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Asia Grocery Distribution Limited

亞洲雜貨有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8413)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

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

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

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

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

ANNUAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group” or “us” or “we” or “our”) for the year ended 31 March 2019 (the “Reporting Period”), together with the comparative audited figures for the year ended 31 March 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	3	213,926	194,137
Cost of sales		<u>(165,943)</u>	<u>(146,150)</u>
Gross profit		47,983	47,987
Other income	4	387	61
Other gain and losses, net	4	15	(149)
Selling and distribution expenses		(20,623)	(19,336)
Administrative and other expenses		(22,825)	(22,610)
Listing expenses		–	(2,075)
Finance costs	5	<u>(6)</u>	<u>(57)</u>
Profit before taxation	6	4,931	3,821
Income tax expense	7	<u>(1,022)</u>	<u>(1,427)</u>
Profit and total comprehensive income for the year		<u>3,909</u>	<u>2,394</u>
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		<u>3,909</u>	<u>2,394</u>
		<i>HK Cents</i>	<i>HK Cents</i>
Earnings per share	9		
Basic and diluted		<u>0.34</u>	<u>0.21</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Non-current Assets			
Property, plant and equipment		3,534	3,012
Deposits paid for acquisition of property, plant and equipment	11	–	595
Rental and other deposits	11	1,037	1,778
		<u>4,571</u>	<u>5,385</u>
Current Assets			
Inventories – finished goods		7,876	28,564
Finance lease receivable		–	24
Trade receivables	10	32,375	20,931
Other receivables, deposits and prepayments	11	4,816	1,458
Tax recoverable		253	1,135
Bank balances and cash		64,745	54,007
		<u>110,065</u>	<u>106,119</u>
Current Liabilities			
Trade payables	12	4,861	6,687
Other payables and accrued charges	13	3,026	2,402
Contract liabilities		140	–
Obligation under finance leases		67	–
		<u>8,094</u>	<u>9,089</u>
Net current Assets		<u>101,971</u>	<u>97,030</u>
Total asset less current asset		<u>106,542</u>	<u>102,415</u>
Non-current Liabilities			
Obligation under finance leases		218	–
Net assets		<u>106,324</u>	<u>102,415</u>
Capital and reserves			
Share capital	14	11,620	11,620
Reserves		94,704	90,795
Equity attributable to owners of the Company		<u>106,324</u>	<u>102,415</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company and its principal subsidiaries and all values are rounded to the nearest thousands (HK\$’000), except when otherwise stated.

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

Amendments to HKFRSs that are Mandatorily Effective for the Current Year

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (the “new and amendments to HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for annual periods on or after 1 April 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts”
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

The above new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	31 March 2018 <i>HK\$'000</i>	HKFRS 15 <i>HK\$'000</i>	1 April 2018 <i>HK\$'000</i>
Current liabilities			
Other payables and accrued charges	2,402	(126)	2,276
Contract liabilities	–	126	126
	<u> </u>	<u> </u>	<u> </u>

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position at 31 March 2019 and its consolidated statement of cash flows for the current year for each of the line items affected. There is no impact on the consolidated statement of profit or loss and other comprehensive income for the current year. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Carrying amounts As report <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts without application of HKFRS 15 <i>HK\$'000</i>
Current liabilities			
Other payables and accrued charges	3,026	140	3,166
Contract liabilities	140	(140)	–
	<u> </u>	<u> </u>	<u> </u>

Impact on the consolidated statement of cash flows

	Carrying amounts As report <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts without application of HKFRS 15 <i>HK\$'000</i>
Cash flows from operating activities			
Increase in other payables and accrued charges	750	14	764
Increase in contract liabilities	14	(14)	–
	<u> </u>	<u> </u>	<u> </u>

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments, Amendments to HKFRS 9 Prepayment Features with Negative Compensation and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, and (2) expected credit losses (“ECL”) for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

Accordingly, certain comparative information may not be comparable as comparable information was prepared under HKAS 39 Financial instruments: Recognition and Measurement.

