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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)

INSIDE INFORMATION MEMORANDUM OF UNDERSTANDING IN RELATION TO A POSSIBLE ACQUISITION

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

THE MOU

The Board is pleased to announce that on 8 August 2021, the Company entered into the MOU with the Vendor in relation to the Possible Acquisition.

GENERAL

In the event that the Possible Acquisition materialises, it may constitute a notifiable transaction of the Company under the Listing Rules. Further announcement(s) in relation to the Possible Acquisition will be made by the Company as and when appropriate in compliance with the Listing Rules.

There is no assurance that any transactions referred to in this announcement will materialise or eventually be consummated. Shareholders of the Company and potential investors should note that the Possible Acquisition is subject to, among other things, the entering into of a formal agreement, major terms and conditions of which are yet to be agreed. The Possible Acquisition may or may not proceed and the final structure and terms of the Possible Acquisition, which are still subject to the result of assets restructuring and upon further negotiations between the parties, have yet to be finalized and may deviate from that set out in the MOU. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by Kiu Hung International Holdings Limited (the “**Company**”, together with its subsidiaries and associates referred as the “**Group**”) in accordance with Rule 13.09(2) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 8 August 2021, the Company entered into a memorandum of understanding (the “**MOU**”) with Yuanta Chinese Medicine Chain (Shenzhen) Co., Ltd (元大中醫連鎖(深圳)有限公司) (the “**Vendor**”) in relation to a mutual intention on a possible acquisition by the Company (or its wholly-owned subsidiary) of some equity interest in the Target Company from the Vendor (the “**Possible Acquisition**”). Details of the MOU are set out below:

THE MOU

Date: 8 August 2021

Parties: (1) Yuanta Chinese Medicine Chain (Shenzhen) Co., Ltd (元大中醫連鎖(深圳)有限公司) as the Vendor; and
(2) Kiu Hung International Holdings Limited as the Buyer.

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the Vendor and its ultimate beneficial owners are independent third parties of and not connected with the Company and its connected persons (with the meanings ascribed in the Listing Rules).

Assets intended to be acquired

Pursuant to the MOU, the Vendor intends to sell and the Company (or its wholly owned subsidiary) intends to acquire certain equity interest of the Target Company.

As at the date of this announcement, the Vendor owns the 100% equity interest in the Target Company.

Consideration

The amount of the equity interest under the Possible Acquisition, the consideration of the Possible Acquisition and the payment terms of the consideration will be subject to further negotiation between the parties to the MOU.

Exclusivity

Pursuant to the MOU, during the period commencing from the date of the MOU and ending on the earlier of (i) ninety (90) days after signing of the MOU; or (ii) the written confirmation by both parties that negotiation on the Possible Acquisition shall discontinue; or (iii) the breach of the confidentiality obligations as contained in the MOU by either party (or its subsidiaries and affiliates, or their representatives) (the “**Exclusivity Period**”), the

Vendor shall not enter into any agreement, arrangement or understanding with the Buyer (or its wholly owned subsidiary) and any other party in relation to the sale and purchase of interest in the Target Company; and (ii) the parties shall negotiate in good faith in respect of the Possible Acquisition to the exclusion of all other parties.

Due diligence

After signing of the MOU and during the Exclusivity Period, the Company (and its advisers and/or agents) shall be entitled to conduct due diligence review on the conditions, legal ownership, legal, and other affairs of the Target Company. The Vendors shall provide assistance to the Company (and its advisers and/or agents) in this respect.

Formal agreement

The parties to the MOU shall negotiate in good faith in ensuring the formal agreement shall be entered into as soon as possible and in any event, within ninety (90) days from the date of signing the MOU, or such later date as the parties to the MOU may agree in writing.

Legal effect

The MOU does not create legally binding obligations on the parties on the substantive terms in relation to the Possible Acquisition (including the issue price, the consideration, and the capital commitment) but is legally binding as to some miscellaneous and general terms relating to confidentiality, the Exclusivity Period, the due diligence review, expenses, termination, and governing laws contained therein.

INFORMATION ON THE VENDORS AND THE TARGET COMPANY

The Vendor is a company incorporated in the PRC with limited liability. As at the date of this announcement, the Vendor owns 100% equity interest in the Target Company.

The Target Company is a company incorporated in the PRC with limited liability. As informed by the Vendor, the Target Company mainly engages in Chinese medicine diagnosis and treatment, Chinese medicine physiotherapy, Chinese medicine diet therapy, family doctors, health and wellness and sales of Chinese medicine. Centered on the community Chinese medicine clinic chain, it has formed a well-known Chinese medicine chain enterprise with stronger regional competitiveness.

The Target Company relied on the business model of standardized products from the entire store to integrate with more Chinese medicine clinics and health care institutions through franchising. Through continuous expansion of business scope, the excellent Chinese medicine treatment team has continued to grow, and leveraging on a relatively complete chain operation network and expertise in Chinese medicine, the Target Company has established its own core competitive edge and formed a strategic layout of steady national development.

The exclusive product produced by the Target Company is a family secret traditional Chinese medicine inherited by its founder. The Chinese medicine has a history of hundreds of years with an exclusive formula. It is made from dozens of Chinese herbal medicines, including corydalis, qianghuo, draconis sanguis, sedum, root-bark of bodiner ampelopsis, myrrh, sophora flavescens, cnidium, dictamnus dasycarpus, Paris polyphylla, dysosma versipellis, triumphetta rhomboidea Jack., angelica, ginseng, astragalus membranaceus, cordyceps, etc. Mainly targeted at people works in office, middle-aged to elderly and sub-health group, etc., the Meridian Health Liquid (經絡通保健液) has outstanding effects on lumbar disc herniation, rheumatism, all pains and intractable pain, advanced cancer pain, and emergency relief for myocardial infarction.

The Target Company is characterized by operating in two stages with different focus. The first stage is to strategically deploy franchise business, agency business and management business at different levels in provinces, cities and counties in the next 3 to 5 years. The per capita GDP level of the country has reached USD11,000. The major part of the consumers' demand is reflected in the consumption of health segment. Market consumption is supported by the incentive of the country's health policy. The capital market is in the window period of rapid consumption growth while the Target Company is facing a great opportunity for rapid development. The second stage will be based on the market scale that paved in the first stage. After the company basically completes its task of market preparation, selling of medicine and provision of service will be carried out under the Target Company's brand to ensure the stability of high income and the long-term healthy development of the company's business.

REASONS FOR AND BENEFIT OF THE POSSIBLE ACQUISITION

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 Board considers that the Possible Acquisition will be in line with the Group's investment strategy to seek business opportunities and intend to acquire high quality business with good potential for the expansion of the Group's business. The Possible Acquisition would provide an opportunity for the Company to diversify the Group's income stream and enhance Shareholders' value.

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

Hong Kong, 9 August 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 five independent non-executive Directors, Mr. Wang Xiao Ning, Mr. Cheng Ho On, Mr. Kong Chun Wing, Mr. Lai Chi Yin, Samuel and Ms. Chen Yuxin.