CHEUNG WO INTERNATIONAL HOLDINGS LIMITED
長和國際實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 00009)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2014

The board (the "Board") of directors of Cheung Wo International Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2014, together with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	4	**27,127**	26,801
Cost of sales	6	**(6,049)**	(7,662)
Gross profit		**21,078**	19,139
Other income and other gain	4	**44,362**	1,132
Fair value loss on an investment property		**–**	(18,809)
Impairment loss on goodwill	13	**(198,037)**	–
Administrative expenses	6	**(39,194)**	(81,866)
Selling and marketing expenses	6	**(2,039)**	–
Operating loss		**(173,830)**	(80,404)
Finance income	5	**1,313**	640
Finance costs	5	**(178)**	(285)

	Note	2014 HK$'000	2013 HK$'000
Finance income – net	5	**1,135**	355
Share of profit (loss) of investments accounted for using equity method		**305**	(16)
Loss before income tax		**(172,390)**	(80,065)
Income tax (expense) credit	7	**(5,642)**	14,489
Loss for the year attributable to equity holders of the Company	9	**(178,032)**	(65,576)

		2014	2013
Loss per share attributable to equity holders of the Company	9		
Basic		**HK(13.34)cents**	HK(6.84)cents
Diluted		**HK(13.34)cents**	HK(6.84)cents
Dividend	8	**–**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	HK$'000	*HK$'000*
Loss for the year	**(178,032)**	(65,576)
Other comprehensive (loss) income:		
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**(17,811)**	30,484
Release of exchange reserve to profit and loss upon liquidation of a subsidiary	**(433)**	–
Other comprehensive (loss) income for the year, net of tax	**(18,244)**	30,484
Total comprehensive loss for the year attributable to equity holders of the Company	**(196,276)**	(35,092)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Goodwill		**–**	199,589
Property, plant and equipment		**337,091**	227,432
Land use rights		**304,875**	317,548
Investment property		**338,074**	342,474
Investments accounted for using equity method		**150,092**	69,988
Prepayments and other receivables	*11*	**11,965**	63,341
Film rights		**102**	102
Deferred income tax assets		**–**	86
Total non-current assets		**1,142,199**	1,220,560
Current assets			
Properties development in progress		**1,093,998**	1,003,211
Inventories		**15**	5
Trade and rental receivables	*10*	**9,840**	8,137
Prepayments and other receivables	*11*	**367,351**	107,485
Tax recoverable		**80**	69
Cash and cash equivalents		**61,696**	163,161
Total current assets		**1,532,980**	1,282,068
LIABILITIES			
Current liabilities			
Trade and land payables	*12*	**341,351**	345,322
Other payables, accruals and deposits received		**24,581**	25,418
Interest-bearing bank and other borrowings		**350,345**	58,109
Obligations under finance leases		**1,295**	1,241
Tax payable		**–**	36
Total current liabilities		**717,572**	430,126
Net current assets		**815,408**	851,942
Total assets less current liabilities		**1,957,607**	2,072,502

	2014	2013
	HK$'000	*HK$'000*
Non-current liabilities		
Convertible bonds	**–**	22,620
Deposits received	**2,721**	3,199
Deferred income tax liabilities	**249,755**	247,412
Interest-bearing bank borrowings	**249,501**	290,661
Obligations under finance leases	**1,175**	2,470
Total non-current liabilities	**503,152**	566,362
Net assets	**1,454,455**	1,506,140
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**14,981**	11,116
Share premium	**939,167**	749,281
Contributed surplus	**459,047**	459,047
Equity component of convertible bonds	**–**	51,274
Other reserves	**130,221**	146,351
(Accumulated losses) retained profits	**(88,961)**	89,071
Total equity	**1,454,455**	1,506,140

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 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.

