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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the “Board”) of Cheung Wo International Holdings Limited (formerly known as China Mandarin Holdings Limited) (the “Company”) announces the consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2012, together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	2012 HK\$'000	2011 HK\$'000
Revenue	4	34,813	54,510
Cost of sales	6	(40,909)	(27,577)
Gross (loss) profit		(6,096)	26,933
Other income	4	11,182	4,672
Fair value gain on an investment property		–	26,532
Gain on disposal of a property held for sale		–	41,328
Administrative expenses	6	(31,127)	(30,406)
Operating (loss) profit		(26,041)	69,059
Finance income	5	883	802
Finance costs	5	(5,717)	(1,533)
Share of results of an associate		(58)	(57)
(Loss) Profit before income tax		(30,933)	68,271
Income tax credit (expense)	7	13,590	(10,507)
(Loss) Profit for the year		(17,343)	57,764

	<i>Note</i>	2012 HK\$'000	2011 <i>HK\$'000</i>
(Loss) Profit attributable to:			
Equity holders of the Company	9	(17,422)	54,798
Non-controlling interests		<u>79</u>	<u>2,966</u>
		<u>(17,343)</u>	<u>57,764</u>
 (Loss) Earnings per share attributable to equity holders of the Company			
	9	2012	2011 (restated)
Basic			
– For (loss) profit for the year		<u>HK(2.96) cents</u>	<u>HK13.17 cents</u>
Diluted			
– For (loss) profit for the year		<u>HK(2.96) cents</u>	<u>HK11.15 cents</u>

Details of the dividends are disclosed in note 8 to the results announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
(Loss) Profit for the year	<u>(17,343)</u>	<u>57,764</u>
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	<u>1,205</u>	<u>41,810</u>
Total comprehensive (loss) income for the year	<u>(16,138)</u>	<u>99,574</u>
Attributable to:		
Equity holders of the Company	<u>(16,217)</u>	95,183
Non-controlling interests	<u>79</u>	<u>4,391</u>
	<u>(16,138)</u>	<u>99,574</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

		2012	2011
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Goodwill		194,453	194,285
Property, plant and equipment		84,478	41,444
Land use right		317,856	326,055
Investment property		352,130	351,827
Investment in an associate		65,980	66,038
Prepayments and deposits paid	11	55,768	1,786
Film rights		102	101
		<hr/>	<hr/>
Total non-current assets		1,070,767	981,536
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Film production in progress		530	18,957
Properties development in progress		441,821	428,867
Inventories		474	1,243
Trade receivables	10	12,037	7,043
Other receivables, prepayments and deposits paid	11	157,899	81,212
Tax recoverable		13	–
Cash and cash equivalents		66,089	48,133
		<hr/>	<hr/>
Total current assets		678,863	585,455
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade payables	12	6,418	8,618
Other payables, accruals and deposits received		27,223	24,740
Interest-bearing bank and other borrowings	13	32,211	108,721
Obligations under finance leases	14	1,189	1,034
Loans from a shareholder	16	14,640	14,640
Tax payable		6,115	3,263
		<hr/>	<hr/>
Total current liabilities		87,796	161,016
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net current assets		591,067	424,439
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets less current liabilities		1,661,834	1,405,975
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

	<i>Note</i>	2012 HK\$'000	2011 HK\$'000
Non-current liabilities			
Convertible bonds	<i>15</i>	42,070	39,304
Deposits received		3,055	1,514
Deferred income tax liabilities		249,044	265,788
Interest-bearing bank borrowings	<i>13</i>	135,435	–
Obligations under finance leases	<i>14</i>	3,710	4,398
		<hr/>	<hr/>
Total non-current liabilities		433,314	311,004
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net assets		1,228,520	1,094,971
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		6,866	343,318
Reserves		1,221,654	721,226
		<hr/>	<hr/>
		1,228,520	1,064,544
Non-controlling interests		–	30,427
		<hr/>	<hr/>
Total equity		1,228,520	1,094,971
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Cheung Wo International Holdings Limited (formerly known as China Mandarin Holdings Limited) was incorporated in Bermuda on 9 May 2001 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Room 4101, 41st Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries are consisted of film distribution and licensing, film processing, rental of property, and property and hotel development.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

They have been prepared under the historical cost convention, except for an investment property which has been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) Amended standards mandatory for the first time for the financial year beginning 1 January 2012

Amendment to HKFRS 1	Severe hyperinflation and removal of fixed dates for first-time adopters
Amendment to HKFRS 7	Disclosures – Transfers of financial assets

The adoption of these revised standards had no significant financial effect on the financial statements.

