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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 16 October 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**”, 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 16 October 2019 (after trading hours of the Stock Exchange), the Company and Yunnan Dechang Trading Limited\* (雲南德昌貿易有限公司) (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 Qinglong County Civil Affairs Welfare Gold Mining Limited\* (晴隆縣民政福利金礦有限公司) (the “**Target Company**”) from the Vendor (the “**Possible Acquisition**”). Details of the MOU are set out below:

## **THE MOU**

**Date:** 16 October 2019 (after trading hours of the Stock Exchange)

**Parties:** Yunnan Dechang Trading Limited\* (雲南德昌貿易有限公司) as the Vendor;  
and

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 interests of the Target Company.

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

## **Consideration**

The amount of the equity interests 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**”), (i) the Vendor shall not 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 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 GOLD ORE PROJECT**

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 advised by the Vendor, the Target Company operates a gold mining project (“**Gold Project**”) for a valid period from May 2015 to May 2025. Its annual production capacity amounts to 100,000 tons with a mining area of 2.325km<sup>2</sup> and a mining depth of 1,531m-1,225m.

As of 30 June 2019, the Target Company has obtained the mining license approved and issued by the Department of Natural Resources of Guizhou Province, and obtained the Environmental Impact Assessment (EIA) Ratification from the Department of Ecology and Environment of Guizhou Province and the approval on the production safety assessment from the Department of Emergency Management of Southwest Guizhou Autonomous Prefecture (黔西南州). It has also obtained the Qualification Certification on Gold Production (Letter of Approval for Mining of Gold Minerals) (黃金生產資質認證 (開採黃金礦產批准書)) from the Ministry of Industry and Information Technology of the PRC. After the completion of the construction of the integrated metallurgical Plant, its annual profit is expected to reach RMB300 million.

## **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 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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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, 16 October 2019

*As at the date of this announcement, the Board comprises two executive Directors, Mr. Zhang Qijun and Mr. Chen Jian and three independent non-executive Directors, Mr. Cheng Ho On, Mr. Kong Chun Wing and Mr. Wang Xiao Ning.*