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets and financial liabilities at amortised cost

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognized financial assets and financial liabilities that are within the scope of HKFRS 9 are subsequently measured at amortised cost under HKFRS 9.

Impairment under ECL model

The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group has assessed the expected credit loss model applied to the trade receivables as at 1 April 2018 and the change in impairment methodologies did not have any material impact on the Group’s consolidated financial statements and the opening loss allowance is not restated in this respect.

The adoption of expected credit loss model under HKFRS 9 did not have material impact on allowance for impairment of trade receivables calculated under HKAS 39.

ECL for other financial assets at amortised cost, including cash and bank balances, other receivables and deposits are assessed on 12-month ECL (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No impairment allowance was recognised at 1 April 2018.

HKFRS 15 Revenue from Contracts with Customers and the related amendments

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue mainly from sales of food and grocery products which arise from contracts with customers.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note to the audited consolidated financial statement.

Except for the reclassification of the contract liabilities from receipt in advance of HK\$126,000 at initial application, HKFRS 15 was generally adopted without restating any other comparative information. There is no impact of transition to HKFRS 15 on retained earnings at 1 April 2018.

New and Amendments to HKFRSs in Issue but not Yet Effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRSs 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1st January 2021.

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January 2020.

⁵ Effective for annual periods beginning on or after 1st January 2020.

Except for the new HKFRS mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Total operating lease commitment of the Group in respect of its office and factory premises as at 31 March 2019 was amounting to approximately HK\$11,039,000. A preliminary assessment indicated that these arrangement will meet the definition of a lease under HKFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognize the cumulative effect of initial application to opening retained earnings without restating comparative information.

Except disclosed above, the Directors do not anticipate that the application of other new and revised HKFRSs will have a material impact on the Group's financial performance and financial position.

3. REVENUE AND SEGMENTAL INFORMATION

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Disaggregation of revenue from contracts with customers		
An analysis of the Group's turnover is by types of goods as follows:		
Commodities and cereal products (<i>Note a</i>)	54,025	54,259
Packaged food (<i>Note b</i>)	65,622	52,743
Sauce and condiment	43,741	42,376
Dairy products and eggs	26,350	24,993
Beverage and wine	13,115	12,337
Kitchen products (<i>Note c</i>)	11,073	7,429
	<hr/>	<hr/>
Total revenue at a point in time	213,926	194,137
	<hr/>	<hr/>
Time of revenue recognition		
At a point in time	213,926	194,137
Over time	–	–
	<hr/>	<hr/>
	213,926	194,137
	<hr/> <hr/>	<hr/> <hr/>

The customers of the Group is solely in Hong Kong. Contract with the Group's customers are fixed price contracts.

Notes:

- (a) Commodities and cereal products include rice, wheat flour, noodle products such as ramen and pasta, edible oil as well as sugar and salt.
- (b) Packaged food includes processed products such as meat and vegetables in preserved, canned, frozen and other forms, as well as snacks and pre packaged food items.
- (c) Kitchen 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.

Segment information

The Group's operation is solely derived from sales of goods in Hong Kong for both years. For the purposes of resources allocation and performance assessment, the chief operation decision maker (i.e. the executive directors of the Company) (the "CODM") reviews the overall results and financial position of the Group as a whole which is prepared based on the same accounting policies as set out in note to the consolidated financial statements. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of transactions and the Group's property, plant and equipment amounting to HK\$3,534,000 (2018: HK\$3,012,000) as at 31 March 2019 are all located in Hong Kong by physical location of assets.

