



China Essence Group Ltd.  
嵩天集团有限公司

(Incorporated in the Cayman Islands)  
(Registration No. CT-152302)

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**NON-BINDING MEMORANDUM OF UNDERSTANDING  
- A VERY SUBSTANTIAL ACQUISITION OR REVERSE TAKEOVER**

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**1. INTRODUCTION**

The Board of Directors (the “**Board**”) of China Essence Group Ltd. (the “**Company**”, and together with its subsidiaries, collectively the “**Group**”) wishes to announce that the Company has on 26 February 2015 entered into a non-binding Memorandum of Understanding (the “**MOU**”) with Huatian Investment Holdings Limited\* and Hollywood International Hotel Holdings Limited\* (collectively, the “**Vendors**” and together with the Company, the “**Parties**” and each a “**Party**”) in relation to the proposed acquisition of the entire equity interest in a target company (the “**Target Company**”) by the Company (hereinafter referred to as the “**Proposed Acquisition**”).

The Proposed Acquisition, is expected to result in a “Very Substantial Acquisition or Reverse Takeover” of the Company as defined in Chapter 1015 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and is subject to, inter alia, the approval of the SGX-ST and the approval of the shareholders of the Company (the “**Shareholders**”) at an extraordinary general meeting (the “**EGM**”) to be convened.

**The MOU is not intended to be legally binding between the Parties, except for certain provisions relating to, inter alia, confidentiality, exclusivity and governing law.**

**2. INFORMATION ON THE TARGET COMPANY AND THE VENDORS**

Information and the detailed background of the asset owned by the Target Company

The Target Company is an investment holding company incorporated in the British Virgin Islands which owns a well known international awarded hotel brand located in the heart of Shanghai's business and entertainment districts, and in close proximity to the City's main tourist attractions and shopping areas (the “**Hotel**”). The Hotel has over 700 guest rooms in different grading with sweeping views of the City, a business center over 15 meeting rooms. It has a grand ballroom to accommodate hundreds of guests in hosting events and conferences, a selection of 8 restaurants and bars, each with its own unique style, offering fine dining and choice. The Hotel also has comprehensive leisure and fitness facilities, including swimming pool, spa and health club, fitness room, tennis and squash courts.

**2.1** Information on the Vendors

The Vendors collectively own 100% equity interest in the Target Company and are not related to any of the Directors or Controlling Shareholders of the Company. As at the date of this announcement, to the best of the knowledge of the Company, the Vendors do not hold any shares in the Company.

*\*English translation for identification purpose only*



### 3. VALUATION OF THE HOTEL

According to the assessment and current information at our disposal provided by the Vendors, the preliminary valuation of the Hotel is in the region of US\$300 million.

### 4. RATIONALE FOR THE PROPOSED ACQUISITION

#### To enhance shareholders' value

The Proposed Acquisition, represents the Company's first acquisition within its plan to return the Company, into profitability. The Board believes that the financial performance and position of the Company will be strengthened by the Proposed Acquisition, thus, creating shareholders' value as well as increasing market capitalisation of the Company.

### 5. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

Subject to the definitive sales and purchase agreement (the "**Definitive Agreement**"), it is envisaged that the key terms of the Proposed Acquisition are as follows:

#### 5.1 Consideration

The consideration will be concluded based on the final valuation issued by an independent appraiser. According to the MOU, the consideration will be settled part cash and part issuance of new ordinary shares, depending on the structure and arrangement. The Proposed Acquisition falls under Chapter 1015 of the Listing Manual of the SGX-ST (Very Substantial Acquisitions or Reverse Takeovers).

#### 5.2 Exclusivity

In consideration of the time, cost and expense incurred or to be incurred by each Party for due diligence and negotiations, the Parties have agreed to an exclusivity period of six (6) months commencing from the date of the MOU (the "**Exclusivity Period**") pursuant to which each Party shall (a) not, directly or indirectly, initiate or engage in discussions with, or provide any information to, any other person(s) concerning the matters contained in the MOU; and (b) immediately cease and not negotiate or entertain any discussions or understanding with any other person(s).

#### 5.3 Conditions Precedent

- (a) execution of the Definitive Agreement in respect of the Proposed Acquisition;
- (b) satisfactory financial, business, taxation and legal due diligence on the Target by the Company;
- (c) satisfactory financial, business, taxation and legal due diligence on the Company by the Vendors;
- (d) the approval of the Company's shareholders and SGX-ST in respect of the Proposed Acquisition;
- (e) other conditions precedent in the Definitive Agreement; and
- (f) the Company is required to properly restructure the Groups' existing assets and liabilities.



5.4 Confidentiality

All communications between the parties and all information and other materials supplied to or received by any Party from the others, and all information concerning the business transactions and the financial arrangements of the Parties shall be kept confidential by the recipient unless disclosure is required by law or unless or until it can reasonably demonstrate that any such communication, information and material is, in whole or in part, in the public domain, whereupon, to the event that it is public, this obligation shall cease.

**6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the MOU, save through their respective shareholdings in the Company.

**7. FURTHER ANNOUNCEMENTS**

Further details of the Proposed Acquisition will be discussed by the Parties upon signing of the MOU. The Company will make further announcements upon the execution of the definitive agreement and/or when there are material developments in respect of the Proposed Acquisition.

**8. TRADING CAUTION**

**Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that a definitive sale and purchase agreement in respect of the Proposed Acquisition will be entered into on the terms and conditions set out in the MOU or the Proposed Acquisition will be undertaken at all.**

**Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.**

By Order of the Board

Zhao Libin  
Executive Chairman and Chief Executive Officer  
26 February 2015