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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)

MAJOR AND CONNECTED TRANSACTION SALE AND PURCHASE AGREEMENT IN RESPECT OF ACQUISITION OF 49% OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE

Reference is made to the Announcement.

THE FORMAL SP AGREEMENT

The Board is pleased to announce that, further to the Memorandum, on 16 November 2015 after trading hours, the Company, the Vendor and the Guarantors entered into the Formal SP Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire the Sale Shares, representing 49% of the entire issued share capital of the Target Company, at the consideration of HK\$882,000,000, which will be satisfied as to (i) HK\$60,000,000 in cash; and (ii) HK\$822,000,000 by the issue of Convertible Notes.

Subject to the Reorganisation, the principal underlying assets of the Target Company are and will be 80% equity interests in each of the Project Companies which 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. Further details of the Project Companies and their business activities are set out in the section headed “Information on the Target Group” in this announcement.

* For identification purpose only

Upon full conversion of the Convertible Notes at the initial Conversion Price, the Convertible Notes will be convertible into a maximum of 1,027,500,000 Shares, representing (i) approximately 68.18% of the existing issued share capital of the Company and (ii) approximately 40.54% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Notes. The Conversion Shares to be issued upon exercise of the conversion rights attaching to the Convertible Notes will be issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

LISTING RULES IMPLICATION

Pursuant to the Formal SP Agreement, as one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the Acquisition is above 25% but below 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The entire issued share capital of the Vendor is beneficially 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, therefore the Vendor and Mr. Cheng Ngok Fai are associates of Mr. Cheng Keung Fai and the connected persons of the Company under Chapter 14A of the Listing Rules. As such, the Formal SP Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors will be established by the Company to advise the Independent Shareholders in relation to the Formal SP Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Formal SP Agreement and the transactions contemplated thereunder.

GENERAL

The SGM will be convened for the Independent Shareholders for the purposes of considering and, if thought fit, approving, among other things, the Formal SP Agreement and the respective transactions contemplated thereunder, including the issue of the Convertible Notes and the allotment and issue of Conversion Shares under the Specific Mandate. To the best knowledge of the Directors, save for Mr. Cheng Keung Fai and the company controlled by him, none of the Shareholders will be required to abstain from voting at the SGM in respect of the resolution(s) relating to the Formal SP Agreement and the Specific Mandate.

The Circular containing, among other things, further information on (i) the Formal SP Agreement and the transactions contemplated thereunder, (ii) the recommendations from the Independent Board Committee in respect of the Formal SP Agreement and the transactions contemplated thereunder; and (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Formal SP Agreement and the transactions contemplated thereunder together with the notice of the SGM, is expected to be despatched to the Shareholders on or before 7 December 2015 in order to allow sufficient time to prepare the information to be included in the Circular.

As completion of the Acquisition is conditional upon fulfilment of the conditions precedent set out in the Formal SP Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.

THE FORMAL SP AGREEMENT

The Board is pleased to announce that, further to the Memorandum, on 16 November 2015 after trading hours, the Company, the Vendor and the Guarantors entered into the Formal SP Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire the Sale Shares, representing 49% of the entire issued share capital of the Target Company, at the consideration of HK\$882,000,000.

Principal terms of the Formal SP Agreement are summarized as follows:

Date

16 November 2015 (after trading hours)

Parties

Vendor : Sky-Linked International Limited

Purchaser : The Company

Guarantors to the Vendor : Mr. Cheng Ngok Fai and
Mr. Li Ruiguang

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the entire issued share capital of the Vendor is beneficially 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 as to 40% by Mr. Li Ruiguang, an Independent Third Party.

Assets to be acquired

Pursuant to the Formal SP Agreement, subject to the fulfillment or waiver of the conditions precedent, the Vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire the Sale Shares, representing 49% of the entire share capital of the Target Company. The Target Company is wholly-owned by the Vendor as at the date of this announcement.

Consideration

The Consideration payable by the Company shall be HK\$882,000,000, which shall be paid by the Company to the Vendor (or its nominee(s)) on the Completion Date in the following manner:

- (a) an amount of HK\$60,000,000 in cash; and
- (b) HK\$822,000,000 by way of issuing Convertible Notes in the same principal amount.

