



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 Report 2014

Contents

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	5
Corporate Governance Report	11
Report of the Directors	18
Biographical Details of Directors	27
Independent Auditor's Report	29
Audited Financial Statements	
Consolidated:	
Income Statement	31
Statement of Comprehensive Income	32
Statement of Financial Position	33
Statement of Changes in Equity	35
Statement of Cash Flows	37
Company:	
Statement of Financial Position	39
Notes to the Consolidated Financial Statements	41
Five Year Financial Summary	118
Notice of Annual General Meeting	119

Corporate Information

Board of Directors

Executive Directors:

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

Independent Non-executive Directors:

Mr. Tsui Pui Hung
Mr. Tang Ping Sum
Mr. Chu To, Jonathan

Company Secretary

Mr. Chan Chun Fat

Solicitors

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

Auditor

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

Principal Bankers

Industrial and Commercial
Bank of China Limited
Industrial and Commercial
Bank of China (Asia) Limited
Dongguan Rural Commercial Bank
Company Limited
Bank of China (Hong Kong) Limited

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong

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

Chairman's Statement

Dear Shareholders,

On behalf of Cheung Wo International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I am pleased to present you the Group's annual results for the year ended 31 December 2014.

Increasing the Group's operational efficiency was the key objective for 2014. Progress towards that goal can be viewed in many ways, but by almost every measure, we did improve. We improved our operating financial performance this year against the backdrop of the slow economy. Our focus for the future is to continue our growth and diversity of becoming a branded property developer and an investment company. Our momentum is on the rise. Although there is clearly a great deal of work ahead of us, we believe we are well positioned to make further progress.

The Group has set foot in the property and hotel development business in Xiangtan, Hunan Province of the PRC, the engine of booming regional economy since 2010. At present, the Group is developing a parcel of land measuring approximately 325,989 square meters in the Jiu Hua Economic District of Xiangtan for the construction project named "湘江國際公館"(Xiang Jiang Guo Ji Gong Guan). As planned, the land will be used for multipurpose developments of a five-star hotel and low-density residential units with condominiums, townhouses and detached houses. The five-star hotel will accommodate approximately 392 rooms on a parcel of land of approximately 78,000 square meters. It will be well equipped with convention and entertainment facilities in order to provide an exclusive accommodation experience to guests. During the year under review, the hotel building work had been completed and interior decoration works are in progress. It is expected that the Group will tender for the hotel operator in late 2015 and the hotel will commence operation by 2016.

Situated on the waterfront with fantastic water and city views and coupled with our branded five-star hotel on sight, the properties are targeting the affluent class of the Hunan Province. The construction of low-density residential units including condominiums and townhouses has been completed and the pre-sale of the property is expected to launch in the second quarter of 2015. The Group will launch the detached houses into the market in the second half of 2015. The properties are expected to be occupied in years 2016 and 2017.



To further expand the Group's property development in Xiangtan, in September 2013, we purchased another parcel of land measuring approximately 240 mu (equivalent to approximately 160,229 square meters) (the "Second Parcel") adjacent to the existing land which is planned to build residential units with apartments, semi-detached houses and commercial property. The Land Use Certificate was obtained and the master plan for the Second Parcel is underway.

Chairman's Statement



The Group keeps an eye on other property development opportunities in order to deliver optimal returns to shareholders. For the period under review, 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 Keung Fai (“Mr. Cheng”) for the proposed cooperation regarding a commercial and residential property development project (the “Sheshan Project”) on a land stretched over 1,000 mu situated in Shanghai, the PRC. Also, the Group acquired 45% interest in Broad World Holdings Limited (“Broad World”), which is the holder of an exclusive and global license to use the trademark “Forbes” in certain specific fields. Broad World provides advisory services to and assists those real estate developers in developing commercial property under the Forbes trademark and other internationally recognised brands in the PRC. The Group intends to develop branded properties in the long run.

All of the Group’s development projects are of high potential. The initial audited GDP growth for Hunan Province in 2014 increased by 9.5%, amongst which, cities such as Xiangtan and Changsha increased by over 10%.

In addition, urbanization and relaxing of the Family Plan will give rise to a new round of population growth, which will inevitably create rigid housing demands in the future. With the help of the booming economy and higher household purchasing power in the PRC, demand for high-end residential buildings and shopping arcades remain strong in second and third tier cities. Keeping a close eye on these markets, the Group will continue to look for investment opportunities in the property market of the PRC, with an ultimate goal to achieve better results for our shareholders.

In relation to the film production business of the Group, 3D film “The Monkey King” was released during the Chinese New Year of 2014. The film proved to be an undoubtful success. It has broken 19 records and ranks as one of the top three grossing films which exceeded RMB1 billion box offices in the Chinese film history. The profit generated from box office and overseas sale of “The Monkey King” contributed significantly to the Group’s film production and distribution business. The Group will continue to explore film investment opportunities in the future.

Acknowledgement

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

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 was 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.

Management Discussion and Analysis



On 2 April 2014, the Company entered into a subscription agreement with G2 Whale Real Estate Development (China) Limited (“G2”) to acquire for 45% interest in 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. Broad World 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 (“G2 Whale Holding”) 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. G2 is a wholly owned subsidiary of G2 Whale Holding, which is the holder of an exclusive, global, non-transferable, limited, non-assignable licence to use the trade mark “Forbes” in certain specific fields.

On 15 March 2014, the Company as issuer entered into an agreement (the “Amended and Restated Subscription Agreement”) with Sunny Glory Investments Limited as the subscriber and the Company’s major shareholder, 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 Second Parcel 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.



Management Discussion and Analysis

On 27 January 2015, the Group completed the issue of 20% guaranteed secured notes (“2015 Notes”) with the principal amount of USD20,000,000 (equivalent to approximately HK\$155,182,000). 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.

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 of condominiums, townhouses and detached houses targeting at the affluent class of Hunan Province or neighboring provinces. It is expected that the Group will launch the pre-sale of the low-density residential units in the second quarter of 2015.

The Project positions at an excellent location connecting Changsha (the provincial capital of Hunan) and other parts of the country conveniently after 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 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 December 2014 which is close to the Project.

Management Discussion and Analysis

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 regarding 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 the 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 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.

Management Discussion and Analysis

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 for the industry in terms of taxation, finance and land use policy. 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: 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.

Management Discussion and Analysis

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\$286,927,000 (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, 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 36 to the financial statements 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 Report

Corporate governance practices

The Company has, throughout the financial year ended 31 December 2014, complied with all the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), save as disclosed below. This report describes the Company’s corporate governance practices and explains its applications.

Directors’ securities transactions

The Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) sets out in Appendix 10 to the Listing Rules was adopted by the Company. Specific enquiry of all Directors who were in office during the financial year ended 31 December 2014 was made and they have confirmed compliance with the Model Code during the financial year.

Board of directors

(I) Composition of the Board

The Board currently comprises 6 Directors, with 3 executive Directors and 3 independent non-executive Directors (“INED”) whose biographical details are set out in “Biographical Details of Directors” on pages 27 to 28. The Directors for the year and up to the date of this report were as follows:

Executive Directors

Mr. Jin Lei (*Chairman*)

Ms. Law Kee, Alice (*Chief Executive Officer*)

Mr. Hui Wai Lee, Willy

Independent Non-executive Directors

Mr. Tsui Pui Hung

Mr. Tang Ping Sum

Mr. Chu To, Jonathan

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

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

Corporate Governance Report

(II) Operation of the Board

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

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

(III) Directors' training and continuous professional development

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

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

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

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

A attending seminar(s) and/or conference(s) on regulations and updates

B reading materials relating to the general business, property development and Directors' duties and responsibilities etc.

Corporate Governance Report

Chairman and chief executive officer

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

Non-executive directors

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

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

Remuneration committee

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

The Remuneration Committee shall meet at least once a year. 3 meetings were held during the financial year ended 31 December 2014, during which the remuneration policy in remunerating the Directors and senior management of the Group was reviewed. None of the Directors participated in the determination of his/her own remuneration. Attendance of the members of the Remuneration Committee is set out in "Attendance Records at Meetings" on page 15.

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

Corporate Governance Report

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

Nomination committee

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

The Nomination Committee shall meet at least once a year. 1 meeting was held during the financial year ended 31 December 2014. Attendance of the members of the Nomination Committee is set out in "Attendance Records at Meetings" on page 15.

The major duties and functions of the Nomination Committee, inter alia, include reviewing the structure, size and composition of the Board at least annually and make recommendations to the Board on the nomination and appointment of Directors and the succession planning of the Directors.

The Board has adopted a "Board Diversity Policy" in relation to the nomination and appointment of new directors, which sets out: the selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industrial experience and professional experience.

The above measurements were also reviewed and adopted when the Nomination Committee reviewed the composition of the Board. After assessing the suitability of the directors' skills and experience to the Company's business, the Nomination Committee confirmed that the existing Board was appropriately structured and no change was required.

The terms of reference of the Nomination Committee (as revised on 30 August 2013) are available on the websites of the Stock Exchange and the Company.

Audit committee

The Company has set up an audit committee (the "Audit Committee") consisting of 3 independent non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise. Mr. Tang Ping Sum is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditors of the Company. 2 Audit Committee meetings were held during the financial year ended 31 December 2014. Attendance of the members is set out in "Attendance Records at Meetings" on page 15.

Corporate Governance Report

According to the existing terms of reference of the Audit Committee, its major roles and functions, inter alia, are to review the half-year and annual financial statements before submission to the Board and to review the Company's statement on internal control system. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

Attendance records at meetings

The attendance records of each Director at the various meetings of the Company during the year ended 31 December 2014 are set out as follows:

	Annual general meeting	Board meetings	Attended Board meeting*	Remuneration committee meetings	Nomination committee meeting	Audit committee meetings
Number of meetings	1	16	1	3	1	2
<i>Executive Directors</i>						
Mr. Jin Lei	1/1	15/16	1/1	N/A	N/A	N/A
Ms. Law Kee, Alice	1/1	16/16	1/1	N/A	N/A	N/A
Mr. Hui Wai Lee, Willy	1/1	16/16	1/1	N/A	N/A	N/A
<i>Independent Non-Executive Directors</i>						
Mr. Chu To, Jonathan	1/1	16/16	N/A	3/3	1/1	2/2
Mr. Tang Ping Sum	1/1	16/16	N/A	3/3	1/1	2/2
Mr. Tsui Pui Hung	1/1	16/16	N/A	3/3	1/1	2/2

* For the Executive Directors only.

Auditor's remuneration

The fees in relation to the audit services and non-audit services for the financial year ended 31 December 2014 provided by PricewaterhouseCoopers, the external auditor of the Company, amounted to HK\$1,775,000 and HK\$214,000, respectively.

Internal control

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

Corporate Governance Report

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

For the financial year ended 31 December 2014, a review of the effectiveness of the Group's internal control system and procedures covering the relevant controls, including financial, operational and compliance and risk management, was conducted by the Audit Committee and subsequently reported to the Board. Based on the result of the review, the Directors considered that the Group's internal control system and procedures were effective and satisfactory.

Directors' responsibilities for the financial statements

The Directors understand and acknowledge their responsibility for overseeing the preparation of financial statements for the financial year ended 31 December 2014, which give a true and fair view of the affairs, profitability and cash flow of the Group in compliance with the requirements of the Companies Ordinance (the "Companies Ordinance") (Chapter 622 of the Laws of Hong Kong) and the applicable disclosure provisions of the Listing Rules.

In preparing the financial statements for the financial year ended 31 December 2014:

- (i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;
- (ii) prudent and reasonable judgements and estimates are made; and
- (iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

Company secretary

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

Corporate Governance Report

Communication with shareholders

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

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

Shareholders' rights

(i) Convening a special general meeting by Shareholders

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

(ii) Putting forward proposals at general meetings

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

(iii) Putting forward enquiries to the Board

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

Report of the Directors

The Directors have pleasure in presenting to the Shareholders the Company's annual report together with the audited financial statements for the year ended 31 December 2014.

Principal activities

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

Results

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement on page 31 of the financial statements.

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

Property, plant and equipment, and investment property

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

Goodwill

Details of movements in goodwill of the Group during the year are set out in note 16 to the financial statements.

Share capital and convertible bonds

Details of movements in the Company's share capital and convertible bonds during the year are set out in notes 29 and 27 to the financial statements, respectively.

Purchase, redemption or sale of listed securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

Report of the Directors

Distributable reserves of the Company

As at 31 December 2014, the reserve of the Company available for distribution to the Shareholders amounted to HK\$413,346,000. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Director and directors' service contracts

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

Executive Directors:

Mr. Jin Lei (*Chairman*)

Ms. Law Kee, Alice (*Chief Executive Officer*)

Mr. Hui Wai Lee, Willy

Independent non-executive Directors:

Mr. Tsui Pui Hung

Mr. Tang Ping Sum

Mr. Chu To, Jonathan

In accordance with Bye-laws 87(1) and 87(2), Mr. Hui Wai Lee, Willy and Mr. Tsui Pui Hung shall retire from office by rotation at the forthcoming annual general meeting, and being eligible, offer themselves for re-election as executive/independent non-executive Directors (as the case may be).

