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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
THE ACQUISITION OF THE SALE SHARES
INVOLVING THE ISSUE OF
THE CONSIDERATION SHARES AND THE PROMISSORY NOTE**

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that, on 3 February 2015 (after trading hours), the Company, the Purchaser, the Vendor and Ms. Wei entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 20% of the issued share capital of the Target Company as at the date of this announcement, at the Consideration of HK\$125.0 million, which will be satisfied by the issue of the Consideration Shares and the Promissory Note.

Upon completion of the Reorganization, the Target Company will hold a wholly-owned subsidiary in Hong Kong, Unicorn HK. It is intended that Unicorn HK will operate the Business of designing, developing and selling tourism and travel related products in the PRC.

LISTING RULES IMPLICATION

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to reporting and announcement requirements.

Reference is made to the Company's announcement dated 27 November 2014 in relation to the MOU. The Board is pleased to announce that, on 3 February 2015 (after trading hours), the Company, the Purchaser, the Vendor and Ms. Wei entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the

Vendor has conditionally agreed to sell the Sale Shares, representing 20% of the issued share capital of the Target Company as at the date of this announcement, at the Consideration of HK\$125.0 million, which will be satisfied by the issue of the Consideration Shares and the Promissory Note.

The material terms of the Sale and Purchase Agreement are summarized below:

THE SALE AND PURCHASE AGREEMENT

Date: 3 February 2015 (after trading hours)

Parties: (i) the Company;
(ii) Kiu Hung Leisure Holidays Company Limited, as the Purchaser;
(iii) Unicorn Sino Limited, as the Vendor; and
(iv) Ms. Wei.

The Purchaser is an indirect wholly-owned subsidiary of the Company, the Vendor is a company incorporated in Samoa and Ms. Wei is the ultimate sole beneficial owner of the Vendor. To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, the Vendor and Ms. Wei are parties independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be acquired

The Sale Shares, represents 20% of the issued share capital of the Target Company as at the date of this announcement. Upon completion of the Reorganization (details of which are set out under the section headed "Information on the Target Group" below), the Target Company will hold a wholly-owned subsidiary in Hong Kong, Unicorn HK.

Consideration

The Consideration for the Sale Shares is in the sum of HK\$125.0 million, which will be satisfied in the following manner:

- (a) as to HK\$16.5 million by the issue and allotment of the First Tranche Consideration Shares by the Company to the Vendor or its nominee as directed in writing within five Business Days after the Stock Exchange has granted approval for the listing of, and the permission to deal in, the First Tranche Consideration Shares (such approval may only be subject to conditions as are customarily stipulated by the Stock Exchange for listing of shares); and
- (b) as to HK\$16.5 million by the issue and allotment of the Second Tranche Consideration Shares by the Company to the Vendor or its nominee as directed in writing at Completion; and
- (c) as to the balance of the Consideration, i.e. HK\$92.0 million, by the issue of the Promissory Notes by the Company to the Vendor or its nominee as directed in writing at Completion.

The Consideration was agreed between the Purchaser and the Vendor after arm's length negotiations and is determined with reference to (i) the prospects of the Target Group in the medium to long term; (ii) the potential future earning capacity of the Target Group; (iii) the Profit Guarantee (details of which are set out below); (iv) the anti-dilution provision of the Shareholders' Agreement to be entered into between the Purchaser, the Vendor, the Target Company and Ms. Wei (which is set out in the section headed "Shareholders' Agreement" below); (v) the absolute discretion of the Company to settle the Promissory Note by way of issuing new Shares or by way of cash or a combination of both; (vi) the refund mechanism if certain Milestones are not fully achieved by the Milestone Time Limit (as set out in the section headed "Milestones" below); and (vii) the preliminary valuation of the Target Group of approximately RMB500.0 million as prepared by LCH (Asia-Pacific) Surveyors Limited based on the income approach adjusted by the 20.0% equity interest in the Target Company. The Directors consider that the Consideration is fair and reasonable taking into account the above factors.

The Directors are of the view that the issue of the Consideration Shares and the Promissory Note as a part of the Consideration will allow the Group to retain more liquid financial resources and if there are other investment opportunities arise, the Group is in a better financial position to capture such opportunities.

Further, having considered the issuance of the Consideration Shares can (i) limit the increase of the gearing ratio of the Group; (ii) broaden the Group's capital base; (iii) reduce the level of debts the Company needs to raise in the Acquisition; (iv) conserve the Company's cash position, the Board is of the view that the issuance of the Consideration Shares is in the interest of the Company and its Shareholders as a whole and a better alternative when compared with the settlement of the entire Consideration by debt instrument or bank or other borrowings.

Profit guarantee

The Vendor irrevocably represents and warrants to and undertakes with the Purchaser and the Company that the actual Consolidated Net Profit of the Target Group for the Relevant Period shall not be less than HK\$37.5 million.

In respect of the Profit Guarantee, the Vendor shall (a) provide to the Purchaser the management accounts of the Target Group for the Relevant Period within 45 days after the end of the Relevant Period and all financial information relating thereto as the Purchaser may reasonably require, (b) where the Purchaser requests, discuss, and procure the management of the Target Company to discuss, with the Purchaser on the financial treatment in respect of the matters and events of the Target Group in the Relevant Period and (c) procure that the auditors of the Target Group shall complete the audit of the consolidated financial statements of the Target Group for the Relevant Period within three months after the end of the Relevant Period. After the audit is completed, the Purchaser may appoint its auditors to review the actual Consolidated Net Profit of the Target Group for the Relevant Period. Upon the agreement reached by the auditors of the Purchaser and of the Target Group on such actual Consolidated Net Profit, the Vendor shall procure the Target Group's auditors to issue a certificate on the actual Consolidated Net Profit of the Target Group for the Relevant Period, and such certificate shall then be final, conclusive and binding on the parties to the Sale and Purchase Agreement.

