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Asia Grocery Distribution Limited

亞洲雜貨有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8413)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2018

CHARACTERISTICS OF 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.

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

HIGHLIGHTS

- The Group recorded revenue of approximately HK\$46,389,000 for the three months ended 30 June 2018 (three months ended 30 June 2017: approximately HK\$47,268,000).
- Profit attributable to owners of the Company for the three months ended 30 June 2018 amounted to approximately HK\$241,000 (three months ended 30 June 2017: approximately HK\$455,000).
- The Directors do not recommend the payment of any dividend for the three months ended 30 June 2018 (three months ended 30 June 2017: nil).

FIRST QUARTERLY RESULTS

The board of directors (the “**Directors**”) 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 2018, together with the unaudited comparative figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2018

		Three months ended 30 June	
		2018	2017
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	46,389	47,268
Costs of sales		<u>(35,330)</u>	<u>(35,149)</u>
Gross profit		11,059	12,119
Other income	4	62	13
Other gain and losses, net	4	11	–
Selling and distribution expenses		(4,930)	(4,706)
Administrative expenses		(5,739)	(5,143)
Listing expenses		–	(1,298)
Finance costs	5	<u>–</u>	<u>(23)</u>
Profit before taxation	6	463	962
Income tax expense	7	<u>(222)</u>	<u>(507)</u>
Profit and total comprehensive income for the period attributable to owners of the Company		<u>241</u>	<u>455</u>
Earnings per share			
Basic (<i>HK cents</i>)	8	<u>0.02</u>	<u>0.04</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2018

	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 2018 (audited)	11,620	62,742	5,584	22,469	102,415
Profit and total comprehensive income for the period	–	–	–	241	241
At 30 June 2018 (unaudited)	11,620	62,742	5,584	22,710	102,656
At 1 April 2017 (audited)	156	7,682	5,584	20,075	33,497
Profit and total comprehensive income for the period	–	–	–	455	455
Placing and public offer of shares upon the listing (<i>Note i</i>)	2,800	61,600	–	–	64,400
Issue of shares upon exercise of over-allocation option for public offer and placing (<i>Note i</i>)	420	9,240	–	–	9,660
Transaction costs incurred directly attributable to issue of shares (<i>Note i</i>)	–	(7,234)	–	–	(7,234)
Capitalisation Issue (<i>Note ii</i>)	8,244	(8,244)	–	–	–
At 30 June 2017 (unaudited)	11,620	63,044	5,584	20,530	100,778

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\$7,536,000 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 (2016 Revision) 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 and principal place of business in Hong Kong is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and 4/F., How Ming Factory Building, 99 How Ming Street, Kwun Tong, Hong Kong, respectively.

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 30 June 2018 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 consolidated financial statements for the year ended 31 March 2018.

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 January 2018. 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 except for certain financial instruments, which are measured at fair values. 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.

3. 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	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Commodities and cereal products (<i>Note a</i>)	11,921	13,719
Packaged food (<i>Note b</i>)	12,347	12,138
Sauce and condiment	9,679	10,216
Dairy products and eggs	5,705	6,515
Beverage and wine	4,733	3,050
Kitchen products (<i>Note c</i>)	2,004	1,630
	<u>46,389</u>	<u>47,268</u>

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.

4. OTHER INCOME AND GAIN AND LOSSES, NET

	Three months ended 30 June	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Other income		
Sundry income	<u>62</u>	<u>13</u>
Other gain and losses, net		
Reversal of bad and doubtful debts	<u>11</u>	<u>–</u>

5. FINANCE COSTS

	Three months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interests on bank borrowing	–	23

6. PROFIT BEFORE TAXATION

	Three months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Directors' remuneration	909	1,001
Other staff costs		
Salaries and other benefits	2,287	2,360
Retirement benefits scheme contributions	91	77
Total staff costs	3,287	3,438
Depreciation of property, plant and equipment	356	218
Auditor's remuneration		
– audit service	150	300
Minimum lease payments under operating leases in respect of land and buildings	1,471	1,315
Cost of inventories recognised as an expense	35,330	35,149

7. INCOME TAX EXPENSE

	Three months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Hong Kong Profits Tax:		
– Current tax	222	507

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

8. EARNINGS PER SHARE

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

	Three months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share		
– Profit for the period attributable to owners of the Company	<u>241</u>	<u>455</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares		
for the purpose of calculating basic earnings per share	<u>1,162,000</u>	<u>1,119,538</u>

For the three months ended 30 June 2017, the number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Capitalisation Issue had been effective.

