



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)

# Interim Report 2011





PRODUCTION

ROLL

SCENE

TAKE

DIRECTOR

CAMERA

DATE

Day Night Interior Exterior Mos  
Filter Filter Sync

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. QIN Hong

*(Chairman and Chief Executive Officer)*

Mr. HU Yidong

Mr. SUNG Chit Nim

Mr. LI Kai

#### Independent Non-Executive Directors

Mr. HE Peigang

Mr. PANG Hong

Mr. CHAN Sek Nin, Jackey

#### Audit Committee

Mr. HE Peigang *(Chairman)*

Mr. PANG Hong

Mr. CHAN Sek Nin, Jackey

#### Remuneration Committee

Mr. HE Peigang *(Chairman)*

Mr. PANG Hong

Mr. CHAN Sek Nin, Jackey

#### Nomination Committee

Mr. HE Peigang *(Chairman)*

Mr. PANG Hong

Mr. CHAN Sek Nin, Jackey

#### COMPANY SECRETARY

Mr. LAU Chi Yuen

#### AUTHORIZED REPRESENTATIVES

Mr. SUNG Chit Nim

Mr. LAU Chi Yuen

#### AUDITOR

RSM Nelson Wheeler

#### REGISTERED OFFICE

Clarendon House,

2 Church Street,

Hamilton HM 11,

Bermuda

#### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 6701-2 & 13,

The Center,

99 Queen's Road Central,

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

00198

#### WEBSITE

[www.equitynet.com.hk/smi](http://www.equitynet.com.hk/smi)

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

#### *Theater operation business*

Currently, China's movie industry is experiencing a golden period. Explosive growths are witnessed for movie production, box office, financing and movie theater construction. According to the China Theatrical Market Report 2010-2011, the average movie theater visits per head significantly increased for 40% from 204 million in 2009 to 290 million in 2010, it is expected that the growth momentum will sustain. Taking this opportunity, the Company and its subsidiaries (collectively the "Group") strategically position itself as the leading movie theater operator in the People's Republic of China (the "PRC"). Our goal will be achieved by penetrating into not only first-tier but also the emerging second-tier and third-tier cities which have great market potential, through setting up new movie theaters, and merger and acquisition with other movie theater.

During the six months ended 30 June 2011 (the "Reporting Period"), the Group established 12 new movie theaters in Shenyang, Chengdu, Qingdao, Shanghai, Shandong Longkou, Jiangsu Changshu, Kunming, Beijing, Tianjin and Haerbin. Further expansion is expected in the second half of the year to obtain national coverage and strengthen our brand as the leading movie theater operator in the PRC.

Including the jointly controlled entities and associates, the Group is operating a total of 27 multi-screen movie theaters with up to 172 screens and 27,605 seats as at 30 June 2011.

#### *Acquisition*

In January 2011, the Group acquired additional economic interests of 30% and 10.71% in Beijing Wangjing Stellar International Movie Theater Management Co., Limited ("Wangjing") and Beijing Mingxiang Stellar International Movie Theater Management Co., Limited ("Mingxiang") respectively. Upon completion, the Group would be entitled to 90% of the economic interests in Mingxiang and Wangjing respectively.

Both Wangjing and Mingxiang are well established and profitable operations and are expected to provide positive contributions to the profitability of the Group.

Moreover, during the Reporting Period, the Group acquired 41% of equity interest of the movie theater, namely 北京世紀東都國際影城有限公司 which is located in Beijing city.

The above acquisitions are in line with the Group's intention to expand its portfolio of movie theaters and will allow the Group to capitalize in the growth of the movie theater market in the Mainland China.

### ***Movie and TV series production***

With the success of Chinese domestic films “讓子彈飛 (Let The Bullets Fly)”, “非誠勿擾 (If You Are The One)” and “唐山大地震 (Aftershock)”, we noted that domestic films productions are as popular as most of the foreign blockbusters. With the ever increasing demand for high quality entertainment from the affluent group of consumers, there is an enormous growing potential for domestic movies market.

In 2010, we invested in the production of many high profile films namely “趙氏孤兒 (Sacrifice)”, “神奇俠侶 (Mr. & Mrs. Incredible)”, “最愛 (Love for Life)” and “武俠 (Wu Xia)”. Some of the films were released in late 2010 and early 2011.

We further extended our investment in production of Chinese domestic TV series in 2011. Domestic TV series are more popular compared to overseas TV series as the storyline can reflect true life and the dominant role of PRC audiences. The extensive TV coverage can also reinforce our Group's image.

### **Prospects**

In light of the boom in Chinese film production, the government is supporting to bring cinema to both the urban Chinese and also even more rural areas to help the industry expand. In early 2010, the State Council Secretariat Guiding Opinions Concerning Stimulating, Flourishing and Development of the Film Industry was issued to firstly specify the film industry into national strategic industries. The Guideline specifically states the ten measurements and the seven objectives to be achieved by the end of 2015 for the movie industry. Furthermore, in the Twelfth Five-Year Plan released in March 2011, movie industry is considered as one of the pillar industries for the PRC's economic development in the 2011 to 2015.

Hence, the accelerating development of the Group's theater and film production operation will allow the Group to benefit from such positive developments in Mainland China.

## **Financial review**

### ***Turnover, revenue and profit for the period***

For the Reporting Period, the Group achieved a turnover of approximately HK\$432 million and revenue of approximately HK\$318 million (2010: HK\$303 million and HK\$94 million respectively), an increase of 43% and 239% over the corresponding period in 2010.

As compared with corresponding period in 2010, the Group successfully turned the loss into profit. The profit for the Reporting Period was approximately HK\$39 million (2010: loss of HK\$29 million).

The segment revenues and profit for the Reporting Period were mainly contributed by theater operation and investments in film production and distribution segments.

The revenues and profit of theater operation for the Reporting Period has been increased by approximately HK\$131 million and approximately HK\$30 million respectively when compared with the corresponding period in 2010.

Moreover, several invested films were released or the distribution rights were sold during the Reporting Period and contributed approximately HK\$85 million and approximately HK\$20 million to segment revenue and profit of the Group respectively.

### ***Selling, marketing and administrative expenses***

The increase in selling, marketing and administrative expenses mainly came from the increase in number of theaters acquired and established during the second half of year 2010 and the Reporting Period.

### ***Finance cost***

Finance cost was mainly represented by the effective interest of HK\$480 million and HK\$141 million convertible note which was issued during this period.

### ***Financial resources and liquidity***

As at 30 June 2011, the Group maintained sufficient liquid fund and had net current assets of approximately HK\$212 million. The net current assets included a cash reserve of approximately HK\$61 million, which reduced by approximately HK\$193 million from HK\$254 million as at 31 December 2010. The decrease was caused by the capital expenditure for developing new movie theaters.

The Group's net assets were approximately HK\$2,482 million, representing an increase of approximately HK\$422 million from approximately HK\$2,060 million as at 31 December 2010. This was mainly due to the conversion of convertible note and profit generated during the Reporting Period.

### ***Debt and gearing***

The gearing ratio (Total borrowings including convertible notes to equity attributable to equity holders of the Group) decreased from 22% in 2010 to 5% as at 30 June 2011 as a result of the conversion of HK\$480 million convertible note into ordinary shares during the Reporting Period.

The Group was financed primarily through share capital and reserve. There was no bank borrowing as at 30 June 2011.



### ***Foreign exchange risks***

The reporting currency of the Group is Hong Kong dollars ("HK\$"). All the theater operation business revenue and operating costs are denominated in Renminbi ("RMB"). With the expansion of these operations primarily be in China, the Group is therefore exposed to exchange loss if HK\$ strengthens against RMB.

The Group currently does not have a foreign currency hedging policy. The directors considers that it is unlikely HK\$ would strengthen against RMB in the near future. However if RMB continues to strengthen against HK\$, the Group is expected to have an exchange gain resulting from its RMB based investments in China. The Group will monitor its foreign currency exposure closely and will consider implementing an appropriate foreign currency hedging policy should the need arise.

### **Employees**

As at 30 June 2011, the Group had a total of 932 full-time employees (including directors but excluding part-time staff). The Group offers remuneration and benefit packages to its employees according to the prevailing salary levels in the market, individual merits, experience and performance.

## **DIRECTORS' REPORT**

The Board of Directors (the "Board") presents their interim report of the Group for Reporting Period.

### **Results and appropriations**

The results of the Group for the Reporting Period are set out in the condensed consolidated income statement and condensed consolidated statement of comprehensive income on pages 18 to 20. No dividend was paid or proposed during the Reporting Period.

### **Share capital and reserves**

As at 30 June 2011, the total number of shares issued by the Company was 8,101,606,688 shares.