2 BASIS OF PREPARATION

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

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

(a) New standards and amendments to standards mandatory for the first time for the period beginning 1 January 2014 and are relevant to the Group:

Amendment to HKAS 32	Financial instruments: Presentation on asset and liability offsetting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
Amendment to HKAS 36	Impairment of assets – Recoverable amount disclosures for non-financial assets
HK(IFRIC) – Int 21	Levies

The adoption of these new standards and amendments to standards had no significant impact on the consolidated financial statements, except for the impact described below.

Amendment to HKAS 32, 'Financial instruments: Presentation on asset and liability offsetting' on offsetting financial assets and financial liabilities clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. This amendment did not have a significant effect on the consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), 'Investment entities', these amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit and loss. The amendments give an exception to entities that meet an "investment entity" definition and which display particular characteristics. Changes have also been made to HKFRS 12 to introduce disclosures that an investment entity needs to make.

Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. The Group has adopted the amendment and certain disclosures are no longer required.

HK(IFRIC) – Int 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(b) New standards, amendments and interpretation that have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

Amendment to HKAS 19 (2011)	Defined benefit plans: Employee contributions[1]
HKFRS 14	Regulatory deferral accounts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[2]
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[2]
Amendment to HKAS 27	Equity method in separate financial statements[2]
HKFRS 15	Revenue from contracts with customers[3]
HKFRS 9	Financial instruments[4]
Annual Improvements Project	Annual improvements 2010-2012 Cycle[1]
Annual Improvements Project	Annual improvements 2011-2013 Cycle[1]
Annual Improvements Project	Annual improvements 2012-2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the impact of adoption of the above new standards, amendments and annual improvement that have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted, but is not yet in a position to state whether these new standards or amendments would have a significant impact on its results of operations and financial position.

3 SEGMENT INFORMATION

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

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

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

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

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

Year ended 31 December 2014

	Property rental *HK$'000*	**Film distribution and licensing** *HK$'000*	**Film processing** *HK$'000*	**Property and hotel development** *HK$'000*	**Total** *HK$'000*
Segment revenue:					
External revenue	**21,349**	**2,257**	**3,521**	**–**	**27,127**
Total revenue	**21,349**	**2,257**	**3,521**	**–**	**27,127**
Segment results	**12,192**	**30,547**	**(1,682)**	**(206,997)**	**(165,940)**
Unallocated corporate expenses					**(7,585)**
Finance income					**1,313**
Finance costs					**(178)**
Loss before income tax					**(172,390)**
Income tax expense					**(5,642)**
Loss for the year					**(178,032)**

As at 31 December 2014

	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	**351,664**	**20,843**	**2,525**	**2,232,569**	**67,578**	**2,675,179**
Segment liabilities	**69,478**	**8,373**	**1,141**	**1,137,207**	**4,525**	**1,220,724**
Other segment information:						
Capital expenditure	**411**	**826**	**983**	**104,011**	**2,384**	**108,615**
Depreciation	**924**	**512**	**547**	**556**	**1,704**	**4,243**

Included in the segment results of "film distribution and licensing" and "property and hotel development" segments for the year ended 31 December 2014, are compensation income received in relation to a movie production of HK$43,745,000 (note 4) and impairment loss on goodwill of HK$198,037,000 (note 13), respectively, which were one-off in nature. The segment results of "film distribution and licensing" and "property and hotel development" for the year ended 31 December 2014 would have been losses of HK$13,198,000 and HK$8,960,000 respectively, if these one-off nature income and expenses are excluded.

Year ended 31 December 2013

	Property rental *HK$'000*	Film distribution and licensing *HK$'000*	Film processing *HK$'000*	Property and hotel development *HK$'000*	Total *HK$'000*
Segment revenue:					
External revenue	21,187	3,235	2,379	–	26,801
Total revenue	21,187	3,235	2,379	–	26,801
Segment results	(3,394)	(11,992)	(3,864)	(6,418)	(25,668)
Unallocated corporate expenses					(54,752)
Finance income					640
Finance costs					(285)
Loss before income tax					(80,065)
Income tax credit					14,489
Loss for the year					(65,576)