The Consideration was determined after arm's length negotiations between the Company and the Vendor. The Company has appointed an independent qualified valuer to conduct a valuation on the Sale Shares, where further information will be included in the Circular. The unaudited book value of the Target Group is HK\$42,548,943.

Based on the information provided by the Vendor, a total of 100 shares at US\$1.00 each, being the entire issued share capital of the Target Company, were issued and allotted to the Vendor on 23 October 2015 at a total subscription price of US\$100, which was fully settled in cash on the same date. The original cost for the Sale Shares to the Vendor was therefore US\$49.

Details of the Convertible Notes are set out in the section headed "Convertible Notes" below.

Guarantee

The Guarantors have agreed to, jointly and severally, and unconditionally guarantee the performance of obligations by the Vendor under the Formal SP Agreement.

Conditions Precedents

Completion is conditional upon the fulfillment of various conditions precedent, including without limitation:

- (a) the Company having completed and being satisfied with the results from its due diligence review and investigations over the financial, legal, business, operational and other matters of the Target Group, and there being no material change adverse to the financial, legal, business, operational and other matters of the Target Group up to the Completion Date;

- (b) acquisition of 80% equity interests in each of the Project Companies by the WFOE having been completed, i.e. the Reorganisation, and all registration and filing procedures necessary to be done in the PRC having also been completed;
- (c) the Company having obtained the opinion of its PRC legal advisor to the satisfaction of the Company and in compliance with the requirements of the Stock Exchange, including, among other things, the due diligence reports of the WFOE and the Project Companies;
- (d) the structure of the Target Group (as shown in the chart below) having been established;
- (e) the Vendor and the Company having obtained all requisite internal and external approval(s), consent(s), licence(s), permit(s), authorization(s), waiver(s) and/or exemption(s) in respect of the transactions contemplated under the Formal SP Agreement, including any approval and consent from regulatory authority(ies) (if applicable);
- (f) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the Conversion Shares;
- (g) the Independent Shareholders having passed resolutions at an extraordinary general meeting approving, among other things, the Formal SP Agreement and the transactions contemplated thereunder and the issue of Convertible Notes and the Conversion Shares in accordance with the Listing Rules; and
- (h) the Company having complied with the relevant requirements in the Listing Rules and/or the Takeovers Code in relation to the Acquisition, the issue of Convertible Notes and Conversion Shares and other transactions contemplated under the Formal SP Agreement, and having satisfied the Stock Exchange and the SFC accordingly.

If the above conditions precedent cannot be fulfilled or waived entirely or partly by the Company in writing (except (b), (e) to (h) which cannot be waived) before 5: 00 p.m. on the Long Stop Date (or such other date as agreed by parties to the Formal SP Agreement in writing), the Formal SP Agreement shall terminate and whereupon no party shall be liable to any of the other parties, save for in respect of claim(s) arising out of any antecedent breach(es) thereof.

Profit Guarantee

The Warrantors, jointly and severally, unconditionally and irrevocably guarantee to the Company that the Target Net Profit for the relevant year shall not be less than the following amounts:

Relevant Year	Guaranteed consolidated audited profit after tax
1 January 2016 to 31 December 2016	HK\$24,500,000
1 January 2017 to 31 December 2017	HK\$53,900,000
1 January 2018 to 31 December 2018	HK\$112,700,000

If the Target Net Profit for any of the three relevant years falls below the above guaranteed amount for the relevant year, the Vendor shall on 31 May after the end of the relevant year pay to the Company, an amount equal to the difference between the guaranteed consolidated audited profits after tax for the relevant year and the Target Net Profit for the same year (the “**Amount in Difference**”). If the Vendor fails to pay to the Company the Amount in Difference on or before 31 May after the end of each relevant year, the Company shall be entitled to either (i) set-off the Amount in Difference by cancelling the same principal amount of Convertible Notes from those held in escrow for the relevant year. The Company shall return to the Vendor the remaining Convertible Notes held in escrow for the relevant year within 5 Business Days after such cancellation; or (ii) if the Convertible Notes have been converted into Conversion Shares, the Vendor shall irrevocably authorize the Company to sell part of or all of the Conversion Shares at the then market trading price on the Stock Exchange for payment of the Amount in Difference; and the Vendor shall pay the difference between the proceeds of the sold Conversion Shares and the Amount in Difference in cash.

