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CHEUNG WO INTERNATIONAL HOLDINGS LIMITED

長和國際實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00009)

CONNECTED TRANSACTION ISSUE OF USD80 MILLION 20% GUARANTEED SECURED NOTES DUE 2016

Financial adviser to the Company



On 18 September 2013, the Company entered into the Subscription Agreement with the Subscriber and the Guarantor, pursuant to which, subject to fulfillment of conditions precedent, the Subscriber has agreed to subscribe for and the Company has agreed to issue the Notes in an aggregate principal amount of not more than USD80,000,000 (equivalent to approximately HK\$620,000,000) by two tranches.

Assuming the aggregate principal amount of the Notes is USD80,000,000 (equivalent to approximately HK\$620,000,000), the net proceeds from the issue of the Notes is expected to be not more than USD79,419,000 (equivalent to approximately HK\$615,497,000).

The Shares which may fall to be allotted and issued as part of the interest payable under the Notes shall be allotted and issued under the Specific Mandate to be granted to the Directors by the Independent Shareholders at the SGM.

* For identification purpose only

As at the date of this announcement, the Guarantor is interested in 766,016,300 Shares, representing approximately 68.91% of the issued share capital of the Company. The Guarantor is a substantial shareholder (as defined under the Listing Rules) of the Company and, therefore, a connected person of the Company. The Company has been informed by the Guarantor that the Facility Agreement has been entered into between, among others, the Subscriber, the Lender and the Guarantor, pursuant to which, the Lender has agreed to provide a loan facility in an amount of not more than USD80,000,000 (equivalent to approximately HK\$620,000,000) to the Subscriber and the Guarantor has agreed to provide guarantee for the performance of the obligations of the Subscriber under the Facility Agreement.

The Subscription Agreement is subject to various conditions precedent which include, inter alia, the Subscriber's written confirmation(s) that the drawdown(s) of the loan facility pursuant to the Facility Agreement has taken place. The Company has also been informed by the Guarantor that the Option Deed is being discussed and when agreed, will be entered into between the Guarantor and the Lender, pursuant to which the Lender shall have a right (but not an obligation) to sell to the Guarantor all or any of the Shares which may be obtained by the Subscriber under the Share Settlement and transferred to (or directly issued by the Company to) the Lender pursuant to the Facility Agreement. In view of the aforesaid, the Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction on the part of the Company and are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Accordingly, the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the Notes Issue and the grant of the Specific Mandate, are subject to the approval by the Independent Shareholders at the SGM by way of a poll. The Guarantor, the Subscriber and their respective associates are required to abstain from voting for the relevant resolution(s) at the SGM. The Independent Board Committee will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Subscription Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee in this regard.

A circular containing, among other matters, further information on the Subscription Agreement and the transactions contemplated thereunder, the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee to the Independent Shareholders and the notice of the SGM, will be dispatched to the Shareholders on or about 11 October 2013.

Completion of the Subscription Agreement is subject to the satisfaction, or waiver, of the conditions precedent therein. In addition, the Subscription Agreement may be terminated under certain circumstances. As the Subscription Agreement may or may not be completed and the Notes Issue may or may not proceed, Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.

SUBSCRIPTION AGREEMENT

Date: 18 September 2013

Parties to the Subscription Agreement

- (a) The Company as the issuer;
- (b) The Guarantor as the guarantor to the Company; and
- (c) The Subscriber as the initial subscriber to the Notes.

As at the date of this announcement, the Guarantor is interested in 766,016,300 Shares, representing approximately 68.91% of the issued share capital of the Company. The Guarantor is a substantial shareholder (as defined under the Listing Rules) of the Company and, therefore, a connected person of the Company.

Save for the entering into of the Subscription Agreement and the Facility Agreement and the transactions contemplated thereunder and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Subscriber and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

The Notes to be issued

Subject to the fulfillment of the conditions set out below, the Subscriber has agreed to subscribe for the First Tranche Notes in a principal amount of USD40,000,000 (equivalent to approximately HK\$310,000,000) on the First Tranche Closing Date and for the Second Tranche Notes up to a maximum principal amount of USD40,000,000 (equivalent to approximately HK\$310,000,000) on the Second Tranche Closing Date, both in the terms and conditions as set out in the Subscription Agreement. The Subscriber shall provide written notice to the Company of the principal amount of the Second Tranche Notes (if any) that it agrees to subscribe for at least 10 Business Days prior to the Second Tranche Closing Date.

