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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)**

### **ISSUE OF SECOND BATCH CONSIDERATION SHARES UNDER THE GENERAL MANDATE TO REPLACE THE SECOND PROMISSORY NOTE IN RELATION TO THE ACQUISITION OF 28% OF THE ISSUED SHARE CAPITAL OF USO MANAGEMENT & HOLDING CO LTD**

Reference is made to the announcements of Kiu Hung International Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 19 June 2018, 18 December 2018 and 23 January 2019 (collectively the “**Announcements**”) in relation to, among other things, the issuance of Second Promissory Note in the principal amount of HK\$30,000,000 as partial consideration for the Acquisition. Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

#### **DEED OF SETTLEMENT**

On 14 January 2020 (after trading hours), the Purchaser, the Vendor and the Guarantor entered into a deed of settlement (the “**Deed of Settlement**”), pursuant to which the Vendor has agreed to subscribe for and the Company has agreed to allot and issue 300,000,000 Shares (the “**Second Batch Consideration Shares**”, and each a “**Second Batch Consideration Share**”) at the issue price of HK\$0.1 per Second Batch Consideration Share (the “**Issue Price**”) as full and final settlement of the outstanding Consideration in the sum of HK\$30,000,000 on and subject to terms and conditions of the Deed of Settlement. At the time of delivery of the Second Batch Consideration Shares to the Vendor, the Vendor shall simultaneously return the Second Promissory Note free from Encumbrances to the Company or the Purchaser.

Upon return of the Second Promissory Note to the Purchaser or the Company, the Company will forthwith cancel the Second Promissory Note and no claim shall be made by the Vendor and/or the Guarantor with respect to the Second Promissory Note.

The allotment and issue of the Second Batch Consideration Shares is conditional upon the Stock Exchange granting the approval (the “**Approval**”) for the listing of, and permission to deal in, the Second Batch Consideration Shares.

**Shareholders and potential investors should note that the Deed of Settlement and the allotment and issue of the Second Batch Consideration Shares are subject to the Approval being granted to the Company. As the Deed of Settlement may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **SETTLEMENT DEED**

On 14 January 2020 (after trading hours), the Purchaser, the Vendor and the Guarantor entered into the Deed of Settlement, the principal terms of which are set out as follows:

Date: 14 January 2020

Parties: (i) The Purchaser  
(ii) The Vendor  
(iii) The Guarantor

### **Issue of Second Batch Consideration Shares to replace the Second Promissory Note**

In consideration of the Company issuing and allotting the Second Batch Consideration Shares to the Vendor under the General Mandate on or before the Long Stop Date, the Vendor hereby confirms, agrees and acknowledges that the remaining balance of the Consideration in the amount of HK\$30,000,000 shall be settled by the Second Batch Consideration Shares and that at the time of delivery of the Second Batch Consideration Shares to the Vendor, the Vendor shall simultaneously return the Second Promissory Note, free from Encumbrance, to the Purchaser or the Company.

Upon return of the Second Promissory Note to the Purchaser or the Company, the Company will forthwith cancel the Second Promissory Note and no claim shall be made by the Vendor and/or the Guarantor with respect to the Second Promissory Note.

### **Obligations of the Purchaser**

The Purchaser shall procure the Company to apply to the Stock Exchange for granting of the Approval.

In the event the Stock Exchange does not grant the Approval on or before the Long Stop Date, the parties agree that they shall negotiate in good faith to extend the Long Stop Date and/or for an alternative payment method to settle the outstanding Consideration in the amount of HK\$30,000,000. No claim shall be made by the Vendor nor the Guarantor against the Purchaser and/or the Company for failing to obtain the Approval.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendor and the Guarantor, which is the sole shareholder of the Vendor, are Independent Third Parties.

## **The Second Batch Consideration Shares**

The Second Batch Consideration Shares comprise 300,000,000 Shares, representing approximately 3.03% of the Company's existing issued share capital of 9,890,381,596 Shares and approximately 2.944% of the Company's enlarged issued share capital of 10,190,381,596 Shares.

## **Issue price of the Second Batch Consideration Shares**

The Issue Price represents:

1. a premium of approximately 567% of the closing price of HK\$0.015 per Share as quoted on the Stock Exchange on 14 January 2020, being the last trading day immediately before the entering into of the Deed of Settlement; and
2. a premium of approximately 525% of the average closing price of HK\$0.016 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to 14 January 2020, being the last trading day immediately before entering into the Deed of Settlement.