If the Target Net Profit for each of the three years achieves the above guaranteed amount for the relevant year, the Company shall return the Convertible Notes held in escrow, amounting to the relevant amount, to the Vendor on 31 May after the end of the relevant year.

Details of the Convertible Notes in escrow are set out in the section headed “Convertible Notes in escrow or pledge of Convertible Notes” below.

Convertible Notes in escrow or pledge of Convertible Notes

The Vendor agrees to deposit part of the Convertible Notes, amounting to a principal amount of HK\$191,100,000, to the Company to hold in escrow or to pledge such Convertible Notes to the Company or any of its nominees on the Completion Date. During the period when such Convertible Notes are being held in escrow or pledged, they can still be converted into Conversion Shares provided that such Conversion Shares shall be held by the Company in escrow or pledged to the Company or any of its nominees until 31 May 2019.

Completion

Completion shall take place within 5 Business Days after the fulfillment of the conditions precedent, or such other date as may be agreed in writing among the parties to the Formal SP Agreement.

CONVERTIBLE NOTES

Issuer:	The Company
Subscriber(s):	The Vendor
Principle amount:	The aggregate principal amount of the Convertible Notes is HK\$822,000,000.
Issue price:	HK\$822,000,000, representing 100% of the principal amount of the Convertible Notes.
Interest:	The Convertible Notes is non-interest bearing.
Security:	The Convertible Notes shall be unsecured.
Conversion Price:	The initial Conversion Price of HK\$0.80 per Conversion Share represents a discount of approximately 46.31% to the closing price of HK\$1.49 per Share on 16 November 2015, the date of the Formal SP Agreement, and a discount of approximately 44.06% to the average closing price of approximately HK\$1.43 per Share as quoted on the Stock Exchange for the 5 trading days immediate prior to the date of the Formal SP Agreement.

The Conversion Price will be subject to adjustment for subdivision or consolidation of Shares, issue any Shares credited as fully paid by way of capitalization of profits or reserves (other than Shares issued in lieu of the whole or any part of a cash dividend), capital distribution to Shareholders provided that the Conversion Price shall not be less than the par value of a Share, rights issues or options over shares at a price less than 80% of the then market price per Share, rights issues of other securities (other than shares or options, warrants or other rights to subscribe for or purchase shares), issue wholly for cash any shares other than shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion into, or exchange or subscription for, shares or on the issue or grant of options, warrants or other rights to subscribe for or purchase shares at less than 80% of the then market price per Share, other issues of securities (other than notes issue) which carry rights of conversion into, or exchange or subscription for, shares wholly for cash at less than 80% of the then market price per Share, modification of rights of conversion, exchange or subscription attaching to the securities, other offers to Shareholders generally or other events that the Company considers as appropriate. The initial Conversion Price was determined after arm's length negotiation between the parties.

Conversion Shares: Assuming the aggregate principal amount of the Convertible Notes is HK\$822,000,000, and upon full conversion of the Convertible Notes at the initial Conversion Price, the Convertible Notes will be convertible into a maximum of 1,027,500,000 Shares, representing:

- (i) approximately 68.18% of the existing issued share capital of the Company; and
- (ii) approximately 40.54% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Notes.

The Conversion Shares to be issued upon exercise of the conversion rights attaching to the Convertible Notes will be issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

Maturity Date: The expiry of 42 months from the Issue Date.

- Status: The Convertible Notes constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Company under the Convertible Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. No application will be made for a listing of the Convertible Notes on the Stock Exchange or any other stock exchange.
- Transferability: Unless the Noteholder transfers the Convertible Notes to its wholly-owned subsidiaries or holding companies, the Noteholder may only assign or transfer the Convertible Notes to the transferee (other than a connected person of the Company) subject to the consent of the Company. The Convertible Notes may be assigned or transferred in whole or in part (in whole multiples of HK\$10,000,000) of its outstanding principal amount upon the payment in full and the Company shall facilitate any such assignment or transfer of the Convertible Notes, including making any necessary applications to the Stock Exchange for the said approval (if required).
- Conversion Rights: The Noteholders have the right at any time during the Conversion Period to convert the whole or part of the outstanding principal amount of the Convertible Notes registered in its name into Shares provided further that any conversion shall be made in amounts of not less than a whole multiple of HK\$10,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Notes is less than HK\$10,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Notes may be converted.
- Conversion
Pre-requisite: The Noteholders shall have the right at any time from the Issue Date of the Convertible Notes to the Maturity Date to convert any outstanding amount of the Convertible Notes into the Conversion Shares at the Conversion Price, provided that the conversion right attached to the Convertible Notes shall only be exercisable by the Noteholders:
- (i) so long as the public float of at least 25% of the issued share capital of the Company as enlarged by the issue of Conversion Shares can be maintained; and
 - (ii) so long as such Noteholder and parties acting in concert (as defined in the Takeovers Code) with it immediately after such exercise shall not be required to make a general offer under Rule 26 of the Takeovers Code.