As at 31 December 2013

	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	354,901	73,080	2,818	1,903,345	168,484	2,502,628
Segment liabilities	65,123	7,578	1,261	916,568	5,958	996,488
Other segment information:						
Capital expenditure	2,966	741	146	132,667	–	136,520
Depreciation	464	440	1,050	644	1,596	4,194

(a) Geographical information

2014

	Hong Kong ***HK$'000***	**Mainland China** ***HK$'000***	**Others** ***HK$'000***	**Total** ***HK$'000***
Revenue	**4,394**	**21,349**	**1,384**	**27,127**
Non-current assets	**12,771**	**1,129,428**	**–**	**1,142,199**
Capital expenditure	**4,193**	**104,422**	**–**	**108,615**

2013

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue	2,808	21,187	2,806	26,801
Non-current assets	80,168	1,140,392	–	1,220,560
Capital expenditure	887	135,633	–	136,520

(b) Information about major customers

Revenue of HK$14,117,000 (2013: HK$14,117,000) and HK$3,897,000 (2013: HK$3,897,000) were derived from two individual tenants of property rental segment.

4 REVENUE, OTHER INCOME AND OTHER GAIN

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

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Property rental income	**21,349**	21,187
Film distribution and licensing income	**2,257**	3,235
Film processing income	**3,521**	2,379
	27,127	26,801
Other income and other gain		
Compensation income received in relation to a movie production *(Note)*	**43,745**	–
Net compensation received relating to termination of tenancy agreements	**–**	230
Gain on liquidation of a subsidiary	**459**	–
Others	**158**	902
	44,362	1,132

Note:

In accordance with the shareholder agreement entered into between the Group and Filmko International Limited ("Filmko") dated 21 June 2010 ("Joint Venture Agreement") relating to the production and distribution of the movie "Monkey King", any over-budgeted production and distribution costs other than those as stated in the Joint Venture Agreement will be borne by Filmko. During the year ended 31 December 2014, upon the negotiation between the Group and Filmko with reference to the Joint Venture Agreement, Filmko agreed to pay an one-off compensation income of HK$43,745,000 to the Group relating to the over-budgeted production and distribution costs spent on the movie "Monkey King". Out of the total compensation income of HK$43,745,000, HK$26,745,000 was settled by Filmko during the year. As at 31 December 2014, the compensation income receivable due from Filmko amounted to HK$17,000,000.

5 FINANCE INCOME – NET

	2014	2013
	HK$'000	*HK$'000*
Finance costs:		
Interest on bank borrowings wholly repayable within five years	**49,558**	14,643
Interest on loan from a shareholder	**–**	48
Interest on finance leases	**135**	186
Interest on other borrowings	**705**	4,702
Interest on convertible bonds	**4,747**	4,209
	55,145	23,788
Less: amounts capitalised on qualifying assets	**(54,967)**	(23,503)
Total finance costs	**178**	285
Finance income:		
Interest income on short-term bank deposits	**(1,357)**	(618)
Foreign exchange difference, net	**44**	(22)
Finance income	**(1,313)**	(640)
Finance income – net	**(1,135)**	(355)

6 EXPENSES BY NATURE

	2014 *HK$'000*	2013 *HK$'000*
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	**11,227**	10,805
Pension costs – defined contribution plans and social security costs	**625**	508
Share options granted to employees	**–**	33,170
	11,852	44,483
Directors' remuneration	**2,052**	15,581
Auditors' remuneration	**2,048**	1,844
Depreciation	**4,243**	4,194
Cost of inventories recognised as expenses	**359**	1,739
Operating lease rentals in respect of buildings	**6,216**	6,363
Direct operating expenses from property that generated rental income	**3,181**	3,225
Reversal of provision for impairment of trade receivables	**(89)**	(588)
Professional fees	**8,209**	6,693
Loss (gain) on disposal of property, plant and equipment	**370**	(187)
Selling and marketing expenses	**2,039**	–
Others	**6,802**	6,181
Total cost of sales, administrative expenses and selling and marketing expenses	**47,282**	89,528