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

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

Report of the Directors

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

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

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

Directors' and chief executive's interests in shares of the Company

As at 31 December 2014, none of the Directors and chief executive of the Company have any interests or short positions in the existing shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company or which are required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules to be notified to the Company and the Stock Exchange.

Share options

The Company adopted a share option scheme (the "Scheme") on 2 September 2013. The major terms of the Plan are set out as follows:

1. The purpose of the Scheme is to attract and retain talented personnel for future development of the Group; to provide incentive to encourage Participants (as defined below) to perform their best in achieving the goals of the Group and allow the Participants to enjoy the results of the Group attained through their efforts and contributions.

Report of the Directors

2. The eligible grantees of the Scheme are (i) any employee or officer (whether full time or part time, and including any executive director) of any member of the Group; (ii) or any non-executive director (including independent non-executive director) of any member of the Group; (iii) any supplier of goods or services to any member of the Group; (iv) any customer of any member of the Group; (v) any holder of any securities or securities convertible into any securities issued by any member of the Group; (vi) any person or entity that provides advisory, consultancy or professional services to any member of the Group or any director or employee of any such entity; and (vii) any other group or classes of participants from time to time determined by the Directors as having contributed to the development and growth of the Group.
3. The subscription price determined by the Board will be at least the highest of (i) the closing price of the Company's share as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.
4. The maximum number of shares which may be granted under the Scheme must not exceed 10% of the total number of Company's shares in issue as at the date of approval of the Scheme.
5. The total number of shares issued and to be issued upon exercise of the share options (the "Options") granted (including exercised, cancelled and outstanding Options) to each Participant, within the 12-month period immediately preceding the proposed date of grant, shall not exceed 1% of the total number of Company's share in issue. Any further grant shall be subject to the shareholders' approval of the Company with such Participant and his/her associates abstaining from voting.
6. The exercise period of the Options must be less than ten years from the date of grant.
7. The Scheme shall be valid and effective until 2 September 2023.

Report of the Directors

Details of the share option granted under the Scheme to certain directors of the Company to subscribe for the shares in the Company are as follows:

Name of Director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				Outstanding as at 31.12.2014	Approximate percentage to the issued share capital ⁽¹⁾ %
				Outstanding as at 1.1.2014	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year		
Mr. Jin Lei	5.11.2013	5.11.2013 to 4.11.2023	0.94	11,116,038	–	–	–	11,116,038	0.74
Ms. Law Kee, Alice	5.11.2013	5.11.2013 to 4.11.2023	0.94	11,116,038	–	–	–	11,116,038	0.74
				22,232,076	–	–	–	22,232,076	1.48

Details of the share options granted under the Scheme to certain employees of the Company to subscribe for shares in the Company are as follows:

Name of employee	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				Outstanding as at 31.12.2014	Approximate percentage to the issued share capital ⁽¹⁾ %
				Outstanding as at 1.1.2014	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year		
Ms. Hu Hui	5.11.2013	5.11.2013 to 4.11.2023	0.94	11,116,038	–	–	–	11,116,038	0.74
Mr. Mak Kam Fai	5.11.2013	5.11.2013 to 4.11.2023	0.94	11,116,038	–	–	–	11,116,038	0.74
Mr. Li Fu Chu	5.11.2013	5.11.2013 to 4.11.2023	0.94	11,116,038	–	–	–	11,116,038	0.74
Mr. Liu Jun Guang	5.11.2013	5.11.2013 to 4.11.2023	0.94	11,116,038	–	–	–	11,116,038	0.74
Mr. Tan Yue	5.11.2013	5.11.2013 to 4.11.2023	0.94	11,116,038	–	–	–	11,116,038	0.74
				55,580,190	–	–	–	55,580,190	3.70

Report of the Directors

Notes:

- (1) As at 31 December 2014, the number of issued shares of the Company is 1,498,096,766.
- (2) The closing price of the Company's shares immediately before 5 November 2013, the date of grant of the options was HK\$0.85.

Details of movements in the Company's share options during the year are set out in note 31 to the financial statements.

Arrangement to purchase shares or debentures

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

Substantial shareholders

As at 31 December 2014, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholder had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheng Keung Fai ("Mr. Cheng")	Interest of controlled corporation	938,309,250	62.63%
Full Dragon Group Limited (<i>Note 1</i>)	Beneficial owner	766,016,300	51.13%
Alpha Harbour Limited (<i>Note 2</i>)	Beneficial owner	58,536,585	3.91%
Classic Excel Investments Limited (<i>Note 2</i>)	Beneficial owner	58,536,585	3.91%
Digital Skyline Limited (<i>Note 2</i>)	Beneficial owner	55,219,780	3.69%

Report of the Directors

Note:

1. The entire issued share capital of Full Dragon Group Limited is owned by Mr. Cheng, who is therefore deemed to be interested in the shares held by this company.
2. Total of 172,292,950 shares were allotted and issued from the exercise of the conversion rights attaching to the Convertible Bonds on 26 September 2014. These shares were held by each of Alpha Harbour Limited, Classic Excel Investments Limited and Digital Skyline Limited comprising 58,536,585, 58,536,585 and 55,219,780 shares respectively. Mr. Cheng, the beneficial owner of the entire issued share capital of each of Alpha Harbour Limited, Classic Excel Investments Limited and Digital Skyline Limited, is deemed to be interested in the shares held by these companies.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 31 December 2014.

Directors' interest in contracts

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

Connected transactions

During the year ended 31 December 2014, the Group had entered into transactions which constituted connected transactions under the Listing Rules. Details are set out below:

On 18 September 2013, the Company as issuer entered into a subscription agreement with Sunny Glory Investments Limited as the subscriber (the "Subscriber") and Mr. Cheng as the guarantor, pursuant to which, subject to fulfillment of conditions precedent, the Subscriber has agreed to subscribe for and the Company has agreed to issue the notes in an aggregate principal amount of not more than USD80,000,000 (equivalent to approximately HK\$620,000,000) (the "2013 Notes") by two tranches. The Company has also been informed by Mr. Cheng that a facility agreement has been entered into between, among others, the Subscriber and a lender (the "Lender"), pursuant to which, the Lender has agreed to provide a loan facility in an amount of not more than USD80,000,000 (equivalent to approximately HK\$620,000,000) to the Subscriber (the "Facility Agreement"). Mr. Cheng has agreed to provide guarantee for the performance of the obligations of the Subscriber under the Facility Agreement. In addition, an option deed was entered into between the Lender and Mr. Cheng on 10 November 2013 (the "Option Deed"), pursuant to which, the Lender shall have a right to sell to Mr. Cheng all or any of the Shares which may be obtained by the Subscriber under the 2013 Notes and transferred to the Lender as part payment of interest accrued and payable by the Subscriber to the Lender pursuant to the Facility Agreement. The Company entered into a supplemental agreement and an Amended and Restated Subscription Agreement and a supplemental agreement to the Amended and Restated Subscription Agreement for extension and for further extension of the First Tranche Closing Date, respectively on 10 February 2014, 15 March 2014 and 9 May 2014. As certain conditions precedent had not been fulfilled as at the First Tranche Closing Date, and the Company, the relevant subscriber and guarantor had not agreed

Report of the Directors

on any further extension of the First Tranche Closing Date, the Amended and Restated Subscription Agreement therefore lapsed on 10 June 2014.

None of the related party transactions set out in note 35 to the financial statements constitutes connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

Continuing obligations under Chapter 13 of the Listing Rules

In accordance with the continuing disclosure requirement under Rule 13.21 of the Listing Rules, the Directors reported below details of the 2015 Notes with covenant which required specific performance obligations of the controlling shareholder of the Company. Terms used herein have the same meaning as those defined in the announcement made by the Company on 10 December 2014.

On 27 January 2015, the Company completed the issue of the 2015 Notes with a principal amount of USD20,000,000 (equivalent to approximately HK155,182,000), which will mature on 27 January 2018. The 2015 Notes bear interest from and including 27 January 2015 at a rate of 20% per annum, payable semi-annually in cash. Pursuant to the Conditions of the 2015 Notes, Mr. Cheng, being the substantial shareholder of the Company and the Guarantor to the 2015 Notes, is required to maintain a specified minimum shareholding in the Company. The Company will, at the option of any noteholder(s) redeem such 2015 Notes at the Early Redemption Amount (as defined in the 2015 Notes) if the percentage of shareholding in the Company held by Mr. Cheng falls below the specified minimum shareholding requirement as set out in the 2015 Notes (upon a Change of Control as set out in the announcement of the Company dated 10 December 2014), and such covenant triggers the disclosure obligations of the Company under Rule 13.18 of the Listing Rules.

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

Changes in directors' information

In accordance with Rule 13.51B of the Listing Rules, changes of the information of Directors required to be disclosed are set out below:

Mr. Tsui Pui Hung, an independent executive Director, ceased to be an independent non-executive director of Unlimited Creativity Holdings Limited (stock code: 8079), a company listed on the Growth Enterprise Market of the Stock Exchange, with effect from 30 June 2014.

Mr. Chu To, Jonathan, an independent executive Director, was appointed as a non-executive director of Harmony Asset Limited (stock code: 428), a company listed on the Stock Exchange, with effect from 29 October 2014.

Report of the Directors

Emolument policy

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

Pre-emptive rights

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

Major customers and suppliers

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 52.04% and 81.54%, respectively, of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 31.42% and 41.44%, respectively, of the Group's total purchases for the year.

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

Sufficiency of public float

The Company has maintained a sufficient public float throughout the year ended 31 December 2014.

Events after the reporting period

Details of the events after the reporting period of the Group are set out in note 39 to the financial statements.

Auditor

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

On behalf of the Board

Law Kee, Alice

Director

Hong Kong, 27 March 2015

Biographical Details of Directors

Executive directors

Mr. JIN Lei, aged 43, is an executive Director and chairman of the Company. Mr. Jin has over 21 years solid experience in construction work, property development and operation management. Mr. Jin was a civil engineer of 山東淄川建築設計院 (Architectural Design Institute of Shandong Zichuan) from 1993 to 1995. From 1995 to 2001, Mr. Jin was the 主任工程師 (engineer supervisor) of 山東黃淮糧油機械集團(濟寧機械設計院土木建築室) (Shandong Huanghuai Cereals & Oils Machinery Group Company (Civil Construction House of Jining Machinery Design Institute)). In 2002, Mr. Jin was awarded by the municipal government of Jining City, Shandong Province, the PRC as one of the 百名經濟管理人才 (Top 100 Managerial Talents in Economics). Mr. Jin holds a bachelor degree from 華東交通大學建築工程系 (Department of Architectural Engineering, East China Jiaotong University), major in 工業與民用建築 (Industrial and Residential Architecture). Mr. Jin was also awarded a master degree in business administration by 中國人民大學 (Renmin University of China) in 2005.

Ms. LAW Kee, Alice, aged 48, is an executive Director and the chief executive officer of the Company. Ms. Law joined the Group in September 2007 and was appointed as an executive Director in October 2007. Ms. Law holds a bachelor degree in business administration from University of Management and Technology, USA. She has extensive experience in business development, operation and marketing management. She is a member of The Hong Kong Institute of Directors and a member of The Hong Kong Real Property Federation.

Mr. HUI Wai Lee, Willy, aged 54, is currently a director of Supreme Jewellery Company. Mr. Hui joined the Group as an executive Director in April 2009. He has extensive experience in designing and manufacturing of European-style jewelry.

Independent non-executive directors

Mr. TSUI Pui Hung, Walter, aged 40, is a practicing solicitor of the High Court of Hong Kong and a qualified estate agent. From June 2007 to June 2014, Mr. Tsui was an independent non-executive director of Unlimited Creativity Holdings Limited (Stock Code: 8079), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Tsui holds the degrees of a Master in Laws from University of London, a Bachelor of Laws (with Honours) from Manchester Metropolitan University, a Bachelor of Science (with Honours) from the Chinese University of Hong Kong, a Postgraduate Certificate in Laws from University of Hong Kong and a Diploma in Translation from the Chinese University of Hong Kong. Mr. Tsui has years of management experience and is familiar with internal control issues and regulatory rules of listed company.

Biographical Details of Directors

Mr. TANG Ping Sum, aged 58, obtained a bachelor degree of commerce from University of Western Australia in December 1981 and a master degree of applied finance from Macquarie University, Australia in April 1992. He is a certified practicing accountant of Australia and was a fellow member of the Hong Kong Institute of Certified Public Accountants until 2007. Mr. Tang has over 15 years' experiences in the securities industry in Hong Kong.

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

From March 2003 to December 2006, Mr. Tang was an independent non-executive director of Cosmopolitan International Holdings Limited (stock code: 120), a company listed on the Stock Exchange. He was an independent non-executive director of Sino Resources Group Limited (stock code: 223), a company listed on the Stock Exchange, from April 2009 to December 2010; and a non-executive director of Univision Engineering Limited (AIM code: UVEL), a company listed on the Alternative Investment Market of the London Stock Exchange, from December 2005 to December 2011. He was an independent non-executive director of China Investment Development Limited (stock code: 204), a company listed on the Stock Exchange, from April 2011 to January 2014.