Conditions Precedent for Closing the Subscription Agreement

Under the Subscription Agreement, the subscription of the First Tranche Notes is conditional upon, among other things:

- (a) the execution and delivery on or before First Tranche Closing Date of the other Note Documents in respect of the First Tranche Notes;
- (b) the delivery of the Subscriber's written confirmation that the drawdown of the first facility pursuant to the Facility Agreement has taken place;

- (c) the Subscriber and its affiliates having obtained all necessary internal and external approvals;
- (d) the passing of a resolution by the Independent Shareholders of the Company at the SGM to approve the transactions including the Notes Issue and issue of Shares pursuant to Conditions;
- (e) the delivery of a copy of (i) the constitutional documents of the Company; (ii) the board resolutions of the Company in relation to the Notes Issue; and (iii) power of attorney in respect of the execution of the Account Charge;
- (f) the opening of relevant bank accounts, and entry into an onshore loan on terms reasonably satisfactory to the Subscriber;
- (g) completion of all steps, things and actions necessary (on or before the First Tranche Closing Date) in relation to the granting of a first priority fixed charge under the Account Charge;
- (h) the representations and warranties of the Company and the Guarantor in the Subscription Agreement being true, accurate and correct (in accordance with their respective terms in the Subscription Agreement);
- (i) the Company and the Guarantor having performed all of their respective obligations under the Subscription Agreement;
- (j) the delivery of a certificate confirming no material adverse change of the Group in relation to the Note Issue, by the Guarantor and a duly authorised officer of the Company and a certificate of no default by a duly authorised officer of the Company;
- (k) the granting of the listing of, and permission to deal in, the Shares which may be issued pursuant to Conditions;
- (l) the delivery of documents by the Company to the Subscriber, including all consents or approvals required in relation to the issue of First Tranche Notes, several legal opinions relating to the Notes Issue and certain notices, confirmations or documents in relation to operations of subsidiaries of the Company;
- (m) the completion of due diligence in relation to the Company, other members of the Group and the Guarantor and the delivery of relevant due diligence reports;
- (n) the delivery of a certificate by the Guarantor and a duly authorised officer of the Company confirming that the Convertible Bonds have been converted into Shares or redeemed so that the outstanding aggregate principal amount of the Convertible Bonds is equal or less than HK\$80,000,000.

The subscription of the Second Tranche Notes is conditional upon, among other things:

- (a) the delivery of the Subscriber's written confirmation that the drawdown of the second facility pursuant to the Facility Agreement has taken place;
- (b) the Subscriber and its affiliates having obtained all necessary internal and external approvals;
- (c) the representations and warranties of the Company and the Guarantor in the Subscription Agreement being true, accurate and correct (in accordance with their respective terms in the Subscription Agreement);
- (d) the Company and the Guarantor having performed all of their respective obligations under the Subscription Agreement;
- (e) the delivery of a certificate confirming no material adverse change of the Group in relation to the Note Issue, by the Guarantor and a duly authorised officer of the Company and a certificate of no default by a duly authorised officer of the Company;
- (f) the granting of the listing of, and permission to deal in, the Shares which may be issued pursuant to Conditions; and
- (g) the delivery of copies of all consents or approvals required in relation to the issue of the Second Tranche Notes.

Security and Guarantee to the Notes

Pursuant to the Conditions, the Company shall maintain a cash balance standing to the credit of the Interest Reserve Account an amount equal to 15% per annum on the outstanding aggregate principal amount of the Notes for a period of six months.

The Company will provide the Security for the Notes. The Notes will be secured by the Account Charge, pursuant to which, the Interest Reserve Account to be set up by the Company will be charged by the Company for the benefit of the Noteholders. In addition, the Notes will also be guaranteed by the Guarantor by the Deed of Guarantee. The Account Charge and the Deed of Guarantee will be executed by the Company and the Guarantor, respectively, not later than the First Tranche Closing Date.