7 INCOME TAX EXPENSE (CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year.

The applicable tax rate for the Group's operations in Mainland China is 25%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2014 *HK$'000*	2013 *HK$'000*
Current tax – Hong Kong		
Charge for the year	**27**	39
Overprovision in prior years	**(18)**	(1)
Current tax – PRC		
Overprovision in prior years	**–**	(6,294)
Total current tax	**9**	(6,256)
Deferred tax	**5,633**	(8,233)
Total tax expense (credit)	**5,642**	(14,489)

8 DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2014 and 2013, nor has any dividend been proposed since the end of the reporting period.

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 year of HK$178,032,000 (2013: HK$65,576,000), attributable to equity holders of the Company, and the weighted average number of ordinary shares of 1,334,644,000 (2013: 959,291,000) in issue during the year.

(a) Basic

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

	2014	2013
	HK$'000	*HK$'000*
Loss attributable to equity holders of the Company	**(178,032)**	(65,576)
Weighted average number of ordinary shares in issue (thousands)	**1,334,644**	959,291

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had three categories of dilutive potential ordinary shares, convertible bonds, share options and warrants for the year ended 31 December 2014. The convertible bonds were assumed to have been converted into ordinary shares, and the net loss was adjusted to eliminate the interest expense less the tax effect. For share options and warrants, potential ordinary shares arising from the assumed conversion of convertible bonds were not included in the calculation of diluted loss per share because they are anti-dilutive for the year ended 31 December 2014. Calculation is done to determine the number of shares that could have acquired at fair value (determined as average annual market share price of the Company's shares) based on the monetary value of the subscription right attached to the outstanding share options and warrants. As the exercise price of the share options and warrants granted by the Company was higher than the average annual market price of the Company's shares for the year ended 31 December 2014, the outstanding share options and warrants had no dilutive effect on loss per share. Therefore, diluted loss per share for the year ended 31 December 2014 equals basic loss per share.

The Company had two categories of dilutive potential ordinary shares, convertible bonds and share options for the year ended 31 December 2013. The convertible bonds were assumed to have been converted into ordinary shares, and the net loss was adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done to determine the number of shares that could have acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have issued assuming the exercise of the share options. Potential ordinary shares arising from the assumed conversion of convertible bonds and share options were not included in the calculation of diluted loss per share because they are anti-dilutive for the year ended 31 December 2013.

10 TRADE AND RENTAL RECEIVABLES

	2014 *HK$'000*	2013 *HK$'000*
Trade and rental receivables	**10,009**	8,395
Less: provision for impairment of trade receivables	**(169)**	(258)
Trade and rental receivables – net	**9,840**	8,137

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.

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

	2014 *HK$'000*	2013 *HK$'000*
0 – 90 days	**5,529**	5,943
91 – 180 days	**3,941**	2,144
181 – 365 days	**360**	50
Over 1 year	**10**	–
	9,840	8,137

Aging of trade and rental receivables which are past due but not impaired is as follows:

	2014 *HK$'000*	2013 *HK$'000*
0 – 90 days	**189**	261
91 – 180 days	**–**	82
More than 180 days	**63**	31
	252	374

11 PREPAYMENTS AND OTHER RECEIVABLES

	Note	2014 HK$'000	2013 HK$'000
Prepayment for construction costs	*(i)*	**333,746**	147,464
Other prepayments		**18,142**	18,708
Other receivables	*(ii)*	**24,651**	2,149
Others		**2,777**	2,505
		379,316	170,826
Current portion		**(367,351)**	(107,485)
Non-current portion		**11,965**	63,341

(i) The balance represents prepayments to a contractor in the PRC relating to the construction project of the Group in Hunan for developing the residential units and the hotel.

(ii) The balance includes a compensation income receivable of HK$17,000,000 in relation to a movie production (note 4).