- Ranking: The Conversion Shares will rank pari passu in all respects with the Shares then in issue.
- Redemption: The Convertible Notes may be early redeemed at any time before the Maturity Date at the face value by agreement between the Company and the Noteholders holding not less than 75% of the Convertible Notes then outstanding.
- Events of default: Any Noteholder may give notice to the Company that the Convertible Notes are immediately due and repayable if:
- (i) the Company fails to pay the principal amount when due or the Company fails to pay interest (if any), premium (if any) on the Convertible Notes when due; or
 - (ii) the Company defaults in performance or observance or compliance with any of its other obligations set out in the conditions of the Convertible Notes and such default continues for the period of 14 days next following the service by any Noteholder on the Company of notice specifying brief details of such default and requiring such default to be remedied; or
 - (iii) an order of a court of competent jurisdiction is made or an effective resolution is passed for winding-up or dissolution of the Company or the Company disposes of all or substantially all of its assets otherwise than for the purposes of or pursuant to a consolidation, amalgamation, merger or reorganization; or
 - (iv) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Company; or
 - (v) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a material part of the property of the Company and is not discharged within 3 days thereof; or
 - (vi) the Company becomes insolvent or is unable to pay its debts as they mature; or
 - (vii) proceedings shall have been initiated against the Company under any applicable bankruptcy, reorganization or insolvency law and such proceedings shall not have been discharged or stayed within a period of 21 days.

APPLICATION FOR LISTING

An application will be made by the Company to the Listing Committee for the listing of and permission to deal in the Conversion Shares. No application will be made for the listing of the Convertible Notes.

EFFECTS OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE

For illustration purpose only, set out below is the shareholding structure of the Company: (a) as at the date of this announcement; (b) immediately upon full conversion of the Convertible Notes at the initial Conversion Price; and (c) assuming the completion of the placing as set out in the announcement of the Company dated 6 November 2015 takes place, and immediately after full conversion of the Convertible Notes at the initial Conversion Price:

Shareholders	As at the date of this announcement		Immediately upon full conversion of the Convertible Notes at the initial Conversion Price		Assuming the completion of the placing as set out in the announcement dated 6 November 2015 takes place, and immediately after full conversion of the Convertible Notes at the initial Conversion Price	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Full Dragon Group Limited (Note 1 and 2)	938,309,250	62.26	938,309,250	37.02	938,309,250	34.62
The Vendor (Note 2)	-	-	1,027,500,000	40.54	1,027,500,000	37.91
Placees as defined in the announcement dated 6 November 2015	-	-	-	-	175,500,000	6.48
Other public shareholders	<u>568,728,254</u>	<u>37.74</u>	<u>568,728,254</u>	<u>22.44</u>	<u>568,728,254</u>	<u>20.99</u>
Total	<u><u>1,507,037,504</u></u>	<u><u>100.00</u></u>	<u><u>2,534,537,504</u></u>	<u><u>100.00</u></u>	<u><u>2,710,037,504</u></u>	<u><u>100.00</u></u>

Notes:

- The entire issued share capital of Full Dragon Group Limited is owned by Mr. Cheng Keung Fai. Full Dragon Group Limited has granted (i) a security interest over 58.39% of the total issued share capital of the Company as at the date of the grant and (ii) a call option to acquire 149,809,676 Shares of the total issued share capital of the Company, to a subsidiary of Central Huijin Investment Limited, details of which were disclosed in the announcement of the Company dated 4 May 2015.