Other Principal terms of the Notes

The other principal terms of the Notes are summarized below:

Notes offered

The Notes will mature on the Maturity Date, unless redeemed earlier pursuant to the terms hereof. The terms and conditions of the First Tranche Notes and the Second Tranche Notes are substantially the same.

Issue price

The Notes will be issued at 100% of their principal amount.

Interest

The Notes will bear interest from and including the date of issue of the Notes at a rate of 20.00% per annum, payable semi-annually in arrears on each Interest Payment Date. In the case that the Second Tranche Notes are issued, interest accrued on the First Tranche Notes from and including the First Tranche Closing Date to but excluding the Second Tranche Closing Date will be paid on the Second Tranche Closing Date. The interest rate was determined after arm's length negotiation between the parties. The interest shall be payable in the following manner:

- (a) 15% per annum payable in cash; and
- (b) 5% per annum payable either entirely in cash or entirely by Share Settlement, whereby:
 - (i) if the Average Share Price is higher than the Minimum Issue Price, the relevant interest shall be satisfied entirely by the issue of Shares in accordance with the following formula:

$$\text{Total number of Shares to be issued} = \frac{\text{Amount of the relevant interest (in USD)}}{\text{Average Share Price (USD equivalent)}}$$

Provided that if the aggregate number of Shares received by each Noteholder pursuant to the Conditions shall exceed 4.99% of the outstanding Shares at the relevant time, the remaining amount of interest shall be satisfied entirely by the payment of cash.

- (ii) if the Average Share Price is equal to or lower than the Minimum Issue Price, the relevant interest shall be satisfied entirely by the payment of cash.

Assuming the Average Share Price is higher than the Minimum Issue Price on all of the Interest Payment Dates, a total of up to 118,140,244 Shares, representing approximately 10.63% of the issued share capital of the Company as at the date of this Announcement, may be issued for Share Settlement.

The Company will seek the Specific Mandate from the Independent Shareholders for the allotment and issue of Shares which may fall to be allotted and issued pursuant to Conditions of the Notes.

Minimum Issue Price

The Minimum Issue Price of HK\$0.82 represents:

- (i) a premium of approximately 15.5% to the closing price of HK\$0.71 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 17.1% to the average closing price of approximately HK\$0.70 per Share for the last five trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 17.1% to the average closing price of approximately HK\$0.70 per Share for the last ten trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 40.1% to the unaudited net asset value of approximately HK\$1.37 per Share as at 30 June 2013 and a discount of approximately 54.2% over the audited net asset value of approximately HK\$1.79 per Share as at 31 December 2012.

Ranking of the Notes and the Shares

The Notes are secured by the Account Charge and guaranteed by the Guarantor as set out above and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Notes will, save for such exceptions as may be provided by applicable legislation and subject to the Conditions of the Notes, at all times rank at least equally with all its respective other present and future unsecured and unsubordinated obligations.

The Shares to be issued under Share Settlement shall rank *pari passu* with all the Shares then issued.

Events of Default

The events of default under the Notes include, among others:

- (1) default in payment of the principal of or any premium or interest on any of the Notes when due;
or
- (2) default in the performance or compliance with any one of more of the Company's and the Guarantor's other obligations in the Notes or under the Deed of Guarantee which default is incapable of remedy or is not remedied within 10 days after notice of such default shall have been given to the Noteholders; or
- (3) any other present or future indebtedness of the Company or any of its subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like, or any such indebtedness is not paid when due or, as the case may be, within any

originally applicable grace period, or the Company or any of its subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised; or

- (4) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Company or any of its Principal Subsidiaries, which leads to a Material Adverse Effect; or
- (5) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company or any of its Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and which leads to a Material Adverse Effect; or
- (6) the Company or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Company, or any of its Principal Subsidiaries; or
- (7) an order is made or an effective resolution passed for the winding-up or dissolution of the Company or any of its Principal Subsidiaries, or the Company ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Noteholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Company or another of its Principal Subsidiaries; or
- (8) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company, or any of its Principal Subsidiaries; or
- (9) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Company and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes, (ii) to ensure that those obligations are legally binding and enforceable is not taken, fulfilled or done; or
- (10) the Group ceases to carry on all or substantially all of its existing real estate business; or

- (11) it is or will become unlawful for the Company or the Guarantor to perform or comply with its obligations under the Notes;
- (12) the Deed of Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect;
- (13) the auditors of any member of the Group qualify the audited annual consolidated financial statements of such Group member; and
- (14) a suspension or a material limitation in trading in the Company's securities on the Stock Exchange and/or any other stock exchange on which the Company's securities are traded for 10 consecutive trading days (other than a suspension of trading as a result of the issue of the announcement in relation to the Notes Issue in which case the suspension shall be for 30 consecutive trading days).