If the actual Consolidated Net Profit of the Target Group for the Relevant Period (as certified by the auditors of the Target Group) is less than HK\$37.5 million, the Vendor shall, or shall procure to, transfer to the Purchaser (or its nominee) such number of additional shares of the Target Company which shall represent the percentage of the then total number of shares of the Target Company as calculated in the following manner:

$$\left[\frac{C}{A \times D \div B} - \frac{C}{A} \right] \times 100\%$$

Where

A = initial valuation of the Target Group at HK\$625.0 million

B = profit guarantee of HK\$37.5 million

C = amount of Consideration (being HK\$125.0 million)

D = the actual Consolidated Net Profit of the Target Group for the Relevant Period (as certified by the auditors of the Target Group)

provided that, the percentage of the then total number of shares of the Target Company as calculated in accordance with the above formula is subject to a maximum of 20%, even if the Target Group has incurred a loss during the Relevant Period.

The Vendor shall transfer the relevant additional shares of the Target Company to the Purchaser (or its nominee), at nil consideration, within five Business Days after the auditors have issued the certificate on the actual Consolidated Net Profit of the Target Group for the Relevant Period.

Milestones

Pursuant to the Sale and Purchase Agreement, the Purchaser and the Vendor agree on three Milestones as follows:

- (a) the completion of the change in shareholding structure of Samoa Airlines such that its issued share capital is owned as to 51% by the Samoa Government and 49% by the Vendor;
- (b) Samoa Airlines has been granted the official right to operate direct flights between Samoa and the PRC; and
- (c) Unicorn HK and Samoa Airlines have entered into an agreement whereby Unicorn HK has obtained a priority right to purchase passenger air tickets between Samoa and the PRC from Samoa Airlines on a preferential basis, in order to further the understanding set out in the Samoa Airlines MOU.

After Completion, the Vendor shall, and shall procure the Target Group to, use best endeavours to achieve the Milestones by the Milestone Time Limit. In the event that the Milestones have not been fully achieved by the Milestone Time Limit:

- (i) the Vendor shall pay to the Company a sum of HK\$36.3 million in cash within two Business Days after the Milestone Time Limit;
- (ii) the Promissory Notes shall be cancelled and cease to be of any further effect, and all the rights, obligations and liabilities under the Promissory Notes shall cease; and
- (iii) subject to the performance of the Vendor's obligations set out in (i) above, the Purchaser shall transfer all the Sale Shares to the Vendor at nil consideration.

Conditions Precedent

Completion of the Sale and Purchase Agreement is conditional upon the fulfilment or waiver (as the case may be) of the following Conditions:

- (a) all necessary statutory governmental and regulatory approvals, consents, waivers, authorization, registration and filings in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained, and each such approval, consent, waiver, authorization, registration and filing remaining entirely valid;
- (b) all necessary third party consents and waivers in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained and such consents and waivers remaining entirely valid;
- (c) the granting of approval by the Stock Exchange for the listing of, and the permission to deal in, the Second Tranche Consideration Shares which may only be subject to conditions as are customarily stipulated by the Stock Exchange for listing of shares, and such approval not having been revoked and the Company having obtained and completed all relevant consents and acts required under the Listing Rules;
- (d) the Purchaser being satisfied with the results of the Due Diligence Exercise;
- (e) the Warranties remaining true and accurate and not misleading in any material respect as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and the Completion Date;
- (f) the Purchaser having obtained a legal opinion in the form reasonably satisfactory to the Purchaser given by qualified legal firms in the jurisdictions where any Target Group Company is incorporated and will operate its business, covering matters, including, among other things, (I) such Target Group Company having been duly established and validly subsisting; (II) operation of the Target Group Company being conducted in accordance with the relevant laws of that jurisdiction and the contracts; (III) agreements entered into by such Target Group Company (including the Cooperation Agreements) being enforceable, valid and legal under the relevant laws and regulations of that jurisdiction; and (IV) such other aspects of the relevant laws of that jurisdiction as the Purchaser may consider appropriate or relevant to the transactions contemplated by the Sale and Purchase Agreement;

- (g) the Vendor having procured and completed the Reorganization;
- (h) the parties to the Sale and Purchase Agreement having agreed on the terms and form of the Shareholders' Agreement which shall cover, among others, the major matters as set out in the section headed "Shareholders' Agreement" below;
- (i) the Purchaser having obtained a valuation report issued by a qualified valuer that indicates that the valuation of the Target Group is not less than HK\$625 million;
- (j) the Purchaser having obtained a copy of the Inbound and Outbound Travel License held by Beijing Luyitong and the Purchaser having received a legal opinion in the form reasonably satisfactory to the Purchaser issued by a qualified legal firm in the PRC confirming, among other things, the legality and validity of the Inbound and Outbound Travel License and that the Inbound and Outbound Travel License is in full force and effect;
- (k) no material adverse change on the financial position, management, business or property, results of operations, legal or financing structure, business/development prospects or assets or liabilities of the Target Company or the Target Group taken as a whole or the transactions contemplated by the Sale and Purchase Agreement having occurred; and
- (l) an exclusive travel agency agreement having been entered into between Beijing Luyitong and Unicorn HK.

The Purchaser may in its absolute discretion at any time waive any of the Conditions (other than the Conditions (a), (b), (c) and (e) (in respect of the Purchaser's Warranties only)), by notice in writing to the Vendor and the Vendor may in its absolute discretion at any time waive Condition (e) (in respect of the Vendor's Warranties only) and (h) by notice in writing to the Purchaser.

In order to facilitate the Due Diligence Exercise, the Vendor shall procure that the Purchaser and/or any persons authorized by it shall be given all such information, data and documents relating to the Target Group and such access to the premises and all books, title deeds, records, accounts, agreements and other documentation of the Target Group as the Purchaser and/or its authorized persons may reasonably request. The Company will, as part of the Due Diligence Exercise, conduct an extensive review of the abovementioned licenses and relevant agreements.

Termination and Completion

Completion of the Sale and Purchase Agreement shall take place on the Completion Date, being the third Business Day after fulfillment (or waiver where applicable) of all Conditions or such later date as may be agreed by the parties to the Sale and Purchase Agreement in writing.

If any of the Conditions have not been satisfied or waived by the Purchaser or the Vendor (as the case may be as set out above) on or before 5:00 p.m. on the Long Stop Date, the Vendor shall pay to the Company a sum of HK\$18.15 million in cash within two Business

Days after the Long Stop Date, the Sale and Purchase Agreement will terminate immediately and be of no further effect and all the rights, obligations and liabilities of the parties under the Sale and Purchase Agreement will cease and determine.

