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CHEUNG WO INTERNATIONAL HOLDINGS LIMITED

長和國際實業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00009)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF A POSSIBLE ACQUISITION

The Board is pleased to announce that on 22 October 2015 (after trading hours), the Company entered into a non-legally binding Memorandum with the Vendor in relation to the Possible Acquisition where the Company intends to acquire and the Vendor intends to sell equity interest in the Project Companies.

The Board wishes to emphasise that no binding agreement in relation to the Possible Acquisition has been entered into by the Vendor and the Company as at the date of this announcement. As such, the Possible Acquisition may or may not proceed.

In the event the Possible Acquisition materialises, it may constitute a notifiable transaction and connected transaction on the part of the Company under Chapters 14 and 14A of the Listing Rules.

Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement(s) in respect of the Possible Acquisition will be made by the Company in compliance with the Listing Rules as and when appropriate.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board is pleased to announce that on 22 October 2015 (after trading hours), the Company entered into a non-legally binding Memorandum with the Vendor in relation to the Possible Acquisition.

* *For identification purpose only*

THE MEMORANDUM

Date: 22 October 2015 (after trading hours)

Parties: (1) the Company as the purchaser; and
(2) Sky-Linked International Limited as the Vendor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the entire issued share capital of the Vendor is owned as to 60% by Mr. Cheng Ngok Fai, the brother of Mr. Cheng Keung Fai, a substantial Shareholder holding approximately 62.26% of the total issued share capital of the Company as at the date of this announcement and 40% by Mr. Li Ruiguang, an Independent Third Party.

Subject matter

Pursuant to the Memorandum, the Company intends to acquire and the Vendor intends to sell equity interest in the Project Companies.

Consideration

The consideration of the Possible Acquisition will be determined after arm's length negotiations between the Company and the Vendor.

Formal SP Agreement

As soon as practicable after signing the Memorandum, the Company and the Vendor will negotiate in good faith the structure of the Possible Acquisition and detailed terms of a definitive Formal SP Agreement as soon as practicable. The Company shall be entitled to nominate its wholly-owned subsidiary to enter into the Formal SP Agreement as the purchaser.

The Formal SP Agreement will include, amongst others, the consideration and conditions precedents of the Formal SP Agreement.

Due diligence

The Vendor shall procure that as soon as practicable after the signing of the Memorandum, the Company and its advisers and consultants will be given reasonable access to the books, records, properties and assets of the Project Companies, for the purpose of conducting due diligence.

Conditions precedents of the Formal SP Agreement

Completion of the Formal SP Agreement is subject to, among others, the completion of the acquisition of the equity interest of the Project Companies by the Vendor from the Existing Shareholders and the approval for the Formal SP Agreement and the transaction contemplated thereunder from the Independent Shareholders.

INFORMATION OF THE VENDOR AND THE PROJECT COMPANIES

The Vendor, through its wholly-owned subsidiaries, is establishing a wholly foreign-owned enterprise in the PRC for the purposes of acquisition of the Project Companies. As at the date of this announcement, the Existing Shareholders own the entire issued share capital of each of the Project Companies.

Both Project Companies are designed to engage in the energy saving environmental protection project by distribution of steam and heat produced by a power plant in Dongguan City to the industrial customers in certain areas in Humen Town and Changan Town respectively. The Humen Project Company has obtained the approvals from the Dongguan Development & Reform Bureau and is going to construct steam transmission pipelines of approximately 46,000 metres with annual production capacity of approximately 2,300,000 tonnes of steam. According to the Vendor, the total investment of the project is estimated to be RMB600,764,300. The Changan Project Company has been registered with the Dongguan Development & Reform Bureau for construction of steam transmission pipelines of approximately 42,000 metres, with annual production capacity of approximately 4,200,000 tonnes of steam. The total investment of the project is estimated to be RMB1,200,000,000. According to the Vendor, the Humen Project Company is expected to commence the distribution of steam and heat in the end of 2015.

REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION

The Group is principally engaged in the film production and related business, film processing, rental of property and property development.

As mentioned in the annual report of the Company for the year ended 31 December 2014, the Group will continue to strive for business growth and seize opportunities in order to bring the largest returns for the Shareholders. The Board believes that the Possible Acquisition presents an excellent opportunity for the Group to further expand and diversify its business portfolio.

Dongguan City is a major manufacturing hub in Guangdong Province, the PRC and is reputable for its manufacturing industries worldwide. In addition, Dongguan City has earned an important economic status and is the third largest export region in the PRC. For the year 2014, the gross domestic product of Dongguan City was approximately RMB588.1 billion, representing a growth rate of 7.8%. Total fixed assets investment was approximately RMB142.7 billion, representing a growth

rate of 10.0%, which comprises RMB39.7 billion from industrial investments. Among the towns in Dongguan City, Changan Town and Humen Town are two of the most prosperous towns in Dongguan City and have established themselves as important manufacturing bases.

