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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)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2015

The board (the "**Board**") of directors (the "**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 2015 ("**Year under Review**"), together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	5	**24,422**	27,127
Cost of sales	7	**(5,424)**	(6,049)
Gross profit		**18,998**	21,078
Other income and other gain	5	**123**	44,362
Fair value loss on an investment property		**(48,780)**	–
Impairment loss on hotel development	11	**(604,173)**	–
Impairment loss on goodwill		**–**	(198,037)
Administrative expenses	7	**(44,055)**	(39,194)
Selling and marketing expenses	7	**(3,003)**	(2,039)
Operating loss		**(680,890)**	(173,830)
Finance income	6	**920**	1,313
Finance costs	6	**(24,385)**	(178)

	Note	2015 HK$'000	2014 HK$'000
Finance (costs) income – net	6	**(23,465)**	1,135
Share of (losses) profits of investments in associates		**(4,224)**	305
Loss before income tax		**(708,579)**	(172,390)
Income tax credit (expense)	8	**65,041**	(5,642)
Loss for the year attributable to owners of the Company		**(643,538)**	(178,032)
Loss per share	10		
Basic		**HK(42.34)cents**	HK(13.34)cents
Diluted		**HK(42.34)cents**	HK(13.34)cents
Dividend	9	**–**	–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(643,538)**	(178,032)
Other comprehensive income:		
Item that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**(56,563)**	(17,811)
Item that has been reclassified to profit or loss		
Release of exchange reserve to profit or loss upon liquidation of a subsidiary	**–**	(433)
Other comprehensive income for the year, net of tax	**(56,563)**	(18,244)
Total comprehensive income for the year attributable to owners of the Company	**(700,101)**	(196,276)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	**2015**	2014
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Goodwill		**–**	–
Property, plant and equipment		**66,133**	337,091
Land use rights		**92,435**	304,875
Investment property		**272,953**	338,074
Investments in associates		**145,868**	150,092
Available-for-sale financial assets		**105,050**	–
Prepayments and other receivables	*13*	**20,389**	11,965
Film rights		**102**	102
Deferred tax assets		**–**	–
Total non-current assets		**702,930**	1,142,199
Current assets			
Properties development in progress		**1,073,710**	1,093,998
Inventories		**7**	15
Trade and rental receivables	*12*	**10,726**	9,840
Prepayments and other receivables	*13*	**57,307**	367,351
Tax recoverable		**83**	80
Restricted bank deposits		**2,561**	–
Cash and cash equivalents		**57,175**	61,696
Total current assets		**1,201,569**	1,532,980
LIABILITIES			
Current liabilities			
Trade and land payables	*14*	**28,031**	341,351
Other payables, accruals and deposits received		**45,641**	24,581
Borrowings		**390,890**	350,345
Finance lease payables		**1,018**	1,295
Total current liabilities		**465,580**	717,572
Net current assets		**735,989**	815,408
Total assets less current liabilities		**1,438,919**	1,957,607

	2015	2014
	HK$'000	*HK$'000*
Non-current liabilities		
Deposits received	**2,659**	2,721
Borrowings	**293,874**	249,501
Finance lease payables	**–**	1,175
Convertible bonds	**–**	–
Deferred tax liabilities	**173,561**	249,755
Total non-current liabilities	**470,094**	503,152
Net assets	**968,825**	1,454,455
EQUITY		
Equity attributable to owners of the Company		
Issued share capital	**16,825**	14,981
Other reserves	**952,000**	1,439,474
Total equity	**968,825**	1,454,455

1. CORPORATE INFORMATION

Cheung Wo International Holdings Limited 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.

In the opinion of the directors of the Company, Full Dragon Group Limited, a company incorporated in the British Virgin Islands, is the ultimate parent and Mr. Cheng Keung Fai ("**Mr. Cheng**") is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015:

Amendment to HKAS 40 (Annual Improvements to HKFRSs 2011-2013 Cycle)

The amendment clarifies the application of HKFRS 3 and HKAS 40 in respect of acquisitions of investment property. HKAS 40 assists preparers to distinguish between investment property and owner-occupied property, then HKFRS 3 helps them to determine whether the acquisition of an investment property is a business combination. The amendment had no effect on the Group's consolidated financial statements.

