



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



Interim Report 2014

Contents

| | <i>Pages</i> |
|--|--------------|
| Corporate Information | 2 |
| Condensed Consolidated Income Statement | 3 |
| Condensed Consolidated Statement of Comprehensive Income | 4 |
| Condensed Consolidated Statement of Financial Position | 5 |
| Condensed Consolidated Statement of Changes in Equity | 7 |
| Condensed Consolidated Statement of Cash Flows | 8 |
| Notes to the Condensed Consolidated Financial Statements | 9 |
| Management Discussion and Analysis | 23 |
| Corporate Governance and Other Information | 28 |

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. Tang Ping Sum

Mr. Tsui Pui Hung

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

Auditors

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

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai

Banking Corporation Limited

Chong Hing Bank 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

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33 Hysan Avenue

Causeway Bay

Hong Kong

The board (the “Board”) of directors (the “Directors”) of Cheung Wo International Holdings Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2014 with the comparative figures as follows:

Condensed Consolidated Income Statement

For the six months ended 30 June 2014

| | Note | Six months ended 30 June | |
|---|------|---------------------------------|---------------------------------|
| | | 2014 HK\$'000 (unaudited) | 2013 HK\$'000 (unaudited) |
| Revenue | 5 | 13,658 | 14,352 |
| Cost of sales | | (3,094) | (3,270) |
| Gross profit | | 10,564 | 11,082 |
| Other income | | 83 | 1,192 |
| Administrative expenses | | (19,519) | (17,219) |
| Operating loss | 7 | (8,872) | (4,945) |
| Finance income | | 1,035 | 305 |
| Finance costs | 6 | (96) | (853) |
| Share of profit/(loss) of an investment accounted for using the equity method | | 14,141 | (22) |
| Profit/(loss) before income tax | | 6,208 | (5,515) |
| Income tax expense | 8 | (2,213) | (2,636) |
| Profit/(loss) for the period attributable to equity holders of the Company | | 3,995 | (8,151) |
| Earnings/(loss) per share attributable to equity holders of the Company | 10 | | |
| Basic | | HK0.32 cents | HK(1.00) cents |
| Diluted | | HK0.28 cents | HK(1.00) cents |

Details of the dividend are disclosed in note 9 to the condensed consolidated financial statements.

The notes on pages 9 to 22 form an integral part of these interim consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

| | Six months ended 30 June | |
|--|---------------------------------|-----------------|
| | 2014 | 2013 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Profit/(loss) for the period | 3,995 | (8,151) |
| Other comprehensive income: | | |
| <i>Items that may be reclassified to profit or loss</i> | | |
| Exchange difference arising on translation of foreign operations | 21 | 30,847 |
| Total comprehensive income for the period attributable to equity holders of the Company | 4,016 | 22,696 |

The notes on pages 9 to 22 form an integral part of these interim consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

| | | 30 June 2014 | 31 December 2013 |
|---|-------------|-------------------------|---------------------|
| | | HK\$'000 | HK\$'000 |
| | <i>Note</i> | (unaudited) | (audited) |
| Non-current assets | | | |
| Goodwill | | 199,589 | 199,589 |
| Property, plant and equipment | | 276,780 | 227,432 |
| Land use rights | | 313,196 | 317,548 |
| Investment property | | 342,474 | 342,474 |
| Investments accounted for using the equity method | | 204,130 | 69,988 |
| Prepayments and deposits paid | | 37,858 | 63,341 |
| Film rights | | 102 | 102 |
| Deferred income tax assets | | 86 | 86 |
| Total non-current assets | | 1,374,215 | 1,220,560 |
| Current assets | | | |
| Properties development in progress | | 1,057,600 | 1,003,211 |
| Inventories | | 20 | 5 |
| Trade receivables | 11 | 9,607 | 8,137 |
| Other receivables, prepayments and deposits paid | | 335,223 | 107,485 |
| Tax recoverable | | 69 | 69 |
| Cash and cash equivalents | | 114,179 | 163,161 |
| Total current assets | | 1,516,698 | 1,282,068 |
| Current liabilities | | | |
| Trade and land payables | 12 | 340,287 | 345,322 |
| Other payables, accruals and deposits received | | 21,150 | 25,418 |
| Interest-bearing bank and other borrowings | 13 | 329,716 | 58,109 |
| Obligations under finance leases | | 1,267 | 1,241 |
| Tax payable | | 36 | 36 |
| Total current liabilities | | 692,456 | 430,126 |
| Net current assets | | 824,242 | 851,942 |
| Total assets less current liabilities | | 2,198,457 | 2,072,502 |

Condensed Consolidated Statement of Financial Position *(continued)*

As at 30 June 2014

| | <i>Note</i> | 30 June 2014 HK\$'000 (unaudited) | 31 December 2013 HK\$'000 (audited) |
|---|-------------|--|--|
| Non-current liabilities | | | |
| Convertible bonds | 14 | 25,745 | 22,620 |
| Deposit received | | 3,199 | 3,199 |
| Deferred income tax liabilities | | 249,642 | 247,412 |
| Interest-bearing bank borrowings | 13 | 290,661 | 290,661 |
| Obligations under finance leases | | 1,829 | 2,470 |
| Total non-current liabilities | | 571,076 | 566,362 |
| Net assets | | 1,627,381 | 1,506,140 |
| Equity | | | |
| Equity attributable to equity holders of the Company | | | |
| Issued capital | 15 | 13,258 | 11,116 |
| Share premium and warrant reserve | | 864,364 | 749,281 |
| Contributed surplus | | 459,047 | 459,047 |
| Equity component of convertible bonds | | 51,274 | 51,274 |
| Other reserves | | 146,372 | 146,351 |
| Retained profits | | 93,066 | 89,071 |
| Total equity | | 1,627,381 | 1,506,140 |

The notes on pages 9 to 22 form an integral part of these interim consolidated financial statements.

