Annual Report
2012

Cheung Wo International

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

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Corporate Information

Board of Directors

Executive Directors:
Mr. Jin Lei *(Chairman)*
Ms. Law Kee, Alice
(Chief Executive Officer)
Mr. Hui Wai Lee, Willy

Independent Non-executive Directors:
Mr. Tsui Pui Hung
Mr. Tang Ping Sum
Mr. Chu To, Jonathan

Company Secretary

Mr. Chan Chun Fat

Solicitors

Fairbairn Catley Low & Kong
23/F Shui On Centre,
6-8 Harbour Road
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

Principal Bankers

Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Chong Hing Bank Limited

Audit Committee

Mr. Tang Ping Sum *(Chairman)*
Mr. Tsui Pui Hung
Mr. Chu To, Jonathan

Remuneration Committee

Mr. Chu To, Jonathan *(Chairman)*
Mr. Tang Ping Sum
Mr. Tsui Pui Hung

Nomination Committee

Mr. Tsui Pui Hung *(Chairman)*
Mr. Tang Ping Sum
Mr. Chu To, Jonathan

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong

Room 4101, 41/F.
The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

Chairman's Statement

Dear Shareholders,

On behalf of Cheung Wo International Holdings Limited (the "Company") (formerly known as China Mandarin Holdings Limited) and its subsidiaries (collectively referred to as the "Group"), I am pleased to present you the Group's annual results for the year ended 31 December 2012.

The year 2012 proved to be another challenging one filled with wild swings in our businesses. However, we are confident that our future is bright. The confidence is based on the knowledge that our property project under development has shed lights on the harvesting path. Looking through the lens of global economic uncertainty, the board (the "Board") of directors (the "Directors") remains optimistic towards the potential of the properties under development as the PRC is still the fastest growing economy in the world and acceleration of urbanisation policy becomes the only path to boost prosperity of the country.

The Group's primary business objective is to maximise both its current income and long-term growth, therefore, the Company changed its name to Cheung Wo International Holdings Limited on 19 October 2012 to reflect its vision to become a leading property developer. We stay focused on creating an attractive residential environment by providing a well-maintained, comfortable development with a variety of recreational and social activities and superior amenities, as well as offering a multitude of lifestyle housing choices.

To start realising our vision, our property under development on the plot sized 325,989 square meters located in Jiuhua Economic Zone, Xiangtan, Hunan Province, the PRC, under the project name "Oriental Venice" had been kicked off during the year under review. Under the current plan, the project is intended to be developed into a five-star hotel and low-density residential units with condominiums and townhouses.

Chairman's Statement

The five-star hotel is to be built on a parcel of 78,468 square meters of land and it is designed with Karaoke, conference centre and food and beverage facilities within the hotel. For the year under review, foundation work had been completed, while the completion of property construction and hotel trial run are scheduled toward the end of 2014.

With the five-star hotel highlighting the district, a total of 1,362 residential units including condominiums and townhouses with total floor area of 249,851 square meters will be built. The Group plans to start the pre-sale of selected units by the end of 2013. The property construction is expected to be completed and all residential units will be handed over from 2014 to 2016.

Along with the project "Oriental Venice", the Group is going to commence working on the master plan for its second phase on the adjacent parcel of land of approximately 333,000 square meters upon completion of the land transfer agreement in the first half of 2013.

The development project is of high potential. With a 13.7% growth of Hunan provincial property developmental investment 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 the locals. With the help of the flourishing economy, higher household income has raised the purchasing power of the people in the PRC. Demand for high-end residential properties and shopping arcades remains strong in the second and third-tier cities with prosperous prospects, giving rapid development in these areas. Targeting such high potential markets, the Group will continue to look for investment opportunities in the PRC, with an ultimate goal of achieving better financial performance for our shareholders.

The Group's production of the 3D film "The Monkey King" had been completed during the period under review. It is undergoing post-production in the United States of America (the "US") and is expected to be launched in the Christmas of 2013. In view of the flourishing 3D film market, the Group believes that the "Monkey King" will draw wide acclaim and hit the box office record again, especially in the upsurging PRC film market.

Acknowledgement

On behalf of the Board, I would like to extend our sincere gratitude to all management and staff members for their diligence, dedication and contribution as well as the unceasing support from our business partners, bankers, and the Group's shareholders. In the years to come, we will continue to strive for business growth and seize opportunities to bring increasing returns to our shareholders.

Management Discussion and Analysis

During the period under review, the Group starts to shift the primary business focus toward property development and investment.

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 (the "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.

Management Discussion and Analysis

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 and hotel development and investment in the PRC as well as film production and related businesses.

Property and Hotel Development and Investment Business

Property and hotel 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 湖南九華國際新城開發建設有限公司 (Hunan Jiuhua International City Development Construction Company Limited) ("Jiuhua") in 2011, the Group has started to develop a parcel of land sized 325,989 square meters. The land is located in Jiuhua 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 property construction and hotel trial run are scheduled toward the end of 2014. Equipped with convention and entertainment facilities, including conference centre, food and beverage services and Karaoke, the hotel shall provide a comprehensive and high-end experience of accommodation for the 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 property construction will be completed and residential units will start to be handed over. On the other hand, 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.

Management Discussion and Analysis

The Group continues to hold an optimistic view towards the property and hotel 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 local 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-years 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 Period, the Group had 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 US in order to cater for the international market appetite. It is expected to be launched in the Christmas of 2013. In view of the flourishing 3D film market, the Group believes that the "Monkey King" will draw wide acclaim and hit the box office record again, especially in the upsurging PRC film market.

Film processing

During the period under review, 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

Management Discussion and Analysis

(2011: HK$21,702,000). Operating loss arouse 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 film processing 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, 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).

Management Discussion and Analysis

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: Nil) 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 39 to the financial statements, the Group had no other material litigation or arbitration.

Commitment and contingent liabilities
Save for those disclosed in notes 35, 36 and 39 to the financial statements, there are no other capital commitments nor contingent liabilities that the Group is aware of.

Employees and remuneration policies
Staff costs for the year ended 31 December 2012 were 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 structure
Please refer to notes 31 and 32 to the financial statements for details.

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
During the year under review, the Group had acquired the remaining 9.943% equity interest in 成都中發黃河實業有限公司 (Chengdu Zhongfa Real Estate Development Company Limited) ("Chengdu Zhongfa"), a subsidiary of the Group, at a consideration of HK$30,000,000.

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.

Corporate Governance Report

A Corporate Governance Practices

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has made various amendments to the Code on Corporate Governance Practices (the "Former Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The revised Code, namely Corporate Governance Code (the "Code"), became effective on 1 April 2012. The Company complied with all the applicable code provisions of the Former Code from 1 January 2012 to 31 March 2012. The Company also complied with all the code provisions of the Code from 1 April 2012 to 31 December 2012. This report describes the Company's corporate governance practices and explains its applications.

B Directors' Securities Transactions

The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules was adopted by the Company. Specific enquiry of all Directors who were in office during the financial year ended 31 December 2012 was made and they have confirmed compliance with the Model Code during the financial year.

C Board of Directors

(I) Composition of the Board

The Board currently comprises 6 Directors, with 3 executive Directors and 3 independent non-executive Directors ("INED") whose biographical details are set out in "Biographical Details of Directors" on pages 23 to 24. The Directors for the year and up to the date of this report were as follows:

Executive Directors
Mr. Jin Lei (Chairman)
Ms. Law Kee, Alice (Chief Executive Officer)
Mr. Hui Wai Lee, Willy

Independent Non-executive Directors
Mr. Tsui Pui Hung
Mr. Tang Ping Sum
Mr. Chu To, Jonathan

The Board is comprised of experienced and high competence individuals and a balanced composition of executive and non-executive Directors.

Each Director has been appointed on the strength of his/her calibre, experience and stature, and his/her potential contribution to the growth and development of the Group and its businesses. The Directors had no financial, business, family or other material/relevant relationship with each other during the year under review.

(II) Operation of the Board

The Company is headed by an effective Board which takes decisions objectively in the interests of the Company. To provide effective supervision of and proper guidance to the management, the Board is required to consider and approve decisions in relation to the Group's long-term strategy, annual business plan and financial budget, major acquisition and disposal, dividend policy, appointment of Directors, remuneration policy, risk management and internal control. Apart from formal meetings, matters requiring Board approval were arranged by means of circulation of written resolutions and telephone conference.

A clear division of responsibilities is evident between the Board and the management. Decisions on important matters, such as the Group's strategic policies, major investment, funding decisions and major commitments relating to the Group's operations, are specifically reserved to the Board while decisions on the Group's general day-to-day operations are delegated to the management.

(III) Directors' Training and Continuous Professional Development

Newly appointed Directors have received briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Directors are kept informed of the Group's affairs and development in a timely manner so as to enable them to make an informed decision and to discharge their duties and responsibilities as Directors effectively.

The Company continuously provides updates and presentations to Directors on the latest developments relating to the Group's business and the legislative regulatory requirements to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group.

In 2012, the Company has organised a training session given by a practicing solicitor for Directors to provide updates on the applicable legal and regulatory requirements.

During the year, the Directors have also participated the following:

Directors	Types of Training
Mr. Jin Lei	B,C
Ms. Law Kee, Alice	A,B,C
Mr. Hui Wai Lee, Willy	B
Mr. Tsui Pui Hung	A,B
Mr. Tang Ping Sum	A,B
Mr. Chu To, Jonathan	B

A. attending seminar(s) and/or conference(s) on regulations and updates
B. reading materials relating to the general business, property development and Directors' duties and responsibilities etc.
C. Attending corporate event(s)/visits

Corporate Governance Report

D Chairman and Chief Executive Officer

In order to have a clear division between the management of the Board and the day-to-day management of the business operation of the Group, the role of the chairman is separate from that of the chief executive officer. The chairman, Mr. Jin Lei, focuses on the overall corporate development and strategic direction of the Group and provides leadership for the Board and oversees the efficient functioning of the Board. The chief executive officer, Ms. Law Kee, Alice, is responsible for all day-to-day corporate management matters as well as assisting the chairman in planning and developing the Group's strategies. Such division of responsibilities helps to reinforce their independence and to ensure a balance of power and authority.

E Non-executive Directors

All non-executive Directors are appointed for a specific term of one year from the dates of their appointments which will be renewed automatically unless early terminated by either party with at least one month prior written notice. However, they are appointed subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the provisions of the bye-laws of the Company (the "Bye-laws").

The Company has received the annual confirmations of independence from each of the independent non-executive Director as required under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

F Remuneration Committee

The remuneration committee (the "Remuneration Committee") consists of 3 independent non-executive Directors and Mr. Chu To, Jonathan is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once a year. 1 meeting was held during the financial year ended 31 December 2012, during which the remuneration policy in remunerating the Directors and senior management of the Group was reviewed. None of the Directors participated in the determination of his/her own remuneration. Attendance of the members of the Remuneration Committee is set out in "Attendance Records at Meetings" on page 14.

According to the terms of reference of the Remuneration Committee, its major roles and functions, inter alias, include making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for establishing remuneration policy as well as reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. The terms of reference of the Remuneration Committee are disclosed on the website of the Company.

