星 美 國 際

SMI CORPORATION LIMITED

星美國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 198)

Annual Report 2011

* For identification purposes only

Theaters
電影院


Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. QIN Hong
(Chairman and Chief Executive Officer)
Mr. HU Yidong
Mr. WONG Kui Shing, Danny
Mr. CHENG Chi Chung

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. WONG Kui Shing, Danny
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

Chairman's Statement

Dear Shareholders,

2011 was a significant year for the Chinese film industry. Continual expansion of the industry, in terms of the gross box office earnings and the film production volume, was substantial proof of its dynamics. As one of the major market players in this industry, such remarkable performance gave a fresh impetus and a favourable business atmosphere to SMI Corporation Limited (the "Company") and its subsidiaries (collectively referred as the "Group").

In 2011, the Group took firm steps in the movie theater operation. We had strengthened this core business by capturing greater market share. The movie theaters that we invested in 2010 were growing steadily and became a major source of income to our Group.

In addition to our core business, we explored other complementary businesses such as advertising and retailing (in-theater counter sales and online shopping), to diversify the income source for increasing our profit margin, and more importantly, to enrich and to enhance the movie experience which we are going to bring to our customers.

OVERVIEW

The Group's primary goal is to become one of the top ranking movie theater operators in China, and we are presently working well on it. In 2011, we had extended our movie theater footprints to the high growth second and third tier provinces and cities in China.

At the time writing, the Chinese film industry had stepped into its second decade since the Chinese government's film industry reformation. After 10 years of unswerving dedication from the Chinese government, and all the cineastes and market players, we welcome the golden era of the industry.

The State of Administration of Radio, Film and TV (the "SARFT"), the country's top regulator of the film industry, points out that the gross film box office in China exceeded RMB13.1 billion in 2011. At the same time, the market estimated that the film industry would maintain nearly 30% year-on-year growth in 2012. Not only the gross box office revenue, the volume of film production was also blooming. There were 558 domestic movies produced in 2011 that accounted for more than half of the gross box office in the year.

Apart from the industry players' effort, the Chinese government was assisting the film industry through implementation of favourable policies. The latest one is in February 2012, China and the United States had reached into an agreement of relaxing film quota for Hollywood films, so that there will be totally 14 special feature films (3D & IMAX films) entering into China market. We are confident that this accord will be strongly conducive to the gross China's box office in the years coming ahead.

We are highly inspired by all the remarkable and encouraging industry figures and market news, and that it nurtures a solid ground for the development of our movie theater business, and the launch of new complementary businesses.

Our new complementary businesses include retail business and advertising and promotion business. They aim at employing our edge in the extensive cinema network, great flow of customers, and the competent senior management team. Our group is putting forth our best effort to enhance the cinema experience brought to our customers. We are among them.

MOVIE THEATER BUSINESS

Under the strong film industry development in China, our movie theater business thrives with a robust growth. By the end of 2011, we successfully established a well-defined nation-wide movie theater network in China. Our Group owned and operated nearly 40 cinemas in 22 provinces and cities in China, covering the first tier cities like Beijing, Shanghai, Chongqing and Tianjin to the major and high growth second and third tier provinces and cities such as Changsha, Hefei, Harbin, Shandong, Nanchang, Kunming, Qingdao and Shenyang etc. We expect that the economy of these provinces and cities will encounter an explosive growth, and become the growth engine for our future movie theater network.

Driven by China's booming economy, the per capita income of Chinese citizens is increasing and hence translating to a greater demand for high quality entertainment. Apart from the traditional 2D films, the Group sees an increment in demand in 3D and IMAX films. Therefore, in 2011, one of our main focuses was to equip our existing and future movie theaters with digitalized or IMAX screens. In terms of digitalized screens, by the end of 2011, over 90% of our movie theaters were equipped with digitalized screens, which out-performed the industry average.

MOVIE PRODUCTION BUSINESS

Since the 10 years after the Chinese government reformed the local film industry, the number of private movie makers has encountered an exploding growth, approximately from 200 to over 2,000 at present. On top of that, there were 558 domestic movies produced in 2011, nearly a 70% growth compared with 2006. Though imported movies still weigh heavily in China's box office earnings, the Group is glad to see that the domestic movies are improving, in terms of box office earnings, production volume and culture or artistic value.

In 2011, the Group had participated in the investment of movie production and aimed at bringing new, exciting stories to the global audience. As a cineaste, the Group strove for supporting the long-term and healthy growth of the Chinese film industry.

In July 2011, "武俠" (Wuxia), the Chinese martial arts action drama directed by renowned Hong Kong film director Peter Chan Ho-San, and the cast featuring Donnie Yen, Takeshi Kaneshiro and Tang Wei, scored over RMB180 million in China's box office. On top of gaining a great commercial success, the movie had participated in the non-competition section of the 64th Festival de Cannes. Together with other 5 movie productions that the Group participated in 2011, from the superhero comedy "神奇俠侶" (Mr. and Mrs. Incredible), to the heart-touching art house movie "最愛" (Love for Life), the Group left another glorious page on the Chinese film chronology.

NEW COMPLEMENTARY BUSINESSES

To diversify the income source of the Group, we had actively exploring high value-added complementary businesses such as retail (in-theater counter sales and online shopping) and advertising and promotion businesses to enhance the Group's profit margin.

The Group sees the value and the growth potential in the non-box office earnings. Compared with other countries like the United States, the portion of non-box office earnings is comparatively low in China. In the United States, normally such portion accounts for about 30% of the non-box office earnings; however, in China it is only 10% to 15%; this is exactly where the Group would further work on. Therefore, these complementary businesses will be expected to be the new powerful growth engine of the Group.

Xingmeihui (星美匯)

A research shows that the majority of moviegoers are from the age group of 18-35, which possesses highest purchasing power in China. In 2011, the admission of the Group's movie theaters accounted for 8 million person-trips. This gave us the vision of developing the retail business.

Xingmeihui is a newly established retail brand of the Group. It is a combination of online shopping and in-theater counter sales. Xingmeihui aims at to capture and translate the existing movie theater customers to our retail business, at the same time Xingmeihui is a channel to attract online shoppers to the Group's movie theaters.

Xingmeihui was launched in the end of 2011, and started offering a fresh, unique and flexible shopping experience to our customers. The shop offers movie & celebrity related merchandizes, fashion & accessories, skincare, food & living goods, and a wide range of high-ended brands from Hong Kong, Taiwan & overseas. By the end of 2011, there were 18 Xingmeihui in-theater counters set up at our movie theaters.