Movements in the Company's authorised and issued share capital are set out in note 21 to the condensed consolidated financial statements on page 42. Movements in the reserves of the Group are set out in the condensed consolidated statement of changes in equity on page 23.

Changes in authorised and issued share capital of the Company during the Reporting Period are also outlined below:

- (i) On 27 April 2011, the convertible note holder exercised his subscription rights to subscribe 1,500,000,000 ordinary shares of the Company at a conversion price of HK\$0.295 per ordinary share. Details of the conversion note are set out in Note 20 in the condensed consolidated financial statements on pages 40 to 41.
- (ii) On 24 May 2011, the convertible note holder exercised his subscription rights to subscribe 127,118,644 ordinary shares of the Company at a conversion price of HK\$0.295 per ordinary share. Details of the conversion note are set out in Note 20 in the condensed consolidated financial statements on pages 40 to 41.
- (iii) On 30 March 2011, the Company entered into a subscription agreement in respect of the issue of the convertible notes at the conversion price of HK\$0.47 per conversion share in the principal amount of HK\$141.0 million. The net proceeds from the said agreement was approximately HK\$140.5 million. Further details of the above transactions are set out in the announcement of the Company dated 30 March 2011. The Company issued the said convertible notes to Mr. QIN Hui on 27 May 2011.

### **Directors and directors' service contracts**

The directors of the Company during the Reporting Period and up to the date of this report were:

#### ***Executive Directors:***

Mr. QIN Hong (*Chairman and Chief Executive Officer*)

Mr. HU Yidong

Mr. SUNG Chit Nim

Mr. LI Kai

#### ***Independent Non-executive Directors:***

Mr. HE Peigang

Mr. PANG Hong

Mr. CHAN Sek Nin, Jackey

The three independent non-executive directors have entered into a service contract with the Company for a term of three years. The service contract can be terminated by either party by giving three months' notice to the other party.

All annual remuneration packages were determined on arm's length negotiations between the parties based on their respective contributions to and responsibilities in the Company.

## Directors and chief executive's interests

As at 30 June 2011, the interests and short positions of the directors and chief executives in the shares of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in the Listing Rules were as follows:

### *Interests in the shares and underlying shares of the Company*

| Directors | Capacity                                    | Registered shareholders | Corporate Interest | Long position | Short position | % of total issued shares |
|-----------|---------------------------------------------|-------------------------|--------------------|---------------|----------------|--------------------------|
| QIN Hong  | Person having a security interest in shares | -                       | -                  | 33,000,000    | -              | 0.41%                    |
| HU Yidong | Person having a security interest in shares | -                       | -                  | 15,000,000    | -              | 0.19%                    |
| LI Kai    | Person having a security interest in shares | -                       | -                  | 5,000,000     | -              | 0.06%                    |

Save as disclosed above, as at 30 June 2011, none of the other directors or the chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company, subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Share option scheme

The Company adopted a new share option scheme on 30 September 2009. 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 are set out in note 22 to the condensed consolidated financial statements.

During the period from 1 January to 30 June 2011, certain existing executive directors of the Company and other eligible participants have interests in share options to subscribe for shares in the Company. Details of such interests and movement of share options granted by the Company are shown below:

| Name                               | Date of grant | Number of share options    |                              |                           |                             |                          | Balance at 30 June 2011 | Exercise price per share<br>HK\$ |
|------------------------------------|---------------|----------------------------|------------------------------|---------------------------|-----------------------------|--------------------------|-------------------------|----------------------------------|
|                                    |               | Exercise period<br>(Notes) | Balance as at 1 January 2011 | Granted during the period | Exercised during the period | Lapsed during the period |                         |                                  |
| <b>Directors</b>                   |               |                            |                              |                           |                             |                          |                         |                                  |
| QIN Hong                           | 11 June 2010  | 2                          | 33,000,000                   | -                         | -                           | -                        | 33,000,000              | 0.51                             |
| HU Yidong                          | 11 June 2010  | 2                          | 15,000,000                   | -                         | -                           | -                        | 15,000,000              | 0.51                             |
| LI Kai                             | 11 June 2010  | 2                          | 5,000,000                    | -                         | -                           | -                        | 5,000,000               | 0.51                             |
| <b>Other eligible participants</b> |               |                            |                              |                           |                             |                          |                         |                                  |
|                                    | 3 May 2010    | 1                          | 209,977,500                  | -                         | -                           | 209,977,500              | -                       | 0.57                             |
|                                    | 11 June 2010  | 2                          | 86,075,507                   | -                         | -                           | -                        | 86,075,507              | 0.51                             |
|                                    | 11 June 2010  | 3                          | 197,075,500                  | -                         | -                           | 197,075,500              | -                       | 0.51                             |
|                                    |               |                            | <u>546,128,507</u>           | <u>-</u>                  | <u>-</u>                    | <u>407,053,000</u>       | <u>139,075,507</u>      |                                  |

Notes:

- (1) From 3 May 2010 to 2 May 2011.
- (2) Divided into 2 tranches exercisable from 11 June 2010 to 10 June 2013.
- (3) From 11 June 2010 to 10 June 2011.

## Substantial shareholders' interests

As at 30 June 2011, so far as it is known to the directors, the following parties (other than the directors and chief executives of the Company) had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept under Section 336 of SFO:

| Substantial Shareholders              | Registered shareholders   | Corporate Interest     | Long position             | Short position | % of total issued shares |
|---------------------------------------|---------------------------|------------------------|---------------------------|----------------|--------------------------|
| Mr. QIN Hui                           | 5,997,508,961<br>(Note 1) | 23,878,623<br>(Note 2) | 6,321,387,584             | -              | 78.03%                   |
| Kingston Finance Limited ("Kingston") | 2,057,118,644             | -                      | 2,057,118,644<br>(Note 3) | -              | 25.39%                   |
| Ample Cheer Limited ("Ample Cheer")   | 2,057,118,644             | -                      | 2,057,118,644<br>(Note 3) | -              | 25.39%                   |
| Best Forth Limited ("Best Forth")     | 2,057,118,644             | -                      | 2,057,118,644<br>(Note 3) | -              | 25.39%                   |
| CHU Yuet Wah ("Madam Chu")            | -                         | 2,057,119,707          | 2,057,119,707<br>(Note 4) | -              | 25.39%                   |
| FIL Limited                           | 472,520,000               | -                      | -                         | -              | 5.93%                    |

Notes:

- Mr. QIN Hui is beneficially interested in the convertible notes in the principal amount of HK\$141 million issued by the Company which is convertible into 300,000,000 shares at the conversion price of HK\$0.47 per share.
- Mr. QIN Hui owns the entire interest in Strategic Media International Limited ("SMIL") and was accordingly deemed to be interested in 23,878,623 shares of the Company which are held by SMIL.
- According to the Corporate Substantial Shareholder Notices filed by Kingston, Ample Cheer and Best Forth filed on 30 May 2011, Kingston, as person having a security in shares, is interested in 2,057,118,644 shares which comprise (i) 300,000,000 underlying shares and (ii) 1,757,118,644 shares. Since Kingston is wholly-owned by Ample Cheer who in turn is 80%-owned by Best Forth, Ample Cheer and Best Forth are deemed to be interested in 2,057,118,644 shares held by Kingston.
- According to the Individual Substantial Shareholder Notice filed by Madam CHU on 30 May 2011, Madam CHU is deemed to be interested in 2,057,119,707 shares which comprise (i) 300,000,000 underlying shares and (ii) 1,757,119,707 shares through corporations controlled by her.

## 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. 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                       | Movies production and talent management in the PRC                                         | Chairman                |
| Mr. HU Yidong    | Stellar Megamedia Group Limited and its subsidiaries | Movies, television dramas and documentary production distribution and licensing in the PRC | Chief Executive Officer |

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 Board believes that the above businesses are unlikely to be of any significant competition with the businesses of the Group.

Apart from the foregoing, no director of the Board is interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

**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 Reporting Period or at any time during the Reporting Period.

**Public float**

As at 30 June 2011, the Company has maintained the prescribed public float under the Listing Rules based on the information that is publicly available to the Company and within the knowledge of the Board.

**Pre-emptive rights**

There is no provision for pre-emptive right under the Company's bye-laws, or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

**Purchase, sale or redemption of the listed securities of the Company**

During the Reporting Period, neither our Company nor any of our subsidiaries purchased, sold or redeemed any of the listed securities of our Company.

**Appreciation**

I would like to take this opportunity to thank my fellow directors, as well as the management and all our employees for the contribution they have made towards the Group's continued progress and to our shareholders, customers and business partners for their support.

By order of the Board  
**SMI Corporation Limited**  
**SUNG Chit Nim**  
*Executive Director*

Hong Kong, 31 August 2011



## **CORPORATE GOVERNANCE REPORT**

### **Overview of corporate governance**

The Company has established a corporate governance framework comprising principally the Bye-laws and internal control handbook of the Company to implement the Code of Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules.