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2014 (unaudited)

| | Attributable to equity holders of the Company | | | | | | | | |
|---|---|---|--|---|------------------------------|--|-----------------------------------|------------------------------|-------------------|
| | Issued capital HK\$'000 | Share premium and warrant reserve 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 | Retained profits HK\$'000 | Total 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 period | - | - | - | - | - | - | - | (8,151) | (8,151) |
| Other comprehensive income | | | | | | | | | |
| Exchange differences arising on translation of foreign operations | - | - | - | - | 30,847 | - | - | - | 30,847 |
| Total comprehensive income for the period | - | - | - | - | 30,847 | - | - | (8,151) | 22,696 |
| Issue of shares | 4,250 | 226,261 | - | (119,585) | - | - | - | - | 110,926 |
| Share issue expenses | - | (447) | - | - | - | - | - | - | (447) |
| Issue of convertible bonds | - | - | - | 155,795 | - | - | - | - | 155,795 |
| Total transactions with equity holders recognised directly in equity | 4,250 | 225,814 | - | 36,210 | - | - | - | - | 266,274 |
| Balance at 30 June 2013 | 11,116 | 749,281 | 459,047 | 51,274 | 82,350 | 17,926 | - | 146,496 | 1,517,490 |
| 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 | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | 3,995 | 3,995 |
| Other comprehensive income | | | | | | | | | |
| Exchange differences arising on translation of foreign operations | - | - | - | - | 21 | - | - | - | 21 |
| Total comprehensive income for the period | - | - | - | - | 21 | - | - | 3,995 | 4,016 |
| Issue of shares (note 15) | 2,142 | 117,810 | - | - | - | - | - | - | 119,952 |
| Share issue expenses | - | (2,727) | - | - | - | - | - | - | (2,727) |
| Total transactions with equity holders recognised directly in equity | 2,142 | 115,083 | - | - | - | - | - | - | 117,225 |
| Balance at 30 June 2014 | 13,258 | 864,364 | 459,047 | 51,274 | 82,008 | 17,926 | 46,438 | 93,066 | 1,627,381 |

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 9 to 22 form an integral part of these interim consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

| | Six months ended 30 June | |
|---|---------------------------------|-----------------|
| | 2014 | 2013 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Net cash used in operating activities | (271,038) | (136,487) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (47,213) | (24,313) |
| Proceeds from disposal of property, plant and equipment | 72 | – |
| Acquisition of interest in an investment accounted for using the equity method | (120,000) | – |
| Interest received | 1,034 | 301 |
| Net cash used in investing activities | (166,107) | (24,012) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 119,952 | 28,485 |
| Transaction costs attributable to issue of shares | (2,727) | (447) |
| Proceeds from bank loans and other borrowings | 315,936 | 37,912 |
| Repayment of bank loans and other borrowings | (44,329) | (94) |
| Proceeds from issue of convertible bonds | – | 200,000 |
| Interest paid on bank and other borrowings, loans from a shareholder and commitment fee | (22) | (99) |
| Interest element of finance lease rental payment | (74) | (75) |
| Capital element of finance lease rental payment | (615) | (588) |
| Net cash generated from financing activities | 388,121 | 265,094 |
| Net (decrease)/increase in cash and cash equivalents | (49,024) | 104,595 |
| Cash and cash equivalents at beginning of the period | 163,161 | 66,089 |
| Effect of foreign exchange rate changes, net | 42 | (869) |
| Cash and cash equivalents at end of the period | 114,179 | 169,815 |
| Analysis of the balances of cash and cash equivalents | | |
| Cash and cash equivalents as stated in the condensed consolidated statement of financial position | 114,179 | 169,815 |

The notes on pages 9 to 22 form an integral part of these interim consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

1 Corporate information

Cheung Wo International Holdings Limited (The “Company”) was incorporated in Bermuda on 9 May 2001 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The head office and principal place of business in Hong Kong of the Company is located at Room 4101, 41st Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong.

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

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

2 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 Principal accounting policies

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

Except for taxes on income in interim periods are accrued using the tax rate that would be applicable to expected total annual earnings, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

Notes to Condensed Consolidated Financial Statements *(continued)*

3 Principal accounting policies *(continued)*

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013 except for the new adoption of HKFRS as disclosed below.

