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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)

WITHDRAWAL OF THE

(1) PROPOSED CHANGE OF DOMICILE;

**(2) PROPOSED ADOPTION OF NEW MEMORANDUM OF CONTINUANCE
AND NEW BYE-LAWS;**

**(3) PROPOSED REDUCTION OF SHARE PREMIUM ACCOUNT;
AND**

(4) PROPOSED CAPITAL REORGANISATION

References are made to the announcement of the Company dated 25 July 2019 in relation to the Bonds Placing, the announcement of the Company dated 14 October 2019 in relation to the Subscription of Bonds, the announcement of the Company dated 25 October 2019 in relation to the Corporate Actions (the “**25 October 2019 Announcement**”) and the announcement of the Company dated 26 November 2019 (the “**26 November 2019 Announcement**”) in relation to the entering into of a supplementary subscription agreement (the “**Supplementary Subscription Agreement**”) with the Sole Subscriber. Terms used in this announcement shall have the same meanings as those defined in the aforesaid announcements unless the context otherwise stated.

On 4 December 2019, the Sole Subscriber had given its written confirmation to the Company that it would not consent to the Corporate Actions proposed by the Company. As a result, the Company shall withdraw the Corporate Actions.

Reasons for entering into the Supplementary Subscription Agreement

According to the Subscription Agreement entered into between the Company and the Sole Subscriber on 11 October 2019, the Company had made representations and warranties to the Sole Subscriber that, amongst other things, (i) the number of issued shares of the Company is 9,890,381,596 of HK\$0.1 each and (ii) the Company has the power,

authorization and capacity to issue the Bonds and perform its obligations under the Bonds. In the event any of such representations and warranties do not remain accurate, the Sole Subscriber may require the Company to remedy the breach or the Sole Subscriber may waive its rights against the Company or terminate its obligations under the Subscription Agreement. It is further set out in the Subscription Agreement that the Company agrees and acknowledges that the Sole Subscriber relied on the representations and warranties made by the Company in entering into the Subscription Agreement.

On 11 November 2019, the Company received a written notice from the Sole Subscriber whereby the Sole Subscriber requested to formally terminate the Subscription Agreement and claim against the Company for all associated costs on the ground that, amongst other things, in light of the 25 October 2019 Announcement, the Sole Subscriber was concerned that its interest as the Bondholder would be affected and undermined by the Capital Reorganisation and the representations and warranties made in the Subscription Agreement were different from the 25 October 2019 Announcement.

The Directors are of the view that it is in the best interests of the Group to proceed with the Subscription Agreement with the Sole Subscriber who had agreed to subscribe the Bonds in an aggregate sum of HK\$500 million having regard to the following:

- (i) the Company could use the proceeds of the Bonds to meet its immediate funding needs as disclosed under the heading “Reasons for the issue of the Bonds and use of proceeds” in the announcement of the Company dated 25 July 2019, including, amongst other things, repayment of the Group’s indebtedness. As at 30 June 2019, the Group had current liabilities of approximately HK\$501 million, out of which approximately HK\$411 million was overdue. It is of paramount importance to the Group to secure the subscription of the Bonds by the Sole Subscriber so that the Group could use part of the proceeds of the Bonds to settle such overdue liabilities. The credit resulting from the Capital Reorganisation can only be set off against the accumulated losses of the Company as the Company does not have retained earnings and no distributions may be made to the Shareholders;
- (ii) up to the date of signing of the Supplementary Subscription Agreement, there was no other party who has expressed interest to subscribe any of the Bonds. Since 25 July 2019, the Company had only entered into a subscription agreement with the Sole Subscriber; and
- (iii) based on the past experience of the Directors, it would be difficult for the Company to claim against the Sole Subscriber for damages if the Subscription Agreement is terminated by the Sole Subscriber.

Therefore, the Company entered into the Supplementary Subscription Agreement with the Sole Subscriber in order to save the deal and give an opportunity for the Company to resolve the issue with the Sole Subscriber amicably.

Terms of the Supplementary Subscription Agreement

In the Supplementary Subscription Agreement, it is agreed that:

- (i) as at the date of the Subscription Agreement and the date of completion of the Subscription of the Bonds in the amount of HK\$500 million, the Company shall not re-domicile nor take any action to change its share capital including but not limited to capital reorganisation, restructure of its issued share capital, capital reduction, consolidation of shares and subdivision of shares, etc., unless the Company has obtained the prior written consent of the Sole Subscriber; and
- (ii) the following covenant shall be included in the Bond Instrument:

“(G) Corporate actions: the Company shall not take any action to re-domicile, to reduce its issued share capital, to restructure its share capital including consolidation of shares or subdivision of shares, to reduce the nominal value of its shares or to do any act that will affect its share premium account unless such corporate actions have been firstly sanctioned by an Ordinary Resolution (i.e. by holder(s) of not less than 50% of the aggregate principal amount of the Bonds outstanding) of the Bondholders.”

Reasons for withdrawal of the Corporate Actions

The Company had been actively liaising with the Sole Subscriber for its consent to the Corporate Actions. However, the Company was informed by the Sole Subscriber in writing on 4 December 2019 confirming that the Sole Subscriber does not consent to the Corporate Actions due to its concerns over the potential downside risk of the share price of the Shares after the Capital Reorganisation and the Company’s ability to repay the Bonds. If the Company proceeds with the Corporate Actions, the Sole Subscriber will terminate the Subscription Agreement.

The Company had attempted to resolve the issue with the Sole Subscriber. Despite the efforts, no solution was reached and the Sole Subscriber insisted that no consent would be given to the Corporate Actions. As the written consent of the Sole Subscriber is a condition precedent to the Corporate Actions under the Supplementary Subscription Agreement and such condition precedent could not be satisfied, the Company will not proceed with the Corporate Actions. An EGM for the Shareholders to consider the Corporate Actions will not be convened accordingly and the circular in this regard will not be despatched.

The Board is of the view that the withdrawal of the Corporate Actions will not have any adverse impact on the business, operation or financial position of the Group.

Background of the Sole Subscriber

The ultimate beneficial owners of the Sole Subscriber are two citizens of the People’s Republic of China namely, Mr. Mei Jieli* (梅杰林) and Mr. Mei Zhehong* (梅哲鴻). They are relatives and are Independent Third Parties.

Mr. Mei Jieli is the chairman and general manager of the Sole Subscriber. Prior to founding the Sole Subscriber, he had been the chairman of Shengzhen Duoer Advanced Materials Technology Company Limited* (深圳多爾新材料技術有限公司) and the general

manager of the Guangdong Qiaofang Art Company Limited* (廣東俏坊藝術品有限公司). He holds an undergraduate degree and a master degree in Quantitative Economics from Tsinghua University and he is the design patent owner of new type of construction material (新型建築材料發明專利).

Mr. Mei Zhehong is the chief executive officer of the Sole Subscriber. He graduated with a major in Construction Engineering at Hebei University and he previously worked in the Guangdong Provincial Department of Ecology and Environment.

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

Hong Kong, 4 December 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.

* The English name is a transliteration of the Chinese name and is included herein for identification purpose only.