Amendment to HKAS 12	Deferred tax: Recovery of underlying assets
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In December 2010, the HKICPA amended HKAS 12 “Income taxes” to introduce an exception to the principle for the measurement of deferred tax assets and liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely through sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012.

The Group has an investment property amounting to HK\$352,130,000, which is held by a subsidiary with a business model to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. For this investment property, the presumption is rebutted and related deferred tax is not remeasured.

(b) New standards, amendments and interpretations that have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted

Amendment to HKAS 1	Presentation of items of other comprehensive income ¹
HKAS 19 (2011)	Employee benefits ²
HKAS 27 (2011)	Separate financial statements ²
HKAS 28 (2011)	Investments in associates and joint ventures ²
Amendment to HKAS 32	Offsetting financial assets and financial liabilities ³
Amendment to HKFRS 1	Government loans ²
Amendment to HKFRS 7	Disclosure-Offsetting financial assets and financial liabilities ²
HKFRS 9	Financial instruments ⁴
HKFRS 10	Consolidated financial statements ²
HKFRS 11	Joint arrangements ²
HKFRS 12	Disclosure of interests in other entities ²
Amendment to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance ²
Amendment to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities ³
HKFRS 13	Fair value measurement ²
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine ²
Annual improvement project	Annual improvements 2009-2011 cycle ²

¹ Effective for annual periods beginning on 1 July 2012

² Effective for annual periods beginning on 1 January 2013

³ Effective for annual periods beginning on 1 January 2014

⁴ Effective for annual periods beginning on 1 January 2015

The Group is in the process of making an assessment of the impact of adoption of the above new standards, amendments and interpretation that have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted, but is not yet in a position to state whether these new standards or amendments would have a significant impact on its results of operations and financial position.

3 SEGMENT INFORMATION

For management purposes, the Group is organised into four business units – property rental, film distribution and licensing, film processing and property and hotel development.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment (loss) profit, which is a measure of adjusted (loss) profit before income tax. The (loss) profit before income tax is measured consistently with the Group's (loss) profit before income tax except that finance income, finance costs, gain on disposal of a property held for sale, fair value gain on an investment property, as well as head office and corporate expenses, and certain other income are excluded from such measurement.

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude obligations under finance leases and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2012

	Property rental <i>HK\$'000</i>	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:						
External revenue	13,926	13,475	7,412	-	-	34,813
Inter-segment revenue	-	-	123	-	(123)	-
Total revenue	<u>13,926</u>	<u>13,475</u>	<u>7,535</u>	<u>-</u>	<u>(123)</u>	<u>34,813</u>
Segment results	<u>15,174</u>	<u>(27,752)</u>	<u>(6,176)</u>	<u>(4,590)</u>	<u>-</u>	<u>(23,344)</u>
Unallocated corporate expenses						(2,755)
Finance income						883
Finance costs						<u>(5,717)</u>
Loss before income tax						(30,933)
Income tax credit						<u>13,590</u>
Loss for the year						<u><u>(17,343)</u></u>

As at 31 December 2012

	Property rental <i>HK\$'000</i>	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets and liabilities						
Segment assets	<u>359,748</u>	<u>74,550</u>	<u>5,534</u>	<u>1,237,400</u>	<u>72,398</u>	<u>1,749,630</u>
Segment liabilities	<u>78,177</u>	<u>7,419</u>	<u>1,119</u>	<u>412,477</u>	<u>21,918</u>	<u>521,110</u>
Other segment information:						
Capital expenditure	4	724	1,504	36,562	–	38,794
Depreciation	<u>332</u>	<u>1,259</u>	<u>487</u>	<u>415</u>	<u>1,596</u>	<u>4,089</u>

Year ended 31 December 2011

	Property rental <i>HK\$'000</i>	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:						
External revenue	16,529	16,279	21,702	–	–	54,510
Inter-segment revenue	<u>–</u>	<u>–</u>	<u>165</u>	<u>–</u>	<u>(165)</u>	<u>–</u>
Total revenue	<u>16,529</u>	<u>16,279</u>	<u>21,867</u>	<u>–</u>	<u>(165)</u>	<u>54,510</u>
Segment results	<u>11,721</u>	<u>(3,393)</u>	<u>2,968</u>	<u>(3,801)</u>	<u>–</u>	<u>7,495</u>
Unallocated other income						210
Unallocated corporate expenses						(6,563)
Finance income						802
Gain on disposal of a property held for sale						41,328
Fair value gain on an investment property						26,532
Finance costs						<u>(1,533)</u>
Profit before income tax						68,271
Income tax expense						<u>(10,507)</u>
Profit for the year						<u>57,764</u>