### **Code on corporate governance practices**

During the Reporting Period, the Company was in compliance with the provisions of the CG Code, except for the deviations from Code Provisions A.2.1 which is explained below:

#### ***Chairman and Chief Executive Officer (“CEO”)***

Under the provision A.2.1 of the Code stipulates that the role of both the Chairman and CEO should be separated and should not be performed by the same individual. During the Reporting Period, Mr. QIN Hong acts as an Executive Director, Chairman and Chief Executive Officer. This constitutes a derivation from code provision A.2.1.

The Board is of the opinion that it is suitable and in the best interests of the Company at the present stage for Mr. QIN to hold both positions as Chairman and CEO of the Company as this arrangement helps maintain the continuity of the Company’s policies and the stability of the Company’s operations, as well as to enhance the management of the Company.

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

### **Compliance with the Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules regarding securities transactions by directors. Upon specific enquiries by the Company, all directors confirmed that they have fully complied with the Model Code.

**Non-executive directors**

There are currently three non-executive directors who are all independent. Each independent non-executive director has entered into a service agreement with the Company for a period of three years. Pursuant to the bye-laws of the Company, one third of all the directors, including the non-executive directors, shall be subject to retirement by rotation at each annual general meeting.

One of three independent non-executive directors is a professional accountant and two of them possess the related extensive management experience. This composition is in compliance with the requirement of Rule 3.10 of the Listing Rules.

**Audit committee**

The Company has established an audit committee (the "Audit Committee") with written terms of reference aligned with the Provisions of the CG Code. The Audit Committee currently comprises three independent non-executive directors, namely, Mr. HE Peigang (as chairman), Mr. PANG Hong and Mr. CHAN Sek Nin, Jackey.

The Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed internal control and the financial reporting matters, including reviewing the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011.

**Remuneration committee**

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, Mr. HE Peigang (as Chairman), Mr. PANG Hong and Mr. CHAN Sek Nin, Jackey.

The Remuneration Committee has reviewed and made recommendation to the Board on the Company’s policy and structure for all remuneration of directors and senior management of the Company.

**Nomination committee**

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, Mr. HE Peigang (as chairman), Mr. PANG Hong and Mr. CHAN Sek Nin, Jackey.

The Nomination Committee has reviewed the structure, size and composition of the Board.

**Internal control**

The Board has overall responsibility for the internal control and risk management systems of the Company and for reviewing the effectiveness of the internal control and risk management system through the Audit Committee during the Reporting Period. The Company has in place internal control and risk management systems covering financial, operational, compliance and risk management and is supervised by an internal audit manager.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

|                                                                                                                       | NOTES | Six months ended 30 June        |                                 |
|-----------------------------------------------------------------------------------------------------------------------|-------|---------------------------------|---------------------------------|
|                                                                                                                       |       | 2011<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited) |
| <b>Turnover</b>                                                                                                       | 3     | <b>432,439</b>                  | 302,749                         |
| <b>Revenue</b>                                                                                                        | 3     | <b>318,493</b>                  | 94,070                          |
| <b>Cost of sales</b>                                                                                                  |       | <b>(150,581)</b>                | (55,184)                        |
| <b>Gross profit</b>                                                                                                   |       | <b>167,912</b>                  | 38,886                          |
| Other income                                                                                                          | 5     | <b>822</b>                      | 5,294                           |
| Selling and marketing expenses                                                                                        |       | <b>(77,098)</b>                 | (15,613)                        |
| Administrative expenses                                                                                               |       | <b>(28,819)</b>                 | (27,208)                        |
| Gain/(loss) on disposal of<br>held-for-trading investments                                                            |       | <b>3,506</b>                    | (4,165)                         |
| Decrease in fair value of convertible notes<br>designated at financial assets at<br>fair value through profit or loss | 17    | <b>(6,896)</b>                  | (1,777)                         |
| (Decrease)/increase in fair value of<br>held-for-trading investments                                                  |       | <b>(715)</b>                    | 3,114                           |
| <b>Profit/(loss) from operation</b>                                                                                   |       | <b>58,712</b>                   | (1,469)                         |
| Finance costs                                                                                                         | 6     | <b>(9,536)</b>                  | (2,610)                         |
| Share of results of associates                                                                                        |       | <b>7,003</b>                    | –                               |
| Share of results of jointly controlled entities                                                                       |       | <b>749</b>                      | –                               |
| Gain on disposal of jointly controlled entities                                                                       |       | –                               | 1,651                           |
| Gain on disposal of a subsidiary                                                                                      |       | –                               | 1,098                           |
| Equity-settled share-based payments                                                                                   | 22    | –                               | (29,467)                        |
| <b>Profit/(loss) before tax</b>                                                                                       |       | <b>56,928</b>                   | (30,797)                        |
| Income tax (expense)/credit                                                                                           | 7     | <b>(17,681)</b>                 | 2,159                           |
| <b>Profit/(loss) for the period</b>                                                                                   | 9     | <b>39,247</b>                   | (28,638)                        |

|                                                      |    | <b>Six months ended 30 June</b> |                |
|------------------------------------------------------|----|---------------------------------|----------------|
|                                                      |    | <b>2011</b>                     | 2010           |
| NOTES                                                |    | <b>HK\$'000</b>                 | HK\$'000       |
|                                                      |    | <b>(Unaudited)</b>              | (Unaudited)    |
| <b>Profit/(loss) for the period attributable to:</b> |    |                                 |                |
| – Owners of the Company                              |    | <b>34,255</b>                   | (37,392)       |
| – Non-controlling interests                          |    | <b>4,992</b>                    | 8,754          |
|                                                      |    | <b>39,247</b>                   | (28,638)       |
| <b>Earnings/(loss) per share</b>                     |    |                                 |                |
| – Basic                                              | 10 | <b>HK0.49 cents</b>             | HK(1.36) cents |
| – Diluted                                            |    | <b>N/A</b>                      | N/A            |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

|                                                    | <b>Six months ended 30 June</b> |                 |
|----------------------------------------------------|---------------------------------|-----------------|
|                                                    | <b>2011</b>                     | 2010            |
|                                                    | <b>HK\$'000</b>                 | HK\$'000        |
|                                                    | <b>(Unaudited)</b>              | (Unaudited)     |
| <b>Profit/(loss) for the period</b>                | <b>39,247</b>                   | (28,638)        |
| <b>Other comprehensive income, net of tax</b>      |                                 |                 |
| Exchange differences arising on translation        | <u>4,974</u>                    | <u>572</u>      |
| <b>Total comprehensive income for the period</b>   | <u><b>44,221</b></u>            | <u>(28,066)</u> |
| <b>Total comprehensive income attributable to:</b> |                                 |                 |
| – Owners of the Company                            | <b>35,103</b>                   | (37,014)        |
| – Non-controlling interests                        | <u>9,118</u>                    | <u>8,948</u>    |
|                                                    | <u><b>44,221</b></u>            | <u>(28,066)</u> |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

|                                                                                       | NOTES | 30 June<br>2011<br>HK\$'000<br>(Unaudited) | 31 December<br>2010<br>HK\$'000<br>(Audited) |
|---------------------------------------------------------------------------------------|-------|--------------------------------------------|----------------------------------------------|
| <b>Non-current assets</b>                                                             |       |                                            |                                              |
| Property, plant and equipment                                                         | 11    | 281,865                                    | 153,775                                      |
| Goodwill                                                                              |       | 1,434,349                                  | 1,434,349                                    |
| Intangible assets                                                                     | 12    | 225,975                                    | 224,182                                      |
| Investment in associates                                                              | 13    | 29,058                                     | 8,813                                        |
| Investment in jointly controlled entities                                             | 14    | 118,788                                    | 44,867                                       |
| Deposits paid for investment                                                          |       | 32,717                                     | 83,462                                       |
| Available-for-sales financial assets                                                  |       | 23,020                                     | 23,020                                       |
| Rental deposits                                                                       |       | 35,076                                     | 15,000                                       |
| Prepayment for construction of cinemas                                                |       | 224,617                                    | 115,203                                      |
| Deferred tax assets                                                                   |       | 2,355                                      | 2,312                                        |
|                                                                                       |       | <u>2,407,820</u>                           | <u>2,104,983</u>                             |
| <b>Current assets</b>                                                                 |       |                                            |                                              |
| Inventories                                                                           |       | 16,932                                     | 1,592                                        |
| Trade and other receivables                                                           | 15    | 254,132                                    | 261,565                                      |
| Held-for-trading investments                                                          | 16    | 45,549                                     | 13,270                                       |
| Convertible notes designated at financial assets at fair value through profit or loss | 17    | 21,704                                     | 28,600                                       |
| Due from associates                                                                   |       | 5,717                                      | 16,558                                       |
| Due from a jointly controlled entity                                                  |       | –                                          | 850                                          |
| Bank and cash balances                                                                |       | 61,078                                     | 253,817                                      |
|                                                                                       |       | <u>405,112</u>                             | <u>576,252</u>                               |
| <b>Current liabilities</b>                                                            |       |                                            |                                              |
| Trade and other payables                                                              | 18    | 162,653                                    | 158,176                                      |
| Due to associates                                                                     |       | –                                          | 9,149                                        |
| Due to a jointly controlled entity                                                    |       | 16,839                                     | 244                                          |
| Amounts due to related parties                                                        | 19    | 631                                        | 966                                          |
| Current tax liabilities                                                               |       | 13,340                                     | 3,896                                        |
|                                                                                       |       | <u>193,463</u>                             | <u>172,431</u>                               |
| <b>Net current assets</b>                                                             |       | <u>211,649</u>                             | <u>403,821</u>                               |
| <b>Total assets less current liabilities</b>                                          |       | <u>2,619,469</u>                           | <u>2,508,804</u>                             |