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.

On 13 April 2017, the Shares were successfully listed on the GEM of the Stock Exchange when 322,000,000 shares were allotted and issued at HK\$0.23 each. The Group's business model, revenue structure and cost structure basically remain unchanged after the Listing. Based on the unaudited financial information of our Group, our revenue was approximately HK\$46,389,000, representing a slight decrease of 1.9% as compared to approximately HK\$47,268,000 in the corresponding period of 2017. During the three months ended 30 June 2018, the Group consistently adhered to the principle of maintaining profitability while striving for better results, and continued to step up its efforts in cutting expenditure, and at the same time enhancing its presence in the food and beverage grocery distribution market, devoting more resources to sales and marketing activities and actively facilitating the business development of new products.

FINANCIAL REVIEW

Revenue

During the three months ended 30 June 2018, our revenue decreased by approximately HK\$879,000 or approximately 1.9% to approximately HK\$46,389,000 (three months ended 30 June 2017: approximately HK\$47,268,000), mainly due to temporary slowdown of demand from our customers as a result of intensifying market competition.

Cost of sales

Our cost of sales solely represented cost of inventories sold, which represented the cost of finished goods purchased by us from suppliers. Our cost of sales represents the costs of products, net of discounts and rebates, charged by our suppliers. Our cost of sales increased by approximately HK\$181,000 or approximately 0.5% to approximately HK\$35,330,000 for the three months ended 30 June 2018, as compared to approximately HK\$35,149,000 for the three months ended 30 June 2017, due to increase in cost of finished goods purchased from suppliers.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 8.7% from approximately HK\$12,119,000 for the three months ended 30 June 2017 to approximately HK\$11,059,000 for the three months ended 30 June 2018. The decrease in gross profit was due to decrease in sales order from our customers and higher cost of goods purchased from suppliers. For the three months ended 30 June 2018, the Group's gross profit margin reduced to 23.8% as compared with previous period at 25.6%.

Other income

Other income consisted of sundry income for the three months ended 30 June 2018 and 30 June 2017.

Other gain and losses, net

Other gain and losses, net recorded a gain of approximately HK\$11,000 for the three months ended 30 June 2018, which was attributable to the reversal of 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 advertising expenses in an attempt to boost sales in the coming months. The selling and distribution expenses accounted for approximately 10.6% and 10.0% of the total revenue for the three months ended 30 June 2018 and 2017 respectively.

Administrative expenses

For the three months ended 30 June 2018, 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\$5,143,000 for the three months ended 30 June 2017 to approximately HK\$5,739,000 for the three months ended 30 June 2018. 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 increase in rental cost of warehouse.

Listing expenses

Listing expenses amounted to approximately HK\$1,298,000 for the three months ended 30 June 2017 comprised professional and other expenses in relation to the Listing.

Finance costs

Finance costs for the three months ended 30 June 2017 amounted to approximately HK\$23,000 represented interest expenses on a bank borrowing drawn in November 2016. The bank borrowing was early repaid in December 2017. The unsecured bank borrowing carried interest rate of Hong Kong Prime Rate minus 1.25% per annum.

Income tax expense

For the three months ended 30 June 2018 and 2017, our income tax expenses were approximately HK\$222,000 and HK\$507,000, respectively, and our effective tax rate (excluding the non-recurring listing expenses) for the same period was approximately 47.9% and 22.4%, respectively.

Profit and total comprehensive income attributable to owners of the Company

For the three months ended 30 June 2018 and 2017, the Group's profit and total comprehensive income attributable to owners of the Company was approximately HK\$241,000 and HK\$455,000, respectively. The decrease of profit and total comprehensive income attributable to owners of the Company was mainly attributable to the decrease in revenue and increase in staff costs and legal and professional fees, offset by decreased 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 2018 (three months ended 30 June 2017: nil).

LIQUIDITY AND FINANCIAL POSITION

As at 30 June 2018, bank balances and cash of the Group amounted to approximately HK\$55,966,000 (As at 31 March 2018: HK\$54,007,000). The current ratios (current asset divided by current liabilities) of the Group were 10.9 times and 11.7 times as at 30 June 2018 and 31 March 2018 respectively.

