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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) PROPOSED SHARE CONSOLIDATION AND (2) MAJOR TRANSACTION ACQUISITION OF 49% EQUITY INTERESTS IN THE TARGET COMPANY INVOLVING ISSUE OF THE CONVERTIBLE BONDS AND CONSIDERATION SHARES UNDER SPECIFIC MANDATE**

#### **PROPOSED SHARE CONSOLIDATION**

The Board has resolved to propose a share consolidation on the basis that every five (5) issued and unissued existing Shares of HK\$0.01 each be consolidated into one (1) Consolidated Share of HK\$0.05 each in the view that the Shares had been traded at below HK\$0.10 in the past three months (based on the closing price per Share as quoted on the Stock Exchange). An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares. Details of the Proposed Share Consolidation will be announced as and when appropriate.

## **THE ACQUISITION**

The Board is pleased to announce that on 10 March 2023 (after trading hours of the Stock Exchange), the Purchaser, being a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Interests, representing 49% of the total equity interests in the Target Company, at the consideration of HK\$45,750,000 which shall be satisfied as to (i) HK\$15,250,000 by way of the Purchaser procuring the Company to allot and issue 50,000,000 Consolidated Shares (equivalent to 250,000,000 Existing Shares and adjusted for the effect of the Proposed Share Consolidation) as Consideration Shares at the issue price of HK\$0.305 per Consideration Share (equivalent to HK\$0.061 per Existing Share and adjusted for the effect of the Proposed Share Consolidation), credited as fully paid to the Vendor (or his nominee) upon Completion ; and (ii) HK\$30,500,000 by way of the Purchaser procuring the Company to issue the Convertible Bonds in the principal amount of HK\$30,500,000 at the Conversion Price of HK\$0.305 per Conversion Share (equivalent to HK\$0.061 per Existing Share and adjusted for the effect of the Proposed Share Consolidation) upon Completion.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Acquisition calculated in accordance with Rule 14.07 of the Listing Rules exceed 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules. The Sale and Purchase Agreement and the transactions contemplated thereunder (including the Specific Mandate to be sought for the allotment and issue of the Consideration Shares and the Conversion Shares) are subject to the announcement and Shareholders' approval by way of poll at the SGM.

As no Shareholder has any material interest in the Acquisition which is different from other Shareholders, no Shareholder is required to abstain from voting at the SGM in respect of the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder.

## **GENERAL**

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the financial information of the Target Company; (iii) the financial information of the Group; (iv) the unaudited pro forma financial information of the Enlarged Group; and (v) a notice convening the SGM. Since additional time is required to prepare and finalise the information to be included in the circular, the circular is expected to be despatched to the Shareholders on or before 28 April 2023.

**As the Acquisition is subject to the fulfillment of the Condition(s), the Acquisition may or may not proceed. Shareholders and any potential investors are advised to take caution in dealing in the securities of the Company.**

**Should the Proposed Share Consolidation materialise, further announcement(s) will be made in respect of the terms and conditions of the Proposed Share Consolidation in accordance with the applicable requirements of the Listing Rules as and when appropriate. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **PROPOSED SHARE CONSOLIDATION**

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with consolidation or splitting of its securities. Further, the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited has further stated that (i) the market price of the Shares at a level less than HK\$0.10 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

The Board has resolved to propose a share consolidation on the basis that every five (5) issued and unissued existing Shares of HK\$0.01 each be consolidated into one (1) Consolidated Share of HK\$0.05 each in the view that the Shares had been traded at below HK\$0.10 in the past three months (based on the closing price per Share as quoted on the Stock Exchange). An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares. Details of the Proposed Share Consolidation will be announced as and when appropriate.

## **THE ACQUISITION**

The Board is pleased to announce that on 10 March 2023 (after trading hours of the Stock Exchange), the Purchaser, being a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire from the Vendor, and the Vendor has conditionally agreed to sell the Sale Interests, representing 49% of the total equity interests in the Target Company.

