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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)**

### **CONNECTED TRANSACTION ISSUE OF CONVERTIBLE BONDS**

On 8 April 2013 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which, subject to fulfillment of conditions precedent, the Subscriber has agreed to subscribe for the Convertible Bonds in an aggregate principal amount of not more than HK\$314,640,110.

The initial Conversion Price of HK\$0.43 per Conversion Share represents a discount of approximately 18.9% to the closing price of HK\$0.53 per Share on 8 April 2013, the date of the Subscription Agreement, and a discount of approximately 25.3% to the average closing price of HK\$0.576 per Share as quoted on the Stock Exchange for the five trading days immediate prior to the date of the Subscription Agreement.

Assuming the aggregate principal amount of the Convertible Bonds is HK\$314,640,110, and upon full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into a maximum of 731,721,186 Shares, representing approximately 94.2% of the existing issued share capital of the Company and approximately 48.5% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds.

\* For identification purpose only

Assuming the aggregate principal amount of the Convertible Bonds is HK\$314,640,110, the net proceeds (after deducting estimated expenses and excluding the amount to be satisfied by the Shareholder's Loan) from the issue of the Convertible Bonds is expected to be not more than HK\$298.7 million and the net price per Conversion Share is approximately HK\$0.428. It is intended that the net proceeds will be applied for additional funding to accumulate land bank and as general working capital of the Company.

As at the date of this announcement, Mr. Cheng, the beneficial owner of the entire issued share capital of the Subscriber, is interested in 431,132,580 Shares, representing approximately 55.51% of the issued share capital of the Company. Mr. Cheng is a substantial shareholder (as defined under the Listing Rules) of the Company and a connected person (as defined under the Listing Rules) of the Company, and as such, the Subscriber is a connected person of the Company. The Subscription Agreement and the transactions contemplated thereunder therefore constitute connected transaction on the part of the Company under the Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirements.

Accordingly, the Subscription Agreement and the transactions contemplated thereunder are subject to the approval by the Independent Shareholders at the SGM by way of a poll. Mr. Cheng and its associates are required to abstain from voting for the relevant resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM.

The Independent Board Committee will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Subscription Agreement and the transactions contemplated thereunder. An independent financial adviser has been appointed to advise the Independent Board Committee in this regard.

A circular, containing, among other matters, further information on the Subscription Agreement and the transactions contemplated thereunder, the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee to the Independent Shareholders and the notice of the SGM, will be despatched to the Shareholders on or about 17 April 2013.

## **SUBSCRIPTION AGREEMENT**

**Date:** 8 April 2013 (after trading hours)

**Issuer:** The Company

**Subscriber:** The Subscriber

Subject to the fulfillment of the conditions set out below, the Subscriber has agreed to subscribe for the Convertible Bonds with the principal amount of not more than HK\$314,640,110 which will be satisfied in the following manners:–

- (a) a sum of not more than HK\$300,000,000 to be paid in cash in immediate available funds by the Subscriber; and
- (b) a sum of HK\$14,640,110 to be satisfied by the setting-off of the Shareholder's Loan by execution of the Settlement Deed.

The Conversion Shares under the Subscription Agreement will be issued under the specific mandate to be sought at the SGM.

As at the date of this announcement, Mr. Cheng, the beneficial owner of the entire issued share capital of the Subscriber, is interested in 431,132,580 Shares, representing approximately 55.51% of the issued share capital of the Company. Mr. Cheng is a substantial shareholder (as defined under the Listing Rules) of the Company and a connected person (as defined under the Listing Rules) of the Company, and as such, the Subscriber is also a connected person of the Company.

### **Conditions Precedent**

Completion of the Subscription Agreement is conditional upon:

- (a) all necessary consents and approvals required to be obtained on the part of the Company and the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (b) the Company having obtained (where applicable) the approval of the Independent Shareholders of the Subscription Agreement and the transactions contemplated thereunder at the SGM;
- (c) the Company having complied with and to the satisfaction of the Stock Exchange all requirements under the Listing Rules in relation to the issue of the Convertible Bonds;
- (d) the Listing Committee granting listing of and permission to deal in the Conversion Shares; and
- (e) none of the warranties given by the Company under the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect.