To cope with this sprouting business, the Group had strengthened its management team and also teamed up with business associates including prestigious local and overseas retail brands, logistics partners and sales & promotion team.

Being backed up with the growing national economy, the Group's extensive nation-wide movie theater network, large number of admission, high caliber strategic business associates and the competent management personnel, the Group is confident that Xingmeihui will be a powerful growth engine to the Group and hence further enhance the profit margin of the Group, in the coming years ahead.

ADVERTISING AND PROMOTION BUSINESS

To fully utilize resources of the Group's movie theaters, in terms of the space in the movie theaters and the idle time of the screening halls, the Group will make a greater effort to expand its own advertising and promotion business.

On top of the existing effective advertising channels such as billboards and panels, stickers, screen advertising, and various sponsorship programmes, in 2011, the Group explored new advertising channels & features that were available in the movies invested and the more importantly at the movie theaters. The Group offered corporate clientele with flexible, target-oriented advertising solutions to cope with different business needs. At the same time, the Group was actively getting in touch with different retail brands to organizing various promotion events, either at the idle time of screening halls or at the movie premiere events.

CONCLUSION

In 2011, the Group had a new direction. Our core business (the movie theater operation), and new complementary businesses (retailing, advertising and promotion) will complete an integrated business model, which understands the customers' need and the market trend. The Group took the lead in the movie theater operation business, whilst giving a great start in the expansion of its complementary businesses, and that the Group was demonstrating a great success. The Group's performance was undoubtedly encouraging and had generated great value for the shareholders. With the support of the competent management team, and the loyalty and devotion of the Group's staff, the Group continues to evolve, and dedicate its best to create a strong growth momentum.

Sincerely,

QIN Hong
Chairman

Hong Kong, 30 March 2012

Management Discussion and Analysis

BUSINESS REVIEW

The Group was performing well in 2011. The Group further strengthened its core business during the year. The continuous growing movie market in China provided favorable market conditions for the Group's development; therefore the 2011 financial portfolio was mainly contributed by the movie theaters and investment in film production and distribution.

The Group reported a revenue of HK$736 million for the year ended 31 December 2011, with a year-on-year growth of 106% compared to 2010 (2010: HK$357 million). The increase of HK$379 million was mainly generated by the segments of theater operation and the investment in film production and distribution, especially for the segment of investment in film production and distribution having a very outstanding performance in 2011.

The operating results of the Group for 2011 maintained a stable growth. Profit from operations was HK$145 million, rose by 23% from 2010 (2010: HK$118 million). Overall, the Group's financial position was in very good shape due to low gearing in 2011.

Movie Theater Business

As of 31 December 2011, the Group was operating 37 movie theaters with 258 screens in China, an impressive growth compared to 2010, when the Group operated only 15 movie theaters with 105 screens. Both numbers increased more than a double. 22 new movie theaters were put in operation during 2011. These movie theaters were mainly located in the first tier cities (such as Beijing, Shanghai, Tianjin), while some were in major second tier cities (such as Changsha, Hefei and Kunming) in China.

Despite the absence of super 3D blockbusters like Avatar, these 37 movie theaters still generated HK$569 million of revenue to the Group for the year ended 31 December 2011, representing a robust year-over-year growth of 61% (2010: HK$354 million). The segment profit of movie theater operation dropped by 29% compared to the previous year, amounted for HK$122 million (2010: HK$172 million). Such decrease was mainly due to the increase in depreciation, amortization and initial expenses incurred for the new movie theaters opened throughout 2011, and also the increase in income tax in 2011.

The 22 new movie theaters were opened in stages throughout 2011; there would be time for construction and renovation. On top of that, the selling and marketing expenses were increasing significantly. Thus, this learning curve period accounted for a drop of profit in 2011. Moreover, certain cinemas had enjoyed the tax concessions which were expired at the end of year 2010. Hence, the profit from theater operation segment reduced in 2011, even though our revenue enjoyed a rise in 2011.

China's movie industry maintained a solid growth in 2011, and was reflected in the record high annual box office receipts of RMB13.1 billion, nearly a 30% increase compared to the same period of 2010. Moreover, due to increasing per capita income for Chinese citizens, there was an increasing demand in high quality entertainment, such as watching special feature 3D or IMAX movies. These special feature movies generally contributed to higher box office revenue, due to higher ticket price and greater appeal to the movie audience.

Thanks to the demand driven by the economic growth and the rapid expansion of the Chinese movie market, the Group had served over 8 million patrons during 2011. It was a over 20% rise compared to year 2010, and such increase rate was in line with the industry growth. However, the effect brought from higher ticket price generated by special features movies was offset by the discounts offered by new movie theaters. Therefore, the average ticket price per patron was decreased slightly in 2011.

Movie and TV Series Production Business

The profit generated from this segment was HK$43 million (2010: a loss of HK$ 1.7 million). The Group successfully turned loss into gain in this segment. The segment of investment in movie production and distribution generated HK$159 million of revenue, representing an impressive growth of more than a hundred times compared to 2010 (2010: HK$1.3 million).

During the year 2011, the Group invested in the production of many high profile movies namely "趙氏孤兒" (Sacrifice), "神奇俠侶" (Mr. & Mrs. Incredible), "最愛" (Love for Life) and "武俠" (Wu Xia), etc. These movies were shown in 2011 and had good box office receipts as well as reputation. The Group also invested in production of a few Chinese domestic TV series in 2011, including "女子軍魂" and "咱家這些事". The extensive coverage of these TV series in China enhanced the image of the Company and also contributed to the segment performance.

New Complementary Businesses

Though generating only a very little impact on the Group's revenue in 2011, with an objective to diversify the source of income, the Group actively explored in complementary businesses in 2011. These value-added businesses consisted of retailing (in-theater counter sales and online shopping) and expansion of the existing advertising and promotion business.

PROSPECTS

The Group is confident that the Chinese movie industry will continue to shine in 2012, and China will become another center of the worldwide movie market. Being one of the leaders in the market, the Group has devoted its best effort to expand its movie theater network. We strongly commit that the movie theater operation continues to be the Group's core business.

In coming years, the Group will pursue for adding 17-30 new movie theaters per annum, depending on the cash flow generation and the availability of external funding. The Group holds a positive view for the high economic growth in the second and the third tier cities in China in the coming years. Therefore, we will extend our existing movie theater network to these cities in the near future. On top of that, the Group will construct new 3D facilities in the existing and new movie theaters, to keep the competitive edges on one hand and the higher ticket price and revenue on the other.

