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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)

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 18 March 2019 (after trading hours of the Stock Exchange), 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 finalised 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**” and together with its subsidiaries and associated corporations, the “**Group**”) pursuant to 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 18 March 2019 (after trading hours of the Stock Exchange), the Company entered into a memorandum of understanding (the “**MOU**”) with 巨聯國際集團有限公司 (Julian International Group Co., Ltd.*) (the “**Vendor**”) in relation to a mutual intention on a possible acquisition (the “**Possible Acquisition**”) of certain equity interests of 裕興國際企業有限公司 (Yuxing International Enterprise Co., Ltd.*) (the “**Target Company**”), by the Company (or its wholly owned subsidiary) from the Vendor. Details of the MOU are set out below:

THE MOU

Date: 18 March 2019 (after trading hours of the Stock Exchange)

Parties: (1) 巨聯國際集團有限公司 (Julian International Group Co., Ltd.*), as Vendor; and
(2) Kiu Hung International Holdings Limited, as Purchaser.

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the Vendor and its ultimate beneficial owner 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 interests of the Target Company.

As at the date of this announcement, the Target Company is wholly owned by the Vendor.

Consideration

The consideration for the certain equity interests of the Target Company (the “**Consideration**”) is estimated to be HK\$800,000,000, and shall be determined after arm’s length negotiation between the parties to the MOU and set out in the formal agreement. The Consideration shall be settled by way of allotment and issue of consideration shares by the Company. The parties to the MOU agree that the issue price of consideration shares to be issued by the Company for satisfying the Consideration shall be HK\$1 per Share (the “**Issue Price**”).

As at the date of this announcement, details and size of the Assets Restructuring (as defined under the section headed “INFORMATION ON THE VENDOR AND THE TARGET COMPANY AND FOREST PULP INTEGRATION PROJECT” in this announcement) has not been finalized. The settlement terms and actual shareholding percentage of the Target Company for which the Consideration can be exchanged, shall be negotiated and determined by the parties to the MOU upon finalization of the Assets Restructuring and the result of the due diligence of the Target Company upon signing of the formal agreement.

Profit Guarantee

The parties to the MOU have agreed that in the formal agreement, the Vendor upon completion of the Possible Acquisition shall irrevocably guarantee and warrant to the Purchaser that: (i) the audited net profit after taxation and extraordinary or exceptional items of the Target Company for the first financial year following the completion of the Possible Acquisition shall not be less than HK\$800,000,000; (ii) the audited net profit after taxation and extraordinary or exceptional items of the Target Company for the second financial year following the completion of the Possible Acquisition shall not be less than HK\$2,000,000,000; and (iii) the audited net profit after taxation and extraordinary or exceptional items of the Target Company for the third financial year following the completion of the Possible Acquisition shall not be less than HK\$5,000,000,000 (the “**Guaranteed Profit**”).

If the actual audited net profit of the Target Company (after taxation and any extraordinary or exceptional items) is less than the Guaranteed Profit, the Purchaser shall be compensated with an amount calculated by a formula to be negotiated between the parties, which shall be satisfied in cash and/or the Consideration Shares.

Capital Commitment

Pursuant to the MOU, as part of the Possible Acquisition, the Company undertakes to provide a loan of HK\$500,000,000 to the Target Company as an initial working capital after completion of the Possible Acquisition.

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 negotiate and/or enter into any agreement, arrangement or understanding with any other party other than the Purchaser (or its wholly owned subsidiary) 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 Vendor 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 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, Consideration, 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 VENDOR, THE TARGET COMPANY AND FOREST PULP INTEGRATION PROJECT

The Vendor is a company incorporated in the British Virgin Islands 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 Hong Kong with limited liability. As advised by the Vendor, the Target Company is undergoing assets restructuring with 金馬控股集團有限公司 (Golden Horse Holdings Group*). The Target Company shall upon completion of the assets restructuring, have the right to operate the forest pulp integration project (林漿一體化項目) (the “**Forest Pulp Integration Project**”), including approximately 2.93 million hectares of forest in Russia and the operation right of an environmentally-friendly pulp project in Guangxi. (the “**Assets Restructuring**”).

The Forest Pulp Integration Project is the key project between Russia and People’s Republic of China. The technology to be used by the Target Company for the environmental friendly pulp project in Guangxi (the “**Environmental Friendly Pulp Technology**”) is China’s 2018 key environmental protection technology and 2019 promotion project of the Ministry of Environmental Protection of the People’s Republic of China. On 11 March 2019, the owner of the Environmental Friendly Pulp Technology entered into a strategic letter of intent with 自然環境生態部綠水青山文化基金 (the Green Water Qingshan Culture Fund of the Ministry of Natural Environment and Ecology*). Pursuant to the strategic letter of intent, the Green Water Qingshan Culture Fund of the Ministry of Natural Environment and Ecology intends to develop the Forest Pulp Integration Project and the environmentally friendly pulp project in Guangxi with an investment of RMB30 billion.

Upon completion of the Assets Restructuring, the Target Company will be principally engaged in the operation of the Forest Pulp Integration Project.

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 is in line with the Group's investment strategy to seek business opportunities and intends 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
Hui Kee Fung
Chairman

Hong Kong, 18 March 2019

As at the date of this announcement, the Board comprises seven executive Directors, Mr. Hui Kee Fung, Mr. Yu Won Kong, Dennis, Mr. Zhang Yun, Mr. Zhang Qijun, Mr. Shu ZhongWen, Mr. Pun Yat Kan and Ms. Cui Yu, and three independent non-executive Directors, Mr. So Chun Pong, Ricky, Mr. Wang Xiao Ning, and Mr. Cheung Man Loon, Michael.

* *For identification purpose only*