



星 美 國 際

SMI CORPORATION LIMITED

(Provisional Liquidators Appointed)

星 美 國 際 集 團 有 限 公 司 *

(已委任臨時清盤人)

(Incorporated in Bermuda with limited liability)

(Stock Code: 198)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2005

The board of directors (the “Directors”) of SMI Corporation Limited (Provisional Liquidators Appointed) (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2005 together with comparative figures for the year ended 31 March 2004 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2005

		2005	2004
	Notes	HK\$'000	HK\$'000
Turnover	3	117,005	105,814
Cost of sales		(76,966)	(48,776)
Direct expenses		(44,785)	(53,289)
		(4,746)	3,749
Other income and gains, net	4	49,899	99,066
Distribution costs		(913)	(1,340)
Administrative expenses		(59,841)	(49,532)
Other operating expenses		(21,203)	(27,617)
(Loss)/profit from operations	5	(36,804)	24,326
Finance costs	6	(3,042)	(7,087)
Impairment losses on properties held for resale		–	(5,548)
Impairment losses on deposit paid on acquisition of an investment		(22,882)	(20,000)
Impairment losses on interests in associates		(19,779)	–
Losses on disposal of interests in associates		–	(2,203)
Losses on disposal of interest in a jointly controlled entity		–	(1,914)
Share of results of associates		(3,828)	752
Share of results of jointly controlled entities		(3,939)	(2,424)
Loss before taxation		(90,274)	(14,098)
Taxation	7	2,359	(480)
Loss for the year		(87,915)	(14,578)

* For identification purpose

	<i>Notes</i>	2005 HK\$'000	2004 <i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		(87,871)	(14,484)
Minority interests		(44)	(94)
		<u>(87,915)</u>	<u>(14,578)</u>
Basic loss per share attributable to the equity holders of the Company during the year			
	8	<u>(28.1) cents</u>	<u>(6.7) cents</u>

CONSOLIDATED BALANCE SHEET

As at 31 March 2005

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		19,441	29,280
Investment properties		12,800	48,200
Intangible assets		36	1,109
Interests in associates		53,303	37,067
Interests in jointly controlled entities		32,797	17,391
Deposits paid on acquisition of interests in associates		–	17,302
Deposit paid on acquisition of an investment		–	21,998
Available-for-sale financial asset		–	–
Investments in securities		–	8,297
Consideration receivable on disposal of available-for-sale financial asset		18,000	–
Loans and interest receivables – due after one year		–	12,608
		136,377	193,252
Current assets			
Properties held for resale		–	22,700
Inventories		16,898	22,610
Financial assets at fair value through profit or loss		3,377	–
Investments in securities		–	24,774
Trade and other receivables	9	45,772	87,247
Tax refundable		2,390	–
Pledged bank deposits		32,662	37,710
Cash and bank balances		1,402	40,078
		102,501	235,119
Current liabilities			
Trade and other payables	10	47,019	72,886
Tax payable		1,995	3,722
Bank and other borrowings – due within one year		57,205	73,272
		106,219	149,880
Net (current liabilities)/current assets		(3,718)	85,239

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets less current liabilities	132,659	278,491
Non-current liabilities		
Bank and other borrowings – due after one year	27,217	105,300
Net assets	105,442	173,191
Equity		
Capital and reserves attributable to the Company's equity holders:		
Share capital	31,407	29,632
Share premium	44,150	226,925
Other reserves	27,658	142,960
Retained profits/(accumulated losses)	2,227	(226,408)
	105,442	173,109
Minority interests	–	82
Total equity	105,442	173,191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Statement of compliance with Hong Kong Financial Reporting Standards (“HKFRSs”)

The consolidated financial statements for the year ended 31 March 2005 of the Group (the “Consolidated Financial Statements”) have been prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The Consolidated Financial Statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Consolidated Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities and investment properties, which are carried at fair value.

The preparation of the Consolidated Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the Company’s management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in note 6 to the Consolidated Financial Statements.

2. Basis of preparation

(a) *General*

The Company is incorporated in Bermuda as an exempted company with limited liability. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s shares have been suspended for trading on the Stock Exchange since 28 April 2005.

On 28 September 2007, the Company was placed at the third stage of the delisting procedures. If no viable resumption proposal is submitted at least 10 business days before 27 March 2008, the listing status of the Company will be cancelled.

On 18 February 2008, the Bank of China (Hong Kong) Limited (the “BOCHK”) presented a winding-up petition to the Court of First Instance of the High Court (the “High Court”) of Hong Kong Special Administrative Region to wind up the Company because the Company was unable to pay its debts. On 19 February 2008, BOCHK made an application to the High Court for the appointment of provisional liquidators of the Company.

By Order (the “Order”) of the Honourable Justice Barma of the High Court dated 20 February 2008, Mr. Liu Yiu Keung, Stephen and Ms. Chan Wai Hing, both of Ernst & Young Transactions Limited, have been appointed as the joint and several provisional liquidators (the “Provisional Liquidators”) of the Company. By the Order, the Provisional Liquidators will, inter alia, take into their custody and protect all the assets of the Group and manage the Group until such time as further order is made.

The Provisional Liquidators are taking necessary procedures for an application for resumption of trading of the Company’s shares on the Main Board of the Stock Exchange, including the submission of a viable resumption proposal to the Stock Exchange.