The emolument payable to Directors depends on their respective terms under the service contracts (if any), and as recommended by the Remuneration Committee. Details of the Directors' emolument are set out in note 8 to the financial statements.

Corporate Governance Report

G Nomination Committee

The Company has set up a nomination committee (the “Nomination Committee”) on 20 March 2012 in compliance with Appendix 14 to the Listing Rules. The Nomination Committee consists of 3 independent non-executive Directors appointed by the Board and Mr. Tsui Pui Hung is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once a year. 1 meeting was held during the financial year ended 31 December 2012. Attendance of the members of the Nomination Committee is set out in “Attendance Records at Meetings” on page 14.

The major duties and functions of the Nomination Committee, inter alias, include reviewing the structure, size and composition of the Board at least annually and make recommendations to the Board on the nomination and appointment of Directors and the succession planning of the Directors. The terms of reference of the Nomination Committee are disclosed on the website of the Company.

H Audit Committee

The Company has set up an audit committee (the “Audit Committee”) consisting of 3 independent non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise. Mr. Tang Ping Sum is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditors of the Company. 3 Audit Committee meetings were held during the financial year ended 31 December 2012. Attendance of the members is set out in “Attendance Records at Meetings” on page 14.

According to the existing terms of reference of the Audit Committee, its major roles and functions, inter alias, are to review the half-year and annual financial statements before submission to the Board and to review the Company’s statement on internal control system. The terms of reference of the Audit Committee are disclosed on the website of the Company.

I Attendance Records at Meetings

The attendance records of each Director at the various meetings of the Company during the year ended 31 December 2012 are set out as follows:

	Attended					
	Annual General Meeting	Special General Meetings	Board Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	Audit Committee Meetings
Number of meetings	1	2	15	1	1	3
Executive Directors						
Mr. Jin Lei	1/1	1/2	15/15	N/A	N/A	N/A
Ms. Law Kee, Alice	1/1	2/2	15/15	N/A	N/A	N/A
Mr. Hui Wai Lee, Willy	1/1	2/2	15/15	N/A	N/A	N/A
Independent Non-Executive Directors						
Mr. Chu To, Jonathan	1/1	2/2	15/15	1/1	1/1	3/3
Mr. Tang Ping Sum	1/1	2/2	15/15	1/1	1/1	3/3
Mr. Tsui Pui Hung	1/1	2/2	15/15	1/1	1/1	3/3

J Auditors' Remuneration

The fee in relation to the audit services for the financial year ended 31 December 2012 provided by PricewaterhouseCoopers, the external auditor of the Company, amounted to HK$1,750,000.

K Internal Control

The Directors are ultimately responsible for the internal control system of the Group and, through the Audit Committee, have reviewed the effectiveness of the system. The internal control system comprises a well-defined organisational structure with specified limits of authority in place. Areas of responsibility of different business and operational units are clearly defined to ensure effective checks and balances.

Various procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of operational systems failure and to provide reasonable assurance against material errors, losses or fraud.

Corporate Governance Report

For the financial year ended 31 December 2012, a review of the effectiveness of the Group's internal control system and procedures covering the relevant controls, including financial, operational and compliance and risk management, was conducted by the Audit Committee and subsequently reported to the Board. Based on the result of the review, the Directors considered that the Group's internal control system and procedures were effective and satisfactory.

L Directors' Responsibilities for the Financial Statements

The Directors understand and acknowledge their responsibility for overseeing the preparation of financial statements for the financial year ended 31 December 2012, which give a true and fair view of the affairs, profitability and cash flow of the Group in compliance with the requirements of the Companies Ordinance (the "Companies Ordinance") (Chapter 32 of the Laws of Hong Kong) and the applicable disclosure provisions of the Listing Rules.

In preparing the financial statements for the financial year ended 31 December 2012:

(i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;

(ii) prudent and reasonable judgments and estimates are made; and

(iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

M Company Secretary

Under the code provision F.1.1 of the Code, the Company engages Mr. Chan Chun Fat as its company secretary. Mr. Chan is a practicing solicitor and in performing his duties as the company secretary of the Company, he reports to the Board and maintains contacts with the chief executive officer of the Company.

N Constitutional Documents

The Bye-laws were amended to conform with the amendments to the Listing Rules and the Code which became effective on 1 January 2012 by passing a special resolution in the Company's general meeting on 30 May 2012. A copy of the latest consolidated version of the Company's Memorandum of Association and Bye-laws is posted on the websites of the Company and the Stock Exchange respectively.

O Communication with Shareholders

The Company recognises the importance in engaging in regular, effective and fair communication with its shareholders and is committed to conveying important and relevant information to the Shareholders on a timely basis.

The Company strives to ensure that information is made publicly available in a prompt and timely disseminated manner. Disclosure of information is made through announcements on the Stock Exchange, the Company's annual and interim reports, press releases, as well as the Company website (http://www.hmdatalink.com/CheungWo/eng/index.html).

P Shareholders' Rights

(i) Convening a special general meeting by Shareholders

Pursuant to Bye-law 58, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of section 74(3) of the Companies Act of Bermuda.

(ii) Putting forward proposals at general meetings

A Shareholder shall make a written requisition to the Board or the company secretary of the Company at the head office address of the Company, specifying his/her/its shareholding information, his/her/its contact details and the proposal he/she/it intends to put forward at the general meeting regarding any specified transaction/business with supporting documents.

(iii) Putting forward enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's head office in Hong Kong at Room 4101, 41/F, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong.

Report of the Directors

The Directors have pleasure in presenting to the Shareholders the Company's annual report together with the audited financial statements for the year ended 31 December 2012.

Change of Company Name and Stock Short Name

Subsequent to the passing of a special resolution on 17 October 2012, the name of the Company was changed from "China Mandarin Holdings Limited" to "Cheung Wo International Holdings Limited" and the Chinese name for identification purposes from "中國東方實業集團有限公司" to "長和國際實業集團有限公司" with effect from 19 October 2012.

The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in Bermuda on 23 October 2012. The Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company under Part XI of the Companies Ordinance confirming the new English name of the Company "Cheung Wo International Holdings Limited" and the new Chinese name of the Company "長和國際實業集團有限公司" was also issued by the Registrar of Companies in Hong Kong on 23 November 2012.

The shares of the Company have been traded on the Stock Exchange under the new English stock short name of "CHEUNG WO IHL" in English and "長和國際實業" in Chinese, in place of "CHINA MANDARIN" in English and "中國東方實業" in Chinese, with effect from 10 December 2012.

Principal Activities

The Company is an investment holding company. The Group is principally engaged in property and hotel development and rental in the PRC as well as film production and related businesses.

Results

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement on page 27 of the financial statements.

The Directors do not recommend the payment of a dividend for the year.

Property, Plant and Equipment, and Investment Property

Details of the movements in the property, plant and equipment, and investment property of the Group during the year are set out in notes 13 and 15 to the financial statements, respectively.

Share Capital and Convertible Bonds

Details of movements in the Company's share capital and convertible bonds during the year are set out in notes 31 and 28 to the financial statements, respectively.

Report of the Directors

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves of the Company

As at 31 December 2012, the reserve of the Company available for distribution to the Shareholders amounted to HK$481,573,000. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Director and Directors' Service Contracts

The Directors during the year and up to the date of this report were:

Executive Directors:
Mr. Jin Lei *(Chairman)*
Ms. Law Kee, Alice *(Chief Executive Officer)*
Mr. Hui Wai Lee, Willy

Independent non-executive Directors:
Mr. Tsui Pui Hung
Mr. Tang Ping Sum
Mr. Chu To, Jonathan

In accordance with Bye-laws 87(1) and 87(2), Ms. Law Kee, Alice and Mr. Tang Ping Sum shall retire from office by rotation at the forthcoming annual general meeting, and being eligible, offer themselves for re-election as executive/independent non-executive Directors (as the case may be).

Report of the Directors

The term of office of each of the independent non-executive Directors is for an initial term of one year and renewable automatically for successive terms of one year. Either the independent non-executive Director or the Company may terminate the appointment by giving to the other party at least one month's prior notice in writing. All of the independent non-executive Directors are subject to retirement by rotation in accordance with the Bye-laws.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors independent.

Each of the executive Directors has entered into a service contract with the Company for an initial term of one year and all of which shall continue thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

Executive Director	**Date of commencement of service contract**
Ms. Law Kee, Alice	16 October 2007
Mr. Hui Wai Lee, Willy	6 April 2009
Mr. Jin Lei	8 March 2011

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' and Chief Executive's Interests in Shares of the Company

As at 31 December 2012, none of the Directors and chief executive of the Company have any interests or short positions in the existing shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company or which are required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules to be notified to the Company and the Stock Exchange.

Share Options

The Company's share option scheme (the "Scheme") adopted on 21 August 2001 lapsed on 20 August 2011.

Report of the Directors

Arrangement to Purchase Shares or Debentures

At no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Substantial Shareholders

As at 31 December 2012, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholder had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheng Keung Fai	Beneficial owner	431,132,580	57.08%

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 31 December 2012.

Directors' Interest in Contracts and Connected Transactions

i) **Connected Transactions**

During the year ended 31 December 2012, the Group had entered into transactions which constituted connected transactions under the Listing Rules. Details are set out below:

(a) On 1 March 2012, the Group and Mr. Cheng Keung Fai ("Mr. Cheng"), a controlling shareholder of the Company, entered into two separate supplemental loan agreements in relation to the granting of loans by Mr. Cheng to the Group in the principal amount of HK$55,000,000 and HK$5,000,000 respectively (together, the "Loans"). The Loans are unsecured and currently carry an interest rate of 1% per annum. The maturity date of the Loans is 30 April 2013. The interest incurred during the year was HK$146,000.

(b) Underwriting commission of HK$2,367,000 was paid to Mr. Cheng for being the underwriter of the open offer made by the Company on 26 June 2012.

Report of the Directors

Other than disclosed above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Emolument Policy

The Group remunerates its employees including the Directors, based on their performances, experiences and the prevailing market rate. Other employee benefits include insurance, medical cover and subsidised training programme. Emoluments of the Directors are determined after taking into consideration of their expertise and job specifications.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

Major Customers and Suppliers

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 23.19% and 62.22%, respectively, of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 19.21% and 34.00%, respectively, of the Group's total purchases for the year.

None of the Directors, their associates, or any Shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in the Group's five largest customers and suppliers.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2012.

Events after the Reporting Period

Details of the events after the reporting period of the Group are set out in note 42 to the financial statements.

Report of the Directors

Auditor

PricewaterhouseCoopers, the Company's auditor, will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor for the ensuring year will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Law Kee, Alice
Director

Hong Kong, 27 March 2013

Biographical Details of Directors

Executive Directors

Mr. JIN Lei, aged 41, is the executive Director and chairman of the Company. Mr. Jin has over 19 years solid experience in construction work, property development and operation management. Mr. Jin was a civil engineer of 山東淄川建築設計院 (Architectural Design Institute of Shandong Zichuan) from 1993 to 1995. From 1995 to 2001, Mr. Jin was the 主任工程師 (engineer supervisor) of 山東黃淮糧油機械集團 (濟寧機械設計院土木建築室) (Shandong Huanghuai Cereals & Oils Machinery Group Company (Civil Construction House of Jining Machinery Design Institute)). In 2002, Mr. Jin was awarded by the municipal government of Jining City, Shandong Province, the PRC as one of the 百名經濟管理人才 (Top 100 Managerial Talents in Economics). Mr. Jin holds a bachelor degree from 華東交通大學建築工程系 (Department of Architectural Engineering, East China Jiaotong University), major in 工業與民用建築 (Industrial and Residential Architecture). Mr. Jin was also awarded a master degree in business administration by 中國人民大學 (Renmin University of China) in 2005.