- (a) New interpretation and amendments to standards mandatory for the first time for the periods beginning 1 January 2014:

| | |
|--|--|
| Amendment to HKAS 32 | Financial instruments: Presentation on asset and liability offsetting |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Consolidation for investment entities |
| Amendment to HKAS 36 | Impairment of assets |
| Amendments to HKAS 39 | Financial instruments: Recognition and measurement – Novation of derivatives |
| HK(IFRIC) 21 | Levies |

The adoption of these new interpretation and amendments to standards had no significant financial effect on these unaudited condensed consolidated interim financial statements.

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

| | |
|-----------------------------------|--|
| Amendments to HKAS 16 and HKAS 38 | Classification of acceptable methods of depreciation and amortisation ² |
| Amendment to HKAS 19 (2011) | Defined benefit plans: Employee contributions ¹ |
| HKFRS 9 | Financial instruments ⁴ |
| Amendment to HKFRS 11 | Accounting for acquisitions of interests in joint operations ² |
| HKFRS 14 | Regulatory deferral accounts ² |
| HKFRS 15 | Revenue from contracts with customers ³ |
| Annual Improvements Project | Annual improvements 2010-2012 cycle ¹ |
| Annual Improvements Project | Annual improvements 2011-2013 cycle ¹ |

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 date to be determined

The Group is in the process of making an assessment of the impact of adoption of the above new standards and amendments to standards 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 standard and amendments to standards would have a significant impact on its results of operations and financial position.

Notes to Condensed Consolidated Financial Statements *(continued)***4 Estimates**

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

5 Revenue and segmental information

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

For the six months ended 30 June 2014 (unaudited)

| | Property rental <i>HK\$'000</i> | Film distribution and licensing <i>HK\$'000</i> | Film processing <i>HK\$'000</i> | Property and hotel development <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--------------------------------|---------------------------------------|--|---------------------------------------|---|--------------------------|
| Segment revenue: | | | | | |
| External revenue | 10,768 | 898 | 1,992 | – | 13,658 |
| Segment results | 7,353 | 6,469 | (1,217) | (2,944) | 9,661 |
| Unallocated corporate expenses | | | | | (4,392) |
| Finance income | | | | | 1,035 |
| Finance costs | | | | | (96) |
| Profit before income tax | | | | | 6,208 |
| Income tax expense | | | | | (2,213) |
| Profit for the period | | | | | 3,995 |

Notes to Condensed Consolidated Financial Statements (*continued*)

5 Revenue and segmental information (*continued*)

For the six months ended 30 June 2013 (unaudited)

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

The following table presents segment assets of the Group's reportable segments as at 30 June 2014 and 31 December 2013:

As at 30 June 2014 (unaudited)

| | Property rental <i>HK\$'000</i> | Film distribution and licensing <i>HK\$'000</i> | Film processing <i>HK\$'000</i> | Property and hotel development <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|------------------------------|---------------------------------------|--|---------------------------------------|---|--------------------------|
| Segment assets | 355,615 | 88,527 | 3,506 | 2,324,967 | 2,772,615 |
| Unallocated corporate assets | | | | | 118,298 |
| Total assets | | | | | 2,890,913 |

Notes to Condensed Consolidated Financial Statements (continued)

5 Revenue and segmental information (continued)

As at 31 December 2013 (audited)

| | Property rental <i>HK\$'000</i> | Film distribution and licensing <i>HK\$'000</i> | Film processing <i>HK\$'000</i> | Property and hotel development <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|------------------------------|---------------------------------------|--|---------------------------------------|---|--------------------------|
| Segment assets | 354,901 | 73,080 | 2,818 | 1,903,345 | 2,334,144 |
| Unallocated corporate assets | | | | | 168,484 |
| Total assets | | | | | 2,502,628 |

6 Finance costs

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2014 | 2013 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Interest on bank and other borrowings wholly repayable within five years | 10,897 | 6,540 |
| Interest on convertible bonds | 3,125 | 1,463 |
| Interest on loans from a shareholder | – | 48 |
| Interest on finance leases | 74 | 100 |
| Less: amounts capitalised on qualifying assets | (14,000) | (7,298) |
| Total finance costs | 96 | 853 |

7 Operating loss

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

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2014 | 2013 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Auditors' remuneration | 1,066 | 982 |
| Cost of inventories recognised as expenses* | 263 | 381 |
| Uncollected trade receivables recovered | – | (30) |
| Reversal of provision for impairment of trade receivables | (64) | – |
| Operating lease rentals in respect of buildings | 3,128 | 2,991 |
| Depreciation | 2,086 | 1,884 |
| Professional fees | 4,064 | 3,114 |
| Gain on disposal of property, plant and equipment | (72) | (85) |

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

Notes to Condensed Consolidated Financial Statements *(continued)*

8 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. The applicable tax rate for the Group's operation in the 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.

| | Six months ended 30 June | |
|---------------------------------|---------------------------------|--------------------|
| | 2014 | 2013 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Current tax – PRC | – | 2,466 |
| Deferred tax | 2,213 | 170 |
| Total tax charge for the period | 2,213 | 2,636 |

9 Dividends

No dividend was paid or proposed during the period, nor has any dividend been proposed since the end of the reporting period (2013: Nil).