Mr. CHU To, Jonathan, aged 50, obtained a bachelor degree of science from University of Toronto, Canada in 1986. He has over 26 years of experience in the finance sector and has extensive experience particularly in private equity (including pre-IPO investments) and fund management. Mr. Chu was appointed as a non-executive director of Harmony Asset Limited (stock code: 428), a company listed on the Stock Exchange, in October 2014. Mr. Chu was the deputy managing director and responsible officer of China Everbright Securities (HK) Limited and China Everbright Forex and Futures (HK) Limited from May 2003 to October 2011. In addition, Mr. Chu is currently the chairman and chief executive officer of Metallix Resources Limited, the company principally engages in mining and processing of lead, zinc and copper ores.

Independent Auditor's Report



羅兵咸永道

To the Shareholders of Cheung Wo International Holdings Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Cheung Wo International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 31 to 117, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

Independent Auditor's Report

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2015

Consolidated Income Statement

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Revenue	5	27,127	26,801
Cost of sales	7	(6,049)	(7,662)
Gross profit		21,078	19,139
Other income and other gain	5	44,362	1,132
Fair value loss on an investment property	15	–	(18,809)
Impairment loss on goodwill	16	(198,037)	–
Administrative expenses	7	(39,194)	(81,866)
Selling and marketing expenses	7	(2,039)	–
Operating loss		(173,830)	(80,404)
Finance income	6	1,313	640
Finance costs	6	(178)	(285)
Finance income – net	6	1,135	355
Share of profit (loss) of investments accounted for using equity method	18	305	(16)
Loss before income tax		(172,390)	(80,065)
Income tax (expense) credit	9	(5,642)	14,489
Loss for the year attributable to equity holders of the Company	10	(178,032)	(65,576)
		2014	2013
Loss per share attributable to equity holders of the Company	12		
Basic		HK(13.34) cents	HK(6.84) cents
Diluted		HK(13.34) cents	HK(6.84) cents

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

The notes on pages 41 to 117 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Loss for the year	(178,032)	(65,576)
Other comprehensive (loss) income:		
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences arising on translation of foreign operations	(17,811)	30,484
<i>Item that has been reclassified to profit and loss</i>		
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)

The notes on pages 41 to 117 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
ASSETS			
Non-current assets			
Goodwill	16	–	199,589
Property, plant and equipment	13	337,091	227,432
Land use rights	14	304,875	317,548
Investment property	15	338,074	342,474
Investments accounted for using equity method	18	150,092	69,988
Prepayments and other receivables	21	11,965	63,341
Film rights		102	102
Deferred income tax assets	28	–	86
Total non-current assets		1,142,199	1,220,560
Current assets			
Properties development in progress	19	1,093,998	1,003,211
Inventories		15	5
Trade and rental receivables	20	9,840	8,137
Prepayments and other receivables	21	367,351	107,485
Tax recoverable		80	69
Cash and cash equivalents	22	61,696	163,161
Total current assets		1,532,980	1,282,068
LIABILITIES			
Current liabilities			
Trade and land payables	23	341,351	345,322
Other payables, accruals and deposits received	24	24,581	25,418
Interest-bearing bank and other borrowings	25	350,345	58,109
Obligations under finance leases	26	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

The notes on pages 41 to 117 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Non-current liabilities			
Convertible bonds	27	–	22,620
Deposits received	24	2,721	3,199
Deferred income tax liabilities	28	249,755	247,412
Interest-bearing bank borrowings	25	249,501	290,661
Obligations under finance leases	26	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	29	14,981	11,116
Share premium	30	939,167	749,281
Contributed surplus	30	459,047	459,047
Equity component of convertible bonds	30	–	51,274
Other reserves	30	130,221	146,351
(Accumulated losses) retained profits	30	(88,961)	89,071
Total equity		1,454,455	1,506,140

The financial statements were approved by the Board of Directors on 27 March 2015 and were signed on its behalf.

Law Kee, Alice
Director

Hui Wai Lee, Willy
Director

The notes on pages 41 to 117 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2014

	Attributable to equity holders of the Company									Total HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus ¹ HK\$'000	Equity component of convertible bonds HK\$'000	Exchange reserve HK\$'000	Special reserve ² HK\$'000	Share options reserve HK\$'000	Warrants reserve HK\$'000	(Accumulated losses) retained profits HK\$'000	
Balance at 1 January 2013	6,866	523,467	459,047	15,064	51,503	17,926	-	-	154,647	1,228,520
Comprehensive income										
Loss for the year	-	-	-	-	-	-	-	-	(65,576)	(65,576)
Other comprehensive income										
Exchange differences arising on translation of foreign operations	-	-	-	-	30,484	-	-	-	-	30,484
Total comprehensive loss for the year	-	-	-	-	30,484	-	-	-	(65,576)	(35,092)
Issue of shares (note 29(a)&(b))	4,250	226,261	-	(119,585)	-	-	-	-	-	110,926
Share issue expenses	-	(447)	-	-	-	-	-	-	-	(447)
Issue of convertible bonds (note 27)	-	-	-	155,795	-	-	-	-	-	155,795
Grant of share options	-	-	-	-	-	-	46,438	-	-	46,438
Total transactions with equity holders recognised directly in equity	4,250	225,814	-	36,210	-	-	46,438	-	-	312,712
Balance at 31 December 2013	11,116	749,281	459,047	51,274	81,987	17,926	46,438	-	89,071	1,506,140
Balance at 1 January 2014	11,116	749,281	459,047	51,274	81,987	17,926	46,438	-	89,071	1,506,140
Comprehensive income										
Loss for the year	-	-	-	-	-	-	-	-	(178,032)	(178,032)
Other comprehensive income										
Exchange differences arising on translation of foreign operations	-	-	-	-	(17,811)	-	-	-	-	(17,811)
Release of exchange reserve to profit and loss upon liquidation of a subsidiary	-	-	-	-	(433)	-	-	-	-	(433)
Total comprehensive loss for the year	-	-	-	-	(18,244)	-	-	-	(178,032)	(196,276)
Issue of shares (note 29(c)&(d))	3,865	192,614	-	(51,274)	-	-	-	-	-	145,205
Share issue expenses	-	(2,728)	-	-	-	-	-	-	-	(2,728)
Issue of warrants	-	-	-	-	-	-	-	2,114	-	2,114
Total transactions with equity holders recognised directly in equity	3,865	189,886	-	(51,274)	-	-	-	2,114	-	144,591
Balance at 31 December 2014	14,981	939,167	459,047	-	63,743	17,926	46,438	2,114	(88,961)	1,454,455

The notes on pages 41 to 117 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

- ¹ Contributed surplus of the Group arose from the Company's capital reorganisation on 6 September 2010 and 24 May 2012.
- ² Special reserve of the Group mainly represents the sum of the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the group reorganisation in 2001 of approximately HK\$10,420,000 and the consideration for the acquisition of additional interests in jointly-controlled entities which became wholly-owned subsidiaries by the substantial shareholder of the Company prior to the group reorganisation of HK\$7,506,000.

The notes on pages 41 to 117 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash flows from operating activities			
Loss before income tax		(172,390)	(80,065)
Adjustments for:			
Interest income on short-term bank deposits	6	(1,357)	(618)
Finance costs	6	178	285
Depreciation	7	4,243	4,194
Loss (gain) on disposal of property, plant and equipment	7	370	(187)
Fair value loss on an investment property	15	–	18,809
Share of (profit) loss from investments accounted for using equity method	18	(305)	16
Impairment loss on film production in progress		–	530
Impairment loss on goodwill	16	198,037	–
Share based payment recognised		–	46,438
Reversal of provision for impairment of trade receivables	7	(89)	(588)
		28,687	(11,186)
Changes in working capital:			
Increase in properties development in progress		(97,155)	(539,386)
(Increase) decrease in inventories		(10)	469
(Increase) decrease in trade and rental receivables		(1,712)	4,648
(Increase) decrease in prepayments and other receivables		(216,949)	44,745
Increase in trade and land payables		465	321,229
Decrease in other payables, accruals and deposits received		(1,093)	(2,556)
Cash used in operations		(287,767)	(182,037)
Hong Kong profits tax (paid) refunded		(57)	8
Net cash used in operating activities		(287,824)	(182,029)

The notes on pages 41 to 117 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash flows from investing activities			
Advance to an associate		(30,000)	(4,024)
Loan repayment received from an associate		70,201	–
Acquisition of an associate		(120,000)	–
Purchase of property, plant and equipment		(103,944)	(124,679)
Proceeds from disposal of property, plant and equipment		72	187
Interest received	6	1,357	618
Net cash used in investing activities		(182,314)	(127,898)
Cash flows from financing activities			
Proceeds from issue of shares		119,952	28,485
Transaction costs attributable to issue of shares		(2,728)	(447)
Proceeds from bank loans and other borrowings		311,876	176,924
Repayment of bank loans and other borrowings		(56,335)	(190)
Proceeds from issue of convertible bonds		–	200,000
Interest paid on bank and other borrowings, loans from a shareholder and commitment fee		(43)	(99)
Interest element of finance lease rental payments		(135)	(186)
Capital element of finance lease rental payments		(1,241)	(1,188)
Net cash generated from financing activities		371,346	403,299
Net (decrease) increase in cash and cash equivalents		(98,792)	93,372
Cash and cash equivalents at beginning of year		163,161	66,089
Effect of foreign exchange rate changes, net		(2,673)	3,700
Cash and cash equivalents at end of year		61,696	163,161
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the consolidated statement of financial position	22	61,696	163,161

The notes on pages 41 to 117 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	17	6,173	6,172
Prepayments	21	1,607	–
		7,780	6,172
Current assets			
Prepayments	21	1,068	326
Amounts due from subsidiaries	17	1,397,571	1,285,762
Cash and cash equivalents	22	12,359	16,004
Total current assets		1,410,998	1,302,092
LIABILITIES			
Current liabilities			
Accruals	24	1,689	1,702
Interest-bearing bank borrowings	25	1,043	1,240
Total current liabilities		2,732	2,942
Net current assets		1,408,266	1,299,150
Total assets less current liabilities		1,416,046	1,305,322
Non-current liabilities			
Convertible bonds	27	–	22,620
Total non-current liabilities		–	22,620
Net assets		1,416,046	1,282,702

The notes on pages 41 to 117 are an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	29	14,981	11,116
Share premium	30	939,167	749,281
Contributed surplus	30	503,119	503,119
Equity component of convertible bonds	30	–	51,274
Share options reserve	30	46,438	46,438
Warrants reserve	30	2,114	–
Accumulated losses	30	(89,773)	(78,526)
Total equity		1,416,046	1,282,702

The financial statements were approved by the Board of Directors on 27 March 2015 and were signed on its behalf.

Law Kee, Alice
Director

Hui Wai Lee, Willy
Director

The notes on pages 41 to 117 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 Corporate information

Cheung Wo International Holdings Limited (the “Company”) was incorporated in Bermuda on 9 May 2001 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The registered office of the Company is located at Room 4101, 41st Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (together, the “Group”) consist of film distribution and licensing, film processing, rental of property, and property and hotel development.

These financial statements have been approved for issue by the Board of Directors on 27 March 2015.

2.1 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.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

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

As at 31 December 2014, the Group had total current liabilities including outstanding borrowings from banks of approximately HK\$717,572,000 that would be due for repayment in the coming twelve months. As at the same date, the Group had cash and cash equivalents of approximately HK\$61,696,000. In addition, the Group recorded a net loss attributable to equity holders of the Company of approximately HK\$178,032,000, and had cash outflow from operating activities of approximately HK\$287,824,000 for the year ended 31 December 2014.

Notes to the Consolidated Financial Statements

2.1 Basis of preparation *(Continued)*

Management has prepared cash flow projections which cover a period of twelve months from the date of the statement of financial position. The directors of the Company have reviewed the Group's cash flow projections and are of the opinion that, taking into account the following measures and plans, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from the date of the statement of financial position:

- (i) On 27 January 2015, the Company completed the issue of 20% guaranteed secured notes with the principal amount of US\$20,000,000 (approximately HK\$155,182,000) to an independent party, resulting in a net proceeds of US\$19,179,000 (approximately HK\$148,812,000) (note 39 (a)).
- (ii) 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 (note 39 (b)).

The directors closely monitor the Group's liquidity position and financial performance and have initiated measure to improve the Group's cash flows. These measures include raising additional capital and obtaining additional financing from banks and others. In the opinion of the directors, in light of the above, together with the anticipated cash flows from operations, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from the date of the statement of financial position. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

(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
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 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.

Notes to the Consolidated Financial Statements

2.1 Basis of preparation (Continued)

(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: (Continued)

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.

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

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.

(c) 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.

Notes to the Consolidated Financial Statements

2.1 Basis of preparation *(Continued)*

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

2.2 Summary of significant accounting policies

(a) Subsidiaries

Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

(i) Business combinations

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

Acquisition-related costs are expensed as incurred.

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

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

Notes to the Consolidated Financial Statements

2.2 Summary of significant accounting policies (*Continued*)

(a) Subsidiaries (*Continued*)

Consolidation (Continued)

(i) Business combinations (*Continued*)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (note 2.2 (f)).