In the event that the conditions have not been fulfilled on or before the Long Stop Date or such later date as may be agreed between the Company and the Subscriber, the Subscription Agreement will cease and terminate and the parties will be released from all obligations thereunder, save for liabilities for any antecedent breaches.

## **Conversion price**

The initial Conversion Price of HK\$0.43 per Share represents a discount of approximately 18.9% to the closing price of HK\$0.53 per Share on 8 April 2013, the date of the Subscription Agreement, and a discount of approximately 25.3% to the average closing price of HK\$0.576 per Share as quoted on the Stock Exchange for the five trading days immediate prior to the date of the Subscription Agreement. The Conversion Price will be subject to adjustment for subdivision or consolidation of Shares, issue any Shares credited as fully paid by way of capitalization of profits or reserves (other than Shares issued in lieu of the whole or any part of a cash dividend), capital distribution to holders of Shares provided that the Conversion Price shall not be less than the par value of a Share, rights issues and issues of securities at a price less than 90% of the then market price per Share. The initial Conversion Price was determined after arm's length negotiation between the parties.

Assuming the aggregate principal amount of the Convertible Bonds is HK\$314,640,110, and upon full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into a maximum of 731,721,186 Shares, representing approximately 94.2% of the existing issued share capital of the Company and approximately 48.5% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds.

## **PRINCIPAL TERMS OF THE CONVERTIBLE BONDS**

The principal terms of the Convertible Bonds were determined after arm's length negotiations between the parties and are summarized below:

Principal amount:	The aggregate principal amount of the Convertible Bonds is not more than HK\$314,640,110.
Interest:	The Convertible Bonds bear no interest.
Maturity Date:	Five years after the first issue of the Convertible Bonds.
Status:	The Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and will rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law. No application will be made for a listing of the Convertible Bonds in any jurisdiction.
Transferability:	The Convertible Bonds may be assigned or transferred to any party or parties other than a connected person (as defined in the Listing Rules) of the Company unless necessary approvals of the Stock Exchange (if required) have been obtained.

Conversion Rights: The Bondholders have the right to convert the Convertible Bonds in the whole or in part of the principal amount of the Convertible Bonds at any time from its date of issue before maturity and from time to time in amounts of not less than HK\$1,000,000 on each conversion, save that if at any time, the principal outstanding amount of the Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the principal outstanding amount of the Convertible Bonds may be converted.

No Conversion Shares will be issued if, upon Conversion, (i) the public float of at least 25% of the issued share capital of the Company as enlarged by the issue of Conversion Shares cannot be maintained; and (ii) the aggregate shareholding of such Bondholder, its associates and parties acting in concert with it immediately after such exercise shall be or exceed 29.9% of the then issued share capital of the Company; and such Bondholder and parties acting in concert with it immediately after such exercise shall be required to make a general offer under Rule 26 of the Takeovers Code.

Ranking: The Conversion Shares will rank pari passu in all respects with the Shares then in issue.

Redemption: The Company has no obligation to redeem the Convertible Bonds prior to the Maturity Date unless an event of default as provided in the conditions of the Convertible Bonds has occurred prior to the Maturity Date. An event of default include: (i) the Company fails to pay the principal amount when due or the Company fails to pay interest (if any), premium (if any) on the Convertible Bonds when due; (ii) the Company defaults in performance or observance or compliance with any of its other obligations set out in the conditions of the Convertible Bonds; (iii) an order is made or an effective resolution is passed for winding-up or dissolution of the Company or the Company disposes of all or substantially all of its assets otherwise than for the purposes of or pursuant to a consolidation, amalgamation, merger or reorganisation; (iv) an encumbrancer takes possession or a receiver is appointed of the whole or any part of the undertaking or assets of the Company; (v) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a material part of the property of the Company; (vi) the Company becomes insolvent or is unable to pay its debts as they mature; and (vii) proceedings shall have been initiated against the Company under any applicable bankruptcy, reorganization or insolvency law.