Amendment to HKFRS 8 (Annual Improvements to HKFRSs 2010-2012 Cycle)

The amendment requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly. These clarifications had no effect on the Group's consolidated financial statements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of New and revised HKFRSs in issue but not yet effective

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(d) Amendments to the Rules Governing the Listing of Securities on the Stock Exchange

The Stock Exchange in April 2015 released revised Appendix 16 of the Rules Governing the Listing of Securities in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

4. SEGMENT INFORMATION

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

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment 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 restricted bank deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude finance lease payables of a motor vehicle used on a group basis 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 2015

	Property rental	Film distribution and licensing	Film processing	Property and hotel development	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
External revenue	**20,112**	**2,374**	**1,936**	**–**	**24,422**
Total revenue	**20,112**	**2,374**	**1,936**	**–**	**24,422**
Segment results	**(35,865)**	**(15,655)**	**(1,875)**	**(620,540)**	**(673,935)**
Unallocated corporate expenses					**(11,179)**
Finance income					**920**
Finance costs					**(24,385)**
Loss before income tax					**(708,579)**
Income tax credit					**65,041**
Loss for the year					**(643,538)**

As at 31 December 2015

	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	**304,644**	**8,416**	**2,800**	**1,410,031**	**178,608**	**1,904,499**
Segment liabilities	**57,406**	**8,452**	**1,023**	**865,497**	**3,296**	**935,674**
Investments in associates	**–**	**–**	**–**	**145,868**	**–**	**145,868**
Other segment information:						
Capital expenditure	**229**	**69**	**390**	**51,318**	**–**	**52,006**
Depreciation	**1,004**	**496**	**398**	**383**	**2,073**	**4,354**
Fair value loss of investment property	**48,780**	**–**	**–**	**–**	**–**	**48,780**
Impairment loss on hotel development	**–**	**–**	**–**	**604,173**	**–**	**604,173**
Share of losses of investments in associates	**–**	**285**	**–**	**3,939**	**–**	**4,224**

Included in the segment results of "property rental" and "property and hotel development" segments for the year ended 31 December 2015, are fair value loss on an investment property of HK$48,780,000 and impairment loss on hotel development of HK$604,173,000, respectively, which were one-off in nature. The segment results of "property rental" and "property and hotel development" for the year ended 31 December 2015 would have been gains of HK$12,915,000 and losses of HK$16,367,000 respectively, if these one-off nature expenses are excluded.

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
Investments in associates	–	285	–	149,807	–	150,092
Other segment information:						
Capital expenditure	411	826	983	104,011	2,384	108,615
Depreciation	924	512	547	556	1,704	4,243
Share of profits (losses) of investments in associates	–	498	–	(193)	–	305

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 receivable in relation to a movie production of HK$43,745,000 (note 5) and impairment loss on goodwill of HK$198,037,000, 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.

(a) Geographical information

2015

	Hong Kong ***HK$'000***	**Mainland China** ***HK$'000***	**Others** ***HK$'000***	**Total** ***HK$'000***
Revenue	**2,643**	**20,112**	**1,667**	**24,422**
Non-current assets (excluding available-for-sale financial assets)	**2,344**	**595,536**	**–**	**597,880**
Capital expenditure	**459**	**51,547**	**–**	**52,006**

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

(b) Information about major customers

Revenue of HK$13,730,000 (2014: HK$14,117,000) and HK$3,790,000 (2014: HK$3,897,000) were derived from two individual tenants of property rental segment.

5. 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.

