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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 INCREASE IN SHAREHOLDING IN AN ASSOCIATED COMPANY

The Board is pleased to announce that on 30 March 2016 (after trading hours), Vast Build Limited, a wholly-owned subsidiary of the Company, entered into a non-legally binding Memorandum with the Vendor in relation to the Possible Acquisition, pursuant to which the Purchaser intends to acquire and the Vendor intends to sell not less than 25% of the issued share capital of the Target Company.

The Board wishes to emphasise that no binding agreement in relation to the Possible Acquisition has been entered into by the Vendor and the Purchaser 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 a connected transaction on the part of the Company pursuant to Chapters 14 and 14A of the Listing Rules respectively and shall aggregate with the Acquisition which was completed on 30 March 2016 in accordance with Rules 14.22 and 14A.81 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).

* *For identification purpose only*

INTRODUCTION

Reference is made to the Circular. Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Circular. As disclosed in an announcement of the Company dated 30 March 2016, the acquisition of 49% of the issued share capital of the Target Company has been completed on 30 March 2016. The Group is currently interested in 49% of the issued share capital of the Target Company.

As mentioned in the Circular, when suitable business opportunities arise in the future, the Group would consider increasing its investment in the steam and heat supply industry. The Board considers that due to the effective measures taken by the government of Dongguan City in relation to the closure of the small coal-fired boilers and the positive feedbacks received from the industrial customers of the Project Companies, the Group intends to increase its investment in the Project Companies by further acquisition of not less than 25% shareholding in the Target Company.

The Board is pleased to announce that on 30 March 2016 (after trading hours), the Purchaser entered into a non-legally binding Memorandum with the Vendor in relation to the Possible Acquisition.

THE MEMORANDUM

Date: 30 March 2016 (after trading hours)

Parties: (1) Vast Build Limited 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 indirectly beneficially owned as to 60% by Mr. Cheng Ngok Fai, the brother of Mr. Cheng Keung Fai, a substantial shareholder holding approximately 55.77% 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. Therefore, the Vendor is an associate of the connected person of the Company under Chapter 14A of the Listing Rules.

Subject matter

Pursuant to the Memorandum, the Purchaser intends to acquire and the Vendor intends to sell, as the legal and beneficial owner, the 25 Sale Shares.

Consideration

Pursuant to the Memorandum, the consideration of the Possible Acquisition will be determined after arm's length negotiations between the Purchaser and the Vendor.

Formal SP Agreement

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

It is intended that the parties shall enter into the Formal SP Agreement on or before 30 April 2016. The Formal SP Agreement will include, among others, the consideration and conditions precedent to the completion of the Formal SP Agreement.

INFORMATION OF THE VENDOR AND THE TARGET COMPANY

As at the date of this announcement, the Vendor holds 51% of the entire equity interest in the Target Company, which in turn holds 80% of the entire equity interest in each of the Project Companies indirectly.

The Target Group, through the Project Companies, engages in the energy saving environmental protection project by distribution of steam and heat to industrial customers in Humen Town and Changan Town, both in Dongguan City, Guangdong Province, PRC.

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 Circular, when suitable business opportunities arise in the future, the Group would consider increasing its investment in the steam and heat supply industry. The Board considers that due to the effective measures taken by the government of Dongguan City in relation to the closure of the small coal-fired boilers and the positive feedbacks received from the industrial customers of the Project Companies, the Group intends to increase its investment in the Project Companies by further acquisition of not less than 25% shareholding in the Target Company.

In light of the above reasons, the Board considers that the transaction as contemplated under the MOU, if materialised, will enable the Group to further invest in the steam and heat supply industry.

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 Purchaser 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 a connected transaction on the part of the Company pursuant to Chapters 14 and 14A of the Listing Rules and shall aggregate with the Acquisition which was completed on 30 March 2016 in accordance with Rules 14.22 and 14A.81 of the Listing Rules respectively.

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;
“Changan Project Company”	東莞市德晉熱力有限公司 (Dongguan City Dejin Thermal Power Company Limited*), a company established on 22 July 2015 in Changan Town, Dongguan City, Guangdong Province, the PRC;
“Circular”	the circular of the Company dated 3 March 2016 (the “ Circular ”) in respect of the acquisition of 49% of the entire issued share capital of the Target Company by the Company;
“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;
“Directors”	the director(s) of the Company;
“Formal SP Agreement”	the formal sale and purchase agreement which may or may not be entered into between the Vendor and the Purchaser in relation to the Possible Acquisition;
“Group”	the Company and its subsidiaries;

“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;
“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 of Hong Kong Limited;
“Memorandum”	the non-legally binding memorandum of understanding dated 30 March 2016 and entered into between the Vendor and the Purchaser setting out the preliminary understanding in relation to the Possible Acquisition;
“Possible Acquisition”	the possible acquisition by the Purchaser from the Vendor of the 25 Sale Shares as contemplated under the Memorandum;
“PRC”	The People’s Republic of China;
“Project Companies”	Changan Project Company and Humen Project Company;
“Purchaser”	Vast Build Limited, a company incorporated in British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Company;
“25 Sale Shares”	not less than 25% of entire equity interest in the Target Company;
“Shareholder(s)”	holder(s) of the shares of the Company;
“Target Company”	Ever-Grand Development Limited, a company incorporated in the British Virgin Islands with limited liability on 8 October 2015, of which the entire issued share capital is held as to 51% by the Vendor and 49% by the Purchaser;
“Target Group”	The Target Company and its subsidiaries; and

“Vendor”

Sky-Linked International Limited (聯天國際有限公司), a company incorporated in the British Virgin Islands with limited liability on 8 October 2015, which owns 51% of the entire equity interest in the Target Company.

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

Hong Kong, 30 March 2016

As at the date of this announcement, the Board comprises eight Directors, of which the executive Directors 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.