF PROCEEDS

The Shares were listed on the GEM of the Stock Exchange on 13 April 2017. The net proceeds from the Listing (after deducting the underwriting fees and related expenses) which amounted to approximately HK\$48.5 million will be used for the intended purposes as set out in the section headed "Statement of Business Objectives and Use of Proceeds" of the Prospectus. Set out below is the actual utilisation of net proceeds up to the date of this quarterly report:

	Net proceeds HK\$'000	Utilised HK\$'000	Unutilised HK\$'000
Leasing of warehouse facility in New Territories & Hong Kong Island:			
– Rental deposits	1,170	–	1,170
– Rental payments	6,455	–	6,455
– Renovation costs	6,000	–	6,000
– Start-up costs for warehouse facility	9,775	–	9,775
Upgrade of ERP system	12,560	(230)	12,330
Conducting sales and marketing activities	5,540	–	5,540
Installation of new repackaging equipment	3,500	–	3,500
General working capital	3,500	–	3,500
Total	48,500	(230)	48,270

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in shares and underlying shares and debentures of the Company and its associated corporations

As at 30 June 2017, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding ⁽¹⁾
Mr. Wong Siu Man ⁽²⁾	Interest of controlled corporation	772,800,000	66.51%
Mr. Wong Siu Wa ⁽²⁾	Interest of controlled corporation	772,800,000	66.51%
Mr. Wong Chun Hung Hanson ⁽³⁾	Interest of controlled corporation	67,200,000	5.78%

Notes:

- (1) The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 30 June 2017, being 1,162,000,000 shares.
- (2) This represents the Shares held by Sky Alpha, a company beneficially owned as to 58.38% by Mr. Wong Siu Man, 38.92% by Mr. Wong Siu Wa and 2.7% by Glory Concord Limited respectively. Pursuant to the SFO, Mr. Wong Siu Man and Mr. Wong Siu Wa are deemed to be interested in 772,800,000 Shares held by Sky Alpha.
- (3) This represents the Shares held by Trillion Advance, a company beneficially owned as to 66.7% by Mr. Wong Chun Hung Hanson and 33.3% by Mr. Mak Kwok Kwan Terence respectively. Pursuant to the SFO, Mr. Wong Chun Hung Hanson is deemed to be interested in 67,200,000 Shares held by Trillion Advance.

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executive of the Company had an interest or short position in any shares or underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Substantial shareholders' interests and short positions in shares and underlying shares of the Company

So far as the Directors are aware, as at 30 June 2017, the following persons (other than Directors or chief executive of the Company), who had interests in the shares of the Company within the meaning of Part XV of the SFO which are required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register of the Company were as follows:

Long positions

Name of Shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding
Sky Alpha ⁽¹⁾	Legal and beneficial owner	772,800,000	66.51%
Ms. Fan Wing ^{(1) & (2)}	Interest of spouse	772,800,000	66.51%
Ms. Zhu Min ^{(1) & (3)}	Interest of spouse	772,800,000	66.51%
Trillion Advance ⁽⁴⁾	Legal and beneficial owner	67,200,000	5.78%
Mr. Mak Kwok Kwan Terence ⁽⁴⁾	Interest in controlled corporation	67,200,000	5.78%
Ms. Lam Wing Yu ^{(4) & (5)}	Interest of spouse	67,200,000	5.78%
Ms. Cheung Wan Che ^{(4) & (6)}	Interest of spouse	67,200,000	5.78%

Notes:

- (1) Sky Alpha is beneficially owned as to 58.38% by Mr. Wong Siu Man, an executive Director, 38.92% by Mr. Wong Siu Wa, an executive Director, and 2.7% by Glory Concord Limited, respectively. Mr. Wong Siu Man and Mr. Wong Siu Wa are therefore deemed to be interested in 772,800,000 Shares under the SFO.
- (2) Ms. Fan Wing is the spouse of Mr. Wong Siu Man. Under the SFO, Ms. Fan Wing is deemed to be interested in the same number of Shares in which Mr. Wong Siu Man is interested.
- (3) Ms. Zhu Min is the spouse of Mr. Wong Siu Wa. Under the SFO, Ms. Zhu Min is deemed to be interested in the same number of Shares in which Mr. Wong Siu Wa is interested.
- (4) Trillion Advance is beneficially owned as to 66.7% by Mr. Wong Chun Hung Hanson, a non-executive Director and 33.3% by Mr. Mak Kwok Kwan Terence, respectively. Mr. Wong Chun Hung Hanson and Mr. Mak Kwok Kwan Terence are therefore deemed to be interested in 67,200,000 Shares held by Trillion Advance under the SFO.
- (5) Ms. Lam Wing Yu is the spouse of Mr. Wong Chun Hung Hanson. Under the SFO, Ms. Lam Wing Yu is deemed to be interested in the same number of Shares in which Mr. Wong Chun Hung Hanson is interested.
- (6) Ms. Cheung Wan Che is the spouse of Mr. Mak Kwok Kwan Terence. Under the SFO, Ms. Cheung Wan Che is deemed to be interested in the same number of Shares in which Mr. Mak Kwok Kwan Terence is interested.

Save as disclosed above, as at 30 June 2017, the Directors were not aware of any other person (other than the Directors or chief executive of the Company as disclosed in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures of the Company and its associated corporations" above) who had or deemed to have interests or short positions in the shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme of the Company (the "**Share Option Scheme**") was approved by a resolution of the shareholders of the Company passed on 27 March 2017. As at 30 June 2017 and up to the date of this quarterly report, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 30 June 2017 and as at the date of this quarterly report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the "**Model Code**"). Having made specific enquiry, all the Directors have confirmed that they have complied with the Model Code for the period from 13 April 2017, being the date on which the Shares were listed on the GEM of the Stock Exchange, to 30 June 2017 (the "**Relevant Period**").

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

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

COMPETING INTEREST

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

DEED OF NON-COMPETITION

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

The independent non-executive Directors have also reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition have been complied with by each of the Controlling Shareholders during the Relevant Period.

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

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

CORPORATE GOVERNANCE PRACTICES

The Company considers the maintenance of a high standard of corporate governance important to the continuous growth of the Group. The Company's corporate governance practices are based on code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules. As the Shares were listed on the GEM of the Stock Exchange on 13 April 2017, the Company has since then adopted and complied with, where applicable, the CG Code to ensure that the Group's business activities and decision-making processes are regulated in a proper and prudent manner.

During the Relevant Period, the Directors considered that the Company has complied with the applicable code provisions of the CG Code.

EVENT AFTER THE REPORTING PERIOD

The Board is not aware of any significant event which had material effect on the Group subsequent to 30 June 2017 and up to the date of this quarterly report.

INTEREST OF THE COMPLIANCE ADVISER

As notified by LY Capital Limited ("**LY**"), the Company's compliance adviser, save for the compliance agreement entered into between the Company and LY dated 3 November 2016 in connection with the Listing, none of LY or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Group as at 30 June 2017, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

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

The primary duties of the Audit Committee include (i) reviewing the draft quarterly, half-year and annual financial statements and the draft results announcement of the Company, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval; (ii) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards; (iii) assessing the independence of the Company's external auditor; (iv) recommending to the Board regarding the appointment and remuneration of the external auditor; (v) reviewing the adequacy and effectiveness of the Group's systems of risk management and internal controls through a review of the work undertaken by the Group's external auditor, written representations by the senior management of each of the Group's business divisions and discussions with the Board; (vi) reviewing and approving the internal audit programme, reviewing the internal audit reports and discussing any significant issues with the Group's senior management; and (vii) reviewing the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions through a review of the work undertaken by the Group's senior financial management and internal audit.

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

The financial information contained in this quarterly report has not been audited by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for the three months ended 30 June 2017 and is of the opinion that the preparation of such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 8 August 2017

As at the date of this quarterly report, the executive Directors are Mr. Wong Siu Man, Mr. Wong Siu Wa and Mr. Yip Kam Cheong, the non-executive Director is Mr. Wong Chun Hung Hanson and the independent non-executive Directors are Mr. To Yan Ming Edmond, Mr. Chau Shing Yim David and Mr. Wong Garrick Jorge Kar Ho.