Considering the impressive performance of Chinese movie productions in recent years, the Group will dedicate to the Chinese movie industry by participating in several movies in 2012. In order to bring more movie selections to the movie audience in China, the Group will be actively in negotiation to seek for opportunities for distributing of high quality movies.

Being backed up with the high admission of the Group's movie theaters, availability of extensive business network, and the high purchasing power of the patrons, the Group started its movie theater related retailing, advertising and promotional businesses in 2011. We are confident that these businesses will grow significantly in 2012. Together with our core movie theater operation, such integrated business model will become a powerful engine for the Group's revenue.

To cope with our new vision and expansion, the management team will maintain a good financial structure of the Group. Moreover, the Group will actively explore suitable strategic business partners, such as overseas institutional investors, to finance new movie theater projects.

FINANCIAL REVIEW

Turnover, revenues, and profit of the year

Total turnover and revenue during the year ended 31 December 2011 were HK$884 million and HK$736 million (2010: HK$771 million and HK$357 million) respectively.

The revenue increased more than a double of the year 2010. The drastic increase in revenue is mainly due to the explosive growth of the theater operation and investments in film production and distribution.

The profit for the year ended 31 December 2011 was HK$100 million (2010: HK$123 million).

As mentioned in Movie Theater Business, the profits in 2011 were partially set off by initial setup costs incurred by the new movie theaters. Furthermore, in year 2010, an aggregate one-off gain on disposal of subsidiaries, associate and jointly controlled entity approximate to HK$20.5 million was contributed to the Group. However, no such extraordinary gain was noted in year 2011.

Selling and marketing and administrative expenses

The increase in selling and marketing and administrative expenses were mainly due to increase in the number of movie theaters built up during the year ended 31 December 2011.

Financial Cost

Financial cost mainly represented effective interest of HK$12 million derivated from convertible notes.

Financial resources and Liquidity

As at 31 December 2011, the Group maintained sufficient liquid fund and had net current assets of HK$47 million.

The Group's net assets were HK$2,570 million, representing an increase of HK$510 million from HK$2,060 million as at 31 December 2010. The increase was mainly due to the conversion of convertible notes and profit earned during the year.

Debt and gearing

The gearing ratio (Total borrowings including convertible notes to equity attributable to owners of the Company) decreased from 22% to 5% as at 31 December 2011 (2010: 22%) as a result of conversion of convertible notes during the year.

The Group was financed primarily through its share capital and reserves. There was no bank borrowing as at 31 December 2011.

Foreign Exchange Risks

The Company reports its consolidated financial statements in Hong Kong dollars ("HKD"). All of the theater operation and new complementary businesses revenue and operating costs were denominated in Renminbi ("RMB"). The expansion of the theater operation and new complementary businesses will be principally in China. The Company will therefore be exposed to exchange loss if HKD strengthens against RMB.

The Group currently does not have a foreign currency hedging policy. The Directors consider that it is unlikely HKD would strengthen against RMB in the near future. However, if RMB continues to strengthen against HKD, the Company 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.

Capital Expenditure

During the year, the Group incurred capital expenditure of approximately HK$417 million and prepayments for construction contracts of HK$160 million which were financed by internal resources of the Group. The construction contracts were related to building of theaters throughout China.

Contingent Liabilities

There were no material contingent liabilities or off balance sheet obligations.

Employees

Excluding the staff of associates and jointly controlled entities, there is total 1,611 full-time staff as at 31 December 2011 (including directors but excluding part-time staff). The Company offers remuneration and benefit packages to its employees according to the prevailing salary levels in the market, individual merits and performance.

Biographical Information of Directors

EXECUTIVE DIRECTORS

Mr. QIN Hong, aged 40, was appointed executive director of the Company on 25 November 2009, Chairman of the Company on 26 March 2010 and Chief Executive Officer of the Company on 17 December 2010. Mr. QIN Hong is the younger brother of Mr. QIN Hui who is the controlling shareholder of the Company. Mr. QIN Hong graduated from Beijing City University (北京城市學院) with a Bachelor degree in Energy Applications and has over eight years of experiences in the telecommunication industry in the People's Republic of China ("PRC"). He is currently Chairman of Stellar Megamedia Group Limited (星美傳媒集團有限公司) and Stellar Mega Films Co., Limited (星美(北京)影業有限公司). He has been engaging in the communications, television and broadcast systems integration, market operation and media investment businesses for many years, and has substantial experiences in the operation and management of telecommunication enterprises and in the investment and management of cultural media enterprises.

Mr. HU Yidong, aged 48, was appointed executive director of the Company on 7 May 2009. Mr. HU graduated from Tsinghua University with a Master degree in Executive Master of Business Administration. He is experienced in corporate management and information management system and has over eight years of experience in the management of cinema business in China. Mr. HU is currently the chief executive officer of Stellar Megamedia Group Limited (星美傳媒集團有限公司), a company registered in PRC.

He was a vice president of Stellar Megaunion Corporation, a company listed on the Shenzhen Stock Exchange, and an executive director of See Corporation Limited (Stock Code: 491), a company listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. WONG Kui Shing, Danny, aged 52, holds a Bachelor of Arts degree from the University of Hong Kong. He was appointed as an executive director and chief executive officer of the Company on 5 August 2009. He was re-designated as the chairman and non-executive director of the Company and ceased to be the chief executive officer of the Company on 25 November 2009. He resigned from all his positions in the Company on 26 March 2010 due to his need to devote more time to his other commitments. He was appointed executive director of the Company again on 22 November 2011.

Mr. WONG was appointed as an executive director and managing director of See Corporation Limited (Stock Code: 491) since 21 December 2009. In addition, Mr. WONG was a former executive director of China Oil and Gas Group Limited (Stock Code: 603) ("China Oil and Gas Group"), a company listed on the main board of the Stock Exchange. He has extensive exposure in the financial and investment fields for over 20 years and is well experienced in the international investment market.

Pursuant to the listing enforcement notice/announcement of the Stock Exchange dated 16 October 2008, Mr. WONG, together with another former director of China Oil and Gas Group, has admitted breaching the directors' declaration, undertaking and acknowledgement with regard to directors given by each of them to the Stock Exchange in the form set out in Appendix 5B to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in failing to use their best endeavours to procure China Oil and Gas Group's compliance with the Listing Rules in relation to the failure of China Oil and Gas Group to publish its annual results and annual report for the year ended 31 July 2005 by 30 November 2005 and interim results and interim report for the six months ended 31 January 2006 by 30 April 2006. Accordingly, the Listing Committee publicly criticised Mr. WONG and another former director of China Oil and Gas Group for their respective breaches mentioned above.

