



2009/2010

— + — INTERIM REPORT — + —



星 美 國 際

SMI CORPORATION LIMITED

星美國際集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 198)

CORPORATE INFORMATION

Board of directors

Executive Directors

Mr. Wong Kui Shing, Danny
(Appointed on 5 August 2009
as Executive Director and
25 November 2009 as Chairman)

Mr. Hu Yidong
(Appointed on 7 May 2009)

Ms. Xiao Ping
(Appointed on 25 November 2009
as Chief Executive Officer and
Executive Director)

Mr. Qin Hong
(Appointed on 25 November 2009)

Mr. Cheuk Kwong Hau, Thomas
(Appointed on 19 May 2009 and
resigned on 24 November 2009)

Independent Non-executive Directors

Mr. He Peigang
(Appointed on 8 December 2009)

Mr. Pang Hong

Mr. Chan Sek Nin, Jackey

Mr. Hung Hing Man
(Resigned on 8 December 2009)

Committees

Audit Committee

Mr. He Peigang (*Chairman*)
(Appointed on 8 December 2009)

Mr. Pang Hong

Mr. Chan Sek Nin, Jackey

Remuneration Committee

Mr. He Peigang (*Chairman*)
(Appointed on 8 December 2009)

Mr. Pang Hong

Mr. Chan Sek Nin, Jackey

Nomination Committee

Mr. He Peigang (*Chairman*)
(Appointed on 8 December 2009)

Mr. Pang Hong

Mr. Chan Sek Nin, Jackey

Company Secretary

Mr. Lau Chi Yuen
(Appointed on 11 June 2009)

Authorised Representatives

Ms. Xiao Ping
(appointed on 25 November 2009)

Mr. Lau Chi Yuen

Mr. Cheuk Kwong Hau, Thomas
(resigned on 24 November 2009)

Auditor

FTW & Partners CPA Limited
Certified Public Accountants

Registered office

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

Principal place of business in Hong Kong

Room 12, 37th Floor,
West Tower,
Shun Tak Centre,
200 Connaught Road Central,
Hong Kong

Share registrars

Principal Share Registrar in Bermuda

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre,
11 Bermudiana Road,
Pembroke,
Bermuda

Branch Share Registrar in Hong Kong

Tricor Progressive Limited 26th Floor,
Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

Principal Banker

The Hongkong and Shanghai
Banking Corporation Limited

Stock code

198

Website

www.equitynet.com.hk/smi

CHANGE OF FINANCIAL YEAR END DATE

The financial year end date has been changed from 31 March to 31 December commencing from the financial period 2009/10 (for details, please refer to the Company's announcement dated 17 August 2009). Accordingly, the coming annual report will cover the period from 1 April to 31 December 2009. The annual report for the 9 months ended 31 December 2009 will be distributed on or before 30 April 2010.

INTERIM RESULTS

The unaudited interim results for the six months ended 30 September 2009 have been reviewed by the external auditor and reviewed by the audit committee as the Directors have appointed sufficient number of audit committee members to constitute an audit committee.

The board of directors (the "Directors") of SMI Corporation Limited (the "Company") announces that the unaudited profit attributable to the shareholders of the Company for the six months ended 30 September 2009 was approximately HK\$13,214,000, representing an increase of approximately HK\$31,352,000 or 173% from the loss of approximately HK\$18,138,000 for the corresponding interim period in 2008. The profit/(loss) per share for the six months ended 30 September was 0.97 Hong Kong cents (six months ended 30 September 2008: (5.8) Hong Kong cents).

The Group's turnover for the six months ended 30 September 2009 was approximately HK\$26,145,000, an increase of approximately HK\$11,293,000 or 76% compared with the turnover for the previous year which was approximately HK\$14,852,000 (Note 11) for the corresponding interim period in 2008.

An analysis of the Group's financial performance and position by business segments is as follows:

Business segments

| | Continuing operations | | | | Discontinued operations | | | | Consolidated HK\$'000 (Unaudited) |
|---|-------------------------------------|-----------------------------------|--|----------------------------------|--|--|---|----------------------------------|---|
| | Café bar HK\$'000 (Unaudited) | Cinema HK\$'000 (Unaudited) | Corporate and others HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) | Movie production, distribution and exhibition HK\$'000 (Unaudited) | Theme restaurant HK\$'000 (Unaudited) | Corporate and other HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) | |
| Six months ended 30 September 2009 (unaudited) | | | | | | | | | |
| Turnover | 584 | 25,561 | - | 26,145 | - | - | - | - | 26,145 |
| Other income | - | 24 | 1 | 25 | - | - | - | - | 25 |
| Total | 584 | 25,585 | 1 | 26,170 | - | - | - | - | 26,170 |
| Segment results | 109 | 4,716 | 35,141 | 39,966 | - | - | (20) | (20) | 39,946 |
| Income from operations | | | | 39,966 | | | | (20) | 39,946 |
| Finance cost | (2) | (36) | (858) | (896) | | | | - | (896) |
| Share of results of associates | | | 233 | 233 | | | | - | 233 |
| Loss before tax | | | | 39,303 | | | | (20) | 39,283 |
| Income tax expense | | (5,569) | | (5,569) | | | | - | (5,569) |
| Loss for the period | | | | 33,734 | | | | (20) | 33,714 |

During the past six months ended 30 September 2009, the majority of the revenue of Group, approximately 98% was contributed by two newly acquired PRC cinemas- (i) Beijing Mingxiang and (ii) Beijing Wangjing while the remaining revenue was derived from the Café Bars operated in the PRC. On the other hand, the theme restaurant operation in Japan was not successful and had been in continuous operating losses, it was closed down on 13 April 2009 as a result of an eviction order against a subsidiary of the Group granted by a court in Japan to The Disney Store Japan, a division of Walt Disney International Japan, Inc.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2009 (six months ended 30 September 2008: Nil).

BUSINESS OUTLOOK

The outlook for the global financial market has remained gloomy and volatile since the financial turmoil. However, the Group has great confidence in the mainland market which reveals promising prospects. The box office of China's film industry had a remarkable growth during the times of financial tsunami. As a result, the mainland China will be an excellent location for the Group to build up its empire.

Looking ahead, the Group will concentrate in the business of mainly investment in luxury cinemas in the mainland China.

Apart from the continuous efforts to monitor the market development, restructure and streamlining the business operations so as to improve the financial status of the Group and enhance its business performance, the management of the Group is actively looking for business opportunities to expand the Group's businesses and to widen the Group's income streams so as to generate greater return for its Shareholders.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

| | | Six months ended | |
|--|------|-------------------------|-------------|
| | | 30 September | |
| | | 2009 | 2008 |
| | Note | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Continuing operations: | | | |
| Turnover | 4 | 26,145 | – |
| Cost of sales | | (14,199) | – |
| | | <hr/> | <hr/> |
| Gross profit | | 11,946 | – |
| Other income | 6 | 25 | 146 |
| Investment income | 7 | 1,982 | – |
| Administrative expenses | | (20,127) | (606) |
| Other operating expenses | | (5,537) | (9,465) |
| | | <hr/> | <hr/> |
| Loss from operations | | (11,711) | (9,925) |
| Finance costs | 8 | (896) | (2,383) |
| Gain on disposal of subsidiaries | 11 | 956,784 | – |
| Impairment of amounts due from group companies | | (925,607) | – |
| Share of results of associates | | 233 | 228 |
| | | <hr/> | <hr/> |
| Profit/(loss) before taxation | | 18,803 | (12,080) |
| Income tax expense | 9 | (5,569) | (7) |
| | | <hr/> | <hr/> |
| Profit/(loss) for the period from continuing operations | | 13,234 | (12,087) |
| | | <hr/> | <hr/> |

| | | Six months ended | |
|---|----|-------------------------|-----------------|
| | | 30 September | |
| | | 2009 | 2008 |
| Note | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Discontinued operations: | | | |
| Loss for the period from discontinued operations | 11 | <u>(20)</u> | <u>(6,051)</u> |
| Profit/(loss) for the period | 10 | <u>13,214</u> | <u>(18,138)</u> |
| Other comprehensive income: | | | |
| Reclassification adjustment for translation reserve upon disposal of a subsidiary | | <u>20,500</u> | <u>–</u> |
| Total comprehensive income for the period | | <u>33,714</u> | <u>(18,138)</u> |
| Profit/(loss) for the period attributable to: | | | |
| Owners of the Company | | <u>11,096</u> | <u>(18,138)</u> |
| Non-controlling interests | | <u>2,118</u> | <u>–</u> |
| | | <u>13,214</u> | <u>(18,138)</u> |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | <u>31,596</u> | <u>(18,138)</u> |
| Non-controlling interests | | <u>2,118</u> | <u>–</u> |
| | | <u>33,714</u> | <u>(18,138)</u> |

