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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)

(Stock Code: 00381)

**CLARIFICATION ANNOUNCEMENT
ON MAJOR TRANSACTION
ACQUISITION OF 51% EQUITY INTERESTS
IN THE TARGET COMPANY INVOLVING ISSUE OF
THE CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

Reference is made to the announcements of Kiu Hung International Holdings Limited (the “**Company**”) on 11 September 2019 (the “**Major Acquisition Announcement**”) and 21 October 2019 (the “**Update Announcement**”) in relation to the Acquisition (the “**Announcements**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the Announcements.

CLARIFICATION

The Board would like to clarify that the Stock Exchange had raised the following concerns (“**Concerns**”) on whether the Consideration is fair and reasonable and in the interests of the Company and its shareholders about the Acquisition:

- (i) the Target Company’s level of revenue and net profit for the year ended 31 December 2018 were minimal;
- (ii) the Consideration represents a P/E ratio of 88 times and P/B ratio of 6.8 times based on the Target Company’s net profit for the year ended 31 December 2018 and net asset value as at 31 July 2019 respectively;
- (iii) it is unclear how the preliminary valuation by market approach derived the value of RMB310 million for the Target Company;
- (iv) the Company took into account “the future prospects of the Target Company and health product industry” in determining the Consideration which is considered rather generic and it is unclear now the Company arrived at the Consideration of RMB170 million based on future prospects of the Target Company;

- (v) regarding the future of the Target Company, the Company disclosed that the Target Company has secured sales with a total contract sum of over RMB70 million without details

The Company would like to further clarify that there is one inadvertent error in the Update Announcement that the phrase “The Board is now waiting for further information to be provided by the Vendor to justify the fairness and reasonableness of the Consideration...” in the second paragraph should be withdrawn and replace as “The Board, along with relevant professionals parties, are now preparing the information in responding to the Concerns”.

Further announcement(s) will be made by the Company to inform the Shareholders and potential investors of any material development relating to the Acquisition.

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

Hong Kong, 23 October 2019

As at the date of this announcement, the Board comprises two executive Directors, Mr. Zhang Qijun and Mr. Chen Jian and three independent non-executive Directors, Mr. Cheng Ho On, Mr. Kong Chun Wing and Mr. Wang Xiao Ning.