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CHEUNG WO INTERNATIONAL HOLDINGS LIMITED

長和國際實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00009)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board (the “Board”) of directors (the “Directors”) of Cheung Wo International Holdings Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2013 with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
		HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)
Revenue	4	14,352	10,977
Cost of sales		(3,270)	(7,567)
Gross profit		11,082	3,410
Other income		1,192	10,205
Impairment loss on film production		–	(15,000)
Administrative expenses		(17,219)	(15,242)
Operating loss	6	(4,945)	(16,627)
Finance income		305	359
Finance costs	5	(853)	(5,491)
Share of results of an associate		(22)	(22)
Loss before income tax		(5,515)	(21,781)
Income tax expense	7	(2,636)	(2,103)
Loss for the period		(8,151)	(23,884)
Loss attributable to:			
Equity holders of the Company		(8,151)	(23,963)
Non-controlling interests		–	79
Total		(8,151)	(23,884)
Loss per share attributable to equity holders of the Company			(restated)
Basic	9	HK(1.00)cents	HK(4.67)cents
Diluted		HK(1.00)cents	HK(4.67)cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	(8,151)	(23,884)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Exchange difference arising on translation of foreign operations	<u>30,847</u>	<u>1,521</u>
Total comprehensive income/(loss) for the period	<u>22,696</u>	<u>(22,363)</u>
Total comprehensive income/(loss) for the period attributable to:		
Equity holders of the Company	22,696	(22,442)
Non-controlling interests	<u>-</u>	<u>79</u>
	<u>22,696</u>	<u>(22,363)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		30 June 2013	31 December 2012
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(audited)
Non-current assets			
Goodwill		199,589	194,453
Property, plant and equipment		114,029	84,478
Land use right		321,899	317,856
Investment property		361,430	352,130
Investment in an associate		65,958	65,980
Prepayments and deposits paid		84,638	55,768
Film rights		102	102
		<hr/>	<hr/>
Total non-current assets		1,147,645	1,070,767
Current assets			
Film production in progress		530	530
Properties development in progress		486,514	441,821
Inventories		284	474
Trade receivables	<i>10</i>	12,087	12,037
Other receivables, prepayments and deposits paid		236,608	157,899
Tax recoverable		13	13
Cash and cash equivalents		169,815	66,089
		<hr/>	<hr/>
Total current assets		905,851	678,863
Current liabilities			
Trade payables	<i>11</i>	10,584	6,418
Other payables, accruals and deposits received		23,880	27,223
Interest-bearing bank and other borrowings	<i>12</i>	32,930	32,211
Obligations under finance leases		1,214	1,189
Loans from a shareholder	<i>14</i>	-	14,640
Tax payable		8,762	6,115
		<hr/>	<hr/>
Total current liabilities		77,370	87,796
Net current assets		<hr/> 828,481	<hr/> 591,067
Total assets less current liabilities		<hr/> 1,976,126	<hr/> 1,661,834

		30 June 2013	31 December 2012
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(audited)
Non-current liabilities			
Convertible bonds	<i>13</i>	19,874	42,070
Deposit received		2,946	3,055
Deferred income tax liabilities		255,795	249,044
Interest-bearing bank borrowings	<i>12</i>	176,924	135,435
Obligations under finance leases		3,097	3,710
		<u>458,636</u>	<u>433,314</u>
Total non-current liabilities		458,636	433,314
Net assets		<u>1,517,490</u>	<u>1,228,520</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	<i>15</i>	11,116	6,866
Reserves		1,506,374	1,221,654
		<u>1,517,490</u>	<u>1,228,520</u>
Total equity		<u>1,517,490</u>	<u>1,228,520</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013 (unaudited)