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

4. OTHER INCOME AND GAIN AND LOSSES, NET

Other income

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest income	387	47
Sundry income	–	14
	<u>387</u>	<u>61</u>

Other gain and losses, net

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Exchange loss	–	(67)
Allowance for bad and doubtful debts	–	(82)
Reversal of bad and doubtful debts written off	15	–
	<u>15</u>	<u>(149)</u>

5. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interests on bank borrowing	–	57
Interest on obligation under finance leases	6	–
	<u>6</u>	<u>57</u>

6. PROFIT BEFORE TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Directors' remuneration	3,865	3,905
Other staff costs		
Salaries and other benefits	9,700	9,017
Retirement benefits scheme contributions	398	331
	<hr/>	<hr/>
Total staff costs	13,963	13,253
	<hr/>	<hr/>
Depreciation of property, plant and equipment	1,264	1,198
Auditor's remuneration		
– audit service	800	900
Minimum lease payments under operating leases in respect of land and buildings	5,884	5,849
Cost of inventories recognised as an expense	165,943	146,150
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong Profits Tax:		
– Current tax	1,035	1,445
– Overprovision in prior years	(13)	(18)
	<hr/>	<hr/>
	1,022	1,427
	<hr/> <hr/>	<hr/> <hr/>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from current year the Hong Kong profits tax is calculated at 8.25 % on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

8. DIVIDEND

No final dividend has been paid or proposed by the Company since its incorporation. The board of directors does not recommend the payments of any dividend in respect of the year ended 31 March 2019 and 2018.

9. EARNINGS PER SHARE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings:		
Earnings for the purpose of calculating basic earnings per share		
– Profit for the year attributable to owners of the Company	<u>3,909</u>	<u>2,394</u>
	2019 <i>'000</i>	2018 <i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,162,000</u>	<u>1,128,926</u>

Diluted and basic earnings per share were the same for both years as there were no potential ordinary shares in issue for both years.

10. TRADE RECEIVABLES

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	24,750	12,391
31 – 60 days	5,689	6,842
61 – 90 days	1,787	1,560
Over 90 days	<u>149</u>	<u>138</u>
	<u>32,375</u>	<u>20,931</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 99% (2018: 99%) of trade receivables as at 31 March 2019 that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectibility and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each client.

The Group has recognised an allowance of bad and doubtful debts of HK\$nil (2018: HK\$82,000), during the year ended 31 March 2018, as the directors of the Company considered that credit quality of these debtors are in doubt. The loss has been included in "other gain and losses, net" in the consolidated statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

Upon the application of HKFRS 9 on 1 April 2018, the Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and measures the lifetime ECL on each debtor individually.

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

Movement of provision of trade receivables is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Impairment losses recognised	–	82
Amounts written off as uncollectible	–	(82)
	<hr/>	<hr/>
Balance at the end of the year	<u>–</u>	<u>–</u>

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$nil (2018: HK\$82,000) during the year ended 31 March 2019, which credit quality of these debtors are in doubt.

Ageing analysis of trade receivables which are past due but not impaired:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 90 days	90	138
Over 90 days	–	–
	<hr/>	<hr/>
	<u>90</u>	<u>138</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting period. The trade receivables past due but not provided for as at the end of each reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and the directors of the Company believe that no further impairment is required.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Rental and utilities deposits	2,546	1,798
Prepayments to suppliers	1,107	1,017
Other prepayments	420	308
Prepaid rental expenses	190	7
Deposits paid for acquisition of property, plant and equipment	1,497	595
Other receivables	93	106
	<u>5,853</u>	<u>3,831</u>
Presented as non-current assets	1,037	2,373
Presented as current assets	<u>4,816</u>	<u>1,458</u>
	<u>5,853</u>	<u>3,831</u>

12. TRADE PAYABLES

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	4,839	6,351
31 – 60 days	22	336
	<u>4,861</u>	<u>6,687</u>

13. OTHER PAYABLES AND ACCRUED CHARGES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Accrued charges	1,500	954
Salaries and bonus payables	1,526	1,252
Other payables	–	196
	<u>3,026</u>	<u>2,402</u>

14. SHARE CAPITAL

The share capital of the Group as at 31 March 2019 represented the share capital of the Company and details are disclosed as follows:

	Number of shares	HK\$'000
Authorised:		
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	2,000,000,000	20,000
Issue and fully paid:		
At 1 April 2017	15,600,000	156
Placing and public offer of shares upon the listing (<i>note b</i>)	280,000,000	2,800
Issue of shares upon exercise of over-allocation Option for public offer and placing (<i>note b</i>)	42,000,000	420
Capitalisation Issue (<i>note a</i>)	824,400,000	8,244
At 31 March 2018, 1 April 2018 and 31 March 2019	1,162,000,000	11,620

Notes:

- (a) Pursuant to the resolutions passed at the extraordinary general meeting held on 27 March 2017 (the “EGM”), 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 and Trillion Advance Investments Limited (“Trillion Advance”) immediately prior to the Listing (the “Capitalisation Issue”). The Capitalisation Issue was completed on 13 April 2017.
- (b) In connection with the listing of the Shares on GEM (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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

On 13 April 2017, the Shares were successfully listed on GEM 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 audited financial information of our Group, our revenue was approximately HK\$213,926,000 for the year ended 31 March 2019, representing an increase of approximately 10.2% as compared to approximately HK\$194,137,000 in the corresponding period of 2018.

The past year was a difficult period for Hong Kong's food and beverage industry as a whole. The industry faced a lot of challenges such as the high upfront costs, skyrocketing rentals and increasing labor costs, as well as difficulty in retaining talent in an increasingly competitive market. Therefore, during the year ended 31 March 2019, the Group consistently adhered to the principle of maintaining profitability while striving for better results, and continued to step up its efforts in controlling expenditure, and at the same time enhancing its presence in the food and beverage grocery distribution market by devoting more resources to sales and marketing activities and actively facilitating the business development of new products. Despite this, the Directors expect that the competition of the market will continue to be intense.

FINANCIAL REVIEW

Revenue

The following table sets forth the breakdown of the Group's revenue for the years ended 31 March 2019 and 2018:

	2019	2018	
	<i>HK\$'000</i>	<i>HK\$'000</i>	Change %
Commodities and cereal products	54,025	54,259	-0.4%
Packaged food	65,622	52,743	24.4%
Sauce and condiment	43,741	42,376	3.2%
Dairy products and eggs	26,350	24,993	5.4%
Beverage and wine	13,115	12,337	6.3%
Kitchen products	11,073	7,429	49.1%
	213,926	194,137	10.2%

Our revenue generated from different types of product contributed were rather stable for the years ended 31 March 2019 and 2018. During the years ended 31 March 2019 and 2018, commodities and cereal products, packaged food, sauce and condiment, and dairy products and eggs were the major food and beverage grocery categories sold by us, in aggregate, accounting for approximately 88.7% and 89.8% respectively, of our total revenue.

Revenue generated from sales of commodities and cereal products for the years ended 31 March 2019 and 2018 accounted for approximately 25.3% and 27.9% of our total revenue respectively. Sales of commodities and cereal products remained relatively stable for the year ended 31 March 2019 as compared to the previous year.

Our sales of packaged food increased by approximately 24.4% for the year ended 31 March 2019 as compared to the previous year mainly as a result of introduction of new products and increased demand from our customers as a result of successful sales campaign. Revenue generated from sales of packaged food, which becomes our largest contributing product types for the year ended 31 March 2019, accounted for approximately 30.7% and 27.2% of our total revenue respectively for the years ended 31 March 2019 and 2018.

Our sales of sauce and condiment increased by approximately 3.2% for the year ended 31 March 2019 as compared to the previous year mainly as a result of increased orders received for steady growth of existing products.

Our sales of dairy products and eggs increased by approximately 5.4% for the year ended 31 March 2019 as compared to the previous year mainly due to increased orders for milk from an existing large customer.

Our sales of beverage and wine increased by approximately 6.3% for the year ended 31 March 2019 as compared to the previous year mainly due to increased demand from customers.

Our sales of kitchen products increased by approximately 49.1% for the year ended 31 March 2019 as compared to the previous year mainly due to sales of few expensive versatile super slicers and more promotion done for our high-quality kitchen products in the current year.

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\$19,793,000 or approximately 13.5% to approximately HK\$165,943,000 for the year ended 31 March 2019 as compared to approximately HK\$146,150,000 for the year ended 31 March 2018 was due to increased sales volumes and increase in cost of finished goods purchased from suppliers.