Mr. CHENG Chi Chung, aged 45, was appointed executive director of the Company on 22 November 2011. He holds an EMBA degree from Tsinghua University of Beijing and a bachelor degree from Taiwan University, and obtained Special Awards and honor of the 44th National Culture and Arts in China. He is currently the general vice president of the Company. He also has been the chief executive officer of Beijing Gome Online Co., Ltd. (北京國美在線有限公司), the group vice president of China Seven Star Shopping Limited (a company listed on the main board of the Stock Exchange, Stock Code: 0245), the chief executive officer of Beijing Yichengyangguang Technology Development Co., Ltd. (北京億誠陽光科技發展有限公司), the general manager of Eastern Broadcasting and Eastern Shopping (America) (東森電視及東森購物(美洲)), the general manager of Eastern Public Relations Company (東森公關公司) and the director of Eastern Broadcasting News Channel (東森電視新聞台). Mr. CHENG has extensive management experience in culture, media and retail areas.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HE Pei Gang, aged 65, was appointed independent non-executive director of the Company on 8 December 2009. Mr. HE is a certified public accountant with the title of senior accountant in China. He is a council member of a number of institutions such as Association of Beijing Internal Audit, Beijing Institute of Certified Public Accountants, Beijing Keji Jinrong Cujinhui, Beijing Zhongguancun Enterprises Credit Promotion Association. Mr. HE is also a perennial finance expert for Innovation Fund of the Ministry of Science and Technology, Beijing Municipal Development and Reform Commission, Audit Bureau of the Beijing Economic and Technological Development Zone and Beijing Civil Affairs Bureau. He is currently the chief accountant and chief partner of Beijing CRC United Certified Public Accountants General Partner. He attended the training for independent directorship organised by the Securities Association of China in 2003.

Mr. PANG Hong, aged 58, was appointed independent non-executive director of the Company on 28 September 2004. Mr. PANG had worked for various enterprises and government departments in China for about 20 years. He has substantial knowledge of the investment environment in China and has extensive experience in the management of Chinese companies. After studying in the United States for 3 years, he came to Hong Kong to further his career development. He is currently engaged in providing private management consultancy services. Mr. PANG was a former executive director of Pacmos Technologies Holdings Limited (Stock Code: 1010), and a former independent non- executive director of Dragonite International Limited (Former Name: Ruyan Group (Holdings) Limited) (Stock Code: 329), both shares are listed on the main board of the Hong Kong Stock Exchange.

Mr. CHAN Sek Nin, Jackey, aged 56, was appointed an independent non-executive director of the Company on 14 July 2009. Mr. CHAN has over 19 years of solid experience in sales and marketing in connection with the media industry by holding senior positions in Television Broadcasts Limited as well as an extensive experience in property development, project management and strategic alliance management. He was appointed independent non-executive director of China Ocean Shipbuilding Industry Group Limited (Former Name: Wonson International Holdings Limited) (Stock Code: 651) during the period from 12 April 2007 to 29 May 2008 and China Strategic Holdings Limited (Stock Code: 235) during the period from 6 June 2007 to 2 October 2007, both companies are listed on the main board of the Hong Kong Stock Exchange. Mr. CHAN is currently a non-executive director of PSC Corporation Limited, a company listed on the Singapore Exchange Securities Trading Limited, and the Chief Operating Officer of Hanny Holdings Limited (Stock Code: 275), a company listed on the main board of the Hong Kong Stock Exchange.

Directors' Report

The Board of Directors (the "Board" or "Directors") presents their annual report and the audited financial statements of the Company for the year ended 31 December 2011 (the "Reporting Period").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 44 to the consolidated financial statements.

Details of the Company's principal subsidiaries, jointly controlled entities and associates as at 31 December 2011 are set out in notes 44, 20 and 19 to the consolidated financial statements on pages 83-86, 66-67 and 65-66 respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated income statement on page 27.

No dividend was paid during the Reporting Period. The Directors do not recommend the payment of a final dividend in respect of the Reporting Period.

SHARE CAPITAL AND RESERVES

As at 31 December 2011, the total number of shares issued by the Company was 8,101,606,688 shares.

Movements in the Company's authorized and issued share capital are set out in note 35 to the consolidated financial statements on page 76. Movements in the reserves of the Group are set out in the consolidated statement of changes in equity on page 30 and those of the Company are set out in note 45 to the consolidated financial statements on pages 86 to 87.

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

(i) 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 million. The net proceeds from the said agreement was approximately HK$140.50 million. Further details of the above transactions are set out in the announcement of the Company dated 30 March 2011.

(ii) On 27 April 2011, the convertible notes 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. Note 32(a) sets out the details of the conversion notes on page 73.

(iii) On 24 May 2011, the convertible notes 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. Note 32(a) sets out the details of the conversion notes on page 73.

PROPERTY, PLANT AND EQUIPMENT

Details of the Group's property, plant and equipment as at 31 December 2011 are set out in note 16 to the consolidated financial statements on page 61.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the Reporting Period and up to the date of this report were as follows and their biographical information is set out on pages 11 to 12:

Executive directors:

Mr. QIN Hong	*(Chairman and temporarily appointed as Chief Executive Officer)*
Mr. HU Yidong	
Mr. WONG Kui Shing, Danny	*(appointed as executive director on 22 November 2011)*
Mr. CHENG Chi Chung	*(appointed as executive director on 22 November 2011)*
Mr. SUNG Chit Nim	*(resigned as executive director and appointed as an advisor of the Company on 22 November 2011)*
Mr. LI Kai	*(resigned as executive director on 22 November 2011)*

Independent non-executive directors:

Mr. HE Peigang
Mr. PANG Hong
Mr. CHAN Sek Nin, Jackey

In accordance with Bye-law 86(2) of the Company's Bye-laws, Messrs. WONG Kui Shing, Danny and CHENG Chi Chung will hold office only until the forthcoming special general meeting or the forthcoming annual general meeting, whichever is earlier, and being eligible to offer themselves for re-election.

