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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE 9 MONTHS ENDED 31 DECEMBER 2009

CHAIRMAN'S STATEMENT

Dear Shareholder,

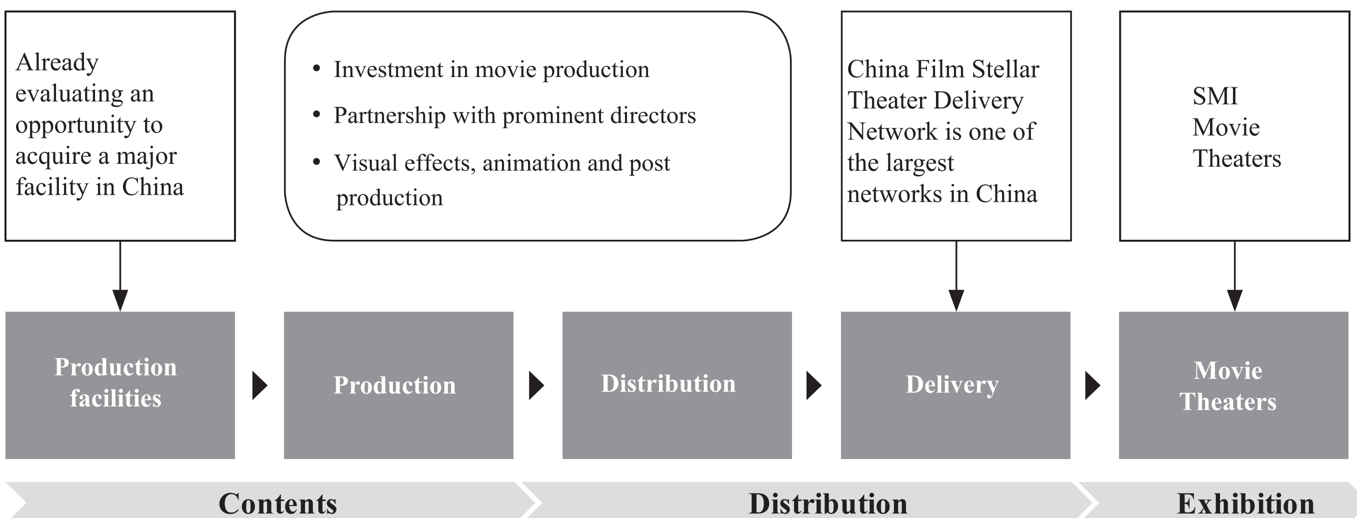
Since trading of its shares on the Hong Kong Stock Exchange resumed on 31 July 2009, the Company has taken a number of steps to restructure and improve its business, operational, management and financial conditions. The issuance of new shares in July and October 2009 and the convertible notes in October 2009 and in February 2010 which raised an aggregate of approximately HK$305.3 million in cash have restructured and stabilised the capital and liquidity conditions of the Company. The acquisition of the movie theater interests in July 2009 have resulted in the turnaround of the business and operational circumstances of the Company with the three movie theaters contributing operational profit of HK$16.4 million to the Company for the period ended 31 December 2009. The Company has also put in place a new management team with me taking over the helm of the Company as Chairman. Besides stabilising the Company, the new management evaluated the resources of the Company and opportunities of which we could take advantage in order to build and grow the Company. The result is the development of a vision of the Company, the strategies and operational structure that we believe position the Company for growth in 2010 and beyond.

Vision and strategic objective

Our strategic objective and vision is to build a leading integrated entertainment and media company focusing principally on the China market by focusing our efforts and leveraging on the experiences and network of the management and shareholder base of the Company.

Even in the midst of the severe economic downturn of last year, the global film industry achieved a growth rate of 6.4% from 2008 with the US market growing at 10.0% to US$10.6 billion in 2009. In the same period, China movie industry achieved 43.1% growth in total box office receipts to RMB6.2 billion. Both foreign and domestic films show substantial growth in box office receipts to RMB3.5 billion and RMB2.7 billion respectively in 2009.

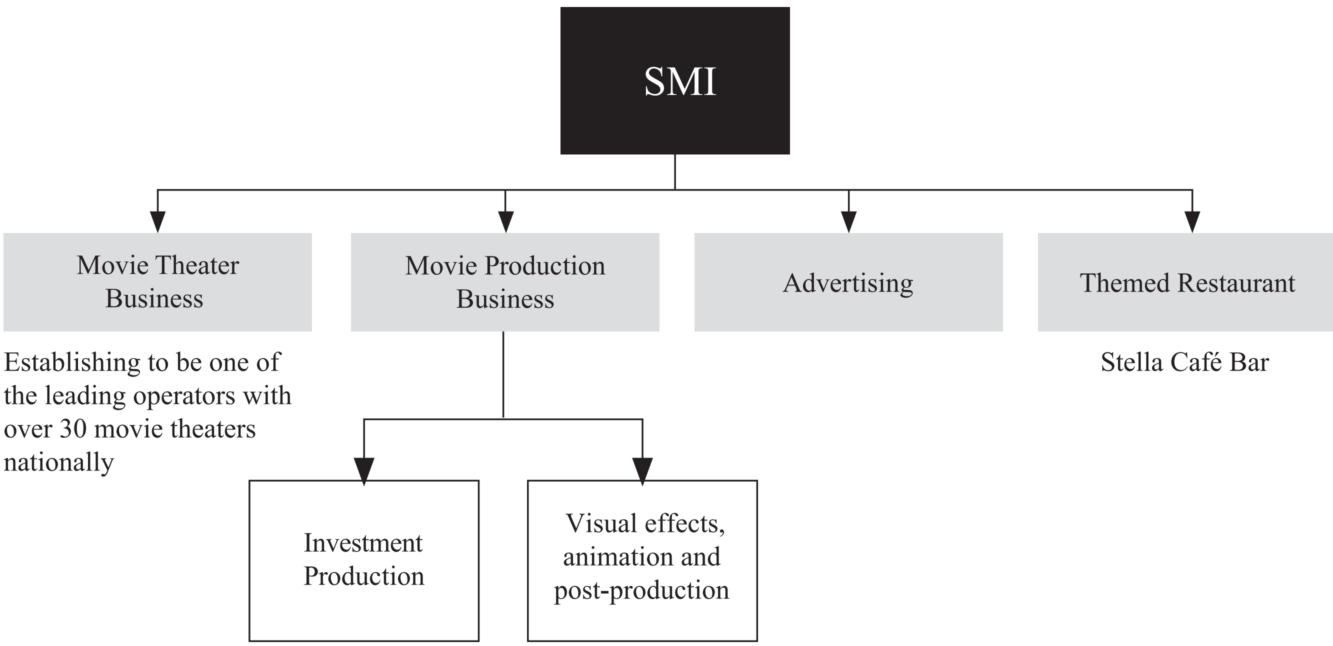
In this rapidly growing industry in China, we are involved in the entire value chain of the industry:



We have established very strong position in each of the sections of the value chain to capture and benefit from the opportunities arisen from the development of the movie industry in China. We create contents that the consumers want and provide the channel to deliver those contents to them to provide them with the best entertainment experience.

