

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 29 July 2020 (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**”, together with its subsidiaries and associates referred to 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 under (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 29 July 2020 (after trading hours of the Stock Exchange), the Company and China Commerce Huaxia Asset Management Co., Ltd.* (中商華夏資產管理有限公司) (the “**Vendor**”) entered into a memorandum of understanding (the “**MOU**”) in relation to a mutual intention on a possible acquisition by the Company (or its wholly-owned subsidiary) of some equity interest in China Commerce Fule Construction Co., Ltd.* (中商富樂建設有限公司) (the “**Target Company**”) from the Vendor (the “**Possible Acquisition**”). Details of the MOU are set out below:

THE MOU

Date: 29 July 2020 (after trading hours of the Stock Exchange)

Parties: (1) China Commerce Huaxia Asset Management Co., Ltd.* (中商華夏資產管理有限公司) 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 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 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 for 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) one hundred and twenty (120) 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 Purchaser (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 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 shall be entered into as soon as possible and in any event, within one hundred and twenty (120) 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 VENDOR, THE TARGET COMPANY AND MAJOR DEVELOPMENT PROJECT

The Vendor is a company incorporated in the PRC with limited liability. As advised by the Vendor, the Vendor is a top clean energy provider and asset management operator in the PRC. The Vendor’s main business operations include: construction investment business, energy trading business, asset management and operation business, supply chain financial services, etc., covering industrial investment, asset acquisition, steel, mineral products, petrochemical products, coal, non-ferrous metals, construction materials, machinery and equipment, engineering equipment, railway equipment, agricultural products, etc.. And it has established long-term strategic cooperative relations with China Railway, China Railway Construction, PetroChina, CNOOC, China State Construction, Aluminum Corporation of China, China Raybo, Pangang Group, Angang Group, Sinotrans, Dongling Group, etc.

The Target Company is a company incorporated in the PRC with limited liability. As advised by the Vendor, the Target Company is engaged in general construction contracting for housing and building projects, property development and management, project investments and sales of construction materials, and its main development projects are the “steel structure production base project” and land reserve transformation investment and construction project of “Fule Pastoral Complex”(the “**Pastoral Complex Project**”), which is located in Jiulong Village, Longmen Town, Fucheng District, Mianyang, currently covering a site area of 245 acres. Based on the development and construction of the Pastoral Complex Project, the Project plans to build 500 detached villas integrating residence, sightseeing and leisure, and vacation tourism with a total area of development and construction of 110,000 square meters. The total planned investment of the Project is RMB360 million. The Project is expected to achieve sales revenue of RMB1.3 billion and profit of RMB400 million.

The construction of the Project has commenced in October 2019 and is expected to be completed by the end of October 2024, with a construction period of five years. Currently, the construction of infrastructure such as land acquisition and site consolidation has been completed. The investment of over RMB70 million has been made by the Company. At present, the Target Company has owned assets of more than RMB70 million, including fixed assets, such as properties, of RMB47 million, and other assets, such as professional machinery and equipment, of RMB26 million. As of June 2020, the total assets of the company amounted to RMB121 million, among which, the net assets were RMB72 million and the liabilities of the company were only more than RMB1.4 million, with an asset-liability ratio of only 1.2%. The company recorded an output of RMB211 million, an annual tax of more than RMB7 million and a profit of more than RMB15 million in 2019. Its output for the first half of 2020 has amounted to RMB120 million. Based on the existing projects and schedule of the company, it is expected that by the end of 2020, the annual output will reach RMB400 million and the profit and tax for the year will exceed RMB25 million.

Since its establishment, the Target Company has completed construction and installation projects with a total construction area of more than 2 million square meters, and has successfully undertaken projects such as Pingzheng Bus Station (平政汽車站), Northwest Sichuan Logistics Center (川西北物流中心), Dinghaoxin Gardon (鼎浩欣園), and Huayida Staff Dormitory Building (華意達職工宿舍樓). The area of comprehensive property development completed by it has reached 250,000 square meters, and the development of properties, such as Qingqing Yiyuan (青清怡苑), Qingqing Yayuan (青清雅苑), Fule Jincheng (富樂錦城), Fule Lingjiang (富樂領江), has been completed. Fule International to be developed will become a beautiful landscape in Mianyang’s property market.

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.

As previously announced by the Group, the use of the Forest Land in Nanfeng, Jiangxi for the development of diversified ecological sightseeing farm business will be beneficial to the development of the Group, thereby benefiting the Company and its shareholders as a whole. The design plan has been completed to showcase the perfect combination of modernized

internal facilities and rural landscape. They will improve ancillary facilities with multiple functions and provide various standard services for leisure and business meetings purposes in the future.

In addition, as previously announced by the Group, the Leased Properties has included the use of public amenities, hotel operation, real estate, and commercial activities in Samoa and can be developed into diversified hotels and resorts, residential villas and other businesses in the future. The Leased Properties cover a site area of 500 acres, representing approximately 3,035 mu. The future development of the Leased Properties will contribute positively to the revenue and profit of the Associate and will benefit the development of the Group, thereby benefiting the Company and its shareholders as a whole.

The Board considers that the Possible Acquisition will contribute to the development of the two projects mentioned above and is 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.

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 the 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.

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

Hong Kong, 29 July 2020

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.