2. The conversion right attached to the Convertible Notes shall only be exercisable by the Noteholders (i) so long as the public float of at least 25% of the issued share capital of the Company as enlarged by the issue of Conversion Shares can be maintained; and (ii) so long as such Noteholder and parties acting in concert (as defined in the Takeovers Code) with it immediately after such exercise shall not be required to make a general offer under Rule 26 of the Takeovers Code.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of the net proceeds	Actual use of the net proceeds
6 November 2015	Placing of new shares under general mandate	Approximately HK\$194.87 million	Repayment of interest expenses, ticking fee, any potential investments in the future (which may include the possible acquisition of the equitable interest in the Project Companies under the Memorandum) and as general working capital.	The placing has not been completed and the proceeds have not been received as at the date of this announcement.
12 August 2015	Issue of guaranteed secured convertible notes due 2017	Approximately not more than HK\$230.55 million	To be used for part of funding for the SPV Acquisition (as defined in the announcement dated 12 August 2015).	The issue of the convertible notes has not been completed and the subscription money has not been received as at the date of this announcement.
27 May 2015	Placing of warrants under specific mandate	Approximately HK\$13.5 million (after deducting related placing commissions and other related expenses)	Repayment of interest expenses.	Fully utilised as intended use.
10 December 2014	Issue of US\$20 million guaranteed secured notes due 2018	Not more than US\$19,179,000 (equivalent to approximately HK\$148,638,000)	For its residential property development projects and as general working capital.	Fully utilised as intended use.

Save as disclosed above, the Company had not conducted any other equity fund raising activities in the past twelve months immediately prior to the date of this announcement.

INFORMATION ON THE TARGET GROUP

The Target Company and its subsidiaries

The Target Company is an investment holding company, the issued share capital of which is wholly-owned by the Vendor as at the date of this announcement. The Target Company currently owns the entire issued share capital of Special Billion, which is an investment holding company.

The Target Company will through Special Billion to establish the WFOE for the purpose of acquisitions of equity interests in the Project Companies.

The Project Companies and their business activities

As at the date of this announcement, the Existing Shareholders own the entire issued share capital of each of the Project Companies.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Existing Shareholders are Independent Third Parties.

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.

Financial information of the Target Group

The following table sets out the unaudited combined financial information of the Target Group for the two financial years ended 31 December 2013 and 31 December 2014 and the nine months ended 30 September 2015:

	From the date of incorporation of Humen Project Company to 31 December 2013 HK\$	Year ended 31 December 2014 HK\$	For the nine months ended 30 September 2015 HK\$
	As at 31 December 2013	As at 31 December 2014	As at 30 September 2015
Revenue	0	0	0
Loss before taxation	0	(124,750)	(988,982)
Loss and total comprehensive loss for the year/period	0	(124,750)	(988,982)
Total assets	124,750	18,587,824	47,746,116
Net assets	124,750	18,587,824	42,548,943

Note: The combined financial information of the Target Group is derived from and consists of the unaudited financial information of Humen Project Company for the period from its date of incorporation to 31 December 2013, one year ended 31 December 2014 and nine months ended 30 September 2015 and the unaudited financial information of Changan Project Company and Special Billion since their respective dates of incorporation to 30 September 2015. Other companies of the Target Group are incorporated or to be incorporated after 30 September 2015, therefore their financial information is not included.

REASONS FOR AND BENEFITS OF THE 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 Acquisition presents an excellent opportunity for the Group to further expand and diversify its business portfolio.