Corporate structure

The corporate structure that we are in the process of building is clearly defined with each business unit focusing on its area of the value chain:



Leading movie theater operator in China

We are establishing ourselves as one of the leading movie theater operator in China. Our existing three theaters registered significant growth in 2009 and we are in the process of acquiring another 12 movie theaters (subject to regulatory approvals and approval of the independent shareholders of the Company) in strategically important locations in China nationally; we are adding two movie theaters in each of Beijing and Shanghai which are the two largest movie theater markets in China and we are also establishing our presence in the regional centers of Tianjin, Chongqing, Chengdu, Shenyang, Xuzhou and Lanzhou.

With the expected double digit growth in attendance, we are confident that the Company's movie theater business will continue to experience strong growth in admissions revenue. We are also confident that we could increase the other revenue streams and profitability of our movie theaters. There are substantial synergistic benefits to be derived from a national chain of movie theaters; we intend to develop theater advertising as a major national advertising medium with the increasing number of attendance and we expect to drive our advertising sales to significantly higher level. We will be setting up a new business unit to focus on the development of our advertising business by leveraging our production, contents and delivery assets. By organising more effective promotional and marketing events, we increase consumer affinity with major movie titles and their characters; increasing not only admission revenues but also merchandise and refreshment sales in our theaters which we believe could increase to 15-25% of admissions revenues.

With our movie theaters located in first and second tier cities and major regional centers in China, we will be close to end consumers nationally, allowing us to gain firsthand knowledge of the latest trends in consumers' preferences; increasing our ability to anticipate changes in consumers' preferences for our film production business.

China added 142 movie theaters in 2009, increasing the total number of screens to 4,723. There are still considerable growth potentials in China given that there are only 7.3 screens per million population in China as compared to 129.8 screens, 41.3 screens and 26.5 screens per million population in the United States, South Korea and Japan respectively. China is expected to continue to add new movie theaters each year at a rapid rate; however I believe that this would be beneficial to the industry as this will drive the growth of attendance as more title choices could be offered to consumers and thereby accelerating the development of the cinema going behavior in the modern China culture.

Expansion of production, production related and distribution businesses in the China market

The China movie industry total revenues grew by 26.5% to RMB10.7 billion in 2009. Although foreign blockbusters still accounted for the two highest box office grossing films, Chinese films accounted for six of the 10 highest box office grossing films in China in 2009. The increasing disposable income in urban population has resulted in demand for better entertainment experience which our modern multi screen complexes could offer and better quality feature films which we intend to produce for the China and overseas markets.

I have personally been involved in film investment and production for over six years, having been involved in many high profile films such as 《如果•愛》(《Perhaps Love》), 《南京!南京!》(《City of Life and Death》) and 《青紅》(《Shanghai Dreams》). These movies were resounding commercial successes. I will be directly responsible for the development of the film production business of the Company. The Company has already announced that it will invest in three new high profile films 《趙氏孤兒》(《The Orphan of Zhao》), 《神奇俠侶》(《Mr. and Mrs. Incredible》) and 《魔術時代》(《The Era of Magic》) to be produced in 2010. We are already talking to a leading director in relation to forming a movie production joint venture and other prominent directors about setting up directors' workshops. We aim to produce or co produce three to five high quality films each year.

The Company announced that it would acquire the operational and management right of a movie production facility which is one of the largest facilities in China. Many high profile movies and TV series have been produced there. The Company is still evaluating and formulating the business plan. We are very confident with the prospect of the production facility and will make an announcement in due course.

3D presentations have been proven by the successes of Avatar, Alice in the Wonderland and Clash of the Titan. We understand that about 15 domestic movies with 3D features are to be produced in 2010 in China. There is therefore a substantial market for 3D technical production. However, the market has also demonstrated that 3D movies require high quality and advanced visual effects presentation to be successful. We are building our capability in this area for our internal requirement and for servicing the

China movie industry as a whole. To gain global recognition, Chinese movie industry needs to develop domestically our own world class visual effect and post production capability and we intend to lead that development.

I am very pleased that we have entered into a letter of intent with Mr. Dale Duguid in relation to the proposed acquisition of Photon VFX based in Queensland Australia and owned by Mr. Duguid. Photon VFX is one of the world's leading visual effects, animation and post production firms. Mr. Duguid has been a prime mover in the Australian VFX industry for over the last 20 years and was awarded the Centennial Medal by Queen Elizabeth II, his works on numerous Hollywood productions have been nominated for Academy and Emmy awards. Together, the Company and Mr. Duguid will expand the business of SMI Photon globally. In China, we will integrate the advanced vocational skills, technology and experience of Photon with the Company's resources in China to form a new multinational business, aiming at revolutionizing the visual effects, animation and post production section within the movie industry in China. We expect to complete the transaction in the third quarter of this year.

I understand that we need creativity and innovations to win in the competitive movie industry in China. SMI is committed to recruit the best talent and continuously strengthen our team. I am very proud of the employees who have continuously delivered dedication, hard work and accomplishments in striving for the same strategic vision of the Company. We are committed to their success by offering a board range of career development opportunities. It is only by taking our employees seriously that we could keep the best talent.

There is still much work to be done to complete the restructuring of the Company and unfortunately the restructuring expenses and a number of provisions resulting from the restructuring of the legacies of the Company have and will drag down the overall profit of the Company in 2009 and in 2010. These costs, however, are coming to an end in 2010.

In conclusion, I am looking ahead with confidence with the new focused strategy of the Company to become the leading integrated entertainment and media company focusing principally on the China market. The industry is attractive and we have a great position in the industry. There are many challenges ahead that we need to overcome but we are firmly in control of and are extremely excited about the future and the opportunities before us. It's an honor serving as the Chairman of the Company and on behalf of the Company, I'd like to thank you for your continued support and the faith you show in the Company to keep driving us to greater achievements and performance.