|                                              |       | <b>30 June</b>          | 31 December      |
|----------------------------------------------|-------|-------------------------|------------------|
|                                              |       | <b>2011</b>             | 2010             |
|                                              | NOTES | <b>HK\$'000</b>         | HK\$'000         |
|                                              |       | <b>(Unaudited)</b>      | (Audited)        |
| <b>Non-current liabilities</b>               |       |                         |                  |
| Convertible notes                            | 20    | <b>129,189</b>          | 440,670          |
| Deferred income                              |       | <b>1,657</b>            | 1,640            |
| Deferred tax liabilities                     |       | <b>6,387</b>            | 6,739            |
|                                              |       | <u><b>137,233</b></u>   | <u>449,049</u>   |
| <b>Net assets</b>                            |       | <u><b>2,482,236</b></u> | <u>2,059,755</u> |
| <b>Capital and reserves</b>                  |       |                         |                  |
| Share capital                                | 21    | <b>810,161</b>          | 647,449          |
| Reserves                                     |       | <b>1,613,045</b>        | 1,364,634        |
| Equity attributable to owners of the Company |       | <u><b>2,423,206</b></u> | <u>2,012,083</u> |
| Non-controlling interests                    |       | <b>59,030</b>           | 47,672           |
| <b>Total equity</b>                          |       | <u><b>2,482,236</b></u> | <u>2,059,755</u> |



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

For the six months ended 30 June 2010

|                                                      | Attributable to owners of the Company |                           |                                         |                                 |                                                  |                                                      |                                             |                                         |                                |                   |                                       |                          |
|------------------------------------------------------|---------------------------------------|---------------------------|-----------------------------------------|---------------------------------|--------------------------------------------------|------------------------------------------------------|---------------------------------------------|-----------------------------------------|--------------------------------|-------------------|---------------------------------------|--------------------------|
|                                                      | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Other reserve<br>HK\$'000<br>(Note (a)) | Contributed surplus<br>HK\$'000 | Foreign currency translation reserve<br>HK\$'000 | Convertible notes reserve<br>HK\$'000<br>(Note (20)) | Statutory reserve<br>HK\$'000<br>(Note (b)) | Share-based payment reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total Equity<br>HK\$'000 |
| At 1 January 2010 (Audited)                          | 251,878                               | 109,487                   | (36,615)                                | 31,172                          | 239                                              | -                                                    | 1,665                                       | -                                       | (168,147)                      | 189,679           | 9,864                                 | 199,543                  |
| Total comprehensive income for the period            | -                                     | -                         | -                                       | -                               | 378                                              | -                                                    | -                                           | -                                       | (37,392)                       | (37,014)          | 8,948                                 | (28,066)                 |
| Transfer (Note (b))                                  | -                                     | -                         | -                                       | -                               | -                                                | -                                                    | 1,950                                       | -                                       | (1,950)                        | -                 | -                                     | -                        |
| Recognition of equity component of convertible notes | -                                     | -                         | -                                       | -                               | -                                                | 11,674                                               | -                                           | -                                       | -                              | 11,674            | -                                     | 11,674                   |
| Conversion of convertible notes                      | 33,898                                | 67,040                    | -                                       | -                               | -                                                | (11,674)                                             | -                                           | -                                       | -                              | 89,264            | -                                     | 89,264                   |
| Share-based payments                                 | -                                     | -                         | -                                       | -                               | -                                                | -                                                    | -                                           | 29,467                                  | -                              | 29,467            | -                                     | 29,467                   |
| Placing of new shares                                | 50,375                                | 162,033                   | -                                       | -                               | -                                                | -                                                    | -                                           | -                                       | -                              | 212,408           | -                                     | 212,408                  |
| At 30 June 2010 (Unaudited)                          | 336,151                               | 338,560                   | (36,615)                                | 31,172                          | 617                                              | -                                                    | 3,615                                       | 29,467                                  | (207,489)                      | 495,478           | 18,812                                | 514,290                  |

For the six months ended 30 June 2011

|                                                              | Attributable to owners of the Company |                           |                                         |                                 |                                                  |                                                      |                                             |                                         |                                |                   |                                       |                          |
|--------------------------------------------------------------|---------------------------------------|---------------------------|-----------------------------------------|---------------------------------|--------------------------------------------------|------------------------------------------------------|---------------------------------------------|-----------------------------------------|--------------------------------|-------------------|---------------------------------------|--------------------------|
|                                                              | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Other reserve<br>HK\$'000<br>(Note (a)) | Contributed surplus<br>HK\$'000 | Foreign currency translation reserve<br>HK\$'000 | Convertible notes reserve<br>HK\$'000<br>(Note (20)) | Statutory reserve<br>HK\$'000<br>(Note (b)) | Share-based payment reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total Equity<br>HK\$'000 |
| At 1 January 2011 (Audited)                                  | 647,449                               | 1,056,632                 | (36,615)                                | 31,172                          | 3,320                                            | 323,900                                              | 15,995                                      | 29,342                                  | (59,112)                       | 2,012,083         | 47,672                                | 2,059,755                |
| Total comprehensive income for the period                    | -                                     | -                         | -                                       | -                               | 848                                              | -                                                    | -                                           | -                                       | 34,255                         | 35,103            | 9,118                                 | 44,221                   |
| Transfer (Note (b))                                          | -                                     | -                         | -                                       | -                               | -                                                | -                                                    | 3,581                                       | -                                       | (3,581)                        | -                 | -                                     | -                        |
| Capital contribution from non-controlling interest           | -                                     | -                         | -                                       | -                               | -                                                | -                                                    | -                                           | -                                       | -                              | -                 | 2,240                                 | 2,240                    |
| Recognition of equity component of convertible notes         | -                                     | -                         | -                                       | -                               | -                                                | 12,453                                               | -                                           | -                                       | -                              | 12,453            | -                                     | 12,453                   |
| Conversion of convertible notes (Note (20))                  | 162,712                               | 609,885                   | -                                       | -                               | -                                                | (323,900)                                            | -                                           | -                                       | -                              | 448,697           | -                                     | 448,697                  |
| Recognition of share option lapsed                           | -                                     | -                         | -                                       | -                               | -                                                | -                                                    | -                                           | (22,070)                                | 22,070                         | -                 | -                                     | -                        |
| Acquisition of economic interests of subsidiaries (Note (a)) | -                                     | -                         | (85,130)                                | -                               | -                                                | -                                                    | -                                           | -                                       | -                              | (85,130)          | -                                     | (85,130)                 |
| At 30 June 2011 (Unaudited)                                  | 810,161                               | 1,666,517                 | (121,745)                               | 31,172                          | 4,168                                            | 12,453                                               | 19,576                                      | 7,272                                   | (6,368)                        | 2,423,206         | 59,030                                | 2,482,236                |

Notes:

- (a) Other reserve represented: (i) the difference between the fair value of the 843,500,000 ordinary shares issued for the acquisition of the entire equity interest in Colour Asia Pacific Limited (“Colour Asia”) and the issued and fully paid up amount of such ordinary shares; (ii) The consideration for the additional economic interests of two principal subsidiaries (Further details of the transactions are set out in the circular of the Company dated 18 January 2011).
  
