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Kiu Hung International Holdings Limited

僑雄國際控股有限公司

(Incorporated in the Cayman Islands with limited liability and continued in Bermuda with limited liability)

(Stock Code: 00381)

LOAN CAPITALISATION THROUGH SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

LOAN CAPITALISATION THROUGH THE SUBSCRIPTION

On 2 October 2024 (after the trading hours of the Stock Exchange), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditional agreed to subscribe for the 53,220,754 Subscription Shares at the Subscription Price of HK\$0.150 per Share. The Subscription amount payable by the Subscriber of HK\$7,983,113.10 under the Subscription Agreement shall be satisfied by way of capitalisation of part of the Indebted Amount already due from the Company to the Subscriber.

Assuming that there will be no change in the number of issued Shares between the date of this announcement and Completion, the 53,220,754 Subscription Shares represent approximately 7.23% of the existing issued share capital of the Company as at the date of this announcement and approximately 6.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Completion of the Subscription is subject to the fulfillment of the conditions under the Subscription Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.

LOAN CAPITALISATION THROUGH THE SUBSCRIPTION

The Company had obtained borrowings from the Subscriber for the Group's general working capital purposes. As at the date of this announcement, the Company was indebted to the Subscriber an amount of approximately HK\$12 million including loan principal and accrued interest thereon. The above loan has been overdue. After negotiation with the Subscriber, the Subscriber has agreed not to demand for the repayment of the Indebted Amount due before 31 December 2024.

On 2 October 2024 (after the trading hours of the Stock Exchange), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for the 53,220,754 Subscription Shares at the Subscription Price of HK\$0.150 per Share. The Subscription amount payable by the Subscriber of HK\$7,983,113.10 under the Subscription Agreement shall be satisfied by way of capitalisation of part of the Indebted Amount due by the Company to the Subscriber.

THE SUBSCRIPTION AGREEMENT

Details of the terms of the Subscription Agreement are summarised below:

Date

2 October 2024 (after trading hours of the Stock Exchange)

Parties

- (1) The Company (as issuer); and
- (2) The Subscriber (as subscriber)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Subscriber is an Independent Third Party.

Subscription Shares

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber and the Subscriber has conditionally agreed to subscribe for 53,220,754 Subscription Shares at the Subscription Price of HK\$0.150 per Subscription Share. The Subscription amount payable by the Subscriber of HK\$7,983,113.10 under the Subscription Agreement shall be satisfied by way of capitalisation of part of the Indebted Amount due from the Company to the Subscriber.

As at the date of this announcement, the Company has 736,103,772 Shares in issue. Assuming that there will be no change in the number of issued Shares between the date of this announcement and Completion, the 53,220,754 Subscription Shares represent approximately 7.23% of the existing issued share capital of the Company as at the date of this announcement and approximately 6.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The aggregate nominal value of the 53,220,754 Subscription Shares is HK\$5,322,075.40.

Subscription Price

The Subscription Price of HK\$0.150 represents:

- (i) a discount of approximately 14.77% to the closing price of HK\$0.176 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (ii) a discount of approximately 4.21% to the average closing price per Share of approximately HK\$0.1566 as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day.

The Subscription Price was determined with reference to the prevailing market prices of the Shares and was negotiated on an arm's length basis between the Company and the Subscriber. The Directors consider that the Subscription Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The net issue price, after deduction of relevant expenses, is estimated to be approximately HK\$0.148 per Subscription Share.

Ranking of the Subscription Shares

The Subscription Shares shall rank *pari passu* in all respects among themselves and with the existing Shares in issue on the date of allotment and issue of the Subscription Shares.

Conditions precedent

Completion of the Subscription is conditional upon the satisfaction of the following conditions:

- (i) the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in the Subscription Shares;
- (ii) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect; and
- (iii) all necessary consents and approvals required to be obtained on the part of the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect.

In the event the above conditions are not fulfilled by the Long Stop Date, all rights, obligations and liabilities of the parties to the Subscription Agreement shall cease and terminate and neither of the parties thereto shall have any claim against the other save for any antecedent breach under the Subscription Agreement prior to such termination.

Completion

The Subscription shall complete within five (5) Business Days immediately following the day on which the conditions set out above are satisfied (or such later date as may be agreed between the parties to the Subscription Agreement in writing).

Application for Listing

The Company will apply to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, the Subscription Shares.

GENERAL MANDATE TO ALLOT AND ISSUE THE SUBSCRIPTION SHARES

The allotment and issue of the Subscription Shares is not subject to the approval by the Shareholders. The Subscription Shares will be issued under the General Mandate, which was granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 25 June 2024. Pursuant to the General Mandate, the Company was authorised to issue and allot up to 53,220,754 Shares, representing 20% of the number of Shares in issue on the date of passing such resolution.

As at the date of this announcement, no Shares have been issued under the General Mandate and accordingly, the General Mandate is sufficient for the allotment and issue of the Subscription Shares.

FUND RAISING DURING THE PAST TWELVE MONTHS

During the past twelve months immediately preceding the date of this announcement, the Company has conducted the following equity fund raising activity.