	Attributable to equity holders of the Company									
	Issued capital	Share premium	Contributed surplus	Equity component of convertible bonds	Exchange reserve	Special reserve***	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2013	6,866	523,467	459,047	15,064	51,503	17,926	154,647	1,228,520	-	1,228,520
Exchange differences arising on translation of foreign operations	-	-	-	-	30,847	-	-	30,847	-	30,847
Loss for the period	-	-	-	-	-	-	(8,151)	(8,151)	-	(8,151)
Total comprehensive income for the period	-	-	-	-	30,847	-	(8,151)	22,696	-	22,696
Issue of convertible bonds	-	-	-	155,794	-	-	-	155,794	-	155,794
Issue of shares (note 15)	4,250	226,261	-	(119,584)	-	-	-	110,927	-	110,927
Share issue expenses	-	(447)	-	-	-	-	-	(447)	-	(447)
Balance at 30 June 2013	<u>11,116</u>	<u>749,281*</u>	<u>459,047*</u>	<u>51,274*</u>	<u>82,350*</u>	<u>17,926*</u>	<u>146,496*</u>	<u>1,517,490</u>	<u>-</u>	<u>1,517,490</u>
Balance 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	-	-	-	-	1,521	-	-	1,521	-	1,521
Loss for the period	-	-	-	-	-	-	(23,963)	(23,963)	79	(23,884)
Total comprehensive income for the period	-	-	-	-	1,521	-	(23,963)	(22,442)	79	(22,363)
Capital reorganisation	(339,885)	-	339,885**	-	-	-	-	-	-	-
Issue of shares (note 15)	3,433	181,272	-	-	-	-	-	184,705	-	184,705
Share issue expenses	-	(5,019)	-	-	-	-	-	(5,019)	-	(5,019)
Acquisition of non-controlling interests	-	-	-	-	-	-	506	506	(30,506)	(30,000)
Balance at 30 June 2012	<u>6,866</u>	<u>523,466*</u>	<u>459,047*</u>	<u>15,064*</u>	<u>51,819*</u>	<u>17,926*</u>	<u>148,106*</u>	<u>1,222,294</u>	<u>-</u>	<u>1,222,294</u>

* These reserve accounts comprise the consolidated reserves of HK\$1,506,374,000 (30 June 2012: HK\$1,215,428,000) in the condensed consolidated statement of financial position.

** Contributed surplus of the Group was arisen from the Company's capital reorganisation on 24 May 2012 (note 15(b)).

*** 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 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash flows from (used in):		
Operating activities	(136,487)	(7,464)
Investing activities	(24,012)	(32,231)
Financing activities	<u>265,094</u>	<u>128,535</u>
Net increase in cash and cash equivalents	104,595	88,840
Cash and cash equivalents at beginning of the period	66,089	48,133
Effect of foreign exchange rate changes, net	<u>(869)</u>	<u>775</u>
Cash and cash equivalents at end of the period	<u><u>169,815</u></u>	<u><u>137,748</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<u><u>169,815</u></u>	<u><u>137,748</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Cheung Wo International Holdings Limited (the “Company”) was incorporated in Bermuda on 9 May 2001 as an exempted company with limited liability and its issued shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The head office and principal place of business in Hong Kong 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, property rental and property and hotel development.

This condensed consolidated financial information has not been audited but has been reviewed by the Company’s audit committee.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

3 PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared on the historical cost convention except for an investment property, which have been measured at fair value.

Except for taxes on income in interim periods are accrued using the tax rate that would be applicable to expected total annual earnings, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012 except for the new adoption of HKFRSs as disclosed below.

- (a) New standards and amendments to standards mandatory for the first time for the period beginning 1 January 2013:

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

The adoption of these revised standards had no significant financial effect on these unaudited condensed consolidated financial statements, except that additional disclosures are required.

* Effective for annual periods beginning 1 July 2012, others effective for periods beginning 1 January 2013.

- (b) New standards and amendments to standards that have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

Amendment to HKAS 32	Presentation – offsetting financial assets and financial liabilities ¹
Amendments to HKFRS 7 & HKFRS 9	Mandatory effective date and transaction disclosures ²
HKFRS 9	Financial instruments ²

¹ Effective for annual periods beginning on 1 January 2014

² 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 standard and amendments to new standards that have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted, but is not yet in a position to state whether these new standard and amendments to standards would have a significant impact on its results of operations and financial position.

