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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO PROPOSED ISSUE OF NEW SHARE UNDER SPECIFIC MANDATE FOR DEBT CAPITALISATION

Reference is made to the announcements (the “**Announcements**”) of Kiu Hung International Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 3 November 2020 and 20 November 2020 in relation to the Subscription. Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements unless otherwise defined.

ADDITIONAL SUBSCRIPTION

Subsequent to the entering into of the Subscription Agreement, the Company has continued to negotiate with the Creditors for any possibility to further increase the size of the Subscription to further improve the financial position of the Group.

On 22 January 2021 (after trading hours of the Stock Exchange), the Company entered into the supplemental subscription agreement (the “**Supplemental Subscription Agreement**”) with each of Mr. Wong Pui Wang Jefferson (“**Mr. Wong**”), being one of the Consultant Creditors, Mr. Chen Blinglin (“**Mr. Chen**”), being one of the Lender Creditors and Ms. Ou Zhu (“**Ms. Ou**”), being one of the Lender Creditors, to increase the size of Subscription by each of them (the “**Additional Subscription**”).

Details of the terms of the Supplemental Subscription Agreement are summarized below:

Date

22 January 2021 (after trading hours of the Stock Exchange)

Parties

Issuer/debtor:	The Company
Creditors:	1. Mr. Wong, being one of the Consultant Creditors;
	2. Mr. Chen, being one of the Lender Creditors; and
	3. Ms. Ou, being one of the Lender Creditors

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

Subject matter

Pursuant to the Supplemental Subscription Agreement, the subscription size with each of Mr. Wong, Mr. Chen and Ms. Ou has been mutually agreed to revise as follow:

1. conditional allotment and issue by the Company to Mr. Wong (or his designated nominee) to subscribe for 3,745,318 Subscription Shares, instead of 1,498,127 Subscription Shares in the Subscription Agreement, at the Subscription Price of HK\$0.267 per Subscription Share. The subscription amount payable by Mr. Wong shall be satisfied by capitalizing the outstanding consultancy fee due from the Company to Mr. Wong in the amount of HK\$1,000,000 as at the date of the Supplemental Subscription Agreement instead of HK\$400,000 in the Subscription Agreement;
2. conditional allotment and issue by the Company to Mr. Chen (or his designated nominee), to subscribe for 52,445,540 Subscription Shares, instead of 42,197,909 Subscription Shares in the Subscription Agreement, at the Subscription Price of HK\$0.267 per Subscription Share. The subscription amount payable by Mr. Chen shall be satisfied by capitalizing the entire outstanding loan due from the Company to Mr. Chen in the amount of HK\$14,002,959.34 as at the date of the Supplemental Subscription Agreement instead of HK\$11,266,841.56 in the Subscription Agreement; and
3. conditionally allotment and issue to Ms. Ou (or her designated nominee) to subscribe for 112,359,550 Subscription Shares, instead of 41,073,253 Subscription Shares in the Subscription Agreement, at the Subscription Price of HK\$0.267 per Subscription Share. The subscription amount payable by Ms. Ou shall be satisfied by capitalizing part of the outstanding loan due from the Company to Ms. Ou in the amount of HK\$30,000,000 as at the date of the Supplemental Subscription Agreement instead of HK\$10,966,558.44 in the Subscription Agreement.

Save for the above-mentioned amendments, all other terms and conditions in the Subscription Agreement shall remain effective and in full force.

Subscription Shares

Pursuant to the Supplemental Subscription Agreement, an aggregate of 83,781,119 additional Subscription Shares (the “**Additional Subscription Shares**”) will be allotted and issued by the Company to each of Mr. Wong, Mr. Chen and Ms. Ou as above-mentioned.

As at the date of this announcement, the Company has 761,419,079 Shares in issue. Assuming that there will be no change in the number of issued Shares between the date of this announcement and completion of the Subscription, the Additional Subscription Shares represent approximately 11% of the existing issued share capital of the Company as at the date of this announcement and approximately 9.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Additional Subscription Shares. And upon completion of the Subscription (after taking into account the Additional Subscription Shares), the 390,440,579 Subscription Shares represents approximately 51.3% of the issued share capital of the Company as at the date of this announcement and approximately 33.9% of the issued share capital of the Company as enlarged by the allotment and issue of the 390,440,579 Subscription Shares. The aggregate nominal value of the Additional Subscription Shares is HK\$837,811.19.

Subscription Price

The Subscription Price of HK\$0.267 represents:

- (i) a premium of approximately 22.48% to the closing price of HK\$0.218 per Share as quoted on the Stock Exchange on the date of the Supplemental Subscription Agreement; and
- (ii) a premium of approximately 42.78% to the average closing price per Share of approximately HK\$0.187 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the last trading day for the Shares prior to the date of the Supplemental Subscription Agreement.

The Subscription Price of the Additional Subscription Shares was determined with reference to the (i) Subscription Price in the Subscription Agreement, (ii) the prevailing market condition and market prices of the Shares and was negotiated on an arm's length basis among the Company, Mr. Wong, Mr. Chen and Ms. Ou. The Directors consider that the Subscription Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Ranking of the Additional Subscription Shares

The Additional Subscription Shares shall rank pari passu in all respects among themselves and with the existing Shares in issue.

