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TSIT WING INTERNATIONAL HOLDINGS LIMITED

捷榮國際控股有限公司*

(Incorporated under the laws of Bermuda with limited liability)

(Stock Code: 2119)

UPDATE ON USE OF PROCEEDS AND SUPPLEMENTAL ANNOUNCEMENT TO ANNUAL REPORT

Reference is made to (i) the prospectus of Tsit Wing International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 April 2018 (the “**Prospectus**”), which contained the proposed use of net proceeds (the “**Net Proceeds**”) raised from the share offer of the Company and (ii) the annual report of the Company for the year ended 31 December 2019 published by the Company on 31 March 2020 (the “**Annual Report**”) in respect of the utilisation of the Net Proceeds as at 31 December 2019.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to provide an update to the use of the Net Proceeds as supplemental information to the Annual Report.

The Net Proceeds, after deducting the underwriting fees and other listing-related expenses, amounted to approximately HK\$232.6 million. As at 30 June 2020, the Company had utilised approximately HK\$91.6 million of the Net Proceeds, representing approximately 39.4% of the Net Proceeds. The unutilised Net Proceeds amounted to approximately HK\$141.0 million, representing approximately 60.6% of the Net Proceeds. As at the date of this announcement, there has not been any change to the intended use of the Net Proceeds or the allocated amount as disclosed in the Annual Report.

The Company wishes to provide further information to its shareholders and potential investors as to the expected timeline on the intended utilisation of the Net Proceeds as follows:

	Original allocation from the date of listing of the shares on 11 May 2018 <i>HK\$'000</i>	Actual utilised amount as at 31 December 2019 <i>HK\$'000</i>	Actual utilised amount as at 30 June 2020 <i>HK\$'000</i>	Unutilised amount as at 30 June 2020 <i>HK\$'000</i>	Expected timeline for utilising the remaining Net Proceeds (<i>Note 1</i>)
Strengthen business portfolio	93,044	388	1,859 <i>(Note 2)</i>	91,185	Expected to be fully utilised on or before 31 December 2022
Capital investments of machineries and equipment	46,522	33,232	36,627 <i>(Note 3)</i>	9,895	Expected to be fully utilised on or before 31 December 2020
Expansion into Southeast Asia	23,261	242	283 <i>(Note 4)</i>	22,978	Expected to be fully utilised on or before 31 December 2022
Product customisation and development	23,261	3,363	6,289 <i>(Note 5)</i>	16,972	Expected to be fully utilised on or before 30 June 2022
Support sales and marketing	23,261	20,351	23,261	—	N/A
General working capital	23,261	23,261	23,261	—	N/A
Total	232,610	80,837	91,580	141,030	

Notes:

- The expected timeline for utilising the remaining Net Proceeds is prepared based on the assumption of a continuing recovery from the effects of COVID-19 starting from the second quarter of 2020 taking into account, among others, the prevailing and future market conditions and business developments and need. In view of the significant effects to the economy and business environment, we shall update and re-visit our plan continuously and therefore is subject to change.
- We have strengthened our distribution channel in China through the establishment of “Tsit Wing Flagship store 捷榮旗艦店” an online flagship store, on Tmall.com that sells coffee and tea products processed by the Group which covers both end consumers and business consumers. An initial sum of HK\$1.9 million was utilised for engaging the e-commerce operator to carry out a series of marketing activities in order to increase our brand awareness and products promotion together with manpower and other asset items to setup and operate the e-commerce platform.

As frozen processed food is one of the key business strategies under our Group, we have also acquired a cold storage delivery truck. The Group will continue to expand its frozen processed foods business which would entail higher profit margin for the Group. In this regard, we have conducted feasibility studies on frozen meat business and sought for advices from consultants in relation to the establishment and regulatory requirements on the frozen food processing. The preparation and establishment of our frozen meat business are in progress and the Company estimates to commence its full operation on or before the first half of 2021.

For the remaining Net Proceeds which is originally used for potential future business or share acquisitions, joint ventures or other strategic arrangements, the Group expects the plan will be resumed once the economic conditions to be improved in the early of 2021 as the current situation is being affected by the China-United States trade tension and the outbreak of COVID-19.

3. Up to 30 June 2020, approximately HK\$36.6 million of the Net Proceeds was utilised for acquisition of new coffee machines for our customers, upgrading coffee roasters in Hong Kong facilities and purchasing various necessary equipments in our warehouse and production line in both Hong Kong and the PRC. The Group will continue the usage plan as stated in the Prospectus and expects the amounts to be fully utilised by the end of 2020.
4. Up to 30 June 2020, approximately HK\$0.3 million of the Net Proceeds was utilised for expansion into Southeast Asia. We have participated in various food and beverage exhibitions, on-site factory visits and held various meetings with our strategic partners to explore and discuss the business opportunities of food and beverage business in Southeast Asia, which discussion further include opportunities in Japan and Taiwan during 2019 and early 2020. With the outbreak of COVID-19 since January 2020, these discussions were postponed. The business and economic situation are more seriously affected by COVID-19 in Southeast Asia, we will perform market research to reassess the macro economy and business opportunities of the target geographical locations and may adjust our business strategy if necessary.
5. Up to 30 June 2020, approximately HK\$6.3 million of the Net Proceeds was utilised for product customisation and development. We have installed instruments for product testing, purchased food products sampling and conducted studies on new products to formulate our beverage solutions. For the remaining unutilised amounts, majority of balances will be used for the development of fully automated tea machines. Currently, our exclusive coffee machine supplier — Rex Royal has completed the design layout and technical modification of such tea machines. We are now under the trial stage of testing the stability and safety of the sample machine model. Due to the cities lockdown and social distancing measures to be carried out in European countries, the launching plan has been delayed as some of the machinery spare parts are sourced from European countries. We will keep on working with Rex Royal to reschedule the timeline and expect the on-going plan will resume in early 2021.

As at the date of this announcement, there has not been any material change to the plan as to the use of the Net Proceeds except that in light of the material change in market and economic condition, the Group will utilise the balance of fund in a conservative manner. Should the Directors decide to reallocate the planned use of the Net Proceeds to other business plans and/or new projects of the Group to a material extent, the Company will make appropriate announcement(s) in due course.

The Board confirms that the above supplemental information does not affect other information contained in the Annual Report which shall remain unchanged.

By Order of the Board
Tsit Wing International Holdings Limited
Mr. Wong Tat Tong
Chairman and Executive Director

Hong Kong, 5 August 2020

As at the date of this announcement, the Board comprises six Directors. The executive Directors are Mr. Wong Tat Tong, Mr. Wu Kam On Keith and Ms. Fan Yee Man. The independent non-executive Directors are Mr. Tang Kwai Chang, Mr. Chow Alexander Yue Nong and Mr. Wong Man Fai.

** For identification purposes only*