	2015 ***HK$'000***	2014 *HK$'000*
Revenue		
Property rental income	**20,112**	21,349
Film distribution and licensing income	**2,374**	2,257
Film processing income	**1,936**	3,521
	24,422	27,127
Other income and other gain		
Compensation income received in relation to a movie production	**–**	43,745
Gain on liquidation of a subsidiary	**–**	459
Gain on disposal of property, plant and equipment	**26**	–
Others	**97**	158
	123	44,362

6. FINANCE COSTS (INCOME) – NET

	2015	2014
	HK$'000	*HK$'000*
Finance costs:		
Interest on bank borrowings wholly repayable within five years	**59,003**	49,558
Interest on finance leases	**85**	135
Interest on other borrowings	**29,736**	705
Interest on convertible bonds	**–**	4,747
	88,824	55,145
Less: amounts capitalised on qualifying assets	**(64,439)**	(54,967)
Total finance costs	**24,385**	178
Finance income:		
Interest income on short-term bank deposits	**(132)**	(1,357)
Foreign exchange difference, net	**(788)**	44
Total finance income	**(920)**	(1,313)
Finance costs (income) – net	**23,465**	(1,135)

7. EXPENSES BY NATURE

	2015	2014
	HK$'000	*HK$'000*
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	**13,401**	11,227
Pension costs – defined contribution plans and social security costs	**600**	625
	14,001	11,852
Directors' remuneration	**2,922**	2,052
Auditors' remuneration	**1,636**	2,048
Depreciation	**4,354**	4,243
Cost of inventories recognised as expenses	**140**	359
Operating lease rentals in respect of buildings	**6,045**	6,216
Direct operating expenses of investment property that generate rental income	**2,911**	3,181
Reversal of provision for impairment of trade receivables	**(44)**	(89)
Professional fees	**8,669**	8,209
Loss on disposal of property, plant and equipment	**–**	370
Selling and marketing expenses	**3,003**	2,039
Others	**8,845**	6,802
Total cost of sales, administrative expenses and selling and marketing expenses	**52,482**	47,282

8. INCOME TAX (CREDIT) EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

	2015	2014
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Charge for the year	**7**	27
Overprovision in prior years	**(20)**	(18)
Total current tax	**(13)**	9
Deferred tax	**(65,028)**	5,633
Total tax (credit) expense	**(65,041)**	5,642

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2015 and 2014, nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE

(a) Basic

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

	2015	2014
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(643,538)**	(178,032)
Weighted average number of ordinary shares in issue (thousands)	**1,520,003**	1,334,644

(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 two (2014: three) categories of dilutive potential ordinary shares, share options and warrants for the year ended 31 December 2015 (2014: share options, warrants and convertible bonds).

In calculating the diluted loss per share for the year ended 31 December 2015, the potential ordinary shares arising from the assumed conversion of the share options and warrants has anti-dilutive effect on loss per share. Therefore, diluted loss per share equals basic loss per share.

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. 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. For share options and warrants, 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.

11. IMPAIRMENT LOSS ON HOTEL DEVELOPMENT

The Group carried out review of recoverable amount of its hotel development operation having regard to the latest market conditions. In particular the deterioration of hotel occupancy rates in Changsha region and Hunan province in the fourth quarter of 2015 which indicated that hotel room oversupply coupled with economic headwind would endure longer than expected. The hotel development operation is a cash-generating unit ("**CGU**") within property and hotel development segment. The review led to the recognition of impairment losses of HK319,084,000, HK$194,235,000 and HK$90,854,000 for construction in progress, land use rights and prepayment for construction costs, respectively. These impairment losses have been recognised in profit or loss. The recoverable amount of HK$164,410,000 for the relevant CGU has been determined on the basis of its value-in-use using discounted cash flow method. The pre-tax discount rate used was 14.27%.

