



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
2015

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Cheung Wo International Holdings Limited

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. Chiu Sin Nang, Kenny

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

Doguan Rural Commercial Bank
Company Limited

Bank of China (Hong Kong) Limited

Audit Committee

Mr. Tang Ping Sum (*Chairman*)

Mr. Tsui Pui Hung

Mr. Chiu Sin Nang, Kenny

Remuneration Committee

Mr. Chiu Sin Nang, Kenny (*Chairman*)

Mr. Tang Ping Sum

Mr. Tsui Pui Hung

Nomination Committee

Mr. Tsui Pui Hung (*Chairman*)

Mr. Tang Ping Sum

Mr. Chiu Sin Nang, Kenny

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

Lee Garden One

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 2015 with the comparative figures as follows:

Condensed Consolidated Income Statement

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	5	11,432	13,658
Cost of sales		(2,679)	(3,094)
Gross profit		8,753	10,564
Other income		94	83
Administrative expenses		(21,048)	(19,519)
Selling and marketing expenses		(2,216)	–
Operating loss	7	(14,417)	(8,872)
Finance income	6	218	1,035
Finance costs	6	(14,057)	(96)
Finance (costs) income – net	6	(13,839)	939
Share of (loss) profit of an investment accounted for using the equity method		(6)	14,141
(Loss) profit before income tax		(28,262)	6,208
Income tax expense	8	(1,893)	(2,213)
(Loss) profit for the period attributable to equity holders of the Company		(30,155)	3,995
(Loss) earnings per share attributable to equity holders of the Company	10		
Basic		HK(2.01) cents	HK0.32 cents
Diluted		HK(2.01) cents	HK0.28 cents

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

The notes on pages 9 to 28 form an integral part of these condensed consolidated financial statements.

Cheung Wo International Holdings Limited

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period	(30,155)	3,995
Other comprehensive (loss) income:		
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences arising on translation of foreign operations	(909)	21
Total comprehensive (loss) income for the period attributable to equity holders of the Company	(31,064)	4,016

The notes on pages 9 to 28 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

		30 June 2015	31 December 2014
		HK\$'000	HK\$'000
	<i>Note</i>	(unaudited)	(audited)
Non-current assets			
Goodwill	11	–	–
Property, plant and equipment		359,663	337,091
Land use rights		300,579	304,875
Investment property		338,074	338,074
Investments accounted for using the equity method		150,087	150,092
Prepayments and other receivables		154,877	11,965
Film rights		102	102
		<hr/>	<hr/>
Total non-current assets		1,303,382	1,142,199
Current assets			
Properties development in progress		1,120,675	1,093,998
Inventories		–	15
Trade and rental receivables	12	10,469	9,840
Prepayments and other receivables		320,198	367,351
Tax recoverable		80	80
Cash and cash equivalents		52,807	61,696
		<hr/>	<hr/>
Total current assets		1,504,229	1,532,980
Current liabilities			
Trade and land payables	13	351,964	341,351
Other payables, accruals and deposits received		38,303	24,581
Interest-bearing bank and other borrowings	14	19,779	350,345
Obligations under finance leases		1,323	1,295
		<hr/>	<hr/>
Total current liabilities		411,369	717,572
		<hr/>	<hr/>
Net current assets		1,092,860	815,408
		<hr/>	<hr/>
Total assets less current liabilities		2,396,242	1,957,607
		<hr/>	<hr/>

Cheung Wo International Holdings Limited

Condensed Consolidated Statement of Financial Position *(continued)*

As at 30 June 2015

		30 June 2015	31 December 2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	(unaudited)	(audited)
Non-current liabilities			
Convertible bonds	15	–	–
Deposits received		2,745	2,721
Deferred income tax liabilities		251,638	249,755
Interest-bearing bank and other borrowings	14	712,963	249,501
Obligations under finance leases		507	1,175
Total non-current liabilities		967,853	503,152
Net assets		1,428,389	1,454,455
Equity attributable to equity holders of the Company			
Issued capital	16	15,052	14,981
Share premium		945,997	939,167
Contributed surplus		459,047	459,047
Equity component of convertible bonds		–	–
Other reserves		127,409	130,221
Accumulated losses		(119,116)	(88,961)
Total equity		1,428,389	1,454,455

The notes on pages 9 to 28 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2015 (unaudited)