Gross profit and gross profit margin

The Group's gross profit decreased from approximately HK\$47,987,000 for the year ended 31 March 2018 to approximately HK\$47,983,000 for the year ended 31 March 2019. The slight decrease in gross profit was due to higher cost of goods purchased from suppliers. For the year ended 31 March 2019, the Group's gross profit margin decreased to 22.4% as compared with previous year at 24.7%.

Other income

Other income represented interest income from bank deposits. Other income increased from approximately HK\$61,000 for the year ended 31 March 2018 to approximately HK\$387,000 for the year ended 31 March 2019 mainly due to increase in interest income from fixed bank deposits.

Other gain and losses, net

The Group recorded a net gain of approximately HK\$15,000 for the year ended 31 March 2019 (year ended 31 March 2018: net losses of approximately HK\$149,000), which was attributable to the reversal of bad and doubtful debts. Net losses in previous year represented the net exchange loss of approximately HK\$67,000 and the allowance for bad and doubtful debts of approximately HK\$82,000.

Selling and distribution expenses

Our selling and distribution expenses mainly comprised transportation expenses, commission expenses to sales person based on a certain percentage of the gross profit on successful sales, staff costs for our sales team, advertising and marketing expenses. The increase of selling and distribution expenses of the Group matched with the revenue increment and were mainly due to increase in transportation expenses and advertising expenses in an attempt to boost sales in the coming months. The selling and distribution expenses accounted for approximately 9.6% and 10.0% of the total revenue for the years ended 31 March 2019 and 2018 respectively.

Administrative expenses

For the year ended 31 March 2019, 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\$22,610,000 for the year ended 31 March 2018 to approximately HK\$22,825,000 for the year ended 31 March 2019. The increase of administrative expenses of the Group was mainly due to increase in salaries of administrative staff and hiring of management personnel offset by decrease in legal and professional fees.

Listing expenses

No listing expense incurred for the year ended 31 March 2019. Listing expenses amounted to approximately HK\$2,075,000 for the year ended 31 March 2018 which comprised professional and other expenses in relation to the Listing.

Finance costs

Finance costs of approximately HK\$6,000 for the year ended 31 March 2019 represented interest expenses on obligation under finance lease incurred for a truck purchased. Finance costs of approximately HK\$57,000 for the year ended 31 March 2018 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 years ended 31 March 2019 and 2018, our income tax expense were approximately HK\$1,022,000 and HK\$1,427,000, respectively, and our effective tax rate (excluding the non-recurring listing expenses) for the same period was approximately 20.7% and 24.2%, respectively.

Profit and total comprehensive income attributable to owners of the Company

For the year ended 31 March 2019 and 2018, the Group's profit and total comprehensive income attributable to owners of the Company were approximately HK\$3,909,000 and HK\$2,394,000 respectively. The increase of profit and total comprehensive income attributable to owners of the Company was mainly attributable to the decreased listing expenses and professional fees, offset by increase in transportation expenses and administrative staff costs.

Dividend

No dividend was paid, declared or proposed during the year. The Directors do not recommend the payment of any dividend for the year ended 31 March 2019 (year ended 31 March 2018: nil).

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

Trade and other receivables

Trade receivables increased by 54.7% from approximately HK\$20,931,000 as at 31 March 2018 to approximately HK\$32,375,000 as at 31 March 2019. The increase was in line with the revenue increment and mainly due to a big sales occurred near year end which was only partially settled as at 31 March 2019.

Other receivables increased by HK\$3,358,000 from approximately HK\$1,458,000 as at 31 March 2018 to approximately HK\$4,816,000 as at 31 March 2019. The increase was mainly due to new rental and utilities deposits paid for the new warehouse and office in Kowloon and deposits paid for their renovation and acquisition of property, plant and equipment.

Trade and other payables

Trade payables decreased by 27.3% from approximately HK\$6,687,000 as at 31 March 2018 to approximately HK\$4,861,000 as at 31 March 2019. The decrease was mainly due to increased settlement of trade payables near period end due to surplus cash on hand.

