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INDIGO STAR HOLDINGS LIMITED

靛藍星控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8373)

(1) SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 AND (2) CHANGE IN USE OF PROCEEDS

References are made to the prospectus of Indigo Star Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 October 2017 (the “**Prospectus**”) in relation to the listing of the shares of the Company on GEM of the Stock Exchange by way of share offer (the “**Share Offer**”) and the annual report of the Company for the period of the year ended 31 December 2019 (the “**2019 Annual Report**”).

Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the 2019 Annual Report.

(1) USE OF PROCEEDS FROM THE SHARE OFFER

In addition to the information disclosed in the section “Management Discussion and Analysis” in the 2019 Annual Report, the Board would like to provide additional information pursuant to GEM Rule 18.32A and GEM Rule 18.32(8) to the GEM Listing Rules in relation to the detailed breakdown and description of the intended use of the Net Proceeds (the “**Unutilised IPO Proceeds**”) as at 31 December 2019, and the expected timeline of application of the Unutilised IPO Proceeds are as follows:

Intended use of Net Proceeds	Actual use of Net Proceeds and Intended use of Unutilised IPO Proceeds
Approximately HK\$35.5 million (equivalent to approximately S\$6.4 million) was planned to use for the acquisition of a property (“ New Property ”) for our cut and bend factory and our dormitory to accommodate our foreign workers.	As at 31 December 2019, approximately HK\$14.3 million (equivalent to approximately S\$2.5 million) was utilised for the payment of the refundable deposit for the acquisition of the New Property located at 8 Senoko Loop Singapore 758147. The acquisition of the New Property was completed on 25 February 2020 upon satisfaction of all conditions precedent.
	Accordingly, the Unutilised IPO Proceeds of approximately HK\$14.2 million as at 31 December 2019 allocated for the acquisition of the New Property was intended to be and had been utilised for the same specific use by 25 February 2020 and the reallocation of the remaining balance of approximately HK\$7.0 million is set out in section headed “Change in Use of Net Proceeds in this announcement”.

Intended use of Net Proceeds

Approximately HK\$3.3 million (equivalent to approximately S\$0.6 million) was planned to be used for the renovation of the New Property.

Approximately HK\$4.0 million (equivalent to approximately S\$0.7 million) was planned to be used for purchase of one single production line of cut and bend system.

Approximately HK\$0.5 million (equivalent to approximately S\$0.1 million) was planned to be used for working capital and other general corporate purposes.

The above supplemental information does not affect other information contained in the 2019 Annual Report and save as disclosed above, all other information in the 2019 Annual Report remains unchanged.

Actual use of Net Proceeds and Intended use of Unutilised IPO Proceeds

The Group had not commenced the renovation of the New Property as at 31 December 2019 as the acquisition of the New Property was delayed and completed on 25 February 2020.

Accordingly, the Unutilised IPO Proceeds of approximately HK\$1.1 million as at 31 December 2019 allocated for the renovation of the New Property is intended to be utilised for the same specific use by 30 June 2020 as the completion of acquisition of the New Property was delayed and the reallocation of the remaining balance of approximately HK\$2.2 million is set out in section headed “Change in Use of Net Proceeds in this announcement”.

The Group had not purchased the production line of cut and bend system as at 31 December 2019 as the acquisition of the New Property was delayed and completed on 25 February 2020.

Accordingly, the Unutilised IPO Proceeds of approximately HK\$4.0 million as at 31 December 2019 allocated for the purchase of one single production line of cut and bend system is intended to be fully utilised for the same specific use by 31 March 2021 as the completion of acquisition of the New Property was delayed.

Approximately HK\$0.5 million (equivalent to approximately S\$0.1 million) was utilised for working capital and other general corporate purposes of our Group.

(2) CHANGE IN USE OF NET PROCEEDS

The Board would like to announce that the Board has resolved to change the use of approximately HK\$9.2 million out of the remaining Unutilised IPO Proceeds (the “**Net Proceeds**”). Breakdown of the planned use of Net Proceeds as stated in the Prospectus, the actual use of Net Proceeds utilised up to the date of this announcement, Unutilised IPO Proceeds up to the date of this announcement and the proposed reallocation of Unutilised IPO Proceeds are summarised as follows:

	Planned use of Net Proceeds as disclosed in the Prospectus <i>HK\$ million</i>	Net Proceeds utilised up to the date of this announcement <i>HK\$ million</i>	Unutilised IPO Proceeds up to the date of this announcement <i>HK\$ million</i>	Reallocation of use of Unutilised IPO Proceeds <i>HK\$ million</i>	Proposed use of Unutilised IPO Proceeds <i>HK\$ million</i>
Acquiring the New Property	35.5	28.5	7.0	(7.0)	—
Renovating the New Property	3.3	1.1	2.2	(2.2)	—
Purchasing one single production line of cut and bend system	4.0	—	4.0	—	4.0
General working capital	0.5	0.5	—	—	—
Staff costs in respect of construction projects	—	—	—	9.2	9.2
	<u>43.3</u>	<u>30.1</u>	<u>13.2</u>	<u>—</u>	<u>13.2</u>

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF NET PROCEEDS

The Company originally allocated HK\$35.5 million and HK\$3.3 million, respectively, to acquire a property for our dormitory and cut and bend factory and renovation of the property, respectively. Referring to the announcement of the Company dated 17 May 2019, Interno Engineering (1996) Pte. Ltd (“**IEPL**”), an indirect wholly owned subsidiary of the Company, as the purchaser and NK Ceramic Ptd. Ltd. (the “**Vendor**”) entered into a sale and purchase agreement, pursuant to which the Vendor agreed to sell to IEPL, and IEPL agreed to purchase from the Vendor a target property located at 8 Senoko Loop Singapore 758147 (the “**Property**”), at a total consideration of S\$5 million (equivalent to approximately HK\$28.5 million), which was completed on 25 February 2020. The completion had been delayed due to time spent in obtaining confirmation from Jurong Town Corporation (“**JTC**”) that the Vendor and the Purchaser have complied with all terms of JTC’s in-principle approval. Upon careful selection of a suitable site and negotiation, and given the negative sentiment of the property market in Singapore, our Company managed to acquire the New Property and completed renovation of the New Property at a cost lower than that estimated as at the date of the Prospectus of approximately HK\$28.5 million and HK\$1.1 million respectively. Accordingly, as at the date of this announcement, there was approximately HK\$9.2 million in aggregate Unutilised IPO Proceeds.

The Board has considered a basket of factors including the fact that (i) the COVID-19 pandemic will continue in the near future; (ii) the gradual restart from the closure of workplaces nationally since April 2020 in Singapore may drag for months before full resumption of construction works and as at the date of this announcement construction works in Singapore had not been fully resumed; and (iii) the economic downturn to be

experienced in Singapore which is expected to slow down projects roll out. In light of these uncertainties and the market conditions, the Group's operation and financial performance may be materially and adversely affected. Accordingly, the Group needs to adopt a more effective policy to maintain its existing business operations and cash flow liquidity. The Board has assessed a number of viable options to manage the Group's cash flows and liquidity, such as re-designating the Unutilised IPO Proceeds from the Share Offer or taking out bank loans.

The Board is of the view that it would be of the best interest to the Company and the shareholders of the Company as a whole under the worsened financial condition of the Group to reallocate part of the Unutilised IPO Proceeds of approximately HK\$9.2 million originally designated for acquiring the New Property as staff costs in respect of construction projects. The Board is of the view that it would not be in the interest of the Group to take out further banking facilities to support the business and operation of the Group as it would burden the worsened financial condition of the Group further with additional finance costs.

The Board believes that the reallocation of the Unutilised IPO Proceeds as disclosed above will enable a better utilisation of the Unutilised IPO Proceeds as this will provide higher level of flexibility for the Group to manage its asset and liability against the current unstable business environment and is favourable to the Group's long term business development. The Board will continue to assess the impact of the COVID-19 pandemic and the economic trend of Singapore on the operations of the Group.

The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and considered that the proposed change in the proposed use of Unutilised IPO Proceeds will not have any material adverse impact on the operations of the Group and is in the best interests of the Company and the shareholders of the Company as a whole.

By Order of the Board
Indigo Star Holdings Limited
Goh Cheng Seng
Chairman and Executive Director

Hong Kong, 30 July 2020

As at the date of this announcement, the chairman and executive director of the Company is Mr. Goh Cheng Seng, the executive directors of the Company are Ms. Tan Soh Kuan, Mr. Ng Sai Cheong and Mr. Wang Jianye; and the independent non-executive directors of the Company are Mr. Ma Yiu Ho Peter, Mr. Yip Ki Chi Luke, Mr. Zhou Guangguo and Mr. Clay Huen.

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 which regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the Stock Exchange website at www.hkgem.com, on the “Latest Company Announcements” page for at least seven days from the date of its posting. This announcement will also be published on the Company’s website at www.indigostar.sg.