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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)

BUSINESS UPDATE ON THE FORESTRY-PULP INTEGRATION PROJECT

Reference is made to the announcements of Kiu Hung International Holdings Limited (the “Company”) on 18 March 2019, 23 May 2019, 30 May 2019, 29 July 2019, 22 September 2019 and 21 October 2019 in relation to the entering into the operation and management contract with respect to the Project with Polaris (the “Announcements”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the Announcements.

BUSINESS UPDATE ON THE FORESTRY-PULP INTEGRATION PROJECT

On 23 May 2019, the Company entered into the Contract with respect to the Project. The Board would like to provide the information about the facts of this Project as follows:

POTENTIAL RISKS OF POLARIS

As mentioned in the Company’s announcement dated 30 September 2019, the Project has nearly 3 million hectares (“300 million acres”) of forest land. After further investigation by the Board, the actual area leased by the Project was limited to approximately 0.75 million hectares. Therefore Polaris could suffer from insufficient forest resources for its planned operations and affect the Project’s profitability.

Also mentioned in the Announcements, the Project, being the fruit of the forestry cooperation between the Chinese and Russian governments according to Chinese “Belt & Road” policy, has been included in the “Priority Development Projects” of the Russian Federal Government and the Zabaikalsky Krai Government. Unfortunately, on 22 May 2019, the Project was excluded from the “Priority Forest Industry Projects” by the Russian Ministry of Trade and Industry under order#1734.

The port for the Sino-Russian border mentioned in the Announcements, being known as the Pokrovka-Louguhe border crossing, was shut in year 2008 to prevent destructive development of the Pokrovka-Louguhe River. As a result, a new business plan would be adopted with alternative transportation routes for the needs of the Polaris' business.

The Board also considered a range of Environmental, Social and Governance ("ESG") issues for both Polaris and the Company's future investments. Such issues may present material risks to the Project's operations and the success of the investment if managed improperly.

Conversely, robust ESG risk management can be a significant source of value creation. Notable ESG issues include:

Environmental	Social	Governance
Water use and availability, and the broader impact on watersheds.	Land rights (acquisitions, tenancy and use of land).	Anti-bribery and corruption standards.
Pollution (such as through pesticides and the impact on soil quality).	Relationships with local communities and other key stakeholders.	Quality of management plans and systems.
Positive and negative climate impact.	Labour standards, including health and safety.	Grievance mechanisms available to key stakeholders.
Planting and harvesting techniques, and resource management.	Supply chain custody, particularly regarding illegal logging.	
Protection of biodiversity and ecosystems.		

The above information is supplemental to the information in the Announcement.

Further announcement(s) will be made by the Company to inform the Shareholders and potential investors of any material development relating to the Project.

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

Hong Kong, 4 November 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.