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

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

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

(iii) Disposal of subsidiaries

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

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

(b) Separate financial statements

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

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

Notes to the Consolidated Financial Statements

2.2 Summary of significant accounting policies (*Continued*)

(c) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

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

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

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

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

(d) Segment reporting

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

Notes to the Consolidated Financial Statements

2.2 Summary of significant accounting policies (*Continued*)

(e) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

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

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

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

(iii) *Group companies*

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

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

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

Notes to the Consolidated Financial Statements

2.2 Summary of significant accounting policies (*Continued*)

(e) Foreign currency translation (*Continued*)

(iv) Disposal of foreign operation

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

(f) Goodwill

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

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

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

(g) Property, plant and equipment

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

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

Notes to the Consolidated Financial Statements

2.2 Summary of significant accounting policies *(Continued)*

(g) Property, plant and equipment *(Continued)*

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

Leasehold land classified as finance lease	Over the lease terms
Buildings	2.5%
Furniture and fixtures	20%
Leasehold improvements	Over the shorter of the lease terms or 20%
Motor vehicles	10% – 25%
Plant, machinery and equipment	20% – 33 $\frac{1}{3}$ %

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

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

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

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

(h) Land use rights

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

Notes to the Consolidated Financial Statements

2.2 Summary of significant accounting policies (*Continued*)

(i) Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers.

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

(j) Impairment of non-financial assets

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

(k) Financial assets

(i) Classification

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and rental receivables', 'other receivables' and 'cash and cash equivalents' in the consolidated statement of financial position (note 2.2(q) and 2.2(r)).

Notes to the Consolidated Financial Statements

2.2 Summary of significant accounting policies (*Continued*)

(k) Financial assets (*Continued*)

(ii) Recognition and measurement

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

(l) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(m) Impairment of financial assets

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

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

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

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

Notes to the Consolidated Financial Statements

2.2 Summary of significant accounting policies (*Continued*)

(n) Film rights

Perpetual film rights acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Costs of film rights represent the purchase price of the perpetual film rights and are amortised over the period of the expected income from distribution and licensing of video rights and other broadcasting rights following their release.

(o) Properties development in progress

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

Net realisable value is the estimated selling price at which the property can be realised less related expenses. Income from incidental operation is recognised in the consolidated income statement.

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

(p) Inventories

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

(q) Trade and other receivables

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

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

(r) Cash and cash equivalents

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

Notes to the Consolidated Financial Statements

2.2 Summary of significant accounting policies *(Continued)*

(s) Share capital

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

(t) Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instruments. The net proceeds received from the issue of warrants are recognised in equity (i.e. warrants reserve). The warrants reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants. When the warrants still exist and not exercised at the expiry date, the amount previously recognised in the warrants reserve will be transferred to retained earnings.

(u) Trade and other payables

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

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

(v) Convertible bonds

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

Upon conversion of convertible bonds to ordinary shares, the liability component and equity component of respective convertible bonds are reclassified to share capital and share premium. The interests on these convertible bonds are capitalised in the consolidated income statement as construction in progress and properties development in progress, respectively.

(w) Borrowings

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

Notes to the Consolidated Financial Statements

2.2 Summary of significant accounting policies (*Continued*)

(w) **Borrowings** (*Continued*)

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

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

(x) **Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

(y) **Current and deferred income tax**

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

(i) *Current income tax*

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

Notes to the Consolidated Financial Statements

2.2 Summary of significant accounting policies *(Continued)*

(y) Current and deferred income tax *(Continued)*

(ii) *Deferred income tax*

Inside basis differences

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

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

Outside basis differences

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

(iii) *Offsetting*

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

Notes to the Consolidated Financial Statements

2.2 Summary of significant accounting policies (*Continued*)

(z) **Employee benefits**

The Group continues to operate various defined contribution pension plans including defined contribution scheme (the “Defined Contribution Scheme”) and a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) for its employees in Hong Kong and a central pension scheme operated by the local municipal government in the People’s Republic of China (“PRC”) for those employees of the Group’s subsidiaries.

(i) *Pension obligations*

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) *Bonus plans*

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Notes to the Consolidated Financial Statements

2.2 Summary of significant accounting policies (*Continued*)

(z) Employee benefits (*Continued*)

(iv) Share-based payments

Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Notes to the Consolidated Financial Statements

2.2 Summary of significant accounting policies *(Continued)*

(aa) Revenue recognition

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

- (i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (ii) from the production and distribution of films, when the production is completed and the film has been released, and distributed to the cinema circuit and the amount can be measured reliably, which is generally when the cinema circuit confirms to the Group its share of box office receipts;
- (iii) from the licensing of the distribution and broadcasting rights over films and television series, when the Group's entitlement to such payments has been established which, subject to the terms of the relevant agreements, is usually upon delivery of the film negatives to the customers;
- (iv) from the provision of film processing services, when the services are provided;
- (v) rental income from investment property is recognised in the consolidated income statement on a straight-line basis over the term of the lease;
- (vi) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (vii) dividend income, when the shareholder's right to receive payment has been established.

(bb) Provisions

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

(cc) Leases

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

Notes to the Consolidated Financial Statements

2.2 Summary of significant accounting policies (*Continued*)

(cc) Leases (*Continued*)

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

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

(dd) Dividend distribution

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

(ee) Financial guarantee contracts

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

Notes to the Consolidated Financial Statements

3 Critical accounting estimates and judgements

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

(I) Critical accounting estimates and assumptions

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

(a) *Impairment of goodwill*

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

The Group determined the recoverable amount of cash-generating unit based on value-in-use calculations. These calculations require the use of estimates.

The value-in-use calculations primarily use cash flow projections based on financial budgets, in general covered five years, approved by management and estimated terminal values at the end of the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected selling price per residential unit, forecasted hotel room and occupancy rates, growth rates and selection of discount rates, to reflect the risks involved.

Management prepared the financial budgets reflecting actual performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the result of the impairment reviews. Refer to note 16 for further details of the Group's goodwill impairment assessment.

(b) *Estimation of fair value of an investment property*

The fair value of an investment property is determined by using income capitalisation valuation approach. Details of the judgement and assumptions have been disclosed in note 15.

Notes to the Consolidated Financial Statements

3 Critical accounting estimates and judgements *(Continued)*

(I) Critical accounting estimates and assumptions *(Continued)*

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

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

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

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

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

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

(e) Net realisable value of properties development in progress

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

Notes to the Consolidated Financial Statements

3 Critical accounting estimates and judgements *(Continued)*

(I) Critical accounting estimates and assumptions *(Continued)*

(f) Impairment of trade and rental receivables and prepayments

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

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

(g) Impairment of investments accounted for using equity method

At the end of each reporting period, the Group reviews internal and external sources of information to identify indicators that the Group's investments accounted for using equity method may be impaired.

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

(h) Income taxes

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

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

Notes to the Consolidated Financial Statements

3 Critical accounting estimates and judgements *(Continued)*

(I) Critical accounting estimates and assumptions *(Continued)*

(i) Estimation of fair value of warrants

The fair value of warrants issued requires judgment in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the warrants. Details of the assumptions used in determining the fair value of the warrants are set out in note 29.

(j) Pending litigation

The Group had a pending litigation as at the date of the consolidated statement of financial position. Significant judgement is required in determining whether it is more likely than not that an outflow of resources will be required to settle the pending litigation in which case a provision for the potential litigation expenses is recognised.

(II) Critical judgements in applying the Company's accounting policies

(a) Classification of investment

Determining whether an investment in another entity should be classified as an investment in an associate requires judgement. Management considers all aspects of the relationship between the investor and the investee in order to determine whether the Group has significant influence over the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Management has performed an assessment and considered the current accounting treatments for its associates to be appropriate. Talent Films Limited ("Talent Films") and Broad World Holdings Limited ("Broad World") are accounted for as associates since the Group has significant influence on but no control or joint control over Talent Films and Broad World. Among other key factors, the Group does not have any power to control the appointment of the directors of Talent Films and Broad World, as the majority of the directors are nominated by the major shareholder of Talent Films and Broad World, respectively. Accordingly, the Group does not control or joint control Talent Films and Broad World.

(b) Identification of cash-generating units

When performing asset impairment assessment, the Group follows HKAS36 to identify cash generating unit ("CGU") that is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The independence of cash flows will be indicated by various factors including, for example, by businesses, individual locations, districts or regional areas or how management makes decisions about continuing or disposing of the entity's assets and operations. Identification of CGU is driven by the asset and the business and requires judgment of the management.

Notes to 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 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 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 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)

Notes to the Consolidated Financial Statements

4 Segment information (Continued)

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 5) and impairment loss on goodwill of HK\$198,037,000 (note 16), 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.

Notes to the Consolidated Financial Statements

4 Segment information (Continued)

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

Notes to the Consolidated Financial Statements

4 Segment information (Continued)

(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.

Notes to the Consolidated Financial Statements

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.

An analysis of revenue, other income and other gain is as follows:

	2014 HK\$'000	2013 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 (note 15(a))	–	230
Gain on liquidation of a subsidiary	459	–
Others	158	902
	44,362	1,132

Note:

In accordance with the shareholders' 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.

Notes to the Consolidated Financial Statements

6 Finance income – net

An analysis of finance costs and income is as follows:

	2014 HK\$'000	2013 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 (note 27(c))	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)
Total finance income	(1,313)	(640)
Finance income – net	(1,135)	(355)

Borrowing costs of the loans used to finance the property and hotel development projects of the Group have been capitalised at a capitalisation rate of 99% during the year (2013: 99%).

Notes to the Consolidated Financial Statements

7 Expenses by nature

	2014 HK\$'000	2013 HK\$'000
Employee benefit expenses (excluding directors' remuneration (note 8)):		
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 (note 8)	2,052	15,581
Auditors' remuneration	2,048	1,844
Depreciation (note 13)	4,243	4,194
Cost of inventories recognised as expenses ¹	359	1,739
Operating lease rentals in respect of buildings	6,216	6,363
Direct operating expenses from property that generated rental income (note 15(a))	3,181	3,225
Reversal of provision for impairment of trade receivables (note 20)	(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

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

Notes to the Consolidated Financial Statements

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

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:

	2014 HK\$'000	2013 HK\$'000
Fees	312	312
Other emoluments:		
Salaries, allowances and benefits in kind	1,598	1,871
Pension costs – defined contribution plans	142	130
Share options granted to directors	–	13,268
	2,052	15,581

2014

Name	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Employer's contribution to pension scheme HK\$'000	Share options granted HK\$'000	Total remuneration HK\$'000
Executive directors:					
Mr. Jin Lei	–	283	48	–	331
Ms. Law Kee, Alice	–	1,146	82	–	1,228
Mr. Hui Wai Lee, Willy	–	169	12	–	181
	–	1,598	142	–	1,740
Independent non-executive directors:					
Mr. Tsui Pui Hung	120	–	–	–	120
Mr. Tang Ping Sum	96	–	–	–	96
Mr. Chu To, Jonathan	96	–	–	–	96
	312	–	–	–	312
	312	1,598	142	–	2,052

Notes to the Consolidated Financial Statements

8 Directors' and chief executive's emoluments and five highest paid individuals
(Continued)

(a) Directors' and chief executive's emoluments (Continued)

2013

Name	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Employer's contribution to pension scheme HK\$'000	Share options granted HK\$'000	Total remuneration HK\$'000
Executive directors:					
Mr. Jin Lei	–	500	34	6,634	7,168
Ms. Law Kee, Alice	–	1,202	83	6,634	7,919
Mr. Hui Wai Lee, Willy	–	169	13	–	182
	–	1,871	130	13,268	15,269
Independent non-executive directors:					
Mr. Tsui Pui Hung	120	–	–	–	120
Mr. Tang Ping Sum	96	–	–	–	96
Mr. Chu To, Jonathan	96	–	–	–	96
	312	–	–	–	312
	312	1,871	130	13,268	15,581

There were no arrangements under which a director waived or agreed to waive any remuneration during the years ended 31 December 2014 and 2013.

Notes to the Consolidated Financial Statements

8 Directors' and chief executive's emoluments and five highest paid individuals
(Continued)

(b) Emoluments of five-highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2013: two) was a director of the Company, whose emoluments are included in the disclosure set out in note (a) above. The emoluments of the remaining four (2013: three) highest paid individuals are as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries, allowances and benefits in kind	2,898	2,048
Pension costs – defined contribution plans	54	70
Share options granted to employees	–	19,902
	2,952	22,020

The emoluments of the four (2013: three) individuals with the highest emoluments are within the following bands:

Emolument bands (in HK dollar)	Number of individuals	
	2014	2013
Nil – HK\$1,000,000	4	–
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$7,000,001 – HK\$8,000,000	–	3

Notes to the Consolidated Financial Statements

9 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 (note 28(a))	5,633	(8,233)
Total tax expense (credit)	5,642	(14,489)

Notes to the Consolidated Financial Statements

9 Income tax expense (credit) (Continued)

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

	2014 HK\$'000	2013 HK\$'000
Loss before income tax	(172,390)	(80,065)
Tax at the statutory tax rates	(27,941)	(14,035)
Tax effects of:		
– Expenses not deductible for tax purposes	34,168	8,174
– Income not subject to tax	(7,584)	(390)
– Tax losses for which no deferred income tax asset was recognised	5,249	6,115
– Associate's results reported net of tax	(50)	3
Overprovision in prior years	(18)	(6,295)
Temporary difference not recognised	(99)	(12)
Recognition of previously unrecognised temporary differences	–	76
Utilisation of tax loss	(2,388)	(3,069)
Release (recognition) of deferred tax assets relating to tax loss	2,471	(5,511)
Recognition of deferred income tax liabilities relating to land appreciation tax	1,834	455
Total tax expense (credit)	5,642	(14,489)

The weighted average applicable tax rate was 16.2% (2013: 17.5%).

