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**If you have sold or transferred** all your shares in Kiu Hung International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

**(1) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;  
AND  
(2) NOTICE OF SGM**

A notice convening the special general meeting (the “SGM”) of the Company to be held at Harbour Plaza Room 1, B1/F, Harbour Plaza North Point, 665 King’s Road, North Point, Hong Kong on Monday, 9 September 2024 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use for your Shareholders at the SGM is enclosed with this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated URL (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company on 19 August 2024 as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

This circular together with the form of proxy will be published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.kh381.com.hk](http://www.kh381.com.hk)).

19 August 2024

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions shall have the following respective meanings:*

“Acquisition”	the acquisition of 51% equity interests in Hubei Jincaotang Pharmaceutical Co., Ltd.* (湖北金草堂藥業有限公司) by the Group on 27 May 2021
“Announcements”	the announcement of the Company dated 16 July 2024 in relation to the Placing and the announcement of the Company dated 6 August 2024 in relation to the delay in despatch of this circular
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“Business Day(s)”	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks generally are open for general banking business in Hong Kong
“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 person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“Fourth Hubei CB”	a zero-coupon convertible bond in the principal amount of HK\$34 million due on the third anniversary of the date of issue of the convertible bonds issued by the Company on 17 April 2023 as partial consideration of the Acquisition

## DEFINITIONS

“Final Hubei CB”	a zero-coupon convertible bond in the principal amount of HK\$17 million due on the third anniversary of the date of issue of the convertible bonds issued by the Company on 9 June 2023 as partial consideration of the Acquisition
“Group”	the Company and its subsidiaries from time to time
“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
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with or acting in concert with the directors, chief executives or substantial shareholders of the Company, any of its subsidiaries or their respective associates
“Last Trading Day”	15 July 2024, being the last trading day for the Shares prior to the date of the Placing Agreement
“Latest Practicable Date”	14 August 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the main board
“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

## DEFINITIONS

“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholders”	holders of the issued Shares
“Second Hubei CB”	a zero-coupon convertible bond in the principal amount of HK\$34 million due on the third anniversary of the date of issue of the convertible bonds issued by the Company on 1 July 2022 as partial consideration of the Acquisition
“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
“Third Hubei CB”	a zero-coupon convertible bond in the principal amount of HK\$34 million due on the third anniversary of the date of issue of the convertible bonds issued by the Company on 4 November 2022 as partial consideration of the Acquisition
“%”	per cent.

LETTER FROM THE BOARD



**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)**

*Executive Directors:*

Mr. Zhang Qijun (*Chairman*)

Mr. Liu Mingqing

Mr. Sun Weiwei

Mr. Yang Ling

*Independent non-executive Directors:*

Ms. Wei Yu

Mr. Wang Xiao Ning

Ms. Chen Yuxin

*Registered Office:*

Cohort Limited

Sofia House,

3rd Floor,

48 Church Street,

Hamilton, HM12,

Bermuda

*Principal place of business:*

Flat E, 20th Floor

Lucky Plaza

315–321 Lockhart Road

Wan Chai

Hong Kong

19 August 2024

*To the Shareholders*

Dear Sir or Madam,

**(1) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;  
AND  
(2) NOTICE OF SGM**

**INTRODUCTION**

Reference is made to the Announcements in relation to the placing of the new shares under the Specific Mandate.

The purpose of this circular is to (i) provide Shareholders with details of the Placing; and (ii) give the Shareholders notice of the SGM to consider and, if thought fit, to approve the relevant resolution in connection with the Placing.

## LETTER FROM THE BOARD

### PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

On 16 July 2024, 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.

#### Principal terms of the Placing Agreement are set out as follows:

Date:	16 July 2024
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 Latest Practicable Date, 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.