Ms. LAW Kee, **Alice**, aged 46, is an executive Director and the chief executive officer of the Company. Ms. Law joined the Group in September 2007 and was appointed as an executive Director in October 2007. Ms. Law holds a bachelor degree in business administration from University of Management and Technology, USA. She has extensive experience in business development, operation and marketing management. She is a member of The Hong Kong Institute of Directors and a member of The Hong Kong Real Property Federation.

Mr. HUI Wai Lee, Willy, aged 52, is currently a director of Supreme Jewellery Company. Mr. Hui joined the Group as an executive Director in April 2009. He has extensive experience in designing and manufacturing of European-style jewelry.

Independent Non-executive Directors

Mr. TSUI Pui Hung, Walter, aged 38, is a practicing solicitor of the High Court of Hong Kong and an independent non-executive director of Unlimited Creativity Holdings Limited (Stock Code: 8079). Mr. Tsui holds the degrees of a Master in Laws from University of London, a Bachelor of Laws (with Honours) from Manchester Metropolitan University, a Bachelor of Science (with Honours) from the Chinese University of Hong Kong, a Postgraduate Certificate in Laws from University of Hong Kong and a Diploma in Translation from the Chinese University of Hong Kong. Mr. Tsui has years of management experience and is familiar with internal control issues and regulatory rules of listed company.

Mr. TANG Ping Sum, aged 56, obtained a bachelor degree of commerce from University of Western Australia in December 1981 and a master degree of applied finance from Macquarie University, Australia in April 1992. He is a certified practicing accountant of Australia and was a fellow member of the Hong Kong Institute of Certified Public Accountants until 2007. Mr. Tang has over 13 years' experiences in the securities industry in Hong Kong.

Biographical Details of Directors

Mr. Tang joined Hantec Investment Holdings Limited (stock code: 111, now known as Cinda International Holdings Limited), a company listed on the Stock Exchange, in January 1998. He was appointed as its executive director in May 2000 until October 2006. He was then the head of China division of Taifook Securities Group from January 2007 to September 2008, responsible for developing its securities businesses in China. Mr. Tang is currently the responsible officer and executive director of Grand Partners Asset Management Limited ("Grand Partners") and is mainly responsible for monitoring the risk control of Grand Partners.

From March 2003 to December 2006, Mr. Tang was an independent non-executive director of Cosmopolitan International Holdings Limited (stock code: 120), a company listed on the Stock Exchange. He was an independent non-executive director of Sino Resources Group Limited (stock code: 223), a company listed on the Stock Exchange, from 30 April 2009 to 31 December 2010; and a non-executive director of Univision Engineering Limited (AIM code: UVEL), a company listed on the Alternative Investment Market of the London Stock Exchange, from December 2005 to December 2011. He is currently an independent non-executive director of China Investment Development Limited (stock code: 204), a company listed on the Stock Exchange, since 6 April 2011.

Mr. CHU To, Jonathan, aged 48, obtained a bachelor degree of science from University of Toronto, Canada in 1986. He has over 24 years of experience in the finance sector and has extensive experience particularly in private equity (including pre-IPO investments) and fund management. Mr. Chu was the deputy managing director and responsible officer of China Everbright Securities (HK) Limited and China Everbright Forex and Futures (HK) Limited from May 2003 to October 2011. Mr. Chu is currently the responsible officer of Sun Securities Limited and he is mainly responsible for monitoring daily operations. In addition, Mr. Chu is currently the chairman and chief executive officer of Metallix Resources Limited, the company principally engages in mining and processing of lead, zinc and copper ores.

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Cheung Wo International Holdings Limited
(Formerly known as China Mandarin Holdings Limited)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Cheung Wo International Holdings Limited (formerly known as China Mandarin Holdings Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages 27 to 99, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	5	34,813	54,510
Cost of sales	7	(40,909)	(27,577)
Gross (loss) profit		(6,096)	26,933
Other income	5	11,182	4,672
Fair value gain on an investment property	15	–	26,532
Gain on disposal of a property held for sale		–	41,328
Administrative expenses	7	(31,127)	(30,406)
Operating (loss) profit		(26,041)	69,059
Finance income	6	883	802
Finance costs	6	(5,717)	(1,533)
Share of results of an associate	18	(58)	(57)
(Loss) Profit before income tax		(30,933)	68,271
Income tax credit (expense)	9	13,590	(10,507)
(Loss) Profit for the year		(17,343)	57,764
(Loss) Profit attributable to:			
Equity holders of the Company		(17,422)	54,798
Non-controlling interests		79	2,966
		(17,343)	57,764
(Loss) Earnings per share attributable to equity holders of the Company	12	2012	2011 (restated)
Basic			
– For (loss) profit for the year		HK(2.96) cents	HK13.17 cents
Diluted			
– For (loss) profit for the year		HK(2.96) cents	HK11.15 cents

Details of the dividends are disclosed in note 11 to the consolidated financial statements.

The notes on pages 35 to 99 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

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

The notes on pages 35 to 99 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Goodwill	16	194,453	194,285
Property, plant and equipment	13	84,478	41,444
Land use right	14	317,856	326,055
Investment property	15	352,130	351,827
Investment in an associate	18	65,980	66,038
Prepayments and deposits paid	22	55,768	1,786
Film rights		102	101
Total non-current assets		1,070,767	981,536
Current assets			
Film production in progress		530	18,957
Properties development in progress	19	441,821	428,867
Inventories	20	474	1,243
Trade receivables	21	12,037	7,043
Other receivables, prepayments and deposits paid	22	157,899	81,212
Tax recoverable		13	–
Cash and cash equivalents	23	66,089	48,133
Total current assets		678,863	585,455
Current liabilities			
Trade payables	24	6,418	8,618
Other payables, accruals and deposits received	25	27,223	24,740
Interest-bearing bank and other borrowings	26	32,211	108,721
Obligations under finance leases	27	1,189	1,034
Loans from a shareholder	30	14,640	14,640
Tax payable		6,115	3,263
Total current liabilities		87,796	161,016
Net current assets		591,067	424,439
Total assets less current liabilities		1,661,834	1,405,975

The notes on pages 35 to 99 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Convertible bonds	28	42,070	39,304
Deposits received		3,055	1,514
Deferred income tax liabilities	29	249,044	265,788
Interest-bearing bank borrowings	26	135,435	–
Obligations under finance leases	27	3,710	4,398
Total non-current liabilities		433,314	311,004
Net assets		1,228,520	1,094,971
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	31	6,866	343,318
Reserves	32	1,221,654	721,226
		1,228,520	1,064,544
Non-controlling interests		–	30,427
Total equity		1,228,520	1,094,971

The financial statements were approved by the Board of Directors on 27 March 2013 and were signed on its behalf.

Law Kee, Alice
Director

Hui Wai Lee, Willy
Director

The notes on pages 35 to 99 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to equity holders of the Company									
	Issued capital *HK$'000*	Share premium *HK$'000*	Contributed surplus[2] *HK$'000*	Equity component of convertible bonds *HK$'000*	Exchange reserve *HK$'000*	Special reserve[3] *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2011	209,078	10,827	119,162	–	9,913	17,926	116,589	483,495	26,212	509,707
Exchange differences arising on translation of foreign operations	–	–	–	–	40,385	–	–	40,385	1,425	41,810
Profit for the year	–	–	–	–	–	–	54,798	54,798	2,966	57,764
Total comprehensive income for the year	–	–	–	–	40,385	–	54,798	95,183	4,391	99,574
Issue of convertible bonds	–	–	–	149,228	–	–	–	149,228	–	149,228
Issue of shares (note 31(a))	134,240	336,386	–	(134,164)	–	–	–	336,462	–	336,462
Acquisition of non-controlling interests	–	–	–	–	–	–	176	176	(176)	–
At 31 December 2011	343,318	347,213[1]	119,162[1]	15,064[1]	50,298[1]	17,926[1]	171,563[1]	1,064,544	30,427	1,094,971
At 1 January 2012	343,318	347,213	119,162	15,064	50,298	17,926	171,563	1,064,544	30,427	1,094,971
Exchange differences arising on translation of foreign operations	–	–	–	–	1,205	–	–	1,205	–	1,205
Loss for the year	–	–	–	–	–	–	(17,422)	(17,422)	79	(17,343)
Total comprehensive loss for the year	–	–	–	–	1,205	–	(17,422)	(16,217)	79	(16,138)
Capital reorganisation (note 31(c))	(339,885)	–	339,885	–	–	–	–	–	–	–
Issue of shares (note 31(d))	3,433	181,272	–	–	–	–	–	184,705	–	184,705
Share issue expenses	–	(5,018)	–	–	–	–	–	(5,018)	–	(5,018)
Acquisition of non-controlling interests (note 34)	–	–	–	–	–	–	506	506	(30,506)	(30,000)
At 31 December 2012	6,866	523,467[1]	459,047[1]	15,064[1]	51,503[1]	17,926[1]	154,647[1]	1,228,520	–	1,228,520

1 *These reserve accounts comprise the consolidated reserves of HK$1,221,654,000 (2011: HK$721,226,000) in the consolidated statement of financial position.*

2 *Contributed surplus of the Group arose was from the Company's capital reorganisation on 6 September 2010 and 24 May 2012.*

3 *Special reserve of the Group mainly represents the sum of the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the group reorganisation in 2001 of approximately HK$10,420,000 and the consideration for the acquisition of additional interests in jointly-controlled entities which became wholly-owned subsidiaries by the substantial shareholder of the Company prior to the group reorganisation of HK$7,506,000.*

The notes on pages 35 to 99 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
(Loss) Profit before income tax		(30,933)	68,271
Adjustments for:			
Interest income on short-term bank deposits	6	(301)	(131)
Finance costs	6	5,717	1,533
Depreciation	7	4,089	2,985
Loss on disposal of property, plant and equipment	7	130	56
Gain on disposal of a property held for sale		–	(41,328)
Reversal of provision for impairment of trade receivables	7	(79)	(813)
Fair value gain on an investment property	15	–	(26,532)
Share of results of an associate	18	58	57
		(21,319)	(4,098)
Changes in working capital:			
Decrease (Increase) in film rights and film production in progress		18,426	(13,618)
Decrease in inventories		769	762
Increase in properties development in progress		(7,055)	(7,324)
(Increase) Decrease in trade receivables		(4,907)	1,414
Increase in other receivables, prepayments and deposits paid		(130,391)	(79,389)
(Decrease) Increase in trade payables		(2,200)	7,014
(Decrease) Increase in other payables, accruals and deposits received		(5,179)	748
Cash used in operations		(151,856)	(86,295)
Hong Kong profits tax paid		(664)	(296)
PRC corporate income tax recovered (paid)		140	(398)
Net cash flows used in operating activities		(152,380)	(86,989)