12. TRADE AND RENTAL RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade and rental receivables	**10,851**	10,009
Less: provision for impairment of trade and rental receivables	**(125)**	(169)
Trade and rental receivables – net	**10,726**	9,840

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:

	2015	2014
	HK$'000	*HK$'000*
0 – 90 days	**5,718**	5,529
91 – 180 days	**4,714**	3,941
181 – 365 days	**229**	360
Over 1 year	**65**	10
	10,726	9,840

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

	2015	2014
	HK$'000	*HK$'000*
0 – 90 days	**281**	189
91 – 180 days	**–**	–
More than 180 days	**65**	63
	346	252

13. PREPAYMENTS AND OTHER RECEIVABLES

	Notes	2015 HK$'000	2014 HK$'000
Prepayment for construction costs	(i)	**103,982**	333,746
Other prepayments		**47,129**	18,142
Other receivables	(ii)	**11,906**	24,651
Utility and other deposits		**2,709**	2,777
Impairment loss	11	**(90,854)**	–
Exchange realignment		**2,824**	–
		77,696	379,316
Less: current portion		**(57,307)**	(367,351)
Non-current portion		**20,389**	11,965

(i) The balance represents prepayments to a subcontractor 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$4,000,000 (2014: HK$17,000,000) in relation to a movie production (note 5).

14. TRADE AND LAND PAYABLES

	2015 HK$'000	2014 HK$'000
Trade payables	**28,031**	11,176
Land payables	**–**	330,175
	28,031	341,351

At 31 December 2015, the aging analysis of the trade payables, based on the invoice date, is as follows:

	2015 HK$'000	2014 HK$'000
0 – 90 days	**25,619**	11,176
91 – 180 days	**745**	–
181 – 365 days	**1,012**	–
Over 1 year	**655**	–
	28,031	11,176

15. CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 31 December 2015.

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 fraudulently deprived the Plaintiff 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 of the Appeal was rendered by The Supreme People's Court of the People's Republic of China (the "**Supreme Court**") and delivered and served on Chengdu Zhongfa on 8 December 2015. The Supreme Court dismissed all of the Plaintiff's appeal, with costs awarded against the Plaintiff.

16. EVENTS AFTER THE REPORTING PERIOD

(a) On 16 November 2015, the Company had entered into the formal sale and purchase agreement (as supplemented by the supplemental agreement dated 17 February 2016), in respect of acquisition of 49% of the entire issued capital of the target company, Ever-Grand Development Limited of which the project companies are designed to engage in the energy saving environmental protection project by distribution of steam and heat produced by a power plant in Dogguan City to the industrial customers in certain areas in Humen town and Changan town respectively. The consideration of the acquisition will be satisfied by i) cash of HK$60 million, and ii) HK$822 million by the issue of convertible notes by the Company. The proposed ordinary resolution was duly passed by way of poll at the SGM held on 21 March 2016.

(b) On 18 March 2016, a special resolution was duly passed by way of poll by the Shareholders at the SGM of the proposed change of the name of the Company from "Cheung Wo International Holdings Limited" to "Nine Express Limited".

The change of Company name will take effect from the date on which the Registrar of Companies in Bermuda enters the new names of the Company on the register in place of the former name. The Registrar of Companies in Bermuda is expected to issue the certificate of incorporation on change of name thereafter and the Company will then complete the necessary filing procedures with the Companies Registry in Hong Kong and submit all relevant documents to the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2015 the world economy was rife with uncertainty. Global economic growth was at a slow mode at merely 2.4% whilst China's experienced its slowest pace in 6 years at 7.0% during the Year under Review.

With major parts of operations in China, 2015 was a year full of challenges to the Group and the management consider it be high time reformed and transformed its current business. For the year ended 31 December 2015, the Group principally engaged in property development and investments in the PRC whilst maintaining its film production and related business.