(b) *Going concern*

The Group had net current liabilities of approximately HK\$3,718,000 as at 31 March 2005 and incurred a significant loss of approximately HK\$87,915,000 for the year ended 31 March 2005. The Group’s liquidity position significantly deteriorated during the year. Bank loans from BOCHK had not been repaid in accordance with the relevant terms. In view of the above, the Directors consider that it is appropriate to reclassify the indebtedness of approximately HK\$33,680,000 due to BOCHK as current liabilities.

In preparing the Consolidated Financial Statements, the Directors have given consideration to the current and anticipated future liquidity of the Group. As part of the measures to improve the Group’s immediate liquidity and cash flows, a financial adviser has been retained by the Provisional Liquidators with a view to restructure the Company and has submitted a resumption proposal (the “Resumption Proposal”) to the Stock Exchange on 11 March 2008. In the opinion of the Directors, the Group will have sufficient working capital for its current financial requirements and future development after restructuring. Accordingly, the Directors are satisfied that it is appropriate to prepare the Consolidated Financial Statements on a going concern basis, notwithstanding the Group’s financial position and liquidity position as at 31 March 2005.

If the going concern basis were not to be appropriate, adjustments would have to be made to restate the values of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

(c) ***Books and records***

The Consolidated Financial Statements have been prepared based on available books and records of the Company and its subsidiaries. Although the present Directors, appointed after 1 April 2005 and did not take part in the daily management of the Company and its subsidiaries, had used their best endeavors to locate all the financial and business records of the Group, the Directors could not establish as to the correctness of the opening balances of Consolidated Financial Statements and as to whether all transactions entered into in the name of the Company and its subsidiaries during the year ended 31 March 2005 had been appropriately included in the Consolidated Financial Statements because most of the Company's former directors, the Group's former senior management and accounting personnel responsible for the operation in 2004 to 2007 had left the Group. Therefore the Directors do not have sufficient information to enable them:

- (i) to determine as to whether all material related party transactions entered into by the Group have been included in the Consolidated Financial Statements in accordance with the disclosures requirements of the Hong Kong Companies Ordinance and Hong Kong Accounting Standard ("HKAS") 24 "Related Party Disclosures";
- (ii) to prepare:
 - (a) a cash flow statement in accordance with the requirements of HKAS 7 "Cash Flow Statements" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"); and
 - (b) financial information by segment in accordance with the requirements of HKAS 14 "Segment Reporting" issued by the HKICPA;

- (iii) to present and disclose information relating to the discontinued operations and disposals of non-current assets (or disposal groups). This is not in accordance with the requirements of HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” issued by the HKICPA; and
- (iv) to represent as to the completeness of identification and appropriateness of disclosures of the following:
- post balance sheet events;
 - commitments;
 - contingent liabilities;
 - information about the extent and nature of the financial instruments;
 - details of the Group’s policy in respect of the financial risk management;
 - information of deferred taxation and taxation charge reconciliation;
 - details of directors’ and employees’ emoluments;
 - other disclosures under Hong Kong Companies Ordinance.

(d) *Application of new and revised HKFRSs*

In the year ended 31 March 2005, the Group has early adopted, for the first time, the following new HKFRSs, HKASs and their amendments and interpretations (“Ints”) (collectively the “New HKFRSs”) issued by the HKICPA which are relevant to the Group’s operations. The New HKFRSs are either effective for accounting periods beginning on or after 1 January 2005, 1 December 2005, 1 January 2006 or 1 March 2006.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HK(SIC) – Int 12	Consolidation – Special Purpose Entities
HK(SIC) – Int 15	Operating Leases – Incentives
HK(SIC) – Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKAS – Int 4	Lease – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of the new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 28, 31, 33, 37, 38 and HK(SIC) – Ints 12, 15 and 21 and HKFRSs 2 and 5 did not result in substantial changes to the Group's accounting policies. In summary:

HKAS 1 affects certain presentation in the Consolidated Financial Statements, including the following:

- minority interests are now presented in the Consolidated Income Statement and within the equity in the Consolidated Balance Sheet separately from results/equity attributable to equity holders of the Company;
- taxes of associates attributable to the Group, which were previously included in tax charge in the Consolidated Income Statement, are now included in the Group's share of profits and losses of associates; and
- the Group is no longer permitted to not disclose comparative information for movements in property, plant and equipment.

HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All of the Group's entities have the same functional currency as the presentation currency for the respective financial statements of the entities.

HKAS 24 has affected the identification of related parties and some other related party disclosures.

HKFRS 5 affects certain presentation and disclosure of the accounts and changes the timing of the classification of an operation as discontinued. In accordance with HKFRS 5, the Company classifies an operation as discontinued at the date as the Group has disposed of the operation.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

Until 31 March 2004, investments of the Group were classified into long term investments and/or short term investments, which were stated in the Consolidated Balance Sheet at cost less any accumulated impairment losses and at fair value, respectively, and any impairment losses on long term investments and changes in fair value of the short term investments were recognised in the Consolidated Income Statement in the period in which they arise.

In accordance with the provisions of HKAS 39, the investments have been classified into available-for-sale financial assets and financial assets at fair value through profit or loss. The classification depends on the purpose for which the investments were held.

As a result of the adoption of HKAS 39, all of the investments are now stated at fair value in the Consolidated Balance Sheet, except for certain available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, when they are measured at cost less any accumulated impairment losses. In addition, all the investments as at 31 March 2004 that should be measured at fair value on adoption of HKAS 39 should be remeasured as at 1 April 2004 and any adjustment of the previous carrying amount should be recognised as an adjustment of the balance of retained profits as at 1 April 2004. However the adoption of HKAS 39 has had no material effect on the Group's results and equity.