The notes on pages 35 to 99 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(31,419)	(24,360)
Proceeds from disposal of a property held for sale, net of direct expenses attributable to the disposal		–	43,828
Proceeds from disposal of property, plant and equipment		25	200
Acquisition of a subsidiary, net of cash acquired	33	–	1,710
Acquisition of remaining interest of a subsidiary	34	(30,000)	–
Increase in investment of an associate		–	(19,000)
Interest received		301	131
Net cash flows (used in) generated from investing activities		(61,093)	2,509
Cash flows from financing activities			
Proceeds from issue of shares	31(d)	184,705	–
Transaction costs attributable to issue of shares		(5,018)	–
Proceeds from bank loans and other borrowings		165,435	51,200
Repayment of bank loans and other borrowings		(106,563)	(176)
Proceeds from loans from a shareholder		–	60,000
Repayment to a shareholder		–	(45,360)
Interest paid on bank and other borrowings, loans from a shareholder and commitment fee		(5,857)	(1,123)
Interest element of finance lease rental payments		(230)	(40)
Capital element of finance lease rental payments		(1,113)	(168)
Net cash flows generated from financing activities		231,359	64,333
Net increase (decrease) in cash and cash equivalents		17,886	(20,147)
Cash and cash equivalents at beginning of year		48,133	64,764
Effect of foreign exchange rate changes, net		70	3,516
Cash and cash equivalents at end of year		66,089	48,133
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the consolidated statement of financial position	23	66,089	48,133

The notes on pages 35 to 99 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Investments in subsidiaries	17	6,172	6,172
Current assets			
Prepayments		176	437
Amounts due from subsidiaries	17	1,069,949	891,668
Cash and cash equivalents	23	10,397	11,166
Total current assets		1,080,522	903,271
Current liabilities			
Accruals	25	1,584	1,133
Interest-bearing bank borrowings	26	1,430	1,613
Loans from a shareholder	30	14,640	14,640
Total current liabilities		17,654	17,386
Net current assets		1,062,868	885,885
Total assets less current liabilities		1,069,040	892,057
Non-current liabilities			
Convertible bonds	28	42,070	39,304
Total non-current liabilities		42,070	39,304
Net assets		1,026,970	852,753
Equity			
Equity attributable to equity holders of the Company			
Issued capital	31	6,866	343,318
Reserves	32	1,020,104	509,435
Total equity		1,026,970	852,753

The financial statements were approved by the Board of Directors on 27 March 2013 and were signed on its behalf.

Law Kee, Alice
Director

Hui Wai Lee, Willy
Director

The notes on pages 35 to 99 are an integral part of these financial statements.

Notes to the Financial Statements

Year ended 31 December 2012

1. Corporate information

Cheung Wo International Holdings Limited (formerly known as China Mandarin Holdings Limited) (the "Company") 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 (together, the "Group") consist of film distribution and licensing, film processing, rental of property, and property and hotel development.

These financial statements have been approved for issue by the Board of Directors on 27 March 2013.

2.1 Basis of preparation

These 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.

The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

(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 these financial statements.

Amendment to HKAS 12	Deferred tax: Recovery of underlying assets

2.1 Basis of preparation *(continued)*

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

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.

2.2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Subsidiaries

Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date any gains or losses arising from such re-measurement are recognised in profit or loss.

2.2 Summary of significant accounting policies *(continued)*

(a) Subsidiaries *(continued)*

Consolidation (continued)

(i) Business combinations *(continued)*

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners.

The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

2.2 Summary of significant accounting policies *(continued)*

(b) Separate financial statements *(continued)*

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Associate

Associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in an associate includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of an associate' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate has been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in an associate are recognised in the consolidated income statement.

2.2 Summary of significant accounting policies *(continued)*

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified collectively as the board of directors that makes strategic decisions.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

All foreign exchange gains and losses are presented in the consolidated income statement within 'finance costs/income – net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(iii) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each consolidated income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised in other comprehensive income.

2.2 Summary of significant accounting policies *(continued)*

(e) Foreign currency translation *(continued)*

(iii) Group companies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Exchange difference arising are recognised in other comprehensive income.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or jointly controlled entities that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(f) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.2 Summary of significant accounting policies *(continued)*

(g) Property, plant and equipment

Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over the lease terms
Buildings	2.5%
Furniture and fixtures	20%
Leasehold improvements	Over the shorter of the lease terms or 20%
Motor vehicles	10% – 25%
Plant, machinery and equipment	20% – $33^1/_3$%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.2(j)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

(h) Land use right

The up-front prepayments made for land use right are expensed in the consolidated income statement on a straight-line basis over the periods of the land use right. When there is impairment, the impairment is expensed in the consolidated income statement.

(i) Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers.

2.2 Summary of significant accounting policies *(continued)*

(i) Investment property *(continued)*

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement.

(j) Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Financial assets

(i) Classification

The Group classifies its financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in currents assets, except for the amounts that are settled or expected to be settle more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'other receivables, prepayments and deposits paid' and 'cash and cash equivalents' in the consolidated statement of financial position.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investment have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

2.2 Summary of significant accounting policies *(continued)*

(l) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(m) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(n) Film rights and film production in progress

Perpetual film rights acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Costs of film rights represent the purchase price of the perpetual film rights and are amortised over the period of the expected income streams.

Film production in progress represents films and television series under production and is stated at production costs incurred to date, less accumulated impairment losses. Such production costs are carried forward as production in progress.

2.2 Summary of significant accounting policies *(continued)*

(o) Properties development in progress

Properties development in progress are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties development in progress are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(p) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

(q) Inventories

Inventories, mainly comprise materials used in film production process, are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out (FIFO) method. Net realisable value is the estimated selling prices in the ordinary course of business, less applicable variable selling expenses.

(r) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(s) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.2 Summary of significant accounting policies *(continued)*

(t) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(v) Convertible bonds

Convertible bonds are mandatorily redeemable on a specific date. The fair value of the liability component of the convertible bond is determined using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the bonds. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in shareholder's equity.

Upon conversion of convertible bonds to ordinary shares, the liability component and equity component of respective convertible bonds are reclassified to share capital and share premium.

The interests on these convertible bonds are recognised in the income statement as interest expense.

(w) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.2 Summary of significant accounting policies *(continued)*

(w) Borrowings and borrowing costs *(continued)*

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

(x) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.2 Summary of significant accounting policies *(continued)*

(x) Current and deferred income tax *(continued)*

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(y) Employee benefits

Retirement benefits schemes

The Group continues to operate a defined contribution scheme (the "Defined Contribution Scheme") for its employees in Hong Kong, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the Defined Contribution Scheme. When an employee leaves the Defined Contribution Scheme before his/her interest in the employer contributions vests fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

Apart from the Defined Contribution Scheme, the Group participates in a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the People's Republic of China ("PRC") are required to participate in central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2.2 Summary of significant accounting policies *(continued)*

(z) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the amount of revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the production and distribution of films, when the production is completed and the film is released, the film has been distributed to the cinema circuit and the amount can be measured reliably, which is generally when the cinema circuit confirms to the Group its share of box office receipts;

(c) from the licensing of the distribution and broadcasting rights over films and television series, when the Group's entitlement to such payments has been established which, subject to the terms of the relevant agreements, is usually upon delivery of the film negatives to the customers;

(d) from the provision of film processing service, when the services are provided;

(e) rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease;

(f) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(g) dividend income, when the shareholder's right to receive payment has been established.

(aa) Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2.2 Summary of significant accounting policies *(continued)*

(bb) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

(cc) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

(dd) Financial guarantee contracts

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognised when it is probable that the Group has obligations under such guarantees and an outflow of economic resources will be required to settle the obligations.

3. Significant accounting estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3. Significant accounting estimates and assumptions *(continued)*

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in note 2.2(f).

The recoverable amount of an asset or a cash-generating unit has been determined based on its fair value less cost to sell or value in use. These calculations require the use of estimates (note 16).

The fair value less cost to sell or value in use calculations primarily use cash flow projections based on financial budgets, in general covered five years, approved by management and estimated terminal values at the end of the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected operating margin, growth rates and selection of discount rates, to reflect the risks-involved and the earnings multiple that can be realised for the estimated terminal value.

Management prepared the financial budgets reflecting actual performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the result of the impairment reviews.

(b) Estimation of fair value of an investment property

As described in note 15, the investment property of the Group was revalued at the end of the reporting period on an open market, existing use basis by independent professional qualified valuers. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgements, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

(c) Useful lives and depreciation of property, plant and equipment

The management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions and with reference to the industry practices. It may also change significantly as a result of technical innovations and competitor actions in response to industry cycles.

Management will increase the depreciation charges where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

3. Significant accounting estimates and assumptions *(continued)*

(d) Estimated impairment of property, plant and equipment and land use rights

The Group assesses annually whether property, plant and equipment and land use rights have any indication of impairment. The recoverable amounts, if required, are determined based on value in use calculations or market valuations. These calculations require the use of judgement and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement.

(e) Net realisable value of properties development in progress

The Group writes down properties development in progress to net realisable value based on assessment of the realisability of properties development in progress which takes into account cost to completion based on management's experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties development in progress to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties development in progress is adjusted in the period in which such estimate is changed.

(f) Impairment of trade receivables

Management regularly reviews the recoverability and/or ageing of trade receivables. Appropriate impairment for estimated irrecoverable amounts is recognised in the income statement when there is objective evidence that the asset is impaired.

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flows expected to receive discounted using the original effective interest rate and their carrying value.

3. Significant accounting estimates and assumptions *(continued)*

(g) Impairment of investment in an associate

Management regularly review the recoverability of the Group's investment in an associate, in particular, they consider objective evidence of impairment exists, such as a significant or prolonged decline the fair value of the investment in an associate, significant adverse changes in the market environment and customers' taste to the film production in progress held by the associate. Appropriate impairment for estimated irrecoverable amounts is recognised in the consolidated income statement when there is objective evidence that the asset is impaired.

The recoverable amount of the investment in an associate is the higher of its value in use and fair value less costs to sell. In determining value in use, an entity estimates either: (a) its share of the present value of the estimated future cash flows expected to be generated by the associate and proceeds on disposal, or (b) the present value of estimated future cash flows expected to arise from dividends to be received and proceeds on disposal. Any impairment loss is recognised by writing down the investment in an associate.

(h) Income taxes

The Group is subject to income taxes mainly in statutory jurisdictions of Hong Kong and the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4. 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.

4. Segment information *(continued)*

Year ended 31 December 2012

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

As at 31 December 2012

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

4. Segment information *(continued)*

Year ended 31 December 2011

	Property rental HK$'000	Film distribution and licensing HK$'000	Film processing HK$'000	Property and hotel development HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue:						
External revenue	16,529	16,279	21,702	–	–	54,510
Inter-segment revenue	–	–	165	–	(165)	–
Total revenue	16,529	16,279	21,867	–	(165)	54,510
Segment results	11,721	(3,393)	2,968	(3,801)	–	7,495
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						(1,533)
Profit before income tax						68,271
Income tax expense						(10,507)
Profit for the year						57,764

As at 31 December 2011

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

4. Segment information *(continued)*

(a) Geographical information

2012

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

2011

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

(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.