In accordance with Bye-law 87(1) and 87(2) of the Company's Bye-laws, Messrs. HU Yidong and PANG Hong will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. However, Mr. CHAN Sek Nin, Jackey will hold office and offer himself for re-election on the forthcoming annual general meeting if Messrs. WONG Kui Shing, Danny and CHENG Chi Chung will hold office and offer themselves for re-election on the forthcoming special general meeting, if any.

Each of the three independent non-executive directors has 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.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 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%

Save as disclosed above, as at 31 December 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 37 to the consolidated financial statements.

During the year ended 31 December 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	Exercise period (Notes)	Number of share options: Balance as at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31 December 2011	Exercise price per share HK$
Director								
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
Other Eligible participants								
	3 May 2010	1	209,977,500	–	–	(209,977,500)	–	0.57
	11 June 2010	2	91,075,507 (Note 4)	–	–	–	91,075,507	0.51
	11 June 2010	3	197,075,500	–	–	(197,075,500)	–	0.51
			546,128,507	–	–	(407,053,000)	139,075,507	

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.

(4) Including 5,000,000 shares granted to Mr. LI Kai, who retired as director of the Company on 22 November, 2011.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 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	6,297,508,961 (Note 1)	23,878,623 (Note 2)	6,321,387,584	–	78.03%
Kingston Finance Limited ("Kingston")	2,057,118,644	–	2,057,118,644 (Note 3)	–	25.39%
Ample Cheer Limited ("Ample Cheer")	2,057,118,644	–	2,057,118,644 (Note 3)	–	25.39%
Best Forth Limited ("Best Forth")	2,057,118,644	–	2,057,118,644 (Note 3)	–	25.39%
CHU Yuet Wah ("Madam Chu")	–	2,057,119,707	2,057,119,707 (Note 4)	–	25.39%
FIL Limited	472,520,000	–	–	–	5.83%

Notes:

1. 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 is therefore interested in 6,297,508,961 shares which comprise (i) 300,000,000 underlying shares and (ii) 5,997,508,961 shares.

2. 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.

3. 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 in 80%-owned by Best Forth, Ample Cheer and Best Forth are deemed to be interested in 2,057,118,644 shares held by Kingston.

4. 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.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the Reporting Period is as follows:

	Percentage of the Group's total	
	Sales	Purchase
The largest customer	2.23%	
Five largest customers in aggregate	8.26%	
The largest supplier		32.43%
Five largest supplier in aggregate		43.13%

None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

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

During the Reporting Period, other than those disclosed in note 35 to the consolidated financial statements, none of the Company or any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

PUBLIC FLOAT

As at 31 December 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.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefit schemes are set out in note 14 to the consolidated financial statements on page 60.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group and the Company did not have any significant contingent liabilities.

FIVE YEAR SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years and the Reporting Period is set out on page 88 of the annual report.

AUDITORS

RSM Nelson Wheeler ("RSM"), the Company's auditors, will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint RSM as auditors of the Company.

By order of the Board
QIN Hong
Chairman

Hong Kong, 30 March 2012

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 separate and should not be performed by the same individual. During the Reporting Period, Mr. QIN Hong ("Mr. QIN") continued to act as an Executive Director, Chairman and Chief Executive Officer. This constitutes a deviation from the 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.

The Board believes that the balance of power and authorities is ensured by the operation of the senior management and the Board.

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

NON-EXECUTIVE DIRECTORS

There are currently three non-executive directors, all of them are 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 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. The Company has received annual confirmations from all independent non-executive directors that, save as disclosed in the annual report, they did not have any business or financial interest with the Company or its subsidiaries and were independent as at 31 December 2011 in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the existing independent non-executive directors are independent.

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.

BOARD OF DIRECTORS

The Company is headed by the Board which is responsible for directing and supervising the Company's affairs.

As at the date of this report, the Board comprises four executive directors and three independent non-executive directors which provide the Board with a balanced composition of skills and experiences appropriate for the requirements of the business of the Company. Biographies of all the Directors and the relationships (if any) among them are set out on pages 11 to 12 of this annual report.

Functions and responsibilities reserved to the Board and the functions and responsibilities delegated to management are as follows:

The Board shall be responsible for:

- Approval of corporate and business strategies and objectives of the Company
- Approval of the annual budgets and financial reports of the Group and selecting suitable accounting policies and ensuring consistent application of these policies
- Monitoring the operating and financial performance of the Group
- Overseeing the management of the Company's relationships with the stakeholders, especially the Government, shareholders etc.
- Approval of investment proposals of the Company
- Restructuring and spin off relating to the Group
- Overseeing the processes for evaluation of the adequacy of internal controls, risk management, financial reporting and compliance
- Monitoring the performance of management
- Overseeing the corporate governance policies adopted by the Company

The management shall be responsible for:

- Day to day operations of the Company and its subsidiaries as delegated by the Board to the management led by the Chief Executive Officer
- Formulation of corporate and business strategies to be approved by the Board
- Execution of corporate and business strategies approved by the Board
- Formulation of investment, acquisition, mergers or spin off proposals
- Execution of investment, acquisition, mergers or spin off proposals and approved by the Board

APPOINTMENT, RE-ELECTION OF DIRECTORS

All Directors (both executive directors and independent non-executive directors) are subject to retirement by rotation and re-election in accordance with the Company's Bye-law and also the CG Code.

The newly appointed directors will offer themselves for re-election at the forthcoming special general meeting or the forthcoming annual general meeting, whichever is earlier in accordance with the Company's Bye-law.

Details of the rotation and re-election of Directors are set in page 14 of this annual report.

TRAINING AND CONTINUOUS SUPPORT

Each newly appointed director would receive an induction upon his appointment. Such induction may include visits to the business site of the Company and meetings with the management of the Company, and/or briefing of a director's obligation in the Listing Rules and other statutory requirements. This enables the directors to have a more comprehensive understanding of the Company's business and operation as well as to be aware of his responsibilities as a director in a listed company.

The Company would also keep the Directors updated with the latest information regarding the developments and changes in the Listing Rules and other regulations.

DIRECTORS' AND OFFICERS' INSURANCE ("D&O INSURANCE")

The Company has arranged appropriate D&O insurance cover to protect the Directors and senior officers from potential legal actions against them.