10 Earnings/(loss) per share attributable to equity holders of the Company

(a) Basic

The calculation of basic earnings/(loss) per share amount is based on the profit for the period of HK\$3,995,000 (2013: loss of HK\$8,151,000) attributable to equity holders of the Company, and the weighted average number of 1,250,834,000 (2013: 814,657,000) ordinary shares in issue during the period.

(b) Diluted

Diluted earnings/(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 has three (2013: one) categories of dilutive potential ordinary shares: convertible bonds, share options and warrants (2013: convertible bonds). The convertible bonds are assumed to have been converted into ordinary shares. For the share options and warrants, a calculation is done to determine the number of shares that could have been 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 is compared with the number of shares that would have issued assuming the exercise of the share options and warrants.

In calculating the diluted earnings per share for the period ended 30 June 2014, the potential ordinary shares arising from the assumed conversion of convertible bonds has been included and the weighted average number of ordinary shares in issue was adjusted accordingly. The potential ordinary shares arising from the assumed conversion of the share options and warrants have not been included in the calculation of diluted earnings per share because they had no dilutive effect for the period ended 30 June 2014.

In calculating the diluted loss per share for the period ended 30 June 2013, the potential ordinary shares arising from the assumed conversion of convertible bonds had not been included in the calculation of diluted loss per share because they were anti-dilutive for the reporting period presented. There were no share options or warrants outstanding as at 30 June 2013.

Notes to Condensed Consolidated Financial Statements *(continued)***11 Trade receivables**

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

| | As at 30 June 2014 HK\$'000 (unaudited) | As at 31 December 2013 HK\$'000 (audited) |
|----------------|--|---|
| 0 – 90 days | 6,483 | 5,943 |
| 91 – 180 days | 3,116 | 2,144 |
| 181 – 365 days | 8 | 50 |
| | 9,607 | 8,137 |

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

12 Trade and land payables

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

| | As at 30 June 2014 HK\$'000 (unaudited) | As at 31 December 2013 HK\$'000 (audited) |
|-------------|--|---|
| 0 – 90 days | 5,814 | 10,849 |

As at 30 June 2014, included in trade and land payables, HK\$334,473,000 (31 December 2013: HK\$334,473,000) represented a payable to Hunan Province government, the PRC, for acquiring certain land use rights in Xiangtan, Hunan.

Notes to Condensed Consolidated Financial Statements (*continued*)

13 Interest-bearing bank and other borrowings

| | Effective interest rate (%) | Maturity | As at 30 June 2014 HK\$'000 (unaudited) | As at 31 December 2013 HK\$'000 (audited) |
|---|-----------------------------------|------------|---|---|
| Current | | | | |
| Bank loan – secured (<i>note i</i>) | 3.75 | On demand | 1,143 | 1,240 |
| Bank loan – secured (<i>note ii</i>) | 10.38 | March 2015 | 315,936 | – |
| Bank loan – secured (<i>note iii</i>) | 8.34 | 2014-2018 | 12,637 | 25,275 |
| Other borrowings – unsecured (<i>note iv</i>) | 15 | April 2014 | – | 31,594 |
| | | | 329,716 | 58,109 |
| Non-current | | | | |
| Bank loan – secured (<i>note iii</i>) | 8.34 | 2014-2018 | 290,661 | 290,661 |
| | | | 620,377 | 348,770 |

- (i) At 30 June 2014 and 31 December 2013, the Group's current bank borrowing was secured by the Group's leasehold land and buildings with a net carrying amount of HK\$740,000 (2013: HK\$754,000).
- (ii) At 30 June 2014, the Group's bank borrowing was secured by the Group's a piece of land in Hunan included in property development in progress with a net carrying amount of HK\$501,999,000 and a personal and corporate guarantee granted by Mr. Cheng Keung Fai ("Mr. Cheng"), a controlling shareholder of the Company and his related party respectively.
- (iii) At 30 June 2014 and 31 December 2013, the Group's bank borrowing was secured by the Group's land use right with net carrying amount of HK\$313,196,000 (2013: HK\$317,548,000). At 30 June 2014, according to the repayment terms, the next repayment of the bank borrowings will be from December 2014 to June 2018.
- (iv) At 30 June 2014, the Group's unsecured other borrowings were fully repaid. (2013: mature in April 2014)

Notes to Condensed Consolidated Financial Statements *(continued)***14 Convertible bonds**

On 26 January 2011, the Company issued convertible bonds carrying a coupon interest rate of 0.5% per annum up to an aggregate principal amount of HK\$515,128,000. The bonds are convertible at the option of the bondholders into fully paid ordinary shares with a par value of HK\$0.10 each at any time from the date of the issue of the bonds up to and including 26 January 2016 at an initial conversion price of HK\$0.345. According to the terms and conditions of the convertible bonds, the conversion price of the convertible bonds has been adjusted from the initial conversion price of HK\$0.345 per conversion share to HK\$3.45 per conversion share following completion of the capital reorganisation, and then to HK\$2.425 per conversion share as a result of the completion of the open offer on 26 June 2012. The Company may redeem at 100% of the principal amount in cash by giving the bondholders 10 working days' prior written notice. Any convertible bonds not converted will be redeemed on 26 January 2016 at 100% of their principal amount. During the period ended 30 June 2013, the remaining principal amount of HK\$52,000,000 was fully converted into 21,443,298 ordinary shares of HK\$0.01 each.

