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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 and continued in Bermuda with limited liability)

(Stock Code: 00381)

MEMORANDUM OF UNDERSTANDING IN RELATION TO A POSSIBLE ACQUISITION

This announcement is made by Kiu Hung International Holdings Limited (the “**Company**”, together with its subsidiaries and associates, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and the inside information provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“**SFO**”).

The board of directors (the “**Directors**”) of the Company (the “**Board**”) is pleased to announce that, on 23 October 2022 (after trading hours of the Stock Exchange), Inner Mongolia Zhonghe Mining Co., Ltd. (內蒙古眾合礦業有限公司), a controlling subsidiary of the Company, and Mr. Li Dongzhuo and Mr. Li Wu (collectively, the “**Vendors**”) entered into a memorandum of understanding (the “**MOU**”) in relation to the common wishes of a possible acquisition of certain equity interests in 四子王旗勝鑫礦業有限責任公司 (the “**Target Company**”) by the Company (or its wholly-owned subsidiaries) from the Vendors (the “**Possible Acquisition**”). Details of the MOU are set out below:

THE MOU

Date: 23 October 2022 (after trading hours of the Stock Exchange)

Parties: (1) Mr. Li Dongzhuo and Mr. Li Wu, as the Vendors; and
(2) Inner Mongolia Zhonghe Mining Co., Ltd. (內蒙古眾合礦業有限公司), a controlling subsidiary of the Company, as the Buyer.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors and their ultimate beneficial owners are third parties who are independent of and not connected with the Company and its connected persons (has the meaning as ascribed to it under the Listing Rules).

Assets 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 interests in the Target Company.

As at the date of this announcement, the Vendors own 100% equity interests in the Target Company.

Consideration

The amount of the equity interests under the Possible Acquisition and the payment terms for the Consideration are subject to further negotiation among the parties to the MOU.

Exclusivity

Pursuant to the MOU, during the period commencing the date of the MOU to the date ending on the earliest of (i) thirty (30) days from signing the MOU; or (ii) the written confirmation by the parties that the Possible Acquisition shall not proceed; or (iii) the violation of the confidentiality obligations as set out in the MOU by any 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 subsidiaries) and any other parties in relation to the sale and purchase of interests in the Target Company; and (ii) the parties shall negotiate in good faith in relation to the Possible Acquisition in the absence of all other parties.

Due Diligence

After signing the MOU and during the Exclusivity Period, the Company (and its advisers and/or agents) shall be entitled to conduct a due diligence review on the status, 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 to ensure that the Formal Agreement be entered into as soon as possible and in any event on or before the date falling thirty (30) 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 shall not have legally binding obligations on the parties on the substantive terms in relation to the Possible Acquisition (including the issue price, consideration, and capital commitment). It, however, shall be legally binding as to certain 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. Li Dongzhuo is a merchant. As advised by Mr. Li Dongzhuo, Mr. Li graduated from the Department of Law of Liaoning University in 1992. Mr. Li joined 四子王旗勝鑫礦業有限責任公司 in 2008, engaging in mining project management.

Mr. Li Wu is a merchant. As advised by Mr. Li Wu, Mr. Li joined 四子王旗勝鑫礦業有限責任公司 in 2008.

The Target Company is a company incorporated in the PRC with limited liability. As advised by the Vendors, the Target Company obtained a mining permit for fluorite mines (mining permit number: C1509002011066110113302), an exploration permit (exploration permit number: 715520160803053086) and a concentrator, the licenses of which are within the validity period.

According to the information provided by the Vendors, under the existing mining conditions of the mines owned by the Target Company, the scale of mining can reach 600 tonnes of raw ore per day and 180,000 tonnes of raw ores can be produced for the whole year. The mining production scale under the new mining permit amounted to 200,000 tonnes (with enterprise application currently in progress). According to estimations, the actual production capacity after technological improvement, capacity enlargement and designated capacity achievement can reach 500,000 tonnes, representing daily ore production of 1,665 tonnes. Two products for sale are produced from the mines. One of which is raw ore products from photometric sorting: quality being lump ore containing CaF₂:70% and containing CaF₂:80%; production rate of two lump ore products being 15% and 5% respectively. Production rate of photometric sorted gangue is 6%. Remaining 74% low grade ores would undergo flotation in floatation workshops with products obtained being concentrates containing CaF₂:95%.

With the favorable demand of the conventional refrigerant industry and driven by the new energy industry, the price of fluorite broke through the ceiling price of RMB3,000/tonnes during the past over 10 years. The price quotation of certain enterprises has reached RMB3,200–3,300/tonnes.

REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION

The Group is principally engaged in (i) manufacturing and trading of toys and gifts items; (ii) exploration of natural resources; (iii) trading of Chinese herbs business; and (iv) investment in various potential businesses including fruit plantation, Chinese rice wine, leisure and culture.

In recent years, with the emergence of the new energy industry, there has been a surge in lithium-ion power battery and lithium-ion storage battery. Lithium hexafluorophosphate is an irreplaceable lithium-ion battery electrolyte for the short term and mid-term. There is a surge in the demand for fluorine chemical engineering. As fluorite is one of the most important raw materials for fluorine chemical engineering, there will be a considerable demand for fluorite in the future.

The Board considers that the Possible Acquisition is in line with the Group's investment strategy to seek business opportunities, and intends 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.

LISTING RULES IMPLICATIONS

In accordance with Chapter 14 of the Listing Rules, the proposed acquisition, if materialized, may constitute a discloseable transaction of the Company. The Company will comply with the relevant requirements under the Listing Rules as and when appropriate. As the proposed acquisition may or may not proceed, shareholders and prospective investors of the Company are therefore 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, 24 October 2022

As at the date of this announcement, the Board comprises three executive Directors, Mr. Zhang Qijun, Mr. Liu Mingqing and Ms. Lai Yee Man; and three independent non-executive Directors, Mr. Kong Chun Wing, Mr. Wang Xiao Ning and Ms. Chen Yuxin.