	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 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 16(a))	2,142	115,696	-	-	-	-	-	-	-	117,838
Share issue expenses	-	(2,727)	-	-	-	-	-	-	-	(2,727)
Issue of warrants (note 16(a))	-	-	-	-	-	-	-	2,114	-	2,114
Total transactions with equity holders recognised directly in equity	2,142	112,969	-	-	-	-	-	2,114	-	117,225
Balance at 30 June 2014	13,258	862,250	459,047	51,274	82,008	17,926	46,438	2,114	93,066	1,627,381
Balance at 1 January 2015	14,981	939,167	459,047	-	63,743	17,926	46,438	2,114	(88,961)	1,454,455
Comprehensive income										
Loss for the period	-	-	-	-	-	-	-	-	(30,155)	(30,155)
Other comprehensive income										
Exchange differences arising on translation of foreign operations	-	-	-	-	(909)	-	-	-	-	(909)
Total comprehensive loss for the period	-	-	-	-	(909)	-	-	-	(30,155)	(31,064)
Issue of shares (note 16(c))	71	6,830	-	-	-	-	-	(1,903)	-	4,998
Total transactions with equity holders recognised directly in equity	71	6,830	-	-	-	-	-	(1,903)	-	4,998
Balance at 30 June 2015	15,052	945,997	459,047	-	62,834	17,926	46,438	211	(119,116)	1,428,389

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 28 are an integral part of these condensed consolidated financial statements.

Cheung Wo International Holdings Limited

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash used in operating activities	(131,545)	(271,038)
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,893)	(47,213)
Proceeds from disposal of property, plant and equipment	112	72
Acquisition of interest in an associate	–	(120,000)
Interest received	218	1,034
Net cash used in investing activities	(15,563)	(166,107)
Cash flows from financing activities		
Proceeds from issue of shares	4,998	119,952
Transaction costs attributable to issue of shares	–	(2,727)
Proceeds from bank loans and other borrowings	465,631	315,936
Repayment of bank loans and other borrowings	(330,690)	(44,329)
Interest paid on bank and other borrowings	(18)	(22)
Interest element of finance lease rental payments	(47)	(74)
Capital element of finance lease rental payments	(640)	(615)
Net cash generated from financing activities	139,234	388,121
Net decrease in cash and cash equivalents	(7,874)	(49,024)
Cash and cash equivalents at beginning of the period	61,696	163,161
Effect of foreign exchange rate changes, net	(1,015)	42
Cash and cash equivalents at end of the period	52,807	114,179
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	52,807	114,179

The notes on pages 9 to 28 form an integral part of these condensed 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, Lee Garden One, 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 2015 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 2014, 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 2014, 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 2014 except for the new adoption of HKFRS as disclosed below.

- (a) New amendments to standards mandatory for the first time for the periods beginning 1 January 2015:

Amendment to HKAS 19 (2011) Annual improvements 2010-2012 Cycle	Defined benefit plans: Employee contributions Amendments to a number of HKFRSs
Annual improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

The adoption of these new amendments or developments 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 2015 and have not been early adopted:

HKFRS 14	Regulatory deferral accounts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ¹
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ¹
Amendments to HKAS 1	Disclosure initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ¹
Amendment to HKAS 27	Equity method in separate financial statements ¹
HKFRS 15	Revenue from contracts with customers ²
HKFRS 9	Financial instruments ³
Annual Improvements Project	Annual improvements 2012-2014 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ 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 and amendments to standards that have been issued but are not effective for the financial year beginning 1 January 2015 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 2014.

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 2015 (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	10,352	454	626	–	11,432
Segment results	6,799	(8,471)	(1,404)	(8,484)	(11,560)
Unallocated corporate expenses					(2,863)
Finance income					218
Finance costs					(14,057)
Loss before income tax					(28,262)
Income tax expense					(1,893)
Loss for the period					(30,155)

Cheung Wo International Holdings Limited

Notes to Condensed Consolidated Financial Statements *(continued)*

5 Revenue and segmental information *(continued)*

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

The following table presents segment assets of the Group's reportable segments as at 30 June 2015 and 31 December 2014:

As at 30 June 2015 (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	351,987	8,662	2,313	2,387,428	2,750,390
Unallocated corporate assets					57,221
Total assets					2,807,611

Notes to Condensed Consolidated Financial Statements (*continued*)**5 Revenue and segmental information** (*continued*)

As at 31 December 2014 (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	351,664	20,843	2,525	2,232,569	2,607,601
Unallocated corporate assets					67,578
Total assets					<u>2,675,179</u>

6 Finance costs (income) – net

An analysis of finance costs and income is as follows:

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Finance costs:		
Interest on bank and other borrowings wholly repayable within five years	48,823	10,897
Interest on convertible bonds	–	3,125
Interest on finance leases	47	74
Foreign exchange difference, net	481	–
	49,351	14,096
Less: amounts capitalised on qualifying assets	(35,294)	(14,000)
Total finance costs	14,057	96
Finance income:		
Interest income on short-term bank deposits	(218)	(1,034)
Foreign exchange difference, net	–	(1)
Total finance income	(218)	(1,035)
Finance costs (income) – net	13,839	(939)

Notes to Condensed Consolidated Financial Statements *(continued)*

7 Operating loss

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

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Auditors' remuneration	1,167	1,066
Cost of inventories recognised as expenses*	51	263
Uncollected trade receivables recovered	(69)	–
Reversal of provision for impairment of trade receivables	(23)	(64)
Operating lease rentals in respect of buildings	2,985	3,128
Depreciation	2,217	2,086
Professional fees	3,994	4,064
Gain on disposal of property, plant and equipment	(27)	(72)
Selling and marketing expenses	2,216	–

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

8 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax	–	–
Deferred tax	1,893	2,213
Total tax charge for the period	1,893	2,213

9 Dividends

No dividend was paid or proposed during the period, nor has any dividend been proposed since the end of the reporting period (2014: Nil).

Notes to Condensed Consolidated Financial Statements *(continued)***10 (Loss) earnings per share attributable to equity holders of the Company****(a) Basic**

The calculation of basic (loss) earnings per share amount is based on the loss for the period of HK\$30,155,000 (2014: profit of HK\$3,995,000) attributable to equity holders of the Company, and the weighted average number of 1,498,594,000 (2014: 1,250,834,000) ordinary shares in issue during the period.

(b) Diluted

Diluted (loss) earnings 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 two (2014: three) categories of dilutive potential ordinary shares: share options and warrants (2014: convertible bonds, share options and warrants). 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 and warrants. 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 loss per share for the period ended 30 June 2015, the potential ordinary shares arising from the assumed conversion of the share options and warrants has no dilutive effect on loss per share. Therefore, diluted loss per share equals basic loss per share.

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. As the exercise price of the share options and warrants granted by the Company was higher than the average market price of the Company's shares for the period ended 30 June 2014, the outstanding share options and warrants had no dilutive effect on the earnings per share for the period ended 30 June 2014.

Notes to Condensed Consolidated Financial Statements *(continued)*

10 (Loss) earnings per share attributable to equity holders of the Company *(continued)*

*(b) Diluted *(continued)**

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) profit attributable to equity holders of the Company, used in the basic and diluted (loss) earnings per share calculations	(30,155)	3,995
Number of shares		
Shares		
Weighted average number of ordinary shares in issue used in the basic (loss) earnings per share calculation	1,498,594,000	1,250,834,000
Effect of dilution – weighted average number of ordinary shares:		
– Share options	1,527,000	–
– Warrants	112,000	–
– Convertible bonds	–	172,293,000
Adjusted weighted average number of ordinary shares in issue used in the diluted (loss) earnings per share calculation	1,500,233,000	1,423,127,000

11 Goodwill

Movements of goodwill during the period/year are as follows:

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
At 1 January	–	199,589
Impairment loss	–	(198,037)
Exchange realignment	–	(1,552)
At 30 June 2015/31 December 2014	–	–

Notes to Condensed Consolidated Financial Statements *(continued)***11 Goodwill** *(continued)****Impairment test for goodwill***

For the year ended 31 December 2014, 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 31 December 2014. As at that 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.

The management of the Group has considered both the value-in-use method and fair value less cost of disposal method in performing the impairment assessment. Since the recoverable amount calculated using the fair value less cost of disposal method is lower comparing to using the value-in-use method in our case, value-in-use method is used as the valuation approach to conform with the requirement under HKAS 36 which requires the cash flow projections used to determine value in use be based on the most recent financial budgets/forecasts approved by the management of the Group. Also, the cash flow projections to measure the value-in-use must be based on reasonable and supportable assumptions that represent management of the Group's best estimate of the economic conditions that will exist over the remaining useful life of a cash generating unit ("CGU"). The Group had applied the same valuation method to determine the recoverable amount of the CGU assets since the financial year ended 31 December 2012 to assess the indication of impairment of goodwill.