5. 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 HK$'000	2011 HK$'000
Revenue		
Property rental income (note 15(a))	13,926	16,529
Film distribution and licensing income	13,475	16,279
Film processing income	7,412	21,702
	34,813	54,510
Other income		
Net compensation received relating to a termination of a tenancy agreement (note 15(a))	8,973	–
Write-back of deposits received	307	–
Scrap sales	605	4,199
Others	1,297	473
	11,182	4,672

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Year ended 31 December 2012

6. Finance income and costs

An analysis of finance income and costs is as follows:

	2012 HK$'000	2011 HK$'000
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 (note 28)	**3,026**	10,858
	19,025	19,443
Less: amounts capitalised on qualifying assets	**(13,308)**	(17,910)
Total finance costs	**5,717**	1,533
Finance income:		
Interest income on short-term bank deposits	**(301)**	(131)
Foreign exchange difference, net	**(582)**	(671)
Total finance income	**(883)**	(802)
Net finance costs	**4,834**	731

Borrowing costs of the loans used to finance the property and hotel development projects of the Group have been capitalised at a capitalisation rate of 70% during the year (2011: 92%).

7. Expenses by nature

	2012 HK$'000	2011 HK$'000
Employee benefit expenses (excluding directors' remuneration – note 8):		
Wages and salaries	**12,772**	13,204
Pension costs – defined contribution plans and social security costs	**666**	573
	13,438	13,777
Auditors' remuneration	**1,828**	1,680
Depreciation (note 13)	**4,089**	2,985
Cost of inventories recognised as expenses[1]	**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 (note 15(a))	**2,420**	1,471
Reversal of provision for impairment of trade receivables (note 21)	**(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	**7,224**	10,150
Total cost of sales and administrative expenses	**72,036**	57,983

1 The cost of inventories recognised as expenses for the year is included in "Cost of sales" on the face of the consolidated income statement.

8. Directors' and chief executive's emoluments and five highest paid individuals

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2012 HK$'000	2011 HK$'000
Fees	312	316
Other emoluments:		
Salaries, allowances and benefits in kind	1,539	1,731
Pension costs – defined contribution plans	106	120
	1,957	2,167

2012

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's contribution to pension scheme HK$'000	Total remuneration HK$'000
Executive directors:				
Mr. Jin Lei	–	538	31	569
Ms. Law Kee, Alice	–	832	62	894
Mr. Hui Wai Lee, Willy	–	169	13	182
	–	1,539	106	1,645
Independent non-executive directors:				
Mr. Tsui Pui Hung	120	–	–	120
Mr. Tang Ping Sum	96	–	–	96
Mr. Chu To, Jonathan	96	–	–	96
	312	–	–	312
	312	1,539	106	1,957

8. Directors' and chief executive's emoluments and five highest paid individuals *(continued)*

(a) Directors' and chief executive's emoluments *(continued)*

2011

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's contribution to pension scheme HK$'000	Total remuneration HK$'000
Executive directors:				
Mr. Jin Lei	–	420	23	443
Ms. Lai Pik Chi, Peggy (resigned on 16 May 2011)	–	263	18	281
Ms. Law Kee, Alice	–	866	65	931
Mr. Hui Wai Lee, Willy	–	182	14	196
	–	1,731	120	1,851
Independent non-executive directors:				
Mr. Tsui Pui Hung	120	–	–	120
Mr. Chan Tung Tak, Alain (resigned on 1 March 2011)	20	–	–	20
Mr. Tang Ping Sum	96	–	–	96
Mr. Chu To, Jonathan	80	–	–	80
	316	–	–	316
	316	1,731	120	2,167

There were no arrangements under which a director waived or agreed to waive any remuneration during the year ended 31 December 2012 (2011: same).

8. Directors' and chief executive's emoluments and five highest paid individuals *(continued)*

(b) Emoluments of five-highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2011: two) were directors of the Company, whose emoluments are included in the disclosure set out in note (a) above. The emoluments of the remaining three (2011: three) highest paid individuals are as follows:

	2012 HK$'000	2011 HK$'000
Salaries, allowances and benefits in kind	**1,946**	1,933
Pension costs – defined contribution plans	**41**	31
	1,987	1,964

The emoluments of the three (2011: three) individuals with the highest emoluments are within the following bands:

	2012 Number of individuals	2011 Number of individuals
Nil – HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**1**	1

9. 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 HK$'000	2011 HK$'000
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	(140)	–
Total current tax	3,355	3,415
Deferred tax (note 29)	(16,945)	7,092
Total tax (credit) charge	(13,590)	10,507

A reconciliation of the income tax (credit) expense applicable to (loss) profit before income tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax (credit) expense is as follows:

	2012 HK$'000	2011 HK$'000
(Loss) Profit before income tax	(30,933)	68,271
Tax at the statutory tax rates	(4,123)	14,273
Tax effects of:		
– Expenses not deductible for tax purposes	1,856	1,282
– Income not subject to tax	(1,304)	(7,098)
– Tax losses for which no deferred income tax asset was recognised	8,639	2,101
– Associate's results reported net of tax	10	10
Overprovision in prior years	(120)	(61)
Release of deferred income tax liabilities relating to temporary differences	(20,802)	–
Recognition of deferred income tax liabilities relating to land appreciation tax	1,269	–
Others	985	–
Total tax (credit) charge	(13,590)	10,507

The weighted average applicable tax rate was 13.3% (2011: 20.9%).

10. Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company for the year ended 31 December 2012 includes a loss of HK$5,470,000 (2011: loss of HK$13,587,000) which has been dealt with in the financial statements of the Company (note 32).

11. 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.

12. (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 (note 31(b)) and rights issue in the open offer on 26 June 2012 (note 31(d)) 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 **HK$'000**	2011 HK$'000 (restated)
(Loss) Profit attributable to equity holders of the Company	**(17,422)**	54,798
Weighted average number of ordinary shares in issue (thousands)	**588,907**	416,192

12. (Loss) Earnings per share attributable to equity holders of the Company *(continued)*

(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 HK$'000	2011 HK$'000 (restated)
Earnings		
(Loss) Profit attributable to equity holders of the Company	(17,422)	54,798
Interest expense on convertible bonds (net of tax)	–	–
(Loss) Profit used to determine diluted earnings per share	(17,422)	54,798
Weighted average number of ordinary shares in issue (thousands)	588,907	416,192
Adjustment for:		
– Assumed conversion of convertible bonds (thousands)	–	75,199
Weighted average number of ordinary shares for diluted earnings per share (thousands)	588,907	491,391

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.

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Year ended 31 December 2012

13. Property, plant and equipment

	Group						
	Construction in progress HK$'000	Leasehold land and buildings HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Total HK$'000
At 1 January 2011							
Cost	–	1,100	6,298	4,070	2,890	22,702	37,060
Accumulated depreciation	–	(263)	(5,706)	(2,155)	(1,716)	(21,073)	(30,913)
Net carrying amount	–	837	592	1,915	1,174	1,629	6,147
Year ended 31 December 2011							
Opening net carrying amount	–	837	592	1,915	1,174	1,629	6,147
Additions	25,832	–	88	450	10,009	144	36,523
Acquisition of a subsidiary (note 33)	683	–	83	138	965	68	1,937
Disposals	–	–	–	–	(255)	(1)	(256)
Depreciation	–	(28)	(200)	(1,074)	(1,214)	(469)	(2,985)
Exchange realignment	28	–	3	2	42	3	78
Closing net carrying amount	26,543	809	566	1,431	10,721	1,374	41,444
At 31 December 2011							
Cost	26,543	1,100	6,482	4,975	12,706	22,933	74,739
Accumulated depreciation	–	(291)	(5,916)	(3,544)	(1,985)	(21,559)	(33,295)
Net carrying amount	26,543	809	566	1,431	10,721	1,374	41,444
Year ended 31 December 2012							
Opening net carrying amount	26,543	809	566	1,431	10,721	1,374	41,444
Additions	44,206	–	202	651	1,464	737	47,260
Disposals/Write-off	–	–	(93)	–	–	(62)	(155)
Depreciation	–	(27)	(194)	(1,016)	(2,376)	(476)	(4,089)
Exchange realignment	18	–	–	–	–	–	18
Closing carrying amount	70,767	782	481	1,066	9,809	1,573	84,478
At 31 December 2012							
Cost	70,767	1,100	1,831	4,020	14,170	10,760	102,648
Accumulated depreciation	–	(318)	(1,350)	(2,954)	(4,361)	(9,187)	(18,170)
Net carrying amount	70,767	782	481	1,066	9,809	1,573	84,478

Depreciation expense of HK$4,089,000 (2011: HK$2,985,000) has been charged in 'administrative expenses'.

Construction in progress as at 31 December 2012 mainly comprised hotel units being constructed in the PRC.

13. Property, plant and equipment *(continued)*

During the year, the Group capitalised borrowing costs amounting to HK$7,191,000 (2011: HK$7,979,000) on qualifying assets within property, plant and equipment.

At 31 December 2012, two motor vehicles (2011: one) were held under finance leases as follow:

	2012 HK$'000	2011 HK$'000
Cost	8,693	7,980
Accumulated depreciation	(1,969)	(266)
Net carrying amount	6,724	7,714

The net carrying amount of the Group's interests in leasehold land classified as finance lease and buildings are analysed as follows:

	2012 HK$'000	2011 HK$'000
In Hong Kong, held on leases of:		
Between 10 to 50 years	782	809

At 31 December 2012, the Group's leasehold land classified as finance lease and buildings with a net carrying amount of HK$782,000 (2011: HK$809,000) were pledged to secure banking facilities granted to the Group (note 37).

14. Land use right

The Group's interests in land use right represented prepaid operating lease payments and their net carrying amount are analysed as follows:

	Group	
	2012 HK$'000	2011 HK$'000
In the PRC, held on leases of:		
Between 10 to 50 years	317,856	326,055
At 1 January	326,055	–
Acquisition of a subsidiary (note 33)	–	320,913
Amortisation of land use right	(8,466)	(7,767)
Exchange realignment	267	12,909
At 31 December	317,856	326,055

During the year, the Group has capitalised amortisation of land use right amounted to HK$8,466,000 (2011: HK$7,767,000) on qualifying assets within property, plant and equipment.

At 31 December 2012, the Group's land use right with a net carrying amount of HK$317,856,000, (2011: nil) was pledged to secure banking facilities granted to the Group (note 37).

15. Investment property

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**351,827**	310,223
Fair value gain adjustment	**–**	26,532
Exchange realignment	**303**	15,072
At 31 December	**352,130**	351,827

(a) Amounts recognised in the consolidated income statement for investment property

	2012	2011
	HK$'000	HK$'000
Rental income (note 5)	**13,926**	16,529
Net compensation received relating to termination of a tenancy agreement (note 5)	**8,973**	–
Direct operating expenses of an investment property that generated rental income (note 7)	**(2,420)**	(1,471)
	20,479	15,058

(b) Valuation basis

The Group's investment property is situated in No. 19, Yongling Road, Jinniu District, Chengdu City, Sichuan Province, the PRC.