Vendor's non-competition undertakings

The Vendor undertakes with the Target Company and the Purchaser that, so long as it or the Purchaser holds, directly or indirectly, any shares of the Target Company and for a period of twelve months after it ceases to hold any shares of the Target Company, save and except for facilitating the ordinary course of business of the Target Group and/or with the prior written consent of the Purchaser:

- (a) it will not in the countries where any Target Group Company carries on business, either on its own account or in conjunction with or on behalf of any person, firm or company, carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, partner, agent or otherwise in carrying on any Business (including but not limited to bringing tourists from the PRC to Samoa) that is carried on by the Target Group then; and
- (b) it will procure and cause that each of its subsidiaries and Affiliates will observe the restrictions contained in the foregoing provisions of this undertaking.

Ms. Wei's non-competition undertakings

Ms. Wei undertakes with the Target Company and the Purchaser that, for the period from the date of the Sale and Purchase Agreement until the date falling five years after the Completion, save and except for facilitating the ordinary course of business of the Target Group and/or with the prior written consent of the Purchaser:

- (a) she will not in the countries where any Target Group Company carries on business, either on her own account or in conjunction with or on behalf of any person, firm or company, carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, partner, agent or otherwise in carrying on any Business (including but not limited to bringing tourists from the PRC to Samoa) that is carried on by the Target Group then; and
- (b) she will procure and cause that each of her Affiliates will observe the restrictions contained in this undertakings.

PROMISSORY NOTES

The Promissory Notes will be issued as part of the Consideration as set out above. The principal terms of the Promissory Notes are as follows:

Issuer:	The Company
Principal amount:	HK\$92.0 million in aggregate
Issue date:	Completion Date
Interest rate:	nil

Maturity:	12 months after the issue date of the Promissory Notes
Transferability:	The holder(s) of the Promissory Notes may assign or transfer the Promissory Notes to any person (other than a connected person (as defined in the Listing Rules) of the Company) subject to obtaining prior written consent of the Company
Repayment:	<p>The Promissory Notes shall be due and repayable on the maturity date of the Promissory Notes. The Company has the sole discretion to repay the Promissory Notes by either:</p> <ol style="list-style-type: none"> (1) paying HK\$92 million in cash; (2) issuing to the holder(s) of the Promissory Notes the PN Consideration Shares, being a maximum of 418,181,818 new Shares, at HK\$0.22 per Share; or (3) a combination of both. <p>The Company may elect to settle the Promissory Notes by the above method by serving written notice to the holder(s) of the Promissory Notes at least two months before the expiry of the Promissory Notes.</p>
Application for listing:	No application will be made by the Company to the Listing Committee for the listing of the Promissory Notes.

The Directors are of the view that the terms of the Promissory Notes are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SHAREHOLDERS' AGREEMENT

As one of the conditions precedent to the Sale and Purchase Agreement, on Completion, the Target Company, the Vendor, the Purchaser and Ms. Wei will enter into a Shareholders' Agreement. The major terms of the Shareholders' Agreement will be as follows:

Parties	The Target Company, the Vendor, the Purchaser and Ms. Wei
Activities of the Target Group	The Vendor, the Purchaser and Ms. Wei shall procure the Target Company to carry on the Business.
Board of Directors	The board of directors of the Target Company will be comprised of five members. Each of the Vendor and the Purchaser shall have the right to nominate one member to the board of directors of the Target Company for every 20% shareholding in the Target Company. For the avoidance of doubt, upon Completion, the Purchaser shall have the right to nominate one member to the Target Company's board of directors if it comprises of five or less members.

Finance	Where Target Group Company intends to raise funds by debts and the financier requires the Purchaser or the Company to provide guarantee, (a) such fund-raising proposal shall only be proceeded with if the Purchaser has given its prior written consent and (b) the Purchaser or the Company will only be required to provide guarantee to the extent of 20% of the debt financing Target Group Company so raised on a several basis (that is, not on a joint and several basis in respect of similar guarantees to be given by the Vendor or other shareholders of the Target Group Company).
Dividend Policy	Subject to the applicable laws and regulations, 30% of the net profit made by the Target Company and Unicorn HK for any financial year shall be distributed as dividends to the shareholders of the Target Company, as soon as possible after the completion of the audit of the relevant Target Group Company for such financial year.
Samoa Airlines	Ms. Wei shall transfer the entire issued share capital of Samoa Airlines to the Vendor as soon as practicable after Completion.
Protective provisions	<p>For as long as the Purchaser holds 20% of the issued shares of the Target Company, any of the following action taken by any Target Group Company (whether at the board or shareholders' level) shall require the prior written consent of the Purchaser:</p> <ul style="list-style-type: none"> (i) altering the nature of the Target Group's business or adding any new business segment; (ii) altering or changing the rights, preferences or privileges of any type or class of securities; (iii) amending or waiving any provision of the constitutional documents of the Target Group Company; (iv) raising any fund by debts (including by way of shareholders' loans); (v) redemption or repurchase of any shares or other securities issued by any Target Group Company; (vi) any merger, other corporate reorganization, sale of control, or sale or exclusively licensing, involving the assets of the Target Group Company of an amount exceeding HK\$5,000,000 (individual or aggregate in a financial year); or undertaking any transaction in which the assets of the Target Group Company of an amount exceeding HK\$5,000,000 (individual or aggregate in a financial year) are sold;