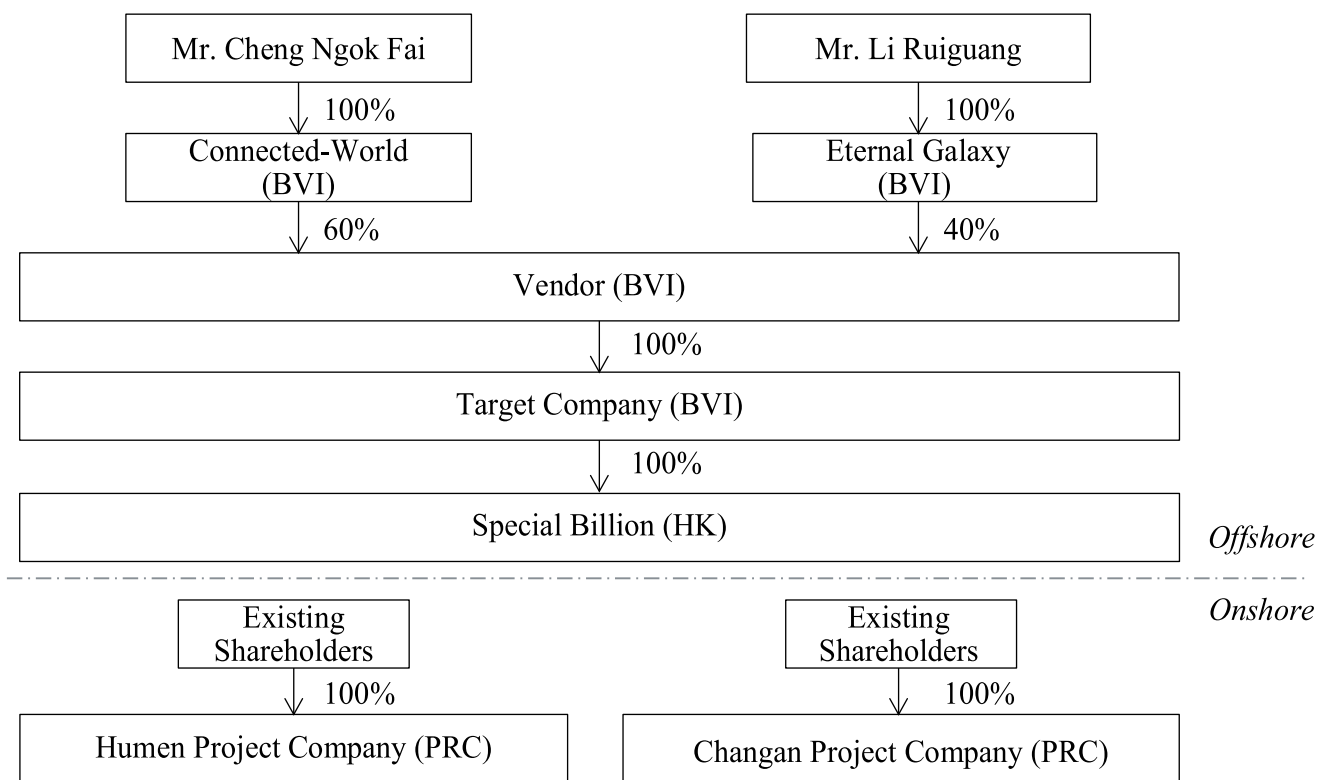
Dongguan City is a major manufacturing hub in Guangdong Province, the PRC and is reputable for its manufacturing industries worldwide. In addition, Dongguan City has earned an important economic status and is the third largest export region in the PRC. For the year 2014, the gross domestic product of 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.