As at 31 December 2011

	Property rental <i>HK\$'000</i>	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets and liabilities						
Segment assets	<u>354,531</u>	<u>88,570</u>	<u>10,557</u>	<u>1,057,049</u>	<u>56,284</u>	<u>1,566,991</u>
Segment liabilities	<u>90,604</u>	<u>8,037</u>	<u>4,573</u>	<u>298,762</u>	<u>70,044</u>	<u>472,020</u>
Other segment information:						
Capital expenditure	2,269	7	47	18,453	7,980	28,756
Depreciation	<u>154</u>	<u>1,205</u>	<u>448</u>	<u>477</u>	<u>701</u>	<u>2,985</u>

(a) Geographical information

2012

	Hong Kong <i>HK\$'000</i>	The People's Republic of China ("PRC") <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>10,754</u>	<u>21,002</u>	<u>3,057</u>	<u>34,813</u>
Non-current assets	<u>78,354</u>	<u>992,413</u>	<u>–</u>	<u>1,070,767</u>
Capital expenditure	<u>2,228</u>	<u>36,566</u>	<u>–</u>	<u>38,794</u>

2011

	Hong Kong <i>HK\$'000</i>	The People's Republic of China <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>21,771</u>	<u>23,912</u>	<u>8,827</u>	<u>54,510</u>
Non-current assets	<u>79,250</u>	<u>902,286</u>	<u>–</u>	<u>981,536</u>
Capital expenditure	<u>8,034</u>	<u>20,722</u>	<u>–</u>	<u>28,756</u>

(b) Information about major customers

Revenue of HK\$7,076,000 (2011: HK\$7,050,000) and HK\$8,073,000 (2011: HK\$15,427,000) were derived from a customer of the film distribution and licensing segment and a tenant of property rental.

4 REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; and rental income received and receivable from its investment property less business tax during the year.

An analysis of revenue and other income is as follows:

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Property rental income	13,926	16,529
Film distribution and licensing income	13,475	16,279
Film processing income	7,412	21,702
	<u>34,813</u>	<u>54,510</u>
Other income		
Net compensation received relating to a termination of a tenancy agreement	8,973	–
Write-back of deposits received	307	–
Scrap sales	605	4,199
Others	1,297	473
	<u>11,182</u>	<u>4,672</u>

5 FINANCE INCOME AND COSTS

An analysis of finance income and costs is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Finance costs:		
Interest on bank borrowings wholly repayable within five years	58	58
Interest on bank borrowings not wholly repayable within five years	2,275	–
Interest on loans from a shareholder	146	497
Interest on finance leases	230	40
Commitment fee for short-term loan	–	370
Interest on other borrowings	13,290	7,620
Interest on convertible bonds (<i>note 15</i>)	<u>3,026</u>	<u>10,858</u>
	19,025	19,443
Less: amounts capitalised on qualifying assets	<u>(13,308)</u>	<u>(17,910)</u>
Total finance costs	<u><u>5,717</u></u>	<u><u>1,533</u></u>
Finance income:		
Interest income on short-term bank deposits	(301)	(131)
Foreign exchange difference, net	<u>(582)</u>	<u>(671)</u>
Total finance income	<u><u>(883)</u></u>	<u><u>(802)</u></u>
Net finance costs	<u><u>4,834</u></u>	<u><u>731</u></u>

6 EXPENSES BY NATURE

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Employee benefit expenses (excluding directors' remuneration)		
Wages and salaries	12,772	13,204
Pension costs – defined contribution plans and social security costs	<u>666</u>	<u>573</u>
	13,438	13,777
Auditors' remuneration	1,828	1,680
Depreciation	4,089	2,985
Cost of inventories recognised as expenses	32,369	19,450
Write-off of inventories	–	939
Operating lease rentals in respect of buildings	5,710	5,469
Direct operating expenses of an investment property that generated rental income	2,420	1,471
Reversal of provision for impairment of trade receivables	(79)	(813)
Uncollectible trade receivables recovered	(161)	(78)
Professional fees	5,068	2,897
Loss on disposal of property, plant and equipment	130	56
Others	<u>7,224</u>	<u>10,150</u>
Total cost of sales and administrative expenses	<u>72,036</u>	<u>57,983</u>

7 INCOME TAX (CREDIT) EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year.

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the PRC income tax rate is unified to 25% for all enterprises. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Group:		
Current tax – Hong Kong		
Charge for the year	7	826
Under (Over) provision in prior years	20	(61)
Current tax – PRC		
Charge for the year	3,468	2,650
Overprovision in prior year	<u>(140)</u>	<u>–</u>
Total current tax	3,355	3,415
Deferred tax	<u>(16,945)</u>	<u>7,092</u>
Total tax (credit) charge	<u>(13,590)</u>	<u>10,507</u>

8 DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2012 and 2011, nor has any dividend been proposed since the end of the reporting period.