On 24 May 2013, the Company issued convertible bonds carrying at zero coupon rate of an aggregate principal amount of HK\$214,640,110. The bonds are convertible at the option of the bondholders into fully paid ordinary shares with a par value of HK\$0.01 each at any time from the date of the issue of the bonds up to and including 24 May 2018 at an initial conversion price of HK\$0.43. Any convertible bonds not converted will be redeemed on 24 May 2018 at face value of the principal amount. During the period ended 30 June 2013, principal amount of HK\$144,000,000 was fully converted into 334,883,720 ordinary shares of HK\$0.01 each. At 30 June 2014, the Company has outstanding convertible bonds in an aggregate principal of HK\$70,640,110, as a result of a shares placing on 5 March 2014, 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.

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

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

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

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

Notes to Condensed Consolidated Financial Statements (*continued*)

14 Convertible bonds (*continued*)

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

| | As at 30 June 2014 <i>HK\$'000</i> | As at 31 December 2013 <i>HK\$'000</i> |
|--|---|---|
| At 1 January | 22,620 | 42,070 |
| Liability component on initial recognition | – | 58,845 |
| Conversion of convertible bonds | – | (82,440) |
| Interest expense | 3,125 | 4,209 |
| Interest payable | – | (64) |
| At 30 June 2014/31 December 2013 | 25,745 | 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% (31 December 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 30 June 2014 amounted to HK\$42,721,000 (31 December 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.

15 Share capital

| | As at 30 June 2014 <i>HK\$'000</i> (unaudited) | As at 31 December 2013 <i>HK\$'000</i> (audited) |
|--|---|---|
| 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: | | |
| 1,325,804,000 (2013: 1,111,604,000) ordinary shares of HK\$0.01 (2013: HK\$0.01) each | 13,258 | 11,116 |

Notes to Condensed Consolidated Financial Statements *(continued)***15 Share capital** *(continued)*

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

| | <i>Note</i> | No. of shares | Amount <i>HK\$'000</i> |
|-------------------------------------|-------------|----------------------|----------------------------------|
| At 1 January 2013 | | 686,637,000 | 6,866 |
| Shares placement | <i>(a)</i> | 68,640,000 | 687 |
| Issue of shares | <i>(b)</i> | 356,327,000 | 3,563 |
| 31 December 2013 and 1 January 2014 | | 1,111,604,000 | 11,116 |
| Shares placement | <i>(c)</i> | 214,200,000 | 2,142 |
| At 30 June 2014 | | 1,325,804,000 | 13,258 |

- (a) On 28 February 2013, the Company completed a share placement by issuing 68,640,000 ordinary shares of HK\$0.01 each at the 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 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 per share.
- (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 the placing price of HK\$0.56 per placing share. The Company also issued unlisted warrants ("Warrants"), on the basis of 1 Warrant for 27 Placing Shares issued. No Warrants have been exercised up to 30 June 2014.

Notes to Condensed Consolidated Financial Statements *(continued)*

16 Commitments

(a) Operating lease commitments

(i) As lessor

The Group leases its investment property under operating lease arrangements, with remaining lease terms ranging from 3 months to 13 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

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

| | As at 30 June 2014 HK\$'000 (unaudited) | As at 31 December 2013 HK\$'000 (audited) |
|---------------------------|--|--|
| Within one year | 21,069 | 20,663 |
| Between two to five years | 86,585 | 86,460 |
| Over five years | 169,497 | 180,314 |
| | 277,151 | 287,437 |

(ii) As lessee

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

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

| | As at 30 June 2014 HK\$'000 (unaudited) | As at 31 December 2013 HK\$'000 (audited) |
|---------------------------|--|--|
| Within one year | 5,640 | 5,810 |
| Between two to five years | 3,739 | 6,557 |
| | 9,379 | 12,367 |

Notes to Condensed Consolidated Financial Statements (*continued*)**16 Commitments** (*continued*)**(b) Other commitments**

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

| | As at 30 June 2014 HK\$'000 (unaudited) | As at 31 December 2013 HK\$'000 (audited) |
|---|--|--|
| Contracted but not provided for: | | |
| Property and hotel development | 51,747 | 243,849 |
| Property, plant and equipment | – | 177 |
| | 51,747 | 244,026 |
| Authorised but not contracted for: | | |
| Property and hotel development | 1,274,744 | 1,274,744 |
| | 1,326,491 | 1,518,770 |

17 Litigation

On 9 July 2012, a summon was served on Chengdu Zhongfa Real Estate Development Company Limited (“Chengdu Zhongfa”), an indirect wholly-owned subsidiary of the Company, as one of the defendants in a civil complaint issued by 四川民族飯店 (the “Plaintiff”). The Plaintiff alleged that 中國中小企業投資有限公司, 成都弘易地產有限責任公司 and Chengdu Zhongfa (together, the “Defendants”) colluded with each other to cheat the Plaintiff of certain land use rights in the PRC, which forms part of the Group’s investment property, by certain contracts made in 1995, 1997 and 2003. The Plaintiff petitioned the Higher People’s Court of Sichuan Province (the “Court”) to declare all those contracts void, to return the land use rights to the Plaintiff and to award damages and costs in favour of the Plaintiff. The Directors have appointed an external PRC lawyer to provide legal advice and handle this matter. The Defendants appeared before the Court on 20 September 2012 and the Court’s judgement was not made up to the date of approval of these condensed consolidated financial statements. Management, after taking legal advice from the lawyer and based on the latest information obtained, is of the opinion that the legal proceeding is ongoing and it is not probable to assess the outcome of the case at this stage. Management does not anticipate that any material liabilities will arise from the outcome of this litigation and there would be no material impact to the financial position nor condensed consolidated financial statements of the Group for the six months ended 30 June 2014.