The effects of the changes in accounting policies on the Consolidated Financial Statements as a result of the adoptions of HKAS 32 and HKAS 39 are summarised as follows:

- all investment securities of the Group as at 31 March 2004 were redesignated into available-for-sale financial assets on 1 April 2004;
- the aggregate difference between the respective carrying values of each investment as at 31 March 2004 and the respective fair values of each investment as at 1 April 2004 is insignificant and hence, no adjustment has been made against the retained profits as at 1 April 2004.

The adoption of the revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the Consolidated Income Statement as part of other income. In prior years, the increases in fair values were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the Consolidated Income Statement. However, since the Group has continued to adopt the fair value model, there is no requirement for the Group to restate the comparative information. The adoption of HKAS 40 has no impact on the opening equity as at 31 March 2004.

In accordance with the provisions of HKFRS 3 and HKAS 36:

- the Group ceased amortisation of goodwill from 1 April 2004;
- accumulated amortisation as at 31 March 2004, has been eliminated with a corresponding decrease in the cost of goodwill;
- from the year ended 31 March 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment;

- any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition over the cost of business combination is recognised immediately in the Consolidated Income Statement. In addition, following the transitional provisions of HKFRS 3, the carrying amounts of the negative goodwill recognised on the Consolidated Balance Sheet or remained credited to the consolidated capital reserve as at 1 April 2004 were derecognised by way of a corresponding adjustment to the opening retained profits as at 1 April 2004; and
- on disposal of subsidiaries or associates, any attributable goodwill previously eliminated against the consolidated capital reserve at the time of acquisition is transferred to the consolidated retained profits as a movement in reserves and is not included in the calculation of the gain or loss on disposal.

These changes in accounting policy have decreased the opening balance of deficits as at 1 April 2004 by approximately HK\$756,000 to include the carrying amounts of the negative goodwill arising on acquisition of associate.

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is classified as prepaid land premium for land, while leasehold buildings will be classified as part of property, plant and equipment. Prepaid land premium for land under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment. The Directors consider that no reliable source of such allocation of lease payments could be obtained and accordingly, the other land and buildings have not been separated. This change in accounting policy has had no effect on the Consolidated Income Statement and retained profits.

(e) *Impact of issued but not yet effective HKFRSs*

The Group has not applied in the Consolidated Financial Statements the following new and revised HKFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS 8	Operating Segments	1 January 2009
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations	1 January 2009
HK(IFRIC) – Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) – Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

3. Turnover

Turnover represents the aggregate of net amounts received and receivable from third parties during the year. An analysis of the Group's turnover is as follows:

	2005	2004
	HK\$'000	HK\$'000
Entertainment complex and theme restaurant franchising income	924	2,149
Income from investment in marketable securities	20,945	13,072
Interest income from provision of finance	4,252	4,023
Investment income	–	3,637
Movies, television and dramas and documentary production, distributing and licensing income	39,343	7,872
Music production income	408	1,250
Property income	1,792	18,569
Theme restaurant income	49,341	55,242
	117,005	105,814

4. Other income and gains, net

An analysis of the Group's other income and gains, net is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Other income		
Bank interest income	57	446
Interest income, other than from loan receivables	698	1,061
	<hr/>	<hr/>
	755	1,507
Exchange gain	–	14
Reversal of allowances for doubtful loans and interest receivables, net	–	15,051
Release of excess of fair value of net assets acquired over cost of acquisition of interest in an associate	1,121	–
Recovery of loans and interest receivables	460	–
Recovery of amounts due from jointly controlled entities	–	2,689
Reversal of allowance for amounts due from jointly controlled entities	19,737	–
Recovery on settlement of investments in debt securities	–	33,323
Surplus arising on revaluation of investment properties	–	17,700
Sundry income	1,540	2,280
	<hr/>	<hr/>
	23,613	72,564
	<hr/>	<hr/>
Gains, net		
Gains on dilution and disposal of interest in subsidiaries	1,329	26,502
Gains on disposal of available-for-sale financial assets	22,367	–
Gains on disposal of investment properties	2,590	–
	<hr/>	<hr/>
	26,286	26,502
	<hr/>	<hr/>
	49,899	99,066
	<hr/> <hr/>	<hr/> <hr/>

5. (Loss)/profit from operations

	2005	2004
	HK\$'000	HK\$'000
(Loss)/profit from operations is arrived at after charging:		
Staff costs:		
Wages and salaries	36,104	33,710
Retirement benefits scheme contributions	276	457
	36,380	34,167
Auditors' remuneration:		
current year	2,685	1,354
under provision in previous years	–	761
Amortisation of intangible assets	563	751
Depreciation	9,857	14,855
Loss on disposal of property, plant and equipment	5	–
Loss on disposal of investment properties	–	974
Intangible assets written off	537	–
Allowance for bad debts	28,841	3,338
Deficit arising on revaluation of investment properties	200	–
Unrealised losses on other investments	–	11,727
Loss on fair value change of financial assets at fair value through profit or loss	221	–
Impairment loss for consideration receivable on disposal of interest in an associate	1,176	3,527
Losses on disposal of financial assets at fair value through profit or loss	529	–
Losses on disposal of other investments	–	903
Impairment loss on investment in securities	–	12,001
Impairment loss on available-for-sale financial asset	3,936	–
Impairment loss on properties held for resale	–	5,548
and crediting:		
Property rental income, net of direct outgoings HK\$896,000 (2004: HK\$1,200,000)	896	701