9 (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic (loss) earnings per share amount is based on the loss for the year of HK\$17,422,000 (2011: profit of HK\$54,798,000), attributable to equity holders of the Company, and the weighted average number of ordinary shares of 588,907,000 (2011 (restated): 416,192,000) in issue during the year.

For purposes of calculating basic and diluted (loss) earnings per share, the weighted average number of ordinary shares were adjusted to take into account the effects arising from share consolidation on 24 May 2012 and rights issue in the open offer on 26 June 2012 undertaken by the Company in the current year. (Loss) Earnings per share for the last financial year had been restated with the above adjustments.

(a) Basic

Basic (loss) earnings per share is calculated by dividing the (loss) profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (restated)
(Loss) Profit attributable to equity holders of the Company	(17,422)	54,798
Weighted average number of ordinary shares in issue (thousands)	<u>588,907</u>	<u>416,192</u>

(b) Diluted

Diluted (loss) earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The convertible bonds are assumed to have been converted into ordinary shares, and the net (loss) profit is adjusted to eliminate the interest expense less the tax effect.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (restated)
Earnings		
(Loss) Profit attributable to equity holders of the Company	(17,422)	54,798
Interest expense on convertible bonds (net of tax)	<u>—</u>	<u>—</u>
(Loss) Profit used to determine diluted earnings per share	<u>(17,422)</u>	<u>54,798</u>
Weighted average number of ordinary shares in issue (thousands)	588,907	416,192
Adjustment for:		
– Assumed conversion of convertible bonds (thousands)	<u>—</u>	<u>75,799</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>588,907</u>	<u>491,391</u>

21,272,000 of the potential ordinary shares arising from the assumed conversion of convertible bonds have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current reporting period presented.

Adjustment has been made to the calculation of diluted earnings per share presented for the year ended 31 December 2011 in respect of the dilution effect of the convertible bonds outstanding during the year.

10 TRADE RECEIVABLES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade receivables	12,883	7,968
Provision for impairment	<u>(846)</u>	<u>(925)</u>
	<u>12,037</u>	<u>7,043</u>

The Group has a policy of allowing its trade customers credit periods normally ranging from 90 to 120 days. Before accepting any new customers, the Group uses an internal credit assessment process to assess the potential customers' credit quality and defines credit limits by customers. Credit limits attributed to customers are reviewed regularly.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0 – 90 days	7,211	4,076
91 – 180 days	3,683	1,554
181 – 365 days	525	685
Over 1 year	618	728
	<u>12,037</u>	<u>7,043</u>

11 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS PAID

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Other receivables		495	210
Prepayments	<i>(i)</i>	20,917	594
Deposit for land	<i>(ii)</i>	141,593	67,661
Deposit for construction costs		48,443	12,351
Others		2,219	2,182
		<u>213,667</u>	<u>82,998</u>
Carrying amount at 31 December			
Current portion		<u>(157,899)</u>	<u>(81,212)</u>
Non-current portion		<u>55,768</u>	<u>1,786</u>

(i) The balance includes an amount of HK\$20,548,000 (2011: nil) of prepaid interest paid to a PRC bank.

(ii) The balance represents a deposit paid to acquire a piece of land in Hunan for property development purposes.

None of the other receivables is either past due or impaired. Other receivables included in the above balances had no recent history of default.