4 REVENUE AND SEGMENTAL INFORMATION

The Group is organised into four business units – property rental, film distribution and licensing, film processing and property and hotel development. These business units are the basis on which the Group reports its segment information. Segmental information about the revenue and the results of these business units is presented below.

For the six months ended 30 June 2013 (unaudited)

	Property rental <i>HK\$'000</i>	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
External revenue	<u>10,450</u>	<u>2,700</u>	<u>1,202</u>	<u>–</u>	<u>14,352</u>
Segment results	<u>8,702</u>	<u>(4,308)</u>	<u>(1,973)</u>	<u>(3,176)</u>	(755)
Unallocated corporate expenses					(4,212)
Finance income					305
Finance costs					<u>(853)</u>
Loss before income tax					(5,515)
Income tax expense					<u>(2,636)</u>
Loss for the period					<u>(8,151)</u>

For the six months ended 30 June 2012 (unaudited)

	Property rental <i>HK\$'000</i>	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:						
External revenue	4,065	1,663	5,249	–	–	10,977
Intersegment revenue	<u>–</u>	<u>–</u>	<u>123</u>	<u>–</u>	<u>(123)</u>	<u>–</u>
Total revenue	<u>4,065</u>	<u>1,663</u>	<u>5,372</u>	<u>–</u>	<u>(123)</u>	<u>10,977</u>
Segment results	<u>9,188</u>	<u>(20,511)</u>	<u>(1,680)</u>	<u>(2,121)</u>	<u>(123)</u>	(15,247)
Unallocated other income						1,000
Unallocated corporate expenses						(2,402)
Finance income						359
Finance costs						<u>(5,491)</u>
Loss before income tax						(21,781)
Income tax expense						<u>(2,103)</u>
Loss for the period						<u>(23,884)</u>

The following table presents segment assets of the Group's reportable segments as at 30 June 2013 and 31 December 2012:

As at 30 June 2013 (unaudited)

	Property rental <i>HK\$'000</i>	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	371,204	74,024	4,327	1,428,803	1,878,358
Unallocated corporate assets					<u>175,138</u>
Total assets					<u><u>2,053,496</u></u>

As at 31 December 2012 (audited)

	Property rental <i>HK\$'000</i>	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Property and hotel development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	359,748	74,550	5,534	1,237,400	1,822,028
Unallocated corporate assets					<u>72,398</u>
Total assets					<u><u>1,749,630</u></u>

5 FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on bank and other borrowings wholly repayable within five years	6,540	9,910
Interest on convertible bonds	1,463	1,504
Interest on loans from a shareholder	48	73
Interest on finance leases	100	118
Less: amounts capitalised on qualifying assets	<u>(7,298)</u>	<u>(6,114)</u>
Total finance costs	<u><u>853</u></u>	<u><u>5,491</u></u>

6 OPERATING LOSS

The Group's operating loss has been arrived at after charging:

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Auditor's remuneration	982	825
Cost of inventories recognised as expenses*	381	3,637
Uncollected trade receivables recovered	(30)	–
Write-back of impairment of trade receivables	–	(1,025)
Net compensation received relating to termination of a tenancy agreement	–	(7,219)
Minimum lease payments under operating lease	2,991	2,842
Depreciation	1,884	2,003
Professional fees	3,114	1,700
Impairment loss on film production**	–	15,000
Gain on disposal of property, plant and equipment	<u>85</u>	<u>–</u>

* *Cost of inventories recognised as expenses for the period are included in "cost of sales" on the face of the condensed consolidated income statement.*

** *Impairment loss of HK\$15,000,000 relates to the write down of the production costs incurred in the movie of "Floating City", with the recoverable amount being the fair value less costs to sell.*

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. 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.

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Group:		
Current – Hong Kong	–	(1)
Current – PRC	2,466	2,716
Deferred	<u>170</u>	<u>(612)</u>
Total tax charge for the period	<u>2,636</u>	<u>2,103</u>

8 DIVIDENDS

No dividend was paid or proposed during the period, nor has any dividend been proposed since the end of the reporting period (2012: Nil).