If an event of default occurs, the Majority Noteholders at their discretion may give five Business Days' notice to the Company that the Notes are, and they shall immediately become, due and repayable at an amount equal to the sum of (i) 100% of the principal amount outstanding of the Notes to be repaid, (ii) interest accrued but unpaid to the date of repayment and (iii) if the repayment date falls within the Two-Year Period, an additional amount equal to the IRR Amount.

Undertakings

The Company will undertake in the Notes that so long as the Notes remain outstanding and unless with the prior written consent of the Majority Noteholders, it shall not, among other things:

1. use the proceeds from the Notes Issue other than in accordance with the provisions in the Conditions;
2. enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, transfer or otherwise dispose of any asset except those (i) made in the ordinary course of business; (ii) in respect of certain residential projects only of the Company where each such disposal (or series of disposals) to a single person or entity constitutes no more than a certain percentage of the GFA of such residential projects; or (iii) in exchange for other assets comparable or superior as to type, value and quality;
3. enter into any amalgamation, demerger, merger or corporate reconstruction, save for internal restructuring of the Group;
4. make any substantial change to its principal business;
5. acquire any assets, company or shares or securities or a business or undertaking (or, in each case, any interest in any of them) except for acquisitions made in, and carrying out, the ordinary course of business of the Group, and assets as specified in the Conditions;

6. enter into, invest in or acquire any shares, stocks, securities or other interest in any joint venture or transfer any assets or lend to or guarantee or give an indemnity for or give security for obligations of a joint venture except for joint ventures for the purposes as specified in the Conditions;
7. issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any shares or securities of the same class as the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase Shares in each case at a price per Share which is less than 80% of the current market price on the date of the first public announcement of the terms of such issue, sale or grant;
8. declare or pay any dividends or make any distributions or return of capital to its shareholders unless provisions under the Conditions have been fulfilled; and
9. enter into any arrangement or transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with the Guarantor, any directors of the Company or any connected person of the Company or any entity controlled by such persons, except for (i) any transaction contemplated by any Note Document; (ii) any director service contract; (iii) from the date that is one year from the Second Tranche Closing Date (or if the Second Tranche Notes are not issued, the First Tranche Closing Date), any issue, sale, disposal or grant of Shares to the Guarantor subject to the terms of the Conditions; (iv) any grant of options to the directors or employees of the Company or its connected persons in accordance with the share option scheme of the Company adopted on 2 September 2013; or (v) from the date that is one year from the Second Tranche Closing Date (or if the Second Tranche Notes are not issued, the First Tranche Closing Date), shareholder loan arrangements with the Guarantor or his associates or connected persons of the Company at a rate of 0% interest per annum.

Maturity and Redemption

The Notes will be redeemed at 100% of their principal amount on the Maturity Date, subject to the Company's right to extend the maturity of the Notes by one year by prior written notice to the Noteholders of at least 180 days prior to the Maturity Date.

At any time, on giving not more than 60 nor less than 30 days' irrevocable notice to the Noteholders, the Company may redeem all, but not some only, of the Notes at their Early Redemption Amount on the redemption date specified by the Company.

The Company will, at the option of any Noteholder, redeem such Note at its Early Redemption Amount on the Change of Control Redemption Date upon the occurrence of a Change of Control.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be allotted and issued pursuant to conditions of the Notes for payment of interest thereunder. No application will be made for the listing of the Notes on the Stock Exchange.

REASONS FOR AND BENEFITS OF THE NOTES ISSUE

The Directors consider that the Notes Issue represents a good opportunity for the Group to raise additional funds to finance the construction and operation of its existing projects and to accumulate additional land bank or acquire real estate related projects when opportunities arise.