FINANCIAL HIGHLIGHTS

During the Year under Review, the Group recorded a turnover of approximately HK$24,422,000 (2014: HK$27,127,000), accounting for a decrease of approximately 10.0%, mainly due to the downsize of film distribution and licensing, and film processing business. Property rental income accounted for approximately HK$20,112,000 (2014: HK$21,349,000), while film distribution and licensing, and film processing accounted for approximately 17.6% (2014: 21.3%) of total turnover, reaching approximately HK$2,374,000 (2014: HK$2,257,000) and HK$1,936,000 (2014: HK$3,521,000) respectively. Loss before income tax came to approximately HK$708,579,000 (2014: HK$172,390,000). Loss attributable to the owners of the Group totalled approximately HK$643,538,000 (2014: HK$178,032,000), primarily due to the fair value loss on an investment property and impairment loss of assets in the hotel development operation of approximately HK$48,780,000 and HK$604,173,000 respectively.

The significant impairment loss of assets recognised in the property and hotel development business during the reporting period were triggered from various reasons. The deterioration of the hotel room rate and occupancy rate in Changsha city and Hunan Province, together with the enduring sluggish luxury hotel operation in PRC, affects the future cash flows to the hotel operation. The delay of the commencement of the hotel operation had also affected the future cash inflows during the management forecast period. Also, the increase in cost of borrowings to the Company leads to the increase in the applicable cost of capital in the management forecast, which affects the future cash flows from the sales of residential property and hotel operation. Besides, the slow-down of the PRC economy and pile up of property inventory of the property developers in the second and third-tier cities affects the property prices. In light of the changes in management's expectation towards the current trend in the selling price of the residential properties, and the guest room rates and occupancy rate of the hotel, the management decided to make certain downward adjustments to the aforesaid parameters in relation to the valuation that made up the recoverable amount of the CGU assets, which resulted in the recognition of the impairment loss of assets in the property and hotel development business.

For the year ended 31 December 2015, the Company had no changes to the valuation technique, applied value-in use method as conformed with the requirement under HKAS36 to determine the recoverable amount of the CGU assets (2014: same), except that the management considered the independency of incomes streams from the sales of residential property and hotel operation, concluding that the property and hotel development business shall be divided into two separate Cash Generating Units ("**CGUs**") for the impairment assessment,

For property sale business, the key assumptions adopted are: i) selling price per square meter (sq. m.) of the residential units ranging from RMB5,000 to RMB13,500 (2014: RMB6,500 to RMB15,000); ii) pre-tax discount rate 14.3% (2014:14.0%).

For hotel operation business, the key assumptions adopted are: i) most guest room rates ranging from RMB540 to RMB990 (2014:RMB600 to RMB1,100); ii) occupancy rate ranging from 50% to 75% (2014:50%-80%); iii) long term growth rate is 3% (2014: 3%); iv) pre-tax discount rate is 14.3% (2014:14.0%).

Basic loss per share was HK$42.34 cents (2014: HK$13.34 cents). The Board does not recommend a dividend payout for the Year under Review (2014: Nil). As at 31 December 2015, cash on hand was approximately HK$57,175,000 (2014: HK$61,696,000).

During the Year under Review, apart from its existing business operations, including property development and investment business in the PRC, the Group has also been acquiring an energy saving environmental protection business related to combined heat and power system ("**CHP**"). This was an important initiative for the Group in its efforts towards participating in the environmental energy sector.

MAJOR ACQUISITION

On 16 November 2015, the Company entered into a formal sale and purchase agreement for the proposed acquisition of 49% of the entire issued share capital of Ever-Grand Development Limited ("**Target Company**") at a consideration of HK$882,000,000, in which HK$60,000,000 was paid in cash and HK$822,000,000 was agreed through the issue of convertible notes ("**the Acquisition**")

Target Company holds an 80% equity interest in two project companies in Humen and Changan town in Dongguan City respectively ("**Project Companies**"), which engage in projects involving the construction of steam transmission pipelines and distribution of steam and heat produced by a power plant in Dongguan City, which is then delivered to industrial customers in various areas of Humen Town and Changan Town, respectively.

A special general meeting related to the Acquisition was held on 21 March 2016 and all resolutions proposed were duly passed by way of poll voting.