9 LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss for the period of HK\$8,151,000 (2012: HK\$23,963,000) attributable to equity holders of the Company, and the weighted average number of 814,657,000 (2012 (restated): 512,832,000) ordinary shares in issue during the period.

For purposes of calculating basic and diluted loss per share, the weighted average number of ordinary shares was adjusted to take into account the effect arising from shares placement on 28 February 2013 undertaken by the Company in the current period. Loss per share for the last financial period had been restated with the above adjustments.

In calculating the diluted loss per share for the period ending 30 June 2013, the net loss attributable to equity holders of the Company was adjusted to eliminate the interest expense (net of tax) arising from the convertible bonds. No adjustment has been made to the calculation of diluted loss per share for the period ended 30 June 2013 and 2012, in respect of the dilution effect of the convertible bonds outstanding has an anti-dilutive effect.

10 TRADE RECEIVABLES

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:

	As at 30 June 2013 HK\$'000 (unaudited)	As at 31 December 2012 HK\$'000 (audited)
0 – 90 days	5,564	7,211
91 – 180 days	1,423	3,683
181 – 365 days	4,686	525
Over 1 year	414	618
	<u>12,087</u>	<u>12,037</u>

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

11 TRADE PAYABLES

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

	As at 30 June 2013 <i>HK\$'000</i> (unaudited)	As at 31 December 2012 <i>HK\$'000</i> (audited)
0 – 90 days	<u>10,584</u>	<u>6,418</u>

12 INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	As at 30 June 2013 <i>HK\$'000</i> (unaudited)	As at 31 December 2012 <i>HK\$'000</i> (audited)
Current				
Bank loans – secured (<i>note i</i>)	3.75	On demand	1,336	1,430
Other borrowings – unsecured	15	April 2014	<u>31,594</u>	<u>30,781</u>
			32,930	32,211
Non-current				
Bank loan – secured (<i>note ii</i>)	8.30	June 2018	<u>176,924</u>	<u>135,435</u>
			<u>209,854</u>	<u>167,646</u>

- (i) At 30 June 2013 and 31 December 2012, the Group's current bank borrowings were secured by the Group's leasehold land and buildings with a net carrying amount of HK\$768,000 (2012: HK\$782,000).
- (ii) At 30 June 2013 and 31 December 2012, the Group's non-current bank borrowings were secured by the Group's land use right with a net carrying amount of HK\$321,899,000 (2012: HK\$317,856,000). The bank borrowings will be matured in June 2018.

13 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. During the period ended 30 June 2013, the remaining principal amount of HK\$52,000,000 was fully converted into 21,443,298 ordinary shares.

On 24 May 2013, the Company issued convertible bonds carrying at zero coupon rate of an aggregate principal amount of HK\$214,640,110. The bonds are convertible at the option of the bondholders into fully paid ordinary shares with a par value of HK\$0.01 each at any time from the date of the issue of the bonds up to an including 24 May 2018 at an initial conversion price of HK\$0.43. Any convertible bonds not converted will be redeemed on 24 May 2018 at face value of the principal amount. During the period ended 30 June 2013, principal amount of HK\$144,000,000 was converted into 334,883,720 ordinary shares.

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

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

- (b) The convertible bonds recognised at initial recognition on 24 May 2013 are calculated as follows:

	<i>HK\$'000</i>
Nominal value of convertible bond issued	214,640
Equity component	<u>(155,795)</u>
Liability component	<u><u>58,845</u></u>

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

	Six months ended 30 June 2013 HK\$'000 (unaudited)	Year ended 31 December 2012 HK\$'000 (audited)
At 1 January	42,070	39,304
Liability component on initial recognition	58,845	–
Conversion of convertible bonds	(82,440)	–
Interest expense	1,463	3,026
Interest payable	(64)	(260)
	<u>19,874</u>	<u>42,070</u>
At 30 June 2013/31 December 2012	<u><u>19,874</u></u>	<u><u>42,070</u></u>

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% to 29.539% (31 December 2012: 7.698%) per annum to the liability component.

The fair value of the liability component of the convertible bonds as at 30 June 2013 amounted to HK\$19,874,000 (31 December 2012: HK\$35,666,000). The fair value is calculated using the market price of the convertible bonds on the reporting date (or the nearest day of trading).