- (b) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People’s Republic of China (the “PRC”), the Company’s PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

|                                                        | Six months ended 30 June |             |
|--------------------------------------------------------|--------------------------|-------------|
|                                                        | 2011                     | 2010        |
|                                                        | HK\$'000                 | HK\$'000    |
|                                                        | (Unaudited)              | (Unaudited) |
| Cash generated from/(used in) operations               | <b>39,463</b>            | (90,782)    |
| Tax paid                                               | <b>(4,829)</b>           | (3,644)     |
|                                                        | <hr/>                    | <hr/>       |
| Net cash generated from/(used in) operating activities | <b>34,634</b>            | (94,426)    |
| Net cash (used in)/generated from investing activities | <b>(347,726)</b>         | 12,239      |
| Net cash generated from financing activities           | <b>119,411</b>           | 300,222     |
|                                                        | <hr/>                    | <hr/>       |
| Net (decrease)/increase in cash and cash equivalents   | <b>(193,681)</b>         | 218,035     |
| Cash and cash equivalents at beginning of period       | <b>253,817</b>           | 76,229      |
| Effect of foreign exchange rate changes                | <b>942</b>               | 186         |
|                                                        | <hr/>                    | <hr/>       |
| Cash and cash equivalents at end of period             | <b>61,078</b>            | 294,450     |
|                                                        | <hr/>                    | <hr/>       |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2011*

## **1. BASIS OF PREPARATION**

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These condensed consolidated financial statements should be read in conjunction with the 2010 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2010.

## **2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

### 3. TURNOVER AND REVENUE

Turnover represents the amounts received and receivable from theater operation, investments in film production and distribution, dividend income and trading of equity securities during the period is as follow:

|                                                   | Six months ended 30 June        |                                 |
|---------------------------------------------------|---------------------------------|---------------------------------|
|                                                   | 2011<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited) |
| Theater operation                                 | 225,095                         | 93,854                          |
| Dividend income from held-for-trading investments | 147                             | 216                             |
| Investments in film production and distribution   | 85,352                          | –                               |
| Proceeds from held-for-trading investments        | 113,946                         | 208,679                         |
| Others                                            | 7,899                           | –                               |
|                                                   | <u>432,439</u>                  | <u>302,749</u>                  |

An analysis of the Group's revenue for the period are as follows:

|                                                   | Six months ended 30 June        |                                 |
|---------------------------------------------------|---------------------------------|---------------------------------|
|                                                   | 2011<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited) |
| Theater operation                                 | 225,095                         | 93,854                          |
| Dividend income from held-for-trading investments | 147                             | 216                             |
| Investments in film production and distribution   | 85,352                          | –                               |
| Others                                            | 7,899                           | –                               |
|                                                   | <u>318,493</u>                  | <u>94,070</u>                   |

#### 4. SEGMENT INFORMATION

The Group's operating and reportable segments, based on information report to chief operating decision maker, for the purposes of resources allocation and performance assessment are as follows:

- (a) Theater operation – box office income, advertising income, facilities rental income, membership services income and sales of food and beverage
- (b) Securities trading – trading of marketable securities
- (c) Investments in film production and distribution – investments in production and distribution of films

Information regarding the above segments is reported below.

The following tables present revenue, profit or loss and assets information regarding the Group's reportable segments for the six months ended 30 June 2011 and 2010:

|                                                 | Segment revenue                                          |                                 | Segment result                                           |                                 | Segment assets                                   |                                                         |
|-------------------------------------------------|----------------------------------------------------------|---------------------------------|----------------------------------------------------------|---------------------------------|--------------------------------------------------|---------------------------------------------------------|
|                                                 | Six months ended 30 June 2011<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited) | Six months ended 30 June 2011<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited) | As at<br>30 June 2011<br>HK\$'000<br>(Unaudited) | 31 December 2010<br>HK\$'000<br>(Audited)<br>(Restated) |
| Theater operation                               | 225,095                                                  | 93,854                          | 53,888                                                   | 23,565                          | 2,330,920                                        | 2,363,638                                               |
| Securities trading                              | 147                                                      | 216                             | 2,003                                                    | (3,233)                         | 67,408                                           | 42,098                                                  |
| Investments in film production and distribution | 85,352                                                   | –                               | 20,178                                                   | –                               | 189,484                                          | 189,725                                                 |
|                                                 | <b>310,594</b>                                           | <b>94,070</b>                   | <b>76,069</b>                                            | <b>20,332</b>                   | <b>2,587,812</b>                                 | <b>2,595,461</b>                                        |

#### 4. SEGMENT INFORMATION (Continued)

Note:

Revenue reported above represents revenue generated from external customers. The Group did not generate inter-segment sales during the period (30 June 2010: Nil).

Segment result of theater operation includes share of results of associates and jointly controlled entities from related theater operation.

##### Reconciliations of reportable segment revenue, profit or loss:

|                                                                                 | Six months ended 30 June |                 |
|---------------------------------------------------------------------------------|--------------------------|-----------------|
|                                                                                 | 2011                     | 2010            |
|                                                                                 | HK\$'000                 | HK\$'000        |
|                                                                                 | (Unaudited)              | (Unaudited)     |
| <b>Revenue</b>                                                                  |                          |                 |
| Total revenue of reportable segments                                            | 310,594                  | 94,070          |
| Other revenue                                                                   | 7,899                    | –               |
|                                                                                 | <u>318,493</u>           | <u>94,070</u>   |
| Consolidated revenue                                                            | <b>318,493</b>           | 94,070          |
| <b>Profit or loss</b>                                                           |                          |                 |
| Total profit or loss of reportable segments                                     | 76,069                   | 20,332          |
| Share of profits of a jointly controlled entity                                 | 1,147                    | –               |
| Other profit or (loss)                                                          | 875                      | (3,485)         |
| Unallocated amounts:                                                            |                          |                 |
| Fair value gain on convertible notes designated as<br>financial assets at FVTPL | (6,896)                  | (1,777)         |
| Convertible notes interest                                                      | (676)                    | –               |
| Gain on disposal of a subsidiary                                                | –                        | 1,098           |
| Gain on disposal of jointly controlled entities                                 | –                        | 1,651           |
| Equity-settled share-based payments                                             | –                        | (29,467)        |
| Corporate expenses                                                              | (13,591)                 | (19,149)        |
|                                                                                 | <u>56,928</u>            | <u>(30,797)</u> |
| Consolidated profit/(loss) before tax                                           | <b>56,928</b>            | (30,797)        |

**5. OTHER INCOME**

|                                                                                                               | <b>Six months ended 30 June</b> |             |
|---------------------------------------------------------------------------------------------------------------|---------------------------------|-------------|
|                                                                                                               | <b>2011</b>                     | 2010        |
|                                                                                                               | <b>HK\$'000</b>                 | HK\$'000    |
|                                                                                                               | <b>(Unaudited)</b>              | (Unaudited) |
| Bank interest income                                                                                          | <b>126</b>                      | 559         |
| Interest income from convertible notes designated<br>at financial assets at fair value through profit or loss | <b>442</b>                      | 444         |
| Government grants                                                                                             | –                               | 3,849       |
| Sundry Income                                                                                                 | <b>254</b>                      | 442         |
|                                                                                                               | <b>822</b>                      | 5,294       |

**6. FINANCE COSTS**

|                                                     | <b>Six months ended 30 June</b> |             |
|-----------------------------------------------------|---------------------------------|-------------|
|                                                     | <b>2011</b>                     | 2010        |
|                                                     | <b>HK\$'000</b>                 | HK\$'000    |
|                                                     | <b>(Unaudited)</b>              | (Unaudited) |
| Interest on:                                        |                                 |             |
| – Other borrowings wholly repayable within the year | <b>441</b>                      | 1,653       |
| – Effective interest expenses on convertible notes  | <b>9,095</b>                    | 957         |
|                                                     | <b>9,536</b>                    | 2,610       |



## 7. INCOME TAX (EXPENSE)/CREDIT

|                                       | Six months ended 30 June        |                                 |
|---------------------------------------|---------------------------------|---------------------------------|
|                                       | 2011<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited) |
| Current tax:                          |                                 |                                 |
| – Hong Kong Profits Tax               | –                               | (9)                             |
| – PRC Enterprises Income Tax          | <u>(16,028)</u>                 | <u>(2,731)</u>                  |
|                                       | <b>(16,028)</b>                 | <b>(2,740)</b>                  |
| (Under)/over-provision in prior years |                                 |                                 |
| – PRC Enterprises Income Tax          | <u>(2,016)</u>                  | <u>4,899</u>                    |
|                                       | <b>(18,044)</b>                 | <b>2,159</b>                    |
| Deferred tax                          | <u>363</u>                      | <u>–</u>                        |
|                                       | <b>(17,681)</b>                 | <b>2,159</b>                    |

No provision for Hong Kong Profits Tax is required since the Group has sufficient allowable losses brought forward or no assessable profit for the period. The amount provided for the period ended 30 June 2010 was calculated at 16.5% based on the assessable profit for that period.