Sincerely,
QIN Hong
Chairman

Hong Kong, 28 April 2010

FINANCIAL RESULTS

The Board of Directors (the "Directors") of SMI Corporation Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (the "Group") for the period ended 31 December 2009, together with corresponding figures for the year ended 31 March 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 April 2009 to 31 December 2009

	Notes	**1.4.2009–31.12.2009** *HK$'000*	1.4.2008–31.3.2009 *HK$'000*
Continuing operations			
Turnover	*(3)*	**326,671**	—
Revenue	*(3)*	**71,715**	—
Cost of sales		**(46,749)**	—
Gross profit		**24,966**	—
Other income		**900**	6,973
Gain on disposal of held-for-trading investments		**7,743**	—
Gain on deconsolidation of subsidiaries		**10,326**	—
Gain on disposal of a subsidiary		**309**	—
Increase in fair value of convertible notes designated at financial assets at fair value through profit or loss		**1,258**	—
Decrease in fair value of held-for-trading investments		**(1,735)**	—
Loss on disposal of interest in an associate		**(3,612)**	—
Impairment loss on interests in associates		**(18,189)**	—
Impairment loss on interests in jointly controlled entities		**(6,727)**	(2,958)
Selling expenses		**(7,365)**	—
Administrative expenses		**(21,348)**	(10,753)
Other expenses		**(13,591)**	—
Finance costs		**(1,878)**	(3,427)
Share of results of associates		**—**	410
Loss before taxation		**(28,943)**	(9,755)
Income tax expense	*(5)*	**(4,196)**	—
Loss for the period/year from continuing operations	*(6)*	**(33,139)**	(9,755)

	Notes	1.4.2009– 31.12.2009 HK$'000	1.4.2008– 31.3.2009 HK$'000
Discontinued operation			
Profit (loss) for the period/year from discontinued operation	(7)	**—**	(18,476)
Gain on deconsolidation of a subsidiary		**61,132**	—
Profit (loss) for the period/year		**27,993**	(28,231)
Other comprehensive income (expense)			
Exchange differences on translating foreign operations		**85**	(725)
Release of exchange differences upon deconsolidation of a subsidiary		**597**	—
Other comprehensive income (expense) for the period/year		**682**	(725)
Total comprehensive income (expense) for the period/year		**28,675**	(28,956)
Profit (Loss) for the period/year attributable to:			
— Owners of the Company		**24,002**	(28,231)
— Minority interests		**3,991**	—
		27,993	(28,231)
Total comprehensive income (expense) attributable to:			
— Owners of the Company		**24,656**	(28,956)
— Minority interests		**4,019**	—
		28,675	(28,956)
Earnings (loss) per share from continuing and discontinued operation	(9)		
Basic (HK cents per share)		**1.61**	(8.99)
Diluted (HK cents per share)		**1.60**	(8.99)
Loss per share from continuing operations	(9)		
Basic (HK cents per share)		**(2.49)**	(3.11)
Diluted (HK cents per share)		**(2.49)**	(3.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	Notes	31.12.2009 HK$'000	31.3.2009 HK$'000
Non-current assets			
Property, plant and equipment		**36,599**	—
Interests in associates		**—**	28,532
Interests in jointly controlled entities		**17,000**	23,727
Deposit paid for acquisition of property, plant and equipment		**5,533**	—
Goodwill		**21,343**	—
		80,475	52,259
Current assets			
Inventories		**518**	1,000
Trade and other receivables	*(10)*	**51,485**	16
Film under production		**7,000**	—
Held-for-trading investments		**73,257**	—
Convertible notes designated at financial assets at fair value through profit or loss		**19,258**	—
Bank balances and cash		**76,229**	8,842
		227,747	9,858
Current liabilities			
Bank and other borrowings		**—**	34,734
Trade and other payables	*(11)*	**87,077**	92,088
Amounts due to related parties		**14,928**	17,477
Tax payable		**6,674**	1,988
		108,679	146,287
Net current assets (liabilities)		**119,068**	(136,429)
Total assets less current liabilities		**199,543**	(84,170)
Capital and reserves			
Share capital		**251,878**	31,407
Reserves		**(62,199)**	(115,577)
Equity attributable to owners of the Company		**189,679**	(84,170)
Minority interests		**9,864**	—
Total equity		**199,543**	(84,170)

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Hong Kong Companies Ordinance.

Change of reporting period end date

During the current financial period, the reporting period end date of the Company and its subsidiaries (collectively referred to as the "Group") was changed from 31 March to 31 December because the directors of the Company determined to bring the annual reporting period end date of the Group in line with its major subsidiaries which are established in the PRC. Accordingly, the consolidated financial statements for the current period cover the nine month period ended 31 December 2009. The corresponding comparative amounts shown for the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a twelve month period from 1 April 2008 to 31 March 2009 and therefore may not be comparable with amounts shown for the current period.

Withdrawal of winding-up petition and discharge of provisional liquidators

On 18 February 2008 and 19 February 2008, a winding-up petition (the "Petition") and the application for the appointment of the provisional liquidators were presented and filed respectively by Bank of China (Hong Kong) Limited ("BOCHK"), a creditor of the Company. On 20 February 2008, Messrs. Liu Yiu Keung Stephen, Chan Wai Hing and Ernst & Young Transactions Limited, were appointed by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "HK High Court") as the joint and several provisional liquidators (the "Provisional Liquidators"). The HK High Court, subsequently on 9 December 2008, ordered that Ms. Chan Wai Hing, one of the Provisional Liquidators of the Company, be at liberty to resign from the office of Provisional Liquidators from the date thereof and Mr. Liu Yiu Keung Stephen remains as the sole provisional liquidator of the Company. By the HK High Court 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 independent third parties not connected with the Company or any of the directors, chief executive and substantial shareholders of the Company or its subsidiaries or their respective associates as defined in the Rules Governing the Listing of Securities on the Stock Exchange.

On 15 July 2009, the HK High Court granted the withdrawal of the Petition and the discharge of the Provisional Liquidators subject to the affirmation by the Provisional Liquidators to the HK High Court confirming that the restructuring of the Company (the "Restructuring") has been completed. On 30 July 2009, the Provisional Liquidators submitted such affirmation to the HK High Court confirming the same.

Resumption proposal

On 7 March 2008, the Provisional Liquidators, the Company, Cenith Capital Limited ("Cenith"), P.C. Woo & Co. (the "Escrow Agent") and Strategic Media International Limited (the "Controlling Shareholder") (collectively as the "Parties") entered into an escrow agreement. The Parties agreed that Cenith to deposit to the Escrow Agent a maximum of HK$15 million for the expenses to be incurred by the Provisional Liquidators during the implementation of the resumption proposal (the "Deposit for Resumption Proposal"). It was also agreed that a sum of HK$5 million would be deposited in the Escrow Agent's account as escrow money to the creditors (the "Escrow Money to Creditors"), in the event that the proposed restructuring could not proceed further due to the action done or not done by the Controlling Shareholder.

A supplemental agreement dated 13 March 2008 was executed by the Parties to extend the date to deposit HK$3 million of the Escrow Money to Creditors to the Escrow Agent.

During the year ended 31 March 2009, the Escrow Agent had received the Deposit for Resumption Proposal and the Escrow Money to Creditors of HK$9 million and HK$5 million respectively according to the above agreements.

On 11 March 2008, a Memorandum of Understanding ("MOU") was signed between the Provisional Liquidators, the Company and 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 for the purpose of resuming the trading of the Company's shares on the Stock Exchange.