The Group has been developing 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 with the project name “Oriental Venice”. The foundation work of the five-star hotel has been completed and the soft launch of the hotel is expected to be kicked off by the end of 2014. The residential development 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. The Notes Issue will provide the project with the necessary funds. The Directors consider that the success of Oriental Venice will bring substantial economic benefits to the Group.

In addition, the property market in the PRC showed a prominent growth in recent years. According to National Bureau of Statistics of China, the total amount of investment in property sector in the PRC for the first six months of 2013 rose by 20.3% to RMB3.68 trillion as compared to the same period in 2012. The Directors are optimistic about the PRC property sector and consider that the Notes Issue would provide the Group with additional capital to develop its business in the PRC property sector.

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

USE OF PROCEEDS

Assuming the aggregate principal amount of the Notes is USD80,000,000 (equivalent to approximately HK\$620,000,000), the net proceeds from the issue of the Notes is expected to be not more than USD79,419,000 (equivalent to approximately HK\$615,497,000).

Pursuant to the Conditions and assuming the aggregate principal amount of the Notes is USD80,000,000, the Company shall apply at least USD48,000,000 (equivalent to approximately HK\$372,000,000) to its residential development projects in Xiangtan, Hunan Province, the PRC while the remaining proceeds, that is a maximum of USD32,000,000 (equivalent to approximately HK\$248,000,000), shall be used as general working capital or for the acquisitions of real estate assets.

GENERAL

Information of the Company

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

Information of the Guarantor

As at the date of this announcement, the Guarantor is interested in 766,016,300 Shares, representing approximately 68.91% of the issued share capital of the Company. The Guarantor is a substantial shareholder (as defined under the Listing Rules) of the Company and, therefore, a connected person of the Company.

Information of the Subscriber

The Subscriber is a company incorporated in British Virgin Islands with limited liability. Its principal business is investment holding and its subsidiaries invest in property development projects in the PRC.

LISTING RULES IMPLICATION

As at the date of this announcement, the Guarantor is interested in 766,016,300 Shares, representing approximately 68.91% of the issued share capital Company. The Guarantor is a substantial shareholder (as defined under the Listing Rules) of the Company and a connected person (as defined under the Listing Rules) of the Company, and as such, the Guarantor is a connected person of the Company. The Company has been informed by the Guarantor that the Facility Agreement has been entered into between, among others, the Subscriber, the Lender and the Guarantor, pursuant to which, the Lender has agreed to provide a loan facility in an amount of not more than USD80,000,000 (equivalent to approximately HK\$620,000,000) to the Subscriber and the Guarantor has agreed to provide guarantee for the performance of the obligations of the Subscriber under the Facility Agreement.

The Subscription Agreement is subject to various conditions precedent, which shall include, inter alia, the Subscriber's written confirmation(s) that the drawdown(s) of facility pursuant to the Facility Agreement has taken place. The Company has also been informed by the Guarantor that the Option Deed is being discussed and when agreed, will be entered into between the Guarantor and the Lender, pursuant to which the Lender shall have a right (but not an obligation) to sell to the Guarantor all or any of the Shares which may be obtained by the Subscriber under the Share Settlement and transferred to (or directly issued by the Company to) the Lender pursuant to the Facility Agreement, at a price to be calculated based on the highest Average Share Price of the Shares held by the Lender then (based on the Average Share Price applicable to the relevant Shares when the relevant Shares are issued), after taking into account any previous exercises of options by the Lender under the Option Deed and other transfers and disposals of any of the Shares by the Lender to a third party or in the open market, in US Dollars calculated at an exchange rate to be agreed. In view of the aforesaid, the Subscription

Agreement and the transactions contemplated thereunder constitute a connected transaction on the part of the Company under the Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirements.

Accordingly, the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the Notes Issue and the grant of the Specific Mandate, are subject to the approval by the Independent Shareholders at the SGM by way of a poll. The Guarantor, the Subscriber and their respective associates are required to abstain from voting for the relevant resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM. The Independent Board Committee will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Subscription Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee in this regard.

A circular containing, among other matters, further information on the Subscription Agreement and the transactions contemplated thereunder, the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee to the Independent Shareholders and the notice of the SGM, will be dispatched to the Shareholders on or about 11 October 2013.