10 Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company for the year ended 31 December 2014 includes a loss of HK\$11,247,000 (2013: HK\$56,980,000) which has been dealt with in the financial statements of the Company (note 30).

11 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.

12 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.

Notes to the Consolidated Financial Statements

12 Loss per share attributable to equity holders of the Company (*Continued*)**(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 HK\$'000	2013 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. 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.

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.

Notes to the Consolidated Financial Statements

13 Property, plant and equipment

	Group						Total HK\$'000
	Construction in progress HK\$'000	Leasehold land and buildings HK\$'000	Furniture and fixtures HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Plant, machinery and equipment HK\$'000	
At 1 January 2013							
Cost	70,767	1,100	1,831	4,020	14,170	10,760	102,648
Accumulated depreciation	–	(318)	(1,350)	(2,954)	(4,361)	(9,187)	(18,170)
Net carrying amount	70,767	782	481	1,066	9,809	1,573	84,478
Year ended 31 December 2013							
Opening net carrying amount	70,767	782	481	1,066	9,809	1,573	84,478
Additions	140,881	–	308	2,665	1,070	232	145,156
Depreciation	–	(28)	(160)	(876)	(2,545)	(585)	(4,194)
Exchange realignment	1,904	–	3	6	76	3	1,992
Closing carrying amount	213,552	754	632	2,861	8,410	1,223	227,432
At 31 December 2013							
Cost	213,552	1,100	2,146	6,710	14,934	8,459	246,901
Accumulated depreciation	–	(346)	(1,514)	(3,849)	(6,524)	(7,236)	(19,469)
Net carrying amount	213,552	754	632	2,861	8,410	1,223	227,432
Year ended 31 December 2014							
Opening net carrying amount	213,552	754	632	2,861	8,410	1,223	227,432
Additions	112,347	–	182	1,117	3,134	471	117,251
Disposals/write off	–	–	(127)	–	–	(315)	(442)
Depreciation	–	(27)	(190)	(844)	(2,801)	(381)	(4,243)
Exchange realignment	(2,832)	–	(5)	(33)	(31)	(6)	(2,907)
Closing carrying amount	323,067	727	492	3,101	8,712	992	337,091
At 31 December 2014							
Cost	323,067	1,100	1,961	7,139	17,547	3,938	354,752
Accumulated depreciation	–	(373)	(1,469)	(4,038)	(8,835)	(2,946)	(17,661)
Net carrying amount	323,067	727	492	3,101	8,712	992	337,091

Notes to the Consolidated Financial Statements

13 Property, plant and equipment *(Continued)*

Depreciation expense of HK\$283,000 (2013: Nil) has been charged in 'cost of goods sold' and HK\$3,960,000 (2013: HK\$4,194,000) in 'administrative expenses'.

Construction in progress as at 31 December 2014 and 2013 mainly comprised hotel units being constructed in the PRC.

During the year, the Group capitalised borrowing costs amounting to HK\$24,956,000 (2013: HK\$17,037,000) on qualifying assets within construction in progress.

At 31 December 2014, two motor vehicles (2013: two) were held under finance leases as follows:

	2014 HK\$'000	2013 HK\$'000
Cost	8,693	8,693
Accumulated depreciation	(5,446)	(3,707)
Net carrying amount	3,247	4,986

The Group leases vehicles under non-cancellable finance lease agreements. The lease terms are between 3 and 4 years, and ownership of the assets lies within the Group.

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

	2014 HK\$'000	2013 HK\$'000
In Hong Kong, held on leases of:		
Between 10 to 50 years	727	754

At 31 December 2014, the Group's leasehold land classified as finance lease and building with a net carrying amount of HK\$727,000 (2013: HK\$754,000) were pledged to secure banking facilities granted to the Group (note 34).

Notes to the Consolidated Financial Statements

14 Land use rights

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

	Group	
	2014	2013
	HK\$'000	HK\$'000
In the PRC, held on leases of:		
Between 10 to 50 years	304,875	317,548
At 1 January	317,548	317,856
Amortisation of land use right	(8,636)	(8,636)
Exchange realignment	(4,037)	8,328
At 31 December	304,875	317,548

During the year, the Group capitalised amortisation of land use rights amounted to HK\$8,636,000 (2013: HK\$8,636,000) on qualifying assets within construction in progress.

At 31 December 2014, the Group's land use rights were pledged to secure banking facilities granted to the Group (note 34).

15 Investment property

	Group	
	2014	2013
	HK\$'000	HK\$'000
At fair value		
At 1 January	342,474	352,130
Fair value loss adjustment	–	(18,809)
Exchange realignment	(4,400)	9,153
At 31 December	338,074	342,474

Notes to the Consolidated Financial Statements

15 Investment property (Continued)

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

	2014 HK\$'000	2013 HK\$'000
Rental income (note 5)	21,349	21,187
Net compensation received relating to termination of tenancy agreements (note 5)	–	230
Direct operating expenses from property that generated rental income (note 7)	(3,181)	(3,225)
	18,168	18,192

As at 31 December 2014, the Group had no unprovided contractual obligations for future repairs and maintenance (2013: Nil).

(b) Valuation basis

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

An independent valuation of the Group's investment property was performed by the valuer, RHL Appraisal Limited, to determine the fair value of the investment property as at 31 December 2014 and 2013. The revaluation gains or losses are included in "fair value loss on an investment property" in the consolidated income statement. The following table analyses the investment property carried at fair value, by valuation method.

Fair value hierarchy

Description	Fair value measurements at 31 December using significant unobservable inputs (Level 3)	
	2014 HK\$'000	2013 HK\$'000
Recurring fair value measurements		
Investment property:		
– Shopping mall – PRC	338,074	342,474

Notes to the Consolidated Financial Statements

15 Investment property (Continued)

(b) Valuation basis (Continued)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2014 and 2013.

Fair value measurements using significant unobservable inputs (Level 3)

	Shopping mall-PRC	
	2014	2013
	HK\$'000	HK\$'000
Opening balance	342,474	352,130
Fair value loss adjustment	–	(18,809)
Exchange realignment	(4,400)	9,153
Closing balance	338,074	342,474
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under 'fair value loss on an investment property'	–	18,809
Change in unrealised losses for the year included in profit or loss for assets held at the end of the year	–	18,809

Valuation processes of the Group

The Group's investment property was valued at 31 December 2014 and 2013 by independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment property valued. The current use of the investment property equates to the highest and best use.

The Group's financial controller reviews the valuations performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between the financial controller and valuer at least once every six months, in line with the Group's interim and annual reporting dates. The board of directors also reviews the valuation results twice a year. As at 31 December 2014 and 2013, the fair value of the property has been determined by RHL Appraisal Limited.

Notes to the Consolidated Financial Statements

15 Investment property (Continued)

(b) Valuation basis (Continued)

Valuation processes of the Group (Continued)

At each financial year end the finance controller:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Changes in fair values are analysed at each reporting date during the semi-annual valuation discussions between the financial controller and the valuer. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

Valuation techniques

For the shopping mall in the PRC, the valuation was based on income capitalisation approach (term and reversionary method) which largely involves observable inputs (e.g. market rent, yield, etc) and taking into account the significant adjustment on yields to accounts for the security of the existing tenancies, and the risks upon reversionary and the estimation in vacancy rate after expiry of current lease.

There were no changes to the valuation technique during the years ended 31 December 2014 and 2013.

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2014 (HK\$'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shopping mall – PRC	338,074	Income approach (term and reversionary method)	Term yield	2.5%-4%	The higher the term yield, the lower the fair value
			Reversionary yield	5%	The higher the reversionary yield, the lower the fair value
			Market unit rent	RMB105-210 per sq. m.	The higher the market unit rent, the higher the fair value

Notes to the Consolidated Financial Statements

15 Investment property (Continued)

(b) Valuation basis (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3)
(Continued)

Description	Fair value at 31 December 2013 (HK\$'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shopping mall – PRC	342,474	Income approach (term and reversionary method)	Term yield	2.5%-4%	The higher the term yield, the lower the fair value
			Reversionary yield	5%	The higher the reversionary yield, the lower the fair value
			Market unit rent	RMB105-200 per sq. m.	The higher the market unit rent, the higher the fair value

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

	2014 HK\$'000	2013 HK\$'000
In the PRC, held on leases of: Between 10 to 50 years	338,074	342,474

16 Goodwill

Movements of goodwill during the year are as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
At 1 January	199,589	194,453
Impairment loss	(198,037)	–
Exchange realignment	(1,552)	5,136
At 31 December	–	199,589

Notes to the Consolidated Financial Statements

16 Goodwill (*Continued*)

Impairment test for goodwill

Goodwill is primarily attributable to the property and hotel development segment of the Group. Management has completed its annual impairment test for goodwill by comparing the recoverable amount of the property and hotel development business to its carrying amount as at the reporting date. The carrying amounts of the Group's property and hotel development business comprised goodwill of HK\$198,037,000, land use rights of HK\$304,875,000, property, plant and equipment of HK\$323,067,000, properties development in progress of HK\$598,450,000 and deferred tax liabilities of HK\$187,726,000. The recoverable amount of HK\$1,038,666,000 is determined based on value-in-use calculation. These assessments use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period.

There are a number of assumptions and estimates involved for the preparation of cash flow projections. In light of the current keen market competition and the delay of completion of infrastructure nearby, the management has reassessed the key assumptions used in the impairment assessment in light of the changes of the market expectation.

For property sale business, the key assumptions adopted in the value-in-use calculation included the selling price per residential unit, growth rate and discount rate. Selling price per residential unit is determined based on the current performance of the property market nearby Xiangtan and Changsha. Growth rate of 5% (2013: 7%) within the five-year budget is determined by considering both internal and external factors relating to the business segment.

For hotel business, the key assumptions adopted included the forecasted hotel room rate, occupancy rate, growth rate and discount rate. Forecasted hotel room rate and occupancy rate are based on current market information of room and occupancy rate of 4 or 5-star hotels located in Xiangtan and Changsha. Growth rates of 3% to 8% (2013: 3% to 8%) within the five-year budget are determined based on the industry growth forecast and considering both internal and external factors relating to this business segment.

Cash flows beyond five-year period adopted by the property sale and hotel business have been extrapolated using growth rates of 3% (2013: 3%) per annum, which is consistent with industry growth forecast. Future cash flows for both property sale and hotel business are discounted at a pre-tax rate of approximately 14.0% (2013: 15.6%) which reflects current market assessments of the time value of money and risks specific to the Group.

The directors of the Group have consequently determined to recognise an impairment loss on goodwill directly related to the property and hotel development business of the Group amounted to HK\$198,037,000 (2013: nil) in the consolidated income statement for the year ended 31 December 2014. No other write-down of assets of the property and hotel development business of the Group is considered necessary.

If the selling price per square meter of the high rise residential units decreased by RMB1,000 per square meter, impairment loss of HK\$73,000,000 has to be recognised against the carrying amount of the Group's property and hotel development business.