14 LOANS FROM A SHAREHOLDER

As at 30 June 2013, the Group had no loan balance from Mr. Cheng Keung Fai (“Mr. Cheng”), a controlling shareholder of the Group. At 31 December 2012, the Group had outstanding loans of HK\$14,640,000 from Mr. Cheng which were unsecured, borne interest at 1% per annum and were repayable on or before April 2013, but contained a repayment on demand clause. The outstanding balances were fully settled during the period.

15 SHARE CAPITAL

	As at 30 June 2013 HK\$'000 (unaudited)	As at 31 December 2012 HK\$'000 (audited)
Authorised:		
100,000,000,000 (2012: 100,000,000,000) ordinary shares of HK\$0.01 (2012: HK\$0.01) each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
1,111,604,000 (2012: 686,637,000) ordinary shares of HK\$0.01 (2012: HK\$0.01) each	<u>11,116</u>	<u>6,866</u>

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

	<i>Notes</i>	No. of shares	Amount <i>HK\$'000</i>
At 1 January 2012		3,433,184,000	343,318
Share consolidation	<i>(a)</i>	(3,089,865,000)	–
Capital reorganisation	<i>(b)</i>	–	(339,885)
Open offer	<i>(c)</i>	<u>343,318,000</u>	<u>3,433</u>
31 December 2012 and 1 January 2013		686,637,000	6,866
Share placement	<i>(d)</i>	68,640,000	687
Issue of shares	<i>(e)</i>	<u>356,327,000</u>	<u>3,563</u>
At 30 June 2013		<u><u>1,111,604,000</u></u>	<u><u>11,116</u></u>

- (a) On 24 May 2012, every ten issued and unissued shares of HK\$0.1 each in the share capital of the Company were consolidated into one consolidated share of HK\$1.0 each in the share capital of the Company.
- (b) On 24 May 2012, the Company reduced the issued share capital by cancelling the paid up capital to the extent of HK\$0.99 on each consolidated share such that the nominal value of all issued shares was reduced from HK\$1.0 each to HK\$0.01 each and the share capital of the Company was reduced by approximately HK\$339,885,000 and the credit arising was transferred to the contributed surplus of the Company.
- (c) On 26 June 2012, the Company completed the open offer by issuing approximately 343,318,000 shares ("offer share") on the basis of 1 offer share for every existing share, at a subscription price of HK\$0.538 per offer share, resulting in the cash consideration of approximately 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.
- (d) On 28 February 2013, the Company completed the share placement by issuing 68,640,000 shares of HK\$0.01 per share ("placing share") at the placing price of HK\$0.415 per placing share.
- (e) On 22 March 2013, convertible bonds with principal amount of HK\$52,000,000 were converted into 21,443,000 ordinary shares of HK\$0.01 per share at HK\$2.425 per share. On 30 May 2013, convertible bonds with principal amount of HK\$144,000,000 were converted into 334,884,000 ordinary shares of HK\$0.01 per share at HK\$0.43 per share.

16 COMMITMENTS

(a) Operating lease commitments

(i) 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 prevailing market conditions.

As 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:

	As at 30 June 2013 <i>HK\$'000</i> (unaudited)	As at 31 December 2012 <i>HK\$'000</i> (audited)
Within one year	19,557	20,433
Between two to five years	80,972	79,221
Over five years	<u>191,043</u>	<u>196,156</u>
	<u><u>291,572</u></u>	<u><u>295,810</u></u>

(ii) 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.

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

	As at 30 June 2013 <i>HK\$'000</i> (unaudited)	As at 31 December 2012 <i>HK\$'000</i> (audited)
Within one year	6,057	6,071
Between two to five years	<u>9,318</u>	<u>12,278</u>
	<u><u>15,375</u></u>	<u><u>18,349</u></u>

(b) Other commitments

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

	As at 30 June 2013 HK\$'000 (unaudited)	As at 31 December 2012 HK\$'000 (audited)
Contracted, but not provided for:		
Property and hotel development	395,247	484,073
Loans to an associate	5,923	5,923
	401,170	489,996
Authorised, but not contracted for:		
Property and hotel development	1,224,840	1,426,893
	1,626,010	1,916,889

17 LITIGATION

On 9 July 2012, a summon was served on Chengdu Zhongfa Real Estate Development Company Limited (“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 period ended 30 June 2013.

