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**K. H. GROUP HOLDINGS LIMITED**  
**劍虹集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1557)**

**SUPPLEMENTAL AND CLARIFICATION ANNOUNCEMENT**  
**MAJOR AND CONNECTED TRANSACTION**  
**ACQUISITION OF THE ENTIRE EQUITY INTEREST AND THE ASSIGNMENT**  
**OF SHAREHOLDER'S LOAN IN THE TARGET COMPANY**

Reference is made to the announcement (the “**Announcement**”) of K. H. Group Holdings Limited (the “**Company**”) dated 5 November 2024 in relation to, among other things, the major transaction in relation to the acquisition of the entire equity interest and the assignment of shareholder’s loan in the Target Company. Unless the context requires otherwise, capitalised terms used herein shall have the same meaning as defined in the Announcement.

**INFORMATION OF JIANGSU YONGMAI**

Jiangsu Yongmai obtained all necessary government approvals for the construction of the Production Plant in 2018. Funds provided by Jiagnsu Yongmai’s shareholders at the relevant time (the “**Original Shareholders**”) was fully utilized for the construction of the Production Plant, yet funding gap still exists for its completion. However, no consensus was reached amongst the Original Shareholders as to their contribution of additional funding to complete the construction work, hence Jiangsu Yongmai was unable to settle its outstanding payment and construction of the Production Plant was suspended in June 2019. Before the suspension, construction and installation of the major equipment required for the Production Plant was substantially completed.

**POTENTIAL COOPERATION BETWEEN HOARDSUN & JIANGSU YONGMAI**

In around March 2022, Zhu Meimei (朱玫梅, “**Ms. Zhu**”), through the introduction of Mr. Zhang, began preliminary discussion with the president of Hoardsun Technology Group Co. Ltd. (昊盛科技集團有限公司, “**Hoardsun**”) which indirectly owns the entire equity interest of Haosheng (Danyang) Investment Management Co., Ltd. (昊盛(丹陽)投資管理有限公司) (“**Haosheng Danyang**”), about taking part in Jiangsu Yongmai’s restructuring proceedings with the aim of completing the construction Production Plant.

Hoardsun was principally engaged in the investment in the polarizer industry. In order to consolidate its competitive advantages in the field of optoelectronic display, it plans to invest in or support upstream chemical companies to expand its layout in the chemical industry. However, it has been more difficult for Hoardsun to expand its presence in the chemical industry as such factories shall be situated in designated chemical industrial park regions, and the difficulty for getting new approvals from local governments in such regions has been increasing. Given that the Production Plant is situated in a national-grade chemical industrial park, and all necessary approvals for the Production Plant's construction has been obtained, participating in the reorganization of Jiangsu Yongmai was considered to be an attractive investment opportunity for Haosheng Danyang since the production facilities operated by Hoardsun would also produce industrial wastewater which could be handled by the Production Plant.

At the relevant time, Ms. Zhu was interested in 35.93% of Jiangsu Yongmai's equity interest. Ms. Zhu has strong connections in the automobile industry and such business network can provide Jiangsu Yongmai with abundant customer resources. Therefore, Ms. Zhu remained confident about Jiangsu Yongmai's prospects despite the construction of the Production Plant has been suspended.

## **RESTRUCTURING PROCEEDINGS OF JIANGSU YONGMAI**

In September 2022, Jiangsu Kejia Construction Co. Ltd (江蘇科嘉建設有限公司) filed a bankruptcy and reorganization petition against Jiangsu Yongmai, in relation to the non-payment of overdue construction fees and other payments (the "**Bankruptcy Petition**"). The court ordered that Jiangsu Yongmai shall enter into bankruptcy and reorganization process in November 2022, and the liquidation department of Jiangsu Yongmai was appointed as Jiangsu Yongmai's administrator (the "**Administrator**"). Proofs of debt were then submitted by creditors of Jiangsu Yongmai, and the aggregate amount of outstanding claims against Jiangsu Yongmai, as adjudicated by the Administrator, was RMB85.7 million.