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME

For the six months ended 30 September 2009

| | Note | HK cents | HK cents |
|---|------|-------------|----------|
| Earnings per share: | | | |
| | 12 | | |
| From continuing and discontinued operations | | | |
| Basic (HK cents per share) | | 0.98 | (5.80) |
| | | <hr/> | <hr/> |
| Diluted (HK cents per share) | | N/A | N/A |
| | | <hr/> | <hr/> |
| From continuing operations | | | |
| Basic (HK cents per share) | | 0.98 | (3.85) |
| | | <hr/> | <hr/> |
| Diluted (HK cents per share) | | N/A | N/A |
| | | <hr/> | <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2009

| | | 30 September 2009 | 31 March 2009 |
|--|------|---------------------------------------|-----------------------|
| | Note | HK\$'000 (Unaudited) | HK\$'000 (audited) |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 32,933 | – |
| Interest in associates | | 28,764 | 28,532 |
| Interest in jointly controlled entities | | 23,727 | 23,727 |
| Goodwill | | 74,146 | – |
| | | 159,570 | 52,259 |
| Current assets | | | |
| Inventories | | 1,640 | 1,000 |
| Trade and other receivables | 14 | 28,497 | 16 |
| Financial assets carried at fair value through profit or loss | | 67,415 | – |
| Bank and cash balances | 15 | 33,680 | 8,842 |
| | | 131,232 | 9,858 |
| Current Liabilities | | | |
| Bank and other borrowings | 16 | – | 34,734 |
| Trade and other payables | 17 | 80,083 | 92,088 |
| Amounts due to related parties | | 1,052 | 17,477 |
| Amount due to ultimate holding company | | 35,628 | – |
| Tax payables | | 5,601 | 1,988 |
| | | 122,364 | 146,287 |
| Net current assets/(liabilities) | | 8,868 | (136,429) |
| Net assets/(liabilities) | | 168,438 | (84,170) |
| Capital and reserves | | | |
| Share capital | 18 | 209,977 | 31,407 |
| Reserves | | (61,374) | (115,577) |
| Equity attributable to owners of the Company | | 148,603 | (84,170) |
| Non-controlling interests | | 19,835 | – |
| Total equity | | 168,438 | (84,170) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

| | Share capital HK\$'000 | Share premium HK\$'000 | Contributed surplus HK\$'000 | Translation reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|---|------------------------------|------------------------------|------------------------------------|------------------------------------|-----------------------------------|-------------------|
| At 1 April 2009 (Audited) | 31,407 | 44,150 | 31,172 | (415) | (190,484) | (84,170) |
| Profit for the period | - | - | - | - | 13,214 | 13,214 |
| Reclassification adjustment for translation reserve upon disposal of a subsidiary | - | - | - | - | 20,500 | 20,500 |
| Total comprehensive income for the period | - | - | - | - | 33,714 | 33,714 |
| Sub-total | 31,407 | 44,150 | 31,172 | (415) | (156,770) | (50,456) |
| Exchange difference arising from translation of foreign operations | - | - | - | 20,489 | - | 20,489 |
| Ordinary shares issued under open offer (note 18(b)) | 94,220 | - | - | - | - | 94,220 |
| Ordinary shares issued for acquisition of subsidiaries (note 18(c)) | 84,350 | - | - | - | - | 84,350 |
| At 30 September 2009 (Unaudited) | 209,977 | 44,150 | 31,172 | 20,074 | (156,770) | (148,603) |
| At 1 April 2008 (Audited) | 31,407 | 44,150 | 31,172 | 310 | (162,253) | (55,214) |
| Loss for the period | - | - | - | - | (18,138) | (18,138) |
| Total comprehensive income for the period | - | - | - | - | (18,138) | (18,138) |
| Exchange difference arising from translation of foreign operations | - | - | - | 3,146 | - | 3,146 |
| At 30 September 2008 (Unaudited) | 31,407 | 44,150 | 31,172 | 3,456 | (180,391) | (70,206) |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2009

| | | Six months ended | |
|---|------|----------------------|----------------------|
| | | 30 September | |
| | | 2009 | 2008 |
| | Note | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Net cash from/(used in) operating activities | | 53,325 | (7,393) |
| Net cash used in investing activities | | (87,973) | – |
| Net cash from financing activities | | <u>59,486</u> | <u>14,040</u> |
| Net increase in cash and cash equivalents | | 24,838 | 6,647 |
| Effect of foreign exchange rate changes | | – | 3,150 |
| Cash and cash equivalents at beginning of period | | <u>8,842</u> | <u>11,443</u> |
| Cash and cash equivalents at end of period | 15 | <u>33,680</u> | <u>21,240</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

1. Basis of preparation

This condensed consolidated financial information for the six months ended 30 September 2009 has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HK Stock Exchange”).

The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2009, which were prepared in accordance with Hong Kong Accounting Standard (“HKAS”). This condensed consolidated financial information has not been audited.

The preparation of the unaudited condensed interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. Accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies used in 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 March 2009, except as described as below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments to HKAS and new Hong Kong (IFRIC) Interpretations (“HK(IFRIC) – Int”) (collectively referred to as “new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2009.

| | |
|--|---|
| HKAS 1 (Revised) | Presentation of Financial Statements |
| HKAS 23 (Revised) | Borrowing Costs |
| HKAS 32 & 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations |
| HKFRS 7 (Amendment) | Improving Disclosures about Financial Instruments |
| HKFRS 8 | Operating Segments |
| HK(IFRIC) – Int 9 & HKAS 39 (Amendments) | Embedded Derivatives |
| HK(IFRIC) – Int 13 | Customer Loyalty Programmes |
| HK(IFRIC) – Int 15 | Agreements for the Construction of Real Estate |
| HK(IFRIC) – Int 16 | Hedges of a Net Investment in a Foreign Operation |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009 |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 in relation to the amendment to paragraph 80 of HKAS 39 |

The adoption of these new and revised HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods except for the impact as described in Note 3.

3. Adoption of new and revised Hong Kong Financial Reporting Standards

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 8 "Operating Segments"

HKFRS 8 requires segment disclosures to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the policy applicable for prior years which was focused on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the basis of presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in the Group being classified as one segment (see Note 5). As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information.