18 RELATED PARTY TRANSACTIONS

(i) Related party transactions and connected transactions

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

- (a) Interest of HK\$48,000 (2012: HK\$73,000) was paid to Mr. Cheng for the loans granted to the Group during the period.
- (b) Accountancy service fee of HK\$60,000 (2012: HK\$60,000) was received from Talent Films Limited, an associate of the Company.
- (c) Underwriting commission of HK\$Nil (2012: 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.

(ii) Compensation of key management personnel

The remunerations of the Directors during the period are the short-term benefits of HK\$1,074,000 (2012: HK\$936,000). It is determined by reference to market terms, individual responsibilities and performance.

19 APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorised for issue by the Board on 29 August 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2013 (the period under review), the Group continued to stay focus on the property and hotel related development and investment business in the PRC while maintaining its film production and related business.

Financial Highlights

For the six months ended 30 June 2013, the Group recorded a turnover of approximately HK\$14,352,000 (2012: HK\$10,977,000), accounting for an increase of 30.7%. The gross profit increased from HK\$3,410,000 to HK\$11,082,000 as there was an increase in the contribution of property rental income.

For the period under review, property rental income was stable and contributed approximately HK\$10,450,000 (2012: HK\$4,065,000) to the total turnover while film production and processing businesses accounted for 27.2% of the total turnover, amounted to approximately HK\$2,700,000 (2012: HK\$1,663,000) and HK\$1,202,000 (2012: HK\$5,249,000) respectively.

Loss attributable to shareholders was HK\$8,151,000 (2012: loss of HK\$23,963,000). Basic loss per share was HK\$1.00 cent (2012 (restated): loss of HK\$4.67 cents). The Board does not recommend dividend payout for the period ended 30 June 2013 (2012: Nil). As at 30 June 2013, cash on hand was approximately HK\$169,815,000 (2012: HK\$66,089,000).

Following the Group's financing, the Group now has a much stronger position from which to develop its projects on hand and make ready for itself to develop its roadmap. Completed in February 2013, the Group raised net proceeds from a placing exercise, of approximately HK\$28 million for working capital. The 68,640,000 placing shares represented approximately 10.00% of the entire issued share capital of the Company of 686,636,798 shares immediately before the completion of the placing exercise and approximately 9.09% of the then issued share capital of 755,276,798 shares as enlarged by the placing.

On the other hand, the Group has completed an issuance of the convertible bonds in May 2013 in the principal amount of HK\$214,640,110. Completed in May 2013, the Group raised net proceeds of approximately HK\$200,000,000 from the issue of which RMB100,000,000 was used as the additional capital for a Group's subsidiary in Xiangtan, Hunan Jiuhua International City Development Construction Company Limited ("Hunan Jiuhua"), as for the remaining proceeds, it is intended to be used to accumulate further land banks and for the purpose of working capital. Assuming full conversion of the convertible bonds at the initial conversion price of HK\$0.43, the convertible bonds will be converted into approximately 499,163,046 shares, representing approximately 64.27% of the then issued share capital of the Group and approximately 39.12% of the issued share capital of the Group as enlarged by the conversion.

Business Review

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

Property Development and Investment Business

Property Development

With substantial benefits from national policies on urbanization and a growing PRC property market, the Group is optimistic towards the property market in a long run and shall look into opportunities to expand into hotel related business in the coming future.

At present, it is developing a land sized 325,989 square meters locating in Jiuhua Economic Zone, Xiangtan, Hunan Province, the PRC into a five-star hotel and low-density residential units and named the project as “Oriental Venice”.

For the five-star hotel, it is built to accommodate approximately 392 rooms with total floor area of approximately 79,000 square meters. The foundation work has been completed and the soft launch of the hotel is expected to be kicked off by the end of 2014. The hotel will be equipped with convention and entertainment facilities, which shall provide guests an exclusive experience of accommodation.

