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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)

UPDATE ON USE OF PROCEEDS

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Reference is made to the prospectus dated 31 March 2017 (the “**Prospectus**”) issued by Asia Grocery Distribution Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) in relation to the listing of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited. It was disclosed in the paragraph headed “Reasons for the Share Offer and Use of Proceeds” under the section headed “Statement of Business Objective and Use of Proceeds” in the Prospectus that the Company intended to use the net proceeds from the Share Offer (the “**Net Proceeds**”) for the following purposes:

- approximately 48.3% of the total estimated net proceeds, or HK\$23.4 million, will be used 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;
- approximately 26.0% of the total estimated net proceeds, or HK\$12.6 million, will be used to upgrade our ERP system;
- approximately 11.3% of the total estimated net proceeds, or HK\$5.5 million, will be used to conduct sales and marketing activities;
- approximately 7.2% of the total estimated net proceeds, or HK\$3.5 million, will be used to install new repackaging equipment and develop packaging design; and
- approximately 7.2% of the total estimated net proceeds, or HK\$3.5 million, will be used for general working capital purposes.

As at the date of this announcement, approximately HK\$6,566,000 of the Net Proceeds had been used and applied for those intended uses. Approximately HK\$41,934,000 of the Net Proceeds remain unutilized.

The board (the “**Board**”) of directors (the “**Directors**”) has resolved to update the proposed use of the Net Proceeds for reasons set out in the paragraph below headed “Reasons for the Update on Use of Proceeds” of this announcement. Breakdown of the original allocation of the Net proceeds, breakdown of the Net Proceeds utilized and unutilized up to the date of this announcement, and the revised allocation of the Net Proceeds are summarized as follows:

	Originally allocation (HK\$'000)	Utilized amount up to the date of this announcement (HK\$'000)	Unutilized amount as at the date of this announcement (HK\$'000)	Revised allocation (HK\$'000)
Leasing of warehouse facility in New Territories and 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	–
Leasing of warehouse facility in Kowloon				
– Rental deposits	–	–	–	900
– Rental payments	–	–	–	7,400
– Renovation costs	–	–	–	7,000
– Start-up costs for warehouse facility	–	–	–	8,100
Upgrade of ERP System	12,560	(2,416)	10,144	10,144
Conducting sales and market activities	5,540	(413)	5,127	5,127
Installation of new repackaging equipment	3,500	(237)	3,263	3,263
General working capital	3,500	(3,500)	–	–
Total	<u>48,500</u>	<u>(6,566)</u>	<u>41,934</u>	<u>41,934</u>

REASONS FOR THE UPDATE ON USE OF PROCEEDS

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 has not yet identified suitable premises for the warehouse facilities in both areas, therefore the leasing is not yet commenced up to the date of this announcement.

In recent months, 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 above identified premise is meeting the Group's requirements for fair and efficient use of financial resources. Therefore, the Board has decided to establish a new warehouse at the above mentioned premise and migrate all inventory from the existing warehouses to the new location.

In view of the foregoing, the Board (including the independent non-executive Directors) considers that the update on use of the Net Proceeds is in the interests of the Group and the shareholders of the Company as a whole.

Save as aforesaid, there is no other update on use of the Proceeds.

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

Hong Kong, 27 March 2019

As at the date of this announcement, 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. Ng Fan Kay Frankie and Mr. Wong Garrick Jorge Kar Ho.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

This announcement will remain on the website of the GEM of The Stock Exchange of Hong Kong Limited at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.agdl.com.hk.