- (vii) voluntary dissolution or liquidation, receivership, composition or arrangement with creditors;
- (viii) acquisition of the securities or assets of any other entity, of an amount exceeding HK\$5,000,000 (individually or aggregate in a financial year);
- (ix) creating encumbrance over any assets of any Target Group Company;
- (x) increases or decreases the size of the board of directors of the Target Group Company;
- (xi) a change in the business plan or scope of any Target Group Company which has been approved by the Purchaser, or deviation from the business plan approved by the Purchaser;
- (xii) signing any agreement which involves an amount exceeding HK\$5,000,000 (individually or aggregate in a financial year) with the Vendor, Ms. Wei or any of its/her Affiliates, or conducting any related party transaction, or conducted any transaction which may constitute a “connected transaction” or “continuing connected transaction” of the Company not fully exempted under the Listing Rules;
- (xiii) increases more than 25% in total compensation of any individual director or any individual member of the senior management of any Target Group Company in any twelve-month period;
- (xiv) incurring indebtedness or fixed operating leases totaling over HK\$5,000,000 (individually or aggregate in a financial year);
- (xv) incurring capital expenditure greater than HK\$5,000,000 (individually or aggregate in a financial year);
- (xvi) changing the name of any Target Group Company save and except for the change to a name containing the word “Unicorn” or a similar expression;
- (xvii) entering into any partnership or joint venture arrangement which involves investment by the Target Group (whether by way of equity or debt) of any amount exceeding HK\$5,000,000 (individually or on an accumulative basis);
- (xviii) setting up any subsidiary or branch;

- (xix) giving any guarantee or indemnity for otherwise secure the liabilities or obligations of any person (apart from a wholly-owned subsidiary);
- (xx) changing the auditors;
- (xxi) altering the financial year;
- (xxii) amending the accounting policies or reporting practices;
- (xxiii) taking any action in relation to pensions, retirement schemes, incentive schemes, profit-sharing or bonus schemes, which involves an aggregate amount in respect of all participants exceeding 5% of the consolidated net profit made by the Target Group for any financial year; or
- (xxiv) commencing, defending or settling any litigation, arbitration, investigation or other proceedings which will, or is reasonably expected to, result in a material adverse change.

Information rights

So long as the Purchaser holds 20% of the issued shares of the Target Company, the Target Company shall deliver to the Purchaser (a) audited annual consolidated financial statements within three months from the end of the relevant financial year, (b) unaudited interim consolidated financial statements compared against the Target Company's business plan within 45 days from the end of the relevant six months.

The Purchaser shall also be entitled to inspection and visitation rights under the relevant laws and regulations.

Profit guarantee

The Target Company undertakes to effect the transfer of shares of the Target Company from the Vendor to the Purchaser where the actual Consolidated Net Profits of the Target Group for the Relevant Period is less than HK\$37.5 million stated in the Sale and Purchase Agreement.

Anti-dilution provision

For as long as the Purchaser holds any shares of the Target Company (directly or indirectly):

- (i) if the Target Company proposes to issue new shares to any person, the Purchaser shall have the right to require the Vendor to transfer such number of shares of the Target Company held by the Vendor at nil consideration to the extent that the Purchaser is able to maintain the Purchaser's proportionate shareholding immediately before such issue (but without taking into account any securities subscribed for by the Purchaser upon its exercise of the Pre-emptive Right (as defined below)), provided that the Purchaser's proportionate shareholding in the Target Company shall in any event be not more than (i) 20% of the then issued share capital of the Target Company or (ii) where additional shares are transferred to the Purchaser as set out in the section headed "Profit Guarantee" above pursuant to the Sale and Purchase Agreement ("**Profit Guarantee Transfer**"), the level of shareholding in the Target Company immediately after the Profit Guarantee Transfer; and such transfer shall be completed no later than the completion of the share issue; and
- (ii) if the Target Company proposes to issue securities convertible or exchangeable into equity to any person, the Purchaser shall have the right to subscribe for such securities (at an aggregate nominal consideration of HK\$1.00) to the extent that the Purchaser is able to maintain the Purchaser's proportionate shareholding immediately before such issue (but without taking into account any securities subscribed for by the Purchaser upon its exercise of the Pre-emptive Right (as defined below)), provided that the Purchaser's proportionate shareholding in the Target Company shall in any event be not more than (i) 20% of the then issued share capital of the Target Company or (ii) where additional shares are transferred to the Purchaser pursuant to the Profit Guarantee Transfer, the level of shareholding in the Target Company immediately after the Profit Guarantee Transfer; and such issue of securities to the Purchaser shall be completed no later than the completion of the securities issue.

The above rights shall be referred to as the "**Anti-Dilution Rights**" and can be exercised by the Purchaser with or without its exercising the Pre-emptive Right.

The Target Company shall not create any encumbrance over its interests in any subsidiary. The Target Company shall also ensure that it will maintain 100% ownership in each subsidiary and that no subsidiary will issue new securities to any person other than the Target Company.

Pre-emptive Right

The Purchaser shall have the right, in the event any Target Group Company proposes to offer equity securities or securities convertible or exchangeable into equity to any person, to subscribe for its pro rata portion of such securities on the same terms as the offer (“**Pre-emptive Right**”).

Where the Purchaser does not exercise the Pre-emptive Right, the Target Group Company may proceed with the offer and the issuance of the relevant securities, provided that the subscriber (if not being the Vendor) shall execute a deed of adherence confirming that it agrees to be bound by the Shareholders’ Agreement in respect of the Purchaser’s rights.

Shareholding Undertakings

Ms. Wei undertakes to the Purchaser that she will hold and own the full title to and benefits in (a) more than 50% of the issued shares and of all other securities of the Vendor within two years from the Completion and (b) more than 35% of the issued shares and of all other securities of the Vendor from the second anniversary of the Completion Date to the fifth anniversary of the Completion Date. Ms. Wei shall not sell, deal with the beneficial interest or create encumbrance over, any of her interest in the Vendor beyond the above thresholds.

The Vendor undertakes to the Purchaser that it will hold and own the full title to and benefits in (a) more than 50% of the issued shares and of all other securities of the Target Company within two years from the Completion and (b) more than 35% of the issued shares and of all other securities of the Target Company from the second anniversary of the Completion Date to the fifth anniversary of the Completion Date. The Vendor shall not sell, deal with the beneficial interest or create encumbrance over, any of its interest in the Target Company beyond the above thresholds (collectively, the “**Vendor’s Shareholding Undertakings**”).

Right of first refusal,
Tag-along rights &
Drag-along rights

In the event of any proposed sale (a “**Proposed Sale**”) of equity securities by either the Purchaser or the Vendor (the “**Transferor**”), it shall notify the counterparty (the “**Other Shareholder**”). Such notification is valid only if there is a named prospective buyer. The Other Shareholder shall have the right to purchase all of such securities offered on the terms and conditions as the Proposed Sale (“**Right of First Refusal**”).