For the residential development, it is divided into two phases. The first phase targets the affluent class of Hunan Province. Pre-sale of the property is expected to start by mid 2014.

Property Rental

For the period under review, the property rental business was operated at a profit before tax of HK\$8,702,000 (2012: HK\$9,188,000), representing an decrease by 5.3%. It was contributed by the commercial property in Chengdu, the PRC, which the Group owns 100% equity interest.

The Group has achieved an 100% occupancy rate of the property and held long-term tenancies. The property rental business generates stable income and secure cash inflow for the Group. It also preserves management cost for the maintenance of the investment property in the coming years.

Film Related Business

Film Production

During the period under review, “The Monkey King”, a 3D film produced by the Group in 2012, is now undergoing a post-production in the US in order to capture the international film market. The film is expected to be released in the Christmas of 2013.

Film processing

For the six months ended 30 June 2013, the Group continued to scale down the film processing business. Moreover, due to digitalization of the film industry, the turnover from film processing experienced a drop from HK\$5,429,000 to approximately HK\$1,202,000. In order to cater for the restructuring of film industry, the Group purchased digital equipment and pave the way towards digitalization. The digital film processing is under trial run period currently.

Prospects

The property market in the PRC showed a prominent growth these years. According to National Bureau of Statistics of China, the total property investment in China for the first six months of 2013 rose 20.3% to RMB3.68 trillion, compared to the same period in 2012. The growth is favourable to the Group's property investment in terms of generating considerable income.

In view of the acceleration of urbanization in the PRC, the Group believed that there would be opportunities in property development, particularly in Jiuhua district. In addition, the local government has 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 would be formed with the introduction of a number of leading and hosting enterprises. The Group will continue in capitalizing all potential opportunities through investing in the "Oriental Venice" project and preserve an ample income stream from the sale of residential units as well as a stable cash inflow from hotel operations.

Looking ahead, the Group shall actively respond to market opportunities and accumulate land bank by identifying high potential property development projects. It will carry on putting efforts to maximize shareholders' interests and maintain a healthy balance sheet with stable cash flow.

Liquidity and financial resources

As at 30 June 2013, the Group's net current assets was HK\$828,481,000 (31 December 2012: HK\$591,067,000), with current assets of HK\$905,851,000 (31 December 2012: HK\$678,863,000) and current liabilities of HK\$77,370,000 (31 December 2012: HK\$87,796,000), representing a current ratio of 11.7 (31 December 2012: 7.7). As at 30 June 2013, the Group had cash and bank balances of HK\$169,815,000 (31 December 2012: HK\$66,089,000).

Capital structure

The Group's total equity amounted to HK\$1,517,490,000 as at 30 June 2013 (31 December 2012: HK\$1,228,520,000).

Borrowing and banking facilities and charge on group assets

As at 30 June 2013, the Group's outstanding borrowings and convertible bonds, were HK\$234,039,000 (31 December 2012: HK\$229,255,000). The Group's borrowings were secured by the Group's interests in land use right with net carrying amount of HK\$321,899,000 (2012: HK\$317,856,000) and leasehold land and buildings, with net carrying amount of HK\$768,000 (2012: HK\$782,000) and motor vehicles with a net carrying amount of HK\$5,855,000 (2012: HK\$6,724,000). The gearing ratio based on interest-bearing bank and other borrowings, loans from a shareholder, the obligations under finance leases and convertible bonds over total equity as at 30 June 2013 was 0.154 (31 December 2012: 0.187).

Exposure to foreign exchange

The Group's assets and liabilities are mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. Income and expenses derived from the operations in the PRC were mainly denominated in Renminbi. There is no significant exposure to the fluctuation of foreign exchange rate, however, the Group will closely monitor the market and make appropriate adjustments and measures when necessary.

Commitments and contingent liabilities

Save for those disclosed in Note 16 and 17 to the condensed consolidated financial statements, there were no other capital commitments nor contingent liabilities that the Group is aware of.