HKAS 1 (Revised) "Presentation of Financial Statements"

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements), and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

The Group has not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

| | |
|---------------------------|---|
| HKFRSs (Amendments) | Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹ |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 ² |
| HKAS 27 (Revised in 2008) | Consolidated and Separate Financial Statements ¹ |
| HKAS 39 (Amendments) | Eligible Hedged Items ¹ |
| HKFRS 1 (Amendments) | Additional Exemptions for First-time Adopters ¹ |
| HKFRS 2 (Amendments) | Group Cash-settled Share-based Payment Transactions ³ |
| HKFRS 3 (Revised in 2008) | Business Combinations ¹ |
| HK(IFRIC) – Int 17 | Distributions of Non-cash Assets to Owners ¹ |
| HK(IFRIC) – Int 18 | Transfers of Assets from Customers ⁴ |

¹ Effective for annual periods beginning on or after 1 July 2009

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised in 2008) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July, 2009. HKAS 27 (Revised in 2008) will affect the accounting treatment for changes in a Group's ownership interest in a subsidiary that do not result in a loss of control of the subsidiary, which will be accounted for as equity transactions. The directors of the Group anticipate that the application of other new or revised standards, amendments or interpretations will not have material impact on the results and the financial position of the Group.

4. Turnover

| | Six months ended | |
|------------------------------|-------------------------|-------------|
| | 30 September | |
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Continuing operations | | |
| Box office incomes | 25,561 | – |
| Sales of food and beverage | 584 | – |
| | 26,145 | – |

5. Segment information

On adoption of HKFRS 8 Operating segments, the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

The Group has the following segments:

- (a) operation of cinemas;
- (b) operation of cafe bars;
- (c) operation of a theme restaurant carried out by Planet Hollywood (Japan) K.K.;
- (d) production and distribution of movies;

Note: The operation of a theme restaurant was disposed of and discontinued during the period as set out in note 11.

The following is an analysis of the Group's revenues and results by operating segment for the six months ended 30 September 2009 under review:

Business segments

| | Continuing operations | | | | Discontinued operations | | | | Consolidated HK\$'000 (Unaudited) |
|---|-------------------------------------|-----------------------------------|--|----------------------------------|--|--|---|----------------------------------|---|
| | Café bar HK\$'000 (Unaudited) | Cinema HK\$'000 (Unaudited) | Corporate and others HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) | Movie production, distribution and exhibition HK\$'000 (Unaudited) | Theme restaurant HK\$'000 (Unaudited) | Corporate and other HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) | |
| Six months ended 30 September 2009 (unaudited) | | | | | | | | | |
| Turnover | 584 | 25,561 | - | 26,145 | - | - | - | - | 26,145 |
| Other income | - | 24 | 1 | 25 | - | - | - | - | 25 |
| Total | 584 | 25,585 | 1 | 26,170 | - | - | - | - | 26,170 |
| Segment results | 109 | 4,716 | 35,141 | 39,966 | - | - | (20) | (20) | 39,946 |
| Profit from operations | | | | 39,966 | | | | (20) | 39,946 |
| Finance cost | (2) | (36) | (858) | (896) | | | | - | (896) |
| Share of results of associates | | | 233 | 233 | | | | - | 233 |
| Profit before tax | | | | 39,303 | | | | (20) | 39,283 |
| Income tax expense | | (5,569) | | (5,569) | | | | - | (5,569) |
| Profit for the period | | | | 33,734 | | | | (20) | 33,714 |

| | Continuing operations | | | | Discontinued operations | | | | Consolidated HK\$'000 (Unaudited) |
|--|-------------------------------------|-----------------------------------|--|----------------------------------|--|--|---|----------------------------------|---|
| | Café bar HK\$'000 (Unaudited) | Cinema HK\$'000 (Unaudited) | Corporate and others HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) | Movie production, distribution and exhibition HK\$'000 (Unaudited) | Theme restaurant HK\$'000 (Unaudited) | Corporate and other HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) | |
| Six months ended 30 September 2008 (unaudited) | | | | | | | | | |
| Turnover | - | - | - | - | 107 | 14,745 | - | 14,852 | 14,852 |
| Other income | - | - | 146 | 146 | 27 | 427 | - | 454 | 600 |
| Segment results | - | - | (9,925) | (9,925) | 127 | (6,178) | - | (6,051) | (15,976) |
| Loss from operations | | | | (9,925) | | | | (6,051) | (15,976) |
| Finance cost | | | (2,383) | (2,383) | | | | - | (2,383) |
| Share of results of associates | | | | 228 | | | | - | 228 |
| Loss before tax | | | | (12,080) | | | | (6,051) | (18,131) |
| Income tax expense | | | (7) | (7) | | | | - | (7) |
| Loss for the period | | | | (12,087) | | | | (6,051) | (18,138) |

Segment result represents the result incurred by each segment without allocation of central administration costs and directors' salaries and interest income. This is the measure reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance.

6. Other income

| Six months ended | |
|------------------|-------------|
| 30 September | |
| 2009 | 2008 |
| HK\$'000 | HK\$'000 |
| (Unaudited) | (Unaudited) |

Other income includes:

Continuing operations

| | | |
|-----------------|-----------|------------|
| Interest income | 1 | – |
| Others | 24 | 146 |
| | <u>25</u> | <u>146</u> |

Discontinued operations

| | | |
|--|----------|------------|
| Recovery of loans and interest receivables | – | 163 |
| Other income | – | 291 |
| | <u>–</u> | <u>454</u> |

7. Investment income

| Six months ended | |
|------------------|-------------|
| 30 September | |
| 2009 | 2008 |
| HK\$'000 | HK\$'000 |
| (Unaudited) | (Unaudited) |

Continuing operations

| | | |
|--|--------------|----------|
| Change in fair value of held-for-trading investments | 1,021 | – |
| Dividend income from held-for-trading investments | 50 | – |
| Gain on disposal of held-for-trading investments | 911 | – |
| | <u>1,982</u> | <u>–</u> |

8. Finance costs

| Six months ended | |
|------------------|-------------|
| 30 September | |
| 2009 | 2008 |
| HK\$'000 | HK\$'000 |
| (Unaudited) | (Unaudited) |

Continuing operations

Interest on bank and other borrowings wholly

repayable within five years

– bank loan

– other loans

| | |
|------------|--------------|
| 713 | 763 |
| <u>183</u> | <u>1,620</u> |
| 896 | 2,383 |

9. Income tax expense

| Six months ended | |
|------------------|-------------|
| 30 September | |
| 2009 | 2008 |
| HK\$'000 | HK\$'000 |
| (Unaudited) | (Unaudited) |

Continuing operations

Current tax – PRC

Current tax – Other countries

Taxation charge

| | |
|--------------|----------|
| 5,569 | – |
| <u>–</u> | <u>7</u> |
| 5,569 | 7 |

No provision for Hong Kong Profits Tax has been made in the unaudited condensed interim financial statements as the companies within the Group have either no assessable profits for the six months ended 30 September 2009 and 2008 or have their profits wholly absorbed by tax losses brought forward.

Hong Kong Profits Tax was recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 16.5% for the six months ended 30 September 2009 (six months ended 30 September 2008: 16.5%).

Taxation arising in other jurisdictions was recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year prevailing in the relevant jurisdictions. The estimated average annual tax rate used is 25% for the six months ended 30 September 2009 (six months ended 30 September 2008: 25%).