Date of announcement	Event	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
16 July 2024 (completed on 30 September 2024)	Placing of new shares under specific mandate	Approximately HK\$51,300,000	(i) HK\$1,000,000 will be utilised to repay the outstanding amount of the Hubei CB in full; and (ii) HK\$300,000 for general working capital of the Company.	Used as intended
29 August 2023 (completed on 6 February 2024)	Placing of convertible bonds under specific mandate	Approximately HK\$44,500,000	(i) Approximately HK\$30,000,000 for the construction of Chinese medicinal herbs plantation base in Hubei; (ii) approximately HK\$10,000,000 for the setting up of a new TCM decoction pieces production lines; and (iii) the remaining of the net proceeds in the approximate amount of HK\$4,500,000 for general working capital of the Group.	(i) HK\$27 million had been utilised for deposit and costs for construction and labour of the medicinal herbs plantation base; (ii) HK\$10 million had been utilised for deposit and costs for the TCM decoction production lines; (iii) HK\$4.5 million had been utilised for general working capital of the Group; and (iv) HK\$3 million remain unutilised and will be deployed as intended. (Note).

Note: The plantation bases have commenced operation in late August 2024. According to the term of the construction, HK\$3 million will be retained by the Group as quality guarantee reserve (the “**Retained Monies**”) for a period of 3 months (i.e. by end of November 2024) after the commencement of operation of the plantation bases. Upon expiry of the three-month quality assurance period, in the event that the Group is satisfied with the status of the plantation bases, the Group will pay the Retained Monies to the constructor as settlement of the final construction cost of the plantation bases. In the event that defects occur during the three-month quality assurance period which requires reworks and/or replacement of equipment, the Group will deduct the cost incurred as a result of such reworks and/or replacement of equipment from the Retained Monies. The Group will then pay any remaining amount of the Retained Monies to the constructor as settlement of final construction cost of the plantation bases.

REASONS FOR AND BENEFITS OF THE LOAN CAPITALISATION THROUGH SUBSCRIPTION

The Group is principally engaged in (i) manufacturing and trading of toys and gifts; (ii) exploration of natural resources; (iii) manufacturing and sales of Chinese herbs products; and (iv) investment in various potential businesses including fruit plantation, Chinese yellow rice wine, leisure and culture.

The Company had obtained borrowings from the Subscriber for the Group’s general working capital purposes. As at the date of this announcement, the Company was indebted to the Subscriber an amount of approximately HK\$12 million including loan principal and accrued interest thereon. The Indebted Amount bear interest rate at 24% per annum.

Majority of the currently available financial resources of the Group are essential to be deployed into the principal businesses of the Group to cope with the business development as well as for general working capital of the Group, therefore, the remaining financial resources of the Group is not sufficient to satisfy the repayment of the Indebted Amount.

The Directors consider that the Subscription would allow the Company to settle part of the Indebted Amount without utilising existing financial resources of the Group and could reduce future interest payment and gearing level of the Company thereby improving the financial position of the Group. The Directors also consider that the Subscription will broaden the Company’s capital base and shareholders base without any interest burden.

Based on the above, the Directors consider that the terms of the Subscription Agreement are fair and reasonable, on normal commercial terms and that the entering into of the Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion are as follows (assuming that there is no change in the number of issued Shares between the date of this announcement and the Completion):

	As at the date of this announcement		Immediately after Completion	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Mr. Zhang Qijun (Note 1)	670	Negligible (Note 3)	670	Negligible (Note 3)
Mr. Liu Mingqing (Note 1)	92,000	0.012	92,000	0.012
Subscriber	19,350,000	2.629	72,570,754	9.194
Other public Shareholders	<u>716,661,102</u>	<u>97.359</u>	<u>716,661,102</u>	<u>90.794</u>
Total	<u><u>736,103,772</u></u>	<u><u>100.00</u></u>	<u><u>789,324,526</u></u>	<u><u>100.00</u></u>

Notes:

1. Being the executive Director.
2. The percentages are subject to rounding difference, if any. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
3. Shareholding of Mr. Zhang Qijun will be less than 0.001%.

Completion of the Subscription is subject to the fulfillment of the conditions under the Subscription Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business
“Company”	Kiu Hung International Holdings Limited (僑雄國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and continued in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 381)

“Completion”	the completion of the Subscription in accordance with the terms and condition set out in the Subscription Agreement
“connected persons”	has the meanings as ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“General Mandate”	the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 25 June 2024 to allot, issue and deal with up to 53,220,754 Shares, being 20% of the total number of Shares in issue as at the date of the annual general meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hubei CB”	a zero-coupon convertible bond in the principal amount of HK\$51 million due on the third anniversary of the date of issue of the convertible bonds issued by the Company on 27 May 2021 as partial consideration of the acquisition of 51% equity interests in Hubei Jincaotang Pharmaceutical Co., Ltd.* (湖北金草堂藥業有限公司)
“Indebted Amount”	the amount owing by the Company to the Subscriber of approximately HK\$12 million as at the date of this announcement
“Independent Third Party(ies)”	any person or company and their respective beneficial owners (if applicable) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Last Trading Day”	30 September 2024, being the last trading day for the Shares prior to the date of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	18 October 2024 or such later date as the Company and the Subscriber may agree in writing
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholders”	holders of the issued Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Ms. Ou Zhu (歐珠女士)
“Subscription”	The subscription of the Subscription Shares by the Subscriber on and subject to the terms and condition set out in the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 2 October 2024 entered into between the Company and the Subscriber
“Subscription Price”	HK\$0.150 per Subscription Share
“Subscription Share(s)”	53,220,754 new Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement
“%”	per cent.

By Order of the Board
Kiu Hung International Holdings Limited
Zhang Qijun
Chairman

Hong Kong, 2 October 2024

As at the date of this announcement, the Board comprises five executive Directors, Mr. Zhang Qijun, Mr. Liu Mingqing, Mr. Sun Weiwei, Mr. Yang Ling and Mr. Yang Bincheng and three independent non-executive Directors, Ms. Wei Yu, Mr. Wang Xiao Ning and Ms. Chen Yuxi.

* *for identification purpose only*