Notes to Condensed Consolidated Financial Statements *(continued)*

18 Related party transactions

(i) Related party transactions and connected transactions

In addition to the transactions detailed elsewhere in these condensed consolidated financial statements, interest of HK\$Nil (2013: HK\$48,000) was paid to Mr. Cheng, a controlling shareholder of the Company, for the loans from a shareholder.

(ii) Compensation of key management personnel

The remunerations of the Directors during the period are short-term benefits of HK\$960,000 (2013: HK\$1,074,000). It is determined by reference to market terms, individual responsibilities and performance.

19 Approval of the condensed consolidated financial statements

These condensed consolidated financial statements were approved and authorised for issue by the Board on 28 August 2014.

Management Discussion and Analysis

For the six months ended 30 June 2014 (“Review Period”), the Group continued to stay focused on the property development and investment business in the PRC whilst maintaining its film production and related business.

Financial Highlights

For the six months ended 30 June 2014, the Group recorded a turnover of approximately HK\$13,658,000 (2013: HK\$14,352,000), accounting for a decrease of 4.8%. The net profit attributable to the owners of the Group of approximately HK\$3,995,000 was recorded as compared with the net loss attributable to the owners of the Group of approximately HK\$8,151,000 for the six months ended 30 June 2013. The turnaround is primarily attributable to the share of the results of an associate of approximately HK\$14,141,000 from the box-office takings and distribution of the movie “3D Monkey King” which was released in early 2014.

For the period under review, property rental income was stable and contributed approximately HK\$10,768,000 (2013: HK\$10,450,000) to the total turnover while film distribution and processing businesses accounted for 21.1% of the total turnover, amounted to approximately HK\$898,000 (2013: HK\$2,700,000) and HK\$1,992,000 (2013: HK\$1,202,000) respectively.

Profit attributable to shareholders was HK\$3,995,000 (2013: loss of HK\$8,151,000). Basic earnings per share was HK\$0.32 cent (2013: loss of HK\$1.00 cents). The Board does not recommend dividend payout for the six months ended 30 June 2014 (2013: Nil). As at 30 June 2014, cash on hand was approximately HK\$114,179,000 (2013: HK\$163,161,000).

Financing Activities

On 5 March 2014, the Company completed placing (the “Placing”) of 214,200,000 ordinary shares to independent parties of the Company at the placing price of HK\$0.56 per placing share. On the same date the Company issued warrants to the placees at nil consideration conferring the rights to subscribe for up to an aggregate of 7,933,329 warrant shares at the subscription price of HK\$0.70 per warrant share. The warrants will be issued to the placees on the basis of 1 warrant to 27 placing shares. The Placing raised net proceeds of approximately HK\$117,670,000 for future funding of a possible acquisition of a company which shall have a right to use an internationally recognized brand in property related projects, and the remaining proceeds (if any) will be applied as general working capital of the Group. 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, 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.

Management Discussion and Analysis (continued)

On 15 March 2014, the Company as issuer entered into an agreement (the “Amended and Restated Subscription Agreement”) with the subscriber (“Sunny Glory”) and Mr. Cheng as the guarantor, pursuant to which, 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 17 March 2014, a Company’s subsidiary entered into an entrusted loan agreement with a PRC bank, obtaining a 1 year term loan of RMB250,000,000 which is interest bearing at the market rate. Under such loan agreement, the borrowing was secured by the land situated in Xiangtan, Hunan (which was acquired by the Group in October 2013 for the residential development project) and guaranteed by the Company’s major shareholder, Mr. Cheng and his related parties.

In April 2014, the Group acquired 45% interest of a company for a consideration of HK\$120,000,000 which will be satisfied in cash by tranches. The company acquired is the holder of an exclusive and global license to use the trademark “Forbes” in certain specific fields, provides advisory services to and assists those real estate developers in developing commercial property under the Forbes mark and other internationally recognised brands in the PRC.

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 development and investment in the PRC as well as film production and related businesses.

Property Development and Investment Business

Property Development

For the six month ended 30 June 2014, the property and hotel development business was at a loss of HK\$2,944,000 before tax (2013: loss of HK\$3,176,000).