12 TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0 – 90 days	<u><u>6,418</u></u>	<u><u>8,618</u></u>

13 INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective contractual interest rate %	Maturity	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current				
Bank loan				
– secured (<i>note i</i>)	3.75	On demand	1,430	1,613
Other borrowings				
– secured (<i>note ii</i>)	15	September 2012	–	45,600
Other borrowings				
– unsecured (<i>note iii</i>)	15	April 2013	<u>30,781</u>	<u>61,508</u>
			32,211	108,721
Non-current				
Bank loan – secured (<i>note iv</i>)	8.30	June 2018	<u>135,435</u>	–
			<u>167,646</u>	<u>108,721</u>

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Analysed into:		
Bank loans:		
Within one year	1,430	1,613
Between 1-2 years	24,625	–
Between 2-5 years	<u>110,810</u>	–
	<u>136,865</u>	<u>1,613</u>

- (i) At 31 December 2012 and 2011, the Group's current bank borrowings were secured by the Group's leasehold land and buildings with a net carrying amount of HK\$782,000 (2011: HK\$809,000).

- (ii) At 31 December 2011, the Group's other borrowings were secured by a corporate guarantee granted by the Company and the Group's 100% equity interest in Profit Source International Limited ("Profit Source"). Profit Source is the immediate holding company of 成都中發黃河實業有限公司 (Chengdu Zhongfa Real Estate Development Company Limited) (the "PRC Subsidiary") which holds the investment property of the Group. Such borrowings were fully repaid during the year ended 31 December 2012.
- (iii) At 31 December 2012, the Group's unsecured other borrowings will be matured in April 2013 (2011: matured in April 2012).
- (iv) At 31 December 2012, the Group's non-current bank borrowings were secured by the Group's land use right with net carrying amount of HK\$317,856,000. The bank borrowings will be matured in June 2018.

14 OBLIGATIONS UNDER FINANCE LEASES

During the year, the Group leased its motor vehicles for its business use. The leases were classified as finance leases and had remaining lease terms of 4 to 5 years. Interest rates underlying all obligations under finance leases were fixed at contract rate of 4.28%. No arrangement had been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Amounts payable:				
Within one year	1,375	1,246	1,189	1,034
Between 1 and 2 years	1,375	1,246	1,240	1,079
Between 2 and 5 years	<u>2,575</u>	<u>3,530</u>	<u>2,470</u>	<u>3,319</u>
Total minimum finance lease payments	5,325	6,022	<u>4,899</u>	<u>5,432</u>
Future finance charges	<u>(426)</u>	<u>(590)</u>		
Total net finance lease payables	4,899	5,432		
Portion classified as current liabilities	<u>(1,189)</u>	<u>(1,034)</u>		
Non-current portion	<u>3,710</u>	<u>4,398</u>		

15 CONVERTIBLE BONDS

On 26 January 2011, the Company issued convertible bonds carrying a coupon interest rate of 0.5% per annum up to an aggregate principal amount of HK\$515,128,000. The bonds are convertible at the option of the bondholders into fully paid ordinary shares with a par value of HK\$0.10 each at any time from the date of the issue of the bonds up to and including 26 January 2016 at an initial conversion price of HK\$0.345. According to the terms and conditions of the convertible bonds, the conversion price of the convertible bonds has been adjusted from the initial conversion price of HK\$0.345 per conversion share to HK\$3.45 per conversion share following completion of the capital reorganisation, and then to HK\$2.425 per conversion share as a result of the completion of the open offer on 26 June 2012. The Company may redeem at 100% of the principal amount in cash by giving the bondholders 10 working days' prior written notice. Any convertible bonds not converted will be redeemed on 26 January 2016 at 100% of their principal amount.

- (a) The convertible bonds recognised at initial recognition on 26 January 2011 are calculated as follows:

	<i>HK\$'000</i>
Nominal value of convertible bonds issued	515,128
Equity component	<u>(149,228)</u>
Liability component	<u><u>365,900</u></u>

- (b) Movements of the liability component of the convertible bonds during the year are as follows:

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	39,304	–
Liability component on initial recognition	–	365,900
Conversion of convertible bonds	–	(336,462)
Interest expense (<i>note 5</i>)	3,026	10,858
Interest payable	<u>(260)</u>	<u>(992)</u>
At 31 December	<u><u>42,070</u></u>	<u><u>39,304</u></u>

16 LOANS FROM A SHAREHOLDER

At 31 December 2012, the Group had loan balances of HK\$14,640,000 (2011: HK\$14,640,000) from Mr. Cheng Keung Fai (“Mr. Cheng”), a substantial shareholder of the Company, which were unsecured, bore interest at 1% (2011: 1%) per annum and were repayable on or before 30 April 2013 (2011: April 2012), but contained a repayment on demand clause.