6. Finance costs

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest on:		
Borrowings wholly repayable within five years:		
bank loans and overdrafts	1,228	1,998
other loans	1,682	5,089
Other interest expense	132	–
	<u>3,042</u>	<u>7,087</u>

7. Taxation

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Hong Kong Profits Tax – overprovision in prior year	(2,390)	–
Taxation outside Hong Kong – current year income tax	31	480
	<u>(2,359)</u>	<u>480</u>

No provision for Hong Kong profits tax has been made in the Consolidated Financial Statements as the companies within the Group have either no assessable profits for both years or have their profits wholly absorbed by tax losses brought forward.

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

8. Loss per share

The calculation of basic loss per ordinary share is based on the Group's loss attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the year.

	2005 <i>HK\$</i>	2004 <i>HK\$</i>
Loss for the year	87,871,000	14,484,000
Weighted average number of ordinary shares in issue during the year	<u>312,512,593</u>	<u>215,355,643</u>

The weighted average number of ordinary shares for the year ended 31 March 2004 for the purpose of calculating the basic earnings per share has been adjusted to reflect the effect of the share consolidation in May 2004.

Since the outstanding share options are anti-dilutive to the loss per share, no diluted loss per share is presented for both years.

9. Trade and other receivables

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables, net	4,678	3,537
Loans and interest receivables – due within one year	2,903	30,334
Consideration receivable on disposal of interest in an associate	–	4,410
Amount due from a related company	–	149
Amount due from an associate	–	6,475
Other receivables and prepayments	8,636	42,342
Deposits paid on acquisition of interest in an associate	9,555	–
Advance to a jointly controlled operation	–	–
Consideration receivable on disposal of available-for-sale financial asset	20,000	–
	<u>45,772</u>	<u>87,247</u>

The Directors consider that the carrying amounts of trade and other receivables approximate to their fair values.

The Group allows an average credit period of 30 days to 60 days to its trade customers. The ageing analysis of the Group's trade receivables (net of impairment loss) at the balance sheet date is as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 30 days	3,413	2,404
31 to 60 days	68	202
Over 60 days	1,197	931
	<u>4,678</u>	<u>3,537</u>

10. Trade and other payables

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	11,807	20,490
Other creditors, accrued charges and deposits	34,737	48,466
Amount due to a related company	–	3,930
Amount due to an investee company	475	–
	<u>47,019</u>	<u>72,886</u>

The Directors consider that the carrying amounts of trade and other payables approximate to their fair values.

The ageing analysis of the Group's trade payables at the balance sheet date is as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 30 days	2,596	3,645
31 to 60 days	1,519	6,559
Over 60 days	7,692	10,286
	<u>11,807</u>	<u>20,490</u>

BUSINESS REVIEW

The Company is an investment holding company. The Group is principally engaged in (i) theme restaurant operation; and (ii) entertainment business in relation to the production, distribution and licensing of content for movies, television programs and documentaries. For the year ended 31 March 2005, approximately 75.80% (2004: approximately 59.65%) of the Group's turnover were derived from these two main business segments.

FINANCIAL REVIEW

Review of Results

The Group's turnover for the year ended 31 March 2005 was approximately HK\$117,005,000, an increase of approximately HK\$11,191,000 or 10.58% compared with approximately HK\$105,814,000 for the previous year.

Loss attributable to the Company's shareholders for the year ended 31 March 2005 was approximately HK\$87,871,000, an increase of approximately HK\$73,387,000 or 5.07 times compared with approximately HK\$14,484,000 for the previous year. The substantial increase in loss for the year was due to increases in cost of sales and administrative expenses and a decrease in other income and gains, net.

The reported loss has also included impairment losses on deposit paid on acquisition of an investment of approximately HK\$22,882,000 (2004: HK\$20,000,000) and impairment losses on interests in associates of approximately HK\$19,779,000 (2004: Nil).

Financial Resources and Liquidity

As at 31 March 2005, the Group did not maintain sufficient liquid funds and had net current liabilities of approximately HK\$3,718,000 (2004: net current assets of approximately HK\$85,239,000). If all pledged bank deposits are excluded, the net current liabilities as at 31 March 2005 will amount to approximately HK\$36,380,000 (2004: net current assets of approximately HK\$47,529,000). The net current liabilities as at 31 March 2005 comprises of cash and bank balances of approximately HK\$1,402,000 (2004: approximately HK\$40,078,000).

As at 31 March 2005, the Group's total loans and borrowings were amounted approximately to HK\$84,422,000 (2004: approximately HK\$178,572,000), of which, approximately HK\$66,341,000 (2004: approximately HK\$136,988,000) was bank loans and borrowings and approximately HK\$18,081,000 (2004: approximately HK\$41,584,000) was other loans and borrowings.

Pledge of Assets

As at 31 March 2005:

- (a) the Group's investment property with an aggregate carrying value of approximately HK\$12,800,000 was pledged to banks to secure credit facilities granted to the Group; and
- (b) the Group's bank deposits of approximately HK\$32,662,000 (2004: HK\$37,710,000) were pledged to banks to secure credit facilities granted to the Group.