As at the Latest Practicable Date, no Placee has been identified. As advised by the Placing Agent, they will approach their existing customer base and liaison network to identify potential Placees upon the commencement of the Placing (i.e. immediately after the relevant resolutions of the Placing have been passed by the Shareholders which is scheduled to be on 9 September 2024). The Company expects that the placees could be identified on or before 23 September 2024.

#### Placing Shares

As at the Latest Practicable Date, the Company has 266,103,772 Shares in issue. Assuming that there will be no change in the number of issued Shares between the Latest Practicable Date and Completion, the 470,000,000 Placing Shares represent approximately 176.62% of the existing issued share capital of the Company as at the Latest Practicable Date

## LETTER FROM THE BOARD

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) equals to the closing price of HK\$0.111 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) 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;
- (iii) 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;
- (iv) 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); and
- (v) a discount of approximately 88.70% to the unaudited adjusted net asset value per Share (the “**Adjusted NAV Per Share**”) of approximately HK\$0.982 (based on the audited consolidated net asset attributable to owners of the Company of HK\$214,208,000 as at 31 December 2023, as adjusted by (i) the net proceeds of approximately HK\$44,500,000 from the placing of convertible bonds of the Company which was completed on 6 February 2024 and the convertible bonds has been fully converted into Shares as at the Latest Practicable Date; and (ii) the subscription of the Shares HK\$2,515,500 by means of loan capitalisation which was completed on 17 May 2024 and total 266,103,772 issued Shares as at the Latest Practicable Date). The Directors note that the Placing Price represents a discount of approximately 88.70% to the Adjusted NAV Per Share. In view that the Shares were traded at a discount to the Adjusted NAV Per Share for the last six months up to the Last Trading Day, ranging from approximately 81.36% to 88.29%, the Board considers that it would be more appropriate to determine the Placing Price with reference to the prevailing market prices of the Shares, which reflect the fair market value of the Shares traded on the Stock Exchange, instead of making reference to the Adjusted NAV Per Share.



## LETTER FROM THE BOARD

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. Reference was made to the market prices of the Shares traded on the Stock Exchange for the past two months up to and including the date of the Placing Agreement (the "**Reference Period**") as a benchmark to reflect the prevailing market price of the Shares. The market price of the Shares has been showing a fluctuating downward trend throughout the Reference Period. From the commencement of the Reference Period up to the end of the Reference Period, the Shares were traded on the Stock Exchange with a closing price of HK\$0.147 to HK\$0.113 respectively, downed by approximately 23.13%. In addition, the current Hong Kong capital market sentiment as reflected by the Hang Seng Index was also taken into consideration. During the Reference Period, the Hang Seng Index closed from 19,375.53 points to 17,727.98 points, representing a decrease of approximately 8.5%. In view of the fluctuating downward trend of the market price of the Shares and the comparatively pessimistic market sentiment of the current Hong Kong capital market, the Directors consider that the Placing Price, which represented a slight discount to the current market prices of the Shares at the time when entering into the Placing Agreement, is fair and reasonable and is the interest 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.

## LETTER FROM THE BOARD

### **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).

The Company and the Placing Agent shall procure all conditions as set out in the Placing Agreement could be fulfilled by the 21st day after the date of SGM and that the Placing could be completed by the Completion Date. In the event the conditions of the Placing Agreement could not be fulfilled by the 21st day after the date of SGM and the Company and the Placing Agent desire to further extend the Long Stop Date, such further extension of the Long Stop Date would need to seek Shareholders' approval again.

### **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.

## LETTER FROM THE BOARD

### EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion are as follows (assuming that (i) there is no change in the number of issued Shares between the Latest Practicable Date and the Completion; and (ii) the 470,000,000 Placing Shares are fully placed under the Placing):

	As at the Latest Practicable Date		Immediately after Completion	
	No. of Shares	Approximate %	No. of Shares	Approximate %
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%.