Set out below are the principal terms of the Sale and Purchase Agreement:

### **THE SALE AND PURCHASE AGREEMENT**

Date: 10 March 2023 (after trading hours of the Stock Exchange)

Parties: (i) Fujian Green Forest Agricultural Technology Co., Ltd.\* (福建綠森農業科技有限公司), as the Purchaser  
(ii) Zhuo Wenjie (卓文杰), as the Vendor

As at the date of this announcement, the Target Company is owned as to (i) 61% by the Vendor; and (ii) an aggregate of 39% by two Independent Third Parties. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and the other shareholders of the Target Company are Independent Third Parties.

### **Assets to be acquired**

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Interests, representing 49% of the entire equity interests in the Target Company.

### **Consideration**

The Consideration payable by the Purchaser to the Vendor for the Sale Interests of HK\$45,750,000 shall be settled in the following manner:

- (i) HK\$15,250,000 by way of the Purchaser procuring the Company to allot and issue 50,000,000 Consolidated Shares (equivalent to 250,000,000 Existing Shares and adjusted for the effect of the Proposed Share Consolidation) as Consideration Shares at the issue price of HK\$0.305 per Consideration Share (equivalent to HK\$0.061 per Existing Share and adjusted for the effect of the Proposed Share Consolidation), credited as fully paid to the Vendor (or his nominee) upon Completion; and
- (ii) HK\$30,500,000 by way of the Purchaser procuring the Company to issue the Convertible Bonds in the principal amount of HK\$30,500,000 at the Conversion Price of HK\$0.305 per Conversion Share (equivalent to HK\$0.061 per Existing Share and adjusted for the effect of the Proposed Share Consolidation) upon Completion.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms taking into account of (i) the indicative value of 49% equity interest in the Target Company of approximately HK\$46,000,000 as at 31 December 2022 prepared by the Valuer adopting market approach; and (ii) the unaudited financial information of the Target Company as at 31 December 2022; and (iii) the historical financial performance of the Target Company.

Based on the aforesaid, the Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable and on normal commercial terms and that the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

## Consideration Shares

The 50,000,000 Consolidated Shares as the Consideration Shares represent approximately 27.13% of the issued share capital of the Company as at the date of this announcement and approximately 21.34% of the issued share capital of the Company as enlarged by the Consideration Shares (assuming there will be no change in the total number of issued Shares of the Company between the date of this announcement up to and including the Completion Date and adjusted for the effect of the Proposed Share Consolidation). The Consideration Shares will be allotted and issued pursuant to the Specific Mandate. The Consideration Shares shall rank *pari passu* with all other Shares in issue. The aggregate nominal value of the Consideration Shares will be HK\$25,000,000.

Application will be made by the Company for the listing of, and permission to deal in, the Consideration Shares.

## The Convertible Bonds

The following summarises certain of the principal terms of the Convertible Bonds:

Principal amount:	HK\$30,500,000
Maturity Date:	the third anniversary from the date of issue of the Convertible Bonds
Interest rate:	the Convertible Bonds do not bear any interest
Conversion period:	the period commencing from the date of issue of the Convertible Bonds and expiring on the maturity date.
Conversion price:	HK\$0.305 per Conversion Share (equivalent to HK\$0.061 per Existing Share and adjusted for the effect of the Proposed Share Consolidation), subject to adjustments by the adjustment provisions attached to the Convertible Bonds.
Conversion Shares:	based on the Conversion Price of HK\$0.305 per Conversion Share, a maximum of 100,000,000 Conversion Shares may fall to be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing approximately 54.26% of the existing issued share capital of the Company as at the date of this announcement and approximately 35.17% of the Company's then issued share capital as enlarged by the issue of the Conversion Shares (assuming there will be no change in the total number of issued Shares of the Company between the date of this announcement up to and including the Completion Date and adjusted for the effect of the Proposed Share Consolidation). The Conversion Shares will be allotted and issued pursuant to the Specific Mandate. The aggregate nominal value of the Conversion Shares will be HK\$5,000,000.