On 28 March 2008, the Company, the Provisional Liquidators, the Controlling Shareholder and Mr. Qin Hui entered into a formal agreement ("the Formal Agreement") in relation to the proposed restructuring of the Company to supersede the MOU.

Three supplemental agreements to the Formal Agreement were entered into subsequently on 30 September 2008, 31 March 2009 and 11 May 2009, respectively.

On 11 March 2008, a resumption proposal and subsequently on 9 May 2008, 7 August 2008 and 2 February 2009 respectively, one set of supplementary information for the resumption proposal and two sets of supplements to the resumption proposal (collectively the "Resumption Proposal") were submitted to the Stock Exchange requesting the resumption of trading of the Company's shares.

On 6 February 2009, the Stock Exchange issued a letter to the Company informing its decision to allow the Company to proceed with the Resumption Proposal, subject to prior compliance with various conditions to the satisfaction of the Listing Division of the Stock Exchange within six months from the date of the letter.

On 15 May 2009, the Company made an announcement of the Restructuring involving, inter alia:

(1) an increase in authorised share capital from HK$100,000,000 to HK$500,000,000 by the creation of an additional 4,000,000,000 unissued ordinary shares of HK$0.10 each;

(2) a group reorganisation in which the Company would wind up some subsidiaries (the "CVL Subsidiaries") by way of creditors' voluntary liquidations;

(3) an acquisition (the "Acquisition") of Colour Asia Pacific Limited ("Colour Asia") as a very substantial acquisition and connected transaction; and

(4) a proposed open offer (the "Open Offer") of 942,206,271 offer shares at HK$0.10 each to the qualifying shareholders on the basis of three shares for every one share held on the record date.

Following the announcement regarding the Restructuring of the Company on 15 May 2009, the Company, the Controlling Shareholder and Emperor Securities Limited (the "Underwriter") entered into an underwriting agreement on 22 May 2009 in which the Underwriter agreed to undertake the issue of 452,486,328 offer shares under the Open Offer (which formed part of the Restructuring of the Company). Pursuant to the Formal Agreement, the Controlling Shareholder undertook that it would take up or procure the taking up of all its entitlements under the Open Offer being not less than 489,719,943 offer shares. On 3 June 2009, the Company despatched the circular in relation to the Restructuring to the shareholders.

On 16 June 2009, Cenith and the Controlling Shareholder entered into a deed of assignment (the "Deed") in which Cenith agreed to assign absolutely to the Controlling Shareholder all its interest, title, benefit and advantage in the escrow agreement dated 7 March 2008, the supplemental agreement to the escrow agreement dated 13 March 2008 and the funding deed dated 9 December 2008.

On 3 July 2009, the Company held a special general meeting (the "SGM") and all the resolutions in relation to the Restructuring proposed at the SGM were duly passed by the shareholders attending and eligible to vote by way of poll at the SGM. On 6 July 2009, the Company despatched the prospectus in relation to the Open Offer to the shareholders.

On 23 July 2009, the Company completed the Open Offer and raised approximately HK$94,221,000, before expenses, by issuing 942,206,000 ordinary shares of HK$0.10 per share by way of an open offer on the basis of three offer shares for every one existing share held on the record date, payable in full upon acceptance.

On 30 July 2009, the Group acquired the entire equity interest in Colour Asia 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.

The Group has completed its Resumption Proposal on 30 July 2009. The Company has submitted its application to the Stock Exchange for approval to resume of trading in the shares on the Stock Exchange on 31 July 2009.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current period, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Hong Kong Accounting Standards ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 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)-Interpretations ("Int") 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK (IFRIC)-Int 13	Customer Loyalty Programmes
HK (IFRIC)-Int 15	Agreements for the Construction of Real Estates
HK (IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operations
HK (IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 "Operating segments"

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

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 annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the 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) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. TURNOVER AND REVENUE

Turnover represents the amounts received and receivable from box office takings; screen advertising; sales of food and beverage, dividend income and trading of equity securities during the period/year from continuing operations.

	1.4.2009– 31.12.2009 ***HK$'000***	1.4.2008– 31.3.2009 *HK$'000*
Film exhibition		
— box office income	**62,155**	—
— screen advertising income	**2,480**	—
Sales of food and beverage	**7,080**	—
Proceeds from held-for-trading investments	**254,642**	—
Dividend income from held-for-trading investments	**314**	—
	326,671	—

An analysis of the Group's revenue for the period/year from continuing operations is as follows:

	1.4.2009– 31.12.2009 ***HK$'000***	1.4.2008– 31.3.2009 *HK$'000*
Film exhibition		
— box office income	**62,155**	—
— screen advertising income	**2,480**	—
Sales of food and beverage	**7,080**	—
	71,715	—

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's operating and reportable segments under HKFRS 8 are as follows:

(a) Film exhibition — box office income and screen advertising income

(b) Café bars — sales of food and beverage

(c) Securities trading — trading of marketable securities

(d) Film production and distribution — production and distribution of films

The operation of a theme restaurant discontinued in the current period was reported as separate business segments under HKFRS 8. The segment information reported on the next pages does not include any amounts for this discontinued operation, which are described in details in note 7.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

	Segment revenue		Segment profit	
	Period ended 31.12.2009	Year ended 31.3.2009	**Period ended 31.12.2009**	Year ended 31.3.2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Film exhibition	**64,635**	—	**12,481**	—
Café bars	**7,080**	—	**3,870**	—
Securities trading	**—**	—	**6,322**	—
Film production and distribution	**—**	—	**—**	107
Total for continuing operations	**71,715**	—	**22,673**	107
Unallocated income			**174**	6,866
Unallocated expenses			**(33,277)**	(10,753)
Gain on deconsolidation of subsidiaries			**10,326**	—
Gain on disposal of a subsidiary			**309**	—
Increase in fair value of convertible notes designated at financial assets at fair value through profit or loss ("FVTPL")			**1,258**	—
Loss on disposal of interest in an associate			**(3,612)**	—
Impairment loss on interests in associates			**(18,189)**	—
Impairment loss on interests in jointly controlled entities			**(6,727)**	(2,958)
Finance costs			**(1,878)**	(3,427)
Share of results of associates			**—**	410
Loss before taxation (continuing operations)			**(28,943)**	(9,755)

Revenue reported above represents revenue generated from external customers. The Group did not generate inter-segment sales during the period (31 March 2009: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administrative expenses, gain on deconsolidation of subsidiaries, gain on disposal of a subsidiary, increase in fair value of convertible notes designated at financial assets at FVTPL, loss on disposal of interest in an associate, impairment loss on interests in associates, impairment loss on interests in jointly controlled entities, finance costs and share of results of associates. This is the measure reported to the CODM, the directors of the Company, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	31.12.2009	31.3.2009
	HK$'000	*HK$'000*
SEGMENT ASSETS		
Continuing operations		
Film exhibition	**97,744**	—
Café bars	**390**	—
Securities trading	**79,525**	—
Film production and distribution	**7,000**	1,153
Total segment assets	**184,659**	1,153
Unallocated	**123,563**	59,822
Consolidated assets	**308,222**	60,975

	31.12.2009	31.3.2009
	HK$'000	*HK$'000*
SEGMENT LIABILITIES		
Continuing operations		
Film exhibition	**35,853**	—
Café bars	**735**	—
Securities trading	**34,515**	—
Film production and distribution	**—**	6,052
Total segment liabilities	**71,103**	6,052
Unallocated	**37,576**	77,364
Consolidated liabilities	**108,679**	83,416

For the purposes of monitoring segment performances and allocating resources between segments:

— all assets are allocated to reportable segments other than interests in associates, interests in jointly controlled entities, convertible notes designated at financial assets at FVTPL, bank balances and cash, assets of headquarter and other receivables of the headquarter; and

— all liabilities are allocated to reportable segments other than amounts due to related parties, tax payable and other payables of the headquarter.

