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途屹控股

TU YI HOLDING COMPANY LIMITED
途屹控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1701)

CHANGE OF USE OF PROCEEDS

References are made to the prospectus (the “**Prospectus**”) dated 18 June 2019 and the annual report for the year ended 31 December 2019 and the interim report for the six months ended 30 June 2020 of Tu Yi Holding Company Limited (the “**Company**” together with its subsidiaries, the “**Group**”), and the supplemental announcement in relation to the annual report of the Company dated 5 August 2020 (the “**Announcement**”). Unless otherwise defined, terms used herein shall have the same meaning as defined in the 2019 Annual Report and the Announcement. As at the date of this announcement, the Company had utilised approximately HK\$52.8 million, representing approximately 60% of the Net Proceeds, and the unutilised Net Proceeds was approximately HK\$35.2 million.

CHANGE OF USE OF PROCEEDS

The outbreak of the novel coronavirus (the “**COVID-19**”) and its global pandemic (the “**Pandemic**”) have caused an unprecedented crisis and brought the tourism and hospitality industry (the “**Industry**”) to a standstill. The management of the Group has taken the chance to review and reassess the Group’s business operation, strategies, competitive advantages, marketing approaches as well as its product mix and IT platform, for the purpose of improving and streamlining its business operation to enable the Group to be in a more competitive position when the Industry recovers.

Having carefully considered the current macro business environment and development needs of the Group, the board (the “**Board**”) of directors (the “**Directors**”) of the Company has reviewed the current utilisation of the Net Proceeds and resolved to adjust the use of the Net Proceeds originally designated for investing in a travel agency company in Tokyo, Japan.

As disclosed in the Prospectus, approximately 20% of the Net Proceeds (approximately HK\$17.6 million) would be used to invest in a travel agency company in Tokyo, Japan (the “**Intended Usage**”). Due to the reasons as mentioned below, the Board resolved to change the Intended Usage of the Net Proceeds and approved that such amount being approximately 20% of the Net Proceeds (approximately HK\$17.6 million) shall be reallocated as investing in enhancing the Group’s marketing approaches together with its IT platform, the measures of which include but not limited to:-

- enhancing the current travel product booking system by simplifying the booking processes and providing more guidelines for each process;
- building up the travel destination merchant Software-as-a-service (“**SAAS**”) system, which is designed to assist the local merchants at the travel destination to enhance the digital marketing ability and the cooperation between the Group and the upstream and downstream merchants to better equip the Group to better capture the opportunities from the upcoming recovery of the tourism in Japan. The travel destination merchant SAAS system will serve as a platform for online shopping, online group purchasing, followers adding, providing discounted goods in a certain period of time, etc., which enables the local merchants at the travel destination to reduce operating expenses in a large extent and obtain more online orders; and
- enhancing the Group’s online Duty-free Shop Business under the name Direct Courier from Shop Manager* (“**店長直郵**”) and the related mobile phone application by increasing the system response speed.

As such, the unutilised Net Proceeds will be applied as follows:

Description	Intended use of Net Proceeds as disclosed in the 2019 Annual Report <i>HK\$’000</i>	Utilised Net Proceeds as at 30 June 2020 <i>HK\$’000</i>	Original allocation of Unutilised Net Proceeds as at 30 June 2020 <i>HK\$’000</i>	Revised allocation of Net Proceeds as at the date of this announcement <i>HK\$’000</i>	Expected timeline for unutilised Net Proceeds
(i) Enhancing the Group’s product portfolio by developing new products and services	1,760	1,760	–	–	–
(ii) Purchasing tour buses and engaging third party tour bus operators	11,440	11,440	–	–	–
(iii) Acquiring hospitality asset in Kyoto, Japan	17,600	–	17,600	17,600	Before or around 30 June 2021 <i>(Note)</i>
(iv) Investing in a travel agency company in Tokyo, Japan	17,600	–	17,600	–	–

Description	Intended use of Net Proceeds as disclosed in the 2019 Annual Report <i>HK\$'000</i>	Utilised Net Proceeds as at 30 June 2020 <i>HK\$'000</i>	Original allocation of Unutilised Net Proceeds as at 30 June 2020 <i>HK\$'000</i>	Revised allocation of Net Proceeds as at the date of this announcement <i>HK\$'000</i>	Expected timeline for unutilised Net Proceeds
(v) Investing in enhancing the Group's marketing approaches together with its IT platform	–	–	–	17,600	Before or around 31 December 2021
(vi) Engaging more personnel in Japan	13,200	13,200	–	–	–
(vii) General working capital	26,400	26,400	–	–	–
Total	<u>88,000</u>	<u>52,800</u>	<u>35,200</u>	<u>35,200</u>	

Note: The utilisation of the Net Proceeds allocated for acquiring hospitality asset in Kyoto, Japan has been delayed due to the outbreak of COVID-19 since January 2020 and the Group has been cautious about the liquidity, working capital and gearing level and has been putting in place prudent cash management measures, including but not limited to, putting on hold or scaling back the planned investments/projects, in particular, Japan-related investments/projects in light of the serious outbreak of the COVID-19 in Japan and the suspension of the Group's sales of outbound packaged tours and free and independent travellers products since 25 January 2020 pursuant to the notices issued by the PRC government authorities as disclosed in the voluntary announcement of the Company dated 7 February 2020.

REASONS FOR THE CHANGE OF INTENDED USAGE

In light of the outbreak of the COVID-19 and the Pandemic, the Group has suspended its sales of outbound packaged tours and free and independent travellers products since 25 January 2020 in order to help and facilitate the prevention and control of the Pandemic. As such, the Board is of the view that the needs for the Group to invest in a travel agency company in Tokyo, Japan, have been reduced substantially. In order to better utilise the remaining balance of the Net Proceeds more effectively, the Board considers that it would be in the interests of the Group to reallocate the Net Proceeds originally designated for investing in a travel agency company in Tokyo, Japan, to investing in the enhancement of the Group's marketing approaches together with its IT platform.

As at the date of this announcement, the Directors confirm that there is no material change in the nature of business of the Group as set out in the Prospectus. The Directors consider the above change in the use of the Net Proceeds is fair and reasonable as this allows the Group to deploy its financial resources more effectively to enhance the profitability of the Group and is in the interests of the Group and its shareholders as a whole.

The Board confirms that, save as disclosed in this announcement, there is no other changes in the intended usages and original allocations of the unutilised Net Proceeds as at the date of this announcement. However, the Board will continue to assess the impact of the outbreak of the COVID-19 on the Group's operation and financial performance and the plans for the unutilised Net Proceeds as set out above in this announcement, and may revise or amend such plans where necessary, to cope with the changing market conditions and strive for better business performance for the Group, and the Company will make further announcement as and when appropriate.

By order of the Board
Tu Yi Holding Company Limited
Yu Dingxin
Chairman and executive Director

The People's Republic of China, 17 November 2020

As at the date of this announcement, the Board comprises four executive Directors: Mr. Yu Dingxin, Mr. Pan Wei, Mr. Xu Jiong and Mr. An Jiajin and four independent non-executive Directors: Mr. Gu Jiong, Mr. Zhao Jianbo, Ms. Zhou Li and Mr. Zheng Cheng.