The Company may redeem the Convertible Bonds if prior written consent is obtained from the holders of not less than 75% of the Convertible Bonds then outstanding.

## **COMPLETION OF ISSUE AND SUBSCRIPTION OF THE CONVERTIBLE BONDS**

Completion is to take place within three Business Days after the conditions precedent stated in above section headed “Conditions Precedent” have been fulfilled or such later time and date as the Company and the Subscriber may agree in writing.

## **REASONS FOR THE ISSUE OF THE CONVERTIBLE BONDS**

The Group is principally engaged in the film production and related business, film processing, rental of property and property development.

The Directors consider that the issue of the Convertible Bonds represents an opportunity for the Company to raise additional fund under the current global financial conditions at relatively low cost with strong support from its largest shareholder. As stated in the annual results announcement of the Company for the year ended 31 December 2012 dated 27 March 2013, the Group will identify high potential property development projects to accumulate land bank. As the property development projects would require an extensive amount of capital, the issue of the Convertible Bonds will provide the Company with immediate funding and an opportunity for the Group, if the conversion rights attaching to the Convertible Bonds are exercised, to enlarge and strengthen its capital base. Having considered the Convertible Bonds bear no interest, the Directors (excluding the independent non-executive Directors) consider that issue of the Convertible Bonds is an appropriate means of fund raising of the Company.

The Directors (excluding the independent non-executive Directors who will express their views in the circular to the Shareholders) are of opinion that the terms of the Convertible Bonds, which were arrived at after arm’s length negotiation between the Company and the Subscriber are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **USE OF PROCEEDS**

Assuming the aggregate principal amount of the Convertible Bonds is HK\$314,640,110, the net proceeds (after deducting estimated expenses and excluding the amount to be satisfied by the Shareholder’s Loan) from the issue of the Convertible Bonds is expected to be not more than HK\$298.7 million and the net price per Conversion Share is approximately HK\$0.428. It is intended that the net proceeds will be applied for additional funding to accumulate land bank and as general working capital of the Company.

## EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following fund raising activities in the past twelve months immediately preceding the date of this announcement:

Date of announcement or prospectus	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds up to the date of this announcement
28 February 2013	Placing of new Shares under general mandate	Approximately HK\$28 million (after deducting related placing commissions and other related expenses)	General working capital	HK\$1,280,000 as general working capital and the remaining balance is held at financial institution
4 June 2012	Open offer	Approximately HK\$180 million (after deducting expenses)	(a) HK\$75,600,000 as repayment of a short term loan due in September 2012; (b) approximately HK\$95,000,000 for construction and development costs of the project in Hunan Province, the PRC; and (c) approximately HK\$9,400,000 as general working capital of the Group	(a) HK\$75,600,000 as repayment of a short term loan due in September 2012; (b) approximately HK\$86,186,000 for construction and development costs of the project in Hunan Province, the PRC; (c) approximately HK\$9,400,000 as general working capital of the Group; and (d) the remaining balance is held at financial institution

Save as disclosed above, there has been no equity fund raising activity in the Company in the twelve months immediately preceding the date of this announcement.

## EFFECT ON SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 776,720,096 Shares in issue. The shareholding structure of the Company as at (i) the date of this announcement; and (ii) immediately after full conversion of the Convertible Bonds at the initial Conversion Price are as follows:

Shareholders	As at the date of this announcement		Immediately after full conversion of the Convertible Bonds (Note 2)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Cheng and the Subscriber (Note 1)	431,132,580	55.51%	1,162,853,766	77.09%
Other Shareholders	345,587,516	44.49%	345,587,516	22.91%
Total	<u>776,720,096</u>	<u>100%</u>	<u>1,508,441,282</u>	<u>100%</u>

*Notes:*

1. The entire issued share capital of the Subscriber is owned by Mr. Cheng.
2. The shareholding structure sets out in this column is for illustration purposes only based on the subscription amount of the Convertible Bonds of HK\$314,640,110.