Due to the repeated delay of the property and hotel development project in Xiangtan, Hunan Province, which was affected by the delay of completion of infrastructure nearby, the relevant future cash flows from the sales of the residential project and hotel operation are affected. Also, the property prices started to show signs of slowdown nationwide in 2014, in particular in second half of 2014 in second-tier cities. In light of the changes in management's expectation towards the current trend in the selling prices of our residential properties, and the guest room rates and occupancy rate of the hotel, the management decided to make certain downward adjustments to the aforesaid parameters in relation to the valuation that made up the recoverable amount of the CGU assets, which resulted in the recognition of an impairment loss on goodwill.

Notes to Condensed Consolidated Financial Statements *(continued)*

11 Goodwill *(continued)*

Impairment test for goodwill *(continued)*

For property sale business, the key assumptions adopted in the value-in-use calculation included the selling price per square meter of the residential units ranging from RMB6,500 to RMB15,000 (2013: RMB7,000 to RMB18,000), growth rate (as stated below) and discount rate (as stated below). Selling price per square meter of the residential units are determined based on the current performance of the property market near 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 operation business, the key assumptions adopted included the forecasted hotel guest room rate ranging from RMB600 to RMB15,000 (2013: RMB700 to RMB17,200), occupancy rate ranging from 20%-80% (2013: 50%-80%), growth rate (as stated below) and discount rate (as stated below). Forecasted hotel guest 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 operation 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 operation 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 Condensed Consolidated Financial Statements *(continued)***12 Trade and rental receivables**

An aged 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:

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
0 – 90 days	5,430	5,529
91 – 180 days	4,714	3,941
181 – 365 days	262	360
Over 1 year	63	10
	10,469	9,840

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

13 Trade and land payables

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

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
0 – 90 days	21,789	11,176

As at 30 June 2015, included in trade and land payables, HK\$330,175,000 (31 December 2014: HK\$330,175,000) represents a payable to the Hunan Province government of the PRC, for acquiring certain land use rights in Xiangtan, Hunan.

Cheung Wo International Holdings Limited

Notes to Condensed Consolidated Financial Statements (continued)

14 Interest-bearing bank and other borrowings

	Maturity	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Current			
Bank loan – secured (note i)	On demand	942	1,043
Bank loan – secured (note ii)	March 2015	–	311,876
Bank loan – secured (note iii)	2014-2018	18,712	37,426
Bank loan – secured (note iv)	June 2016	125	–
		19,779	350,345
Non-current			
Bank loan – secured (note iii)	2014-2018	249,501	249,501
Bank loan – secured (note v)	August 2016	311,876	–
Other borrowing – secured (note vi)	January 2018	151,586	–
		732,742	599,846

- (i) At 30 June 2015 and 31 December 2014, the Group's current bank borrowing of HK\$942,000 (2014: HK\$1,043,000) was secured by the Group's leasehold land and buildings with a net carrying amount of HK\$713,000 (2014: HK\$727,000) and was interest-bearing at prime rate minus 1.5% per annum (2014: same).
- (ii) At 31 December 2014, the Group's bank borrowing of HK\$311,876,000 was secured by the Group's property development in progress with a net carrying amount of HK\$495,548,000. The bank borrowing was repaid in March 2015 and was interest-bearing at 7.8% per annum.
- (iii) At 30 June 2015 and 31 December 2014, the Group's bank borrowing of HK\$268,213,000 (2014: HK\$286,927,000) was secured by the Group's land use right with a net carrying amount of HK\$300,579,000 (2014: HK\$304,875,000). 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 (2014: same).

Notes to Condensed Consolidated Financial Statements *(continued)***14 Interest-bearing bank and other borrowings** *(continued)*

- (iv) At 30 June 2015, the Group's bank borrowing of HK\$125,000 (2014: Nil) was secured by the Group's bank deposits of HK\$137,000 (2014: Nil). The bank borrowing was interest-bearing at 4.9% per annum.
- (v) At 30 June 2015, the Group's bank borrowing of HK\$311,876,000 was secured by the Group's property development in progress with a net carrying amount of HK\$495,548,000. According to the repayment terms, the bank borrowing will be repayable in August 2016. The bank borrowing was interest-bearing at 11% per annum.
- (vi) At 30 June 2015, the Group's other borrowing of HK\$151,586,000 (2014: Nil) was secured by the share charges over certain subsidiaries of the Group and a personal guarantee granted by Mr. Cheng Keung Fai ("Mr. Cheng"), a controlling shareholder of the Company. The other borrowing was interest-bearing at 20% per annum.

15 Convertible bonds

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 of HK\$0.01 each.