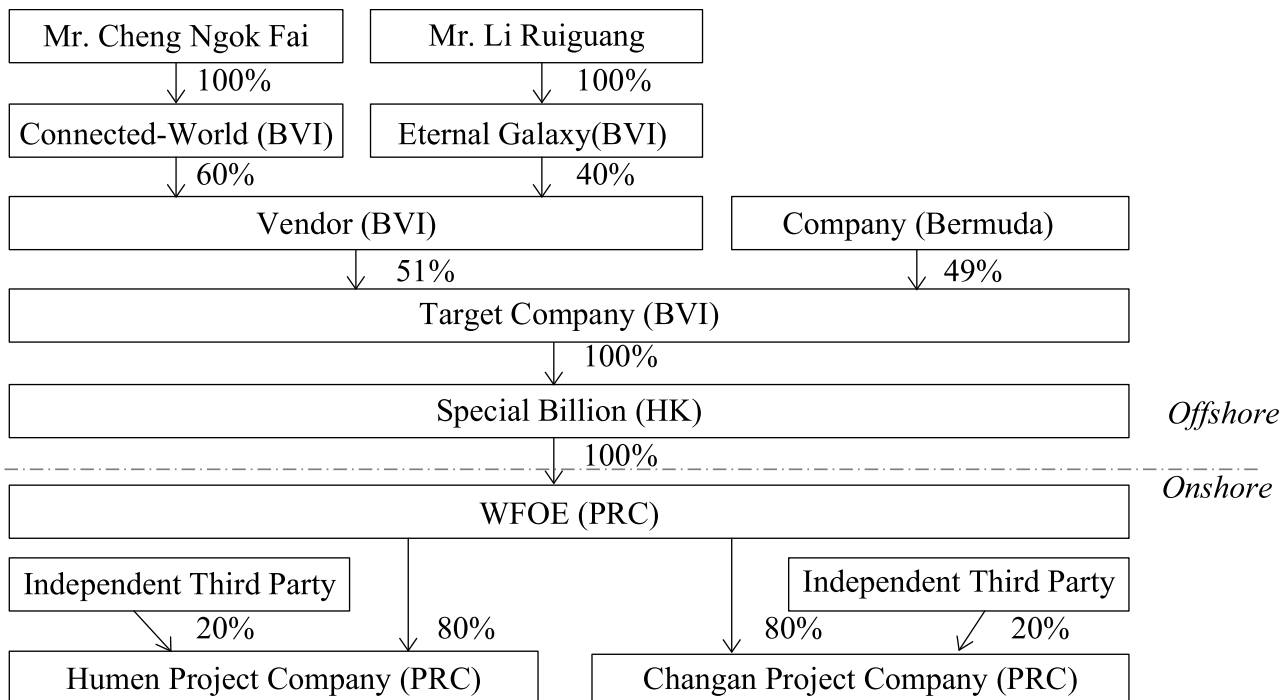
Since the Project Companies are engaged in the energy saving environmental protection projects by distribution of steam and heat produced by a power plant in Dongguan City to the industrial customers in Humen Town and Changan Town respectively, the Directors believe that the Project Companies will benefit 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.

The Directors (including the independent non-executive Directors) believe that the terms of the Formal SP Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders taken as a whole.

The chart below illustrates the shareholding structure of the Target Group as at the date of this announcement and immediately before the Completion:



The chart below illustrates the shareholding structure of the Target Group after the Completion:



LISTING RULES IMPLICATION

Pursuant to the Formal SP Agreement, as one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the Acquisition is above 25% but below 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The entire issued share capital of the Vendor is beneficially 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 the announcement, therefore the Vendor and Mr. Cheng Ngok Fai are associates of Mr. Cheng Keung Fai and the connected persons of the Company under Chapter 14A of the Listing Rules. As such, the Formal SP Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors will be established by the Company to advise the Independent Shareholders in relation to the Formal SP Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Formal SP Agreement and the transactions contemplated thereunder.

GENERAL

INFORMATION ON THE GROUP

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

INFORMATION ON THE VENDOR AND THE GUARANTORS

The Vendor is an investment holding company incorporated in the BVI with limited liability. The equity interest of the Vendor is held as to 60% by Connected-World and 40% by Eternal Galaxy, both are investment holding companies.

The ultimate sole beneficial owners of Connected-World and Eternal Galaxy are Mr. Cheng Ngok Fai and Mr. Li Ruiguang respectively. Mr. Cheng Ngok Fai is 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 the announcement and Mr. Li Ruiguang is an Independent Third Party.

THE SGM

The SGM will be convened for the Independent Shareholders for the purposes of considering and, if thought fit, approving, among other things, the Formal SP Agreement and the respective transactions contemplated thereunder, including the issue of the Convertible Notes and the allotment and issue of Conversion Shares under the Specific Mandate. To the best knowledge of the Directors, save for Mr. Cheng Keung Fai and the company controlled by him, none of the Shareholders will be required to abstain from voting at the SGM in respect of the resolution(s) relating to the Formal SP Agreement and the Specific Mandate.

The Circular containing, among other things, further information on (i) the Formal SP Agreement and the transactions contemplated thereunder, (ii) the recommendations from the Independent Board Committee in respect of the Formal SP Agreement and the transactions contemplated thereunder; and (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Formal SP Agreement and the transactions contemplated thereunder together with the notice of the SGM, is expected to be despatched to the Shareholders on or before 7 December 2015 in order to allow sufficient time to prepare the information to be included in the Circular.