Reasons for and Benefits of the Acquisition

The Group has been striving for business growth while seeking prudent opportunities in order to secure the largest returns for our shareholders. Moreover, environmental protection is one of the business sectors which is highly encouraged by the PRC government.

In recent years, the global issue of climate change and global warming have becoming more pressing with the shifting of seasons, the increase in mean temperatures and rising sea levels, all of which are all adversely influencing everyday life for humans. The issues of climate change, energy safety and environmental protection have sparked wide concern from the international community. The Chinese government is committed to solving the air pollution problem in the country, and therefore has introduced incentives to promote the green energy industry.

As the world's largest energy consumer, China has implemented a host of policies and measures to promote improvements in energy efficiency and emissions reduction to help ease environmental problems. According to《關於推進我省工業園區和產業集聚區集中供熱的意見》(the "Opinions Relating to Promoting a Centralized Heat Supply for Industrial Parks and Zones in Guangdong Province") published by the National Development and Reform Commission of the Guangdong Provincial government in December 2014, the Guangdong Provincial government has been promoting the development of a centralised heat supply for industrial parks and zones over the past few years. In addition, the《2014-2015年節能減排低碳發展行動方案的通知》("2014-2015 Action Plan on Energy Conservation, Emissions Reduction and Low-Carbon Development"), issued by the State Council, noted that the old system of scattered coal-fired boilers should be progressively phased out concurrent with the development of a centralised heat supply. To this end, this will create great developmental potential for a centralised heat supply in Dongguan City, which is the major manufacturing hub in Guangdong Province, and a place with great demand for industrial steam and heat supply.

The Project Companies had been granted operation licenses to engage in energy saving environmental protection projects through the distribution of steam and heat produced by a power plant in Dongguan City. The Board believes that the Project Companies will benefit from the aforementioned government policy as it relates to Guangdong Province. The Board firmly believes, therefore, that these acquisitions will allow the Company to make a major step into the industry and result in promising growth for the future.

BUSINESS REVIEW

During the Year under Review, the Group focused on property and hotel development in Xiangtan, Hunan Province, China ("**Xiangtan Project**"), property rental in Chengdu, Sichuan Province China ("**Chengdu Project**"), as well as film production and related business.

(i) Xiangtan Project

Xiangtan Project is located in the Jiuhua Economic Zone of Xiangtan, Hunan, alongside with the Xiangjiang River (湘江). With the completed and operation of "Jiuhua Avenue" (九華大道), Xiangtan project is now connecting Changsha and Xiangtan City unimpededly, together with the Xiangtan North Express Railway Station (湘潭北站) within 15-minute drive, the project is accessible to other parts of the country via the Hu Kung Express Rail (滬昆高鐵). Construction of the other main road – Bingjiang Road (濱江路) is underway and Xiangtan section has already completed. Upon completion of the highway, commutation between the centres of Changsha and Xiangtan is expected to reduce by half.

The project, with a planned land area of 325,989 sq. m. acquired, is planned to develop a five-star hotel and low density residential units.

With a total planned gross floor area ("**GFA**") covering approximately 78,000 sq. m., this five-star hotel has the capacity to accommodate 392 rooms and will offer guests a distinctive river view with comprehensive recreational facilities. Construction work of the hotel has been completed while the décor work will commence soon.

Construction of phase one low density villas of planned GFA approximately 42,500 sq. m. has been underway and pre-sale licenses for 29 detached houses and townhouses were obtained in May 2015, which covers GFA of 24,708 sq. m. in total. The official pre-sale launch is planned to roll out in mid-2016 and parts of the properties are expected to be delivered by 2016.

In an attempt to reinforce the sustainability of its projects and enrich its portfolio, the Group are planning to introduce complementary facilities or services befitting the Xiangtan Project. The Group will also watch closely for other opportunities for property development, with a higher focus on tourism-related as well as commercial properties.