Notes to Condensed Consolidated Financial Statements *(continued)*

15 Convertible bonds *(continued)*

- (a) 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>

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

	As at 30 June 2015 <i>HK\$'000</i> (unaudited)	As at 31 December 2014 <i>HK\$'000</i> (audited)
At 1 January	–	22,620
Conversion of convertible bonds	–	(27,367)
Interest expense	–	4,747
At 30 June 2015/31 December 2014	<u>–</u>	<u>–</u>

For the year ended 31 December 2014, interest expense on the liability component of the convertible bonds was calculated using the effective interest method, applying the effective interest rate of 29.539% per annum to the liability component.

Notes to Condensed Consolidated Financial Statements *(continued)***16 Share capital**

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Authorised:		
100,000,000,000 (2014: 100,000,000,000) ordinary shares of HK\$0.01 (2014: HK\$0.01) each	1,000,000	1,000,000
Issued and fully paid:		
1,505,238,000 (2014: 1,498,097,000) ordinary shares of HK\$0.01 (2014: HK\$0.01) each	15,052	14,981

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>	Number of shares	Amount HK\$'000
At 1 January 2014		1,111,604,000	11,116
Shares placement	<i>(a)</i>	214,200,000	2,142
Issue of shares	<i>(b)</i>	172,293,000	1,723
31 December 2014 and 1 January 2015		1,498,097,000	14,981
Issue of shares	<i>(c)</i>	7,141,000	71
At 30 June 2015		1,505,238,000	15,052

Notes to Condensed Consolidated Financial Statements *(continued)*

16 Share capital *(continued)*

- (a) 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 nil consideration. 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 date of issuance.

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 issuance.

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 issuance. 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%

Notes to Condensed Consolidated Financial Statements *(continued)***16 Share capital** *(continued)*

- (b) On 26 September 2014, convertible bonds with principal amount of approximately HK\$70,640,000 were converted into approximately 172,293,000 shares of HK\$0.01 each at HK\$0.41 per share.
- (c) On 4 and 9 June 2015 respectively, some of the existing warrant holders exercised their subscription rights to subscribe approximately 7,141,000 shares of HK\$0.01 each at HK\$0.70 per share.

17 Commitments**(a) Operating lease commitments***(i) As lessor*

The Group leases its investment property under non-cancellable operating lease arrangements, with leases negotiated for terms ranging from 1 to 15 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.

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 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Within one year	19,874	19,886
Between two to five years	83,758	82,273
Over five years	145,962	156,641
	249,594	258,800

Notes to Condensed Consolidated Financial Statements *(continued)*

17 Commitments *(continued)*

(a) Operating lease commitments *(continued)*

(ii) 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 3 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:

	As at 30 June 2015 <i>HK\$'000</i> (unaudited)	As at 31 December 2014 <i>HK\$'000</i> (audited)
Within one year	3,962	6,689
Between two to five years	93	1,040
	4,055	7,729

(b) Other commitments

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

	As at 30 June 2015 <i>HK\$'000</i> (unaudited)	As at 31 December 2014 <i>HK\$'000</i> (audited)
Contracted but not provided for:		
Property and hotel development	1,945,892	1,562,203
Authorised but not contracted for:		
Property and hotel development	407,753	958,870
	2,353,645	2,521,073

Notes to Condensed Consolidated Financial Statements *(continued)***18 Litigation**

On 9 July 2012, a summon was served on Chengdu Zhongfa Real Estate Development Co. Ltd. (“Chengdu Zhongfa”), an indirect wholly-owned subsidiary of the Company, as one of the defendants in a civil complaint issued by 四川民族飯店 (the “Plaintiff”). The Plaintiff alleged that 中國中小企業投資有限公司、成都弘易地產有限責任公司 and Chengdu Zhongfa (together, the “Defendants”) colluded with each other to cheat the Plaintiff of certain land use rights in the PRC, which form part of the Group’s investment property, by certain contracts made in 1995, 1997 and 2003. The Plaintiff petitioned the Higher People’s Court of Sichuan Province (the “Court”) to declare all those contracts void, to return the land use rights to the Plaintiff and to award damages and costs in favour of the Plaintiff. The Directors have appointed an external PRC lawyer to provide legal advice and handle this matter. The Defendants appeared before the Court on 20 September 2012 and the Court’s judgement was delivered and served on 9 December 2014. The Court dismissed all of the Plaintiff’s petitions against the Defendants, with costs awarded against the Plaintiff. However, the Plaintiff lodged appeal (the “Appeal”) with the Court. The judgement has not become effective and the Appeal was heard by the Supreme People’s Court of the People’s Republic of China on 1 April 2015 and no judgement of the Appeal was made after the hearing to date. The Company’s Directors, after taking legal advice from the lawyer and based on the latest information obtained, are 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 period ended 30 June 2015.