Notes to the Consolidated Financial Statements

17 Investments in subsidiaries and amounts due from subsidiaries

	Company	
	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	6,173	6,172
Amounts due from subsidiaries	1,397,571	1,285,762

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

Particulars of the principal subsidiaries of the Company at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place of incorporation/ operations and kind of legal entity	Nominal value of issued and fully paid share capital/ registered capital	Percentage of equity attributed to the Company		Principal activities
			2014	2013	
Adore Capital Limited	British Virgin Islands ("BVI")/Hong Kong, limited liability company	United States dollars ("US\$") 1	100	100	Investment holding
Brilliant Field Corporation Limited	Hong Kong, limited liability company	HK\$1	100	100	Investment holding
Mandarin Films Limited	Hong Kong, limited liability company	HK\$1	100	100	Production and distribution of films and provision of management services
Grimston Limited	BVI/Hong Kong, limited liability company	US\$10,000	100	100	Investment holding
Handful Cotton (Piecegoods) Company Limited	Marshall/Hong Kong, limited liability company	US\$1	100	100	Investment holding
Paramount Universal Limited	Hong Kong, limited liability company	HK\$1	100	100	Investment holding

Notes to the Consolidated Financial Statements

17 Investments in subsidiaries and amounts due from subsidiaries (Continued)

Particulars of the principal subsidiaries of the Company at 31 December 2014 and 2013 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ operations and kind of legal entity	Nominal value of issued and fully paid share capital/ registered capital	Percentage of equity attributed to the Company		Principal activities
			2014	2013	
Mandarin Films Distribution Company Limited	Hong Kong, limited liability company	HK\$20 ordinary shares and HK\$10,000,000 non-voting deferred shares (note)	100	100	Distribution of films produced or purchased by the Group
Mandarin Laboratory Limited	Hong Kong, limited liability company	HK\$10,000	100	100	Investment holding
Mandarin Laboratory (International) Limited	Hong Kong, limited liability company	HK\$1,000,000	100	100	Film processing
Mandarin Films Library Limited	Hong Kong, limited liability company	HK\$1	100	100	Films licensing
Cheung Wo (Hunan) Property Limited	BVI/Hong Kong, limited liability company	US\$1	100	100	Investment holding
Sino Step Inc.	BVI/Hong Kong, limited liability company	US\$1	100	100	Investment holding
Walsbo Limited	Hong Kong, limited liability company	HK\$2 ordinary shares and HK\$9,800 non-voting deferred shares (note)	100	100	Investment holding
Elite State Developments Limited	BVI/Hong Kong limited liability company	US\$1	100	100	Investment holding
Profit Source International Limited	Hong Kong, limited liability company	HK\$1	100	100	Investment holding

Notes to the Consolidated Financial Statements

17 Investments in subsidiaries and amounts due from subsidiaries (*Continued*)

Particulars of the principal subsidiaries of the Company at 31 December 2014 and 2013 are as follows: (*Continued*)

Name of subsidiary	Place of incorporation/ operations and kind of legal entity	Nominal value of issued and fully paid share capital/ registered capital	Percentage of equity attributed to the Company		Principal activities
			2014	2013	
成都中發黃河實業有限公司 [^] (Chengdu Zhongfa Real Estate Development Co. Ltd.) ("Chengdu Zhongfa")	PRC, limited liability company	Renminbi ("RMB") 176,000,000	100	100	Property holding
Prosper China Limited	BVI/Hong Kong, limited liability company	US\$100	100	100	Investment holding
湖南九華國際新城開發 建設有限公司 [^] (Hunan Jiuhua International City Development Construction Company Limited) ("Hunan Jiuhua")	PRC, limited liability company	RMB255,000,000	100	100	Property development
湖南九華東方酒店有限公司 [^] (Hunan Jiuhua Dong Fang Hotel Company Limited) ("Dong Fang Hotel")	PRC, limited liability company	RMB100,000,000	100	100	Hotel development

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

[^] Chengdu Zhongfa, Hunan Jiuhua and Dong Fang Hotel are registered as wholly-foreign-owned enterprises under the PRC law.

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

The Company directly holds the interests in Adore Capital Limited, Elite State Developments Limited, Grimston Limited, Sino Step Inc. and Cheung Wo (Hunan) Property Limited. All other interests shown above are held indirectly.

Notes to the Consolidated Financial Statements

18 Investments accounted for using equity method

The amounts recognised in the consolidated statement of financial position are as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Associates		
Share of net assets (deficit)	92	(213)
Capital contribution to an associate	120,000	–
Loan to an associate	30,000	70,201
At 31 December	150,092	69,988

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

The amounts recognised in the consolidated income statement are as follows:

	2014	2013
	HK\$'000	HK\$'000
Share of profit (loss)	305	(16)

Set out below are the associates of the Group as at 31 December 2014, which, in the opinion of the directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held indirectly by the Company.

Nature of investment in associates as at 31 December 2014 and 2013

Name of entity	Place of incorporation/ operations and kind of legal entity	Particulars of issued share capital	Percentage of ownership interest and voting power held indirectly		Principal activities
			2014	2013	
Talent Films (Note a)	Hong Kong, limited liability company	HK\$10,000	35	35	Production and distribution of film
Broad World (Note b)	BVI/ PRC, limited liability company	100 ordinary shares of US\$1 each	45	–	Provision of consultancy services

There are no contingent liabilities relating to the Group's interest in associates.

Notes to the Consolidated Financial Statements

18 Investments accounted for using equity method (Continued)

Summarised financial information for associates

Set out below are the summarised financial information for Talent Films and Broad World which are accounted for using the equity method.

Summarised balance sheet

	Talent Films		Broad World		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Current						
Cash and cash equivalents	1,067	1,105	2,021	–	3,088	1,105
Other current assets (excluding cash) (note d)	5,967	265,588	149,000	–	154,968	265,588
Total current assets	7,034	266,693	151,021	–	158,056	266,693
Liabilities	(6,223)	(12,407)	(31,450)	–	(37,673)	(12,407)
Non-current						
Assets	5	–	–	–	5	–
Liabilities	–	(254,893)	–	–	–	(254,893)
Net assets/(liabilities)	816	(607)	119,571	–	120,388	(607)

Summarised statement of comprehensive income

	Talent Films		Broad World		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue	554,872	–	–	–	554,872	–
Profit (loss) before tax for the year	1,423	(44)	(429)	–	994	(44)
Other comprehensive income (loss) for the year	–	–	–	–	–	–
Total comprehensive income (loss) for the year	1,423	(44)	(429)	–	994	(44)

The information above reflects the amounts presented in the financial statements of the associates (and not Cheung Wo International Holdings Limited's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

Notes to the Consolidated Financial Statements

18 Investments accounted for using equity method *(Continued)***Reconciliation of summarised financial information**

Reconciliation of the summarised financial information presented to the carrying amount of its interests in associates.

Summarised financial information

	Talent Films		Broad World		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Opening net liabilities						
1 January	(607)	(563)	–	–	(607)	(563)
Capital contribution from a shareholder	–	–	120,000	–	120,000	–
Profit (loss) and total comprehensive income (loss) for the year	1,423	(44)	(429)	–	994	(44)
Closing net assets						
(liabilities)	816	(607)	119,571	–	120,387	(607)
Sub-licensed trademark (note c)	–	–	146,667	–	146,667	–
Total	816	(607)	266,238	–	267,054	(607)
Interest in associates (35%; 45%)	285	(213)	119,807	–	120,092	(213)
Loans to associates	–	70,201	30,000	–	30,000	70,201
Carrying value	285	69,988	149,807	–	150,092	69,988

Notes to the Consolidated Financial Statements

18 Investments accounted for using equity method *(Continued)*

Notes:

- (a) In accordance with the shareholder agreement dated 21 June 2010 entered into between the Group and Filmko, the Group's profit sharing ratio to Talent Films' profit for the year is 35%.

The loan by the Group to Talent Films amounted to HK\$70,201,000 as at 31 December 2013 was unsecured, interest-free and had no fixed terms of repayment. In the opinion of the directors, the loan was considered as quasi-equity investments in the associates. During the year ended 31 December 2014, the loan to the associate was fully repaid.

- (b) On 2 April 2014, the Group entered into a subscription and shareholders' agreement with G2 Whale Real Estate Development (China) Limited ("G2") on investing in 45% interest in Broad World by subscribing shares in the capital of Broad World at a subscription price of HK\$120,000,000. G2 is a wholly owned subsidiary of G2 Whale Real Estate Development Limited ("G2 Whale Holding"), which is the holder of a licence to use the trademark "Forbes" in certain specific fields. The principal business of Broad World is the 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 mark and the provision of brand management consulting services to these real estate developers in the PRC. Upon the injection of HK\$120,000,000 by the Group to Broad World in May and June 2014, G2 and the Group own 55% and 45% respectively of the issued share capital of Broad World.

On 23 December 2014, the Group entered into a loan agreement with Broad World that the Group agreed to make a loan of HK\$30,000,000 to Broad World exclusively for the purpose of providing working capital to Broad World and its subsidiary in the PRC for developing the consultancy business in the PRC. The loan is unsecured, interest-free and repayable on demand though the Group does not expect repayment from Broad World in the coming twelve months from the date of the consolidated statement of financial position.

- (c) On 2 March 2015, G2 Whale Holding and Broad World entered into a sub-license agreement pursuant to which G2 Whale Holding granted Broad World a limited and revocable sub-license to use the Forbes trademark for fourteen years effective from the agreement date. The sub-license agreement is under valuation and is expected a provisional amount of approximately HK\$146,667,000 which may subject to change upon the finalisation of the valuation. The sub-license agreement will be recognised as an intangible asset in the financial statements of Broad World.
- (d) Other current assets of Broad World include HK\$80,000,000 advance to an external PRC property developer and HK\$69,000,000 advance to two related companies. Refer to note 35 (i) for further details on advance to two related companies.

Notes to the Consolidated Financial Statements

19 Properties development in progress

	Group	
	2014	2013
	HK\$'000	HK\$'000
At 1 January	1,003,211	441,821
Additions	103,529	549,924
Exchange realignment	(12,742)	11,466
At 31 December	1,093,998	1,003,211
Properties development in progress comprise:		
Land use rights	916,835	928,770
Construction costs and capitalised expenditures	124,659	51,675
Finance costs capitalised	52,504	22,766
	1,093,998	1,003,211
Amounts are expected to be completed:		
Within the normal operating cycle included under current assets	1,093,998	1,003,211

Properties development in progress consisted of land use rights:

	2014	2013
	HK\$'000	HK\$'000
In the PRC, held on leases of over 50 years	916,835	928,770

At 31 December 2014, the Group's land use rights classified in the properties development in progress with a net carrying amount of HK\$495,548,000 (2013: Nil) was pledged to secure certain banking facilities granted to the Group (note 34).

Notes to the Consolidated Financial Statements

20 Trade and rental receivables

	Group	
	2014	2013
	HK\$'000	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 carrying amounts of trade and rental receivables approximate their fair values.

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

Notes to the Consolidated Financial Statements

20 Trade and rental receivables (*Continued*)

As at 31 December 2014, trade and rental receivables of HK\$252,000 (2013: HK\$374,000) were past due but not impaired that relate to customers that have good track records with the Group. Management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

	2014 HK\$'000	2013 HK\$'000
At 1 January	258	846
Reversal of provision for impairment of trade receivables (note 7)	(89)	(588)
At 31 December	169	258

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

At 31 December 2014, trade receivables of HK\$169,000 (2013: HK\$258,000) were individually determined to be impaired. The individually impaired trade receivables relate to receivables which are expected not to be recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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

	2014 HK\$'000	2013 HK\$'000
HK\$	395	503
RMB	9,436	7,634
Other currency	9	–
	9,840	8,137

Notes to the Consolidated Financial Statements

21 Prepayments and other receivables

	Notes	Group		Company	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Prepayment for construction costs	(i)	333,746	147,464	–	–
Other prepayments		18,142	18,708	2,675	326
Other receivables	(ii)	24,651	2,149	–	–
Others		2,777	2,505	–	–
		379,316	170,826	2,675	326
Less: current portion		(367,351)	(107,485)	(1,068)	(326)
Non-current portion		11,965	63,341	1,607	–

- (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\$17,000,000 in relation to a movie production (note 5).

As at 31 December 2014, except for the compensation income receivable of HK\$17,000,000 (note ii), which is denominated in HK\$, all the remaining amounts of other receivables are denominated in RMB. As at 31 December 2013, other receivables were mainly denominated in HK\$.

The carrying amounts of other receivables approximate their fair values as the impact of discounting is not significant.

None of the other receivables is either past due or impaired. Other receivables included in the above balances had no recent history of default.

Notes to the Consolidated Financial Statements

22 Cash and cash equivalents

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash and bank balances	61,696	163,161	12,359	16,004

The carrying values of cash and cash equivalents approximate their fair values.

At 31 December 2014, cash and bank balances of the Group denominated in RMB amounted to HK\$30,944,000 (2013: HK\$131,145,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

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

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
HK\$	28,664	27,779	12,344	15,833
RMB	30,944	131,145	5	161
US\$	1,670	3,830	10	10
Other currencies	418	407	–	–
	61,696	163,161	12,359	16,004

Notes to the Consolidated Financial Statements

23 Trade and land payables

	Group	
	2014	2013
	HK\$'000	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:

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

The carrying amounts of the Group's trade and land payables are denominated in the following currencies:

	Group	
	2014	2013
	HK\$'000	HK\$'000
HK\$	–	60
RMB	341,351	345,262
	341,351	345,322

Notes to the Consolidated Financial Statements

24 Other payables, accruals and deposits received

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Other payables	9,063	8,605	–	–
Accruals	5,609	3,760	372	385
Accrued interest expense	9,079	12,339	1,317	1,317
Deposits received in advance	3,551	3,913	–	–
	27,302	28,617	1,689	1,702
Less: non-current portion	(2,721)	(3,199)	–	–
Current portion	24,581	25,418	1,689	1,702

The carrying amounts of the other payables, accruals and deposits received approximate their fair value.

