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CIL Holdings Limited

華建控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 00479)

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POSSIBLE ACQUISITION

Financial Adviser to the Company



Euto Capital Partners Limited

This announcement is made by the Company pursuant to Rule 13.09(2)(a) 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 MOU

The Board announces that on 24 September 2018 (after trading hours of the Stock Exchange), the Company entered into the non-legally binding MOU with the Vendor in relation to the Possible Acquisition.

The Board wishes to emphasise that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialised, it may constitute a notifiable transaction on the part of the Company. 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 shall be made by the Company in the event that any Formal Agreement has been signed.

* For identification purpose only.

This announcement is made by the Company pursuant to Rule 13.09(2)(a) 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 MOU

On 24 September 2018 (after trading hours of the Stock Exchange), the Company entered into the non-legally binding MOU with the Vendor in relation to the Possible Acquisition. Set out below are the principal terms of the MOU:

Date: 24 September 2018

Parties: (1) the Company; and
(2) the Vendor

The Vendor is a company incorporated in Hong Kong with limited liability and is owned as to 40% by Ms. Wang, the spouse of Mr. Ke, an executive Director and the chairman of the Board. Ms. Wang, together with Mr. Ke, are also the substantial Shareholders with an aggregate beneficial interest of approximately 21.51% of the Shares as at the date of this announcement. Accordingly, the Vendor is a connected person of the Company as prescribed under the Listing Rules.

Assets to be acquired

Subject to the parties entering into the Formal Agreement, the Vendor has conditionally agreed to sell and the Company (or its designated subsidiary) has conditionally agreed to acquire all or part of the Vendor's equity interest in the Target Company upon completion of the Reorganisation.

Pursuant to the MOU, the Company and the Vendor shall use their best endeavours to negotiate and facilitate the entering into of the Formal Agreement. In order to finalise the Formal Agreement, the Company shall further negotiate with the Vendor on the terms and conditions of the Formal Agreement within six (6) months from the date of the MOU (or such other date(s) as agreed by the Company and the Vendor in writing) (the "**Exclusive Period**") and upon satisfaction of the results of the due diligence review to be conducted by the Company.

Consideration

The consideration and the manner of payment of the consideration for the Possible Acquisition shall be negotiated between the Company and the Vendor based on the results of the due diligence review to be conducted by the Company on the Target Group and shall be subject to the terms and conditions of the Formal Agreement which may or may not be entered into by the parties to the MOU in relation to the Possible Acquisition.

Exclusive Period

The Vendor agreed that it will not and will procure that Guangzhou Diyuan, the Target Group and its Related Parties not to, directly or indirectly, within the Exclusive Period, (i) solicit, initiate or encourage enquiries or offers from; (ii) initiate or continue negotiations or discussions with or furnish any information to; or (iii) enter into any agreement or statement of intent or understanding with, any person or entity other than the Company with respect to the sale or other disposition of the equity interest in or the sale, subscription, or allotment of any part thereof or any other shares of the Target Company or lease of the Property.

Due diligence

During the Exclusive Period, the Company shall conduct due diligence review in respect of the Possible Acquisition.

Binding effect

Save for certain provisions, relating, principally, to the Exclusive Period, confidentiality, and governing law and jurisdiction, the provisions of the MOU is non-legally binding.

INFORMATION OF THE TARGET GROUP

Upon signing of the MOU, the Vendor shall conduct the Reorganisation by setting up an ultimate investment holding company in the British Virgin Islands as the Target Company and a wholly-owned subsidiary in Hong Kong as the Operating Subsidiary. Upon completion of the Reorganisation, the Vendor shall use its best endeavours to complete the Reorganisation prior to the signing of the Formal Agreement.

Upon completion of the Reorganisation, the Operating Subsidiary shall enter into a land lease agreement with Guangzhou Diyuan, pursuant to which the Operating Subsidiary shall agree to lease the land use rights of the Property from Guangzhou Diyuan for a pre-determined period. As advised by the Vendor, the Operating Subsidiary will be principally engaged in property leasing, property management and other property related business.