- Conversion rights: subject to the terms and conditions of the Convertible Bonds, the holder(s) of the Convertible Bonds shall be entitled to convert, in whole or in part, the Convertible Bonds into Conversion Shares at the Conversion Price (subject to adjustments). Any conversion shall be made in amounts of not less than a whole multiple of HK\$100,000 on each conversion unless the amount of the outstanding Convertible Bonds is less than HK\$100,000 in which case the whole (but not part only) of that amount shall be convertible. Holder(s) of the Convertible Bonds agree and undertake to the Company that he/she/it shall not exercise any of the Conversion Rights if (i) the holder(s) of the Convertible Bonds and parties acting in concert with it/them will directly or indirectly control or be interested in such percentage of voting rights of the Company which the holder(s) would be obliged to make a general offer under the Takeovers Code unless (a) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (b) a general offer is made in accordance with the requirement of the Takeovers Code; (ii) the Company will be unable to meet the public float requirements under the Listing Rules; or (iii) the holder(s) of the Convertible Bonds or the Company will as a result of the issue of the relevant Conversion Shares be in breach of the Listing Rules, the Takeovers Code or applicable laws or regulations.
- Redemption at maturity: unless previously purchased or converted for the Conversion Shares, the Company shall on the maturity date redeem the outstanding principal amount of the Convertible Bonds.
- Transfer restrictions: holder(s) of the Convertible Bonds may freely transfer the Convertible Bonds to the transferee other than to connected person(s) subject to compliance with any applicable requirements of the Stock Exchange, the Listing Rules, applicable laws and regulations, and with the prior written consent of the Company. Any assignment or transfer of the Convertible Bonds shall be in respect of the whole or any part (in multiples of HK\$1,000,000) of the outstanding principal amount of the Convertible Bonds and the Company shall facilitate any such assignment or transfer of the Convertible Bonds.

Adjustments to the  
Conversion Price:

the Conversion Price shall from time to time be adjusted upon the occurrence of the following:

- (a) consolidation or subdivision of the Shares;
- (b) capitalisation of profits or reserves (other than in lieu of a cash dividend);
- (c) capital distribution to the Shareholders or grant to the Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries;
- (d) offer new Shares to the Shareholders for subscription by way of rights, or grant to the Shareholders any options or warrants to subscribe for new Shares;
- (e) issue (otherwise than in (d) above) of any Shares being made wholly for cash (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) at a price less than 80% of the market price on the date of such issue of such Shares;
- (f) issue wholly for cash of any securities which are convertible into, exchangeable for or carry rights of subscription for new Shares at an effective price initially receivable which is less than 80% of the market price at the date of the announcement of the terms of issue of such securities; and
- (g) the rights of conversion or exchange or subscription attached to any such securities as are mentioned in (f) are modified so that the effective price initially receivable which is less than 80% of the market price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription.

Application for listing:

no application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock or securities exchange. Application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares.

Ranking:

the Conversion Shares shall rank *pari passu* with all other Shares in issue as at the date on which the conversion rights to be attached to the Convertible Bonds are exercised and be entitled to all dividends and other distributions the record date of which falls on a date on or after the such conversion date.

## **The Conversion Price and the Issue Price**

The Conversion Price of HK\$0.305 per Conversion Share and the Issue Price of HK\$0.305 per Consideration Share represents:

- (i) a premium of approximately 17.31% over the adjusted closing price of HK\$0.260 per Consolidated Shares (based on the closing price of HK\$0.052 per Existing Shares as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement and adjusted for the effect of the Proposed Share Consolidation);
- (ii) a premium of approximately 14.66% over the adjusted average closing price of approximately HK\$0.266 per Consolidated Share for the last five consecutive trading days as quoted on the Stock Exchange immediately preceding to the date of the Sale and Purchase Agreement (based on the average closing price of approximately HK\$0.0532 per Existing Share for the last five consecutive trading days as quoted on the Stock Exchange immediately preceding to the date of the Sale and Purchase Agreement and adjusted for the effect of the Proposed Share Consolidation).

The Conversion Price and Issue Price were determined on an arm's length basis between the Company and the Vendor with reference to the prevailing market price and trading performance of the Shares.

