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Crown International Corporation Limited
皇冠環球集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 727)

**MEMORANDUM OF UNDERSTANDING
IN RELATION TO
A POTENTIAL ACQUISITION**

THE MOU

The Board announces that on 2 November 2015 (after trading hours), the Company, the Potential Vendor and the Potential Vendor Warrantors entered into the MOU in relation to the Potential Acquisition by the Company of the entire equity interest in the Target Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Potential Vendor Warrantors, the Potential Vendor and its ultimate beneficial owners are not connected persons (as defined in the Listing Rules) of the Company and are third parties independent of the Company and its connected persons.

The Directors wish to emphasise that no binding agreement in relation to the Potential Acquisition has been entered into by the Company with any party as at the date of this announcement. As such, the Potential Acquisition may or may not proceed. If the Potential Acquisition materialises, the Directors consider that it may constitute a notifiable transaction of the Company under the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares. The Company will make further announcement as and when appropriate pursuant to the requirements under the Listing Rules.

INTRODUCTION

This announcement is made by Crown International Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company announces that on 2 November 2015 (after trading hours), the Company, Wuhan DeBang Investment Company Limited* (武漢德邦投資有限公司) (the “**Potential Vendor**”), Mr. Hu Desheng (胡德生) and Mr. Hu Shuisheng (胡水生) (collectively as the warrantors of the Potential Vendor, the “**Potential Vendor Warrantors**”), entered into a memorandum of understanding (the “**MOU**”) in relation to a potential acquisition (the “**Potential Acquisition**”) of the entire equity interest in Inner Mongolia ZhongYe DeBang Property Company Limited* (內蒙古中冶德邦置業有限公司) (the “**Target Company**”).

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Potential Vendor Warrantors, the Potential Vendor and its ultimate beneficial owners are not connected persons (as defined in the Listing Rules) of the Company and are third parties independent of the Company and its connected persons.

INFORMATION ABOUT THE TARGET COMPANY AND ITS ASSETS

As of the date of this announcement, the Target Company, a company incorporated in the People's Republic of China (the "PRC"), is owned by the Potential Vendor and ZhongYe Construction Research Centre Company Limited* (中冶建築研究總院有限公司) ("ZhongYe Construction") as to 75% and 25%, respectively. The Target Company is the holder of the land use rights of the Land (as defined below) and the sole owner of the Property (as defined below).

Information about the Land

The land (the "Land") is situated at the Central business district in Baoton City, Inner Mongolia Autonomous Region, the PRC with a total site area of approximately 32,000 square metres.

Information about the Property

International Financial and Cultural Center* (國際金融文化中心) (the "Property"), is erected on the Land and is mainly for the development of commercial use. As at the date of this announcement, the Property is still under construction and has not yet been completed. The Property, when completed, will be a commercial complex with three office buildings and the complex will be used as service apartments, retail space, offices and underground parking.

MAJOR TERMS OF THE MOU

The major terms of the MOU are summarised as follows:–

(1) Interest intended to be acquired

Subject to the satisfaction of the Conditions Precedent (as defined below) to be set out in a formal and binding agreement for the Potential Acquisition (the "Definitive Agreement"), the Potential Vendor shall sell and the Company (or a member of the Group) shall purchase the entire equity interest in the Target Company.

(2) **Consideration**

The consideration of the Potential Acquisition will be determined with reference to the registered capital of the Target Company.

(3) **Conditions precedent**

Pursuant to the MOU, the Definitive Agreement shall include, but not limited to, the following conditions precedent (the “**Condition Precedents**”):

- (i) the Group being satisfied with the results of the business and financial due diligence review of, amongst others, the assets, business, legal status and financial position of the Target Company, the Land and the Property;
- (ii) the Company having obtained, in accordance with the Listing Rules or other rules and regulations, all necessary approvals, consents and authorisations for the consummation of the Potential Acquisition and the transactions contemplated thereunder from the shareholders of the Company (the “**Shareholders**”), the financing parties, the relevant governmental or regulatory authorities or any other third parties (including banks and creditors), where necessary;
- (iii) the Vendor and its related party having obtained all necessary approvals, consents and authorisations for the consummation of the Potential Acquisition and the transactions contemplated thereunder from the relevant governmental or regulatory authorities or any other third parties (including banks and creditors), where necessary;
- (iv) completion of the restructuring of the equity interest in the Target Company where the Potential Vendor having completed the acquisition of 25% interest in the Target Company from ZhongYe Construction and as a result the Potential Vendor becoming the sole legal and beneficial owner of the entire equity interest in the Target Company;
- (v) the Group having obtained adequate financing for the completion of (a) the Potential Acquisition; and (b) the construction of the Property;

