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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)**

### **VOLUNTARY ANNOUNCEMENT BUSINESS UPDATE ON THE FORESTRY-PULP INTEGRATION PROJECT**

This announcement is made by Kiu Hung International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis to provide the shareholders of the Company (“**Shareholders**”) and potential investors a business update on forestry-pulp integration project contract with Polaris.

#### **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 and 29 July 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.

On 23 May 2019, the Company entered into the Contract with respect to the Project. Since the Exclusivity Period of the MOU expired and no formal agreement was entered by the Company and the Vendor, the Company was no longer intended to acquire the Target Company. The MOU does not create legally binding obligations on the parties on the substantive terms in relation to the Possible Acquisition, therefore those terms and conditions of the MOU is irrelevant to the Contract.

As mentioned in the Company's announcement dated 30 May 2019, under the heading "Business Model":

*".....and the Company shall be responsible for coordinating and supervising the Project from forest planting to pulp sales (including but not limited to seedling, harvesting, transportation, cutting, bleaching, chemical processes). The Company will subcontract different portions or individual processes to other specialized companies or other agencies, and will employ experts to supervise the work progress, quality and results of subcontractors through establishing a branch in Russia. Furthermore, apart from subcontracting to other sales companies, the Company is also responsible for securing customers to buy wood, wood pulp and paper because the production of wood, wood pulp and paper will be greater than the overall internal supply demand of the Project."*

Also under the heading "Rights of the Company":

*"During the period of contractual operation, the management assigned by the Company will act as the legal representative of the Company and exercise the functions and powers of the general manager of the Project." Furthermore, under "Obligations of the Company" stated that "All kinds of taxes and charges payable must be fully paid on time in accordance with relevant local regulations."*

The management of the Company considered that, since the Company will establish a wholly-owned subsidiary in Russia to operate the Project, and the role of the subsidiary will be limited to as agency company of the Project according to the Contract and does not constitute acquisition of any business or asset.

## **FURTHER ELABORATION OF THE RIGHTS AND OBLIGATIONS OF THE COMPANY**

As mentioned in the Company's announcement dated 30 May 2019:

### *"Rights of the Company*

- During the period of contractual operation, the management assigned by the Company will act as the legal representative of the Company and exercise the functions and powers of the general manager of the Project.*
- The right to coordinate and supervise the Project of Polaris during the contractual period.*
- The right to source new equipment and assets on behalf of Polaris based on actual needs.*
- The right to receive its legitimate income entitled in accordance with the provisions of the Contract.*

### *Obligations of the Company*

- *All kinds of taxes and charges payable must be fully paid on time in accordance with relevant local regulations.*
- *During the contractual period, the assets of Polaris should be kept in good condition.*
- *Fully perform all the provisions of the Contract that should be performed by the Company.”*

The Contract does not constitute acquisition of any business or asset, and the role of the Company will be limited to as agency company of the Project according to the Contract.

Obligation of the Company to pay all kinds of taxes and charges should be limited to those directly related to the operations by the subsidiary of the Company which is yet to be setup in Russia as mentioned in the Announcements. The Company has not committed any responsibility for the repayment of existing loans of Polaris as according to the Contract.

Each party of the Contract has the right to receive its legitimate income entitled in accordance to the Contract. The distribution of the Project's net profit from the Polaris' s business activities will be as follow:

- (i) 5% of net profit will be distributed to Heilongjiang Provincial Investment Group;
- (ii) 20% of net profit will be distributed to Heilongjiang Xingbang International Resources Investment Co., Ltd.; and
- (iii) 75% of the net profit will be distributed to the Company.

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, 22 September 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.*