On 15 November 2004, the Group entered into a share mortgage agreement (the "Share Mortgage Agreement") with ITC Management Limited (the "ITC"). Pursuant to the Share Mortgage Agreement, the Group has agreed to pledge their 100% interest in Fung Ming Venture Limited, 50% interest in Canaria Holdings Limited, 40% interest in Applause Holdings Limited and 100% interest in Cheerfame Limited held by the Company's subsidiaries in favour of ITC as security to secure a loan of HK\$15,000,000 granted by ITC to the Group. All of the shares pledged under the Share Mortgage Agreement were discharged on 23 October 2006.

Contingent Liabilities

On 9 April 2008, Planet Hollywood International, Inc. (the "PHI") obtained a declaratory judgement (the "Declaratory Judgement") against the Company in the Circuit Court of the Ninth Judicial Circuit In and For Orange County, Florida (the "US Court") for damages based on a breach of the settlement agreement, namely, the term sheet dated 7 February 2005 (the "Term Sheet") entered into between, amongst others, PHI and the Company. Pursuant to the Declaratory Judgement, the US Court has ordered the Company to pay to PHI damages, including but not limited to actual damages, lost profits, loss business opportunities, interest, attorneys' fees and costs in the total sum of US\$6,173,497.61 ("the Claim").

According to a legal opinion obtained by the Company that given the nature of the Claim upon which a notice of claim is filed and the necessary legal requirements for PHI to apply for a leave to issue proceedings against a company being wound up, the likelihood of PHI eventually making a successful recovery of the Claim against the Company is slim.

Other Commitments

The Group has no significant capital and other commitments at both year end dates.

Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2005, the Group had 39 employees (2004: 242). Employee remuneration, excluding directors' remuneration, for the year ended 31 March 2005 is approximately HK\$36,380,000 (2004: approximately HK\$34,167,000). The pay scale of the Group's employees is maintained at a competitive level and the employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2005 (2004: Nil).

AN EXTRACT OF THE INDEPENDENT JOINT AUDITORS' REPORT

The Consolidated Financial Statements have been audited by the Company's independent joint auditors, Messrs. Ting Ho Kwan & Chan and Messrs. Cheung & Siu who have qualified their report which are extracted as follows:

Basis for disclaimer of opinion and qualified opinion arising from disagreement about accounting treatments

- (i) As explained in note 2(b) to the financial statements:
- the financial statements do not contain a statement of cash flows for the year ended 31 March 2005. This is not in accordance with the requirements of Hong Kong Accounting Standard 7 "Cash Flow Statements" issued by the HKICPA.
 - the financial statements do not contain the financial information by segments for the year ended 31 March 2005. This is not in accordance with the requirements of Hong Kong Accounting Standard 14 "Segment Reporting" issued by the HKICPA.
 - the financial statements do not present and disclose information relating to the discontinued operations and disposals of non-current assets (or disposal groups). This is not in accordance with the requirements of Hong Kong Financial Reporting Standard 5 "Non-current Assets Held for Sale and Discontinued Operations" issued by the HKICPA.
 - the following disclosures have not been made in the financial statements:
 - i information about the extent and nature of the financial instruments as required by HKAS 32: "Financial Instruments: Disclosure and Presentation";
 - ii details of the Group's policy in respect of the financial risk management as required by HKAS 32: "Financial Instruments: Disclosure and Presentation";
 - iii information of deferred taxation and taxation charge reconciliation as required by HKAS 12: "Income Taxes";
 - iv details of directors' and employees' emoluments as required by The Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance;

- v details for the unrecognised share of losses of associates as required by HKAS 28: “Investments in Associates”;
 - vi comparative figures for summarised financial information of associates as required by HKAS 28 “Investments in Associates”; and
 - vii comparative figures for summarised financial information of jointly controlled entities as required by HKAS 31 “Interests in Joint Ventures”.
- (ii) Included in the consolidated balance sheet as at 31 March 2005, there was an investment in associate, 成都星美數碼信息產業有限公司 (「成都星美數碼」), which was acquired by the Group in 2004, with carrying value of approximately HK\$14,069,000. We are informed by the directors that 成都星美數碼 was ceased business in early of 2006 and all the books and records could not be located due to the managements have left. As explained in note 16(a)(1) to the financial statements, in the opinion of the directors, full allowance for impairment against this investment was considered necessary for the reasons stated therein. Because of the above limitation, we are unable to comment on whether the amount of impairment loss made is appropriate, and the carrying value of this investment was fairly stated in the consolidated balance sheet.
- (iii) As explained in note 16(a)(2) to the financial statements, and included in the Group’s interests in associates is the Group’s share of net assets of an associate, Applause Holdings Limited (“Applause”), of HK\$5,142,000 as stated in the consolidated balance sheet as at 31 March 2005 and the Group’s share of its net profit of HK\$664,000 as shown in the consolidated income statement for the year then ended, which were derived from the unaudited management accounts of Applause. However, no management accounts have been provided to us by the Group. In the absence of all necessary information and documentary evidence from the associate, we have not been able to perform audit procedures that we consider necessary to satisfy ourselves as to the carrying amount of the Group’s interest in Applause of approximately HK\$5,142,000 as at 31 March 2005 and the Group’s share of its net profit of HK\$664,000 for the year then ended. Accordingly, we are also unable to obtain sufficient reliable evidence to satisfy ourselves as to whether any impairment on the goodwill arising from the acquisition of Applause with carrying value of HK\$2,010,000 is necessary and whether the goodwill is fairly stated in the consolidated financial statements as at 31 March 2005.