The Group's investment property was revalued on 31 December 2012 by RHL Appraisal Limited, independent professional qualified valuer, at HK$352,130,000 on an open market and existing use basis. The investment property is leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

(c) The net carrying amount of the Group's investment property is analysed as follows:

	2012	2011
	HK$'000	HK$'000
In the PRC, held on leases of:		
Between 10 to 50 years	**352,130**	351,827

16. Goodwill

The movements of goodwill during the year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**194,285**	–
Acquisition of a subsidiary (note 33)	**–**	186,772
Exchange realignment	**168**	7,513
At 31 December	**194,453**	194,285

Impairment test for goodwill

The goodwill is primarily attributable to the property and hotel development business of the Group. Management has completed its annual impairment test for goodwill by comparing the recoverable amount of the property and hotel development business to its carrying amount as at the reporting date. The recoverable amount is determined based on value in use. These assessments use pre-tax cash flow projections based on financial budgets approved by management.

Management determined budgeted gross margins for the property development and sales business based on the current performance of the property market nearby and their expectations of the market development. Management determined budgeted gross margins of the hotel management business based on their experience in the hotel industry in the PRC and their expectations for the development in the area that the hotel locates. Future cash flows are discounted at a rate of approximately 12%.

The directors are of the view that there was no evidence of impairment of goodwill as at 31 December 2012 arising from the review.

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. A reasonably possible change in key assumptions used in the impairment test for goodwill would not cause the carrying amount to exceed its respective recoverable amount.

17. Investments in subsidiaries

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**6,172**	6,172

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries of the Company at 31 December 2012 and 2011 are as follows:

Name of subsidiary	Place of incorporation/ operations and kind of legal entity	Nominal value of issued and fully paid share capital /registered capital	Percentage of equity attributed to the Company		Principal activities
			2012	2011	
Adore Capital Limited	British Virgin Islands ("BVI")/Hong Kong, limited liability company	United States dollars ("US$") 1	**100**	100	Investment holding
Brilliant Field Corporation Limited	Hong Kong, limited liability company	HK$1	**100**	100	Investment holding
Mandarin Films Limited	Hong Kong, limited liability company	HK$1	**100**	100	Production and distribution of films and provision of management services
Grimston Limited	BVI/Hong Kong, limited liability company	US$10,000	**100**	100	Investment holding
Handful Cotton (Piecegoods) Company Limited	Marshall/Hong Kong, limited liability company	US$1	**100**	100	Investment holding

17. Investments in subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations and kind of legal entity	Nominal value of issued and fully paid share capital /registered capital	Percentage of equity attributed to the Company 2012	2011	Principal activities
Paramount Universal Limited	Hong Kong, limited liability company	HK$1	100	100	Investment holding
Mandarin Films Distribution Company Limited	Hong Kong, limited liability company	HK$20 ordinary shares and HK$10,000,000 non-voting deferred shares (note)	100	100	Distribution of films produced or purchased by the Group
Mandarin Laboratory Limited	Hong Kong, limited liability company	HK$10,000	100	100	Investment holding
Mandarin Laboratory (International) Limited	Hong Kong, limited liability company	HK$1,000,000	100	100	Film processing and storage of films
Mandarin Films Library Limited	Hong Kong, limited liability company	HK$1	100	100	Films licensing
Cheung Wo (Hunan) Property Limited (formerly known as Silverland Enterprises Limited)	BVI/Hong Kong, limited liability company	US$1	100	100	Investment holding
Sino Step Inc.	BVI/Hong Kong, limited liability company	US$1	100	100	Investment holding
Walsbo Limited	Hong Kong, limited liability company	HK$2 ordinary shares and HK$9,800 non-voting deferred shares (note)	100	100	Investment holding
Profit Source International Limited ("Profit Source")	Hong Kong, limited liability company	HK$1	100	100	Investment holding
成都中發黃河實業有限公司^ (Chengdu Zhongfa Real Estate Development Co. Ltd.) ("Chengdu Zhongfa")	PRC, limited liability company	Renminbi ("RMB") 176,000,000	100	90.06	Property holding

17. Investments in subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations and kind of legal entity	Nominal value of issued and fully paid share capital /registered capital	Percentage of equity attributed to the Company 2012	2011	Principal activities
Prosper China Limited	BVI/Hong Kong, limited liability company	US$100	100	100	Investment holding
北京東方新青年文化發展有限公司^	PRC, limited liability company	US$1,250,000	100	100	Distribution of films produced by the Group
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 Jinhua")	PRC, limited liability company	RMB100,000,000	100	100	Property development
湖南九華東方酒店有限公司^ (Hunan Jiuhua Dong Fang Hotel Company Limited) ("Dong Fang Hotel")	PRC, limited liability company	RMB100,000,000	100	100	Hotel development

Note: The deferred shares practically carry no rights to dividends or to receive notice to attend or vote at any general meeting of the Company or to participate in any distribution on winding up.

^ *Chengdu Zhongfa, Hunan Jiuhua, Dong Fang Hotel and 北京東方新青年文化發展有限公司 are registered as wholly-foreign-owned enterprises under the PRC law.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries has issued any debt securities during the year or at the end of the reporting period.

The Company directly holds the interests in Adore Capital Limited, Grimston Limited and Cheung Wo (Hunan) Property Limited (formerly known as Silverland Enterprises Limited). All other interests shown above are indirectly held.

18. Investment in an associate

	Group	
	2012 HK$'000	2011 HK$'000
Share of net deficit	(197)	(139)
Loans to an associate	66,177	66,177
	65,980	66,038

The loans to an associate are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these loans are considered as quasi-equity investment in the associate.

Particulars of the associate are as follows:

Name of entity	Particulars of issued shares held	Place of incorporation/ operations and kind of legal entity	Percentage of nominal value of issued share capital held indirectly by the Company		Principal activities
			2012	2011	
Talent Films Limited	10,000 ordinary shares of HK$1 each	Hong Kong, limited liability company	35	35	Production and distribution of film

The Company's voting power held and profit sharing arrangement in relation to Talent Films Limited is 35%.

The Group's shareholding in the associate represents the equity shares held by the Company.

The summarised financial information in respect of the Group's associate which is accounted for using the equity method is set out below:

	2012 HK$'000	2011 HK$'000
Assets	66,169	65,477
Liabilities	(66,366)	(65,616)
Revenue and other income	–	–
Loss for the year	(58)	(57)

19. Properties development in progress

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**428,867**	–
Acquisition of a subsidiary (note 33)	**–**	399,983
Additions	**12,589**	12,794
Exchange realignment	**365**	16,090
At 31 December	**441,821**	428,867
Properties development in progress comprise:		
Land use right	**415,789**	415,431
Construction costs and capitalised expenditures	**9,984**	3,505
Finance costs capitalised	**16,048**	9,931
	441,821	428,867
Amounts are expected to be completed:		
Within the normal operating cycle included under current assets	**441,821**	428,867

The amount of properties development in progress expected to be recovered after more than one year was HK$441,821,000 (2011: HK$428,867,000).

The properties development in progress consisted of land use right:

	2012	2011
	HK$'000	HK$'000
In the PRC, held on leases of:		
Over 50 years	**415,789**	415,431

20. Inventories

	Group	
	2012	2011
	HK$'000	HK$'000
Raw materials	**473**	1,227
Work in progress	**1**	16
	474	1,243

21. Trade receivables

	Group	
	2012	2011
	HK$'000	HK$'000
Trade receivables	**12,883**	7,968
Provision for impairment	**(846)**	(925)
	12,037	7,043

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	2011
	HK$'000	HK$'000
0 – 90 days	**7,211**	4,076
91 – 180 days	**3,683**	1,554
181 – 365 days	**525**	685
Over 1 year	**618**	728
	12,037	7,043

21. Trade receivables *(continued)*

Ageing of trade receivables which are past due but not impaired is as follows:

	2012 HK$'000	2011 HK$'000
121 – 180 days	**1,301**	1,182
More than 180 days	**431**	1,413
	1,732	2,595

Trade receivables that were past due but not impaired relate to customers that have good track records with the Group. Management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Movements in the provision for impairment of trade receivables are as follows:

	2012 HK$'000	2011 HK$'000
At 1 January	**925**	1,738
Reversal of provision for impairment of trade receivables (note 7)	**(79)**	(813)
At 31 December	**846**	925

The impairment loss recognised on trade receivables is mainly for customers who have financial difficulties.

At 31 December 2012, trade receivables of HK$846,000 (2011: HK$925,000) were individually determined to be impaired. The individually impaired trade receivables relate to receivables which are expected not to be recoverable or only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

21. Trade receivables *(continued)*

The carrying amounts of the trade receivables are denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
HK$	1,886	6,709
RMB	9,935	265
US$	216	69
	12,037	7,043

22. Other receivables, prepayments and deposits paid

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

(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.

23. Cash and cash equivalents

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**65,227**	38,580	**10,397**	2,475
Short-term bank deposits	**862**	9,553	**–**	8,691
	66,089	48,133	**10,397**	11,166

At 31 December 2012, cash and bank balances of the Group denominated in RMB amounted to HK$45,002,000 (2011: HK$19,931,000). RMB is not freely convertible into the other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The effective interest rate on short-term bank deposits is 1.35% (2011: 0.94%) per annum where the deposits have maturities of 7 days (2011: 7 days).

The carrying amount of the cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**19,130**	26,633	**10,035**	7,366
RMB	**45,002**	19,931	**355**	3,793
US$	**1,830**	1,532	**7**	7
Others	**127**	37	**–**	–
	66,089	48,133	**10,397**	11,166

24. 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:

	Group	
	2012	2011
	HK$'000	HK$'000
0 – 90 days	6,418	8,618

The carrying amount of the Group's trade payables are denominated in the following currencies:

	2012	2011
	HK$'000	HK$'000
HK$	112	1,590
RMB	6,306	7,028
	6,418	8,618

25. Other payables, accruals and deposits received

	Group		Company	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Other payables	9,858	8,034	–	–
Accruals	2,954	6,590	1,584	1,133
Accrued interest expense	13,721	9,058	–	–
Deposits in advance	690	1,058	–	–
	27,223	24,740	1,584	1,133

26. Interest-bearing bank and other borrowings

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

	Group 2012 HK$'000	Group 2011 HK$'000	Company 2012 HK$'000	Company 2011 HK$'000
Analysed into:				
Bank loans				
Within one year	1,430	1,613	1,430	1,613
Between 1-2 years	24,625	–	–	–
Between 2-5 years	110,810	–	–	–
	136,865	1,613	1,430	1,613

(i) At 31 December 2012 and 2011, the Group's and the Company'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) (note 13).

(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. Profit Source is the immediate holding company of Chengdu Zhongfa 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 (note 14). The bank borrowings will be matured in June 2018.

26. Interest-bearing bank and other borrowings *(continued)*

The carrying amounts of the Group's and the Company's interest-bearing bank and other borrowings are denominated in the following currencies:

	Group		Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
HK$	**1,430**	47,213	**1,430**	1,613
RMB	**166,216**	61,508	**–**	–
	167,646	108,721	**1,430**	1,613

The carrying amounts of the Group's and the Company's interest-bearing bank and other borrowings approximate to their fair values.

27. 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.