10. Profit/(loss) for the period

| Six months ended | |
|-------------------------|-------------|
| 30 September | |
| 2009 | 2008 |
| HK\$'000 | HK\$'000 |
| (Unaudited) | (Unaudited) |

Profit/(loss) is arrived at after charging/(crediting):

Continuing operations

Staff costs:

| | | |
|--|--------------|-------|
| – salaries, wages and other benefits | 1,887 | 1,989 |
| – retirement benefit scheme contribution | 13 | 313 |
| | 1,900 | 2,302 |

| | | |
|--|--------------|----------|
| Auditor's remunerations | 327 | – |
| Amortisation of intangible assets | 1 | – |
| Depreciation | 2,587 | – |
| Operating lease charges: minimum lease payments | 2,646 | – |
| Impairment of amounts due from jointly controlled entities | – | 6,858 |
| Restructuring expenses | – | 2,607 |
| | – | – |

Discontinued operations

Staff costs:

| | | |
|--|----------|----------|
| – wages and salaries | – | 4,180 |
| – retirement benefit scheme contribution | – | 410 |
| | – | – |

11. Discontinued operation

On 10 July 2009, the creditors' meetings of twelve wholly owned subsidiaries incorporated in Hong Kong, namely East Glory Development Limited, Universe Link Industries Limited, Cornhill Development Limited, Lucky Group Investment Limited, Liberway Limited, Wide Treasure Limited, Lucky Cosmos Limited, Star East On-Line Limited, Star East Culture Development Limited, Risesoft Limited, Star East IT Management Limited and SMI Entertainment Limited were held and completed. Apart from the creditors' meeting of SMI Entertainment Limited ("SMIE"), there was no quorum of creditors present or represented at the creditors' meetings of the subsidiaries as required under Rules 123(1) of the Companies (Winding-Up) Rules (the "Required Quorum"). At the adjourned creditors' meetings of the subsidiaries (save for SMIE) held on 21 July 2009, there was no Required Quorum again. As a result, no further adjournment of creditors' meetings of any of the HK Subsidiaries was required.

On 17 July 2009, the creditors' meetings of six wholly owned subsidiaries incorporated in BVI, namely Precious Days Limited, Lane Smart Holdings Limited, Magnetic Light Profits Limited, Risesoft Holdings Limited, Strong Target Limited and Start East (Japan) Limited, were held and completed. At the meetings, the appointments of joint liquidators were ratified since no other persons were nominated by the creditors of the subsidiaries.

On 7 April 2009, the Tokyo District Court had made a judgment against Planet Hollywood (Japan) K.K. ("PHJ"), a wholly owned subsidiary of the Group, that it was obliged to pay The Disney Store Japan ("TDSJ") the outstanding rental expenses being claimed. Subsequently on 12 April, 2009, PHJ closed its operation and vacated the premises.

Since the completion of the creditor's meetings and Group reorganization, the assets, liabilities and financial results of each of the above mentioned subsidiaries have been disposed of during the period.

The profit/(loss) for the period from the discontinued operations for the relevant periods is analysed as follows:

| | Six months ended | |
|---|-------------------------|-----------------|
| | 30 September | |
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Turnover | – | 14,852 |
| Cost of sales | – | (4,343) |
| Direct expenses | – | (14,211) |
| | <u>–</u> | <u>(14,211)</u> |
| Gross loss | – | (3,702) |
| Other income | – | 454 |
| Administrative expenses | (20) | (2,803) |
| | <u>(20)</u> | <u>(2,803)</u> |
| Loss before tax | (20) | (6,051) |
| Income tax expense | – | – |
| | <u>–</u> | <u>–</u> |
| Loss after tax | (20) | (6,051) |
| | <u>(20)</u> | <u>(6,051)</u> |
| | | HK\$'000 |
| Accumulative losses disposed of | | (977,991) |
| Reclassification adjustment for translation reserve upon disposal of a subsidiary | | 20,500 |
| Receivables forfeited upon disposal | | 1,007 |
| | | <u>1,007</u> |
| | | (956,484) |
| Gain on disposal | | 956,784 |
| | | <u>956,784</u> |
| Total consideration | | <u>300</u> |
| Net cash outflow arising from disposal: | | |
| Total cash consideration received | | 300 |
| Bank balance and cash disposed of | | (1,146) |
| | | <u>(846)</u> |
| | | <u>(846)</u> |

12. Earnings per share

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

| | Six months ended | |
|--|-------------------------|-------------|
| | 30 September | |
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Profit/(loss) for the purpose of basic earnings per share (Profit/(loss) for the period attributable to owners of the Company) | 11,096 | (18,138) |
| | Number of shares | |
| | 2009 | 2008 |
| | '000 | '000 |
| Number of ordinary share for the purpose of basic earnings per share and diluted earnings per share | 1,137,317 | 314,069 |
| | Six months ended | |
| | 30 September | |
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| From continuing operations | | |
| Earnings figures are calculated as follows: | | |
| Profit/(loss) for the period attributable to owners of the Company | 11,096 | (18,138) |
| Add: Loss for the period from discontinued operations | 20 | 6,051 |
| Earnings for the purpose of basic earnings per share from continuing operations | 11,116 | (12,087) |

From discontinued operations

Basic earnings per share for the discontinued operations was nil cents (six months ended 30 September 2008: basic losses per share was HK\$1.95 cents), based on the losses for the period from the discontinued operations of HK\$20,000 (six months ended 30 September 2008: losses for the period from the discontinued operations of HK\$6,051,000) and the denominators detailed above for basic earnings (losses) per share.

13. Property, plant and equipment

| | Leasehold improvements | Furniture and equipment | Motor vehicles | Operating equipment | Total |
|--|-----------------------------------|------------------------------------|---------------------------|--------------------------------|---------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At cost: | | | | | |
| At 31 March 2009 (Audited) | 43,129 | 10,919 | 443 | 3,923 | 58,414 |
| Acquired on acquisition of subsidiaries | 21,070 | 268 | – | 12,604 | 33,942 |
| Additions | <u>213</u> | <u>338</u> | <u>170</u> | <u>857</u> | <u>1,578</u> |
| At 30 September 2009 (Unaudited) | <u>64,412</u> | <u>11,525</u> | <u>613</u> | <u>17,384</u> | <u>93,934</u> |
| Accumulated depreciation: | | | | | |
| At 31 March 2009 (Audited) | 43,129 | 10,919 | 443 | 3,923 | 58,414 |
| Depreciation for the period | <u>1,131</u> | <u>93</u> | <u>19</u> | <u>1,344</u> | <u>2,587</u> |
| At 30 September 2009 (Unaudited) | <u>44,260</u> | <u>11,012</u> | <u>462</u> | <u>5,267</u> | <u>61,001</u> |
| Net carrying amount | | | | | |
| At 30 September 2009 (Unaudited) | <u>20,152</u> | <u>513</u> | <u>151</u> | <u>12,117</u> | <u>32,933</u> |
| At 31 March 2009 (Audited) | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |

14. Trade and other receivables

| | 30 September 2009 HK\$'000 (Unaudited) | 31 March 2009 HK\$'000 (Audited) |
|---|---|---|
| Trade receivables | 1,459 | – |
| Other receivables, deposits and prepayments | <u>27,038</u> | <u>16</u> |
| | <u>28,497</u> | <u>16</u> |

The Group allows an average credit period of 30 days to its customers. The following is an aging analysis of trade receivables at the reporting date:

| | 30 September 2009 HK\$'000 (Unaudited) | 31 March 2009 HK\$'000 (Audited) |
|--------------|---|---|
| 0 – 30 days | 836 | – |
| 31 – 60 days | <u>623</u> | <u>–</u> |
| | <u>1,459</u> | <u>–</u> |

15. Bank and cash balances

| | 30 September 2009 HK\$'000 (Unaudited) | 31 March 2009 HK\$'000 (Audited) |
|--|---|---|
| Bank balances | 32,633 | 1,516 |
| Cash held at bank by the provisional liquidators | 38 | 2,326 |
| Cash held in escrow account | 1,001 | 5,000 |
| Cash on hand | <u>8</u> | <u>–</u> |
| | <u>33,680</u> | <u>8,842</u> |