The Group seized property development opportunities in the PRC by acquiring Hunan Jiuhua International City Development Construction Company Limited in November 2010. At present, it is developing a piece of land in a total area of approximately 325,989 square meters situated at Jiuhua Economic Zone, Xiangtan, Hunan. The project, which is renamed as “湘江國際公館” (Xiang Jiang Guo Ji Gong Guan*) (the “Project”), is planned to be developed into a five-star hotel and low-density residential units. The five-star hotel, which has 350 rooms with a total floor area

Management Discussion and Analysis (continued)

of approximately 78,000 square meters, will provide the guests with an exclusive accommodation experience for it is well equipped with convention and entertainment facilities. The building works of the hotel has been fully completed and the interior decoration will kick off in the second half of 2014. The low-density residential units comprise of detached houses and townhouses targeting at the affluent class of Hunan Province or neighboring provinces. The Group has appointed a sales agent for the pre-sale of the detached houses and townhouses in the fourth quarter of 2014. The opening of two roads “Binjiang Road” (濱江路) and “Jiuhua Avenue” (九華大道) lying beside the land reduces driving time to Changsha (the provincial capital of Hunan) to only 20 minutes, which enhances the edges to convenience of the Project.

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

Property Rental

For the period under review, the property rental business was operated at a profit before tax of HK\$7,353,000 (2013: HK\$8,702,000), representing decrease by 15.5%. It was contributed by the commercial property in Chengdu, the PRC, which the Group owns 100% equity interest.

The commercial property is a five-storey shopping arcade whose leasing space has been entirely leased out by now. The property rental provides steady income stream 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 purpose to ensure sustainable growth in the Group’s rental business in the future.

Film Related Business

Film Production

During the period under review, the film production and distribution business recorded a profit before tax of HK\$6,469,000 (2013: loss of HK\$4,308,000). Such net profit for the Group is primarily attributable to the share of the results of an associate from the box-office takings and distribution of the movie “3D Monkey King” which was released in early 2014.

“The Monkey King”, based on a popular Chinese story “Journey to the West”, has been well received by 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 office 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. As the film was released internationally, it generates profit for the film production and distribution business globally. The Group will continue to market the film in international market to generate more revenue.

Management Discussion and Analysis (continued)

Film Processing

For the six months ended 30 June 2014, the turnover from film processing experienced an increase from approximately HK\$1,202,000 to HK\$1,992,000. The Group paves its way to digitalization by investing in digital equipment to keep up with the industry trend, and has already started old movie digitalization business. For the purpose of cost control, the film processing factory had been relocated to a self-owned property.

Prospects

In 2014, property prices show signs of a slowdown nationwide. As a result, more liberal policies with loosening controls on the housing market of the PRC are expected to be issued in the second half of 2014. The central government is now accelerating structural reforms of real estate market based on ‘two-way policy’ while the local governments are granted the authority to revise or remove 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 past few months.

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, which will 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 second half of 2014. The Group will strive to grasp every opportunity in the industry to expand its property development business in the PRC.

Film industry in the PRC also experienced a boost in 2014 since seven national departments jointly announced support in terms of taxation, finance and land use policy for the industry. Besides, the higher household purchasing power and better enjoyment in recreational life also play important roles in promoting development of the industry. In the first half of 2014, the PRC’s box office revenue totaled at approximately RMB13.7 billion where ‘The 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 adhere to its two-line business model and 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.

Liquidity and financial resources

As at 30 June 2014, the Group’s net current assets was HK\$824,242,000 (31 December 2013: HK\$851,942,000), with current assets of HK\$1,516,698,000 (31 December 2013: HK\$1,282,068,000) and current liabilities of HK\$692,456,000 (31 December 2013: HK\$430,126,000), representing a current ratio of 2.19 (31 December 2013: 2.98). As at 30 June 2014, the Group had cash and bank balances of HK\$114,179,000 (31 December 2013: HK\$163,161,000).

Management Discussion and Analysis (continued)

Capital structure

The Group's total equity amounted to HK\$1,627,381,000 as at 30 June 2014 (31 December 2013: HK\$1,506,140,000).

Borrowing and banking facilities and charge on group assets

As at 30 June 2014, the Group's outstanding borrowings and convertible bonds, were HK\$649,218,000 (31 December 2013: HK\$375,101,000). The Group's bank borrowings of HK\$303,298,000 were secured by the Group's land use right with net carrying amount of HK\$313,196,000 (2013: HK\$317,548,000) and the Group's bank borrowings of HK\$315,936,000 were secured by the Group's property development in progress with net carrying amount of HK\$501,999,000 (2013: Nil). The Group's current bank borrowings of HK\$1,143,000 (2013: HK\$1,240,000) were secured by the leasehold land and buildings, with net carrying amount of HK\$740,000 (2013: HK\$754,000) and obligations under finance leases of HK\$3,096,000 (2013: HK\$3,711,000) were secured by motor vehicles with a net carrying amount of HK\$4,116,000 (2013: HK\$4,986,000). The gearing ratio based on interest-bearing bank and other borrowings, obligations under finance leases and convertible bonds over total equity as at 30 June 2014 was 0.399 (31 December 2013: 0.249).

Exposure to foreign exchange

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

Commitments and contingent liabilities

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

Employees and remuneration policies

Staff cost for the period was HK\$6,437,000 (2013: HK\$7,180,000), representing a decrease of 10.3%. The Group had a workforce of 74 (2013: 61) staff including 16 (2013: 18) staff in the film processing business as at 30 June 2014. Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

Interim dividend

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

Corporate Governance and Other Information

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at 30 June 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.