As completion of the Acquisition is conditional upon fulfilment of the conditions precedent set out in the Formal SP Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares pursuant to the Formal SP Agreement;
“Announcement”	the announcement of the Company dated 22 October 2015 in respect of the Memorandum;
“associate(s)”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday and Sunday) on which banks in Hong Kong are open for business;
“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 on 22 July 2015 and the entire equity interest of which is held by the Existing Shareholders;
“Circular”	the circular to be issued by the Company and dispatched to its Shareholders, which will contain (among other matters) further details of the Acquisition and the notice of special general meeting;
“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);
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Formal SP Agreement;
“Completion Date”	any day within 5 Business Days after all conditions precedent of the Formal SP Agreement have been fulfilled or waived or such other date as the parties to the Formal SP Agreement shall agree in writing and as the date on which Completion shall take place;
“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 on 8 October 2015, the entire issued share capital of which is held by Mr. Cheng Ngok Fai;
“Consideration”	the consideration of the Acquisition, being HK\$882,000,000;
“Conversion Period”	the period commencing from the Issue Date up to 4:00 p.m. (Hong Kong time) on the Maturity Date;
“Conversion Price”	HK\$0.80, being the initial conversion price per Share at which the Convertible Notes may be converted into Shares;
“Conversion Share(s)”	the Share(s) to be issued by the Company upon exercise by the Noteholders of the conversion rights attaching to the Convertible Notes;
“Convertible Notes”	the convertible notes in the principal amount of HK\$822,000,000 to be issued by the Company pursuant to the Formal SP Agreement;

“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 on 8 October 2015, 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, namely Mr. Xiang Jun Jie, Mr. Zheng Jia An, Mr. Zhang Shu Kun and Mr. Nie Yu Ping;
“Formal SP Agreement”	the formal sale and purchase agreement dated 16 November 2015 entered into among the Company, the Vendor and the Guarantors in respect of the Acquisition;
“Group”	the Company and its subsidiaries;
“Guarantors”	Mr. Cheng Ngok Fai and Mr. Li Ruiguang;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“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 on 30 August 2013 in Humen Town, Dongguan City, Guangdong Province, the PRC and the entire equity interest of which is held by the Existing Shareholders;
“Independent Board Committee”	the board committee established by the Company comprising all the independent non-executive Directors to advise the Independent Shareholders on the Formal SP Agreement and the transactions contemplated thereunder;
“Independent Shareholders”	Shareholders other than those who have material interest in the Acquisition;
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons;
“Issue Date”	the date of issue of the Convertible Notes;

“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	17 February 2016 (or such later date as agreed by the Vendors and the Company in writing);
“Maturity Date”	the expiry of 42 months from the Issue Date;
“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 by the Company from the Vendor of equity interest in the Project Companies;
“Noteholder(s)”	holder(s) of the Convertible Notes;
“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;
“Reorganisation”	the reorganisation of the Target Group including but not limited to the establishment of the WFOE by Special Billion and the acquisition of 80% equity interests in each of the Project Companies;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	49% of the entire issued share capital of the Target Company;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SGM”	the special general meeting of the Company to be convened and held to approve, among others, the Formal SP Agreement and the respective transactions contemplated thereunder, including the issue of the Convertible Notes and the allotment and issue of Conversion Shares and the Specific Mandate;

“Shareholder(s)”	holder(s) of the Shares;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Special Billion”	Special Billion Limited, a company incorporated in Hong Kong with limited liability on 25 September 2015, the entire issued share capital of which is held by the Target Company;
“Specific Mandate”	the specific mandate required to be granted to the Directors by the Shareholders at a general meeting for the allotment and issue of Conversion Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC;
“Target Company”	Ever-Grand Development Limited, a company incorporated in the BVI with limited liability on 8 October 2015;
“Target Group”	the Target Company and its subsidiaries both before or after the Completion, including the Project Companies (as the case may be);
“Target Net Profit”	the audited consolidated annual net profit of the Target Group after tax (exclusive of non-recurring profits) attributable to the Company for the period from 1 January to 31 December;
“US\$”	United States Dollars, the lawful currency of the United States of America;
“Vendor”	Sky-Linked International Limited (聯天國際有限公司), a company incorporated in BVI with limited liability on 8 October 2015, the entire issued share capital of which is owned as to 60% by Connected-World and as to 40% by Eternal Galaxy;
“Warrantors”	the Vendor and the Guarantors;

“WFOE” a wholly foreign-owned enterprise in the PRC to be established by Special Billions; and

“%” per cent.

* *For identification purpose only*

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

Hong Kong, 16 November 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.