If the Other Shareholder does not exercise the Right of First Refusal, then it shall have the opportunity to participate in the sale on a pro-rata basis in respect of the Shares held by it on the same terms and conditions as the Proposed Sale (“**Tag-along Right**”).

Only if the Other Shareholder does not exercise the Right of First Refusal and has given the opportunity to exercise its Tag-along Right can the Transferor sell the relevant securities to the prospective buyer but such sale must be conducted on the terms and conditions set out in the notification within a reasonable time.

The Vendor’s right to dispose of its shares or other equity securities of the Target Company shall be subject to the Vendor’s Shareholding Undertakings.

Proprietary information & inventions agreement

Each director and key employee of the Target Group shall enter into an agreement with the relevant Target Group Company in the form mutually agreed by the Vendor and the Purchaser, and such agreement shall include acceptable assignment of intellectual property to the Target Group, non-solicitation and non-competition provisions.

CONSIDERATION SHARES

The issue price for the Consideration Shares is HK\$0.220 per Share and represents:

- (a) a discount of approximately 18.52% to the closing price of HK\$0.270 per Share as quoted on the Stock Exchange on 2 February 2015, being the Last Trading Day of the Shares prior to the date of the Sale and Purchase Agreement;
- (b) a premium of approximately 1.85% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive full trading days up to and including the Last Trading Day of HK\$0.216 per Share;
- (c) a premium of approximately 6.28% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last ten consecutive full trading days up to and including Last Trading Day of HK\$0.207 per Share; and
- (d) a premium of approximately 331.37% to the net assets value per Share of approximately HK\$0.051 based on the audited consolidated net assets value attributable to the Shareholders as at 31 December 2013.

The issue price for the Consideration Shares was determined with reference to the prevailing market price of the Shares and the net assets value per Share of approximately HK\$0.051 based on the audited consolidated net assets value attributable to the Shareholders as at 31 December 2013.

The Consideration Shares, being 150.0 million new Shares in aggregate, represent:

- (a) approximately 5.77% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement;
- (b) approximately 5.46% of the issued share capital of the Company as enlarged by the Consideration Shares; and
- (c) approximately 4.74% of the issued share capital of the Company as enlarged by the Consideration Shares and the PN Consideration Shares assuming the Company decides to repay the Promissory Note by the issue and allotment of the PN Consideration Shares.

The Consideration Shares, upon their entire issuance, will at all times rank pari passu among themselves and with the Shares in issue. The Consideration Shares will be issued pursuant to the General Mandate.

As mentioned in the section headed “Promissory Note” above, the Company has the sole discretion to repay the Promissory Note by either: (1) paying HK\$92.0 million in cash; (2) issuing to the holder(s) of the Promissory Notes the PN Consideration Shares, being 418,181,818 new Shares, at HK\$0.220 per Share; or (3) a combination of both. In the event that the Company settle the entire Promissory Note by way of issuing new Shares, a total of 418,181,818 PN Consideration Shares will be issued. The PN Consideration Shares, being 418,181,818 new Shares, represent:

- (a) approximately 16.09% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement;
- (b) approximately 15.22% of the issued share capital of the Company as enlarged by the Consideration Shares;
- (c) approximately 13.21% of the issued share capital of the Company as enlarged by the Consideration Shares and the PN Consideration Shares;

The issue price for the PN Consideration Shares is HK\$0.220 per Share and represents:

- (a) a discount of approximately 18.52% to the closing price of HK\$0.270 per Share as quoted on the Stock Exchange on 2 February 2015, being the Last Trading Day of the Shares prior to the date of the Sale and Purchase Agreement;
- (b) a premium of approximately 1.85% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive full trading days up to and including the Last Trading Day of HK\$0.216 per Share;
- (c) a premium of approximately 6.28% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last ten consecutive full trading days up to and including Last Trading Day of HK\$0.207 per Share;
- (d) a premium of approximately 331.37% to the net assets value per Share of approximately HK\$0.051 based on the audited consolidated net assets value attributable to the Shareholders as at 31 December 2013; and

(e) equals to the issue price of the Consideration Shares.

The issue price for the PN Consideration Shares was determined with reference to the prevailing market price of the Shares and the net assets value per Share of approximately HK\$0.051 based on the audited consolidated net assets value attributable to the Shareholders as at 31 December 2013.

As at the date of this announcement, the Company has not considered whether it will settle the Promissory note by way of issuing new shares, or by way of cash or a combination of both. In the event that the Company so decides to settle the entire or part of the Promissory Note by way of new Shares, the Company will comply with the requirements of the Listing Rules.

INFORMATION ON THE VENDOR

The Vendor is a limited liability company incorporated in Samoa. The principal business of the Vendor is investment holding, which holds among others, the Target Company. It is contemplated that upon completion of the Milestones as set out in the Sale and Purchase Agreement, the Vendor will hold 49% shareholding interest in Samoa Airlines, a limited liability company in Samoa which intends to operate direct flight between Samoa and the PRC after obtaining the relevant official rights.

Ms. Wei has over 30 years of knowledge and experience in the tourism industry in the PRC. She has a well-established network in the PRC tourism industry and has maintained relationship with various travel agents, travel associations as well as tourism authorities in the PRC. She is seasoned in managing and organizing different types of tours, formulating sales strategies and operating tour business in different regions of the PRC. Recently, she has the opportunity to work with Samoa government representatives to develop and promote Samoa tourism business in the PRC. Accordingly, she established the Vendor, together with its subsidiaries, as the platform for tour business between the PRC and Samoa.

INFORMATION ON THE TARGET GROUP

The Target Company is a limited liability company incorporated in the BVI on 12 January 2015. Since its incorporation, the Target Company has not carried on any business. It is intended that the Target Company will be an investment holding company and will own the entire issued share capital of Unicorn HK. Unicorn HK is a limited liability company incorporated in Hong Kong on 3 December 2014. Since its incorporation, Unicorn HK has not carried on any business and it is intended that it will be engaged in the designing, developing and selling tourism and travel related products in the PRC.