25 Interest-bearing bank and other borrowings

	Maturity	Group		Company	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Current					
Bank loan – secured (note i)	On demand	1,043	1,240	1,043	1,240
Bank loan – secured (note ii)	2014-2018	37,426	25,275	–	–
Bank loan – secured (note iii)	March 2015	311,876	–	–	–
Other borrowings – unsecured (note iv)	April 2014	–	31,594	–	–
		350,345	58,109	1,043	1,240
Non-current					
Bank loan – secured (note ii)	2014-2018	249,501	290,661	–	–
		599,846	348,770	1,043	1,240

Notes to the Consolidated Financial Statements

25 Interest-bearing bank and other borrowings (Continued)

At 31 December 2014, the Group's bank loans were repayable as follows:

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Within 1 year or on demand	350,345	26,515	1,043	1,240
Between 1-2 years	99,800	37,912	–	–
Between 2-5 years	149,701	252,749	–	–
	599,846	317,176	1,043	1,240

- (i) At 31 December 2014 and 2013, the Group's and the Company's current bank borrowing of HK\$1,043,000 (2013: HK\$1,240,000) was secured by the Group's leasehold land and buildings with a net carrying amount of HK\$727,000 (2013: HK\$754,000) and was interest-bearing at prime rate minus 1.5% per annum (2013: same).
- (ii) At 31 December 2014 and 2013, the Group's bank borrowing of HK\$286,927,000 (2013: HK\$315,936,000) was secured by the Group's land use right with a net carrying amount of HK\$304,875,000 (2013: HK\$317,548,000). According to the repayment terms, the bank borrowing will be repayable from December 2014 to June 2018. The bank borrowing was interest-bearing per annum at the benchmark interest rate determined by the People's Bank of China for loans over 5 years granted by financial institutions (2013: same).
- (iii) At 31 December 2014, 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). According to the repayment terms, the bank borrowing will be repayable in March 2015. The bank borrowing was interest-bearing at 7.8% per annum.
- (iv) The Group's unsecured other borrowings was fully repaid during the year (2013: matured in April 2014) and was interest-bearing at 15% per annum for the year ended 31 December 2013.

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

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
HK\$	1,043	1,240	1,043	1,240
RMB	598,803	347,530	–	–
	599,846	348,770	1,043	1,240

The carrying amounts of the Group's and the Company's current interest-bearing bank and other borrowings approximate to their fair values, as the impact of discounting is not significant. The fair value of the non-current bank loan of approximately HK\$213,028,000 (2013: HK\$233,960,000) which is based on cash flows discounted using a rate based on the borrowing rate of 6.2% (2013: 6.6%) and are within Level 2 of the fair value hierarchy.

Notes to the Consolidated Financial Statements

26 Obligations under finance leases

During the year, the Group leased its motor vehicles for business use. The leases are classified as finance leases and have remaining lease terms of 2 to 3 years. Interest rates underlying all obligations under finance leases are fixed at contract rate of 4.28%. No arrangement has been entered into for contingent rental payments.

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Amounts payable:				
Within one year	1,375	1,375	1,295	1,241
Between 1 and 2 years	1,167	1,375	1,143	1,295
Between 2 and 5 years	33	1,200	32	1,175
Total minimum finance lease payments	2,575	3,950	2,470	3,711
Future finance charges	(105)	(239)		
Total net finance lease payables	2,470	3,711		
Portion classified as current liabilities	(1,295)	(1,241)		
Non-current portion	1,175	2,470		

As at 31 December 2014 and 2013, obligations under finance leases were denominated in HK\$.

27 Convertible bonds – Group and Company

On 26 January 2011, the Company issued convertible bonds carrying a coupon interest rate of 0.5% per annum up to an aggregate principal amount of HK\$515,128,000. The bonds were convertible at the option of the bondholders into fully paid ordinary shares with a par value of HK\$0.10 each at any time from the date of the issue of the bonds up to and including 26 January 2016 at an initial conversion price of HK\$0.345 (subject to anti-dilutive adjustments). According to the terms and conditions of the convertible bonds, the conversion price of the convertible bonds was adjusted from the initial conversion price of HK\$0.345 per conversion share to HK\$3.45 per conversion share following completion of the capital reorganisation, and then to HK\$2.425 per conversion share as a result of the completion of the open offer on 26 June 2012. The Company might redeem at 100% of the principal amount in cash by giving the bondholders 10 working days' prior written notice. Any convertible bonds not converted would be redeemed on 26 January 2016 at 100% of their principal amount. During the year ended 31 December 2013, the remaining principal amount of HK\$52,000,000 was fully converted into 21,443,298 ordinary shares of HK\$0.01 each.

Notes to the Consolidated Financial Statements

27 Convertible bonds – Group and Company (Continued)

On 24 May 2013, the Company issued convertible bonds carrying at zero coupon rate of an aggregate principal amount of HK\$214,640,110. The bonds were convertible at the option of the bondholders into fully paid ordinary shares with a par value of HK\$0.01 each at any time from the date of the issue of the bonds up to and including 24 May 2018 at an initial conversion price of HK\$0.43 (subject to anti-dilutive adjustments). Any convertible bonds not converted would be redeemed on 24 May 2018 at face value of the principal amount. During the year ended 31 December 2013, principal amount of HK\$144,000,000 was converted into 334,883,720 ordinary shares of HK\$0.01 each.

On 5 March 2014, the Company completed a share placement by issuing 214,200,000 ordinary shares of HK\$0.01 each at a placing price of HK\$0.56 per placing share. As at 5 March 2014, the Company had outstanding convertible bonds in an aggregate principal amount of HK\$70,640,110. As a result of share placement, the conversion price of the convertible bonds was adjusted from HK\$0.43 per share to HK\$0.41 per share in accordance with the terms and conditions of the convertible bonds. During the year ended 31 December 2014, the remaining convertible bonds with a total principal amount of HK\$70,640,110 was fully converted into 172,292,950 ordinary shares.

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

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

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

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

Notes to the Consolidated Financial Statements

27 Convertible bonds – Group and Company (Continued)

(c) Movements of the liability component of the convertible bonds during the years are as follows:

	2014 HK\$'000	2013 HK\$'000
At 1 January	22,620	42,070
Liability component on initial recognition (note b)	–	58,845
Conversion of convertible bonds	(27,367)	(82,440)
Interest expense	4,747	4,209
Interest payable	–	(64)
At 31 December	–	22,620

Interest expense on the liability component of the convertible bonds is calculated using the effective interest method, applying the effective interest rate of 29.539% (2013: 7.698% to 29.539%) per annum to the liability component.

The fair value of the liability component of the convertible bonds as at 31 December 2014 amounted to Nil (2013: HK\$40,075,000). The fair value is calculated using the market price of the convertible bonds on the reporting date (or the nearest day of trading) and is within level 2 of the fair value hierarchy.

28 Deferred income tax

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

	Group	
	2014 HK\$'000	2013 HK\$'000
Deferred income tax assets	–	(86)
Deferred income tax liabilities	249,755	247,412
	249,755	247,326

Notes to the Consolidated Financial Statements

28 Deferred income tax (Continued)

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

	2014 HK\$'000	2013 HK\$'000
Deferred income tax assets:		
Deferred income tax assets to be recovered within 12 months	(3,109)	(2,647)
Deferred income tax assets to be recovered after more than 12 months	–	(2,993)
	(3,109)	(5,640)
Deferred income tax liabilities:		
Deferred income tax liabilities to be recovered after more than 12 months	252,864	252,966
	252,864	252,966
Deferred income tax liabilities (net)	249,755	247,326

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

	2014 HK\$'000	2013 HK\$'000
At 1 January	247,326	249,044
Deferred income tax charged (credited) to consolidated income statement (note 9)	5,633	(8,233)
Exchange realignment	(3,204)	6,515
At 31 December	249,755	247,326

Notes to the Consolidated Financial Statements

28 Deferred income tax (Continued)

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

Deferred tax liabilities

	Revaluation of land use right HK\$'000	Revaluation of investment property HK\$'000	Different bases in reporting revenue with tax authority HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
At 1 January 2013	183,028	63,741	2,343	18	249,130
Deferred tax charged (credited) to consolidated income statement during the year	455	(3,735)	483	75	(2,722)
Exchange realignment	4,838	1,654	66	–	6,558
At 31 December 2013	188,321	61,660	2,892	93	252,966
Deferred tax charged to consolidated income statement during the year	1,834	967	361	–	3,162
Exchange realignment	(2,429)	(796)	(39)	–	(3,264)
At 31 December 2014	187,726	61,831	3,214	93	252,864

Notes to the Consolidated Financial Statements

28 Deferred income tax (Continued)

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

Deferred tax assets

	Tax losses	
	2014	2013
	HK\$'000	HK\$'000
At 1 January	(5,640)	(86)
Deferred tax charged (credited) to the consolidated income statement during the year	2,471	(5,511)
Exchange realignment	60	(43)
At 31 December	(3,109)	(5,640)

At 31 December 2014, the Group had unused tax losses in Hong Kong of approximately HK\$90,459,000 (2013: HK\$83,767,000) available indefinitely for offsetting against future taxable profits of the companies in which the losses arose; and unused tax losses in the PRC of HK\$25,304,000 (2013: HK\$20,268,000) available for offsetting against future profits of the PRC subsidiaries which will expire in 5 years. No deferred tax assets in respect of such losses has been recognised due to the unpredictability of future taxable profit streams.

29 Share capital

	Group and Company	
	2014	2013
	HK\$'000	HK\$'000
Authorised:		
100,000,000,000 (2013: 100,000,000,000) ordinary shares of HK\$0.01 (2013: HK\$0.01) each	1,000,000	1,000,000
Issued and fully paid:		
1,498,097,000 (2013: 1,111,604,000) ordinary shares of HK\$0.01 (2013: HK\$0.01) each	14,981	11,116

Notes to the Consolidated Financial Statements

29 Share capital (Continued)

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

	Note	Number of shares	Amount HK\$'000
Authorised:			
At 1 January 2013, 31 December 2013 and 2014		100,000,000,000	1,000,000
Issued and fully paid:			
At 1 January 2013		686,637,000	6,866
Shares placement	(a)	68,640,000	687
Issue of shares	(b)	356,327,000	3,563
At 31 December 2013 and 1 January 2014		1,111,604,000	11,116
Shares placement	(c)	214,200,000	2,142
Issue of shares	(d)	172,293,000	1,723
At 31 December 2014		1,498,097,000	14,981

(a) On 28 February 2013, the Company completed a share placement by issuing 68,640,000 ordinary shares of HK\$0.01 each at a placing price of HK\$0.415 per placing share.

(b) On 22 March 2013, convertible bonds with principal amount of HK\$52,000,000 were converted into approximately 21,443,000 ordinary shares of HK\$0.01 each at a conversion price of HK\$2.425 each per share. On 30 May 2013, convertible bonds with principal amount of HK\$144,000,000 were converted into approximately 334,884,000 ordinary shares of HK\$0.01 each at a conversion price of HK\$0.43 each per share.

Notes to the Consolidated Financial Statements

29 Share capital *(Continued)*

- (c) On 5 March 2014, the Company completed a share placement by issuing 214,200,000 ordinary shares of HK\$0.01 each (the “Placing Shares”) at a placing price of HK\$0.56 per placing share. The Company also issued unlisted warrants (“Warrants”), on the basis of 1 Warrant to 27 Placing Shares issued, at no initial price. The exercise price of the Warrant was at HK\$0.70 each and could be exercised at any time for a period of three years from the issue date.

On the date of issuance, the fair value of the Placing Shares and Warrants amounted to HK\$152,082,000 and HK\$2,728,000 respectively. The difference between the aggregate fair value of the Placing Shares and the Warrants on the date of issuance and the total cash consideration of HK\$119,952,000 received was allocated between the Placing Shares and the Warrants based on the relative fair value of these two instruments on the date of issuance. As a result of the adjustment, the carrying amounts of the Placing Shares and Warrants were adjusted to HK\$117,838,000 and HK\$2,114,000, respectively, at the date of issue.

The Company decided to issue the Placing Shares and Warrants, even though the fair values of the Placing Shares and Warrants were higher than the cash consideration, because the Company was required to raise additional capital to finance its general working capital requirements and the acquisition of an associated company during the year.

The fair value of the Warrants was determined using the trinomial option pricing model at the date of issue. The significant inputs are as follows:

Conversion price	HK\$0.70
Share price	HK\$0.71
Expected volatility	74.26%
Expected life	3 years
Risk-free rate	0.605%
Expected dividend yield	0%

- (d) On 26 September 2014, convertible bonds with principal amount of approximately HK\$70,640,000 were converted into approximately 172,293,000 shares at HK\$0.41 each per share.

Notes to the Consolidated Financial Statements

30 Reserves

(a) Group

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

(b) Company

	Note	Share premium HK\$'000	Contributed surplus HK\$'000	Equity component of the convertible bonds HK\$'000	Share options reserve HK\$'000	Warrants reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2013		523,467	503,119	15,064	-	-	(21,546)	1,020,104
Loss for the year	10	-	-	-	-	-	(56,980)	(56,980)
Total comprehensive loss for the year		-	-	-	-	-	(56,980)	(56,980)
Issue of convertible bonds	27	-	-	155,795	-	-	-	155,795
Issue of shares	29(a) & (b)	226,261	-	(119,585)	-	-	-	106,676
Share issue expenses		(447)	-	-	-	-	-	(447)
Grant of share options		-	-	-	46,438	-	-	46,438
At 31 December 2013		749,281	503,119	51,274	46,438	-	(78,526)	1,271,586
Loss for the year	10	-	-	-	-	-	(11,247)	(11,247)
Total comprehensive loss for the year		-	-	-	-	-	(11,247)	(11,247)
Issue of shares	29(c) & (d)	192,614	-	(51,274)	-	-	-	141,340
Share issue expenses		(2,728)	-	-	-	-	-	(2,728)
Issue of warrants		-	-	-	-	2,114	-	2,114
At 31 December 2014		939,167	503,119	-	46,438	2,114	(89,773)	1,401,065

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

Notes to the Consolidated Financial Statements

31 Share-based payments – Group and Company

Share options are granted to directors and to selected employees. The exercise price of the granted options is HK\$0.94 which is equal to the market price of the shares on the date of the grant at 5 November 2013. The options are exercisable in ten years starting from the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding are as follows:

	Number of options	
	2014	2013
At 1 January	77,812,266	–
Granted	–	77,812,266
At 31 December	77,812,266	77,812,266

No options were exercised during the year. All of the outstanding options were exercisable as at 31 December 2014 (2013: All).