For PRC subsidiaries of the Group, the provision for PRC Enterprise Income Tax is based on a statutory rate of 25% (2010: 25%) of the estimated assessable profits of the group entities as determined in accordance with the relevant income tax rules and regulations of the PRC.

## 8. INTERIM DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2011 and 2010.

## 9. PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period has been arrived at after charging:

|                                                                 | <b>Six months ended 30 June</b> |             |
|-----------------------------------------------------------------|---------------------------------|-------------|
|                                                                 | <b>2011</b>                     | 2010        |
|                                                                 | <b>HK\$'000</b>                 | HK\$'000    |
|                                                                 | <b>(Unaudited)</b>              | (Unaudited) |
| Amortisations of lease contracts (included in selling expenses) | <b>1,693</b>                    | –           |
| Auditor's remuneration                                          | <b>669</b>                      | 260         |
| Directors' emoluments                                           |                                 |             |
| – salaries, bonus and allowances                                | <b>840</b>                      | 1,540       |
| – equity-settled share-based payments                           | –                               | 3,817       |
| – retirement benefits scheme contributions                      | <b>3</b>                        | 2           |
|                                                                 | <b>843</b>                      | 5,359       |
| Staff cost excluding directors' emoluments:                     |                                 |             |
| – salaries, bonus and allowances                                | <b>24,765</b>                   | 5,984       |
| – equity-settled share-based payments                           | –                               | 3,455       |
| – retirement benefits scheme contributions                      | <b>4,474</b>                    | 460         |
|                                                                 | <b>29,239</b>                   | 9,899       |
| Cost of services provided                                       | <b>137,638</b>                  | 52,988      |
| Cost of inventories sold                                        | <b>12,943</b>                   | 2,196       |
| Depreciation for property, plant and equipment                  | <b>12,244</b>                   | 2,962       |
| Operating lease charges of land and buildings:                  |                                 |             |
| – minimum lease payments                                        | <b>13,363</b>                   | 1,864       |
| – contingent rent                                               | <b>7,807</b>                    | 5,885       |
|                                                                 | <b>21,170</b>                   | 7,749       |
| Equity-settled share-based payments to consultants              | –                               | 22,070      |

## 10. EARNINGS/(LOSS) PER SHARE

The calculations of the basic and diluted earnings/(loss) per share is based on the following:

|                                                                                                             | Six months ended 30 June        |                                 |
|-------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
|                                                                                                             | 2011<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited) |
| Earnings/(loss) for the period attributable to owners of the Company                                        | 34,255                          | (37,392)                        |
| Finance costs saving on conversion of convertible notes outstanding                                         | 9,095                           | 957                             |
|                                                                                                             | <u>43,350</u>                   | <u>(36,435)</u>                 |
| Earnings/(loss) for the purpose of calculating diluted earnings/(loss) per share                            | <u>43,350</u>                   | <u>(36,435)</u>                 |
| <b>Number of shares</b>                                                                                     | <b>'000</b>                     | <b>'000</b>                     |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share   | 7,039,850                       | 2,759,485                       |
| Effect of dilutive potential ordinary shares arising from convertible notes outstanding                     | 1,118,110                       | 116,761                         |
|                                                                                                             | <u>8,157,960</u>                | <u>2,876,246</u>                |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share | <u>8,157,960</u>                | <u>2,876,246</u>                |

### ***Diluted earnings/(loss) per share***

As the exercise of the Group's outstanding convertible notes for both periods would be anti-dilutive and there was no dilutive potential ordinary shares for the Group's outstanding options, no dilutive earnings/(loss) per share was presented in both periods.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group spent approximately HK\$34,061,000 and HK\$102,840,000 (30 June 2010: HK\$12,145,000 and HK\$15,965,000) on addition to property, plant and equipment and construction in progress respectively.

## 12. INTANGIBLE ASSETS

|                                                           | Trademarks<br>(purchased)<br>HK\$'000 | Lease<br>contracts<br>(purchased)<br>HK\$'000 | Prepaid<br>building<br>lease rights<br>(purchased)<br>HK\$'000 | Investments<br>in film<br>production<br>HK\$'000 | Total<br>HK\$'000 |
|-----------------------------------------------------------|---------------------------------------|-----------------------------------------------|----------------------------------------------------------------|--------------------------------------------------|-------------------|
| <b>Cost</b>                                               |                                       |                                               |                                                                |                                                  |                   |
| At 1 January and<br>30 June 2010                          | -                                     | -                                             | -                                                              | 7,000                                            | 7,000             |
| Additions                                                 | 25,120                                | -                                             | 40,000                                                         | 137,820                                          | 202,940           |
| Return of investment                                      | -                                     | -                                             | -                                                              | (12,545)                                         | (12,545)          |
| Acquisition of subsidiaries                               | -                                     | 28,079                                        | -                                                              | -                                                | 28,079            |
| At 31 December 2010<br>(Audited)                          | 25,120                                | 28,079                                        | 40,000                                                         | 132,275                                          | 225,474           |
| Additions during the period                               | -                                     | -                                             | -                                                              | 69,260                                           | 69,260            |
| Return of investment                                      | -                                     | -                                             | -                                                              | (65,774)                                         | (65,774)          |
| At 30 June 2011 (Unaudited)                               | 25,120                                | 28,079                                        | 40,000                                                         | 135,761                                          | 228,960           |
| <b>Accumulated amortisation<br/>and impairment losses</b> |                                       |                                               |                                                                |                                                  |                   |
| At 1 January and<br>30 June 2010                          | -                                     | -                                             | -                                                              | -                                                | -                 |
| Amortisation for the<br>second half of the year           | -                                     | 1,292                                         | -                                                              | -                                                | 1,292             |
| At 31 December 2010<br>(Audited)                          | -                                     | 1,292                                         | -                                                              | -                                                | 1,292             |
| Amortisation for the period                               | -                                     | 1,451                                         | 242                                                            | -                                                | 1,693             |
| At 30 June 2011 (Unaudited)                               | -                                     | 2,743                                         | 242                                                            | -                                                | 2,985             |
| <b>Carrying amount</b>                                    |                                       |                                               |                                                                |                                                  |                   |
| At 30 June 2011 (Unaudited)                               | 25,120                                | 25,336                                        | 39,758                                                         | 135,761                                          | 225,975           |
| At 31 December 2010<br>(Audited)                          | 25,120                                | 26,787                                        | 40,000                                                         | 132,275                                          | 224,182           |

### 13. INVESTMENT IN ASSOCIATES

|                      |                    |             |
|----------------------|--------------------|-------------|
|                      | <b>30 June</b>     | 31 December |
|                      | <b>2011</b>        | 2010        |
|                      | <b>HK\$'000</b>    | HK\$'000    |
|                      | <b>(Unaudited)</b> | (Audited)   |
| Unlisted investments | <b>29,058</b>      | 8,813       |

Details of the associates of the Group are as follows:

| Name                                                                          | Place of incorporation/<br>registration | Issued and paid up capital            | Percentage of equity interest held by the Group/profit sharing |                   | Principal activities     |
|-------------------------------------------------------------------------------|-----------------------------------------|---------------------------------------|----------------------------------------------------------------|-------------------|--------------------------|
|                                                                               |                                         |                                       | 30 June 2011                                                   | 31 December 2010  |                          |
| 北京世界城星美國際影城<br>管理有限公司<br>Beijing Shijiecheng Stellar<br>Cineplex Mgt Co., Ltd | PRC                                     | Registered capital of<br>RMB6,000,000 | <b>49%/</b><br><b>90%</b>                                      | 49%/<br>100%      | Operation of<br>a cinema |
| 蘭州星美影城管理有限公司<br>Lanzhou Stellar Cineplex<br>Limited                           | PRC                                     | Registered capital of<br>RMB6,000,000 | <b>49%/</b><br><b>90%</b>                                      | 49%/<br>100%      | Operation of<br>a cinema |
| 廣州華影星美影城<br>管理有限公司<br>Guangzhou Huaying Stellar<br>Cineplex Limited           | PRC                                     | Registered capital of<br>RMB1,000,000 | <b>46.55%/</b><br><b>46.55%</b>                                | 46.55%/<br>46.55% | Operation of<br>a cinema |
| 北京世紀東都國際影城<br>有限公司                                                            | PRC                                     | Registered capital of<br>RMB1,000,000 | <b>40.85%/</b><br><b>40.85%</b>                                | –<br>–            | Operation of<br>a cinema |

#### 14. INVESTMENT IN JOINTLY CONTROLLED ENTITIES

|                      | <b>30 June<br/>2011<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2010<br>HK\$'000<br>(Audited) |
|----------------------|------------------------------------------------------|----------------------------------------------|
| Unlisted investments | <b>118,788</b>                                       | 44,867                                       |