Directors' rights to acquire shares or debentures

Other than as disclosed under the heading “Share options”, at no time during the Period was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the Period.

Share options

As at 30 June 2014, a total of options to subscribe for 77,812,266 shares were granted under the share option scheme (the “Scheme”) which was adopted on 2 September 2013.

During the Review Period, no share option was granted, exercised, cancelled or lapsed under the Scheme.

Corporate Governance and Other Information (continued)

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\$ | Outstanding as at 1.1.2014 | Number of share options | | | Outstanding as at 30.6.2014 | Approximate percentage to the issued share capital ⁽¹⁾ % |
|--------------------|---------------|------------------------|----------------------------------|----------------------------|----------------------------------|------------------------------------|---|-----------------------------|--|
| | | | | | Granted during the Review Period | Exercised during the Review Period | Cancelled/Lapsed during the Review Period | | |
| Mr. Jin Lei | 5.11.2013 | 5.11.2013 to 4.11.2023 | 0.94 | 11,116,038 | - | - | - | 11,116,038 | 0.84 |
| Ms. Law Kee, Alice | 5.11.2013 | 5.11.2013 to 4.11.2023 | 0.94 | 11,116,038 | - | - | - | 11,116,038 | 0.84 |
| | | | | 22,232,076 | - | - | - | 22,232,076 | 1.68 |

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\$ | Outstanding as at 1.1.2014 | Number of share options | | | Outstanding as at 30.6.2014 | Approximate percentage to the issued share capital ⁽¹⁾ % |
|-------------------|---------------|------------------------|----------------------------------|----------------------------|----------------------------------|------------------------------------|---|-----------------------------|--|
| | | | | | Granted during the Review Period | Exercised during the Review Period | Cancelled/Lapsed during the Review Period | | |
| Ms. Hu Hui | 5.11.2013 | 5.11.2013 to 4.11.2023 | 0.94 | 11,116,038 | - | - | - | 11,116,038 | 0.84 |
| Mr. Mak Kam Fai | 5.11.2013 | 5.11.2013 to 4.11.2023 | 0.94 | 11,116,038 | - | - | - | 11,116,038 | 0.84 |
| Mr. Li Fu Chu | 5.11.2013 | 5.11.2013 to 4.11.2023 | 0.94 | 11,116,038 | - | - | - | 11,116,038 | 0.84 |
| Mr. Liu Jun Guang | 5.11.2013 | 5.11.2013 to 4.11.2023 | 0.94 | 11,116,038 | - | - | - | 11,116,038 | 0.84 |
| Mr. Tan Yue | 5.11.2013 | 5.11.2013 to 4.11.2023 | 0.94 | 11,116,038 | - | - | - | 11,116,038 | 0.84 |
| | | | | 55,580,190 | - | - | - | 55,580,190 | 4.20 |

Corporate Governance and Other Information (continued)

Notes:

- (1) As at 30 June 2014, the number of issued shares of the Company is 1,325,803,816.
- (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.

Substantial shareholders' interests and short positions in the shares and underlying shares of the Company

As at 30 June 2014, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that the following persons had interests in 5% or more of the nominal value of the issued shares of the Company that carry a right to vote in all circumstances at the general meetings of the Company:

Long positions

Ordinary shares of HK\$0.01 each of the Company

| Name of shareholder | Capacity | Number of ordinary shares held | Approximate percentage of the issued share capital of the Company |
|---|------------------------------------|--------------------------------|---|
| Mr. Cheng Keung Fai ("Mr. Cheng") | Interest of controlled corporation | 938,309,250 | 70.77% |
| Full Dragon Group Limited (<i>Note 1</i>) | Beneficial owner | 766,016,300 | 57.78% |
| Alpha Harbour Limited (<i>Note 2</i>) | Beneficial owner | 58,536,585 | 4.42% |
| Classic Excel Investments Limited (<i>Note 2</i>) | Beneficial owner | 58,536,585 | 4.42% |
| Digital Skyline Limited (<i>Note 2</i>) | Beneficial owner | 55,219,780 | 4.17% |

Notes:

1. The entire issued share capital of Full Dragon Group Limited is owned by Mr. Cheng.
2. The shares held by each of Alpha Harbour Limited, Classic Excel Investments Limited and Digital Skyline Limited represent 58,536,585, 58,536,585 and 55,219,780 shares to be allotted and issued upon the exercise of conversion rights attaching to the Convertible Bonds. 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 30 June 2014.

Corporate Governance and Other Information (continued)

Purchase, redemption and sale of shares

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

Corporate governance

During the period under review, the Company has complied with the code provisions of Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "Code") for the period from 1 January 2014 to 30 June 2014.

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

Events during the review period

The Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, has changed its address from 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014.

Sufficiency of public float

The Company has maintained a sufficient public float up to the date of this report.

Audit committee

The Audit Committee, comprises three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Group with the management and has discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2014.

List of directors

As at the date of this report, 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.

Corporate Governance and Other Information (continued)

Acknowledgement

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

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

Hong Kong, 28 August 2014