(ii) Chengdu Project

Chengdu Project is a five-storey shopping centre located in Jinniu District, Chengdu, PRC, which is a rental property currently almost fully occupied, providing sustainable and steady income while preserving management costs for maintenance of the investment property in the coming years. The Group will continue to explore potential high quality properties to invest in and expand its rental business in the future.

For the year ended 31 December 2015, revenue from property rental recorded HK$20,112,000, slightly dropped by 5.8% compared with the last year (2014: HK$21,349,000).

(iii) Film Production, Distribution and Processing

For the year ended 31 December 2015, revenue from film distribution and licensing remained stable, at approximately at HK$2,374,000 (2014: HK$2,257,000), while that from film processing recorded a decline of 45.0%, to approximately HK$1,936,000 (2014: HK$3,521,000), which was mainly attributable to the loss of a major customer; however, we have strived to broaden the customer base and it is expected business performance will improve.

With respect to film-related operations in future, the Company is considering different scenarios, including restructuring and disposal, with a view to providing the greatest overall benefits to the Company as well as shareholders.

FINANCING ACTIVITIES

On 27 January 2015, the Group completed the issue of the 2015 Notes worth the principal amount of US$20,000,000 (equivalent to approximately HK$155,182,000). The subscriber was a subsidiary of the InfraRed NF China Real Estate Fund II (A), L.P., a fund sponsored by InfraRed Capital Partners and the Nan Fung Group. The net proceeds had been used up entirely for intended use and for the Group's residential property and hotel development projects in Mainland China.

On 5 February 2015, a Company's subsidiary renewed an entrusted loan agreement with a PRC bank, extending it a period of 18 months for a RMB250,000,000 term loan which is interest bearing at the market rate. Under the loan agreement, the borrowing was secured by the land situated in Xiangtan, Hunan (acquired by the Group in 2013 for a residential development project) and guaranteed by the Company's controlling shareholders, Mr. Cheng and his related parties.

On 13 July 2015, the Company issued a total of 265,000,000 warrants at the issue price of HK$0.057 per warrant. The gross proceeds and net proceeds from the issue were approximately HK$15,100,000 and HK$13,376,000, respectively. The net proceeds had been used for payment of interest due under the 2015 Notes for the amount of US$20,000,000 issued by the Company on 27 January 2015.

On 25 November 2015, the Company completed a share placement by issuing 175,500,000 ordinary shares of HK$0.01 each at a placing price of HK$1.14 per placing share. The net proceeds had been used for intended use, to repay interest expenses for the US$20,000,000 guaranteed secured notes due 2018; to pay ticking fee for the guaranteed secured convertible notes due 2017 which was terminated on 15 February 2016 as certain conditions precedent as set out in the subscription agreement were not met. Also, the Company's subsidiary entered into the Subscription Agreement on 17 December 2015, with the General Partner ("**GP**") and the Limited Partnership Agreement with the GP, other Limited Partners to the Fund and the Initial Limited Partner, pursuant to which the Company agreed to subscribe for an interest in the Fund as a Limited Partner with a subscription amount of HK$110,000,000 for the subscription of an investment fund which was invested in a portfolio investment of equity interests in three assets in diversified businesses. The remaining proceeds were to be used as general working capital purpose.

PROSPECTS

The year of 2016 would definitely be a year of challenge with the further slowing pace of economic growth forecast in both the World and China's economy; however, the Company also see opportunity in it. Looking forward, the Group will continue to strategically focus on its core operations, and prudently explore new opportunity to strengthen its current portfolio and extend to other business area, in an attempt to maintain its competitive edge under current macro-environment.

With this new positioning and implementation of key corporate strategies, the Group intends to further develop three main business areas (i) environmental energy saving technology; (ii) property and hotel development; and (iii) other viable business operations. The investment in these industries will help diversify the Group's business portfolio and broaden its income base in the best interests of the Company and shareholders.