Details of the jointly controlled entities at 30 June 2011 are as follows:

| Name                                                             | Place of<br>incorporation/<br>registration | Issued and<br>paid up capital          | Percentage of<br>equity interest held by<br>the Group/profit sharing |                     | Principal<br>activities         |
|------------------------------------------------------------------|--------------------------------------------|----------------------------------------|----------------------------------------------------------------------|---------------------|---------------------------------|
|                                                                  |                                            |                                        | 30 June<br>2011                                                      | 31 December<br>2010 |                                 |
| 瀋陽星美影城管理有限公司<br>Shenyang Stellar Cineplex<br>Management Co., Ltd | PRC                                        | Registered capital of<br>RMB6,000,000  | 49%/<br>90%                                                          | 49%/<br>100%        | Operation of<br>a cinema        |
| 匯揚控股有限公司<br>Top Frontier Holdings<br>Limited                     | HK                                         | Registered capital of<br>HK\$2         | 50%/<br>50%                                                          | –<br>–              | Investment<br>Holdings          |
| 北京麗水寶貝教育諮詢<br>有限公司                                               | PRC                                        | Registered capital of<br>RMB41,000,000 | 50%/<br>50%                                                          | –<br>–              | Early<br>Childhood<br>Education |

#### 15. TRADE AND OTHER RECEIVABLES

|                                               | <b>30 June<br/>2011<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2010<br>HK\$'000<br>(Audited) |
|-----------------------------------------------|------------------------------------------------------|----------------------------------------------|
| Trade receivables                             | <b>49,946</b>                                        | 49,125                                       |
| Rental and other deposits                     | <b>4,162</b>                                         | 4,241                                        |
| Amounts due from non-controlling shareholders | <b>45,524</b>                                        | 45,932                                       |
| Prepayments and other receivables (Note)      | <b>154,500</b>                                       | 162,267                                      |
|                                               | <b>254,132</b>                                       | 261,565                                      |

## 15. TRADE AND OTHER RECEIVABLES (Continued)

Note: Included in the prepayments and other receivables of approximately HK\$30,013,000 (31 December 2010: HK\$58,596,000) which are unsecured, interest-free and repayable within 1 year. The remaining other receivables are 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:

|               | <b>30 June<br/>2011<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2010<br>HK\$'000<br>(Audited) |
|---------------|------------------------------------------------------|----------------------------------------------|
| 0 to 30 days  | <b>29,532</b>                                        | 25,841                                       |
| 31 to 90 days | <b>16,403</b>                                        | 5,086                                        |
| Over 91 days  | <b>4,011</b>                                         | 18,198                                       |
|               | <b>49,946</b>                                        | 49,125                                       |

## 16. HELD-FOR-TRADING INVESTMENTS

|                                                      | <b>30 June<br/>2011<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2010<br>HK\$'000<br>(Audited) |
|------------------------------------------------------|------------------------------------------------------|----------------------------------------------|
| Equity securities, at fair value listed in Hong Kong | <b>45,549</b>                                        | 13,270                                       |

The fair values of the above listed securities are determined based on the quoted market bid prices available on the Stock Exchange.

**17. CONVERTIBLE NOTES DESIGNATED AT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

|                                                                                          | <b>30 June</b>     | 31 December |
|------------------------------------------------------------------------------------------|--------------------|-------------|
|                                                                                          | <b>2011</b>        | 2010        |
|                                                                                          | <b>HK\$'000</b>    | HK\$'000    |
|                                                                                          | <b>(Unaudited)</b> | (Audited)   |
| Convertible notes designated at financial assets<br>at fair value through profit or loss | <b>21,704</b>      | 28,600      |

On 2 November 2009, the Group acquired a 5% coupon rate convertible notes, with the maturity date on 2 November 2011, with a principal amount of HK\$18,000,000 issued by ITC Corporation Limited ("ITC") (Stock Code: 372), a company listed on the main board of the Stock Exchange. The convertible notes can be converted, in amounts of not less than HK\$1,000,000, into new ordinary shares of ITC at any time within a period of two years following the date of issue at a convertible price HK\$0.5 per share. On 22 October 2010, ITC announced the conversion price of the convertible notes has been adjusted from HK\$0.5 per share to HK\$0.3 per share. Further details of the adjustment of conversion price are set out in the announcements of ITC dated 22 October 2010. No early redemption is allowed. The Group has designated the convertible notes as financial assets at fair value through profit or loss.

A fair value loss of approximately HK\$6,896,000 (30 June 2010: HK\$1,777,000) was recorded for the period ended 30 June 2011.

At 30 June 2011, the fair value of the convertible notes was valued by Savills Valuation and Professional Services Limited, an independent qualified professional valuer. Binomial (Cox, Ross, Rubinstein) option pricing model is used for valuation for the conversion option component of the convertible notes designated at fair value through profit or loss.



## 18. TRADE AND OTHER PAYABLES

|                                                          | <b>30 June</b>     | 31 December |
|----------------------------------------------------------|--------------------|-------------|
|                                                          | <b>2011</b>        | 2010        |
|                                                          | <b>HK\$'000</b>    | HK\$'000    |
|                                                          | <b>(Unaudited)</b> | (Audited)   |
| Trade payables                                           | <b>44,214</b>      | 35,975      |
| Customers' deposits                                      | <b>39,590</b>      | 32,312      |
| Margin payable due to financial institutions (Note)      | <b>28,662</b>      | –           |
| Amount due to a non-controlling interest of subsidiaries | <b>9,890</b>       | 23,554      |
| Accrued charges and other payable                        | <b>40,297</b>      | 66,335      |
|                                                          | <b>162,653</b>     | 158,176     |

Note: The margin payable due to financial institutions are secured and repayable on demand. The interest rate is 8% (31 December 2010: Nil) 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:

|               | <b>30 June</b>     | 31 December |
|---------------|--------------------|-------------|
|               | <b>2011</b>        | 2010        |
|               | <b>HK\$'000</b>    | HK\$'000    |
|               | <b>(Unaudited)</b> | (Audited)   |
| Up to 30 days | <b>11,502</b>      | 13,133      |
| 31 to 60 days | <b>5,455</b>       | 5,685       |
| Over 60 days  | <b>27,257</b>      | 17,157      |
|               | <b>44,214</b>      | 35,975      |

## 19. AMOUNTS DUE TO RELATED PARTIES

|                                                           | <b>30 June<br/>2011<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2010<br>HK\$'000<br>(Audited) |
|-----------------------------------------------------------|------------------------------------------------------|----------------------------------------------|
| Strategic Media International Limited ("SMIL") (Note (a)) | <b>91</b>                                            | 852                                          |
| Mr. QIN Hui (Note (b))                                    | <b>540</b>                                           | 114                                          |
|                                                           | <b>631</b>                                           | 966                                          |

Notes:

- (a) SMIL is a company incorporated in the British Virgin Islands and is beneficially owned by Mr. QIN Hui.
- (b) Mr. QIN Hui is the controlling shareholder of the Company.

The amounts due are unsecured, interest-free and repayable on demand.

## 20. CONVERTIBLE NOTES

|                                             | <b>30 June<br/>2011<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2010<br>HK\$'000<br>(Audited) |
|---------------------------------------------|------------------------------------------------------|----------------------------------------------|
| Convertible bonds with principal amount of: |                                                      |                                              |
| – HK\$480 million (Note (a))                | –                                                    | 440,670                                      |
| – HK\$141 million (Note (b))                | <b>129,189</b>                                       | –                                            |
|                                             | <b>129,189</b>                                       | 440,670                                      |

Notes:

- (a) The Company issued a 2-year 0.25% convertible notes ("Acquisition Convertible Note") with principal amount of HK\$480,000,000 on 16 July 2010 to Mr. QIN Hui. The Acquisition Convertible Note is denominated in Hong Kong dollars and entitles the holder to convert it into ordinary shares of the Company at any business day after the date of issue of the Acquisition Convertible Note up to and including the date which is 7 business days prior to the maturity date on 16 July 2012 at a conversion price of HK\$0.295. If the Acquisition Convertible Note has not been converted, it will be redeemed at 100% of its principal amount on the maturity date. No early redemption is allowed. Interest of 0.25% will be paid semi-annually up until the settlement date.

## 20. CONVERTIBLE NOTES (Continued)

The Acquisition Convertible Note contains two components, liability and equity element. The equity element is presented in equity as convertible notes reserve. The effective interest rate of the liability component is 6.0%.

On 27 April 2011 and 24 May 2011, the Acquisition Convertible Note in aggregate principal amounts of HK\$442,500,000 and HK\$37,500,000 were converted into 1,500,000,000 and 127,118,644 new ordinary shares of the Company at a conversion price of HK\$0.295 per share respectively.