REASONS AND BENEFITS FOR ENTERING INTO THE MOU

The Group is principally engaged in (i) distribution of server storage, multi-media and communication products in Hong Kong; (ii) distribution of rice cooker and household electrical appliances to Southeast Asia; (iii) money lending operations in Hong Kong; (iv) purchase and sale of securities and the holding of equity investments primarily for dividend income and capital appreciation; (v) distribution of sports cars in Hong Kong and the PRC; and (vi) business entertainment in Hong Kong and Macau.

During the year 2018, the management of the Company has been actively evaluated the investment strategies of the Company and notified that in order to further develop the existing business of the Company as mentioned above, the Directors started looking for business opportunities which potentially offer high-percentage returns and generate stable cash flows to the Group. After discussion and analysis carried out by the Board and the management of the Company, the Directors consider that the Possible Acquisition offers the Company a stable cash flow to finance working capital of its existing operations and at the same time provide a sales and marketing platform for promoting its existing business development.

The terms of the MOU were arrived at after arm's length negotiations between the Company and the Vendor. The Directors consider that the transaction contemplated by the MOU are on normal commercial terms and the terms of the MOU are fair and reasonable and in the interest of the Company and its shareholders as a whole.

The Board wishes to emphasise that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialised, it may constitute a notifiable transaction on the part of the Company. 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 shall be made by the Company in the event that any Formal Agreement has been signed.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday or any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted between 9:00 a.m. and 5:00 p.m. in Hong Kong) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	CIL Holdings Limited* (華建控股有限公司), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board (stock code: 00479)
“connected person(s)”	has the meaning as ascribed thereto under the Main Board Listing Rules
“Director(s)”	the directors of the Company
“Exclusive Period”	the period of six (6) months after the date of the MOU (or such other date(s) as agreed by the Company and the Vendor in writing)
“Formal Agreement”	the formal and legally-binding sale and purchase agreement to be entered into in relation to the Possible Acquisition
“Group”	the Company and its subsidiaries
“Guangzhou Diyuan”	Guangzhou Diyuan Properties Limited Company* (廣州市帝緣房地產有限公司), a company incorporated in the PRC with limited liability and is beneficially owned as to 40% by Ms. Wang as at the date of this announcement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange
“MOU”	the Memorandum of Understanding dated 24 September 2018 entered into by the Company and the Vendor setting out the preliminary understanding for the Possible Acquisition
“Mr. Ke”	Mr. Ke Jun Xiang* (柯俊翔)
“Ms. Wang”	Ms. Wang Jian Ping* (王建萍)
“Operating Subsidiary”	a company to be incorporated in Hong Kong with limited liability under the Reorganisation
“Possible Acquisition”	the possible acquisition of all or part of the equity interest in the Target Company by the Company from the Vendor
“Related Parties”	directors, officers, employees, representatives, agents and shareholders of the Target Group and Guangzhou Diyuan
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau and Taiwan
“Property”	a land located in Shiling Town, Huadu District, Guangdong Province, the PRC

“Reorganisation”	a corporate reorganisation conducted by the Vendor by setting up an ultimate investment holding company in the British Virgin Islands as the Target Company and an Operating Subsidiary in Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	a company to be incorporated in the British Virgin Islands with limited liability under the Reorganisation
“Target Group”	the Target Company and its subsidiaries (including the Operating Subsidiary)
“Vendor”	Silver Bright International Development Limited (銀耀國際發展有限公司), a company incorporated in Hong Kong with limited liability
“%”	per cent.

By Order of the Board
CIL Holdings Limited
Ke Jun Xiang
Chairman

Hong Kong, 24 September 2018

As at the date of this announcement, the executive directors of the Company are Mr. Ke Jun Xiang (Chairman and Chief Executive Officer), Mr. Wilson Wong (Deputy Chairman), Ms. Lo Yuen Chung and Mr. Fu Daoding; the non-executive directors of the Company are Mr. Chow Yeung Tuen, Richard and Mr. Li Chung Kai, Philip; and the independent non-executive directors of the Company are Mr. Kwok Yam Sheung, Mr. Chan Siu Kay and Mr. Choi Chin Yu.

* *English name of such entity is the transliteration of its Chinese name for reference only*