17 LITIGATION

On 9 July 2012, a summon was served on the PRC Subsidiary, an indirect wholly-owned subsidiary of the Company, as one of the defendants in a civil complaint issued by 四川民族飯店 (the “Plaintiff”). The Plaintiff alleged that 中國中小企業投資有限公司, 成都弘易地產有限責任公司 and the PRC Subsidiary (together, the “Defendants”) colluded with each other to cheat the Plaintiff of certain land use rights in the PRC, which forms part of the Group’s investment property, by certain contracts made in 1995, 1997 and 2003. The Plaintiff petitioned the Higher People’s Court of Sichuan Province (the “Court”) to declare all those contracts void, to return the land use rights to the Plaintiff and to award damages and costs in favour of the Plaintiff. The Directors have appointed an external PRC lawyer to provide legal advice and handle this matter. The Defendants appeared before the Court on 20 September 2012 and the Court’s judgement was not made up to the date of approval of these financial statements. Management, after taking legal advice from the lawyer and the latest information obtained, is of the opinion that the legal proceeding is ongoing and it is not probable to assess the outcome of the case at this stage. Management does not anticipate that any material liabilities will arise from the outcome of this litigation and there would be no material impact to the financial position nor consolidated financial statements of the Group for the year ended 31 December 2012.

18 EVENTS AFTER THE REPORTING PERIOD

- (a) On 28 February 2013, the Company completed placing of 68,640,000 shares of HK\$0.01 each to independent shareholders of the Company (the “Shareholders”) at the placing price of HK\$0.415 per placing share.
- (b) On 1 March 2013, the Company entered into a supplemental agreement with Mr. Cheng to extend the repayment period of loans due to Mr. Cheng to 30 April 2014.
- (c) On 15 March 2013, 湖南九華國際新城開發建設有限公司 (Hunan Jiuhua International City Development Construction Company Limited) (“Hunan Jiuhua”), a wholly-owned subsidiary of the Company, entered into an agreement with the lender of an other borrowing of HK\$30,781,000 to extend the repayment period of the unsecured other borrowings to 15 April 2014.
- (d) On 22 March 2013, convertible bonds in an aggregate principal amount of HK\$52,000,000 were converted into 21,443,298 Company’s shares of HK\$0.01 each at the conversion price of HK\$2.425.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

For the year ended 31 December 2012, the Group's turnover dropped from HK\$54,510,000 last year to approximately HK\$34,813,000, registering a decrease of 36.1%. A negative gross profit was recorded at HK\$6,096,000 (2011: gross profit of HK\$26,933,000) due to the insufficient contribution from both film production and processing to meet the cost outlay.

For the year under review, turnover from film production and distribution, and film processing businesses accounted for 60.0% of the total turnover, amounted to approximately HK\$13,475,000 (2011: HK\$16,279,000) and HK\$7,412,000 (2011: HK\$21,702,000) respectively. Meanwhile, turnover from property rental remained stable, with contribution amounting to approximately HK\$13,926,000 (2011: HK\$16,529,000).

Loss attributable to Shareholders was HK\$17,422,000 (2011: profit of HK\$54,798,000). Basic loss per share was HK\$2.96 cents (2011 (restated): earnings of HK\$13.17 cents). The Board does not recommend dividend payout for the year ended 31 December 2012 (2011: Nil). As at 31 December 2012, cash on hand was approximately HK\$66,089,000 (2011: HK\$48,133,000).

Completed in February 2013, the Group raised net proceeds from a placing exercise, of approximately HK\$28 million for general working capital.

Capital Reorganisation and Open Offer

In February 2012, the Group proposed a capital reorganisation and an open offer to raise approximately HK\$185 million, before expenses, by issuing approximately 343,318,000 offer shares to the qualifying Shareholders at the subscription price of HK\$0.538 per offer share. The net proceeds of approximately HK\$180 million, after reduction of expenses, are to be utilised in three aspects: (1) HK\$75.6 million to repay a short-term loan due in September 2012 which was repaid in June 2012; (2) approximately HK\$95 million for construction and development costs of the property project in Hunan Province, the PRC; and (3) the remaining amount of approximately HK\$9.4 million as general working capital of the Group. The capital reorganisation and the open offer were duly passed by the Shareholders at the special general meeting of the Company held on 23 May 2012 and the open offer was completed on 26 June 2012.

Business Review

The Group is principally engaged in property development and investment in the PRC as well as film production and related businesses.

Property Development and Investment Business

Property development

For the year ended 31 December 2012, the property development and hotel business recorded at a loss before tax of HK\$4,590,000 (2011: loss of HK\$3,801,000).