- (b) The Company issued a 2-year 0.25% convertible notes ("Convertible Note") with principal amount of HK\$141,000,000 on 27 May 2011 to Mr. QIN Hui. The Convertible Note is denominated in Hong Kong dollars and entitles the holder to convert it into ordinary shares of the Company at any business day after the date of issue of the Convertible Note up to and including the date which is 7 business days prior to the maturity date on 26 May 2013 at a conversion price of HK\$0.47. If the Convertible Note has not been converted, it will be redeemed at 100% of its principal amount on the maturity date. No early redemption is allowed. Interest of 0.25% will be paid semi-annually until the settlement date.

The Convertible Note contains two components, liability and equity element. The equity element is presented in equity as convertible notes reserve. The effective interest rate of the liability component is 5.0%.

The net proceeds received from the issue of the Convertible Note have been split between the liability element and an equity component, as follows:

|                                          | HK\$'000        |
|------------------------------------------|-----------------|
| Nominal value of Convertible Note issued | 141,000         |
| Equity component                         | <u>(12,453)</u> |
| Liability component at date of issue     | 128,547         |
| Interest charge                          | 676             |
| Interest paid                            | <u>(34)</u>     |
| Liability component at 30 June 2011      | <u>129,189</u>  |

## 21. SHARE CAPITAL

|                                                                              | Number<br>of shares   | Amount<br>HK\$'000 |
|------------------------------------------------------------------------------|-----------------------|--------------------|
| <b>Authorised:</b>                                                           |                       |                    |
| Ordinary shares of HK\$0.1 each                                              |                       |                    |
| At 1 January 2010                                                            | 5,000,000,000         | 500,000            |
| Increase during the year                                                     | <u>15,000,000,000</u> | <u>1,500,000</u>   |
| At 31 December 2010, 1 January 2011 and<br>30 June 2011                      | <u>20,000,000,000</u> | <u>2,000,000</u>   |
| <b>Issued and fully paid:</b>                                                |                       |                    |
| Ordinary shares of HK\$0.1 each                                              |                       |                    |
| At 1 January 2010 (audited)                                                  | 2,518,775,028         | 251,878            |
| Issue of shares by placing on 2 May 2010                                     | 503,752,000           | 50,375             |
| Issue of shares – conversion of convertible notes<br>on 6 May 2010           | 338,983,050           | 33,898             |
| Issue of shares by acquisition of subsidiaries                               | 2,440,677,966         | 244,068            |
| Issue of shares by placing on 22 October 2010                                | <u>672,300,000</u>    | <u>67,230</u>      |
| At 31 December 2010 and 1 January 2011 (audited)                             | 6,474,488,044         | 647,449            |
| Issue of shares – conversion of convertible notes<br>on 27 April 2011 (Note) | 1,500,000,000         | 150,000            |
| Issue of shares – conversion of convertible notes<br>on 24 May 2011 (Note)   | <u>127,118,644</u>    | <u>12,712</u>      |
| At 30 June 2011 (unaudited)                                                  | <u>8,101,606,688</u>  | <u>810,161</u>     |

Note:

On 27 April 2011 and 24 May 2011, the holder of the Acquisition Convertible Note exercised his conversion rights to convert the Acquisition Convertible Note of HK\$442,500,000 and HK\$37,500,000 into the Company's ordinary shares of 1,500,000,000 and 127,118,644 shares at a conversion price of HK\$0.295 per ordinary share respectively. Note 20(a) sets out the details of the Acquisition Convertible Note.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the current period.

## 22. SHARE-BASED PAYMENT TRANSACTION

### *Equity-settled 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 old 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 old share option scheme and remains unexpired prior to the expiry of the 2002 old share option scheme shall continue to be exercisable in accordance with their terms of issue after the expiry of the 2002 old share option scheme.

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 of directors 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 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 of the Company. 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.

During the year ended 31 December 2010, total number of share options 546,128,507 were granted to consultants, directors and senior management of the Company. Details of specific categories of share options are as follows:

|                   | <b>Date of grant</b> | <b>Exercise period</b> | <b>Exercise price</b> | <b>Number of share options granted</b> |
|-------------------|----------------------|------------------------|-----------------------|----------------------------------------|
| May 2010          | 3 May 2010           | 3.5.2010 – 2.5.2011    | HK\$0.57              | 209,977,500                            |
| June 2010 (Lot A) | 11 June 2010         | 11.6.2010 – 10.6.2013  | HK\$0.51              | 139,075,507                            |
| June 2010 (Lot B) | 11 June 2010         | 11.6.2010 – 10.6.2011  | HK\$0.51              | 197,075,500                            |

Options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, their fair values are measured by reference to the fair value of share option granted.

The numbers of share options of 209,977,500 and 197,075,500 granted on 3 May 2010 and 11 June 2010 respectively were lapsed during the period ended 30 June 2011. The corresponding equity-settled share-based expenses previously recognised in share-based payment reserve were transferred to retained profits during the period ended 30 June 2011.

## 22. SHARE-BASED PAYMENT TRANSACTION *(Continued)*

The fair value of the options granted is estimated at the date of grant using a Trinomial option pricing method taking into account the terms and conditions upon which the options were granted. The fair value of options granted during the year ended 31 December 2010 was estimated on the date of grant using the following assumptions:

|                              |              |
|------------------------------|--------------|
| Date of grant                | 3 May 2010   |
| Dividend yield (%)           | Nil          |
| Expected volatility (%)      | 41.566       |
| Risk-free interest rate (%)  | 0.145        |
| Expected life (years)        | 1            |
| Weighted average share price | 0.572        |
| <br>                         |              |
| Date of grant (Lot A)        | 11 June 2010 |
| Dividend yield (%)           | Nil          |
| Expected volatility (%)      | 46.519       |
| Risk-free interest rate (%)  | 0.415        |
| Expected life (years)        | 3            |
| Weighted average share price | 0.504        |
| <br>                         |              |
| Date of grant (Lot B)        | 11 June 2010 |
| Dividend yield (%)           | Nil          |
| Expected volatility (%)      | 46.519       |
| Risk-free interest rate (%)  | 0.415        |
| Expected life (years)        | 1            |
| Weighted average share price | 0.504        |

## 23. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2011 (31 December 2010: Nil).

## 24. LEASE COMMITMENTS

At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

|                                        | <b>30 June<br/>2011<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2010<br>HK\$'000<br>(Audited) |
|----------------------------------------|------------------------------------------------------|----------------------------------------------|
| Within one year                        | <b>72,408</b>                                        | 43,400                                       |
| In the second to fifth years inclusive | <b>636,863</b>                                       | 144,889                                      |
| After five years                       | <b>2,439,345</b>                                     | 202,583                                      |
|                                        | <b>3,148,616</b>                                     | 390,872                                      |

Operating lease payments represent rentals payable by the Group for its offices, staff quarter and warehouse in Hong Kong and the office, a residential club house and certain cinemas premises in the PRC.

The leases in Hong Kong are negotiated for an average term of 2 years while the leases in the PRC are negotiated for an average term of 15 to 20 years.

## 25. OTHER COMMITMENTS

|                                           | <b>30 June<br/>2011<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2010<br>HK\$'000<br>(Audited) |
|-------------------------------------------|------------------------------------------------------|----------------------------------------------|
| Contracted for but not provided for:      |                                                      |                                              |
| Investments in film production            | <b>49,625</b>                                        | 50,112                                       |
| Consultancy fee paid                      | <b>8,970</b>                                         | 9,867                                        |
| Investment in jointly controlled entities | –                                                    | 24,600                                       |
| Construction for cinemas premises         | <b>23,493</b>                                        | –                                            |
| Authorised but not contracted for:        |                                                      |                                              |
| Construction for cinemas premises         | <b>987,598</b>                                       | 300,492                                      |

## 26. RELATED PARTY TRANSACTIONS

The Group entered into the following transaction with related parties during the six months ended 30 June 2011 and 2010.

### *Compensation to key management*

The remuneration of directors and other members of key management during the six months ended 30 June 2011 and 2010 were as follows:

|                                          | Six months ended 30 June        |                                 |
|------------------------------------------|---------------------------------|---------------------------------|
|                                          | 2011<br>HK\$'000<br>(Unaudited) | 2010<br>HK\$'000<br>(Unaudited) |
| Salaries, bonus and allowance            | 840                             | 1,540                           |
| Equity-settled share-based payments      | –                               | 3,817                           |
| Retirement benefits scheme contributions | 3                               | 2                               |
|                                          | <hr/>                           | <hr/>                           |
|                                          | 843                             | 5,359                           |
|                                          | <hr/>                           | <hr/>                           |

## 27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 August 2011.



# 神奇侠侣

THE INCREDIBLE

不知道什么时候仍然放心到最后一秒

LOVE FOR HIM  
BY 叶明 全球首

PETER JACKSON FILMS