Other payables increased by HK\$624,000 from approximately HK\$2,402,000 as at 31 March 2018 to approximately HK\$3,026,000 as at 31 March 2019. The increase was mainly due to the increase in accrued transportation expenses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, bank balances and cash of the Group amounted to approximately HK\$64,745,000 (As at 31 March 2018: approximately HK\$54,007,000). The current ratios (current asset divided by current liabilities) of the Group were 13.6 times and 11.7 times as at 31 March 2019 and 31 March 2018 respectively. The Group generally financed its daily operations from internally generated cash flows. The Group financed its business expansion and new business opportunities from the net proceeds from the Listing. The remaining unused net proceeds as at 31 March 2019 were placed as interest bearing deposits with licensed bank in Hong Kong.

CAPITAL STRUCTURE

The Shares were successfully listed on GEM on 13 April 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary shares.

As at 31 March 2019, the Company's issued share capital was HK\$11,620,000 and the number of its issued ordinary Shares was 1,162,000,000 of HK\$0.01 each.

FOREIGN EXCHANGE EXPOSURE RISKS

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

FINANCIAL POLICIES

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

GEARING RATIO

The total interest-bearing borrowing of the Group as at 31 March 2019 was approximately HK\$285,000 (31 March 2018: nil). The Group's gearing ratio as at 31 March 2019 was approximately 0.3% (31 March 2018: 0%), which is calculated as the Group's total borrowing over the Group's total equity. The increase in gearing ratio was mainly due to purchase of a truck under finance lease during the current year.

CAPITAL EXPENDITURE

During the year ended 31 March 2019, the Group invested approximately HK\$1,786,000 in property, plant and equipment, mainly represented motor vehicle and furniture and fixtures.

CAPITAL COMMITMENTS

As at 31 March 2019, the Group had no significant capital commitments.

CHARGES ON THE GROUP'S ASSETS

There were no charges on the Group's assets for the year ended 31 March 2019.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2019, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 31 March 2017 (the "Prospectus"), the Group did not have other future plan for material investments or capital assets.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any significant contingent liabilities (31 March 2018: nil).

INFORMATION ON EMPLOYEES

As at 31 March 2019, the Group employed 42 employees (31 March 2018: 35 employees) with total staff cost of approximately HK\$13,963,000 incurred for the year ended 31 March 2019 (for the year ended 31 March 2018: approximately HK\$13,253,000). The Group's remuneration packages are generally structured with reference to market terms and individual merits.

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

The net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately HK\$48,500,000. Following the Listing, in response to changing business environment and business development requirement of the Group, the Board has resolved to update the proposed use of the net proceeds for reasons as more fully explained in the paragraph headed "Reasons for the Update on Use of Proceeds" in the announcement of update on use of proceeds dated 27 March 2019. Set out below is the actual utilisation of net proceeds up to the date of this announcement:

	Original use of net proceeds HK\$'000	Updated use of net proceeds HK\$'000	Utilised HK\$'000	Unutilised HK\$'000
Leasing of warehouse facility in New Territories & Hong Kong Island:				
– Rental deposits	1,170	–	–	–
– Rental payments	6,455	–	–	–
– Renovation costs	6,000	–	–	–
– Start-up costs for warehouse facility	9,775	–	–	–
Leasing of warehouse facility in Kowloon:				
– Rental deposits	–	900	(570)	330
– Rental payments	–	7,400	(380)	7,020
– Renovation costs	–	7,000	(3,071)	3,929
– Start-up costs for warehouse facility	–	8,100	(816)	7,284
Upgrade of Enterprise Resource Planning ("ERP") system	12,560	12,560	(2,880)	9,680
Conducting sales and marketing activities	5,540	5,540	(415)	5,125
Installation of new repackaging equipment	3,500	3,500	(237)	3,263
General working capital	3,500	3,500	(3,500)	–
	<u>48,500</u>	<u>48,500</u>	<u>(11,869)</u>	<u>36,631</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 and another on the Hong Kong Island for accommodating the increased inventory level. However, since the second half of 2017, the rent and the rent price index in the factory building rental market in Hong Kong showed a continuous uptrend and the Group had not yet identified suitable premises for the warehouse facilities in both areas, therefore the leasing was not yet commenced up to March 2019.