Other segment information

For the period ended 31 December 2009

	Continuing operations					**Discontinued operation**		
	Film exhibition	**Café bars**	**Securities trading**	**Film production and distribution**	**Total**	**Theme restaurant**	**Unallocated**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Additions to property, plant and equipment *(note)*	**1,777**	**331**	**—**	**—**	**2,108**	—	160	2,268
Depreciation	**1,380**	**22**	**—**	**—**	**1,402**	—	41	1,443
Impairment of property, plant and equipment	**259**	**—**	**—**	**—**	**259**	—	—	259
Impairment of other receivables	**49**	**—**	**—**	**—**	**49**	—	—	49
Impairment loss on interests in associates	**—**	**—**	**—**	**—**	**—**	—	18,189	18,189
Impairment loss on interests in jointly controlled entities	**—**	**—**	**—**	**—**	**—**	—	6,727	6,727
Impairment loss on inventories	**—**	**—**	**—**	**1,000**	**1,000**	—	—	1,000

For the year ended 31 March 2009

	Continuing operations					Discontinued operation		
	Film exhibition	Café bars	Securities trading	Film production and distribution	Total	Theme restaurant	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to property, plant and equipment	—	—	—	—	—	—	—	—
Depreciation	—	—	—	—	—	—	—	—
Impairment of property, plant and equipment	—	—	—	—	—	—	—	—
Impairment of other receivables	—	—	—	—	—	—	—	—
Impairment loss on interests in associates	—	—	—	—	—	—	—	—
Impairment loss on interests in jointly controlled entities	—	—	—	—	—	—	2,958	2,958
Impairment loss on inventories	—	—	—	—	—	2,486	—	2,486
Impairment loss on trade receivables	—	—	—	—	—	1,627	—	1,627

Note: The amount excluded the property, plant and equipment acquired on subsidiaries.

Geographical information

The Group principally operates in the PRC (country of domicile) with revenue and profit derived mainly from its operations in the PRC.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location of assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	31.12.2009	31.3.2009	**31.12.2009**	31.3.2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**71,715**	—	**42,132**	—

Non-current assets excluded those relating to discontinued operation, interests in associates, interests in jointly controlled entities and goodwill.

Information about major customers

No customer with whom transactions have exceeded 10% of the Group's aggregate revenue during the period/year ended 31 December 2009 and 31 March 2009.

5. INCOME TAX EXPENSE

	1.4.2009– 31.12.2009 *HK$'000*	1.4.2008– 31.3.2009 *HK$'000*
Current tax:		
— Hong Kong Profits Tax	**69**	—
— PRC Enterprises Income Tax	**4,127**	—
	4,196	—

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current period.

No provision for Hong Kong Profits Tax had been made for the year ended 31 March 2009 as the Group did not generate any assessable profits arising in Hong Kong during that year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

6. LOSS FOR THE PERIOD/YEAR

The Group's loss for the period/year is stated after charging the following:

	1.4.2009– 31.12.2009 *HK$'000*	1.4.2008– 31.3.2009 *HK$'000*
Continuing operations		
Auditor's remuneration	**840**	500
Cost of inventories recognised as an expense (excluding staff costs and depreciation on property, plant and equipment)	**2,586**	—
Impairment loss on inventories (included in cost of sales)	**1,000**	—
Directors' emoluments	**1,796**	—
Depreciation on property, plant and equipment	**1,443**	—
Operating lease charges of land and buildings		
— minimum lease payments	**6,881**	13,312
— contingent rent	**1,155**	—
Staff costs		
— salaries, bonus and allowances	**4,649**	15,468
— retirement benefits scheme contributions	**218**	519
	4,867	15,987

7. DISCONTINUED OPERATION

On 7 April 2009, the Tokyo District Court of Japan had made a judgment against Planet Hollywood (Japan) K.K. ("PHJ"), a wholly owned subsidiary of the Group which carried out all of the Group's theme restaurant operation, 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. On 17 July 2009, Star East (Japan) Limited, the immediate holding company of PHJ, was placed under liquidation. Since then, the Group had lost control over Star East (Japan) Limited and PHJ and both companies were deconsolidated from the Group's consolidated financial statements.

The gain (loss) for the period/year from the discontinued operation is analysed as follows:

	1.4.2009– 31.12.2009 *HK$'000*	1.4.2008– 31.3.2009 *HK$'000*
Loss of theme restaurant operation for the period/year	**—**	(18,476)
Gain on deconsolidation of theme restaurant operation	**61,132**	—
	61,132	(18,476)

The results of the discontinued operation for the period from 1 April 2009 to 17 July 2009, which have been included in the consolidated statement of comprehensive income, were as follows:

	Period ended 17 July 2009 *HK$'000*	Year ended 31 March 2009 *HK$'000*
Revenue	**—**	35,551
Cost of sales	**—**	(47,044)
Gross loss	**—**	(11,493)
Other income	**—**	753
Administrative expenses	**—**	(2,764)
Selling expenses	**—**	(545)
Other expenses	**—**	(4,113)
Finance costs	**—**	(314)
Loss before taxation	**—**	(18,476)
Income tax expense	**—**	—
Loss for the period/year	**—**	(18,476)

Losses for the period/year from discontinued operation include the followings:

	Period ended 17 July 2009 *HK$'000*	Year ended 31 March 2009 *HK$'000*
Depreciation and amortisation	—	—
Employee benefit expenses	—	15,810
Impairment loss on trade receivables	—	1,627
Impairment loss on inventories	—	2,486

Cash flows from discontinued operation:

	Period ended 17 July 2009 *HK$'000*	Year ended 31 March 2009 *HK$'000*
Net cash outflows from operating activities	—	(2,709)
Net cash inflows from investing activities	—	—
Net cash inflows from financing activities	—	—
Net cash outflows	—	(2,709)

8. DIVIDEND

No dividend was paid or proposed during the period ended 31 December 2009, nor has any dividend been proposed since the end of the reporting period (31 March 2009: nil).

