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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)

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

Placing Agent



On 16 July 2024 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agrees, as agent of the Company, to procure on a best effort basis of not less than six Placees, who and whose ultimate beneficial owners will be Independent Third Parties, to subscribe for up to a maximum of 470,000,000 Placing Shares at the Placing Price of HK\$0.111 per Placing Share.

Assuming that there will be no change in the number of issued Shares between the date of this announcement and the Completion, the 470,000,000 Placing Shares represent approximately 176.62% of the existing issued share capital of the Company as at the date of this announcement and approximately 63.85% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

The gross proceeds from the Placing, assuming all the Placing Shares are fully placed, will be HK\$52,170,000. The net proceeds from the Placing, after the deduction of the placing commission and other related expenses, are estimated to be approximately HK\$51,300,000. It is currently intended that HK\$51,000,000 of the net proceeds from the Placing will be utilized to repay the outstanding amount of the Hubei CB in full and the remaining net proceeds from the Placing of HK\$300,000 for general working capital of the Company.

The Placing Shares will be allotted and issued pursuant to the Specific Mandate to be sought at the SGM and the Placing is conditional upon, among others, (i) the Stock Exchange having granted the listing of, and the permission to deal in the Placing Shares; and (ii) the Shareholders having approved the Specific Mandate for the purpose of the Placing at the SGM.

A circular containing information of the Placing and the Specific Mandate, the notice of the SGM and the form of proxy, will be despatched to the Shareholders on or before 6 August 2024.

Shareholders and potential investors of the Company shall be aware that Completion is subject to fulfillment of the condition set out in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date

16 July 2024 (after trading hours)

Parties

Issuer: The Company

Placing Agent: CNI Securities Group Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placing commission

The Placing Agent will receive a placing commission of 1% of the aggregate Placing Price of the Placing Shares placed by the Placing Agent for and on behalf of the Company in pursuance of its obligations under the Placing Agreement.

The placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent.

Placees

The Placing Shares will be placed on a best effort basis to not less than six Placees who and whose ultimate beneficial owners will be Independent Third Parties. It is expected that none of the Placees will become a substantial Shareholder immediately after Completion.

Placing Shares

As at the date of this announcement, the Company has 266,103,772 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 470,000,000 Placing Shares represent approximately 176.62% of the existing issued share capital of the Company as at the date of this announcement and approximately 63.85% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the 470,000,000 Placing Shares is HK\$47,000,000.

Placing Price

The Placing Price of HK\$0.111 represents:

- (i) a discount of approximately 1.77% to the closing price of HK\$0.113 per Share as quoted on the Stock Exchange on the date of the Placing Agreement;
- (ii) a discount of approximately 6.57% to the average closing price per Share of approximately HK\$0.1188 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a cumulative theoretical dilution effect (the aggregation of the placing of convertible bonds under specific mandate of the Company announced on 29 August 2023 which completed on 6 February 2024 and the Placing) of approximately 5.44% represented by the cumulative theoretical diluted price of approximately HK\$0.2156 to the benchmarked price of HK\$0.228 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price of HK\$0.113 per Share on 29 August 2023 and the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days prior to 29 August 2023 of HK\$0.114 per Share and adjusted for the effect of the two-in-one share consolidation conducted by the Company on 18 January 2024).

The Placing 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 Placing Agent. The Directors consider that the Placing Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Ranking of the Placing Shares

The Placing 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 Placing Shares.

Specific Mandate

All the Placing Shares will be allotted and issued under the Specific Mandate to be sought at the SGM.

Placing Condition

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

- (i) the passing by the Shareholders of an ordinary resolution to approve the grant of the Specific Mandate at the SGM for the purpose of the Placing; and
- (ii) the Listing Committee of the Stock Exchange agreeing to grant the listing of and permission to deal in the Placing Shares and which have not been subsequently revoked prior to completion of the Placing Agreement.

In the event the above condition is not fulfilled by the Long Stop Date, all rights, obligations and liabilities of the parties to the Placing 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 Placing Agreement prior to such termination.

Completion

The Placing shall complete on the day no later than the seventh Business Day immediately following the day on which the condition set out above is satisfied (or such later date as may be agreed between the parties to the Placing Agreement in writing).

Termination

The Placing Agent shall be entitled by notice to the Company during the period from the date of the Placing Agreement up to 8:00 a.m. on the date of Completion to forthwith terminate the Placing Agreement if:

- (a) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (b) there is any breach of the warranties, representations and undertakings given by the Company in the Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or
- (c) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or
- (d) any statement contained in the Placing Agreement has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Placing.

If notice is given pursuant to the above, the Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any rights or obligations which may have accrued under the Placing Agreement prior to such termination.