In addition, because of the above limitation, we are unable to satisfy ourselves as to the recoverability of the amount due from Applause of approximately HK\$15,002,000 as at 31 March 2005. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the amounts referred to the above were free from material misstatement.

- (iv) Included in the Group's interests in associates as at 31 March 2005 is the Group's share of net assets of 星美影院發展有限公司 and its subsidiaries (collectively the "Stellar Cinema Group") of HK\$22,194,000. We have reviewed the financial statements of Stellar Cinema Group and found that there are possible effects of scope limitations in respect of the following:
- (a) the recoverability of deposit paid by the Stellar Cinema Group of RMB55,000,000 (approximately equivalent to HK\$51,838,000) for the acquisition of 60% equity interest in 中影星美電影院線有限公司 as detailed in note 16(b)(i) to the financial statements;
 - (b) the necessity of provision for the possible non-recovery of the counterclaim amount of RMB9,799,000 (approximately equivalent to HK\$9,236,000) for damages as a result of providing a performance guarantee as detailed in note 16(b)(ii) to the financial statements; and
 - (c) the recoverability of the long outstanding accounts receivable of approximately RMB351,000 (approximately equivalent to HK\$331,000) as at 31 March 2005.

As explained in note 16(b)(i) to the financial statements, in the opinion of the Company's directors, no allowance for impairment of these deposit, counterclaim and receivables was considered necessary for the reasons stated therein. We are unable either to obtain sufficient reliable information or to carry out any alternative auditing procedures to satisfy ourselves as to the carrying value of the Group's share of net assets of the Stellar Cinema Group included in the consolidated balance sheet as at 31 March 2005.

- (v) As explained in note 18 to the financial statements and included in the consolidated balance sheet as at 31 March 2005 is a deposit of approximately HK\$42,882,000 paid for acquisition of an investment. An allowance of HK\$20,000,000 had been made in previous year and an additional allowance of approximately HK\$22,882,000 has been made during the year and included in the consolidated income statement for the year ended 31 March 2005. We are unable to obtain any documentary evidence or explanations for the appropriateness of this full amount of allowance made against the deposit as at the balance sheet date. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the amount referred to above was free from material misstatement. Furthermore, we have not been able to obtain documentary evidence to substantiate the validity and existence in relation to this deposit as at 31 March 2005.
- (vi) The operation of 上海東魅餐飲娛樂有限公司 (「上海東魅」), a former subsidiary of the Group, was subcontracted to a third party during the year. According to the subcontracting agreements, the Group forfeited its rights to exercise significant influence over the financial and operating policy decisions of 上海東魅 in return for fixed guaranteed annual subcontracting fee of approximately RMB6,000,000. The directors considered that the current year subcontracting fee income receivable of RMB6,000,000 is unlikely to be recovered based on the reason stated in note 19 to the financial statements and therefore has not been recognised in the consolidated income statement. However, we are unable to obtain sufficient information and explanations so as to assess the appropriateness of the accounting treatment adopted by the Group.
- (vii) As explained in note 21 to the financial statements and included in the consolidated balance sheet as at 31 March 2005 is consideration receivable on disposal of available-for-sale financial assets of approximately HK\$38,000,000. The outstanding balance of this receivable up to the date of this report is HK\$2,995,000 and the directors opined that no allowance for bad debt is considered necessary. It was not possible for us to obtain sufficient evidence and explanation to ensure whether the outstanding balance can be recovered in full amount and allowance for bad debt is necessary. There were no other satisfactory audit procedures that we could adopt to confirm that the abovementioned balances are fairly stated in the financial statements.

- (viii) As disclosed in the note 22 to the financial statements are loans and interest receivables of approximately HK\$426,278,000. We have not been able to obtain documentary evidence to substantiate the validity and existence in relation to these loans and interest receivables of approximately HK\$426,278,000 as at 31 March 2005. Allowance for bad debts of approximately HK\$423,375,000 has been made as at 31 March 2005 of which HK\$420,660,000 was brought forward from 31 March 2004. It was not possible for us to obtain sufficient evidence and explanation in relation to the total amount of allowance for bad debts made against the amount of loans and interest receivables as at 31 March 2005. Therefore, we are unable to comment on whether the amounts of allowances made are appropriate.
- (ix) Included in the consolidated balance sheet as at 31 March 2005 were balances with a debtor 星美傳媒集團有限公司 (「星美傳媒」), in respect of the followings:
- i. an other receivable of HK\$1,509,000 due from 星美傳媒; and
 - ii. a deposit of HK\$9,555,000 paid to 星美傳媒 for the acquisition of 35% additional equity interest in an associate, 星美影院發展有限公司.

For the receivable mentioned (i), although the balance is still outstanding as at year end date and up to the date of this report, the directors opined that no allowance for impairment is considered necessary. It was not possible for us to obtain sufficient evidence and explanation to ensure whether the amount can be recovered in full.

The deposit of HK\$9,555,000 mentioned in above was paid by the Group in 2005 to 星美傳媒 for the acquisition of 35% additional equity interest in an associate, 星美影院發展有限公司 based on an agreement for the above acquisition which was then declared as no effect on 31 December 2005. As explained in note 25(a) to the financial statements, negotiation for completing the acquisition was resumed in 2008 and no allowance for bad debts had been made. However, we were unable to obtain sufficient documentary evidence to satisfy ourselves as to the ability to complete this acquisition and the recoverability of the deposit in case the completion of the acquisition failed. Furthermore, we were unable to assess whether any impairment loss is required to be recognised in respect of this deposit.