12 TRADE AND LAND PAYABLES

	2014 HK$'000	2013 HK$'000
Trade payables	**11,176**	10,849
Land payables	**330,175**	334,473
	341,351	345,322

Included in trade and land payables, HK$330,175,000 (2013: HK$334,473,000) represents a payable to the Hunan Province government of the PRC for acquiring certain land use rights in Xiangtan, Hunan. At 31 December 2014, the aging analysis of the trade payables, based on the invoice date, is as follows:

	2014 HK$'000	2013 HK$'000
0 – 90 days	**11,176**	10,849

13 IMPAIRMENT LOSS ON GOODWILL

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. In light of current keen market competition and the management's expectations for the market development in the future, the directors of the Company have consequently recognised an impairment loss on goodwill directly related to the property and hotel development business of the Group amounted HK$198,037,000 (2013: Nil) in the profit or loss for the year ended 31 December 2014. No other write-down of the assets of the property and hotel development business of the Group is considered necessary.

14 LITIGATION

On 9 July 2012, a summon was served on Chengdu Zhongfa Real Estate Development Co. Ltd. ("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 form 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 delivered and served on 9 December 2014. The Court dismissed all of the Plaintiff's petitions against the Defendants, with costs awarded against the Plaintiff. However, the Plaintiff lodged appeal (the "Appeal") with the Court. The Judgement has not become effective and the Appeal will be heard by the Supreme People's Court of the People's Republic of China on 1 April 2015. The 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 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2014 ("Review Period"), the Group continued to focus on the property development and investment business in the PRC whilst maintaining its film production and related business.

Financial Highlights

For the Review Period, the Group recorded a turnover of approximately HK$27,127,000 (2013: HK$26,801,000), accounting for an increase of approximately 1.2%. Loss before income tax amounted to approximately HK$172,390,000 (2013: HK$80,065,000). Loss attributable to the owners of the Group of approximately HK$178,032,000 (2013: HK$65,576,000) was recorded and is primarily attributable to the impairment of goodwill of approximately HK$198,037,000 which was contributed to the Group's property development and hotel business in Xiangtan, Hunan Province, the PRC.

For the Review Period, property rental income was stable and contributed approximately HK$21,349,000 (2013: HK$21,187,000) to the total turnover while film distribution and licensing and processing businesses accounted for approximately 21.3% of the total turnover, amounted to approximately HK$2,257,000 (2013: HK$3,235,000) and HK$3,521,000 (2013: HK$2,379,000) respectively. Basic loss per share was HK$13.34 cents (2013: HK$6.84 cents). The Board does not recommend dividend payout for the Review Period (2013: Nil). As at 31 December 2014, cash on hand was approximately HK$61,696,000 (2013: HK$163,161,000).

Financing Activities and Material Acquisition

On 5 March 2014, the Company completed a share placement (the "Placing Shares") by issuing 214,200,000 ordinary shares of HK$0.01 each to independent parties of the Company at the placing price of HK$0.56 per Placing Share to raise net proceeds of approximately HK$117,670,000. On the same date, the Company issued unlisted warrants ("Warrants") to the placees at nil consideration conferring the rights to subscribe for up to an aggregate of 7,933,329 Warrants at the subscription price of HK$0.70 per Warrant. The Warrants will be issued to the placees on the basis of 1 Warrant to 27 Placing Shares. As the Company has outstanding convertible bonds (the "Convertible Bonds") in an aggregate principal amount of HK$70,640,110, as a result of the Placing Shares, the conversion price of the Convertible Bonds had been adjusted from HK$0.43 per share to HK$0.41 per share in accordance with the terms and conditions of the Convertible Bonds.

The net placing price was approximately HK$0.55 per Placing Share. The closing price per Placing Share as quoted on the Stock Exchange on the date of the placing agreement was HK$0.68.