	Group			
	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	**2,575**	3,530	**2,470**	3,319
Total minimum finance lease payments	**5,325**	6,022	**4,899**	5,432
Future finance charges	**(426)**	(590)		
Total net finance lease payables	**4,899**	5,432		
Portion classified as current liabilities	**(1,189)**	(1,034)		
Non-current portion	**3,710**	4,398		

As at 31 December 2012, the carrying amounts of the obligations under finance leases are denominated in HK$ (2011: same).

28. 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:

	Group and Company HK$'000
Nominal value of convertible bond issued (note 33)	515,128
Equity component (note 32(b))	(149,228)
Liability component (note b)	365,900

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

	2012 **HK$'000**	2011 HK$'000
At 1 January	**39,304**	–
Liability component on initial recognition (note a)	**–**	365,900
Conversion of convertible bonds	**–**	(336,462)
Interest expense (note 6)	**3,026**	10,858
Interest payable	**(260)**	(992)
At 31 December	**42,070**	39,304

Interest expense on the liability component of the convertible bonds is calculated using the effective interest method, applying the effective interest rate of 7.698% (2011: 7.698%) per annum to the liability component.

The fair value of the liability component of the convertible bonds as at 31 December 2012 amounted to HK$35,666,000 (2011: HK$31,069,000). The fair value is calculated using the market price of the convertible bonds on the reporting date (or the nearest day of trading).

29. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group	
	2012 **HK$'000**	2011 HK$'000
Deferred income tax assets	**(68)**	(68)
Deferred income tax liabilities	**249,112**	265,856
	249,044	265,788

(a) The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	Group	
	2012 **HK$'000**	2011 HK$'000
Deferred income tax assets:		
Deferred income tax assets to be recovered within 12 months	**(68)**	(68)
Deferred income tax liabilities:		
Deferred income tax liabilities to be recovered after more than 12 months	**249,112**	244,858
Deferred income tax liabilities to be recovered within 12 months	**–**	20,998
	249,112	265,856
Deferred income tax liabilities (net)	**249,044**	265,788

29. Deferred income tax *(continued)*

(a) *(continued)*

The net movements of the deferred income tax account are as follows:

	2012 HK$'000	2011 HK$'000
At 1 January	**265,788**	73,512
Deferred income tax (credited) charged to consolidated income statement (note 9)	**(16,945)**	7,092
Acquisition of a subsidiary (note 33)	**–**	174,577
Exchange realignment	**201**	10,607
At 31 December	**249,044**	265,788

At 31 December 2012, the Group had unused tax losses in Hong Kong of approximately HK$60,231,000 (2011: HK$22,148,000) available indefinitely for offsetting against future taxable profits of the companies in which the losses arose; and unused tax losses in the PRC of HK$11,694,000 (2011: HK$5,821,000) available for offsetting against future profits of the PRC subsidiaries which will be expired in 5 years. No deferred tax assets in respect of such losses has been recognised due to the unpredictability of future taxable profit streams.

There were no unremitted earnings as at 31 December 2012 (2011: same).

29. Deferred income tax *(continued)*

(b) The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax liabilities

	Group					
	Revaluation of land use right HK$'000	Revaluation of investment property HK$'000	Waiver of other payable HK$'000	Accelerated tax depreciation HK$'000	Different bases in reporting revenue with tax authority HK$'000	Total HK$'000
At 1 January 2011	–	52,514	20,817	181	–	73,512
Deferred tax charged (credited) to consolidated income statement during the year	–	6,670	–	(181)	671	7,160
Acquisition of a subsidiary (note 33)	174,577	–	–	–	–	174,577
Exchange realignment	7,023	3,553	–	–	31	10,607
At 31 December 2011	181,600	62,737	20,817	–	702	265,856
Deferred tax charged (credited) to consolidated income statement during the year	1,269	950	(20,802)	–	1,638	(16,945)
Exchange realignment	159	54	(15)	–	3	201
At 31 December 2012	183,028	63,741	–	–	2,343	249,112

Deferred tax assets

	Group Losses available for offsetting against future taxable profits	
	2012 HK$'000	2011 HK$'000
At 1 January	**(68)**	–
Deferred tax credited to the consolidated income statement during the year	**–**	(68)
At 31 December	**(68)**	(68)

30. Loans from a shareholder

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

31. Share capital

	Group and Company	
	2012 **HK$'000**	2011 HK$'000
Authorised:		
100,000,000,000 (2011: 10,000,000,000) ordinary shares of HK$0.01 (2011: HK$0.10) each	**1,000,000**	1,000,000
Issued and fully paid:		
686,637,000 (2011: 3,433,184,000) ordinary shares of HK$0.01 (2011: HK$0.10) each	**6,866**	343,318

A summary of the transactions during the current and prior years with reference to the movements in the Company's authorised and issued ordinary share capital is as follows:

	Note	Number of shares	Amount HK$'000
Authorised:			
At 1 January 2011 and 31 December 2011		10,000,000,000	1,000,000
Share consolidation	(b)	(9,000,000,000)	–
Capital reorganisation	(c)	99,000,000,000	–
At 31 December 2012		100,000,000,000	1,000,000
Issued and fully paid:			
At 1 January 2011		2,090,784,000	209,078
Issue of shares	(a)	1,342,400,000	134,240
At 31 December 2011		3,433,184,000	343,318
Share consolidation	(b)	(3,089,865,000)	–
Capital reorganisation	(c)	–	(339,885)
Open offer	(d)	343,318,000	3,433
At 31 December 2012		686,637,000	6,866

31. Share capital *(continued)*

(a) In 2011, convertible bonds with principal amount of HK$463,128,000 were converted into 1,342,400,000 ordinary shares at HK$0.345 each per share.

(b) On 24 May 2012, every ten authorised and issued shares of HK$0.1 each in the share capital of the Company were consolidated into one consolidated share of HK1.0 each in the share capital of the Company. Accordingly, the number of authorised and issued shares of the Company was reduced by 9,000,000,000 and 3,089,865,000, respectively.

(c) On 24 May 2012, every authorised share of HK$1.0 each was divided into one hundred shares of HK$0.01 each and the number of authorised shares of the Company was increased by 99,000,000,000. Moreover, as a result of such division, the share capital of the Company was reduced by HK$339,885,000 and the credit arising was transferred to the contributed surplus of the Company.

(d) On 26 June 2012, the Company completed the open offer by issuing 343,318,000 shares of HK$0.1 each ("offer shares") on the basis of 1 offer share for every existing share, at a subscription price of HK$0.538 each per share, resulting in a total cash consideration of HK$184,705,000, of which HK$3,433,000 was credited to the share capital and the balance of HK$181,272,000 was credited to the share premium.

32. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(b) Company

	Note	Share premium HK$'000	Contributed surplus HK$'000	Equity component of the convertible bonds HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011		10,827	163,234	–	(2,489)	171,572
Loss for the year	10	–	–	–	(13,587)	(13,587)
Total comprehensive loss for the year		–	–	–	(13,587)	(13,587)
Issue of convertible bonds	28(a)	–	–	149,228	–	149,228
Issue of shares	31(a)	336,386	–	(134,164)	–	202,222
At 31 December 2011		347,213	163,234	15,064	(16,076)	509,435
Loss for the year	10	–	–	–	(5,470)	(5,470)
Total comprehensive loss for the year		–	–	–	(5,470)	(5,470)
Capital reorganisation	31(c)	–	339,885	–	–	339,885
Issue of shares	31(d)	181,272	–	–	–	181,272
Share issue expenses		(5,018)	–	–	–	(5,018)
At 31 December 2012		523,467	503,119	15,064	(21,546)	1,020,104

32. Reserves *(continued)*

(b) Company *(continued)*

Contributed surplus of the Company comprises (i) HK$44,072,000 arising from the excess of the combined net assets of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof at the time of the Group reorganisation; and (ii) HK$459,047,000 arising from the Company's capital reorganisation on 6 September 2010 and 24 May 2012.

33. Business combinations

On 26 January 2011, the Group acquired 100% equity interest in Hunan Jiuhua. Hunan Jinhua's principal activities are property development, property management and hotel management. The acquisition was aimed at diversifying the existing business of the Group.

The purchase consideration for the acquisition amounted to HK$700,000,000 which was satisfied by:

(i) HK$160,000,000 in cash paid on 16 November 2010;

(ii) waiver of a loan due from a former shareholder of Hunan Jiuhua of RMB21,276,000 (equivalent to approximately HK$24,872,000);

(iii) issue of the convertible bonds of HK$515,128,000.

Goodwill arose from a number of factors. Most significant amongst these is synergies expected to arise after the acquisition of Hunan Jiuhua on the equity interests of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

33. Business combinations *(continued)*

The fair values of the identifiable assets and liabilities of Hunan Jiuhua as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Net assets acquired:	
Properties, plant and equipment	1,937
Land use right	320,913
Property development in progress	399,983
Other assets	1,313
Amount due from a shareholder	25,161
Bank balances and cash	1,710
Other loans and liabilities	(63,212)
Deferred taxation	(174,577)
	513,228
Goodwill	186,772
	700,000
Satisfied by:	
Cash	160,000
Convertible bonds	515,128
Waiver of an amount due from a former shareholder of Hunan Jinhua	24,872
	700,000

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition is as follows:

	HK$'000
Cash consideration paid during the year	–
Cash and bank balance acquired	1,710
Net inflow of cash and cash equivalents in respect of the acquisition	1,710

33. Business combinations *(continued)*

Acquisition-related costs of HK$450,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2011.

The acquired business contributed a consolidated loss of HK$3,324,000 to the Group for the period from 27 January 2011 to 31 December 2011. If the acquisition had occurred on 1 January 2011, no consolidated revenue would be contributed but the consolidated loss for the year would have been approximately HK$4,000,000.

34. Transaction with non-controlling interests – acquisition of remaining interest of a subsidiary

On 11 January 2012, the Group acquired the remaining 9.943% of the issued shares of Chengdu Zhongfa at a purchase consideration of HK$30,000,000. The carrying amount of the non-controlling interests in Chengdu Zhongfa on the date of acquisition was HK$30,506,000. The Group recognised a decrease in non-controlling interests of HK$30,506,000 and an increase in equity attributable to equity holders of the Company of HK$506,000. The effect of changes in the ownership interest of Chengdu Zhongfa as at the date of acquisition is summarised as follows:

	HK$'000
Carrying amount of non-controlling interests acquired	30,506
Consideration paid to non-controlling interests	(30,000)
Excess over consideration on acquisition recognised within equity	506

35. Operating lease commitments

(a) As lessor

The Group leases its investment property under operating lease arrangements, with leases negotiated for terms ranging from 2 to 15 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**20,433**	19,413
Between two to five years	**79,221**	81,469
Over five years	**196,156**	48,659
	295,810	149,541

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 2 to 3 years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**6,071**	5,412
Between two to five years	**12,278**	996
	18,349	6,408

36. Other commitments

At the end of the reporting period, the Group had commitments for the following expenditures in respect of:

	Group	
	2012	2011
	HK$'000	HK$'000
Contracted but not provided for:		
Production of a film	**–**	986
Loans to an associate	**5,923**	5,923
Property and hotel development	**484,073**	150,466
Motor vehicle	**–**	696
	489,996	158,071
Authorised but not contracted for:		
Property and hotel development	**1,426,893**	1,592,185
	1,916,889	1,750,256

The Company did not have any significant commitments at the end of the reporting period (2011: nil).