Notes to Condensed Consolidated Financial Statements *(continued)*

19 Related party transactions

(i) Related party transactions

The Group had no material transactions with related parties during the period ended 30 June 2015.

For the period ended 30 June 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 controlling 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.

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 remunerations of the Directors during the period are short-term benefits of HK\$1,306,000 (2014: HK\$960,000). It is determined by reference to market terms, individual responsibilities and performance.

20 Approval of the condensed consolidated financial statements

These condensed consolidated financial statements were approved and authorised for issue by the Board on 28 August 2015.

Management Discussion and Analysis

For the six months ended 30 June 2015, 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 2015, the Group recorded a turnover of approximately HK\$11,432,000 (2014: HK\$13,658,000), accounting for a decrease of approximately 16.3%. Loss attributable to the owners of the Group of approximately HK\$30,155,000 was recorded as compared with profit attributable to the owners of the Group of approximately HK\$3,995,000 for the six months ended 30 June 2014. The major reasons were attributable to: (i) the Company had benefited from recognising part of the compensation income arising from the box-office takings and distribution of the movie “Monkey King” of approximately HK\$14,100,000 and recorded it in the corresponding period in 2014, which was not recurrent in the corresponding period in 2015; (ii) the accrued finance costs of approximately HK\$13,500,000 in relation to 20% guaranteed secured notes (“2015 Notes”) which were issued in January 2015; and (iii) the enlarged operating loss sustained from the property and hotel development business for preparation of pre-sale of residential properties.

For the period under review, property rental income was stable and contributed approximately HK\$10,352,000 (2014: HK\$10,768,000) to the total turnover while film distribution and processing businesses accounted for 9.4% of the total turnover, amounted to approximately HK\$454,000 (2014: HK\$898,000) and HK\$626,000 (2014: HK\$1,992,000) respectively.

Loss attributable to shareholders was HK\$30,155,000 (2014: profit of HK\$3,995,000). Basic loss per share was approximately HK\$2.01 cent (2014: earnings of HK\$0.32 cent). The Board does not recommend dividend payout for the six months ended 30 June 2015 (2014: Nil). As at 30 June 2015, cash on hand was approximately HK\$52,807,000 (2014: HK\$61,696,000).

Management Discussion and Analysis *(continued)*

Financing Activities and Events after the Reporting Period

On 27 January 2015, the Group completed the issue of the 2015 Notes with the principal amount of USD20,000,000 (equivalent to approximately HK\$155,182,000). The subscriber was a subsidiary of InfraRed NF China Real Estate Fund II (A), L.P., a fund sponsored by InfraRed Capital Partners and Nan Fung Group. The net proceeds had been used up entirely at intended use and for the Group's residential property and hotel development project.

On 5 February 2015, a Company's subsidiary renewed an entrusted loan agreement with a PRC bank, extending a period of 18 months, for the 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 controlling shareholder, Mr. Cheng and his related parties.

On 13 July 2015, the Company issued a total of 265,000,000 warrants at the issue price of HK\$0.057 per warrant. The gross proceeds and net proceeds from the issue were approximately HK\$15,100,000 million and HK\$13,500,000 respectively. The net proceeds had been used for payment of interest due under the 2015 Notes in the amount of US\$20,000,000 issued by the Company on 27 January 2015.

On 3 August 2015, the Company entered into a non-legally binding memorandum of understanding with Energetic Force Investments Limited in relation to a possible acquisition of the entire issued share capital of Greater Elite Investments Limited ("SPV"), which is contemplating to invest, among others, in certain interest in a global fund management company and a global media business company. The Board believes that the acquisition will bring a new synergy to the business of the Group by extending the Group's business to fund of funds and other asset management sub-sectors through the globally respected brand names including Forbes Global.

Management Discussion and Analysis *(continued)*

On 12 August 2015, the Company entered into the subscription agreement with Taiping Trustees Limited, which has agreed to subscribe for convertible notes in the principal amount of US\$30,000,000 (equivalent to approximately HK\$232,551,000) subject to fulfillment of conditions precedent. The initial conversion price is HK\$1.20 per conversion share. It is intended that the net proceeds will be applied as part of funding for the acquisition of interest in the SPV. Assuming the aggregate principal amount of the convertible notes is HK\$232,551,000, and upon full conversion of the convertible notes at the initial conversion price, the convertible notes will be convertible into a maximum of 193,792,500 shares, representing approximately 12.86% of the then existing issued share capital of the Company and approximately 11.40% of the issued share capital of the Company as enlarged by the issue of the conversion shares upon full conversion of the convertible notes.