16. Bank and other borrowings

| | 30 September 2009 HK\$'000 (Unaudited) | 31 March 2009 HK\$'000 (Audited) |
|---|---|---|
| Bank loan – unsecured | – | 17,203 |
| Other loan – unsecured | – | 17,531 |
| | <hr/> | <hr/> |
| Total borrowings | – | 34,734 |
| | <hr/> | <hr/> |
| The borrowings are repayable as follows: | | |
| On demand or within one year | – | 34,734 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | – | (34,734) |
| | <hr/> | <hr/> |
| Amount due for settlement after 12 months | – | – |
| | <hr/> | <hr/> |

17. Trade and other payables

| | 30 September 2009 HK\$'000 (Unaudited) | 31 March 2009 HK\$'000 (Audited) |
|----------------------------|---|---|
| Trade payables | 4,022 | 2,980 |
| Other payable and accruals | 76,061 | 89,108 |
| | <hr/> | <hr/> |
| | 80,083 | 92,088 |
| | <hr/> | <hr/> |

The following is an aging analysis of trade payables at the reporting date:

| | 30 September 2009 HK\$'000 (Unaudited) | 31 March 2009 HK\$'000 (Audited) |
|--------------|---|---|
| 0 – 30 days | 3,087 | 1,316 |
| 31 – 60 days | 130 | – |
| 61 – 90 days | 9 | 1,664 |
| Over 90 days | 796 | – |
| | <hr/> | <hr/> |
| | 4,022 | 2,980 |
| | <hr/> | <hr/> |

18. Share capital

| | Nominal value per share HK\$ | Number of shares '000 | Value HK\$ '000 |
|---|------------------------------------|-----------------------------|--------------------|
| Authorised: | | | |
| At 1 April 2008 | 0.1 | 1,000,000 | 100,000 |
| At 31 March 2009 | 0.1 | 1,000,000 | 100,000 |
| Additions (note (a)) | 0.1 | 4,000,000 | 400,000 |
| At 30 September 2009 | 0.1 | 5,000,000 | 500,000 |
| Issue and fully paid: | | | |
| At 1 April 2008 | 0.1 | 314,069 | 31,407 |
| At 31 March 2009 | 0.1 | 314,069 | 31,407 |
| Issue of shares – Open offer (note (b)) | 0.1 | 942,206 | 94,220 |
| Issue of shares – Acquisition of subsidiaries (note (c)) | 0.1 | 843,500 | 84,350 |
| At 30 September 2009 | 0.1 | 2,099,775 | 209,977 |

- (a) Pursuant to an ordinary resolution passed by the Company's shareholders at a special general meeting held on 3 July 2009, the Company increased its share capital from HK\$100,000,000 to HK\$500,000,000 by the creation of additional 4,000,000,000 ordinary shares of HK\$0.1 each in order to provide more flexibility and to accommodate further expansion and growth of the Company.
- (b) On 6 July 2009, the Company raised approximately HK\$94,220,000, before expenses, by issuing 942,206,000 ordinary shares of HK\$0.1 per share by way of an open offer on the basis of three offer shares for every one existing share held and payable in full upon acceptance ("Open Offer"). The share capital of the Company was increased by approximately HK\$94,220,000 as a result. Further details of the above transaction are set out in the announcement of the Company dated 24 July 2009 and the Circular dated 6 July 2009.

The shares issued during the periods rank pari passu with the existing shares in issue in all respects.

- (c) On 30 July 2009, the Group acquired the entire equity interest in Color Asia Pacific Limited by the allotment and issuance of a total of 843,500,000 of new shares at an issue price of HK\$0.10 per share. Further details of the above transaction are set out in the announcement of the Company dated 15 May 2009.
- (d) Pursuant to the passing of the ordinary resolution granting the Repurchase Mandate at the Annual General Meeting on 30 September 2009, the Company was allowed under the Repurchase Mandate to repurchase a maximum of 209,977,502 shares, being 10% of the entire issued share capital of the Company at the time. The management believes that an ability to repurchase the shares would give the Company additional flexibility that would be beneficial to the Company and its Shareholders as such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value per share and/or earnings per share.
- (e) At the Annual General Meeting of the Company held on 30 September 2009, the Shareholders approved an ordinary resolution to grant the Directors the Existing General Mandate to issue, allot and deal with up to 419,955,005 shares, which is equivalent to 20% of the then issued share capital of the Company.

19. Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2009 (six months ended 30 September 2008: Nil).

20. Acquisition of subsidiaries

On 30 July 2009, the Group acquired the entire equity interest in Color Asia Pacific Limited by the allotment and issuance of a total of 843,500,000 of new shares at an issue price of HK\$0.10 per share. Color Asia Pacific Limited is an investment holding company and its principal assets are its 72.86% and 60% equity interests in Beijing Mingxiang International Cinema Management Company Limited ("Mingxiang") and Beijing Wangjing Stellar International Cinema Management Company Limited ("Wangjing") respectively. Each of Mingxiang and Wangjing is principally engaged in the operation of cinemas in the PRC.

Details of assets acquired and liabilities assumed as at the acquisition date were as follows:

| | Recognized values on acquisition |
|--|---|
| | HK\$ '000 |
| Fixed assets | 32,752 |
| Inventory | 373 |
| Trade and other receivables | 55,545 |
| Cash and bank balances | 2,207 |
| Trade and other payables | (41,108) |
| Tax payable | (323) |
| Amount due from shareholders | (21,529) |
| Non-controlling interests | (17,702) |
| | <hr/> |
| Net identifiable assets | 10,215 |
| Add: Goodwill on acquisition | 74,135 |
| | <hr/> |
| Consideration | 84,350 |
| | <hr/> |
| Satisfied by: | |
| Issue of consideration shares (note (a)) | 84,350 |
| | <hr/> |

(a) The fair value of the shares issued was based on the lower of the fair value of Color Asia Pacific Limited on 30 July 2009 and HK\$84,350,000.

(b) The acquired subsidiaries contributed turnover of \$25,561,039 and net profit of \$4,551,959 to the Group during the period. If the acquisition had occurred on 1 April 2009, management estimates that the consolidated turnover would have been \$74,248,732 and the consolidated net profit for the period would have been \$13,222,357.

21. Operating lease commitments

At the period end date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and equipment which fall due as follows:

| | 30 September 2009 | 31 March 2009 |
|---------------------------------------|------------------------------|------------------|
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Within one year | 11,043 | 13,119 |
| In the second to fifth year inclusive | 42,785 | 52,261 |
| After five years | 78,659 | 91,457 |
| | <hr/> | <hr/> |
| | 132,487 | 156,837 |
| | <hr/> | <hr/> |

Operating lease payments represent rentals payable by the Group for its office premise in Hong Kong, for its premises for cinema operation in PRC and for its equipment. Leases are ranging from one to twenty years.

22. Share Option Scheme

On 30 September 2009, an ordinary resolution was proposed at the Special General Meeting to approve the adoption of a new share option scheme ("New Share Option Scheme") and termination of the operation of the 2002 Share Option Scheme. The resolution was approved by the Shareholders and the New Share Option Scheme became effective for a period of 10 years commencing on 30 September 2009. Option granted during the life of the 2002 Share Option Scheme and remain unexpired prior to the expiry of the 2002 Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the expiry of the 2002 Share Option Scheme. As at 30 September 2009, 12,250,000 Options had been granted by the Group under the 2002 Share Option Scheme to subscribe for an aggregate of 12,250,000 Share, all of which had been surrendered or lapsed.

Under the New Share Option Scheme, the consideration paid for each grant of share options will be HK\$1.00. The subscription price shall be determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share. Details of the principal terms of the New Share Option Scheme were summarised and set out in a circular to Shareholders dated 9 September 2009. As at 30 September 2009, no option was granted under the New Share Option Scheme.

