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HK Asia Holdings Limited

港亞控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1723)

CHANGE IN USE OF PROCEEDS

Reference is made to (i) the prospectus issued by HK Asia Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 11 September 2018 (the “**Prospectus**”) in relation to the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, which sets out the intended use of the net proceeds from the issue of new shares of the Company (the “**Net Proceeds**”) at the time of preparing the Prospectus, and (ii) the interim report of the Company for the six months ended 30 September 2020 (the “**Interim Report**”), in which the utilisation of the Net Proceeds up to 30 September 2020 was disclosed. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Interim Report.

The board of directors of the Company (the “**Board**”) hereby announces that it has resolved to change the use of the Net Proceeds.

USE OF PROCEEDS

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Net Proceeds were intended to be used for the following purposes:–

- about 66.6% of the Net Proceeds would be used for opening of five retail shops in across Hong Kong, Kowloon and New Territories, covering (i) capital expenditure including acquisition of furnitures and equipment and expenses on leasehold improvement for retail shops and (ii) operating costs including purchase of initial inventory, hiring of staff, paying rental and other related expenses;

- about 3.9% of the Net Proceeds would be applied in hiring additional sales personnel to identify potential retailers for the expansion of the Sales Networks;
- about 24.1% of the Net Proceeds would be applied in marketing and promotion activities to further promote the Pre-paid Products and to expand the Group's market share, including advertising through a variety of media which are popular to our target end-users, engage active and well-known television or movie celebrities in the Filipino and Indonesian communities, re-decorate and/or renovate retail shops and promotion activities;
- about 4.6% of the Net Proceeds would be applied in implementing an enterprises resources planning system which can be integrated with the Group's accounting system to enhance operational data analysis, financial reporting and supply and retail management capabilities; and
- about 0.8% of the Net Proceeds would be used towards working capital and other general corporate purposes.

The Net Proceeds received by the Company, after deducting related underwriting fees and expenses payable by the Company in connection with the Share Offer, were approximately HK\$40.6 million.

As disclosed in the section headed "Use of Proceeds from Share Offer" in the Interim Report, the Company had used approximately HK\$6 million of the Net Proceeds up to 30 September 2020 in the manner disclosed in the Interim Report and due to the social unrest and the outbreak of COVID-19, the Group's plan to set up new retail shops and carry out marketing and promotional activities had been delayed, with the balance of the unutilised Net Proceeds expected to be utilised in the coming two financial years.

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$34.2 million. On 25 March 2021, the Board resolved to change the use of the unutilised Net Proceeds. An analysis of the utilisation of the Net Proceeds as at the date of this announcement and the proposed change in the use of the unutilised Net Proceeds is set out as below:

Business objectives	Planned use of Net Proceeds as disclosed in the Prospectus <i>HK\$' million</i> <i>(approximately)</i>	Utilised Net Proceeds as at the date of this announcement <i>HK\$' million</i> <i>(approximately)</i>	Unutilised Net Proceeds as at the date of this announcement <i>HK\$' million</i> <i>(approximately)</i>	Proposed application of the unutilised Net Proceeds <i>HK\$' million</i> <i>(approximately)</i>
Setting up of five retails shops	27.0	1.6	25.4	–
Hiring additional sales personnel	1.6	1.6	–	–
Carrying out marketing and promotional activities	9.8	2.6	7.2	–
Implementing an enterprises resources planning system	1.9	0.3	1.6	–
For working capital and other general corporate purposes	0.3	0.3	–	–
Bulk purchase of Pre-paid Products from suppliers	–	–	–	34.2
Total	<u>40.6</u>	<u>6.4</u>	<u>34.2</u>	<u>34.2</u>

The unutilized Net Proceeds are expected to be utilised in the coming twelve months.

Save for the aforesaid changes, there is no other change in use of the Net Proceeds.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

With the impact of the recent outbreak of the COVID-19 pandemic, the Board considered that the execution of the Group's expansion plan of setting up five retail stores and carrying out marketing and promotional activities will not be profitable to the Group. The Group has finished the implementation of enterprises resources planning system. The Group plans to increase its market share and profitability by negotiating with suppliers to obtain more discounts through bulk purchases of Pre-paid Products. It could lower the Group's cost of sales and more Pre-paid Products could also be sold at a lower price. Therefore, the Board estimated that approximately HK\$34.2 million would be allocated for the bulk purchases of Pre-paid Products from suppliers.

The Board confirms that there are no material changes in the nature of the business of the Group as set out in the Prospectus. The Board considers the above change in the use of the Net Proceeds is fair and reasonable as this would allow the Company to deploy its financial resources more effectively to enhance the profitability of the Group and is therefore in the interests of the Group and the Shareholders as a whole.

The Board will continuously assess the plan for the use of the unutilised Net Proceeds and may revise or amend such plan where necessary to cope with the changing market conditions and strive for better business performance of the Group.

By Order of the Board
HK Asia Holdings Limited
Mr. SIU Muk Lung
Chairman and Executive Director

Hong Kong, 25 March 2021

As at the date of this announcement, the Board comprises Mr. Siu Muk Lung and Mr. Chung Chi Fai as executive directors; Mr. Ritchie Ma and Mr. Lam Kin Lun, Davie as non-executive directors; and Mr. Lee Kwan Ho, Vincent Marshall, Mr. Kwok Wai Leung, Stanley, Mr. Shiao Hei Lok Herod and Mr. Fok Kam Chau as independent non-executive directors.