- (x) As explained in note 25(b) to the financial statements and included in trade and other receivables of the consolidated balance sheet as at 31 March 2005 was an advance payment to a jointly controlled operation of approximately HK\$6,000,000 made by a subsidiary of the Group, Wide Treasure Limited (“Wide Treasure”), to a jointly controlled operation (the “Operation”) in which Wide Treasure is a joint venturer. We are informed by the directors that the Group has not been provided with the books and records of the Operation so that they are unable to assess the performance of the joint venture. Full allowance had been made in current year. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves to the validity of the above statement made by the directors. In view of the above, we are unable to comment on whether the amount of impairment loss made is adequate but not excessive, and the carrying value of this advance to the jointly controlled operation was fairly stated in the consolidated balance sheet.
- (xi) Included in the consolidated balance sheet as at 31 March 2005 are trade and other payables of HK\$24,095,000. We have not obtained evidence from these creditors in respect of their outstanding amounts due by the Group at 31 March 2005. There were no other satisfactory audit procedures that we could adopt to ensure that the abovementioned trade and other payables balances are fairly stated in the financial statements.
- (xii) Included in interests in jointly controlled entities as at 31 March 2005, is an investment in 北京星魅彩色信息技術有限公司 (the “JCE”) with carrying value of approximately HK\$3,939,000 indirectly owned by the Group through a subsidiary, Star East Music Group Limited, which has been disposed of during the year. Details of the disposal are explained in paragraph (xiii) below. Full allowance for impairment against this investment had been made before the disposal. We are unable to obtain sufficient evidence and explanation in relation to the amount of impairment made during the year and included in consolidated income statement. Therefore, we are unable to comment on whether the amount of provision made is adequate but not excessive.
- (xiii) During the year, the Group had disposed of its entire interests in two subsidiaries, Star East Music Group Limited and its subsidiaries, Redcliff Property Corp and its subsidiaries and 50% interest in another subsidiary, Star East Holdings (North America) Limited (collectively the “disposed subsidiaries”). The total assets and liabilities of the disposed subsidiaries of approximately HK\$39,887,000 and HK\$102,227,000 respectively at the date of disposal and the gain on disposal of the disposed subsidiaries of HK\$1,329,000 as shown in the consolidated income statement for the year then ended were derived from the unaudited management accounts of the disposed subsidiaries. In the absence of

all necessary information and documentary evidence, we have not been able to perform audit procedures that we consider necessary to satisfy ourselves as to the truth and fairness of the financial information of the disposed subsidiaries so consolidated in the financial statements of the Company. For the above same reasons, we have been unable to satisfy ourselves that certain disclosures which had incorporated the financial information in relation to the disposed subsidiaries as set out in notes 7, 8, 9 and 10 to the financial statements.

- (xiv) As detailed in note 2(b) to the financial statements, there have been several changes to the Board of directors subsequent to 1 April 2005, the present directors do not represent as to the completeness of recording of transactions entered into by the Group for the year ended 31 March 2005 and of the completeness of the disclosure of claims, commitments, contingent liabilities and related party transactions and balances in the financial statements as at 31 March 2005. Therefore we have been unable to establish whether all transactions entered into in the name of the Company and its subsidiaries during the years have been appropriately included in the financial statements.
- (xv) In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of their preparation by the directors. As more fully explained in note 2(a) to the financial statements, the Group's financial statements have been prepared on a going concern basis, the validity of which is dependent upon the successful outcome of the measures currently taken by the directors to ensure that adequate cash resources are available to the Group to enable it to meet its future working capital and financial requirements. The financial statements do not include any adjustments that would result from the failure of such measures.

There are no detailed projections or relevant information made available to us for inspection so as to determine the appropriateness of adopting the going concern basis of presentation of these financial statements therefore we have disclaimed our opinion in this respect.

Any adjustment that might have been found to be necessary in respect of the matters set out in the above would have a consequential effects on the net assets of the Group as at 31 March 2005 and the result for the year then ended and the related disclosures in the financial statements.

Disclaimer of opinion: disclaimer on view given by financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of the Group's affairs as at 31 March 2005 and of the Group's loss for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitations on our work as set out in the basis for disclaimer of opinion paragraphs of this report:

- (i) we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- (ii) we were unable to determine whether proper books of account had been kept.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 37 to the financial statements, which describes the major uncertainty related to the outcome of the claim filed against the Company by Planet Hollywood International, Inc. The Company's management considers that this fundamental uncertainty has been adequately disclosed in the financial statements.

SUBSEQUENT EVENTS

Apart from those events as already disclosed elsewhere in this Announcement, the following additional events have occurred after 31 March 2005:

- (a) On 27 December 2006, the Group entered into a new share mortgage agreement (the "New Share Mortgage Agreement") and a loan assignment agreement (the "Loan Assignment Agreement") with Sunday Inn Limited (the "Lender"). Pursuant to the New Share Mortgage Agreement, the Company has agreed to pledge the Group's 50% interest (held by a subsidiary, namely, Fung Ming Venture Limited) in Canaria Holdings Limited (which in turn owns 100% interest in Earn Elite Development Limited) to the Lender. Pursuant to the Loan Assignment Agreement, the Group has agreed to assign to the Lender absolutely all its right, title, interest and benefit in and to the assigned monies of loans in the principal amount of approximately HK\$54,324,000 and HK\$9,500,000 due

by Canaria Holdings Limited and its subsidiary, Earn Elite Development Limited, respectively. Both of the New Share Mortgage Agreement and Loan Assignment Agreement have been entered into as the security to secure a loan of HK\$11,000,000 granted by the Lender to the Company.