The Issue Price was arrived at after arm's length negotiation between the Purchaser, the Vendor and the Guarantor. The Board (including the independent non-executive Directors) considers that the Issue Price is fair and reasonable and the entering into the Deed of Settlement is in the best interests of the Company and the Shareholders as a whole.

## **Application for listing**

Application will be made by the Company to the Stock Exchange for the Approval.

## **Long Stop Date**

In the event the Approval is not obtained on or before the Long Stop Date, the parties shall negotiate in good faith to extend the Long Stop Date and/or settle on an alternative payment method to settle the outstanding Consideration.

## **Ranking of the Second Batch Consideration Shares**

The Second Batch Consideration Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue.

## **GENERAL MANDATE TO ISSUE THE SECOND BATCH CONSIDERATION SHARES**

The Second Batch Consideration Shares will be allotted and issued under the General Mandate. The General Mandate has not been utilized since it was granted at the AGM.

## EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

Save for the placing of bonds in the principal amount of HK\$500,000,000 announced on 25 July 2019, 14 October 2019, 4 December 2019 and 5 December 2019, which remains incomplete as at the date of this announcement, the Company has not conducted any other fundraising activities during the 12 months preceding the date of this announcement.

## CHANGE IN SHAREHOLDING STRUCTURE

Set out below is a summary of the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Second Batch Consideration Shares:

|                              | As at the date of this announcement |                 | Immediately after the allotment and issue of the Second Batch Consideration Shares |                 |
|------------------------------|-------------------------------------|-----------------|------------------------------------------------------------------------------------|-----------------|
|                              | Number of Shares                    | % (Approx.)     | Number of Shares                                                                   | % (Approx.)     |
| The Vendor <sup>(Note)</sup> | —                                   | —               | 300,000,000                                                                        | 2.9440          |
| <b>Directors:</b>            |                                     |                 |                                                                                    |                 |
| Zhang Qijun                  | 670,000                             | 0.0068          | 670,000                                                                            | 0.0066          |
| Cheng Ho On                  | 170,000                             | 0.0017          | 170,000                                                                            | 0.0017          |
| <b>Public:</b>               | <u>9,889,541,596</u>                | <u>99.9915</u>  | <u>9,889,541,596</u>                                                               | <u>97.0478</u>  |
| <b>Total</b>                 | <u>9,890,381,596</u>                | <u>100.0000</u> | <u>10,190,381,596</u>                                                              | <u>100.0000</u> |

*Note:* The 1,700,000,000 Shares allotted and issued to the Vendor on 23 January 2019 had been transferred to Independent Third Parties as at the date of this announcement.

## REASONS FOR AND BENEFITS OF THE DEED OF SETTLEMENT

As at 30 June 2019, the Group had current liabilities of approximately HK\$501 million, out of which approximately HK\$411 million was overdue. The Second Promissory Note in the amount of HK\$30,000,000 will be due and payable on 22 January 2020. In order to reduce the current liabilities of the Company and to improve the financial position of the Company, the Company had proposed to issue the Second Batch Consideration Shares to the Vendor to replace the Second Promissory Note to settle the remaining balance of the Consideration in the sum of HK\$30,000,000. Given the premium on the Issue Price, the Directors are of the view that it is in the best interest of the Company and its Shareholders to issue the Second Batch Consideration Shares to replace the Second Promissory Note.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

|                                     |                                                                                                                                                                                                                                                      |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “AGM”                               | The annual general meeting of the Company held on 28 June 2019                                                                                                                                                                                       |
| “Encumbrance”                       | any claim, charge, mortgage, security, lien, option, equity, power of sale, hypothecation or other third party rights, retention of title, right of pre-emption, right of first refusal or security interest of any kind                             |
| “General Mandate”                   | the general mandate granted to the Directors pursuant to the resolutions of the Shareholders passed at the AGM                                                                                                                                       |
| “Long Stop Date”                    | 31 March 2020 (Tuesday) or such later date as the Purchaser, the Vendor and the Guarantor may agree                                                                                                                                                  |
| “Second Batch Consideration Shares” | an aggregate of 300,000,000 Shares                                                                                                                                                                                                                   |
| “Second Promissory Note”            | the zero coupon promissory note in the principal amount of HK\$30,000,000 issued by the Company to the Vendor on 23 January 2019 to settle HK\$30,000,000 of the Consideration, which is due one year after the date of issue (i.e. 22 January 2020) |

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

Hong Kong, 14 January 2020

*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.*