23. Capital Commitment

The Group had no significant capital commitment as at 30 September 2009.

24. Contingent Liabilities

Legal action has been taken against the holding company by Capital Finance Press Limited. The claim amount is HK\$131,532.48.

Legal actions have also been taken against an associate company of the Group, M Channel Corporation Limited ("MCCL"). MCCL was sued for debts as brought about by The Stock Exchange of Hong Kong Limited, Composers and Authors Society of Hong Kong Limited, "Lu Lai & Li" and "Charltons" in the amount of HK\$150,000, HK\$1,247,326.86, HK\$722,550 and HK\$302,730.40 respectively.

In addition to the above, there are other legal actions taken against the Group, its subsidiaries and associate companies by other third parties. The claims call for compensations and losses suffered by third parties.

The Company, at this stage, is unable to ascertain if the aforesaid proceedings will have any material and adverse impact on the financial position, cash flow and business operations of the Company.

25. Subsequent Events

Apart from those events as already disclosed elsewhere in this interim report, the following events occurred after 30 September 2009:

(a) *Top-up placing and subscription agreement*

On 9 October 2009, the Company entered into a top-up placing and subscription agreement pursuant to which the Company could issue, a maximum of 269,000,000 new shares of HK\$0.1 each at the subscription price of HK\$0.265 per share. The gross proceeds from this Top-Up Subscription will be approximately HK\$71.29 million. The agreement was completed and the 269,000,000 new shares in the Company were duly issued and allotted on 22 October, 2009. The net funds raised from the agreement of approximately HK\$69.56 million was used as general working capital of the Group. For details, please refer to the announcements of the Company dated 12 October 2009 and 22 October 2009.

(b) *Placing of Convertible notes*

On 9 October 2009, the Company entered into a conditional placing agreement with Get Nice Securities Limited, a placing agent, pursuant to which the Company could issue convertible notes with a maturity of two years in an aggregate principal amount of HK\$39,750,000, which bear interest at a rate of 1% per annum. Completion of the placing agreements took place on 27 November, 2009. The net fund raised from the issue of the convertible notes of approximately HK\$38,960,000 was used as the Group's general working capital. For details, please refer to the announcements of the Company dated 12 October 2009 and 27 November 2009.

(c) *Group reorganization*

There are 7 subsidiaries of the Group entered into creditors' voluntary liquidation on 26 November 2009.

26. Comparative figures

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statement, and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 3.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company is an investment holding company and its subsidiaries (collectively known as the "Group") are mainly engaged in operating cinema business and operation of Café bars business in the mainland China (the "PRC"). During the six months ended 30 September 2009, approximately 98% (six months ended 30 September 2008, Nil% of the Group's turnover was derived from two cinemas in the names of Beijing Mingxiang and Beijing Wangjing. Although the global economic was gloomy because of the financial tsunami, the PRC was not seriously affected by it and even revealed a remarkable growth. As the theme restaurant operation was not successful and had been in continuous operating losses, it was closed down on 13 April 2009 as a result of an eviction order against a subsidiary of the Group granted by a court in Japan to The Disney Store Japan, a division of Walt Disney International Japan, Inc.

MATERIAL ACQUISITION AND DISPOSAL

Acquisition

The material acquisition and disposal of the Company during the six months ended 30 September 2009 are disclosed as follows:

On 30 July 2009, the Company completed the acquisition of Color Asia Pacific Limited ("Color Asia") which is indirectly interested in 72.86% of the effective equity interest in Beijing Mingxiang International Cinema Management Company Limited ("Beijing Mingxiang") and 60% of equity interest in Beijing Wangjing Stellar International Cinema Management Company Limited ("Beijing Wangjing"). Wangjing controls Shanghai Stellar Zhengda Cinema Management Co. Limited ("Zhengda") through a management contract.

The consideration for the Color Asia Share and the Color Asia Loan is to be settled by the allotment and issuance by the Company of a total of 843,500,000 of its new shares (the "Consideration Shares") at an issue price of HK\$0.10 per share.

Disposal – Creditor Voluntary Liquidation (“CVL”)

On 7 May 2009, the High Court sanctioned that the Company may dispose of certain of its subsidiaries (both direct and indirect) or cause the subsidiaries to be wound up voluntarily.

Creditors’ Voluntary Liquidations of the BVI Subsidiaries

The creditors’ meetings of the BVI Subsidiaries were held on 17 July 2009. At the creditors’ meetings, the appointments of the Joint Liquidators were ratified since no other persons were nominated by the creditors of the BVI Subsidiaries.

Creditors’ Voluntary Liquidations of the HK Subsidiaries

The creditors’ meetings for each of the HK Subsidiaries were held on 10 July 2009. Apart from the creditors’ meeting of SMI Entertainment Limited (“**SMIE**”), there was no quorum of creditors present or represented at the creditors’ meeting of the HK Subsidiaries as required under Rules 123(1) of the Companies (Winding-Up) Rules (the “**Required Quorum**”). At the adjourned creditors’ meetings of the HK Subsidiaries (save for SMIE) held on 21 July 2009, there was no Required Quorum again. As such, no further adjournment of creditors’ meetings of any of the HK Subsidiaries is required.

Since the completion of the Group Reorganization, the assets, liabilities and financial results of each of the CVL Subsidiaries have been deconsolidated from the Group for accounting purpose.

RESUMPTION PROPOSAL

The Group’s has completed its Resumption Proposal on 30 July 2009. The processes are divided into the following stages:

(1) Completion of the Formal Agreement

All conditions precedent to the Formal Agreement had been fulfilled and the completion of the Formal Agreement took place on 30 July 2009.

(2) Fulfillment of all Resumption Conditions

The Resumption Conditions have been fulfilled as at 30 July 2009.

(3) Resumption of Trading

The Company has submitted its application to the Stock Exchange for approval to resume of trading in the Shares on the Stock Exchange from 9:30 a.m. on 31 July 2009.

FINANCIAL RESOURCES, LIQUIDITY, CAPITAL STRUCTURE, GEARING RATIO AND FOREIGN CURRENCY EXPOSURE

As at 30 September 2009, the Group maintained sufficient liquid funds and had net current assets of approximately HK\$8,868,000 (2008: net current liabilities of approximately HK\$136,429,000). The net current assets as at 30 September 2009 include bank and cash balances of approximately HK\$33,680,000 (2008: approximately HK\$8,842,000). The bank and cash balances as at 30 September 2009 are mainly the proceeds raised from the open offer for the purposes of settling the Group's liabilities and restructuring expenses incurred and being the general working capital of the Company.

The capital structure of the Group consists of borrowings, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves. The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowings when appropriate.

As at 30 September 2009, the Group's total bank and other borrowings were amounted to HK\$Nil (2008: approximately HK\$34,734,000), of which, HK\$Nil (2008: approximately HK\$17,203,000) was an unsecured bank loan, HK\$Nil and HK\$Nil (2008: approximately HK\$14,450,000 and HK\$3,081,000) were an unsecured interest free loan from Mr. Qin and an unsecured other loan respectively. Except for the unsecured interest free loan from Mr. Qin, the Group's borrowings are principally on a floating rate basis. There was no fixed rate or equity linked bonds and notes issued by the Group.

The Group's gearing ratios as at 31 March 2009 and 30 September 2009, which were calculated on the basis of the Group's total interest bearing debts net of cash and bank balances and pledged deposit over the total equity interest, could not be determined as the Group had net liabilities of approximately HK\$173,013,000 and net assets of approximately HK\$168,438,000 as at the respective dates.

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities or Renminbi for Renminbi yuen functional currency Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

When appropriate and at times of interest rate or exchange rate uncertainty or volatility, hedging instruments including swaps and forwards are used by the Group in the management of exposure to interest rate and foreign exchange rate fluctuations.