- (b) The Company was struck off in the Register of Companies by the Registrar of Companies in Bermuda on 7 September 2007 due to non-payment of its annual government fees and late penalties. The Provisional Liquidators are in the course of restating the Company's status in Bermuda.
- (c) On 28 September 2007, the Company has been placed into the third stage of the delisting procedures. If no viable resumption proposal is submitted at least 10 business days before 27 March 2008 the listing status of the Company will be cancelled.
- (d) By a Power of Attorney dated 11 January 2008, the Lender has appointed an attorney to take steps to realise the securities provided to the Lender including the exercising of the power of sale.
- (e) By order of the Honourable Justice Barma of the High Court dated 20 February 2008, Mr. Liu Yiu Keung, Stephen and Ms. Chan Wai Hing, both of Ernst & Young Transactions Limited, have been appointed as the Provisional Liquidators of the Company.
- (f) On 11 March 2008, a Memorandum of Understanding ("MOU") was signed between the Provisional Liquidators, the Company and Strategic Media International Limited (the "Controlling Shareholder"). The purpose of the MOU is to record the agreement and arrangements of the parties regarding the proposed restructuring of the Company.
- (g) On 11 March 2008, a resumption proposal (the "Resumption Proposal") was submitted to the Stock Exchange requesting the resumption of trading in the Company's shares. The Resumption Proposal includes, amongst other things: (i) a proposed open offer to be underwritten by the Controlling Shareholder; (ii) a proposed acquisition of a cinema business in the People's Republic of China; and (iii) proposed full repayment of the liabilities of the Company subject to the completion of the proposed restructuring.
- (h) On 28 March 2008, the Company, the Provisional Liquidators, the Controlling Shareholder and Mr. Qin Hui entered into a formal agreement in relation to the proposed restructuring of the Company.

PROSPECTS

Upon their appointment on 20 February 2008, the Provisional Liquidators, through their financial adviser, have been in discussion with various potential investors while liaising with the Controlling Shareholder with a view to restructure the Company and to apply for the resumption of trading in the Company's shares. On 11 March 2008, the Company submitted the Resumption Proposal to the Listing Division of the Stock Exchange, setting out the principal terms of the proposed restructuring and requesting the Stock Exchange's approval for the resumption of trading in the Company's shares.

The proposed restructuring, if successfully implemented, will amongst other things, result in the following:

- (a) an acquisition of a cinema business to be settled by way of the issuance of consideration shares of the Company;
- (b) an open offer to be underwritten by the Controlling Shareholder which will give rise to gross proceeds of approximately HK\$94.2 million;
- (c) an increase in the authorised share capital of the Company;
- (d) all the creditors of the Company will be repaid in full; and
- (e) the resumption of trading in the Company's shares upon completion of the proposed restructuring subject to the restoration of the public float as required by the Listing Rules.

The Company also has a view to streamline its business and concentrate its activities in areas where growth opportunities exist for the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company and its subsidiaries have not redeemed any of the Company's listed securities during the year ended 31 March 2005. In addition, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year ended 31 March 2005.

AUDIT COMMITTEE

The annual results for the year ended 31 March 2005 have not been reviewed by an audit committee because the Directors have not appointed sufficient members to constitute an audit committee of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, none of the Directors is aware of any information that would reasonably indicate that the Company, for any part of the financial year ended 31 March 2005, was not in compliance with the code provisions set out in the Code of Best Practice contained in Appendix 14 of the Listing Rules.

Particulars of non-compliance during the year ended 31 March 2005:

- (a) the independent non-executive directors were not appointed for specific terms as they had been subject to retirement by rotation at the Company's annual general meeting in accordance with the provisions of the Company's bye-laws;
- (b) the Directors had not establish a remuneration committee;
- (c) the Directors had not present a balanced, clear and comprehensive assessment of the Company's performance, position and prospects to the Company's shareholders;
- (d) the Directors had not established an audit committee as the Directors have not appointed sufficient members to constitute an audit committee of the Company; and
- (e) the Directors had not maintained an on-going dialogue with the Company's shareholders as the annual general meetings for the year of 2005 had not been held.

ANNUAL GENERAL MEETING

The Company will apply from the Registrar of Companies in Bermuda for a sanction to reconvene the annual general meeting. Notice of the annual general meeting will be published and dispatched to the shareholders of the Company in due course.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This Announcement is available for viewing on the Stock Exchange's website and the Company's website at <http://www.equitynet.com.hk/smi>.

SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended from 11:04 a.m. on 28 April 2005 and will remain suspended until further notice.

By Order of the Board
SMI Corporation Limited
(Provisional Liquidators Appointed)
LIU Xianbo
Executive Director

Hong Kong, 4 July 2008

As at the date of this announcement, the board of directors of the Company comprises 7 directors, of which 4 are executive directors, namely Messrs. Li Kai, Hao Bin, Liu Xianbo and Ms. Horfuangfung Wei Ho; and 3 are independent non-executive directors, namely Messrs. Lam Tak Shing, Pang Hong and Qiao Zhen Pu.