## **APPLICATION FOR LISTING**

An application will be made by the Company to the Listing Committee for the listing of and permission to deal in the Conversion Shares.

## **INFORMATION OF THE SUBSCRIBER**

The Subscriber is a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is owned by Mr. Cheng. It is an investment vehicle of Mr. Cheng and save for the proposed investment in the Convertible Bonds, the Subscriber does not have any other business activities.

## **LISTING RULES IMPLICATION**

As at the date of this announcement, Mr. Cheng, the beneficial owner of the entire issued share capital of the Subscriber, is interested in 431,132,580 Shares, representing approximately 55.51% of the issued share capital of the Company. Mr. Cheng is a substantial shareholder (as defined under the Listing Rules) of the Company and a connected person (as defined under the Listing Rules) of the Company, and as such, the Subscriber is also a connected person of the Company. The Subscription Agreement and the transactions contemplated thereunder therefore constitute connected transactions on the part of the Company under the Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirements.

Accordingly, the Subscription Agreement and the transactions contemplated thereunder are subject to the approval by the Independent Shareholders at the SGM by way of a poll. The Subscriber and its associates are required to abstain from voting for the relevant resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM.

The Independent Board Committee will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Subscription Agreement and the transactions contemplated thereunder. An independent financial adviser has been appointed to advise the Independent Board Committee in this regard.

A circular, containing, among other matters, further information on the Subscription Agreement and the transactions contemplated thereunder, the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee to the Independent Shareholders and the notice of the SGM, will be despatched to the Shareholders on or about 17 April 2013.



## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“acting in concert”	has the meaning ascribed to this term under the Takeovers Code
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Bondholders”	holders of the Convertible Bonds
“Business Day”	a day (excluding a Saturday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“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
“Completion”	completion of the Subscription Agreement
“Convertible Bonds”	the convertible bonds with the aggregate principal amount of not more than HK\$314,640,110 to be issued by the Company pursuant to the Subscription Agreement
“Conversion Price”	HK\$0.43, being the initial price per Share at which the Convertible Bonds may be converted into Shares
“Conversion Share(s)”	the Share(s) to be issued by the Company upon exercise by the Bondholders of the conversion rights attaching to the Convertible Bonds
“Directors”	the directors of the Company from time to time
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	comprising Mr. Tsui Pui Hung, Mr. Tang Ping Sum and Mr. Chu To, Jonathan, all being the independent non-executive Directors

“Independent Shareholders”	Shareholders other than Mr. Cheng and his associates
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2013 or such other date as may be agreed between the Company and the Subscriber
“Maturity Date”	five years after the first issue of the Convertible Bonds
“Mr. Cheng”	Mr. Cheng Keung Fai, the beneficial owner of the entire issued share capital of the Subscriber and a substantial shareholder of the Company
“Settlement Deed”	a deed to be entered into by the Company, the Subscriber and Mr. Cheng on Completion, pursuant to which, the parties thereto will agree that the Shareholder’s Loan will be applied to set-off against part of the subscription money payable by the subscriber under the Subscription Agreement
“SGM”	the special general meeting of the Company to be convened and held to consider and approve the Subscription Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Share(s)
“Shareholder’s Loan”	the loan in the aggregate amount of HK\$14,640,110 due and owing by the Company to Mr. Cheng as at the date of the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Full Dragon Group Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is held by Mr. Cheng

“Subscription Agreement”	the agreement dated 8 April 2013 entered into between the Company and the Subscriber in relation to the subscription by the Subscriber of the Convertible Bonds in the principal amount of not more than HK\$314,640,110
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 8 April 2013

*As at the date of this announcement, the Board comprises six Directors, of which 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.*