In January 2023, the Administrator posted a recruitment notice for Jiangsu Yongmai's reorganization investors on the National Enterprise Bankruptcy Information Disclosure System, which stipulates the requirements for the reorganization investors, including the requirement on financial resources (including bank deposits of more than RMB50 million) and compliance record of the investor shall also be submitted.

Haosheng Danyang and Ms. Zhu agreed that Ms. Zhu (through Ningbo Huanlang) and Haosheng Danyang shall form an investment consortium for the purpose of Jiangsu Yongmai's reorganization (the "**Consortium**") as the reorganization procedures provides the opportunity to renegotiate and restructure its debts with creditors, to protect assets installed at the Production Plant, and ensure a more orderly and equitable resolution of claims.

In February 2023, Haosheng Danyang provided RMB16 million to the Administrator as earnest money and performance bond for the Consortium's participation in the restructuring of Jiangsu Yongmai (the "**Performance Bond**"). The Consortium submitted the application for its participation in the reorganization proceedings in February 2023. The reorganization proposal submitted by the Consortium was approved at the creditors' meeting of Jiangsu Yongmai in March 2023, and Jiangsu Yongmai's reorganization procedures was terminated by the court shortly afterwards.

## AGREEMENTS ENTERED INTO REGARDING PROVISION OF FINANCIAL ASSISTANCE TO THE TARGET COMPANY

On 27 March 2023, Haosheng Danyang, Ms. Zhu and the Vendors entered into an agreement (the “**2023 Agreement**”), pursuant to which it was agreed that, among others, Haosheng Danyang and Ms. Zhu shall provide loans to Ningbo Huanlang (the “**Funds**”). The entire amount of the Funds shall be transferred to the Target Company, with RMB20 million allocated as its paid-up registered capital and the remainder as interest-free shareholder’s loan between Ningbo Huanlang and the Target Company. The Funds were used to settle debts and expenses payable by Jiangsu Yongmai during its restructuring proceeding, and satisfy its working capital needs after its restructuring. The Funds are interest-free, unsecured and unguaranteed, and are payable on demand. Provided that Jiangsu Yongmai meets all conditions of production resumption by March 2026 (i.e. Jiangsu Yongmai having obtained all necessary permits and licenses for its production and operation, at least one client has approved Jiangsu Yongmai to be its certified supplier, and Jiangsu Yongmai’s production resumption is conducted in an orderly manner, which were all satisfied in around August 2024), Haosheng Danyang can exercise an option requesting the Vendors to transfer not less than 67% of the Target Company’s equity interest to Haosheng Danyang, and the consideration of such transfer shall be based on the Target Company’s paid-up registered capital.

To the best of the Directors’ knowledge, it was agreed amongst Ms. Zhu and the Vendors that the Vendors shall hold the entire equity interest of the Target Company on behalf of Ms. Zhu. Hence, Ms. Zhu was considered as the ultimate beneficial owner of the Target Company and can influence the Acquisition.

The 2023 Agreement was entered into as Haosheng Danyang and Ms. Zhu agreed to collaborate in the restructuring of Jiangsu Yongmai, whereby Haosheng Danyang only agreed to be a financial investor at the relevant time.

The Funds were contributed by Haosheng Danyang and Ms. Zhu’s son (“**Mr. Sun**”, who provided the Funds on behalf of Ms. Zhu) from time to time, while Ningbo Huanlang also repaid part of the Funds. The aggregate contribution of Haosheng Danyang (including its contribution to the Performance Bond) and Mr. Sun to the Funds were approximately RMB94.3 million and RMB17.6 million, respectively. As at the date of the Acquisition Agreement, the amount owed by Ningbo Huanlang to Haosheng Danyang and Mr. Sun were RMB49.9 million and RMB12.0 million, respectively;

As the Group intends to explore new business opportunities in new energy and new raw materials, Haosheng Danyang, based on the instruction of Mr. Chen Rongsheng (the controlling shareholder of the Company and Haosheng Danyang), referred such opportunity to the Company. The Group then carried out independent due diligence to assess the prospects of the Target Group and the terms and conditions of the Acquisition Agreement, and the Acquisition Agreement was entered into only after the Board satisfied itself that the Acquisition is in the interest of the Group and the Shareholders as a whole.