Employees and remuneration policies

Staff cost for the Period was HK\$7,180,000 (2012: HK\$7,422,000), representing a decrease of 3.3%. The Group had a workforce of 56 (2012: 83) staff including 18 (2012: 46) staff in the film processing business as at 30 June 2013. Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

PURCHASE, REDEMPTION AND SALE OF SHARES

During the Period, the Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries purchased, or sold any of the Company's shares.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2013, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Period was the Company, its holding company, or any of its subsidiaries and fellow 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 Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2013, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that the following persons had interests in 5% or more of the nominal value of the issued shares of the Company that carry a right to vote in all circumstances at the general meetings of the Company:

Name	Capacity	Number of shares	Approximate percentage of shareholding of the issued share capital of the Company
Mr. Cheng Keung Fai ("Mr. Cheng")	Interest of controlled corporation	766,016,300	68.91%
	Interest of controlled corporation	55,813,953	5.02%
	Interest of controlled corporation	55,813,953	5.02%
	Interest of controlled corporation (<i>Note 1</i>)	52,651,418	4.74%
		930,295,624	83.69%
Full Dragon Group Limited ("FDGL")	Beneficial owner (<i>Note 2</i>)	766,016,300	68.91%
Alpha Harbour Limited ("AHL")	Beneficial owner (<i>Note 3</i>)	55,813,953	5.02%
Classic Excel Investments Limited ("CEIL")	Beneficial owner (<i>Note 4</i>)	55,813,953	5.02%

Notes:

1. On 24 May 2013, the Company issued zero coupon convertible bonds due on 24 May 2018 in an aggregate principal amount of HK\$214,640,110 with an initial conversion price of HK\$0.43 per conversion share (“Conversion Shares”) of the Company. The 930,295,624 shares beneficially held by Mr. Cheng include an aggregate of the followings: 1) 766,016,300 ordinary issued shares held by FDGL 2) 55,813,953 Conversion Shares held by AHL 3) 55,813,953 Conversion Shares held by CEIL and 4) 52,651,418 Conversion Shares held by Digital Skyline Limited (“DSL”). Mr. Cheng, the beneficial owner of the entire issued share capital of FDGL, AHL, CEIL and DSL is deemed to be interested in the total of 930,295,624 shares held by FDGL, AHL, CEIL and DSL under the SFO.
2. FDGL is a company incorporated in the British Virgin Islands (“BVI”).
3. AHL is the holder of the convertible bonds amounted to HK\$24,000,000 conferring rights to subscribe for 55,813,953 shares at a conversion price of HK\$0.43 per conversion share of the Company. AHL is a company incorporated in the BVI.
4. CEIL, a company incorporated in the BVI, holds the convertible bonds amounted to HK\$24,000,000 conferring rights to subscribe for 55,813,953 shares at a conversion price of HK\$0.43 per conversion share of the Company.
5. DSL is also holder of the convertible bonds amounted to HK\$22,640,110 conferring rights to subscribe for 52,651,418 shares at a conversion price of HK\$0.43 per conversion share of the Company. DSL is a company incorporated in the BVI.

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 30 June 2013.

CORPORATE GOVERNANCE

During the period under review, the Company has complied with the code provisions of Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the “Code”) for the period from 1 January 2013 to 30 June 2013.

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 practising 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

For the six months period ended 30 June 2013, the Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the six months ended 30 June 2013, and they all confirmed that they had fully complied with the required standard as set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee, comprises three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Group with the management and has discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2013.

LIST OF DIRECTORS

As at the date of this Announcement, the Board comprises six Directors. The executive Directors are Mr. Jin Lei (Chairman), Ms. Law Kee, Alice (Chief Executive Officer), 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and that of the Company (<http://www.cheung-wo.com>). The interim report will be dispatched to the shareholders and will be available on the website of the Stock Exchange and that of the Company in due course.

ACKNOWLEDGEMENT

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

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

Hong Kong, 29 August 2013

As at the date of this announcement, the Board comprises six Directors. The executive Directors are Mr. Jin Lei (Chairman), Ms. Law Kee, Alice (Chief Executive Officer), 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.

* *For identification purpose only*