In early 2019, the Group surveyed a premise in Yau Tong, Kowloon, which size and location are suitable for our warehousing, and additionally, the proposed rental fee is relatively cost-effective. The Board evaluated that the premise in Yau Tong, Kowloon is meeting the Group's requirements for fair and efficient use of financial resources. Therefore, the Board had decided to establish a new warehouse at the above mentioned premise and migrated all inventory from the existing warehouses to the new location. As at 31 March 2019, a total of approximately HK\$4,837,000 was spent on rental deposits, rental payments, renovation costs and start-up costs for the warehouse facility.

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 31 March 2019, the Group selected a new ERP software for implementation and a total of approximately HK\$2,880,000 was spent on consultancy services and software and hardware acquisition for the upgrade of the ERP system.

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 31 March 2019, a total of approximately HK\$415,000 was spent on participating in domestic food exhibition and sales exhibition to showcase our products to potential buyers. The Group is currently recruiting new sales person and 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 31 March 2019, 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.

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

OTHER INFORMATION

Corporate governance practices

The Company is committed to maintaining high standards of corporate governance. The Company believes that sound corporate governance practices are essential to the effective and transparent operation of the Company and to its ability to safeguard the interest of the shareholders of the Company. The Company has applied the principles and code provisions as set out in Corporate Governance Code and Corporate Governance Report (the "CG Code") as contained in Appendix 15 to the GEM Listing Rules to ensure that the Group's business activities and decision-making processes are regulated in a proper and prudent manner.

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code during the Relevant Period.

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 Company's continuing connected transactions for the year ended 31 March 2019 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. Ng Fan Kay Frankie and Mr. Wong Garrick Jorge Kar Ho and the chairman is Mr. Ng Fan Kay Frankie, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The audited consolidated financial statements of the Group for the year ended 31 March 2018 had been reviewed by the Audit Committee, which was of the opinion that the audited consolidated financial statements have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

Event after the reporting period

The Directors are not aware of any significant event which had material effect on the Group subsequent to 31 March 2019 and up to the date of this announcement.

Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). Having made specific enquiry of all the Directors, each of the Directors have confirmed that they have complied with the Model Code during the year ended 31 March 2019.

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

No incident of non-compliance of the Model Code and/or the Inside Information Policy was noted by the Company during the year ended 31 March 2019.

Purchase, sales or redemption of the listed securities of the Company

Neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the year ended 31 March 2019.

Scope of work of Messrs. HLB Hodgson Impey Cheng Limited

The figures in respect of the Group's consolidated statement of the financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2019 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2019. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. HLB Hodgson Impey Cheng Limited on this preliminary 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 31 March 2019, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Annual general meeting

The annual general meeting (“AGM”) for the financial year 2019 of the Company is scheduled to be held on Wednesday, 31 July 2019 and a notice convening the AGM will be published and despatched in due course.

Closure of register of members

The register of members of the Company will be closed from Friday, 26 July 2019 to Wednesday, 31 July 2019, both days inclusive, for the purposes of determining the entitlements of the shareholders to attend and vote at the AGM. During this closure period, no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration by no later than 4:30 p.m. on Thursday, 25 July 2019.

Publication of the 2019 annual report on the websites of the Stock Exchange and the Company

Pursuant to the requirements of the GEM Listing Rules, the 2019 annual report of the Company will set out all information required by the GEM Listing Rules and will be published on the GEM website at www.hkgem.com and the Company’s website at www.agdl.com.hk on or before 30 June 2019.

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

Hong Kong, 25 June 2019

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. Ng Fan Kay Frankie 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 seven days from the date of its posting and on the Company’s website at www.agdl.com.hk.