On 4 November 2024, Haosheng Danyang, Ms. Zhu and the Vendors entered into a supplemental agreement to the 2023 Agreement, pursuant to which, among others, Ms. Zhu agreed to transfer the entire equity interest of the Target Company to entity(ies) designated by Haosheng Danyang, and the consideration of such transfer shall be based on the Target Company's paid-up registered capital.

## **SUPPLEMENTAL AGREEMENT**

On 7 January 2025, the Company, AiXun and the Vendors entered into a supplemental agreement (the “**Supplemental Agreement**”) to amend the consideration payable by the purchasers under the Acquisition Agreement, whereby consideration payable by AiXun for the assignment of the Shareholder's Loan shall be increased from RMB41.9 million to RMB44.0 million, and the consideration for the acquisition of the Equity Interest shall remain unchanged (i.e. RMB20 million).

The consideration will be payable in the following manner:

- (i) approximately RMB32.0 million (representing 50% of the consideration) shall be payable on the Completion Date; and
- (ii) approximately RMB32.0 million (representing 50% of the consideration) shall be payable within 3 months from the Completion Date.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT**

As the Target Group required additional working capital since the entering of the Acquisition Agreement, Haosheng Danyang has provided additional Funds to the Target Group through Ningbo Huanlang with a total amount of RMB2.1 million during the period from the date of the Acquisition Agreement to the date of the Supplemental Agreement. As at the date of this announcement, the amount owed by Ningbo Huanlang to Haosheng Danyang and Mr. Sun were RMB52.0 million and RMB12.0 million, respectively.

Having taken into account the additional Funds contributed by Haosheng Danyang, the Directors (excluding the independent non-executive Directors whose view will be formed after taking into account the advice from the independent financial adviser) consider that the terms of the Supplemental Agreement are fair and reasonable and entering into the Supplemental Agreement is in the interest of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Mr. Chen, a controlling shareholder of the Company, was indirectly interested in 51% of the equity interest of Haosheng Danyang, hence Haosheng Danyang is an associate of Mr. Chen and a connected person of the Company. Given that (i) the Vendors entered into a transaction with the Group through the Acquisition Agreement, and an agreement with Haosheng Danyang with respect to the Acquisition through the 2023 Agreement, and (ii) a connected person of the Company provided financial assistance to the Target Company through the Funds, such connected person of the Company is able to influence transaction(s) between the Company and the Vendors, hence the Vendors shall be deemed to be connected persons of the Company pursuant to Rule 14A.20 of the Listing Rules and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 25%, but are all less than 100%, the Acquisition constitutes a major and connected transaction of the Company and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

## **GENERAL**

The Acquisition has not been completed as at the date of this announcement, and the Company will convene a general meeting to approve the Acquisition Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder. Mr. Chen and his associates, including Blessing Well, will abstain from voting on such resolutions at the general meeting. A circular containing, among other things, information relating to the Acquisition, a notice of the general meeting and other information as required under the Listing Rules will be despatched to the Shareholders on or before 28 February 2025.

Notwithstanding the clarification set out above, save for the adjustment of the consideration pursuant to the Supplemental Agreement, the terms of the Acquisition Agreement remain the same; and all other information in the Announcement remains unchanged. The Company confirms that the terms of the Acquisition Agreement (as supplemented by the Supplemental Agreement) was negotiated on an arm's length basis.

**Completion of the Acquisition is subject to the satisfaction and/or waiver of the conditions precedent and as such, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

By Order of the Board  
**K. H. Group Holdings Limited**  
**Chang Chih-Chia**  
*Chairman and Executive Director*

Hong Kong, 7 January 2025

*As at the date of this announcement, the Board comprises three Executive Directors, namely, Mr. Chang Chih-Chia (Chairman), Dr. Wang Lei and Mr. Yang Xuefeng and three Independent Non-executive Directors, namely, Mr. Feng Zhidong, Mr. Wang Bo and Ms. Liu Yixing.*