GEARING RATIO

The total interest-bearing borrowing of the Group as at 30 June 2018 was nil (31 March 2018: nil). The Group's gearing ratio as at 30 June 2018 was 0% (31 March 2018: 0%), which is calculated as the Group's total borrowing over the Group's total equity.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the three months ended 30 June 2018, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies.

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

The net proceeds from the Listing (after deducting the underwriting fees and related expenses) which amounted to approximately HK\$48,500,000 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 announcement:

	Net proceeds <i>HK\$'000</i>	Utilised <i>HK\$'000</i>	Unutilised <i>HK\$'000</i>
Leasing of warehouse facility in New Territories & Hong Kong Island:			
– Rental deposits	1,170	–	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 Enterprise Resource Planning ("ERP") system	12,560	(2,061)	10,499
Conducting sales and marketing activities	5,540	(366)	5,174
Installation of new repackaging equipment	3,500	(237)	3,263
General working capital	3,500	(2,625)	875
	<u>48,500</u>	<u>(5,289)</u>	<u>43,211</u>

Looking forward, the Group will further enhance the capabilities of offering a wide spectrum of products for customers and continue to exercise careful cost controls to withstand the keen competition in the food and beverage grocery distribution industry.

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

In light of the rise in number of customers and purchase orders, the Group had planned to lease two warehouse facilities, one in the New Territories in the first year after the Listing and another on the Hong Kong Island in the second year after the Listing, respectively, for accommodating the increased inventory level. The Group has not yet identified suitable premises for the warehouse facilities in the New Territories. The Group expects the leasing will be delayed till the second half of 2018.

The Group had planned to use approximately HK\$12,560,000 of the net proceeds to upgrade the ERP system, which is used to monitor the inventory level and minimise incidences of overstocking, so as to enhance the operational efficiency of the Group. As at 30 June 2018, the Group selected a new ERP software for implementation and a total of approximately HK\$2,061,000 was spent on consultancy services and software and hardware acquisition.

The Group had planned to use approximately HK\$5,540,000 of the net proceeds to conduct sales and marketing activities to attract more customers and strengthen customer loyalty so as to further penetrate the food and beverage grocery distribution market. As at 30 June 2018, a total of approximately HK\$366,000 was spent on participating in domestic food exhibition and sales exhibition to showcase our products to potential buyers. The Group is currently recruiting new marketing staff for upcoming new sales campaign.

The Group had planned to use approximately HK\$3,500,000 to purchase new repackaging equipment to further automate the repackaging process and increase efficiency. As at 30 June 2018, a total of approximately HK\$237,000 was spent on purchasing new automatic repackaging machines. The Group will continue to install more repackaging equipment and develop packaging design.

With the Group's proven track record, plus its experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors. The Directors will also continue to explore opportunities to diversify the Group's operation so that the customer base could be strengthened and diversified. The Directors will continue to review and evaluate the business objectives and strategies and make timely execution taking into account the business risks and market uncertainties. The Directors believe that the Group will continue to expand to become one of the leading food and beverage grocery distributors in Hong Kong.

OTHER INFORMATION

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 three months ended 30 June 2018.

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 three months ended 30 June 2018.

COMPETING INTEREST

During the three months ended 30 June 2018, 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, 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 three months ended 30 June 2018.

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 three months ended 30 June 2018.

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 of 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 three months ended 30 June 2018, the Directors considered that the Company has complied with the applicable code provisions of the CG Code.

EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event which had material effect on the Group subsequent to 30 June 2018 and up to the date of this announcement.

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 2018, 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 Directors (the "**Audit Committee**") pursuant to a resolution of the Directors passed on 27 March 2017 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code.

The primary duties of the Audit Committee include (i) review and discussion of the quarterly, interim and annual financial statements, results announcements and reports, the related accounting principles and practices adopted by the Group and the relevant audit findings; (ii) review and discussion of the risk management and internal control system of the Group; (iii) discussion and recommendation of the re-appointment of external auditor; and (iv) review of the Group's continuing connected transactions for the three months ended 30 June 2018 pursuant to the GEM Listing Rules.

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 announcement 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 2018 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, 14 August 2018

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company’s website at www.agdl.com.hk.