After acquiring the entire interest of Hunan Jihua in 2011, the Group has started to develop a piece of land sized 325,989 square meters. The land is located in Jihua Economic Zone, Xiangtan, Hunan Province, the PRC with the plan for the development and construction of the project “Oriental Venice”. This area is being developed into a five-star hotel and low-density residential units.

For the hotel development, a five-star hotel of 392 rooms with total floor area of 78,468 square meters is now under construction. The foundation work has been completed while the completion of building construction and hotel trial run are scheduled in the end of 2014. Equipped with convention and entertainment facilities, including conference centre, catering services and Karaoke, the hotel shall provide a comprehensive and high-end experience of accommodation to guests.

For the residential development, it is divided into two phases. The first phase contains of 1,362 low-density residential units of houses and apartments with total floor area of 249,851 square meters which shall target the affluent class of Hunan Province. Pre-sale of part of the units is expected to start by the end of 2013. By the end of 2014, the building construction would be completed and residential units would be handed over. On the other hand, it is expected that the land transfer agreement of the second phase will be completed in the first half of 2013 and the master plan of the project will start by then.

The Group continues to hold an optimistic view towards the property development project and anticipates benefits to be brought by the national policies on urbanisation. Xiangtan was selected as a developmental zone of a two-oriented society, upholding visions of resource-saving and environmental-friendly under the model of new urbanisation, new industrialisation and agricultural industrialisation. The government is determined to develop Xiangtan as a “Hundred Billion Area” with a total industrial output value reaching up to RMB350 billion. A sustainable, prosperous and competitive industrial chain shall be formed with the introduction of a number of leading and hosting enterprises. With favourable support of national policies, excellent geographical location and convenient transportation system, the project has demonstrated its huge potential to deliver substantial profits in the coming years.

Property rental

For the year ended 31 December 2012, the property rental income was recorded at HK\$13,926,000 (2011: HK\$16,529,000), accounting for a decrease by 15.7%. It was contributed by the commercial property in Chengdu, the PRC, of which the Group owns 100% equity interest.

The Group currently holds long-term tenancies and almost achieved a 100% occupancy rate. In particular, the Group signed a 15-year lease with a supermarket and a karaoke operator respectively starting from June 2012. The property rental business not only provides secure income and stable cash inflow to the Group but also preserves management cost for the maintenance of the investment property in the coming years.

Film Related Business

Film production

“Floating City”, directed by Yim Ho and starred by Aaron Kwok and Charlie Young, was released in May 2012 and a loss was recorded.

During the reporting period, the Group has completed the production of the 3D film “The Monkey King”. Donnie Yen, the main actor in “Ip Man”, together with Aaron Kwok and Chow Yun Fat take leading roles in “The Monkey King”. Based on a popular Chinese story “Journey to the West”, post-production of “The Monkey King” is undergoing in the United States of America (“US”) in order to cater for the international market appetite. It is expected to be launched in Christmas of 2013. In view of the flourishing 3D film market, the Group believes that the film will be able to draw wide attention and hit the box office record again, especially in the upsurging PRC film market.

Film processing

During the Period, the local film processing industry experienced a low season due to absence of mega film made, rise of material cost, coupled with the impact of increased number of digital cinema. As a result, the Group’s film processing business dropped 65.8% in turnover to HK\$7,412,000 (2011: HK\$21,702,000). Operating loss arose at HK\$6,176,000 (2011: operating profit of HK\$2,968,000). For the purpose of cost control, the relocation to a smaller factory was completed in September 2012. In addition, the Group would downsize its business as film has been replaced by digital production, and a machine for enhancing the digitalisation of film was purchased.

Prospects

Benefiting from the mild regulatory policies on the PRC property market in 2012, a national investment in property development of RMB7.2 trillion was recorded, representing a 16.2% year-on-year growth. The PRC property market is anticipated to boom continuously in the coming years and favours the Group’s return in property investment.

Taking into account the acceleration of urbanisation in the PRC, the management believes there exists great opportunities in property development and investment for the Group. According to the statistics from the Hunan Provincial Bureau of Statistics, provincial property developmental investment recorded a 13.7% growth in 2012. It is believed that the property market in Xiangtan, Hunan Province will continue to be prosperous in the coming years due to salient housing demand from locals. The Group will keep capitalising the opportunity by investing in Jiuhua and other second and third-tier cities. The

Group is also confident that the development of “Oriental Venice” would be a signature investment project of the Group by drawing ample income stream from the sale of residential units and stable cash inflow from hotel operations.