Following the Group's financing activities as above, the Directors believe that the Group has more resources to seek for new opportunities in property development and further diversify its business portfolio in the future.

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 six months ended 30 June 2015, the property and hotel development business was at a loss of HK\$8,484,000 before income tax (2014: loss of HK\$2,944,000). Such loss was primarily attributable to the enlarged operating loss including promotion related expenses for pre-sale preparation of the residential properties and escalating staff costs.

The Group commenced its property development business in the PRC since November 2010. Currently, the Group is developing a significant project with a total area of approximately 325,989 square meters situated in the Jiuhua Economic Zone of Xiangtan, Hunan with the name of “湘江國際公館” (Xiang Jiang Guo Ji Gong Guan*) (the “Project”), which includes a five-star hotel and low-density residential units.

With the coverage of a total floor area of approximately 78,000 square meters, the five-star hotel has the capacity to accommodate 392 rooms and will offer guests distinct experience with a whole set of recreational facilities. The exterior decoration of the hotel has been completed while the interior decoration will be commenced soon. The official opening of the hotel is expected to be in 2017 when the hotel operation starts generating revenue and profit to the Group.

Management Discussion and Analysis *(continued)*

The Company has obtained the pre-sale license for 29 semi-detached houses and duplex properties in May 2015, which cover 24,700 square meters in total. The official pre-sale will commence along with the completion and operation of “Jiuhua Avenue” (九華大道) and “Binjiang Road” (濱江路) by the end of 2015, which is a major road linking Xiangtan and Changsha, the capital city of Hunan Province. The pre-sale will mark the kick-off of delivering revenue and profit to the Group.

Property Rental

For the period under review, the property rental business was operated at a profit before income tax of HK\$6,799,000 (2014: HK\$7,353,000), representing a decrease by 7.5%.

The rental property of the Group is a five-storey shopping centre located in Chengdu, the PRC, which currently almost fully leased out and provides sustainable and steady income while preserves management cost for the maintaining of the investment property in the coming years. The Group will continue to take notice of potential high quality properties to invest in and expand the 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 loss before income tax of HK\$8,471,000 (2014: profit of HK\$6,469,000) as no film had been released during the period.

Film Processing

For the six months ended 30 June 2015, the revenue from film processing experienced a decrease of 68.6%, to approximately HK\$626,000. The loss was contained even with a significant drop in the revenue, which was mainly attributable to the decrease in staff and rental costs.

Management Discussion and Analysis *(continued)*

Prospects

In 2015, Chinese government continues to follow positive fiscal policy and prudent monetary policy while the property market will continue to undergo correction in line with the wider economic shift to its ‘new normal’, a state of affairs that is characterized by slower but more sustainable economic growth with control measures being kept firmly in place. Administrative control measures such as purchase restrictions is expected to be lifted in due course, and there may be further interest rate cut in the future.

The property market looks set for slower growth in 2015, and any increases in property sale prices are likely to be moderate. Overall market demand is expected to be shifted from rigid demand type of housing to those looking to improve or upgrade their living environment. This will bring opportunities to the Group since its property development projects cater for the needs of affluent middle class in Hunan and its neighboring provinces.

In 2014, the Chinese film market maintained fast-speed growth momentum, and it strengthens the integration with other cultural sectors. In the first half of 2015, the domestic box office earnings amounted to RMB20,363,000,000, with a 48% year-on-year increase. Under such prosperous background, the Group will continue to seek for opportunities to produce high quality films appealing to the masses to contribute its share in boosting the market.

Liquidity and financial resources

As at 30 June 2015, the Group’s net current assets was HK\$1,092,860,000 (31 December 2014: HK\$815,408,000), with current assets of HK\$1,504,229,000 (31 December 2014: HK\$1,532,980,000) and current liabilities of HK\$411,369,000 (31 December 2014: HK\$717,572,000), representing a current ratio of 3.66 (31 December 2014: 2.14). As at 30 June 2015, the Group had cash and bank balances of HK\$52,807,000 (31 December 2014: HK\$61,696,000).

Capital structure

The Group’s total equity amounted to HK\$1,428,389,000 as at 30 June 2015 (31 December 2014: HK\$1,454,455,000).