There has not been any change in the Group's funding and treasury policies and the Group will continue to follow the practice of prudent cash management.

General Mandate

At the annual general meeting of the Company held on 30 September 2009, the Shareholders approved, among other things, an ordinary resolution to grant the Directors the Existing General Mandate to issue, allot and deal with up to 419,955,005 Shares, which is equivalent to 20% of the then issued share capital of the Company.

OPEN OFFER

The Company raised approximately HK\$94.2 million before expenses by way of an open offer of 942,206,271 new shares of HK\$0.1 each ("Offer Share(s)") at a price of HK\$0.1 per Offer Share on the basis of Three Offer Share for every One Existing Share held on 24 July 2009 ("Open Offer"). Details of the Open Offer were given in the Company's prospectus, announcement and circular dated 3 June 2009, 7 July 2009 and 24 July 2009 respectively. On 23 July 2009, the Open Offer became unconditional and was approximately 192% oversubscribed.

The net fund raised from the open offer of approximately HK\$27 million was used as the repayment of liabilities of the Company, of approximately HK\$11 million was used as the reimbursement to Cenith Capital Limited, Mr. Qin Hui and/or the Vendor for their respective payment of the restructuring expenses. Approximately HK\$16 million was utilized as the general working capital of the Group including the payment of professional fees for resumption of trading in Shares on 31 July 2009 and the balance of approximately HK\$40 million has been utilized as general working capital of the Group.

PROSPECTS

After the completion of the Resumption Proposal, the Group is now under its Reorganization process. The Group's strategy is to concentrate its focus and resources in the profitable and sustainable business while companies suffering operating losses will be wound up in the foreseeable future.

Creditors' Voluntary Liquidations of the Further Several Subsidiaries Company

The creditors' meetings of the further several Subsidiaries were held on 14 November 2009. At the creditors' meetings, the appointments of the Liquidator was ratified since no other persons were nominated by the creditors of the those Subsidiaries.

Since the completion of the Group Reorganization, the assets, liabilities and financial results of each of the CVL Subsidiaries have been deconsolidated from the Group for accounting purpose.

The Company also tends to streamline its business and concentrate its activities in area where growth opportunities exist for the Group.

Details of significant events occurring after the balance sheet date are set out in note 25 to the financial statement.

On 9 October 2009, the Company entered into a top-up placing and subscription agreement pursuant to which the Company would issue, a maximum of 269,000,000 new shares of HK\$0.1 each in the Company at the subscription price of HK\$0.265 per share. The agreement was completed and 269,000,000 new shares in the Company were duly issued and allotted on 22 October, 2009. The net fund raised from the agreement of approximately HK\$69.56 million was used as general working capital of the Group.

On 9 October 2009, the Company entered into placing agreements with the placing agents, pursuant to which the Company would issue in an aggregate principal amount of HK\$39,750,000 convertible notes due in 2010, which bear interest at a rate of 1% per annum. Completion of the placing agreements took place on 27 November, 2009. The net fund raised from the issue of the convertible notes of approximately HK\$38,960,000 was used as the Group's general working capital.

Refreshment of General Mandate

A resolution to grant to the Directors a general and unconditional mandate to allot, issue and deal with additional Shares representing up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the resolution will be proposed at a Special General Meeting to be held in early January, 2010.

Taking into account the Issuance Mandate will provide the Company with higher degree of financial flexibility in any future fund raising exercise, the Directors consider that the refreshment of the Existing General Mandate by granting the Issuance Mandate is in the interests of the Company and its Shareholders as a whole.

PLEDGE OF ASSETS

The Group has no pledge of assets as at 30 September 2009.

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities are set out in notes 24 to the financial statements.

CAPITAL COMMITMENTS

The Group has no significant capital commitment as at 30 September 2009.

LEASE COMMITMENTS

At 30 September 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | 2009 | 2008 |
|--|----------------|---------|
| | HK'000 | HK'000 |
| Within one year | 11,043 | 13,119 |
| In the second of fifth years inclusive | 42,785 | 52,261 |
| After five years | 78,659 | 91,457 |
| | 132,487 | 156,837 |

CAPITAL STRUCTURES

Details of the movements in share capital of the Company during the year are set out in note 18 to the financial statements. Summary of the movements are as follows:

- (i) pursuant to an ordinary resolution of the Members passed at the SGM and with the approval of the Stock Exchange on 17 July 2009, the Company had allotted and issued, by way of an open offer (the "Open Offer"), 942,206,271 shares (the "Offer Shares") to its shareholders, in the proportion of three Offer Shares of every one share held, at the subscription price of HK\$0.10 per Offer Share payable in full on application. The Open Offer was underwritten by Emperor Securities Limited. The listing of and permission to deal in the Offer Shares were granted by the Stock Exchange on 17 July 2009; and
- (ii) pursuant to an ordinary resolution of the Members passed at the SGM, the Company had allotted and issued 843,500,000 new shares of HK\$0.10 each of the Company at an issue price of HK\$0.10 each as the Consideration Shares upon the completion of the acquisition of the Colour Asia Share and assignment of the Color Asia Loan. The listing of and permission to deal in the Consideration Shares were granted by the Stock Exchange on 17 July 2009; and
- (iii) pursuant to an ordinary resolution of the Members passed at the SGM, the Company had allotted and issued, by way of a Top-up subscription (the "Top-up subscription"), 269,000,000 shares of HK\$0.1 each of the Company at an issue price of HK\$0.265 to its shareholders on 9 October 2009. The listing of and permission to deal in the Top-up subscription Shares were granted by the Stock Exchange on 22 October 2009.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2009, the Group had about 227 full-time employees (2008: about 21). Employee remuneration for the year ended 30 September 2009 was approximately HK\$1,900,000 (2008: approximately HK\$6,892,000). 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.

PURCHASE, SALE OR REDEMPTION OF SHARE

The Company and its subsidiaries had not redeemed any of the Company's listed securities during the six months ended 30 September 2009. In addition, neither the Company nor any of its subsidiaries has purchase or sold any of the Company's listed securities during the six month ended 30 September 2009.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 September 2009, the Company was in compliance with the principles of good governance (the "**Principles**") and code provisions (the "**Code Provisions**") set out in Appendix 14: "Code on Corporate Governance Practices" (the "**Code**") of the Listing Rules, except for the following:

1. Due to practical reasons, 14 days' advanced notifications have not been given to all meetings of the board of Directors (the "**Board**"). Reasons have not been given in the notifications in respect of those meetings of the Board where it is not practical to give 14 days' advanced notification. The Directors' will give 14 days' advanced notifications of regular Board meeting to give all Directors an opportunity to attend and use its best endeavour to give reasonable notices for all other Board meetings (Code Provisions A.1.3).
2. The Directors did not maintain sound and effective internal controls to safeguard the Company's shareholders' investment and the Company's assets. In this regard, the Directors will at least annually conduct a review of the effectiveness of the system of internal control of the Group (Code Provision C.2.1).

Save as those mentioned above, in the opinion of the Directors, the Company has met with the Code Provisions in the Code during the six months ended 30 September 2009.

DIRECTORS

The directors of the Company during the interim period and up to the date of this interim report were:

Executive Directors

Mr. Wong Kui Shing, Danny (*Chairman*)

Ms. Xiao Ping (*Chief Executive Officer*)

Mr. Hu Yidong

Mr. Qin Hong

Independent non-executive Directors

Mr. He Peigang (Appointed on 8 December 2009)

Mr. Pang Hong

Mr. Chan Sek Nin, Jackey

Mr. Hung Hing Man (Resigned on 8 December 2009)

Chairman and chief executive officer

The chairman and chief executive officer of the Company are held separately by two individuals to ensure their respective independencies, accountabilities and responsibilities. While the chairman is in-charge with the leadership of the Board and strategies planning of the Group, the chief executive officer is responsible for the day-to-day management of the Group's business.