Completion of the Subscription Agreement is subject to the satisfaction, or waiver, of the conditions precedent therein. In addition, the Subscription Agreement may be terminated under certain circumstances. As the Subscription Agreement may or may not be completed and the Notes Issue may or may not proceed, Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Account Charge”	the charge over the Interest Reserve Account to be entered into by the Company in favour of the Subscriber on or before the First Tranche Closing Date
“associates”	has a meaning ascribed to this term under the Listing Rules
“Average Share Price”	the arithmetic average of the closing prices of the Shares on each of the 10 trading days on the Stock Exchange immediately preceding the relevant Interest Payment Date
“Business Day(s)”	a day (other than a Saturday or Sunday or a public holiday in Hong Kong) on which banks are open for general business in Hong Kong;

“Change of Control”	occurs if the Guarantor at any time ceases to directly hold, legally and beneficially: <ul style="list-style-type: none"> (a) at least 50.01% of the total issued and outstanding Shares of the Company; or (b) at least 50.01% of the issued share capital (calculated on a fully-diluted basis) of the Company; or (c) issued share capital having the right to cast at least 50.01% of the votes capable of being cast in general meetings of the Company; or (d) the right to determine the composition of the majority of the board of directors or equivalent body of the Company
“Change of Control Redemption Date”	a minimum of 5 Business Days and a maximum of 15 Business Days after the date of a notice of redemption by a Noteholder
“Company”	Cheung Wo International Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Conditions”	the terms and conditions of the Notes
“connected person”	has the meaning ascribed to it under the Listing Rules
“Convertible Bonds”	zero coupon convertible bonds due 2018 issued by the Company on 24 May 2013
“Deed of Guarantee”	a deed of guarantee to be executed by the Guarantor on or before the First Tranche Closing Date
“Directors”	the directors of the Company
“Early Redemption Amount”	<ul style="list-style-type: none"> (a) 100% of the outstanding principal amounts of the Notes plus an early redemption premium of 1% on the principal amount of the Notes and all accrued but unpaid interest to the date of redemption; plus (b) if the redemption date falls within the Two-Year Period, an additional amount equal to the IRR Amount.

“Facility Agreement”	a facility agreement between, among others, the Subscriber, the Guarantor and the Lender, pursuant to which, the Lender has agreed to provide a loan facility in an amount of not more than USD80,000,000 (equivalent to approximately HK\$620,000,000) and the Guarantor has agreed to provide guarantee for the performance of the obligations of the Subscriber under the Facility Agreement
“First Tranche Closing Date”	such date as the parties to the Subscription Agreement may agree in writing being no later than three months after the date of the SGM
“First Tranche Notes”	the initial tranche of Notes in a principal amount of USD40,000,000 (equivalent to approximately HK\$310,000,000)
“GFA”	gross floor area
“Group”	the Company and its subsidiaries from time to time
“Guarantor”	Mr. Cheng Keung Fai, a substantial shareholder of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	comprising Mr. Tsui Pui Hung, Mr. Tang Ping Sum and Mr. Chu To, Jonathan, all being the independent non-executive Directors
“Independent Shareholders”	Shareholders other than the Guarantor, the Subscriber and their respective associates
“Interest Payment Date”	each date which falls six months after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Second Tranche Closing Date (or if the Second Tranche Notes are not issued, the First Tranche Closing Date)
“Interest Reserve Account”	a designated bank account established by the Company at a bank

“IRR Amount”	<p>an amount in USD that would ensure that the Noteholders obtain, subject to any mandatory provision of the laws of Hong Kong, an internal rate of return of:</p> <p>(a) for any redemption of Notes from the Second Tranche Closing Date (or if the Second Tranche Notes are not issued, the First Tranche Closing Date) to the date that is 18 months after such issue date (the “18-Month Period”), 22.5% per annum calculated on a 360-day year basis) on the principal amount of the Notes for the period from and including the First Tranche Closing Date to the date which falls on the last day of the 18-Month Period; or</p> <p>(b) for any redemption of Notes on a date on or after the expiry of 18-Month Period and before the expiry of the Two-Year Period, 22.5% per annum (calculated on a 360-day year basis) on the principal amount of the Notes for the period from and including the First Tranche Closing Date to the date which falls on the last day of the Two-Year Period.</p>
“Last Trading Day”	18 September 2013, being the last trading day of the Shares immediately prior to and including the date of the Subscription Agreement
“Lender”	being the lender for provision of a loan facility in the amount of not more than USD80,000,000 to the Subscriber pursuant to the Facility Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Majority Noteholder(s)”	at any time, any one or more Noteholder(s) or being proxies or representatives in respect of Notes and representing, in the aggregate, more than 50 % of the aggregate principal amount of all Notes then outstanding