A memorandum of understanding has been signed on 27 January 2015 between Unicorn HK and Samoa Airlines pursuant to which Samoa Airlines agreed to grant Unicorn HK an exclusive preferential right in reserving or selling the passenger seats of the direct flights between Samoa and the PRC for Unicorn HK's package tours originating in the PRC, after it has obtained the relevant official right to operate direct flights between Samoa and the PRC.

As at the date of this announcement, Unicorn HK has already entered into several agency framework agreements with various travel agency companies in the PRC. Such travel agency companies will act as the agent of Unicorn HK to promote and sell the outbound package

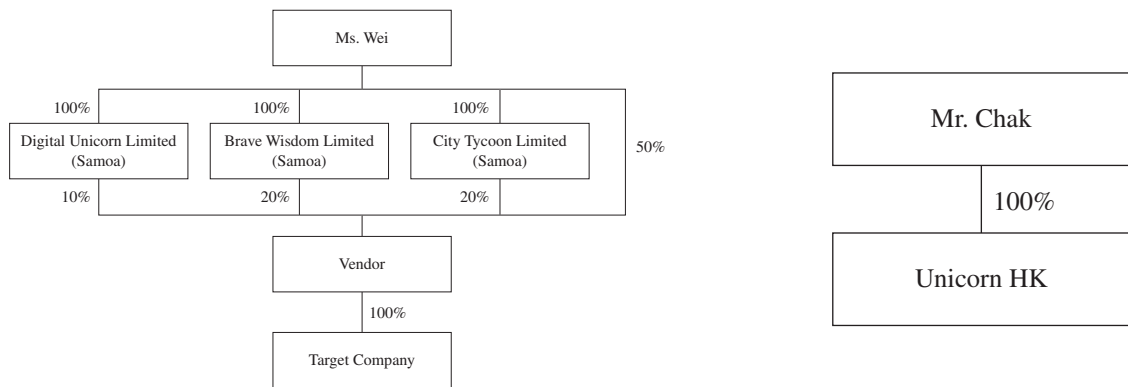
tours to Samoa and receive reservations and tour prices from travelers on behalf of Unicorn HK in the PRC. Furthermore, Unicorn HK has also entered into a co-operation agreement with Sino Travel Samoa Limited which will act as the local operator in Samoa to receive the package tours from the PRC and arrange all local sightseeing, transportation and accommodation in Samoa. Sino Travel Samoa Limited is a limited liability company incorporated under the laws of Samoa.

Reorganization of the Target Group

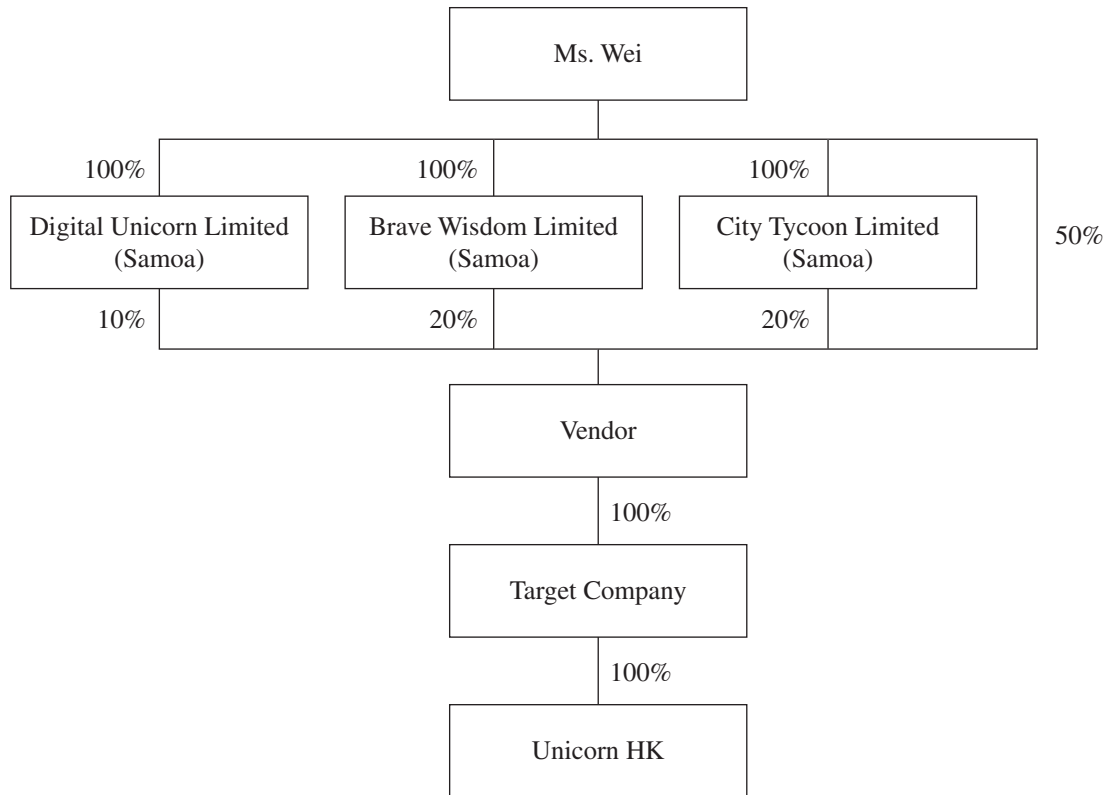
As at the date of this announcement, the Target Company is a direct wholly-owned subsidiary of the Vendor, and is ultimately owned by Ms. Wei. Further, as at the date of this announcement, Mr. Chak holds 100% equity interest in Unicorn HK as a nominee of Ms. Wei.

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, Ms. Wei and Mr. Chak are third parties independent of, and not connected with, the Company and its connected persons.

The charts below illustrate the shareholdings of the Target Company and Unicorn HK as at the date of this announcement:



Prior to Completion, the Reorganization will be performed so that Mr. Chak will transfer all of his shareholding interest in Unicorn HK to the Target Company at the consideration of HK\$100. The chart below illustrates the corporate structure of the Target Group immediately after the Reorganization.