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 Placing 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 (approximately)	Intended use of proceeds	Actual use of proceeds
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\$12 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\$18 million remain unutilised and will be deployed as intended.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

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.

Reference is made to the circular of the Company dated 30 March 2021 in relation to the Acquisition. The Company had, on 27 May 2021, issued the Hubei CB to the Vendor as partial consideration of the Acquisition. The Hubei CB matured on 26 May 2024 and the Vendor did not exercise the conversion rights attached to the Hubei CB but requested the Company to settle the principal amount of the Hubei CB of HK\$51 million in cash in accordance with the terms of the Hubei CB. The Group did not have sufficient immediate available financial resources to repay the outstanding amount of the Hubei CB. After negotiations with the CB Holder, it was mutually agreed to extend the repayment date of the outstanding amount of the Hubei CB to 30 September 2024, with an interest rate of 12% per annum.

The gross proceeds from the Placing, assuming all the Placing Shares are fully placed, will be HK\$52,170,000. The net proceeds from the Placing, after the deduction of the placing commission and other related expenses, are estimated to be approximately HK\$51,300,000, representing a net issue price of approximately HK\$0.109 per Placing Share. It is currently intended that HK\$51,000,000 of the net proceeds from the Placing will be utilized to repay the outstanding amount of the Hubei CB in full and the remaining net proceeds from the Placing of HK\$300,000 for general working capital of the Company.

The Directors (including the independent non-executive Directors) consider that the Placing will broaden the Company's capital base and shareholders base without any interest burden. Moreover, the net proceeds will strengthen the Group's financial position for future development of the Group. The terms of the Placing Agreement are fair and reasonable based on the current market conditions and are on normal commercial terms. Accordingly, the Directors consider that the Placing 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 (i) there is no change in the number of issued Shares between the date of this announcement and the Completion; and (ii) the 470,000,000 Placing Shares are fully placed under the Placing):

	As at the date of this announcement		Immediately after Completion	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Mr. Zhang Qijun (<i>Note 1</i>)	670	Negligible (<i>Note 3</i>)	670	Negligible (<i>Note 3</i>)
Mr. Liu Mingqing (<i>Note 1</i>) Placees	92,000 —	0.035 —	92,000 470,000,000	0.012 63.850
Other public Shareholders	<u>266,011,102</u>	<u>99.965</u>	<u>266,011,102</u>	<u>36.138</u>
Total	<u>266,103,772</u>	<u>100.00</u>	<u>736,103,772</u>	<u>100.00</u>

Notes:

1. Being the executive director of the Company.
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%.

GENERAL

A circular containing information of the Placing and the Specific Mandate, the notice of the SGM and the form of proxy, will be despatched to the Shareholders on or before 6 August 2024.

Shareholders and potential investors of the Company shall be aware that Completion is subject to fulfillment of the condition set out in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors of the Company are reminded to 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:

“Acquisition”	the acquisition of 51% equity interests in Hubei Jincatong Pharmaceutical Co., Ltd.* (湖北金草堂藥業有限公司) by the Group on 27 May 2021
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business
“CB Holder” or “Vendor”	Sheen World International Holdings Limited, a company incorporated in British Virgin Islands with limited liability and wholly-owned by Mr. Lin Wei (林烽先生), an Independent Third Party
“Company”	Kiu Hung International Holdings Limited, a 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 Placing in accordance with the terms and conditions set out in the Placing Agreement
“connected persons”	has the meanings as ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“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

“Independent Third Party(ies)”	any person or company and their respective ultimate 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”	15 July 2024, being the last trading day for the Shares prior to the date of the Placing Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	5:00 p.m. on the date falling on the 21st day after the date of SGM or such other date as the Placing Agent and the Company may agree in writing
“Placee(s)”	any individuals, corporate, institutional investors or other investors procured by or on behalf of the Placing Agent to subscribe for any of the Placing Shares
“Placing”	the placing of the Placing Shares on and subject to the terms and conditions set out in the Placing Agreement
“Placing Agent”	CNI Securities Group Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement dated 16 July 2024 entered into between the Company and the Placing Agent
“Placing Price”	HK\$0.111 per Placing Share (exclusive of any brokerage, transaction levy of the Securities and Futures Commission of Hong Kong and Stock Exchange trading fee as may be payable)
“Placing Share(s)”	a total of up to a maximum of 470,000,000 new Shares to be placed pursuant to the Placing Agreement
“SGM”	the special general meeting of the Company to be held and convened to consider and, if though fit, to approve the Specific Mandate for the purpose of the Placing
“Shareholders”	holders of the issued Shares
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company

“Specific Mandate”	the specific mandate to be granted by the Shareholders to the Directors at the SGM for the allotment and issue of up to 470,000,000 Placing Shares pursuant to the terms and conditions of the Placing Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 16 July 2024

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

* *For identification purpose only*