The Directors (including the independent non-executive Directors) consider that the Issue Price and Conversion Price are fair and reasonable.

## **Conditions Precedent**

Completion of the Acquisition is conditional upon the fulfillment of the following Conditions on or before the Long Stop Date:

- (a) the Purchaser being satisfied with the result of the due diligence review of the Target Company;
- (b) all necessary consents, licences and approvals required to be obtained on the part of the Vendor, the Target Company and other shareholders of the Target Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereby have been obtained and remain in full force and effect;
- (c) all necessary consents, licences and approvals required to be obtained on the part of the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated thereby have been obtained and remain in full force and effect;
- (d) the representations, warranties and undertakings given by the Vendor have remained true and accurate in all respects and not misleading;



- (e) the Purchaser having obtained a PRC legal opinion (in the form and substance to the reasonable satisfaction of the Purchaser) from a qualified PRC lawyer appointed by the Purchaser in respect of the transactions contemplated under the Sale and Purchase Agreement, including but not limited to the due incorporation and subsistence of the Target Company, the legality and validity of the sale of the Sales Interests contemplated under the Sale and Purchase Agreement;
- (f) the Purchaser having obtained a valuation report (in the form and substance satisfactory to the Purchaser) from the Valuer with the valuation of 49% equity interests in the Target Company of not less than HK\$46,000,000;
- (g) the passing by the Shareholders at the SGM to be convened and held of the necessary ordinary resolution(s) to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares and the Consideration Shares under the Specific Mandate);
- (h) the Purchaser being reasonably satisfied that there has not been any material adverse change on the Target Company since the date of the Sale and Purchase Agreement;
- (i) the Stock Exchange granting or agreeing to grant the approval for the listing of and permission to deal in the Consideration Shares and the Conversion Shares, and such approval not having been revoked or withdrawn prior to the Completion Date; and
- (j) the Proposed Share Consolidation having become effective.

The Purchaser may in its absolute discretion at any time waive any of the Conditions (a), (d) and (h), by notice in writing to the Vendor. All other Conditions are incapable of being waived by either the Purchaser or the Vendor.

If any of the above conditions have not been fulfilled or waived (as the case may be) by the Long Stop Date, the Sale and Purchase Agreement shall cease and determine and thereafter neither party to the Sale and Purchase Agreement shall have any obligations and liabilities thereunder.

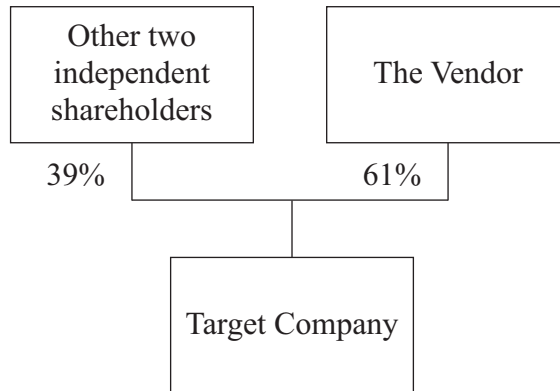
### **Completion**

Subject to the fulfilment or waiver (as the case maybe) of the Conditions (a) to (j) set out above, Completion shall take place on the Completion Date (i.e. the third Business Day after the Conditions (a) to (j) have been fulfilled or waived (or such other date as the parties may agree in writing)).