The chairman and chief executive officer of the Company are Messrs. Wong Kui Shing, Danny and Miss Xiao Ping respectively.

INTERNAL CONTROL

The directors of the Company are entrusted with an overall responsibility of devising the Company's system of internal controls and conducting an annual review of its effectiveness. This ensures that the directors of the Company oversee and monitor the Group's overall financial position so that the interests of the shareholders are well protected and covered. The system of internal controls covers the areas of financial, operational, compliance and risk management of the Group's business.

Start from 1 October 2009, the directors of the Company has agreed to take the following actions:

1. the Company will appoint an independent professional firm (the “Independent Reviewer”) to conduct a full scope review to ensure that the Group as enlarged including the operation of Colour Asia after the completion of the Resumption Proposal would have adequate and effective internal control system, in particular, to address the weakness associated with the issues raised by the independent auditor of the Company in its report; and
2. the Company will work closely with the Independent Reviewer on the issuance of internal control review report together with any proposed remedial measures and timetable for implementation be issued within six months from the date of the completion of the Resumption Proposal.

With respect to procedures and internal controls for the handling of and dissemination of price-sensitive information of the Company:

1. is fully aware of its obligations under the Listing Rules;
2. conducts its affairs with close regards to the “Guide on disclosure of Price-sensitive information” issued by the Stock Exchange; and
3. has, through channels such as financial reporting and public announcements, implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusionary distribution of information to the public.

REMUNERATION COMMITTEE

Since 14 July 2009, the Company has established a remuneration committee (the “Remuneration Committee”) with written terms of reference. The Remuneration Committee currently comprises three independent non-executive directors, namely, Messrs. He Peigang (as chairman), Pang Hong and Chan Sek Nin, Jackey.

The main functions of the Remuneration Committee are as follows:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
2. to have the delegated responsibility to determine the specific remuneration packages of all executive directors and Management of the Company, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors of the Company;
3. to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
4. to review and approve the compensation payable to executive directors and the Management of the Company in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the issuer;
5. to review and approve compensation arrangements relating to dismissal or removal of directors of the Company for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and
6. to ensure that no director of the Company or any of his associates is involved in deciding his own remuneration.

NOMINATION COMMITTEE

Since 14 July 2009, the Company has established a nomination committee (the "Nomination Committee") with written terms of reference. The Nomination Committee currently comprises three independent non-executive directors, namely, Messrs. He Peigang (as chairman), Pang Hong and Chan Sek Nin, Jackey.

The main functions of the Nomination Committee are as follows:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
2. identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nomination for directorships;
3. assess the independence of independent non-executive directors; and make recommendations to the Board on relevant matters relating to the appointment; and
4. re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer.

In considering the nomination of new directors of the Company, the Nomination Committee will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the entertainment and leisure industry and/or other professional area.

AUDIT COMMITTEE

Since 14 July 2009, the Company has established an audit committee (the "Audit Committee") with written terms of reference aligned with the Code Provisions set out in the Code. The Audit Committee currently comprises three independent non-executive directors, namely, Messrs. He Peigang (as chairman), Pang Hong and Chan Sek Nin, Jackey.

The main functions of the Audit Committee are as follows:

1. to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
3. to develop and implement policy on the engagement of an external auditor to supply non-audit services;
4. to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and to review significant financial reporting judgments contained in them;
5. to review the Company's financial controls, internal control and risk management systems; and
6. to discuss with the Management the Company's system of internal control and ensure that the Management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.

SHARE OPTION SCHEME

The Company adopted a new share option scheme on 30 September 2009 (the “New Scheme”) and replace the Old scheme. The purpose of the share option scheme is to enable the Board, at its discretion, to grant options to eligible participants, including the directors of the Company, as incentives or rewards for their contributions to the Group, details of the Scheme were disclosed in the Company’s circular dated 9 September 2009 and Note 22.

Old scheme

Pursuant to an ordinary resolution passed by the Shareholders at a special general meeting on 28 August 2002, the Company had adopted the Employee Share Option Scheme (the “Old Scheme”), pursuant to which the Board was authorized to grant Options to any employee (whether full time or part time), executive or officer, director (including executive, non-executive and independent non-executive director) of any member of the Group or any Invested Entity and any contracted celebrity, consultant, adviser or agent of any member of the Group or any Invested Entity, who, in the sole discretion of the Board, has contributed or will contribute to the growth and development of the Group or any Invested Entity.

As at the 9 September 2009, 12,250,000 Options had been granted by the Company under the Old Scheme to subscribe for an aggregate of 12,250,000 Shares, all of which had been surrendered or lapsed. The Directors confirm that no further Options will be granted under the Old Scheme prior to the date of the special general meeting (the “SGM”).

At the SGM of the members of the Company held on 30 September 2009, the Old scheme was terminated.

New scheme

The purpose of the New Scheme is to replace the Old Scheme and to enable the Company to continue to grant Options to the Eligible Participants who, in the sole discretion of the Board, have made or may make contribution to the Group or any Invested Entity as well as to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economics interest in attaining the long term business objectives of the Group.

The rules of the New Scheme provide that the Company may specify the Eligible Participants to whom Options shall be granted, the number of Shares subject to each Option and the date on which the Options shall be granted. The basis for determining the subscription price is also specified precisely in the rules of the New Scheme.

At as 30 September 2009, no shares of the Company was granted under the New Scheme since its adoption.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

No Director who held office at 30 September 2009 or any of his or her spouses or children under eighteen years of age had interests or short positions in the shares, underlying shares or debentures of the Company, or any of its holding company, subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The Company had been notified of the following interests in the Company's issued shares at 30 September 2009 amounting to 5% or more of the ordinary shares in issue:

| Substantial Shareholders | Registered shareholders | Corporate Interest | Long position | Short position | % of total issued shares |
|---|--------------------------------|---------------------------|-------------------------|-----------------------|---------------------------------|
| Mr. Qin Hui | 843,500,000 | 652,959,924 | 1,496,459,924 (Note) | - | 59.41% |
| Strategic Media International Ltd ("SMIL") | 652,959,924 | - | 652,959,924 | - | 25.92% |

Note: Mr. Qin Hui owned the entire interest in SMIL and was accordingly deemed to be having the same interests in the shares as SMIL.

Apart from the foregoing, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Interests of the directors of the Company in competing businesses required to be disclosed pursuant to Rule 8.10 of the Listing Rules are as follows:

| Name of director | Name of company | Nature of competing business | Nature of interest |
|------------------|--|--|----------------------------|
| Mr. Hu Yidong | Stellar Megamedia Group Limited and its subsidiaries | Movies, television dramas and documentary production distribution and licensing in the PRC | As Chief Executive Officer |
| | | Talent management in the PRC | |
| Mr. Qin Hong | Stellar Megamedia Group Limited and its subsidiaries | Movies, television dramas and documentary production distribution and licensing in the PRC | Chairman |
| | | Stellar Mega Films Co. Limited | |
| | Talent management in the PRC | | |

Having considered (i) the nature, scope and size of the above businesses as compared to those of the Group; and (ii) the nature and extent of the above-named directors' respective interest in these businesses, the directors of the Company believe that there is unlikely to be any significant competition with the businesses of the Group.

Apart from the foregoing, none of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this interim report, the Company has maintained the prescribed public float under the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

By Order of the Board
SMI Corporation Limited
Wong Kui Shing, Danny
Chairman

Hong Kong, 29 December 2009