According to 《關於推進我省工業園區和產業集聚區集中供熱的意見》 (the “Opinion Relating to Promoting Centralized Heat Supply for the Industrial Parks and Zones in Guangdong Province”*) published by the National Development and Reform Commission of the Guangdong Provincial government in December 2013, Guangdong Provincial government has been promoting the development of industrial parks and zones and the fast growth of centralized heat supply over the past few years. The government plans to further promote centralized heat supply and close down small scale furnaces gradually which is beneficial to the enhancement of energy efficiency and reduction of discharging air pollutants.

Since the Project Companies are engaged in the energy saving environmental protection projects by distribution of steam and heat produced by a power plant in Dongguan City to the industrial customers in Humen Town and Changan Town respectively, the Directors believe that the Project Companies will benefit from the aforesaid government policy of Guangdong Province. Accordingly, the proposed acquisition of the Project Companies, which have obtained the relevant approvals and management team, would allow the Company to tap into the industry and enjoy the growth in the future.

GENERAL

Save for clauses regarding, among other things, confidentiality and costs and expenses of the Memorandum, the Memorandum does not constitute legally-binding commitment in respect of the Possible Acquisition. The Possible Acquisition is subject to, among others, the execution and completion of the Formal SP Agreement. The Board wishes to emphasise that no binding agreement in relation to the Possible Acquisition has been entered into by the Vendor and the Company as at the date of this announcement. As such, the Possible Acquisition may or may not proceed.

In the event the Possible Acquisition materialises, it may constitute a notifiable transaction and connected transaction on the part of the Company pursuant to Chapters 14 and 14A of the Listing Rules.

Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement(s) in respect of the Possible Acquisition will be made by the Company in compliance with the Listing Rules as and when appropriate.

DEFINITIONS

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

“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Changan Project Company”	東莞市德晉熱力有限公司 (Dongguan City Dejin Thermal Power Company Limited*), a company established in Changan Town, Dongguan City, Guangdong Province, the PRC and the entire equity interest of which is held by the Existing Shareholders;
“Company”	Cheung Wo International Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 00009);
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Connected-World”	Connected-World Group Limited (世通集團有限公司), a company incorporated in BVI with limited liability, the entire issued share capital of which is held by Mr. Cheng Ngok Fai;
“Directors”	the director(s) of the Company;
“Eternal Galaxy”	Eternal Galaxy Group Limited (永宙集團有限公司), a company incorporated in BVI with limited liability, the entire issued share capital of which is held by Mr. Li Ruiguang;
“Existing Shareholders”	the existing shareholders of the entire equity interest of each of the Project Companies;
“Formal SP Agreement”	the formal sale and purchase agreement which may or may not be entered into between the Vendor and the Company in relation to the Possible Acquisition;
“Group”	the Company and its subsidiaries;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Humen Project Company”	東莞市德晉能源科技有限公司 (Dongguan City Dejin Energy Technology Company Limited*), a company established in Humen Town, Dongguan City, Guangdong Province, the PRC and the entire equity interest of which is held by the Existing Shareholders;
“Independent Shareholders”	Shareholders other than those who have material interest in the Possible Acquisition;
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Memorandum”	the non-legally binding memorandum of understanding dated 22 October 2015 and entered into between the Vendor and the Company setting out the preliminary understanding in relation to the Possible Acquisition;
“Possible Acquisition”	the possible acquisition by the Company from the Vendor of equity interest in the Project Companies as contemplated under the Memorandum;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Project Companies”	Changan Project Company and Humen Project Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and

“Vendor”

Sky-Linked International Limited (聯天國際有限公司), a company incorporated in BVI with limited liability, the entire issued share capital of which is owned as to 60% by Connected-World and as to 40% by Eternal Galaxy.

By order of the Board
Cheung Wo International Holdings Limited
HUI WAI LEE, WILLY
Chairman

Hong Kong, 22 October 2015

As at the date of this announcement, the Board comprises eight Directors, of which the executive Directors of the Company are Mr. Hui Wai Lee, Willy (Chairman), Ms. Law Kee, Alice (Chief Executive Officer), Mr. Tai Yat Chung, Mr. Li Wenjun and Mr. Zhong Yingchang; and the independent non-executive Directors are Mr. Tsui Pui Hung, Mr. Tang Ping Sum and Mr. Chiu Sin Nang, Kenny.

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