ATTENDANCE OF INDIVIDUAL DIRECTORS AT BOARD MEETINGS IN 2011

There were a total of 12 board meetings held during the Reporting Period. The attendance of individual directors at the board meetings held during the Reporting Period is as follows:

Name of Director	Attendance Number of board meetings
Mr. QIN Hong	3/12
Mr. HU Yidong	11/12
Mr. WONG Kui Shing, Danny (Note (a))	1/1
Mr. CHENG Chi Chung (Note (b))	1/1
Mr. HE Peigang	7/12
Mr. PANG Hong	8/12
Mr. CHAN Sek Nin, Jackey	6/12
Mr. SUNG Chit Nim (Note (c))	10/12
Mr. LI Kai (Note (d))	6/12

Note:

(a) Appointed executive director on 22 November 2011.

(b) Appointed executive director on 22 November 2011.

(c) Resigned as executive director on 22 November 2011.

(d) Resigned as executive director on 22 November 2011.

Minutes of board meetings and general meetings are kept by the secretary of the Company (the "Secretary") and are open for inspection by the Directors of the Company. Every director of the Company is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Secretary, and has the liberty to seek external professional advice if so required.

AUDIT COMMITTEE

Since 14 July 2009, the Company has established an audit committee (the "Audit Committee") with written terms of reference aligned with the Provisions of the CG Code. The terms of reference of the Audit Committee are disclosed in full on the Company's website. The Audit Committee currently comprises three independent non-executive directors, namely, Messrs. HE Peigang (as chairman), PANG Hong and CHAN Sek Nin, Jackey.

The primary roles of the Audit Committee are to monitor integrity of the annual report and accounts and half-yearly report of the Company and to review significant reporting judgments contained in such reports; to review the Group's financial and accounting policies and practices; to review the Group's financial control, internal control and risk management system of the Group with particular regard to their effectiveness and to make recommendations to the Board where the monitoring activities of the committee reveal cause for concern or scope for improvement.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financing reporting matters including the review of the audited financial statements for the year ended 31 December 2011, with external auditors. There were no disagreement from the auditors or Audit Committee in respect of the accounting policies adopted by the Company.

The Audit Committee held 2 meetings during the Reporting Period to consider the full year audit report for financial year ended 31 December 2011. The attendance records of the meetings are as follows:–

Name	Attendance
HE Peigang	2/2
PANG Hong	2/2
CHAN Sek Nin, Jackey	2/2

NOMINATION COMMITTEE

Since 14 July 2009, the Company has established a nomination committee (the "Nomination Committee") with written terms of reference. The terms of reference are disclosed in full on the Company's website. The Nomination Committee currently comprises three independent non-executive directors, namely, Messrs. HE Peigang (as chairman), PANG Hong and CHAN Sek Nin, Jackey.

The primary function of the Nomination Committee is to make recommendations to the Board on potential candidates to fill vacancies or additional appointment on the Board and senior management. All appointments of directors were nominated by the Nomination Committee based on considerations including vacancy available, competence and experience, possession of requisite skills and qualifications, independence and integrity.

The Nomination Committee held 1 meeting during the Reporting Period. The attendance records of the meeting are as follows:–

Name	Attendance
HE Peigang	1/1
PANG Hong	1/1
CHAN Sek Nin, Jackey	1/1

REMUNERATION COMMITTEE

Since 14 July 2009, the Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference aligned with the Provisions of the CG Code. The terms of reference of the Remuneration Committee are disclosed in full on the Company's website. The Remuneration Committee currently comprises three independent non-executive directors, namely, Messrs. HE Peigang (as chairman), PANG Hong and CHAN Sek Nin, Jackey.

Within the authority delegated by the Board, the Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of all directors and senior management on the establishment of a formal and transparent procedure for developing policy on such remuneration; reviewing the specific remuneration packages of all directors and senior management by reference to corporate goals and objective resolved by the Board from time to time; ensuring no director or any of his associates is involved in deciding his own remuneration and advising shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval.

The Company has adopted a share option scheme on 30 September 2009 as an incentive or rewards to directors and other eligible participants for their contribution to the Group. Details of the scheme are set out in note 37 to the consolidated financial statements.

The Remuneration Committee held 2 meetings during the Reporting Period to review the remuneration of directors and senior management for the financial year ended 31 December 2011 and to make recommendations on the remuneration package of the newly appointed directors. The attendance records of the meeting are as follows:–

Name	Attendance
HE Peigang	2/2
PANG Hong	2/2
CHAN Sek Nin, Jackey	2/2

REMUNERATION OF THE AUDITORS

The remuneration in respect of audit services provided by auditors of the Group for the year ended 31 December 2011 is HK$2,404,000.

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 year. The Company has in place internal control and risk management systems covering financial, operational, compliance and risk management and supervised by an internal audit manager. The Board considers that the Group's internal control system is in compliance with all relevance regulations.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial year which give a true and fair view of the state of affairs of the Company and that appropriate accounting policies have been selected and applied consistently.

The responsibilities of the auditors of the Company in preparing the financial statements are set out in the independent auditor's report on pages 25 to 26 of this annual report.

INVESTOR RELATIONS

The Company is committed to ensure that its shareholders and the investment community are provided with the information of the Company in a timely and transparent manner through the announcements, circulars, annual reports and interim reports etc. published in the websites of the Stock Exchange and the Company, so that the shareholders and investment community are well-informed of the developments and information of the Company. The Company also updates its website regularly to provide other latest information to the shareholders and investment community.

Effective communication with the shareholders is also maintained by ongoing dialogue with the shareholders through annual general meetings and other general meetings.

Independent Auditor's Report

RSM! Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

TO THE SHAREHOLDERS OF SMI CORPORATION LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of SMI Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 87, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

BASIS FOR QUALIFIED OPINION

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2010 (the "2010 Financial Statements"), which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was modified because of the possible effect of the limitations on scope of our audit including (i) Share of results of associates and gain on disposal of associates; (ii) Share of results of jointly controlled entities and gain on disposal of jointly controlled entities; and (iii) Gain on disposal of subsidiaries, details of which are set out in our auditor's report dated 28 March 2011. Any adjustments to the figures might have a consequential effect on the results for the year ended 31 December 2010. Our opinion on current year's consolidated financial statements is also modified because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures.