Financial information of the Target Group

Both of the Target Company and Unicorn HK have not generated any revenue and profits since their incorporation. Based on their respective latest unaudited financial statements, the Target Company and Unicorn HK, as at 3 February 2015, had net assets of US\$50,000 and HK\$100 respectively.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, the following table set out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the allotment and issue of the Consideration Shares; and (iii) immediately after allotment and issue of the Consideration Shares and the PN Consideration Shares (assuming the Company decides to repay the entire Promissory Note by the issue and allotment of the PN Consideration Shares):

	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares		Immediately after the allotment and issue of the Consideration Shares and the PN Consideration Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Delight Grace Limited (<i>Note 1</i>)	546,666,666	21.04	546,666,666	19.89	546,666,666	17.26
Hui Kee Fung	160,900,000	6.19	160,900,000	5.85	160,900,000	5.08
Legend Win Profits Limited (<i>Note 2</i>)	153,500,000	5.91	153,500,000	5.59	153,500,000	4.85
Vendor	—	—	150,000,000	5.46	568,181,818	17.94
Other Public Shareholders	<u>1,737,310,933</u>	<u>66.86</u>	<u>1,737,310,933</u>	<u>63.21</u>	<u>1,737,310,933</u>	<u>54.87</u>
Total	<u>2,598,377,599</u>	<u>100.00</u>	<u>2,748,377,599</u>	<u>100.00</u>	<u>3,166,559,417</u>	<u>100.00</u>

Notes:

1. Delight Grace Limited, a company incorporated in the BVI with limited liability, the entire equity interest of which is wholly-owned by Mr. Buer as at the date of this announcement
2. Legend Win Profits Limited is beneficially owned by Hui Kee Fung and Hui's K. K. Foundation Limited as to 38.95% and 5.26%, respectively. Hui's K. K. Foundation Limited is a company incorporated in Hong Kong, limited by guarantee and does not have a share capital. Hui Kee Fung is a registered member and director of Hui's K. K. Foundation Limited

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacturing and trading of toys and gifts items and exploration of natural resources.

The Group has been reviewing its operations and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its business and income base to maximize the interests of the Group and the Shareholders as a whole. The Group has been taking active steps to explore investment opportunities, including the acquisition of the fruit plantation business set out in the Company's announcement dated 17 April 2014 and circular dated 22 August 2014 and the entering into of a non-binding memorandum of understanding on 16 October 2014 (supplemented on 13 January 2015) in relation to the possible acquisition of wine related business in the PRC.

Because of the general increase in household income, outbound travelling in the PRC has been growing at an average annual rate of approximately 20.0% during a period from 2003 to 2013. Samoa, a country of islands, is located in South Pacific Ocean and is promoting itself as a emerging major tourist destination. Recently, Chinese President Xi Jinping met

with Samoa Prime Minister Tuilaepa Sailele Malielegaoi during his visit in Fiji. President Xi mentioned that China establishes strategic partnerships featuring mutual respect and common development with the Pacific island countries. President Xi also commented that Samoa possesses rich resources in agriculture, fishery and tourism, and China possesses advantages in capital, technology and market, therefore, the two countries should fully tap into their respective potentials for cooperation. As such, the Company considers that Samoa, being an unspoiled tourist destination has great potential for tourism development and it will be an attractive outbound tourist destination for PRC travelers. The connection between Samoa and the PRC by way of direct flights is unprecedented and the direct flights will encourage more PRC travelers to choose Samoa as their holiday destination. The Company is confident that the Target Group is in an excellent position to develop the business of package tours to Samoa taking advantage of the preferential reservation on such direct flights. Through the Acquisition, the Group can tap into the PRC tourism industry, which the Directors consider to have good prospects. Further, the Directors also considered that the Vendor's presence in Samoa is an advantage that the Group can leverage on to develop the tourism business between Samoa and the PRC.

While the Company will continue its existing business, the Directors consider it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio and to maximize the return for the Company and its Shareholders as a whole. The Directors are of the view that (i) the Acquisition will enable the Group to diversify its existing business portfolio; and (ii) the prospects of profit contribution from the Target Company will further improve the financial performance of the Group. The Directors consider that the Sale and Purchase Agreement is entered into after arm's length negotiation between the Purchaser and the Vendor and the terms therein are on normal commercial terms and the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to reporting and announcement requirements.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement;
“Affiliate(s)”	any natural or legal person, company or legal entity (i) in which a party, directly or indirectly, holds more than 50% of the shares or the voting rights or the actual decision-making power and/or (ii) which, directly or indirectly, holds more than 50% of the shares or the voting rights or the actual decision-making power in a party, and/or (iii) which is owned, directly or indirectly, through more than 50% of the shares or the voting rights, or is controlled by the same company that owns or controls a party;
“Beijing Luyitong”	Beijing Luyitong Travel Services Co. (北京路易通旅行社有限公司), a limited liability company incorporated under the laws of the PRC;
“Board”	the board of Directors;
“Business”	means the business of designing, developing and selling tourism and travel related products in the PRC;
“Business Day”	a day (not being a Saturday, Sunday or public holiday) on which banks generally are open for business in Hong Kong;
“BVI”	British Virgin Islands;
“Company”	Kiu Hung International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 00381);
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement which shall take place on or before the Long Stop Date after fulfillment (or waiver where applicable) of the Conditions or such later date as may be agreed by the parties to the Sale and Purchase Agreement in writing;
“Completion Date”	the third Business Day after fulfillment (or waiver where applicable) of all Conditions, or such later date as may be agreed by the parties to the Sale and Purchase Agreement in writing;