Armed with our new positioning of development strategies to better reflect our strategic business plans and the direction of future development, the Group intends to change the company's name to – "Nine Express Limited". The Board considers that the new name better aligns with the long-term business strategy of the Group to develop a more diversified operational portfolio, and can help more deeply bolster the Company's corporate image and identity at the same time for greater future development.

Dividend

The Board do not recommend payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

Liquidity and financial resources

Net current assets was HK$735,989,000 (2014: HK$815,408,000) and current assets was HK$1,201,569,000 (2014: HK$1,532,980,000). Current liabilities were HK$465,580,000 (2014: HK$717,572,000), representing a current ratio based on current assets over current liabilities of 2.58 (2014: 2.14). At 31 December 2015, the Group had cash and bank balances of HK$57,175,000 (2014: HK$61,696,000).

Borrowing and banking facilities

As at 31 December 2015, the Group had outstanding borrowings from banks and others were HK$685,782,000 (2014: HK$602,316,000).

Hedging

As at 31 December 2015, no financial instruments were used for hedging (2014: Nil).

Charges on group assets

As at 31 December 2015, the Group's bank borrowings of HK$236,323,000 (2014: HK$286,927,000) were secured by the Group's land use right with a net carrying amount of HK$92,435,000 (2014: HK$304,875,000) and the Group's bank borrowings of HK$295,404,000 (2014: HK$311,876,000) were secured by the Group's property development in progress with a net carrying amount of HK$469,374,000 (2014: HK$495,548,000). The Group's current bank borrowings of HK$839,000 (2014: HK$1,043,000) were secured by the leasehold land and buildings, with a net carrying amount of HK$699,000 (2014: HK$727,000) and obligations under finance leases of HK$1,018,000 (2014: HK$2,470,000) were secured by a motor vehicle with a net carrying amount of HK$1,330,000 (2014: HK$3,247,000). The Group's bank borrowing of HK$118,000 (2014: Nil) was secured by the Group's bank deposits of HK$142,000 (2014: Nil). The Group's other borrowing of HK$152,080,000 (2014: Nil) was secured by the share charges of certain subsidiaries of the Group, inter-companies loans and a personal guarantee executed by Mr. Cheng, a controlling shareholder of the Company. The gearing ratio based on interest-bearing bank and other borrowings and obligations under finance leases over total equity as at 31 December 2015 was 0.708 (31 December 2014: 0.414).

Contingent liabilities

Save for those disclosed in note 15, the Group had no material contingent liabilities or arbitration.

Employees and remuneration policies

Staff costs for the year ended 31 December 2015 were HK$16,603,000 (2014: HK$13,592,000), representing a rise of 22.2%, mainly due to hiring of experienced management staff to accommodate for our new diversified businesses. The Group employed a workforce of 80 staff members (2014: 79 staff members) as at the end of 2015, among which 16 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 (RMB). During 2015, the exchange rates of RMB against the US dollar and the Hong Kong dollar decreased and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group. The Group will closely monitor the market and make appropriate adjustment and measures when necessary.

Capital expenditures

For the year ended 31 December 2015, the Group's capital expenditure were HK$52,006,000 (2014: HK$108,615,000).

Purchase, redemption or sale of listed securities of the Company

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

Corporate governance

During the year ended 31 December 2015, 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. RSM Hong Kong ("RSM Hong Kong"), to review the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2015, 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. Chiu Sin Nang, Kenny. The chairman of the audit committee has professional qualifications and experience in financial matters.

Scope of work of RSM Hong Kong

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

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
HUI WAI LEE, WILLY
Chairman

Hong Kong, 29 March 2016

As at the date of this announcement, the Board comprises eight directors. The executive directors of the Company are Mr. Hui Wai Lee, Willy (Chairman), Ms. Law Kee, Alice (Chief Executive Officer), Mr. Tai Yat Chung, Mr. Li Wenjun and Mr. Zhong Yingchang; and the independent non-executive directors are Mr. Tsui Pui Hing, Mr. Tang Ping Sum and Mr. Chiu Sin Nang, Kenny.