### REASONS FOR 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. As at the Latest Practicable Date, the Group has cash and cash equivalent of approximately HK\$55 million. Out of which (i) HK\$3 million has been reserved to satisfy the outstanding balance of the construction cost of Hubei plantation bases which is expected to be utilised in November 2024; (ii) HK\$5 million will be utilised to repay the existing bank loan which will be utilised before December 2024; (iii) HK\$2 million has been reserved to satisfy the interest payable on the Hubei CB which is expected to be used in September 2024; (iv) HK\$15 million will be used as working capital for the daily operation of the Group's toy business until 31 December 2024 which comprises direct labour cost, direct materials, office overheads, rental expenses and staff and other administrative expenses; (v) HK\$13 million will be used as working capital for the daily operation of the Group's Chinese

## LETTER FROM THE BOARD

herbs business until 31 December 2024 which comprises direct labour cost, direct materials, office overheads, rental expenses and staff and other administrative expenses;(vi) HK\$11 million will be used as general working capital of the Company for the upcoming six months which comprises Directors' remuneration, rental expenses, staff cost, office overheads and legal and professional fees; and (vii) the remaining HK\$6 million has been reserved as a buffer in case of any urgent needs. As a result, 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. In determining the interest rate, the Directors have made reference to the current interest market rate range ranging from 5% per annum to 12% per annum for short-term unsecured loan published by listed companies in Hong Kong, and have determined that the interest rate set at 12% per annum is aligned with the prevailing market conditions for unsecured loans. Based on this assessment performed by the Company, the Directors consider the 12% per annum interest rate to be fair and reasonable, as it aligns with the market. The expected amount of interest to be paid is approximately HK\$2 million.

Apart from the outstanding Hubei CB, the Company has also issued to the Vendor the Second Hubei CB, the Third Hubei CB, the Fourth Hubei CB and the Final Hubei CB for full settlement of the Acquisition. Details are as follow:

	<b>Second Hubei CB</b>	<b>Third Hubei CB</b>	<b>Fourth Hubei CB</b>	<b>Final Hubei CB</b>
Date of issue	1 July 2022	4 November 2022	17 April 2023	9 June 2023
Principal amount ( <i>HK\$</i> )	34 million	34 million	34 million	17 million
Interest	The Second Hubei CB does not bear interest	The Third Hubei CB does not bear interest	The Fourth Hubei CB does not bear interest	The Final Hubei CB does not bear interest
Conversion price ( <i>HK\$</i> )	100 per Share	100 per Share	100 per Share	100 per Share
Maturity date	1 July 2025	4 November 2025	17 April 2026	9 June 2026

The Company has negotiated with the Note Holder and the Note Holder has indicated that it will not exercise the conversion rights attached to the remaining tranches of the Hubei CB when they fall mature respectively.

The Second Hubei CB and the Third Hubei CB will be matured on 1 July 2025 and 4 November 2025 respectively. The Note Holder has agreed with the Company that (i) subject to the then mutual agreement on the interest rate offered by the Company, it will not demand for immediately payment on the respective mature date of the Second Hubei CB and the Third Hubei CB before 31 December 2025; and (ii) in the event that the Company is not able to settle the Fourth Hubei CB and the Final Hubei CB when they fall due respectively, subject to

## LETTER FROM THE BOARD

the then mutual agreement on the interest rate offered by the Company, it will not demand for immediately payment on the respective mature date of the Fourth Hubei CB and the Final Hubei CB before 31 December 2026.

The Company plans to initially settle the outstanding amount of the remaining parts of the Hubei CB from the then available financial resources as much as possible. Based on the assessment of the Company, the Company expected that, subject to the then market condition, to conduct further fundraising activities in both 2025 and 2026 to satisfy any outstanding amount of the remaining parts of the Hubei CB. However, as at the Latest Practicable Date, the Company does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities which will involve issue of equity securities of the Company. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