- (vi) all encumbrances (including any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation, equities, and adverse claims, or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale and purchase, sale-and-leaseback arrangement over or in any property, assets or rights of whatsoever nature or interest or any agreement for any of the same) attached to the equity interest in the Target Company having been released; and
- (vii) no litigation, arbitration, order of any competent court or proceedings or investigation of any governmental or regulatory authorities involving the Target Company, the Land and/or the Property.

(4) Due diligence review

Commencing from the date of the MOU and until the expiry of the Exclusive Period (as defined below), the Potential Vendor will, upon its best effort, provide the Company and its officers, directors, employees, designated agents, advisors and other representatives (together “**DD Representatives**”) with all information and assistance in connection with the due diligence of the Target Company, the Land and the Property as the Company or any of its DD Representatives may reasonably request for, provided that (1) the Company shall ensure that all documents, books and information provided by the Potential Vendor to any of the DD Representatives shall be subject to strict confidentiality; and (2) such due diligence review shall not cause any material disruption to the daily business operations of the Target Company.

(5) Exclusivity

The Company is granted an exclusive right of 12 months from the date of the MOU (the “**Exclusive Period**”) to negotiate with the Potential Vendor on the terms and conditions of the Potential Acquisition.

(6) Nature of the MOU

The MOU was intended to record the preliminary mutual understanding between the parties in relation to the Potential Acquisition and was not intended to be legally binding on the relevant parties (save for the provisions relating to due diligence review, conflicts with formal agreement (if any), consideration, exclusivity, fees and expenses, confidentiality, termination of the MOU and governing law and jurisdiction).

The MOU does not constitute an offer, agreement, agreement in principle, agreement to agree or commitment by the Company to purchase any of the interest in or to otherwise invest in or purchase any of the equity or loan interest in the Target Company.

Subject to the entering into of the Definitive Agreement, the obligations of the parties of the MOU shall cease upon the expiry of the Exclusive Period.

INFORMATION REGARDING THE POTENTIAL VENDOR AND THE POTENTIAL VENDOR WARRANTORS

The Potential Vendor is a company incorporated in the PRC and is principally engaged in the business of real estate investment. The Potential Vendor Warrantors are the ultimate beneficial owners of the Potential Vendor.

REASONS FOR ENTERING INTO THE MOU

The Group is principally engaged in the businesses of hotel investment and operations and property investment.

The Directors are of the view that Baotou City has an abundance of market resources and land reserve, rapid economic development, which continue to attract foreign investors and tourists. The Directors are of the view that economic growth of Baotou City will further benefit from the PRC government policy to develop the western side of Baotou City.

The Directors note that the Property is situated at the center of Baotou City, surrounded by the city's iconic landmarks such as the Queensland Arden Square* (昆區阿爾丁廣場), Steel Street* (鋼鐵大街), Shihua Square* (錫華廣場), and the Baotou Municipal Government Building* (包頭市政府), etc..

It has been the business strategy of the Group to proactively seek potential investment opportunities which could enhance its value to the Shareholders. In light of the above, the Directors are of the view that the Property is a valuable investment opportunity for the Company. The Directors consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing investment portfolio and to broaden its source of income.

The Directors consider that the Potential Acquisition as contemplated by and outlined in the MOU is intended to benefit the Company and the Shareholders as a whole as the Potential Acquisition is considered to be a potentially suitable opportunity for the Group to broaden its range of investments to increase its revenue sources and/or enhance its profitability.

By order of the Board
Crown International Corporation Limited
Meng Jin Long
Chairman

Hong Kong, 2 November 2015

As at the date hereof, the Board comprises three executive Directors, namely Mr. MENG Jin Long (Chairman and Chief Executive Officer), Mr. LIU Hong Shen (Vice Chairman) and Mr. YEUNG Man, Simon (Chief Financial Officer); and three independent non-executive Directors, namely Mr. LONG Tao, Mr. REN Guo Hua and Mr. CHEN Fang.

** for identification purpose only*