Management Discussion and Analysis *(continued)*

Borrowing and banking facilities and charge on group assets

As at 30 June 2015 and 31 December 2014, the Group's bank borrowing of HK\$268,213,000 (2014: HK\$286,927,000) were secured by the Group's land use right with a net carrying amount of HK\$300,579,000 (2014: HK\$304,875,000) and the Group's bank borrowing of HK\$311,876,000 (2014: HK\$311,876,000) were secured by the Group's property development in progress with a net carrying amount of HK\$495,548,000 (2014: HK\$495,548,000). The Group's current bank borrowing of HK\$942,000 (2014: HK\$1,043,000) were secured by the leasehold land and buildings, with a net carrying amount of HK\$713,000 (2014: HK\$727,000) and obligations under finance leases of HK\$1,830,000 (2014: HK\$2,470,000) were secured by motor vehicles with a net carrying amount of HK\$2,378,000 (2014: HK\$3,247,000). The Group's bank borrowing of HK\$125,000 (2014: Nil) was secured by the Group's bank deposits of HK\$137,000 (2014: Nil). The Group's other borrowing of HK\$151,586,000 (2014: Nil) was secured by the share charges over certain subsidiaries of the Group and a personal guarantee granted by Mr. Cheng, a controlling shareholder of the Company. The gearing ratio based on interest-bearing bank and other borrowings, obligations under finance leases over total equity as at 30 June 2015 was 0.514 (31 December 2014: 0.414).

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 17 and 18 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 costs for the period was HK\$7,417,000 (2014: HK\$6,437,000), representing an increase of 15.2%. The Group had a workforce of 78 (2014: 74) staff including 16 (2014: 16) staff in the film processing business as at 30 June 2015. 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 2015, 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

The Company adopted a share option scheme (the “Scheme”) on 2 September 2013. 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.

The eligible grantees of the Scheme are (i) any employees 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.

Cheung Wo International Holdings Limited

Corporate Governance and Other Information *(continued)*

During the period under review, no share option was granted, exercised, cancelled or lapsed under the Scheme. The outstanding share option granted to Directors and employees under the Scheme and yet to be exercised are disclosed as follows:

	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding as at 1.1.2015	Number of share options			Outstanding as at 30.6.2015
					Granted during the review period	Exercised during the review period	Cancelled/ lapsed during the review period	
Directors								
Mr. Jin Lei	5.11.2013	5.11.2013 to 4.11.2023	0.94	11,116,038	-	-	-	11,116,038
Ms. Law Kee, Alice	5.11.2013	5.11.2013 to 4.11.2023	0.94	11,116,038	-	-	-	11,116,038
				22,232,076	-	-	-	22,232,076
Employees								
In aggregate	5.11.2013	5.11.2013 to 4.11.2023	0.94	55,580,190	-	-	-	55,580,190
Total				77,812,266	-	-	-	77,812,266

The closing price of the Company's shares immediately before 5 November 2013, the date of grant of the options was HK\$0.85.

The total number of Shares available for issue under the Scheme is 33,348,115 shares which represented approximately 2.21% of the issued share capital of the Company as at the date of this report.

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

As at 30 June 2015, 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:

Corporate Governance and Other Information *(continued)***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 %
Full Dragon Group Limited <i>(Note 1)</i>	Beneficial owner	938,309,250	62.34

Note:

- The entire issued share capital of Full Dragon Group Limited is owned by Mr. Cheng Keung Fai. Full Dragon Group Limited has granted (i) a security interest over 58.39% of the total issued share capital of the Company as at the date of the grant and (ii) a call option to acquire 149,809,676 Shares, to a subsidiary of Central Huijin Investment Limited, details of which were disclosed in the announcement of the Company dated 4 May 2015.

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 2015.

Corporate Governance and Other Information *(continued)*

Continuing obligation 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 HK\$155,182,000), 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 Rules 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.

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 and Other Information *(continued)*

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 2015 to 30 June 2015.

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.

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:

The monthly remuneration of Mr. Jin Lei, an executive Director and the chairman of the Company, has been adjusted to RMB54,565 with effect from 1 February 2015.

The monthly remuneration of Ms. Law Kee, Alice, an executive Director and the chief executive officer of the Company, has been adjusted to HK\$93,500 with effect from 1 January 2015.

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 2015.

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. Chiu Sin Nang, Kenny.

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

JIN LEI

Chairman

Hong Kong, 28 August 2015