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 Placing will proceed on a best-effort basis, in the event of an undersubscription of the Placing, any unplaced New shares will not be issued by the Company and the size of the Placing will be reduced. In the event of an undersubscription, the net proceed from the Placing will first be utilised for the repayment of the outstanding amount of the Hubei CB in full or in the event that the net proceeds raised from the Placing is not sufficient to repay the Hubei CB in full, then the net proceeds from the Placing will be fully utilised to repay the Hubei CB. If there are still net proceeds left from the Placing after the above-mentioned repayment, they will then be applied for general working capital of the Company. In the event that the net proceeds raised from the Placing is not sufficient to repay the Hubei CB in full, the Company plans to initially settle any outstanding amount of the Hubei CB from the existing available financial resources of the Group if such short fall is not significant. In the event that the short fall is significant, the Company will try its best endeavor to negotiate with the Bond Holder for further extension of repayment schedule. Meanwhile depending on the then repayment progress, the Company intends to, subject to the then market condition, conduct further fundraising activities to satisfy any outstanding amount of the Hubei CB.

The Board has considered other fund-raising alternatives before resolving to the proposed Placing, including but not limited to debt financing, rights issue and open offer.

In terms of obtaining bank borrowings from commercial banks, the Company has been making on-going efforts to negotiate with commercial banks in obtaining new bank loan. The Company has approached 2 commercial banks and 2 financial institutions for feasibility in obtaining loan facility, however, given the Group's continuous loss-making position, and no suitable assets were accepted by banks for granting loans to the Group, those commercial banks/financial institutions either rejected the granting of loans or have not responded to the loan request of the Group.

## LETTER FROM THE BOARD

As disclosed in the 2023 Annual Report, out of the total non-current assets of the Group in the aggregate amount of approximately HK\$454.82 million, (i) approximately HK\$246.97 million is the fair value of an investment in associate of the Company where the Company do not have absolute control over the assets and liabilities of the associate; and (ii) an aggregate of approximately HK\$87.58 million is primarily composed of rights-of-use assets, goodwill, other intangible assets and deferred tax assets. These assets were not accepted by banks as security for loans; (iii) property, plant and equipment in an aggregate amount of approximately HK\$107.82 million are composed of (a) leasehold land and buildings with carrying amount of approximately HK\$64.40 million, however, HK\$63 million of which were pledged as security for the Group's other loan with carrying amount of approximately HK\$83.45 million; and (b) other assets under property, plant and equipment with aggregate carrying amount of approximately HK\$43.42 million are composed of machineries and equipment, furniture and fixtures, motor vehicles and leasehold improvements. These assets were not accepted by banks as security for loans; and (iv) out of the investment properties with aggregate carrying amount of approximately HK\$12.45 million, HK\$8.55 million worth of the investment properties were pledged to secure the Group's existing banking facilities.

Given the above, the Company considers that the Group's ability to obtain borrowings from commercial banks at favourable terms is limited.

In terms of other equity fund raising feasibility, the Board has discussed with licensed corporations for equity financing options such as rights issue, open offer and reached the view that they are less favourable than the Placing, since the indebted amount of the Hubei CB will be due on 30 September 2024. In case the Company could not repay the Hubei CB promptly, additional finance cost will be incurred in order to further extend the repayment date. The lead time for the Placing is expected to be relatively shorter as it generally involves less complicated documentation and procedural requirements as compared to rights issue or open offer of Shares which involves the despatch of prospectus and the period for acceptance and payment of rights Shares/offer Shares, which the Directors consider the Placing to be more appropriate choice.

Having considered the above reasons, 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 to meet the repayment obligation of the Hubei CB. As a result, this could allow the Group to preserve its existing available financial resources 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.

## LETTER FROM THE BOARD

### EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had carried out the following equity fund-raising activities in the 12 months immediately preceding the Latest Practicable Date:

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\$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. <sup>(Note)</sup>

*Note:* As at the Latest Practicable Date, all construction works of the three traditional Chinese medicinal herbs plantation bases in Hubei have been completed and pending for completion acceptance. It is expected that the plantation bases will commence operation by end of August 2024, which represent a slight delay as originally scheduled to be at early of August 2024. Such delay in completion was mainly due to the numerous minor changes and reworks request by the Group throughout the construction period of the plantation bases. 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.