Specific Mandate

The Additional Subscription Shares will be allotted and issued under the specific mandate to be sought at the SGM.

Subscription Condition

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

- (i) the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in the Additional Subscription Shares;
- (ii) the passing of the ordinary resolutions by the Shareholders at the SGM to approve the Supplemental Subscription Agreement and the transactions contemplated thereunder (including the specific mandate); and
- (iii) if so required, each party to the Supplemental Subscription Agreement having obtained all consents, licences, authorisations, orders, grants, confirmations, permissions, registrations, filings and other approvals necessary or desirable in connection with the implementation of the Supplemental Subscription Agreement from appropriate governments, governmental, supranational or trade agencies, courts, other regulatory bodies, banks, financial institutions or other third parties on terms satisfactory to the parties to the Supplemental Subscription Agreement and such consents, licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals remaining in full force and effect.

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

Completion

The Additional Subscription shall complete on the day no later than the fourth 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 Supplemental Subscription Agreement in writing).

Application for Listing

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

FUND RAISING DURING THE PAST TWELVE MONTHS

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

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
22 October 2020	Placing of new Shares under specific mandate	HK\$29.57 million	All net proceeds for the repayment of the Group's outstanding indebtedness	Used as intended
22 September 2020	Placing of new Shares under general mandate	HK\$20 million	Approximately HK\$16 million for the repayment of the outstanding promissory notes and other payables, and approximately HK\$4 million for the general working capital of the Group	Used as intended

REASONS FOR AND BENEFITS OF THE ADDITIONAL SUBSCRIPTION AND USE OF PROCEEDS

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

The Directors (including the independent non-executive Directors) consider that the Additional Subscription will allow the Company to settle the Group's outstanding indebtedness without utilizing existing financial resources of the Company in order to alleviate the repayment pressure of the Group and to reduce cash outflow from the Company.

The Directors also consider that the Additional Subscription will broaden the Company's capital base and shareholders base without any interest burden while reducing the gearing level of the Group thereby strengthening the financial position for the future development of the Group.

The Directors consider that the terms of the Supplemental Subscription Agreement are fair and reasonable based on the current market conditions and are on normal commercial terms. Accordingly, the Directors consider that the Additional Subscription 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 of the Subscription and Additional Subscription are as follows (assuming that there is no change in the number of issued Shares between the date of this announcement and the completion of the Subscription and the Additional Subscription):

Shareholder	As at the date of this announcement		Immediately after the completion of the Subscription and the Additional Subscription	
	No of Shares	Approximate %	No of Shares	Approximate %
Directors				
Mr. Zhang Qijun (<i>Note 1</i>)	33,500	0.004	33,500	0.003
Mr. Cheng Ho On (<i>Note 2</i>)	<u>8,500</u>	<u>0.001</u>	<u>8,500</u>	<u>0.001</u>
Sub-total	42,000	0.005	42,000	0.004
Creditors (<i>Note 3</i>)				
<i>Former Directors Creditors</i>				
Yu Won Kong, Dennis	—	—	47,262,006	4.103
Hui Kee Fung	—	—	50,387,640	4.374
Lau Siu Wa	—	—	2,182,050	0.189
<i>Employee Creditor</i>				
Lau Siu Wa	—	—	8,998,188	0.781
<i>Consultant Creditors</i>				
Chan Tsz Sing, William	—	—	7,490,637	0.650
Liu Yuk Ming	—	—	749,064	0.065
Wong Pui Wang, Jefferson	—	—	3,745,318	0.325
<i>Lender Creditors</i>				
Ou Zhu	—	—	112,359,550	9.755
Chen Blinglin	—	—	52,445,540	4.553
Lau Siu Wa	—	—	17,153,874	1.489
Liu Falin	—	—	47,065,169	4.086
Tang Yingzhou	<u>—</u>	<u>—</u>	<u>40,601,543</u>	<u>3.525</u>
Sub-total	—	—	390,440,579	33.897
Public Shareholder	<u>761,377,079</u>	<u>99.995</u>	<u>761,377,079</u>	<u>66.099</u>
Total	<u>761,419,079</u>	<u>100.000</u>	<u>1,151,859,658</u>	<u>100.000</u>

Notes:

1. Being the executive director and the chairman of the Company.
2. Being the independent non-executive director of the Company.
3. None of the Creditors will become a substantial Shareholder immediately after completion of the Subscription and the Additional Subscription.

GENERAL

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

A circular containing details of the Subscription Agreement and the Supplemental Subscription Agreement and a notice convening the SGM are expected to be despatched to the Shareholders as soon as practicable.

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

Hong Kong, 22 January 2021

As at the date of this announcement, the Board comprises three executive Directors, Mr. Zhang Qijun, Mr. Chen Jian and Mr. Liu Mingqing and six independent non-executive Directors, Mr. Wang Xiao Ning, Mr. Cheng Ho On, Mr. Kong Chun Wing, Mr. Lai Chi Yin, Samuel, Ms. Chen Yuxin and Mr. Hou Yunde.