QUALIFIED OPINION

In our opinion, except for the possible effects on the corresponding figures as described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of the affairs of the Group as at 31 December 2011, and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

30 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Turnover	6	**883,543**	771,318
Revenue	6	**736,317**	356,637
Cost of sales		**(321,881)**	(123,260)
Gross profit		**414,436**	233,377
Other (loss)/income	8	**(11,276)**	15,603
Gain on disposal of held-for-trading investments		**3,556**	16,754
Selling and marketing expenses		**(194,171)**	(72,260)
Administrative expenses		**(65,864)**	(66,804)
Other operating expenses	9	**(1,560)**	(8,468)
Profit from operations		**145,121**	118,202
Finance costs	10	**(14,620)**	(15,401)
Loss on acquisition of subsidiaries, net	36	**(7,277)**	–
Share of profits of associates		**9,522**	1,477
Share of profits of a jointly controlled entity		**13,376**	34,682
Impairment loss on goodwill	17	**(5,912)**	–
Gain on disposal of an associate		**–**	4,000
Gain on disposal of jointly controlled entities		**–**	1,651
Gain on disposal of subsidiaries		**–**	14,877
Equity-settled share-based expenses	37	**–**	(29,342)
Profit before tax		**140,210**	130,146
Income tax expense	11	**(39,902)**	(7,397)
Profit for the year	12	**100,308**	122,749
Attributable to:			
Owners of the Company		**101,626**	123,365
Non-controlling interests		**(1,318)**	(616)
		100,308	122,749
Earnings per share	15		
– Basic		**HK1.34 cents**	HK2.86 cents
– Diluted		**HK1.34 cents**	HK2.66 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	**100,308**	122,749
Other comprehensive income:		
Exchange differences on translating foreign operations	**18,780**	3,309
Other comprehensive income for the year, net of tax	**18,780**	3,309
Total comprehensive income for the year	**119,088**	126,058
Attributable to:		
Owners of the Company	**109,909**	126,446
Non-controlling interests	**9,179**	(388)
	119,088	126,058

Consolidated Statement of Financial Position

At 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	16	**719,366**	153,775
Goodwill	17	**1,421,706**	1,434,349
Intangible assets	18	**213,678**	224,182
Investments in associates	19	**16,533**	8,813
Investments in jointly controlled entities	20	**76,071**	44,867
Deposits paid for investments	21	**11,764**	83,462
Available-for-sale financial assets	22	**23,020**	23,020
Rental deposits		**18,475**	15,000
Prepayments for construction of cinemas	23	**160,040**	115,203
Deferred tax assets	34	**2,521**	2,312
		2,663,174	2,104,983
Current assets			
Inventories	24	**23,221**	1,592
Trade and other receivables	25	**229,301**	261,565
Held-for-trading investments	26	**45,106**	13,270
Convertible notes designated at financial assets at fair value through profit or loss	27	**21,700**	28,600
Due from associates	28	**–**	16,558
Due from a jointly controlled entity	28	**–**	850
Bank and cash balances	29	**45,295**	253,817
		364,623	576,252
Current liabilities			
Trade and other payables	30	**280,231**	158,176
Due to associates	28	**379**	9,149
Due to a jointly controlled entity	28	**–**	244
Due to related parties	31	**469**	966
Current tax liabilities		**36,368**	3,896
		317,447	172,431
Net current assets		**47,176**	403,821
Total assets less current liabilities		**2,710,350**	2,508,804
Non-current liabilities			
Convertible notes	32	**132,144**	440,670
Deferred income		**1,709**	1,640
Deferred tax liabilities	34	**6,781**	6,739
		140,634	449,049
NET ASSETS		**2,569,716**	2,059,755
Capital and reserves			
Share capital	35	**810,161**	647,449
Reserves	45	**1,687,898**	1,364,634
Equity attributable to owners of the Company		**2,498,059**	2,012,083
Non-controlling interests		**71,657**	47,672
TOTAL EQUITY		**2,569,716**	2,059,755

Approved by the Board of Directors on 30 March 2012.

Director *Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Contributed surplus HK$'000	Foreign currency translation reserve HK$'000 (note (a))	Convertible notes reserve HK$'000	Statutory reserve HK$'000 (note (b))	Share-based payment reserve HK$'000	(Accumulated loss)/ retained profit HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total Equity HK$'000
At 1 January 2010	251,878	109,487	(36,615)	31,172	239	–	1,665	–	(168,147)	189,679	9,864	199,543
Total comprehensive income for the year	–	–	–	–	3,081	–	–	–	123,365	126,446	(388)	126,058
Transfer (note (b))	–	–	–	–	–	–	14,330	–	(14,330)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	34,631	34,631
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	3,565	3,565
Issue of shares on placement	117,605	424,231	–	–	–	–	–	–	–	541,836	–	541,836
Shares issued for acquisition of subsidiaries	244,068	473,492	–	–	–	–	–	–	–	717,560	–	717,560
Transaction cost attributable to capital contribution from non-controlling interest	–	(17,637)	–	–	–	–	–	–	–	(17,637)	–	(17,637)
Recognition of share option lapsed	–	–	–	–	–	–	–	29,342	–	29,342	–	29,342
Recognition of equity component of convertible notes	–	–	–	–	–	335,593	–	–	–	335,593	–	335,593
Conversion of convertible notes	33,898	67,059	–	–	–	(11,693)	–	–	–	89,264	–	89,264
Changes in equity for the year	395,571	947,145	–	–	3,081	323,900	14,330	29,342	109,035	1,822,404	37,808	1,860,212
At 31 December 2010	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
At 1 January 2011	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 year	–	–	–	–	8,283	–	–	–	101,626	109,909	9,179	119,088
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	2,240	2,240
Recognition of share option lapsed	–	–	–	–	–	–	–	(22,070)	22,070	–	–	–
Transfer (note (b))	–	–	–	–	–	–	13,176	–	(13,176)	–	–	–
Acquisition of subsidiaries (note 36)	–	–	–	–	–	–	–	–	–	–	12,566	12,566
Recognition of equity component of convertible note (note 32)	–	–	–	–	–	12,500	–	–	–	12,500	–	12,500
Conversion of convertible notes (note 32)	162,712	609,885	–	–	–	(323,900)	–	–	–	448,697	–	448,697
Acquisition of economic interest of subsidiaries (note (c))	–	–	(85,130)	–	–	–	–	–	–	(85,130)	–	(85,130)
Changes in equity for the year	162,712	609,885	(85,130)	–	8,283	(311,400)	13,176	(22,070)	110,520	485,976	23,985	509,961
At 31 December 2011	810,161	1,666,517	(121,745)	31,172	11,603	12,500	29,171	7,272	51,408	2,498,059	71,657	2,569,716

Notes:

(a) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(e) to the financial statements.

(b) Statutory reserve

As stipulated by the relevant laws and regulations for foreign investment enterprises in 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.

(c) Other reserve

(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).