9. EARNINGS (LOSS) PER SHARE

For continuing and discontinued operations

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

	1.4.2009– 31.12.2009 ***HK$'000***	1.4.2008– 31.3.2009 *HK$'000*
Earnings (loss)		
Earnings for the purpose of basic earnings (loss) per share	**24,002**	(28,231)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**82**	—
Earnings for the purpose of diluted earnings (loss) per share	**24,084**	(28,231)

	1.4.2009– 31.12.2009	1.4.2008– 31.3.2009
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**1,492,151,487**	314,068,757
Effect of dilutive potential ordinary shares:		
Convertible notes	**8,189,781**	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**1,500,341,268**	314,068,757

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	1.4.2009–31.12.2009 *HK$'000*	1.4.2008–31.3.2009 *HK$'000*
Profit (loss) for the year attributable to owners of the Company	**24,002**	(28,231)
Less:		
Profit (loss) for the year from discontinued operations	**61,132**	(18,476)
Earnings for the purpose of basic earnings per share from continuing operations	**(37,130)**	(9,755)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**82**	—
Earnings for the purpose of diluted earnings per share from continuing operations	**(37,048)**	(9,755)

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operation is HK4.10 cents per share (31 March 2009: loss of HK5.88 cents per share) and diluted earnings per share for the discontinued operation is HK4.07 cents per share (31 March 2009: loss of HK5.88 cents per share), based on the profit for the period from the discontinued operation of approximately HK$61,132,000 (31 March 2009: loss for the year from discontinued operation of approximately HK$18,476,000) and the denominators detailed above for both basic and diluted earnings per share.

Diluted loss per share

The diluted loss per share for the period ended 31 December 2009 is not presented as it resulted in a decrease in loss per share from continuing operations. Accordingly, the basic and diluted loss per share are the same.

10. TRADE AND OTHER RECEIVABLES

	31.12.2009 *HK$'000*	31.3.2009 *HK$'000*
Trade receivables	**6,788**	—
Deposits	**3,010**	—
Margin deposit placed with a financial institution *(Note a)*	**6,268**	—
Amount due from a minority shareholder of a subsidiary	**10,029**	—
Prepayments and other receivables *(Note b)*	**25,390**	16
	51,485	16

Notes:

(a) The deposits are placed with a financial institution for trading of securities. The deposits carried interest at market rates at 0.01% per annum. The amount are secured and repayable on demand.

(b) Included in the prepayments and other receivables of approximately of HK$10,023,000 was guaranteed by a minority shareholder of a subsidiary. The amount is unsecured, interest-free and repayable on demand.

The Group allows an average credit period of 90 days to its trade customers. The aging analysis of the Group's trade receivables based on the invoice date at end of reporting period is as follow:

	31.12.2009	31.3.2009
	HK$'000	*HK$'000*
0 to 30 days	**4,839**	—
31 to 90 days	**1,949**	—
	6,788	—

As at 31 December 2009 and 31 March 2009, no trade receivable balances are past due as at reporting dates for which the Group has not provided for impairment loss.

Impairment loss on other receivables are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against other receivable balance directly.

The movement in the impairment loss of other receivables is as follow:

	31.12.2009	31.3.2009
	HK$'000	*HK$'000*
Balance at the beginning of the period/year	**—**	—
Impairment loss recognised	**49**	—
Balance at the end of the period/year	**49**	—

At the end of each reporting period, the Group's other receivables were individually to be impaired. The individually impaired receivables are recognised based on the credit history of the counterparties, such as financial difficulties or default in payments. Consequently, specific impairment loss was recognised.

The Group does not hold any collateral over trade and other receivables.

11. TRADE AND OTHER PAYABLES

	31.12.2009	31.3.2009
	HK$'000	*HK$'000*
Trade payables	**18,181**	2,980
Customers' deposits	**16,010**	—
PRC business and other tax payables	**618**	—
Payroll and welfare payables	**847**	—
Margin payable due to financial institutions *(Note)*	**34,315**	—
Accrued charges and other payable	**17,106**	89,108
	87,077	92,088

Note: The margin payable due to financial institutions are secured and repayable on demand. The interest are range from 8% to 9.38% per annum.

The average credit period on purchases of goods is 30 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	31.12.2009	31.3.2009
	HK$'000	*HK$'000*
Up to 30 days	**7,917**	1,316
31 to 60 days	**6,459**	—
Over 60 days	**3,805**	1,664
	18,181	2,980

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Basis for qualified opinion

(a) *Opening balances and corresponding figures*

The auditor's opinion on the consolidated financial statements of the Group for the year ended 31 March 2009, which form the basis for the corresponding figures presented in the current period's consolidated financial statements, was qualified by the preceding auditor because of the significance of the possible effect of the limitations on the scope of the audit. Details of the qualified audit opinion are set out in the independent auditor's report dated 24 July 2009 issued by the preceding auditor and included in the Company's annual report for the year ended 31 March 2009.

(b) *Interests in associates, share of results of associates, impairment loss recognised on interests in associates and loss on disposal of an associate*

In respect of the Group's interests in associates, Applause Holdings Limited ("Applause") and 星美影院發展有限公司 ("星美影院發展"), no sufficient evidence has been received by us up to the date of this report to verify whether the carrying value of zero as at 31 December 2009 in respect of these investments were fairly stated in the consolidated statement of financial position.

No sufficient evidence has been received by us up to the date of this report in respect of the Group's share of results of associates from Applause, 星美影院發展 and Polyco Development Limited ("Polyco") for the period from 1 April 2009 to 31 December 2009 as included in the share of results of associates of zero in the consolidated statement of comprehensive income.

Included in the consolidated statement of comprehensive income was an impairment loss on interests in associates of approximately HK$18,189,000. No sufficient evidence has been received by us up to the date of this report in respect of the appropriateness of these impairment losses recognised in the consolidated financial statements for the period from 1 April 2009 to 31 December 2009.

The Group has disposed of Polyco during the period from 1 April 2009 to 31 December 2009. Accordingly, a loss on disposal of an associate amounted to HK$3,612,000 was recognised under continuing operations for the period ended 31 December 2009. As a result of the limitation of audit scope described in paragraph (a) above, we were unable to obtain sufficient evidence to satisfy ourselves as to (i) the accuracy of the financial position as at 1 April 2009 and at the disposal date and of the results for the period then ended of the associate being disposed of; and (ii) whether the amount of loss on disposal of an associate had been accurately recorded in the consolidated statement of comprehensive income. Any adjustments to the figures would have a consequential effect on the classification and presentation of the results and cash flows of the Group for the period from 1 April 2009 to 31 December 2009 and the related disclosures thereof in the consolidated financial statements.