On 2 April 2014, the Company entered into a subscription agreement to acquire for 45% interest in Broad World Holdings Limited ("Broad World") for HK$120,000,000. The net proceeds of approximately HK$117,670,000 from the Placing Shares have been used to finance the acquisition of 45% interests in Broad World which is engaged in the business of (i) provision of advisory services to real estate developers in the PRC which are interested in developing commercial or mixed-use real estate projects under the concept of internationally recognised brands (including but not limited to the Forbes trademark); (ii) assisting these real estate developers to enter into agreements with G2 Whale Real Estate Development Limited for utilising internationally recognised brands (including but not limited to the Forbes trademark) in naming their financial centre and/or real estate developments; and (iii) provision of brand management consulting services to these real estate developers in the PRC.

On 15 March 2014, the Company as the issuer entered into an agreement (the "Amended and Restated Subscription Agreement") with Sunny Glory Investments Limited ("Sunny Glory") as the subscriber and the Company's major shareholder Mr. Cheng Keung Fai ("Mr. Cheng") as the guarantor. Pursuant to the Amended and Restated Subscription Agreement, the parties agreed to amend and restate a subscription agreement originally dated 18 September 2013 for the issue of the 20% guaranteed secured notes in the combined amount of up to a maximum principal amount of USD80,000,000. As certain conditions precedent had not been fulfilled as at the first tranche closing date ("First Tranche Closing Date") as defined in the supplemental agreement to the Amended and Restated Subscription Agreement, and the Company, the relevant subscriber and guarantor have not agreed on any further extension of the First Tranche Closing Date, the Amended and Restated Subscription Agreement therefore lapsed on 10 June 2014.

On 11 March 2014, a Company's subsidiary entered into an entrusted loan agreement with a PRC bank, obtaining an one year term loan of RMB250,000,000 which is interest bearing at the market rate. Under such loan agreement, the borrowing was secured by the land situated in Xiangtan, Hunan (which was acquired by the Group in September 2013 for the residential development project) and guaranteed by the Company's major shareholder, Mr. Cheng and his related parties.

On 27 January 2015, the Group completed the issue of 20.00% guaranteed secured notes in the principal amount of USD20,000,000 (equivalent to approximately HK$155,000,000). The subscriber is a subsidiary of InfraRed NF China Real Estate Fund II (A), L.P., a fund sponsored by InfraRed Capital Partners and Nan Fung Group.

Following the Group's financing activities, the directors believe that the Group now has a much stronger position from which to develop its property projects on hand and make ready for itself to remap the future development.

Events after the Reporting Period

(a) On 27 January 2015, the Company completed the issue of 20% guaranteed secured notes with a term of 3 years with the principal amount of USD20,000,000 (approximately HK$155,000,000).

(b) On 5 February 2015, a subsidiary of the Group entered into an entrusted loan agreement with a PRC bank, obtaining a 18-month term loan amounting to RMB250,000,000 (approximately HK$311,876,000) which is interest bearing at the market rate. Under the loan agreement, the borrowing is secured by a piece of land situated in Xiangtan, Hunan which is held by the Group for the residential development project and is guaranteed by a shareholder of the Company, Mr. Cheng and certain related parties.

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 2014, the property and hotel development business was at a loss of HK$206,997,000 before income tax (2013: loss of HK$6,418,000). Such loss is primarily attributable to the impairment of goodwill of approximately HK$198,037,000 from the property and hotel development project in Xiangtan, Hunan Province, China.

The Group started property development business in the PRC via acquiring Hunan Jiuhua International City Development Construction Company Limited in November 2010. The milestone project on hand is to develop a piece of land in a total area of approximately 325,989 square meters situated in the Jiuhua Economic Zone of Xiangtan, Hunan. The project, which is named as "湘江國際公館" (Xiang Jiang Guo Ji Gong Guan) (the "Project"), is planned for multipurpose developments of developing a five-star hotel and low-density residential units. The five-star hotel, which will be providing approximately 392 rooms on a total floor area of approximately 78,000 square meters, will provide the guests with an exclusive accommodation experience for it will be well equipped with convention and entertainment facilities. The building work of the hotel has been fully completed and the interior decoration is underway. The low-density residential units comprise condominiums, townhouses and detached houses targeting at the affluent class of Hunan Province or neighboring provinces. The Group has appointed a sales agent for the pre-sale of the low-density residential units in the fourth quarter of 2014.