“Material Adverse Effect”	a material adverse effect on or material adverse change in: (a) the financial condition, assets or business of the Company or the consolidated financial condition, assets or business of the Group taken as a whole; (b) to the best knowledge and belief of the Company, the prospects of the business of the Company and the Group; (c) the ability of the Company or the Guarantor to fully perform and fully comply with its obligations under any Note Document; (d) the validity, legality or enforceability of any Note Document; or (e) the validity, legality or enforceability of the Security or in the priority and ranking of such Security
“Maturity Date”	36 months after the Second Tranche Closing Date (or if the Second Tranche Notes are not issued, the First Tranche Closing Date)
“Minimum Issue Price”	HK\$0.82
“Note Document(s)”	the Notes, the Conditions, the Deed of Guarantee, the Subscription Agreement and the Account Charge
“Notes”	the 20.00% guaranteed secured notes in the combined amount of up to a maximum principal amount of USD80,000,000 (equivalent to approximately HK\$620,000,000) to be issued by the Company and guaranteed by the Guarantor, consisting of the First Tranche Notes and the Second Tranche Notes
“Notes Issue”	the issue of the Notes by the Company
“Noteholders”	the persons in whose names a Note are registered, and each a “Noteholder”
“Option Deed”	the option deed to be entered into between the Lender and the Guarantor, pursuant to which, the Lender shall have a right to sell (but not as obligation) to the Guarantor all or any of Shares which may be obtained by the Subscriber under the Share Settlement and transferred to (or directly issued by the Company to) the Lender as part payment of interest accrued and payable by the Subscriber to the Lender pursuant to the Facility Agreement
“PRC”	The People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this announcement
“Principal Subsidiary”	any subsidiary of the Company whose revenue (consolidated in the case of a subsidiary which itself has subsidiaries) as shown by its latest audited financial statement is at least USD1,000,000

“RMB”	Renminbi, the lawful currency of the PRC
“Second Tranche Closing Date”	a date no later than six months from the First Tranche Closing Date to be agreed between the parties to the Subscription Agreement
“Second Tranche Notes”	the second tranche of Notes up to a maximum principal amount of USD40,000,000
“Security”	a first fixed charge over all of the Company’s present and future right, title and interest in or to the Interest Reserve Account and all amounts (including interest) standing to the credit of the Interest Reserve Account, held pursuant to the terms of the Account Charge
“SGM”	the special general meeting of the Company to be convened and held to consider and approve the Subscription Agreement and the transactions contemplated thereunder, and the grant of the Specific Mandate
“Share Settlement”	the Shares which may be allotted and issued to the Subscriber as part of the interest payment in lieu of cash under the Notes pursuant to the terms of the Notes
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	a specific mandate to allot, issue or otherwise deal in additional Shares to be sought from the Independent Shareholders to satisfy the allotment and issue of the Shares pursuant to the conditions of the Notes
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Sunny Glory Investments Limited, a company incorporated in British Virgin Islands
“Subscription Agreement”	the agreement dated 18 September 2013 entered into between the Company, the Subscriber and the Guarantor in relation to the subscription by the Subscriber of the Notes in the principal amount of not more than USD80,000,000

“Two-Year Period”	if the Second Tranche Notes are not issued, the period from and including the First Tranche Closing Date to and including the date which is two (2) years after the First Tranche Closing Date; and if the Second Tranche Notes are issued, the period from and including the Second Tranche Closing Date to and including the date which is two (2) years after the Second Tranche Closing Date
“USD”	United States dollar(s), the lawful currency of the United States
“%”	per cent

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

Hong Kong, 18 September 2013

For the purpose of this announcement, translations of USD into Hong Kong dollars or vice versa have been calculated by using an exchange rate of USD1.00 equal to HK\$7.75. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

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