(c) *Interests in jointly controlled entities, share of results of jointly controlled entities and impairment loss recognised on interests in jointly controlled entities*

In respect of the Group's interests in jointly controlled entities of Canaria Holding Limited and its subsidiary, Earn Elite Development Limited (collectively referred to as the "Canaria Group"), no sufficient evidence has been received by us up to the date of this report to ascertain as to whether the opening balance of the carrying value of approximately HK$23,727,000 were fairly stated in the consolidated statement of financial position as at 31 March 2009.

No sufficient evidence has been received by us up to the date of this report in respect of the Group's share of results of jointly controlled entities from the Canaria Group of zero for the period from 1 April 2009 to 31 December 2009 as included in the share of results of jointly controlled entities of zero in the consolidated statement of comprehensive income.

Included in the consolidated statement of comprehensive income was an impairment loss on interests in jointly controlled entities in respect of the Canaria Group of approximately HK$6,727,000. As a result of the limitation of audit scope in respect of the opening balance of the Group's interests in jointly controlled entities and the Group's share of results for the period ended 31 December 2009 in respect of the Canaria Group as mentioned above, we were unable to ascertain the accuracy of the impairment loss recognised in the consolidated financial statements for the period from 1 April 2009 to 31 December 2009.

(d) *Trade and other payables*

No sufficient direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the trade and other payables of approximately HK$13,045,000 as included in the trade and other payables of approximately HK$87,077,000 in the consolidated statement of financial position as at 31 December 2009. We were unable to carry out other alternative procedures to satisfy ourselves as to the existence, accuracy and completeness of this balance.

(e) *Gain on deconsolidation/disposal of subsidiaries*

The Group had deconsolidated/disposed of certain subsidiaries during the period from 1 April 2009 to 31 December 2009. Accordingly, gain on deconsolidation/disposal of subsidiaries amounted to HK$10,635,000 and HK$61,132,000 was recognised respectively under continuing and discontinued operations for the period ended 31 December 2009. As a result of the limitation of audit scope described in paragraph (a) above, we were unable to obtain sufficient evidence to satisfy ourselves as to (i) the accuracy of the financial position as at 1 April 2009 and at the respective deconsolidation/disposal date and of the results for the period then ended of the subsidiaries being deconsolidated/disposed of; and (ii) whether the amount of gain on deconsolidation/disposal of subsidiaries had been accurately recorded in the consolidated statement of comprehensive income. Any adjustments to the figures would have a consequential effect on the classification and presentation of the results and cash flows of the Group for the period from 1 April 2009 to 31 December 2009 and the related disclosures thereof in the consolidated financial statements.

Any adjustments to the figures as described in points (a) to (e) above might have a consequential effect on the consolidated financial position of the Group as at 31 March 2009 and 31 December 2009 and on the Group's result for the year ended 31 March 2009 and for the period from 1 April 2009 to 31 December 2009 and the related disclosures thereof in the consolidated financial statements.

Qualified opinion arising from limitation of audit scope

In our opinion, except for any adjustments to the figures as described in points (a) to (e) above might have been determined to be necessary had we been able to obtain sufficient evidence, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December

2009 and of the Group's results and cash flows for the period from 1 April 2009 to 31 December 2009 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2009, the Company was restructuring its businesses, capital base, financial conditions, operation and management. Loss making businesses were largely discontinued and liquidated. The formation of the new core business of the Company by the acquisition of the theater operation business in July 2009 generates high operating margin and stable to the Company. The Stellar café bar business which provided snack bar services inside the three theaters was also very profitable with 54.7% operating margin and contributing to 23.7% of the total operating profits of the three theaters.

During the period ended 31 December 2009, the Company engaged in securities trading with cash not required for the operation of or capital investment by the Company for the time being. As the Company expands and makes further investments is its core businesses, securities trading as a percentage of the total revenues of the Company will gradually become lower.

As the Company was experiencing a period of transition and transformation, relatively high operating and administration expenses and professional fees were incurred by the Company for the period ended 31 December 2009. With the Company emerging from the transitional period of last year and a stable management team is now in place, although there will still be exceptional expenses associated with the restructuring of the Company that is expected to be largely completed by the end of 2010, the total operating and administration expenses and professional fees for 2010 will be substantially lower than last year.

Theater Operation Business

The movie industry is one of the fastest growing industries of the rapidly growing consumer market in China. The movie industry grew by 43.1% in terms of gross box office receipts in 2009. With the rising consumption and income per capita in China, China's movie industry has entered a rapid development stage with increasing number of high quality and high profile domestic films being produced and increasing number of foreign movies being imported to be exhibited to the growing number of audience in China who are demanding high quality entertainment experience in modern theaters.

For the period ended 31 December 2009 (the "Reporting Period"), the three theaters generated total revenues of HK$71.7 million and gross profit of HK$25.0 million representing gross margin of 34.8% and segment operating profit of HK$16.4 million, representing segment operating margin of 22.8%.

ACQUISITION AND CONNECTED TRANSACTION

On 30 July 2009, the Company completed the acquisition of Colour Asia Pacific Limited ("Colour Asia") for a total consideration of HK$84.3 million. Colour Asia was a private company owned by Mr. QIN Hui who was the beneficial owner of 163,239,891 shares in the Company, representing 51.98% of the outstanding share capital of the Company when the acquisition was announced. Mr. QIN Hui was accordingly a connected person to the Company pursuant to the Listing Rules of the Hong Kong Stock Exchange. Colour Asia owns 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. Mingxiang operates the Jingyuan Stellar Multipex in Beijing with 1,351 seats. Wangjing operates the Stellar Wangjing Multiplex with 1,066 seats in Beijing and manages the Zhengda Stellar Multiplex with 1,158 seats in Shanghai. The acquisition of Colour Asia was a very substantial acquisition and as Mr. QIN was a connected person, connected transaction pursuant to the Listing Rules. The acquisition of Colour Asia was approved by independent shareholders in a special general meeting on 3 July 2009.

PROSPECTS

The theater operation business of the Company is expected to experience rapid growth with the continuing growth of the movie industry in China. The Company has announced that it is acquiring interests in another 12 movie theaters located in China nationally. The Company is also increasing the capacity of the Stellar Zhengda Multiplex by adding another 5 screens with 970 seats. In view of the increasing popularity of 3D presentations, The Company is adding more 3D systems to its movie theaters. The Company will continue to expand its movie theater portfolio to become one of leading movie theater operators in China.

In relation to the theater operation business and other businesses of the Company, Mr. Qin Hong, the Chairman of the Company has set out the vision and strategies of the Company in his Chairman's statement as set out above.

FINANCIAL REVIEW

Comparison with the preceding reporting period is not appropriate as the continued operations during the preceding reporting period related the theme restaurant business of the Company in Japan which ceased business in April 2009.

Revenues

Total turnover and revenue during the Reporting Period were HK$398.4 million in aggregate. Revenues generate from the three theaters operated by the Company amounted to HK$71.7 million.