The Project positions at an excellent location connecting to Changsha (the provincial capital of Hunan) and the country conveniently after the completion of "Binjiang Road" (濱江路) and "Jiuhua Avenue" (九華大道) as well as Hu Kung Express Railway (滬昆高鐵). The opening of two roads "Binjiang Road" (濱江路) and "Jiuhua Avenue" (九華大道) lying beside the land reduces driving time to Changsha (the provincial capital of Hunan) to only 20 minutes, which enhances the edges to convenience of the Project. "Binjiang Road" (濱江路) and "Jiuhua Avenue" (九華大道) are scheduled to open in mid 2015. Hu Kung Express Railway (滬昆高鐵) has been operated since 22 December 2014 which is close to the Project.

On 18 March 2014, the Group entered into a non-legally binding Memorandum of Understanding ("MOU") with Guangdong Huanghe Industrial Group Shanghai Real Estate Limited, InfraRed NF Investment Advisers Limited, G2 Whale Capital Group Limited and the Company's major shareholder, Mr. Cheng, in respect of the proposed cooperation in a property development project (the "Sheshan Project") located in Shanghai, the PRC. The Sheshan Project which was intended for commercial and residential development with an expected aggregate site area of over 1,000 mu, represents a good opportunity for the Group to reinforce its existing property development business by participating in the development of a large scale and high-end project in the western part of Shanghai.

Property Rental

For the Review Period, the property rental revenue was approximately HK$21,349,000 (2013: HK$21,187,000) which is comparable with last corresponding review period.

The rental property is a commercial property in Chengdu, the PRC, which is wholly owned by the Group. The commercial property is a five-storey shopping arcade whose leasing space has been nearly fully leased by now. The property rental provides steady income to the Group as well as preserves management cost for the maintaining of the investment property in the coming years. The Group will keep an eye on looking for high quality commercial property for investment purposes to ensure sustainable growth in the Group's rental business in the future.

Film Related Business

Film Production and distribution

During the period under review, the film production and distribution business recorded a profit before income tax of HK$30,547,000 (2013: loss of HK$11,992,000). Such net profit for the Group is primarily attributable to the compensation income of HK$43,745,000 arising from the box-office takings and distribution of the movie "Monkey King" which was released during the Chinese Lunar New Year of 2014. "Monkey King", based on a popular Chinese story "Journey to the West", has been well received by the market since it has broken 19 film records in Chinese film history and ranks one of the top three grossing films that exceeds RMB1 billion box offices in the PRC. Its top-notch 3D animation, beautiful illustration and the film's star-studded cast are believed to play an important role in its popularity.

Film Processing

During the period under review, the film processing business was operated at a loss before income tax of HK$1,682,000 (2013: HK$3,864,000) which the loss for this segment was reduced. The Group paved its way to digitalization by investing in digital equipment to keep up with the industry trend, and has already started the old movie digitalization business.

Prospects

The central government is now accelerating structural reforms of real estate market based on the 'two-way policy' while the local governments have been granted the authority to lift the home purchase restrictions to stabilize the housing market. More than 20 of the PRC's largest cities, excluding the first-tier communities of Shanghai, Beijing, Guangzhou and Shenzhen, have lifted some or all of the home purchase restrictions during the Review Period.

Additionally, a 'hukou' reform law aimed at bringing another 100 million people into the country's cities was issued by the country's cabinet in late July 2014. This will eventually form an increasing rigid housing demand in the largest and mid-sized cities in the PRC in the coming years. With favorable policies in supplies of credit as well as loosened purchase restrictions, the housing market in the PRC is expected to embrace a rapid recovery in the coming years. The Group will strive to grasp every opportunity in the industry to expand its property development business in the PRC.