## LETTER FROM THE BOARD

### LISTING RULES IMPLICATIONS

The Placing Shares will be allotted and issued under the Specific Mandate and the Placing will be subject to the Shareholders' approval at the SGM. The Placing will not result in a theoretical dilution effect of 25% or more on its own or when aggregated with the previous placing of convertible bonds of the Company completed on 6 February 2024. As such, the theoretical dilution impact of the Placing is in compliance with Rule 7.27B of the Listing Rules.

### SGM

The SGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the grant of the Specific Mandate, the Placing Agreement and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, no Shareholder has any material interest in the transactions contemplated under the Placing Agreement and will be required to abstain from voting on the resolution(s) to approve the Placing Agreement and the transactions contemplated thereunder at the SGM.

A notice convening the SGM at which an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, to approve among other things, the grant of the Specific Mandate, the Placing Agreement and the transactions contemplated thereunder is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy is enclosed for your use at the SGM. If you do not intend to attend and vote at the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company on 19 August 2024 as soon as practicable but in any event by 11:00 a.m. on Saturday, 7 September 2024 or not less than 48 hours before the time appointed for holding any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such case, the form of proxy previously submitted shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolution set out in the notice of the SGM will be voted by poll. An announcement on the poll results will be published by the Company after the SGM in the manner prescribed under the Listing Rules.



## **LETTER FROM THE BOARD**

### **CLOSURE OF REGISTER OF MEMBERS**

To ascertain the Shareholders' entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 3 September 2024 to Monday, 9 September 2024 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 2 September 2024.

### **RECOMMENDATION**

The Directors are of the view that the terms of the Placing Agreement is fair and reasonable and the Placing is in the interests of the Company and the Shareholders as a whole, and accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

### **RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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

NOTICE OF SGM



**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)**

**NOTICE IS HEREBY GIVEN** that the special general meeting (the “**SGM**”) of Kiu Hung International Holdings Limited (the “**Company**”) will be held at Harbour Plaza Room 1, B1/F, Harbour Plaza North Point, 665 King’s Road, North Point, Hong Kong on Monday, 9 September 2024 at 11:00 a.m. to consider and, if thought fit, pass, the following resolution at the SGM for the following purposes:

**ORDINARY RESOLUTION**

**“THAT**

subject to and conditional upon, among other things, the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of, and the permission to deal in, the Placing Shares (as defined below):

- (a) the placing agreement dated 16 July 2024 (the “**Placing Agreement**”) entered into between the Company as issuer and CNI Securities Group Limited as the placing agent in relation to the placing, on a best effort basis, of up to 470,000,000 Shares of the Company (the “**Placing Shares**”) at the placing price of HK\$0.111 per Placing Share (a copy of the Placing Agreement having been produced to the SGM and initialled by the chairman of the SGM for the purpose of identification), and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Placing Shares) be and are hereby approved, confirmed and ratified;
- (b) the board of Directors of the Company be and is hereby granted a specific mandate to exercise all the powers of the Company to allot and issue the Placing Shares, subject to and in accordance with the terms and conditions of the Placing Agreement; and

## NOTICE OF SGM

(c) any one or more director(s) of the Company be and is/are hereby authorised generally to implement and take all steps and do all acts and things and execute and deliver all such documents (including under seal, where applicable) which he/she/they consider(s) necessary, desirable or expedient to give effect to the Placing Agreement, and the transactions contemplated thereunder and to agree with such variation(s), amendment(s) or waiver(s) as, in the opinion of the directors of the Company, is/are in the interests of the Company and its shareholders as a whole.”

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

Hong Kong, 19 August 2024

*Notes:*

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. A form of proxy for use of the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company on 19 August 2024 not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
4. In the case of joint holders of Shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto, but if more than one such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.