Cost of sales

Cost of sales from the three theaters operated by the Company amounted to HK$46.7 million.

Gross profit

Gross profit from the theme theaters during the Reporting Period was HK$25.0 million, representing a gross margin of 34.8%.The Company expects the theater operating business continues to generate high gross margin.

Gain on disposal on trading of listed securities amounted to HK$7.7 million during the Reported Period.

Loss for the Reporting Period from continuing operations

Loss for the period from continuing operations during the Reporting Period was HK$33.1 million. The Company generated a loss before taxation of HK$28.9 million for the Reporting Period principally as a result of professional fees of HK$13.2 million in aggregate for resumption of trading of the shares of the Company on the Hong Kong Stock Exchange and impairment provisions relating to investment of HK$25.0 million.

Profit for the Reporting Period from discontinued operation

Profit from discontinued operation during the Reporting Period was HK$61.1 million profit. The profit of HK$61.1 million was largely as a result of the gain on deconsolidation of the total net liabilities of a subsidiary which was dissolved pursuant to creditors' voluntary liquidation.

Profit for the Reporting Period

Profit for the Reporting Period attributable to shareholders of the Company was HK$24.0 million, as a result of the profit from discontinued operation of HK$61.1 million. Total comprehensive income attributable to shareholders of the Company was HK$24.7 million.

Financial resources and Liquidity

The Group's net assets as at 31 December 2009 amounted to HK$199.5 million, representing an increase of HK$283.7 million from the Group's net liabilities of HK$84.2 million as at 31 March 2009. This was due to the increases in outstanding share capital and reserves of HK$289.6 million in aggregate though the Open Offer, the acquisition of Colour Asia and the placing of new shares during the Reporting Period. The current liabilities of the Group were reduced by HK$37.6 million as a result of the deconsolidation of the net liabilities of a subsidiary which was dissolved pursuant to creditors' voluntary liquidation as referred to above. As at 31 December 2009, the Group did not have any bank borrowings or long term debts nor did it hold any financial derivatives and long term debts.

As a result of the increases in outstanding share capital and reserves of the Company which raised an aggregate of HK$162.4 million in cash, the Group had a substantial cash reserve of HK$76.2 million and held for trading investments of HK$73.3 million as at 31 December 2009. The Company has sufficient cash reserves to finance its operations and capital expenditures in the coming year.

Foreign exchange risks

The Company reports its financial statements in Hong Kong dollars ("HK$"). All of the theater operation business revenues and operating costs were denominated in Renminbi ("RMB"). The expansion of the theater operation business will be principally in China. The Company will therefore be exposed to exchange loss if HK$ strengthens against the RMB. As at 31 December 2009, the Group had exchange reserve of HK$85,000. The Directors believe that at least in the near future the HK$ is unlikely to strengthen against the RMB. If the RMB strengthens against the HK$, the Company is expected to make exchange gain from its RMB based investments in China.

Pledge of assets

At 31 December 2009, the Group's held-for-trading investments and convertible notes designated at financial assets at FVTPL amounted to approximately HK$60,884,000 and HK$19,258,000 were pledged to secure margin account facilities granted to the Group.

Employees

There are total 283 full-time staff as at 31 December 2009 (including directors but excluding part-time staff). The Company offers remuneration and benefit packages to its employees according to the prevailing salary levels in the market, individual merits and performance.

Employees, including executive Directors, are eligible under the Company's share option scheme in which the share options are generally exercisable in stages within a period of 10 years.

CORPORATE GOVERNANCE

During the period ended 31 December 2009 (the "Reporting Period"), the Company was in compliance with the provisions of the CG Code except that of the 41 meetings of the board of directors of the Company (the "Board") held during the Reporting Period, a majority of the Directors attended only one of the 41 Board meetings. Provision A.1.1 of CG Code stipulated that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals and such regular Board meetings should normally involve the active participation, either in person or through other electronic means of communication, of a majority of Directors of the Company entitled to be present. The Company will endeavor to ensure a majority of its Directors attend the Board meetings. The Directors are of the view that there is efficient communication by the Company and among them to keep abreast of the development of the affairs of the Company.

Save as those mentioned above, in the opinion of the Directors, the Company complied with the Provisions of the CG Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company listed securities except as noted below:

	Number of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.1 each at 1 April 2008, 31 March 2009 and 1 April 2009	1,000,000,000	100,000
Additions *(Note (a))*	4,000,000,000	400,000
Ordinary shares of HK$0.1 each at 31 December 2009	5,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each at 1 April 2008, 31 March 2009 and 1 April 2009	314,068,757	31,407
Issue of shares — open offer *(Note (b))*	942,206,271	94,221
Issue of shares — acquisition of subsidiaries *(Note (c))*	843,500,000	84,350
Issue of shares — placing *(Note (d))*	269,000,000	26,900
Issue of shares — conversion of convertible notes on 3 December 2009 *(Note (e))*	15,000,000	1,500
Issue of shares — conversion of convertible notes on 11 December 2009 *(Note (e))*	113,000,000	11,300
Issue of shares — conversion of convertible notes on 22 December 2009 *(Note (e))*	22,000,000	2,200
Ordinary shares of HK$0.1 each at 31 December 2009	2,518,775,028	251,878

Notes:

(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.

(b) On 23 July 2009, the Company raised approximately HK$94,221,000, before expenses, by issuing 942,206,271 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. The share capital of the Company was increased by approximately HK$94,221,000 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, respectively.

(c) On 30 July 2009, the Group acquired the entire equity interest in Colour Asia 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) 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 was approximately HK$71,285,000. The agreement was completed and the 269,000,000 new shares in the Company were duly issued and allotted on 22 October 2009. Further details of the above transactions are set out in the announcements of the Company dated 12 October 2009 and 22 October 2009, respectively.

(e) On 3 December 2009, 11 December 2009 and 22 December 2009, the note holders exercised their conversion rights to convert the convertible notes of HK$3,975,000 into the Company's ordinary shares of 15,000,000 shares; HK$29,945,000 into the Company's ordinary shares of 113,000,000 shares; and HK$5,830,000 into the Company's ordinary shares of 22,000,000 shares respectively, at a conversion price of HK$0.265 per ordinary share.

All the shares which were issued during the period rank pari passu with the then existing shares in all respects.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial results for the Reporting Period and internal control issues of the Company.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.equitynet.com.hk/smi and www.smi198.com. The 2009 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board
SMI Corporation Limited
XIAO Ping
Executive Director

Hong Kong, 28 April 2010

As at the date of this announcement, the Board comprises 7 directors, of which 4 are executive Directors, namely Mr. QIN Hong, Ms. XIAO Ping, Mr. HU Yidong and Mr. LI Kai; and 3 are independent non-executive Directors, namely Mr. HE Peigang, Mr. PANG Hong and Mr. CHAN Sek Nin, Jackey