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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 21 March 2021, the Company entered into the MOU with the Vendors 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 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 (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 21 March 2021 (after trading hours of the Stock Exchange), the Company entered into a memorandum of understanding (the “**MOU**”) with Mr. Tian Xinwen and Mr. Hou Junming (collectively referred to as the “**Vendors**”) in relation to a mutual intention on a possible acquisition by the Company (or its wholly-owned subsidiary) of some equity interest in Inner Mongolia Zhonghe Mining Co., Ltd.(內蒙古眾合礦業有限公司) (the “**Target Company**”) from the Vendors (the “**Possible Acquisition**”). Details of the MOU are set out below:

THE MOU

Date: 21 March 2021

Parties: (1) Mr. Tian Xinwen and Mr. Hou Junming as the Vendors; and
(2) Kiu Hung International Holdings Limited as the Buyer.

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the Vendors and their ultimate beneficial owners 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 Vendors intend to sell and the Company (or its wholly owned subsidiary) intends to acquire certain equity interest of the Target Company.

As at the date of this announcement, the Vendors own the 70% equity interest in the Target Company.

Consideration

The amount of the equity interest under 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) ninety (90) 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**”), the Vendors shall not enter into any agreement, arrangement or understanding with the Buyer (or its wholly owned subsidiary) and any other party 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 Vendors 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 shall be entered into as soon as possible and in any event, within ninety (90) 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 VENDORS AND THE TARGET COMPANY

Mr. Tian Xinwen is a merchant. As advised by Mr. Tian Xinwen, he is principally engaged in processing and sales of pellets, reselection of iron concentrates, reduced iron, and metal powders in the PRC.

Mr. Hou Junming is a merchant. As advised by Hou Junming, he is principally engaged in landscaping, environmental engineering construction, building construction, earthwork engineering construction, civil engineering construction, ancient architectural landscape engineering construction, and sales of building materials in the PRC.

The Target Company is a company incorporated in the PRC with limited liability. As advised by the Vendors, the Target Company is engaged in processing and sales of mineral products; sales of building materials and decoration materials, metal minerals, metal materials, and mechanical equipment; and provision of mine technical services.

The Target Company appointed an exploration team and an expert panel to conduct geological surveys and drilling activities on the quartz sand mine with a site area of 3.93 square kilometers in the Quartz Exploration Concession II of Xianggendalai, Barunbieli Town, Alxa Left Banner. The quartz sand reserve was estimated to be approximately 80 million tonnes. Following several sampling tests by the authoritative organization, the results were in full compliance with various indicators under the supportive quartz sand standard for hydraulic fracturing and gravel-filling. In addition, as verified by the forestry and grassland administration, the region did not fall in the scope of national grassland. Currently, the price of ordinary high- purity quartz sand is approximately RMB600–800/tonne.

The Target Company applied for and obtained the approval for the mining concession as indicated in the abovementioned coordinates with the local natural resources administration, the exploration permit of which is expected to be received in June 2021. Subsequently, it will take approximately 6 months to convert the exploration permit into an exploitation permit.

The oil and gas converge from the gushing channel formed by the fracture, which requires the injection of the fluid into the rock base layer to cause fractures in the rock formation around the wellbore at a pressure that exceeds the fracture strength of the formation, creating a gushing channel with high level flow to crack open the formed fractures, allowing smooth passage of oil and gas products.

The oil and gas proppant is also called fracturing quartz sand. Fracturing quartz sand and high-pressure solution are used to enter the formation to fill the formation gaps, and prevent the fractures from closing under pressure, thereby maintaining high conductivity to ensure smooth passage of oil and gas so that production output can be boosted.

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.

Quartz sand has a wide range of applications, which is mainly used in electronics, chemical, petroleum, photovoltaic materials, artificial stone, and high-end ceramic industries. At this stage, the Target Company has large reserves of natural quartz sand, which satisfies various high-standard indicators at low mining costs, and enjoys convenient transportation, and as a result it enjoys a promising market landscape ahead.

The Board considers that the Possible Acquisition will be 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.

GENERAL

If the Possible Acquisition may take place, it may constitute a notifiable transaction of the Company under the Listing Rules. The Company will make further announcements on the Possible Acquisition in due course in accordance 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.

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

Hong Kong, 21 March 2021

As at the date of this announcement, the Board comprises three executive Directors, Mr. Zhang Qijun, Mr. Chen Jian and Mr. Liu Mingqing and five independent non-executive Directors, Mr. Wang Xiao Ning, Mr. Cheng Ho On, Mr. Kong Chun Wing, Mr. Lai Chi Yin, Samuel and Ms. Chen Yuxin.