The fair value of options granted during the year ended 31 December 2013 was determined using the binomial valuation model which was valued at HK\$0.5968 per option. The significant inputs into the model were the share price at the grant date, exercise price shown above, volatility of 79.5%, dividend yield of nil, an expected average option conversion period of five years and an annual risk-free interest rate of 0.966%. See Notes 7 and 8 for the total expense recognised in the consolidated income statement year ended 31 December 2013 for share options granted to certain directors and employees.

32 Operating lease commitments

(a) As lessor

The Group leases its investment property under non-cancellable operating lease arrangements, with leases negotiated for terms ranging from 2 to 14 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

Notes to the Consolidated Financial Statements

32 Operating lease commitments (Continued)

(a) As lessor (Continued)

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

	Group	
	2014	2013
	HK\$'000	HK\$'000
Within one year	19,886	20,663
Between two to five years	82,273	86,460
Over five years	156,641	180,314
	258,800	287,437

(b) As lessee

The Group leases certain of its office properties under non-cancellable operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years.

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

	Group	
	2014	2013
	HK\$'000	HK\$'000
Within one year	6,689	5,810
Between two to five years	1,040	6,557
	7,729	12,367

Notes to the Consolidated Financial Statements

33 Other commitments

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

	Group	
	2014	2013
	HK\$'000	HK\$'000
Contracted but not provided for:		
Property and hotel development	1,562,203	243,849
Property, plant and equipment	–	177
	1,562,203	244,026
Authorised but not contracted for:		
Property and hotel development	958,870	1,274,744
	2,521,073	1,518,770

The Company did not have any significant commitments at the end of the reporting period (2013: Nil).

34 Banking facilities and pledge of assets

The Group's banking facilities were secured by the Group's leasehold land classified as finance lease and building of HK\$727,000 (2013: HK\$754,000) (note 13), land use rights of HK\$304,875,000 (2013: HK\$317,548,000) (note 14) and properties development in progress of HK\$495,548,000 (2013: Nil) (note 19).

35 Related party disclosures

(i) Related party transactions

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

During the year ended 31 December 2014, an associate of the Company, Broad World, entered into certain cooperation agreements with two PRC real estate developers for the provision of consultancy services on certain residential and hotel development projects. The ultimate shareholder of these developers is Mr. Cheng Keung Fai ("Mr. Cheng"), who is also the major shareholder of the Company. Pursuant to the cooperation agreements, the consultancy fees for the services provided by Broad World for the hotel project will be charged at 30% of the exhibition income when the hotel is successfully named under "Forbes" brand, and RMB300 per square meter for the residential projects when the residential units are sold.

Notes to the Consolidated Financial Statements

35 Related party disclosures (*Continued*)

(i) Related party transactions (*Continued*)

Moreover, Broad World also advanced HK\$29,000,000 and HK\$40,000,000 to these two developers respectively for paying certain professional costs to be incurred on the property and hotel development projects.

(ii) Compensation of key management personnel

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

36 Litigation

On 9 July 2012, a summon was served on Chengdu Zhongfa, an indirect wholly-owned subsidiary of the Company, as one of the defendants in a civil complaint issued by 四川民族飯店 (the “Plaintiff”). The Plaintiff alleged that 中國中小企業投資有限公司, 成都弘易地產有限責任公司 and Chengdu Zhongfa (together, the “Defendants”) colluded with each other to cheat the Plaintiff of certain land use rights in the PRC, which 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 Company’s directors, 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 current year.

Notes to the Consolidated Financial Statements

37 Financial instruments

Categories of financial instruments

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Financial assets				
Trade and rental receivables	9,840	8,137	–	–
Other receivables	24,651	2,149	–	–
Amounts due from subsidiaries	–	–	1,397,571	1,285,762
Cash and cash equivalents	61,696	163,161	12,359	16,004
	96,187	173,447	1,409,930	1,301,766
Financial liabilities				
Trade and land payables	341,351	345,322	–	–
Other payables	9,063	8,605	–	–
Accruals	5,609	3,760	372	385
Accrued interest expense	9,079	12,339	1,317	1,317
Interest-bearing bank and other borrowings	599,846	348,770	1,043	1,240
Obligations under finance leases	2,470	3,711	–	–
Convertible bonds	–	22,620	–	22,620
	967,418	745,127	2,732	25,562

38 Financial risk management objectives and policies

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

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

Interest rate risk

At 31 December 2014, the Group had nil other borrowings (2013: HK\$31,594,000), and obligations under finance leases of HK\$2,470,000 (2013: HK\$3,711,000), which were interest bearing with fixed interest rates.

Notes to the Consolidated Financial Statements

38 Financial risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

At 31 December 2014, the Group had bank borrowings of HK\$287,970,000 (2013: HK\$317,176,000), which are interest bearing with floating interest rates. If interest rates on the bank borrowings have been 100 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK\$10,000 (2013: HK\$12,000) higher/lower mainly as a result of higher/lower interest expense on floating rate borrowings, while the total non-current assets would have been approximately HK\$2,870,000 (2013: HK\$3,159,000) higher/lower mainly as a result of higher/lower interest expense of floating rate borrowings capitalised on qualifying assets within property, plant and equipment and properties development in progress.

Foreign currency risk

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

Credit risk

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and rental receivables and other receivables are disclosed in note 20 and note 21 to the financial statements, respectively.

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

Liquidity risk

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

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

Notes to the Consolidated Financial Statements

38 Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

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

	Within one year or on demand HK\$'000	Group Between two to five years HK\$'000	Total HK\$'000
2014			
Trade and land payables	341,351	–	341,351
Other payables	9,063	–	9,063
Accruals	5,609	–	5,609
Accrued interest expense	9,079	–	9,079
Interest-bearing bank and other borrowings ¹	380,653	283,197	663,850
Obligations under finance leases	1,375	1,200	2,575
	747,130	284,397	1,031,527
2013			
Trade and land payables	345,322	–	345,322
Other payables	8,605	–	8,605
Accruals	3,760	–	3,760
Accrued interest expense	12,339	–	12,339
Interest-bearing bank and other borrowings ¹	85,616	349,084	434,700
Obligations under finance leases	1,375	2,575	3,950
Convertible bonds	–	70,640	70,640
	457,017	422,299	879,316

Notes to the Consolidated Financial Statements

38 Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Company		Total HK\$'000
	Within one year or on demand HK\$'000	Between two to five years HK\$'000	
2014			
Interest-bearing bank borrowings ¹	1,133	–	1,133
2013			
Interest-bearing bank borrowings ¹	1,380	–	1,380
Convertible bonds	–	70,640	70,640
	1,380	70,640	72,020

¹ Included in interest-bearing bank and other borrowings is a term loan amounted to HK\$1,043,000 (2013: HK\$1,240,000). The loan agreement contains a repayment on-demand clause, giving the lenders the unconditional right to call in the loan at any time and, therefore, for the purpose of the above maturity profile, the total amount is classified as “on demand”.

Notwithstanding the above clause, the directors do not believe that the loan will be called in its entirety within 12 months, and they consider that the loan will be repaid in accordance with the maturity dates as set out in the loan agreement. This evaluation was made considering the financial position of the Group at the date of approval of the financial statements; the lack of events of default; and the fact that the Group has made all previously scheduled repayments on time. At 31 December 2014, in accordance with the maturity terms of the loan, HK\$240,000 will be due in 2015 and HK\$803,000 will be due between 2016 to 2019.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for and benefit shareholders and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amounts of dividend paid to shareholders, return capital to shareholders, issue new shares or selling assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

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

Notes to the Consolidated Financial Statements

38 Financial risk management objectives and policies *(Continued)*

Fair value estimation

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

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

Refer to note 15 for disclosures of the investment property that are measured at fair value at 31 December 2014.

Offsetting financial assets and financial liabilities

There are no financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements for both years ended 31 December 2014 and 2013.

39 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 and principal amount of USD20,000,000 (approximately HK\$155,182,000).
- (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.

Five Year Financial Summary

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

	Year ended 31 December				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Results					
Continuing operations revenue	27,127	26,801	34,813	54,510	126,566
(Loss) profit before income tax from continuing operations	(172,390)	(80,065)	(30,933)	68,271	63,329
Income tax (expense) credit	(5,642)	14,489	13,590	(10,507)	(6,527)
(Loss) profit for the year	(178,032)	(65,576)	(17,343)	57,764	56,802
Attributable to:					
Equity holders of the Company	(178,032)	(65,576)	(17,422)	54,798	55,171
Non-controlling interests	–	–	79	2,966	1,631
	(178,032)	(65,576)	(17,343)	57,764	56,802
As at 31 December					
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Assets and Liabilities					
Total assets	2,675,179	2,502,628	1,749,630	1,566,991	607,979
Total liabilities	(1,220,724)	(996,488)	(521,110)	(472,020)	(98,272)
	1,454,455	1,506,140	1,228,520	1,094,971	509,707
Attributable to:					
Equity holders of the Company	1,454,455	1,506,140	1,228,520	1,064,544	483,495
Non-controlling interests	–	–	–	30,427	26,212
	1,454,455	1,506,140	1,228,520	1,094,971	509,707

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an annual general meeting of Cheung Wo International Holdings Limited (the “**Company**”) will be held at Room 4101, 41/F, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong on Thursday, 11 June 2015 at 3:00 p.m., to transact the following businesses:

1. to receive and consider the audited consolidated financial statements and the reports of the directors (the “**Director(s)**”) and auditors of the Company for the year ended 31 December 2014;
2. (a) to re-elect Mr. Hui Wai Lee, Willy as executive Director;
(b) to re-elect Mr. Tsui Pui Hung as independent non-executive Director; and
(c) to authorise the board of Directors to fix the Directors’ remuneration;
3. to re-appoint Messrs. PricewaterhouseCoopers as the auditors of the Company and to authorise the board of Directors to fix their remuneration.

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

ORDINARY RESOLUTION

4. “**THAT:**
 - (a) subject to paragraph (c) below, pursuant to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with unissued shares of the Company (the “**Shares**”) and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the share option scheme of the Company (if applicable); or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any

Notice of Annual General Meeting

warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:

- (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and
- (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders (the “**Shareholders**”) of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of resolution no. 5),

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

- (d) for the purposes of this resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda (as amended) (the “**Companies Act**”) or any other applicable law of Bermuda to be held; and
- (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by this resolution;

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

5. “**THAT:**

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to purchase the Shares on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations

Notice of Annual General Meeting

of the Securities and Futures Commission, the Stock Exchange, the Companies Act and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

- (b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
 - (c) for the purposes of this resolution, “**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act or any other applicable law of Bermuda to be held; and
 - (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by this resolution.”
6. “**THAT** the Directors be and are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 4 above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution.”

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

Hong Kong, 24 April 2015

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

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

Notice of Annual General Meeting

Notes:

1. A member entitled to attend and vote at the annual general meeting convened by the above notice is entitled to appoint one or, if he is a holder of more than one share, more proxies to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the annual general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the offices of the Hong Kong branch share registrar of the Company, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the annual general meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the annual general meeting or any adjournment thereof, should he/she/it so wish and in such event, the form of proxy shall be deemed to be revoked.
3. In relation to proposed resolutions nos. 4 and 6 above, approval is being sought from the Shareholders for the grant to the directors of the Company of a general mandate to authorise the allotment and issue of shares of the Company under the Listing Rules. The Directors wish to state that they have no immediate plan to issue any new shares of the Company other than Shares which may fall to be issued upon the conversion of the convertible bond(s) of the Company, or any scrip dividend scheme which may be approved by the Shareholders.
4. In relation to proposed resolution no. 5 above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase Shares in circumstances which they deem appropriate for the benefit of the Shareholders. An explanatory statement containing the information necessary to enable the Shareholders to make an informed decision to vote on the proposed resolution as required by the Listing Rules is set out in Appendix I to the Company's circular dated 24 April 2015.
5. As at the date of this notice, the Board comprises six Directors. The executive Directors are Mr. Jin Lei (Chairman), Ms. Law Kee, Alice (Chief executive officer), and Mr. Hui Wai Lee, Willy; and the independent non-executive Directors are Mr. Tsui Pui Hung, Mr. Tang Ping Sum and Mr. Chu To, Jonathan.