Looking ahead, the Group also will identify high potential property development projects to accumulate land bank. It will continue to put tremendous effort in response to market challenges and opportunities in order to maximise Shareholders’ interests. In addition, a healthy balance sheet with stable cash flow shall be generated with selected potential opportunistic investments.

Dividend

The Directors do not recommend payment of a final dividend for the year ended 31 December 2012 (2011: nil).

Liquidity and financial resources

At 31 December 2012, the Group’s total equity amounted to HK\$1,228,520,000 (2011: HK\$1,094,971,000). The gearing ratio based on interest-bearing bank and other borrowings, loans from a Shareholder, the obligations under finance leases and convertible bonds over total equity was 0.187 (2011: 0.154).

Net current assets was HK\$591,067,000 (2011: HK\$424,439,000) and current assets was HK\$678,863,000 (2011: HK\$585,455,000). Current liabilities were HK\$87,796,000 (2011: HK\$161,016,000), representing a current ratio based on current assets over current liabilities of 7.73 (2011: 3.64).

At 31 December 2012, the Group had cash and bank balances of HK\$66,089,000 (2011: HK\$48,133,000).

Borrowing and banking facilities

At 31 December 2012, the Group’s outstanding borrowings and convertible bonds were HK\$229,255,000 (2011: HK\$168,097,000).

Hedging

At 31 December 2012, no financial instruments were used for hedging (2011: nil).

Charges on group assets

At 31 December 2012, the Group’s borrowings were secured by the Group’s interests in land use right with net carrying amount of HK\$317,856,000 (2011: HK\$326,055,000) and leasehold land and buildings, with net carrying amount of HK\$782,000 (2011: HK\$809,000) and motor vehicles with a net carrying amount of HK\$6,724,000 (2011: HK\$7,714,000).

Material litigation

Save for those disclosed in note 17, the Group had no other material litigation or arbitration.

Employees and remuneration policies

Staff costs for the year ended 31 December 2012 was HK\$15,083,000 (2011: HK\$15,628,000), representing an decrease of 3.5%. The Group employed a workforce of 56 staff members (2011: 90 staff members) as at the end of 2012. Among the 56 staff members, 19 staff members were in the film processing department. Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

Exposure of foreign exchange

The Group's asset and liabilities are mainly denominated in Hong Kong Dollars, US Dollars and Renminbi. There is no significant exposure to the fluctuation of foreign exchange rate, but the Group will closely monitor the market and make appropriate adjustment and measures when necessary.

Capital expenditures

For the year ended 31 December 2012, the Group's capital expenditure were HK\$38,794,000 (2011: HK\$28,756,000).

Acquisition and disposal of subsidiaries and associated companies

The Group entered into an agreement and acquired the remaining 9.943% equity interest in the PRC Subsidiary at a consideration of HK\$30,000,000 during the year.

Purchase, redemption or sale of listed securities of the Company

During the year under review, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Compliance with the code on corporate governance practices of the listing rules

The Stock Exchange has made various amendments to the Code on Corporate Governance Practices (the "Former Code") set out in Appendix 14 of the Listing Rules, and the revised code, namely Corporate Governance Code (the "New Code"), became fully effective on 1 April 2012. The Company has complied with all the applicable code provisions of the Former Code from 1 January 2012 to 31 March 2012. The Company has also complied with all the code provision of the New Code from 1 April 2012 to 31 December 2012.

Audit committee

The audit committee of the Company has met with the external auditor of the Company, Messrs. PricewaterhouseCoopers, to review the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2012, and is of the opinion that the consolidated results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made. The audit committee is composed of three independent non-executive Directors, Mr. Tang Ping Sum, Mr. Tsui Pui Hung and Mr. Chu To, Jonathan. The chairman of the audit committee has professional qualifications and experience in financial matters.

Publication of detailed annual results on the Stock Exchange's website

All the financial and other related information of the Company required by the Listing Rules will be published on the Stock Exchange's website in due course.

Acknowledgement

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication and contribution to the Group. In addition, I would like to thank all our Shareholders and investors for their patronage.

By order of the Board
Cheung Wo International Holdings Limited
Jin Lei
Chairman

Hong Kong, 27 March 2013

As at the date of this announcement, the Board comprises six Directors. The executive directors are Mr. Jin Lei (Chairman), Ms. Law Kee, Alice (Chief Executive Officer), Mr. Hui Wai Lee, Willy; and the independent non-executive directors are Mr. Tsui Pui Hung, Mr. Tang Ping Sum and Mr. Chu To, Jonathan.

* *For identification purpose only*