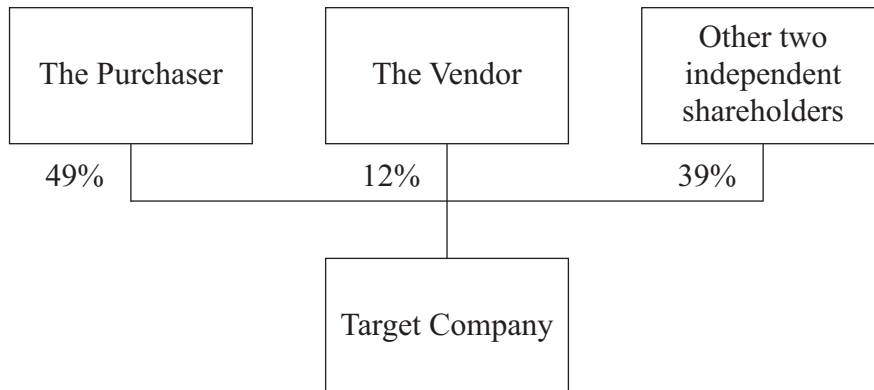
Upon completion of the Acquisition, the Company will hold a total of 49% equity interests in the Target Company and the Target Company will become an indirect associated company of the Company and its financial results will be accounted for using the equity method in the consolidated financial statements of the Company after Completion.

The Group structure before and after the Completion shall be as follows:

*Before Completion:*



*After Completion:*



## SHAREHOLDERS' AGREEMENT

Upon Completion, the Shareholders' Agreement will be entered into among the Purchaser, the Vendor, the other shareholders of the Target Company and the Target Company.

Key terms of the Shareholders' Agreement are as follows:

- Board composition : The maximum number of directors of the Target Company shall be five (5) and the Purchaser shall have the right to appoint and remove two (2) directors and appoint the chairman of the board; and each of the Vendor and other two shareholders shall have the right to appoint and remove one (1) director respectively.
- Matters requiring unanimous consent : During the continuance of the Shareholders' Agreement, the Target Company is not authorised to take, among others, any of the following actions, unless it first obtains unanimous approval for such action by all of its directors:
1. any material change in the nature or scope of the business, including (i) discontinuance of any major operation of the business; and (ii) introduction of any field of activity that is not ancillary to the business or relocation or expansion of the business each involving substantial capital expenses other than pursuant to the business plan approved by the board;
  2. any amendment to the memorandum or the articles of association or the equivalent constitutional documents;
  3. any appointment, termination, removal or any change in the auditors;
  4. any change to the share capital (other than pursuant to and in compliance with the terms and conditions of the Shareholders' Agreement);
  5. any resolution to liquidate or wind up or the filing of a petition for winding up of the Target Company, or to make any arrangement with creditors generally or any application for an administration order or for the appointment of a receiver or administrator;
  6. the formation of any subsidiary or acquiring any other company or participating in any partnership or joint venture or profit sharing arrangement;

7. the appointment or removal of any directors of the Target Company other than in accordance with the Shareholders' Agreement;
8. the borrowing of any moneys from banks, financial institutions or any other persons exceeds RMB1,000,000;
9. the acquisition or disposal of any business or asset (including any securities, futures contracts, bonds and derivatives, either listed or unlisted) which will trigger any the compliance obligation of the Company under the Listing Rules and/or relevant laws; or
10. the change of the remuneration of any director of the Target Company.

First right of refusal : If either the Vendor or the Purchaser or the other two shareholders proposes to sell or transfer any of its/his/her equity interests in the Target Company (the “**Transferred Interests**”) by accepting a bona fide offer from a potential buyer, such party shall promptly give written notice (the “**Notice**”) to the Target Company and the other shareholders describing in reasonable detail the proposed sale or transfer and in particular, the offer price (the “**Offer Price**”) for the Transferred Interests offered under such bona fide offer. Such other shareholders shall have 21 Business Days from the date of receipt of such notice to agree to purchase all or any part of the Transferred Interests at the Offer Price and upon the terms and conditions specified in the Notice.

Dividend policy : For the purpose of proposing distribution of dividends, board of the Target Company will measure the capital needs in future years based on the future capital budget plan of the Target Company and consider factors such as profitability and financial structure of the Target Company comprehensively. The target dividend to be distributed to the shareholders of the Target Company in any financial year shall not be less than 50% of the Target Company's net profit after taxation attributable to the shareholders of the Target Company (if any) in that financial year subject to: (a) the articles of association of the Target Company; and (b) applicable laws and regulations.

## INFORMATION ON THE VENDOR AND THE TARGET COMPANY

The Vendor has more than 20 years' management and operation experiences in the food and beverage industry in the PRC.