Film industry in the PRC also experienced a boost in 2014 since seven national departments jointly announced support in terms of taxation, finance and land use policy for the industry. Besides, the higher household purchasing power and better enjoyment in recreational life also play important roles in promoting development of the industry. In the first half of 2014, the PRC's box office revenue totaled at approximately RMB13.7 billion where "Monkey King" (co-produced by the Group) ranks the first place. Encouraged by the huge success of the film, the Group will continue to produce more high quality films that suit the demand of the market.

Looking ahead, the Group will continually identify promising development projects. In addition, the Group will put tremendous effort in responding to market challenges to maximize shareholders' interests and maintain a healthy balance sheet with stable cash flow.

Dividend

The directors do not recommend payment of a final dividend for the year ended 31 December 2014 (2013: nil).

Liquidity and financial resources

Net current assets was HK$815,408,000 (2013: HK$851,942,000) and current assets was HK$1,532,980,000 (2013: HK$1,282,068,000). Current liabilities were HK$717,572,000 (2013: HK$430,126,000), representing a current ratio based on current assets over current liabilities of 2.14 (2013: 2.98). At 31 December 2014, the Group had cash and bank balances of HK$61,696,000 (2013: HK$163,161,000).

Borrowing and banking facilities

At 31 December 2014, the Group's outstanding borrowings from banks and others were HK$602,316,000. At 31 December 2013, the Group's outstanding borrowings from banks, others and Convertible Bonds were HK$375,101,000.

Hedging

At 31 December 2014, no financial instruments were used for hedging (2013: Nil).

Charges on Group assets

At 31 December 2014 and 2013, the Group's bank borrowing of HK$286,926,000 (2013: HK$315,936,000) secured by the Group's land use rights with a net carrying amount of HK$304,875,000 (2013: HK$317,548,000) and the Group's bank borrowing of HK$311,876,000 (2013: Nil) was secured by the Group's properties development in progress with a net carrying amount of HK$495,548,000 (2013: Nil). The Group's current bank borrowings of HK$1,043,000 (2013: HK$1,240,000) was secured by the leasehold land and buildings with a net carrying amount of HK$727,000 (2013: HK$754,000) and obligations under finance leases of HK$2,470,000 (2013: HK$3,711,000) were secured by motor vehicles with a net carrying amount of HK$3,247,000 (2013: HK$4,986,000). The gearing ratio based on interest-bearing bank and other borrowings and obligations under finance leases over total equity as at 31 December 2014 was 0.414. The gearing ratio based on interest-bearing bank and other borrowings, obligations under finance leases and Convertible Bonds over total equity as at 31 December 2013 was 0.249.

Material litigation

Save for those disclosed in note 14, the Group had no material litigation or arbitration.

Employees and remuneration policies

Staff costs for the year ended 31 December 2014 were HK$13,592,000 (2013: HK$59,752,000), representing a decrease of 77.3%. The significant decrease was due to the share based compensation recognised amounting to HK$46,438,000 granted to certain directors and employees in the year ended 31 December 2013. The Group employed a workforce of 79 staff members (2013: 67 staff members) as at the end of 2014. Among the 79 staff members, 16 staff members were in the film processing department. Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

Exposure of foreign exchange

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

Capital expenditures

For the year ended 31 December 2014, the Group's capital expenditure were HK$108,615,000 (2013: HK$136,520,000).

Purchase, redemption or sale of listed securities of the Company

During the year ended 31 December 2014, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Corporate governance

During the year ended 31 December 2014, 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").

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.

Audit Committee

The Audit Committee of the Company has met with the external auditor of the Company, Messrs. PricewaterhouseCoopers, to review the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2014, and is of the opinion that the consolidated results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made. The Audit Committee is composed of three independent non-executive Directors, Mr. Tang Ping Sum, Mr. Tsui Pui Hung and Mr. Chu To, Jonathan. The chairman of the Audit Committee has professional qualifications and experience in financial matters.

Publication of annual results and annual report on the websites of the Stock Exchange and the Company

The annual 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 annual 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, 27 March 2015

As at the date of this announcement, the Board comprises six directors. The executive directors of the Company 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*