“Conditions”	the conditions precedent set out in the Sale and Purchase Agreement;
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Acquisition;
“Consideration Shares”	the aggregate of the First Tranche Consideration Shares and the Second Tranche Consideration Shares;
“Consolidated Net Profit”	the consolidated net profit after tax and extraordinary items of the Target Group (in the ordinary course of business and excluding profits arising from fair valuation adjustment and merger and acquisition) as shown and disclosed in its audited profit and loss accounts prepared by the auditors of the Target Group (as reviewed and approved by the auditors of the Purchaser) complying with Hong Kong Financial Reporting Standards;
“Cooperation Agreement(s)”	the cooperation agreement(s) entered into between Unicorn HK and several travel agents in the PRC, namely (1) Beijing Luyitong; (2) 上海楊子國際旅行社有限公司; and (3) 上海白浪遊國際旅行社有限公司;
“Directors”	the director(s) of the Company;
“Due Diligence Exercise”	the due diligence investigation to be carried out by the Purchaser on the business of the Target Group prior to Completion;
“First Tranche Consideration Shares”	an aggregate of 75,000,000 new Shares to be issued and allotted by the Company to the Vendor (or its nominee as directed in writing) at the issue price of HK\$0.22 per Share within five Business Days after the Stock Exchange has granted approval for the listing of, and the permission to deal in, the First Tranche Consideration Shares;
“General Mandate”	the general mandate granted to the Directors to issue further new Shares not exceeding 20% of the issued share capital of the Company as at the date of granting of the General Mandate at the annual general meeting of the Company held on 6 June 2014;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Inbound and Outbound Travel License”	旅行社業務營業許可證 (transliterated as the “travel agency operation permit”) dated 30 May 2013 granted by the PRC National Tourism Bureau to Beijing Luyitong;

“Last Trading Day”	2 February 2015, being the trading day immediately prior to the date of the Sale and Purchase Agreement;
“Listing Committee”	the Listing Committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	twenty Business Days from the date of the Sale and Purchase Agreement (being 5 March 2015) or such later date as the parties to the Sale and Purchase Agreement may agree in writing;
“Milestone(s)”	The milestone(s) set out in the Sale and Purchase Agreement and disclosed in this announcement under the section headed “Milestones”;
“Milestone Time Limit”	six months from the date of the Sale and Purchase Agreement (being 3 August 2015) or such later date as the parties to the Sale and Purchase Agreement may agree in writing;
“MOU”	the memorandum of understanding entered into between the Purchaser and the Vendor on 27 November 2014 in relation to the possible acquisition of all or part of the equity interest in the Target Company;
“Mr. Chak”	Mr. Chak Ching Long (翟正朗), who holds 100% of the equity interest in Unicorn HK;
“Ms. Wei”	Ms. Wei Xin Jie (魏欣捷), the ultimate sole beneficial owner of the Vendor;
“PN Consideration Share(s)”	418,181,818 new Shares, being the maximum number of new Shares which may be issued by the Company in the event that the Company settle the entire Promissory Notes by issuing new Shares;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan);
“Promissory Notes”	the promissory notes in the aggregate principal amount of HK\$92.0 million to be issued by the Company to the Vendor (or its nominee as directed in writing) upon Completion as part of the Consideration set out in the Sale and Purchase Agreement;
“Purchaser”	Kiu Hung Leisure Holidays Company Limited (僑雄休閒假日有限公司), a limited liability company incorporated under the laws of BVI;

“Purchaser’s Warranties”	the warranties and representations given by the Purchaser set out in the Sale and Purchase Agreement;
“Relevant Period”	the period of twelve months commencing on the Completion Date;
“Reorganization”	the reorganization of the Target Group pursuant to the Sale and Purchase Agreement and the details of which are set out in this announcement under the section headed “Information of the Target Group”;
“Sale and Purchase Agreement”	the agreement dated 3 February 2015 entered into amongst the Company, the Purchaser, the Vendor and Ms. Wei relating to the Acquisition;
“Sale Share(s)”	10,000 shares of the Target Company legally and beneficially owned by the Vendor and to be sold to the Purchaser under the Sale and Purchase Agreement, representing 20% of the total issued share capital of the Target Company as at the date of the Sale and Purchase Agreement and the Completion Date;
“Samoa Airlines”	Samoa Airlines Limited, a limited liability company incorporated in Samoa. It is a new airline company that will operate regional flights within the South Pacific islands and countries as well as long-haul direct flights to/from Asia (including, but not limited to the PRC);
“Samoa Airlines MOU”	the memorandum of understanding dated 27 January 2015 and entered into between Samoa Airlines and Unicorn HK relating to the sale of passenger air tickets between Samoa and the PRC by Samoa Airlines to Unicorn HK on a preferential basis;
“Samoa Government”	the Government of Samoa (excluding the government of American Samoa);
“Second Tranche Consideration Shares”	an aggregate of 75,000,000 new Shares to be issued and allotted by the Company to the Vendor (or its nominee as directed in writing) at the issue price of HK\$0.22 per Share at Completion as part of the Consideration;
“Shareholders”	holders of the Shares;
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into by the Vendor, the Purchaser, the Company and Ms. Wei on Completion;
“Shares”	the ordinary shares of HK\$0.10 each in the share capital of the Company;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sino Travel Samoa”	Sino Travel Samoa Limited, a limited liability company incorporated in Samoa beneficially owned by the Vendor;
“Target Company”	Eagle Praise Limited (鷹揚有限公司) is a limited liability company incorporated under the laws of the BVI;
“Target Group”	the Target Company and its subsidiaries from time to time;
“Target Group Company”	any member of the Target Group;
“Unicorn HK”	Unicorn Sino Travel (Hong Kong) Limited (麒麟旅遊(香港)有限公司), a limited liability company incorporated under the laws of Hong Kong;
“Vendor”	Unicorn Sino Limited (麒麟有限公司), a limited liability company incorporated under the laws of Samoa;
“Vendor’s Warranties”	the warranties and representations given by the Vendor under the Sale and Purchase Agreement;
“Warranties”	the Purchaser’s Warranties and the Vendor’s Warranties and “Warranty” means any of them;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	per cent.

By order of the Board
Kiu Hung International Holdings Limited
Hui Kee Fung
Chairman

Hong Kong, 3 February 2015

As at the date of this announcement, the Board comprises four executive Directors, Mr. Hui Kee Fung, Mr. Yu Won Kong, Dennis, Mr. Cheung Kai Fung and Mr. Long Tien Ian, one non-executive Director, Mr. Lam Kit Sun and three independent non-executive Directors, Mr. Lam Siu Lun, Simon, Mr. Zhang Xianmin and Mr. So Chun Pong, Ricky.