The Target Company is a company established under the laws of the PRC with limited liability on 12 December 2018 with registered capital of RMB50,000,000. As at the date of this announcement, it is owned as to (i) 61% by Mr. Zhuo; and (ii) an aggregate of 39% by two Independent Third Parties.

The Target Company is principally engaged in the food and beverage research and development, production, marketing, and sale of food and beverage products. The Target Company also provides soft beverage products processing services for other beverage companies.

The Target Company has a production base situated at Nanfeng County, Fuzhou City, Jiangxi Province with a total area of approximately 340 mu(畝) and gross floor area of approximately 147,000 square meters with production plants and equipment. The Target Company is one of the leading enterprises in food and beverage products processing in Fuzhou City.

The Target Company had acquired a soft drink trademark "Aizhilian"\* (愛之戀) to develop its food and beverage business in 2020. "Aizhilian"\* (愛之戀) is a well-known soft beverage brand which has been engaging in the food and beverage market in the PRC for more than ten years, and has been demonstrating to catch consumers' eyes in all age groups. The Target Company possess its own production plant and equipment, with the advanced 24,000 bottles per hour, full automatic PET aseptic cold filling production lines and 6,000 packs per hour, 1 Litre Tetra Pak Diamond Packs\* (利樂鑽石包) aseptic cold filling production lines. The Target Company also has seven Three-Piece Can\* (三片罐) production lines.

The Target Company currently has five product lines under "Aizhilian"\* (愛之戀) brand, which are (i) Nanfeng Peach Vinegar\* (南豐蜜桔果醋), Nanfeng Peach Juice\* (南豐蜜桔汁), Plant Protein\* (植物蛋白), Fermented Juice\* (發酵果汁), and Grain Protein (谷物蛋白). "Aizhilian"\* (愛之戀) brand currently targets the mass public consumer market in all age group mainly in the third-tier and forth-tier cities of the south eastern regions in the PRC including but not limited to Fujian, Jiangxi and Jiangsu. The Target Company mainly sold its products to food and beverage dealers for distribution in various places including but not limited to convenience stores, supermarkets and restaurants. Since the commencement of business, the Target Company has been cooperating and has accumulated over 50 dealership networks. Beside the sales of its own beverage products, the Target Company has also been providing soft beverage products processing services for other beverage companies.

The Target Company is committed to pursuing the perfect combination of tradition and modern technology, advocating and leading the healthy lifestyle consumption concepts, aims to create a high-quality of life for the consumers, as well as dedicating natural, ecological and high-quality green products.

Set out below are certain key financial figures of the Target Company for each of the years ended 31 December 2020, 31 December 2021 and 31 December 2022, which were prepared in accordance with the PRC GAAP:

	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>
	<i>Approx. RMB'000</i>	<i>Approx. RMB'000</i>	<i>Approx. RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	36,302	46,852	57,181
Net profit before taxation	12,236	16,138	19,913
Net profit after taxation	9,177	12,103	14,935

As at 31 December 2022, the unaudited net asset value of the Target Company was approximately RMB35 million (equivalent to approximately HK\$40 million).

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in (i) manufacturing and trading of toys and gifts; (ii) exploration of natural resources; and (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 Purchaser is a wholly-owned subsidiary of the Company, which is principally engaged in investment holding.

The Group always aims at strengthen its business and increase the Shareholders' values. Having considered the shift and increasing emphasis on the healthy life style trend in China and the prospect of the Target Company, the Company is of the view that the Acquisition is an attractive opportunity for the Group to enhance the business portfolio and enable the Group to benefit from the positive earnings contribution brought by the Target Company.

Having considered the above, the Directors believe that entering into of the Sale and Purchase Agreement will provide a great opportunity to the Group to provide a sustainable growth to the Company, thus potentially greater return for the Shareholders.