37. Banking facilities and pledge of assets

The Group's banking facilities were secured by the Group's leasehold land classified as finance lease and buildings of HK$782,000 (2011: HK$809,000) (note 13) and land use right of HK$317,856,000 (2011: nil) (note 14).

38. Related party disclosures

(i) Related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the reporting period:

– Underwriting commission of HK$2,367,000 (2011: nil) was paid to Mr. Cheng Keung Fai, a controlling shareholder of the Company, for being the underwriter of the open offer made by the Company on 26 June 2012.

– Interest of HK$146,000 (2011: HK$497,000) was paid to Mr. Cheng for the loans from a shareholder.

– Accountancy service fee of HK$120,000 (2011: HK$120,000) was received from Talent Films Limited, an associate of the Company.

(ii) Compensation of key management personnel

The directors are the key management personnel of the Group. Details of their remunerations are disclosed in note 8(a) to the financial statements.

39. Litigation

On 9 July 2012, a summon was served on Chengdu Zhongfa, 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 Chengdu Zhongfa (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 based on 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.

Notes to the Financial Statements

Year ended 31 December 2012

40. Financial instruments

Categories of financial instruments

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Trade receivables	**12,037**	7,043	**–**	–
Other receivables	**495**	210	**–**	–
Amounts due from subsidiaries	**–**	–	**1,069,949**	891,668
Cash and cash equivalents	**66,089**	48,133	**10,397**	11,166
	78,621	55,386	**1,080,346**	902,834

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities				
Trade payables	**6,418**	8,618	**–**	–
Other payables	**9,858**	8,034	**–**	–
Interest-bearing bank and other borrowings	**167,646**	108,721	**1,430**	1,613
Obligations under finance leases	**4,899**	5,432	**–**	–
Loans from a shareholder	**14,640**	14,640	**14,640**	14,640
Convertible bonds	**42,070**	39,304	**42,070**	39,304
	245,531	184,749	**58,140**	55,557

41. Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and cash equivalents, interest-bearing bank and other borrowings, obligations under finance leases, convertible bonds and loans from a shareholder. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks which are summarised below.

Interest rate risk

At 31 December 2012, the Group had short-term bank deposit of HK$862,000, other borrowings of HK$30,781,000, obligations under finance leases of HK$4,899,000, convertible bonds of HK$42,070,000, and loans from a shareholder of HK$14,640,000 which were interest bearing with fixed interest rates.

At 31 December 2011, the Group had other borrowings of HK$107,108,000, obligation under a finance lease of HK$5,432,000, convertible bonds of HK$39,304,000, and loans from a shareholder of HK$14,640,000 which were interest bearing with fixed interest rates.

At 31 December 2012, the Group had bank borrowings of HK$136,865,000, which were interest bearing with floating interest rates. If interest rates on the bank borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$14,300 higher/lower mainly as a result of higher/lower interest expense on floating rate borrowings, while the total non-current assets would have been approximately HK$1,354,350 higher/lower mainly as a result of higher/lower interest expense of floating rate borrowings capitalised on qualifying assets within property, plant and equipment.

At 31 December 2011, the Group had short-term bank deposits of HK$9,553,000 and bank borrowings of HK$1,613,000, which were interest bearing with floating interest rates. If interest rates on the short-term bank deposits had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$95,530 higher/lower respectively, mainly as a result of higher/lower interest income on floating rate deposits. If interest rates on the bank borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$16,130 lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Foreign currency risk

The Group carries on its sale and purchase transactions mainly in HK$, US$ and RMB. As the foreign currency risk generated from the sales and purchases can be set off with each other, the foreign currency risk is minimal for the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of the business.

41. Financial risk management objectives and policies *(continued)*

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and on an individual basis. Each of the customers has been attached with a trading limit and any excess to the limit must be approved by the general manager of the operation unit. Under the tight control of the credit term and detailed assessment to the creditworthiness of individual customers, the Group's exposure to bad debts is maintained as minimal.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirement.

The Group meets its day to day working capital requirements, capital expenditure and financial obligations through cash inflow from operating activities and the facilities obtained from banks and others.

The directors closely monitor the Group's liquidity position and financial performance and have initiated measures to improve the Group's cash flows. These measures include raising additional capital; extending existing loan facilities; obtaining additional financing from banks and others; and realising certain assets held by the Group through disposal, if considered necessary. The Group is expected to be able to generate sufficient cash flows to cover its operating costs and meet its financial obligations as and when they fall due in the coming twelve months from the date of these financial statements.

41. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Group			
	Within one year or on demand HK$'000	Between two to five years HK$'000	Over five years HK$'000	Total HK$'000
2012				
Trade payables	**6,418**	**–**	**–**	**6,418**
Other payables	**9,858**	**–**	**–**	**9,858**
Interest-bearing bank and other borrowings[1]	**42,474**	**155,621**	**–**	**198,095**
Obligations under finance leases	**1,375**	**3,950**	**–**	**5,325**
Loans from a shareholder[1]	**14,689**	**–**	**–**	**14,689**
Convertible bonds	**260**	**52,539**	**–**	**52,799**
	75,074	**212,110**	**–**	**287,184**
2011				
Trade payables	8,618	–	–	8,618
Other payables	8,034	–	–	8,034
Interest-bearing bank and other borrowings[1]	116,749	–	–	116,749
Obligations under a finance lease	1,246	4,776	–	6,022
Loans from a shareholder[1]	14,689	–	–	14,689
Convertible bonds	260	52,799	–	53,059
	149,596	57,575	–	207,171

41. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

	Company		
	Within one year or on demand HK$'000	Between two to five years HK$'000	Total HK$'000
2012			
Loans from a shareholder[1]	**14,689**	**–**	**14,689**
Interest-bearing bank borrowings[1]	**1,617**	**–**	**1,617**
Convertible bonds	**260**	**52,539**	**52,799**
	16,566	**52,539**	**69,105**
2011			
Loans from a shareholder[1]	14,689	–	14,689
Interest-bearing bank borrowings[1]	1,857	–	1,857
Convertible bonds	260	52,799	53,059
	16,806	52,799	69,605

1 Included in interest-bearing bank and other borrowings amounted to HK$1,617,000 (2011: HK$1,857,000) and loans from a shareholder amounted to HK$14,689,000 (2011: HK$14,689,000) are term loans. The loan agreements contain a repayment on-demand clause, giving the lenders the unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amounts are classified as "on demand".

Notwithstanding the above clause, the directors do not believe that the loans will be called in its entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the lack of events of default; and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans, the maturity terms at 31 December 2012 are HK$14,929,000 in 2013, HK$960,000 between 2014 to 2017 and HK$417,000 from 2018 beyond.

41. Financial risk management objectives and policies *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 2011.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade and other receivables and trade and other payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

42. 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 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, 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.

Five Year Financial Summary

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last five financial years is as follows:

	Year ended 31 December				
	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Results					
Continuing operations revenue	34,813	54,510	126,566	119,488	52,594
(Loss) Profit before income tax from continuing operations	(30,933)	68,271	63,329	8,760	(270,571)
Income tax credit (expense)	13,590	(10,507)	(6,527)	(1,236)	41,433
(Loss) Profit for the year from continuing operations	(17,343)	57,764	56,802	7,524	(229,138)
Discontinued operation					
(Loss) Profit for the year from a discontinued operation	–	–	–	(211)	136
(Loss) Profit for the year	(17,343)	57,764	56,802	7,313	(229,002)
Attributable to:					
Equity holders of the Company	(17,422)	54,798	55,171	6,727	(216,637)
Non-controlling interests	79	2,966	1,631	586	(12,365)
	(17,343)	57,764	56,802	7,313	(229,002)

	At 31 December				
	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Assets and Liabilities					
Total assets	1,749,630	1,566,991	607,979	391,510	404,562
Total liabilities	(521,110)	(472,020)	(98,272)	(140,137)	(223,248)
	1,228,520	1,094,971	509,707	251,373	181,314
Attributable to:					
Equity holders of the Company	1,228,520	1,064,544	483,495	227,639	158,513
Non-controlling interests	–	30,427	26,212	23,734	22,801
	1,228,520	1,094,971	509,707	251,373	181,314

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an annual general meeting of Cheung Wo International Holdings Limited (the "**Company**") will be held at Room 4101, 41/F, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong on Tuesday, 11 June 2013 at 3:00 p.m., to transact the following businesses:

1. to receive and consider the audited consolidated financial statements and the reports of the directors (the "Director(s)") and auditors of the Company for the year ended 31 December 2012;

2. (a) to re-elect Ms. Law Kee, Alice as executive Director;

   (b) to re-elect Mr. Tang Ping Sum as independent non-executive Director; and

   (c) to authorise the board of Directors to fix the Directors' remuneration;

3. to re-appoint Messrs. PricewaterhouseCoopers as the auditors of the Company and to authorise the board of Directors to fix their remuneration.

As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions (with or without modification):

ORDINARY RESOLUTION

4. "**THAT**:

   (a) subject to paragraph (c) below, pursuant to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with unissued shares of the Company (the "**Shares**") and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

   (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the share option scheme of the Company (if applicable); or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:

(aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and

(bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders (the "**Shareholders**") of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of resolution no. 5),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(d) for the purposes of this resolution:

"**Relevant Period**" means the period from the date of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda (as amended) (the "**Companies Act**") or any other applicable law of Bermuda to be held; and

(iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by this resolution;

"**Rights Issue**" means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong)."

5. "**THAT**:

(a) the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to purchase the Shares on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange, the Companies Act and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(c) for the purposes of this resolution, "**Relevant Period**" means the period from the date of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act or any other applicable law of Bermuda to be held; and

(iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by this resolution."

6. "**THAT** the Directors be and are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 4 above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution."

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

Hong Kong, 18 April 2013

Notice of Annual General Meeting

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
Room 4101, 41/F
The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

Notes:

1. A member entitled to attend and vote at the annual general meeting convened by the above notice is entitled to appoint one or, if he is a holder of more than one share, more proxies to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the annual general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.

2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the offices of the Hong Kong branch share registrar of the Company, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the annual general meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the annual general meeting or any adjournment thereof, should he/she/it so wish and in such event, the form of proxy shall be deemed to be revoked.

3. In relation to proposed resolutions nos. 4 and 6 above, approval is being sought from the Shareholders for the grant to the directors of the Company of a general mandate to authorise the allotment and issue of shares of the Company under the Listing Rules. The Directors wish to state that they have no immediate plan to issue any new shares of the Company other than Shares which may fall to be issued upon the conversion of the convertible bond(s) of the Company, or any scrip dividend scheme which may be approved by the Shareholders.

4. In relation to proposed resolution no. 5 above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase Shares in circumstances which they deem appropriate for the benefit of the Shareholders. An explanatory statement containing the information necessary to enable the Shareholders to make an informed decision to vote on the proposed resolution as required by the Listing Rules is set out in Appendix I to the Company's circular dated 18 April 2013.

5. As at the date of this notice, the Board comprises six Directors. The executive Directors are Mr. Jin Lei (Chairman), Ms. Law Kee, Alice (Chief executive officer), and 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.