The Directors further consider that the entering into of the Sale and Purchase Agreement will not change the nature of the Group's principal business but will enhance the Group's business portfolio. In view of the above, the Directors consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

## EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The existing and enlarged shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the Proposed Share Consolidation; (iii) immediately after the Proposed Share Consolidation and upon the allotment and issue of the Consideration Shares; and (iv) immediately after the Proposed Share Consolidation and upon the allotment and issue of the Consideration Shares and full conversion of the Convertible Bonds are set out below:

Shareholders	As at the date of this announcement		Immediately after the Proposed Share Consolidation		Immediately after the Proposed Share Consolidation and upon the allotment and issue of the Consideration Shares		Immediately after the Proposed Share Consolidation and upon the allotment and issue of the Consideration Shares and full conversion of the Convertible Bonds (Note 3)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr. Zhang Qijun (Note 1)	6,700	Negligible (Note 2)	1,340	Negligible (Note 2)	1,340	Negligible (Note 2)	1,340	Negligible (Note 2)
Mr. Liu Mingqing (Note 1)	1,120,000	0.12%	224,000	0.12%	224,000	0.10%	224,000	0.07%
The Vendor (or his nominee)	—	—	—	—	50,000,000	21.34%	150,000,000	44.87%
Public Shareholders	<u>920,361,024</u>	<u>99.88%</u>	<u>184,072,204</u>	<u>99.88%</u>	<u>184,072,204</u>	<u>78.56%</u>	<u>184,072,204</u>	<u>55.06%</u>
Total	<u>921,487,724</u>	<u>100.00%</u>	<u>184,297,544</u>	<u>100.00%</u>	<u>234,297,544</u>	<u>100.00%</u>	<u>334,297,544</u>	<u>100.00%</u>

Note:

1. Mr. Zhang Qijun and Mr. Liu Mingqing are executive Directors
2. Shareholdings of Mr. Zhang Qijun is and will be less than 0.001%.
3. Pursuant to the terms of the Convertible Bonds, the Vendor has agreed and undertaken to the Company that he shall not exercise any of the Conversion Rights if (i) the holder(s) of the Convertible Bonds and parties acting in concert with it/them will directly or indirectly control or be interested in such percentage of voting rights of the Company which the holder(s) would be obliged to make a general offer under the Takeovers Code unless (a) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (b) a general offer is made in accordance with the requirement of the Takeovers Code; (ii) the Company will be unable to meet the public float requirements under the Listing Rules; or (iii) the holder(s) of the Convertible Bonds or the Company will as a result of the issue of the relevant Conversion Shares be in breach of the Listing Rules, the Takeovers Code or applicable laws or regulations. Accordingly, such scenario above is shown for illustrative purpose only.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition calculated in accordance with Rule 14.07 of the Listing Rules exceed 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules.

The Sale and Purchase Agreement and the transactions contemplated thereunder (including the Specific Mandate to be sought for the allotment and issue of the Consideration Shares and the Conversion Shares) are subject to the announcement and Shareholders' approval by way of poll at the SGM.

As no Shareholder has any material interest in the Acquisition which is different from other Shareholders, no Shareholder is required to abstain from voting at the EGM in respect of the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder.

## **GENERAL**

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the financial information of the Target Company; (iii) the financial information of the Group; (iv) unaudited pro forma financial information of the Enlarged Group; and (v) a notice convening the SGM. Since additional time is required to prepare and finalise the information to be included in the circular, the circular is expected to be despatched to the Shareholders on or before 28 April 2023.

**As the Acquisition is subject to the fulfillment of the Condition(s), the Acquisition may or may not proceed. Shareholders and any potential investors are advised to take caution in dealing in the securities of the Company.**

**Should the Proposed Share Consolidation materialise, further announcement(s) will be made in respect of the terms and conditions of the Proposed Share Consolidation in accordance with the applicable requirements of the Listing Rules as and when appropriate. Shareholders and potential investors of the Company are advised 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 meanings given to them as below:

“Acquisition”	the acquisition of the Sale Interests pursuant to the terms and conditions of the Sale and Purchase Agreement;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	a day (other than a Saturday, a Sunday or a public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours;
“Company”	Kiu Hung International Holdings Limited (Stock Code: 381), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange;



“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement;
“Completion Date”	the third Business Day immediately following the date that the Conditions (a) to (j) having been fulfilled or waived (as the case may be) but not later than the Long Stop Date;
“Condition(s)”	the conditions precedent of the Completion, details of which are set out in the paragraph headed “Conditions Precedent” of this announcement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the total consideration payable by the Purchaser to the Vendor (or his nominee) for the Sale Interests, being HK\$45,750,000;
“Consideration Share(s)”	50,000,000 new Consolidated Shares to be issued by the Company, credited as fully paid upon Completion, as part payment of the Consideration;
“Consolidated Share(s)”	the ordinary share(s) of par value of HK\$0.05 each in the share capital of the Company immediately after the Proposed Share Consolidation becoming effective;
“Conversion Price”	the conversion price of HK\$0.305 per Conversion Share of the Convertible Bonds (subject to adjustment as set out and in accordance with the terms and conditions of the Convertible Bonds);
“Conversion Shares”	a maximum of 100,000,000 new Consolidated Shares to be allotted and issued by the Company upon full conversion of the Convertible Bonds at the Conversion Price;
“Convertible Bonds”	the convertible bonds in the principal amount of to HK\$30,500,000 to be issued by the Company at the Conversion Price to the Vendor as part payment of the Consideration;
“Director(s)”	the director(s) of the Company;
“Enlarged Group”	the Group as enlarged by the Target Company upon Completion;
“Existing Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company before the Proposed Share Consolidation;
“Group”	the Company and its subsidiaries;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	the independent third party who is, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and its connected person(s);
“Issue Price”	the issue price of the Consideration Shares, being HK\$0.305 per Consideration Shares;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	31 May 2023 or such later date as the parties to the Sale and Purchase Agreement may agree in writing;
“Mr. Zhuo”	Mr. Zhuo Wenjie (卓文杰先生);
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“PRC GAAP”	Generally accepted accounting principles in PRC;
“Proposed Share Consolidation”	the proposed consolidation of every five (5) Existing Shares of par value of HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.05 each in the share capital of the Company
“Purchaser”	Fujian Green Forest Agricultural Technology Co., Ltd.* (福建綠森農業科技有限公司), a company incorporated in PRC with limited liability;
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 10 March 2023, entered into among the Vendor, and the Purchaser in relation to the Acquisition;
“Sale Interests”	49% equity interests in the Target Company;
“SGM”	the special general meeting of the Company to be held to approve, among other things, the Acquisition, the Specific Mandate and the transactions contemplated thereunder;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company;
“Shareholders”	the holders of Shares;

“Shareholders’ Agreement”	the shareholders’ agreement to be entered into among the Purchaser, the Vendor, the remaining shareholders of the Target Company and the Target Company;
“Specific Mandate”	a specific mandate to be granted by the Shareholders to the Directors at the SGM for the allotment and issue of the Consideration Shares and the Conversion Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong, as amended, supplemented or otherwise modified from time to time;
“Target Company”	Jiangxi Jiukai Food Co., Ltd. * (江西九愛食品有限公司), a company incorporated in PRC with limited liability;
“Valuer”	an independent professional valuation firm namely LCH (Asia-Pacific) Surveyors Limited;
“Vendor”	Mr. Zhuo;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	percent.

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

Hong Kong, 10 March 2023

*As at the date of this announcement, the Board comprises three executive Directors, Mr. Zhang Qijun, Mr. Liu Mingqing and Ms. Lai Yee Man and three independent non-executive Directors, Mr. Kong Chun Wing, Mr. Wang Xiao Ning and Ms. Chen Yuxin.*

*For the purpose of this announcement, unless otherwise indicated, conversion of HK\$ into RMB are calculated at the approximate exchange rate of HK\$1.00 to RMB0.88. This exchange rate is for purpose of illustration only and do not constitute a representation that any amount have been, could have been, or may be, exchanged at this or another rate.*

*If there is any inconsistency in this announcement between the Chinese and English versions and the English version shall prevail.*

\* For identification purpose only