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**140,210**	130,146
Adjustments for:		
Finance costs	**14,620**	15,401
Interest income	**(1,091)**	(1,387)
Amortisation of lease contracts rights	**2,948**	1,292
Amortisation of prepaid building lease rights	**655**	–
Amortisation of investments in film production	**116,744**	–
Depreciation	**31,195**	13,199
Share of profits of associates	**(9,522)**	(1,477)
Share of profits of a jointly controlled entity	**(13,376)**	(34,682)
Fair value loss/(gain) of held-for-trading investments	**13,855**	(658)
Fair value loss/(gain) of convertible notes designated at financial assets at fair value through profit or loss	**6,900**	(9,342)
Dividend income from held-for-trading investments	**(594)**	(511)
Gain on disposal of an associate	**–**	(4,000)
Loss on acquisition of subsidiaries, net	**7,277**	–
Gain on disposal of jointly controlled entities	**–**	(1,651)
Gain on disposal of subsidiaries	**–**	(14,877)
Equity-settled share-based expenses	**–**	29,342
Loss on disposal of property, plant and equipment	**138**	14
Impairment loss on goodwill	**5,912**	–
Impairment loss on deposits paid for investment	**1,207**	–
Impairment loss on other receivables	**215**	204
Operating profit before working capital changes	**317,293**	121,013
Increase in inventories	**(21,139)**	(455)
Increase in rental deposits	**(3,475)**	(15,000)
Decrease/(increase) in trade and other receivables	**94,093**	(126,084)
Additional cost incurred in investments in film production	**(127,620)**	(137,870)
Return in investments in film production	**20,886**	12,595
Dividend income from held-for-trading investments	**594**	511
(Increase)/decrease in held-for-trading investments	**(45,691)**	60,645
Increase/(decrease) in trade and other payables	**93,700**	(33,993)
Decrease in deferred income	**–**	(558)
Cash generated from/(used in) operations	**328,641**	(119,196)
Income taxes paid	**(7,457)**	(6,222)
Net cash generated from/(used in) operating activities	**321,184**	(125,418)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflow from disposal of subsidiaries		–	198
Purchase of property, plant and equipment		(416,517)	(28,848)
Prepayment for construction of cinemas		(160,040)	(115,203)
Investment in an associate		(13,244)	(12)
Investment in jointly controlled entities		(23,440)	–
Decrease/(increase) in amounts due from associates		7,788	(7,409)
Decrease/(increase) in amounts due from a jointly controlled entity		606	(606)
Proceeds from disposal of an associate		–	4,000
Proceeds from disposal of jointly controlled entities		–	18,651
Proceeds from disposal of property, plant and equipment		287	–
Net cash inflow from acquisition of subsidiaries, net of acquisition cost	36	1,152	16,749
Acquisition of trademark		–	(25,120)
Acquisition of available-for-sale financial assets		–	(23,020)
Acquisition of additional economic interests of subsidiaries	SCE(c)(ii)	(85,130)	–
Prepaid building lease rights		–	(40,000)
Net deposits refund/(paid) for investments		16,335	(83,462)
Interest received		1,091	1,239
Net cash used in investing activities		(671,112)	(282,843)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of issuing costs		–	524,199
Proceeds from issue of convertible notes		141,000	100,000
Repayment from/(advance to) non-controlling interests of subsidiaries		561	(23,281)
Capital contribution from non-controlling interests		2,240	3,565
Repayment to related parties		(483)	(14,518)
Interest paid		(2,963)	(2,518)
Net cash generated from financing activities		140,355	587,447
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(209,573)	179,186
Effect of foreign exchange rate changes		1,051	(1,598)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		253,817	76,229
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		45,295	253,817
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		45,295	253,817

Notes to the Financial Statements

For the year ended 31 December 2011

1. GENERAL INFORMATION

SMI Corporation Limited was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is at Suite 6701-2&13, The Center, 99 Queen's Road Central, Hong Kong. The Company's shares are listed on the Main Board of Stock Exchange.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 44 to the financial statements.

In the opinion of the Directors of the Company, as at 31 December 2011, Mr. QIN Hui is the controlling party of the Company.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") 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 year 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 the financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with IFRSs and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost conversion, as modified by the revaluation of certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income, the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Associates (Continued)

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investment in a jointly controlled entity is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the jointly controlled entity in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the jointly controlled entity's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a jointly controlled entity's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(d) **Joint venture (Continued)**

The gain or loss on the disposal of a jointly controlled entity that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that jointly controlled entity and (ii) the Group's share of the net assets of that jointly controlled entity plus any remaining goodwill relating to that jointly controlled entity and any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) **Foreign currency translation**

*(i) **Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

*(ii) **Transactions and balances in each entity's financial statements***

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

*(iii) **Translation on consolidation***

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in the foreign currency translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Foreign currency translation (Continued)

(iii) Translation on consolidation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	the term of the lease
Operation equipment	20%
Broadcasting equipment	10% to 20%
Electronic equipment	33.33%
Furniture, fixture and fixtures	10% to 33.33%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Operating lease

(i) The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(h) Trademark

Trademark acquired by the Group are stated at cost less impairment losses.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset.

(i) Prepaid building lease rights

Prepaid building lease rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the remaining lease terms of the corresponding lease contracts from 10 to 20 years and is subject to the impairment review at the end of the reporting period.

(j) Lease contracts

Lease contracts are the fair value of the difference between the market rent and the minimum lease payment of the lease contract held by the acquired companies at the date of acquisition. Lease contracts are stated at cost and amortised over the remaining lease terms of the corresponding lease contracts.

(k) Investments in film production

Investments in film production is stated at cost less accumulated amortization and impairment loss. Amortisation is charged to the profit or loss based on the proportion of actual income earned during the period to the total estimated income from the distribution of the film. An impairment review is performed annually. Films under production are accounted for on a film-by-film basis.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(n) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Investments (Continued)

(iii) Unlisted equity securities

Investments in unlisted equity securities that do not have a quoted market price in an active market and whose fair value cannot be realiably measured are recognised in the statement of financial position at cost less impairment losses.

(o) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(p) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(q) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Convertible notes

Convertible notes which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible notes and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

(t) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(u) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Income from box office takings is recognised when the services have been rendered to the buyers.

Income from screen advertising is recognised when the services are provided.

Income from sales of food and beverage, posters and audio-visual products is recognised when the goods are delivered and title has passed.

Income from investments in film production is recognised when the result of the film distribution can be reliably measured and when the income is received or receivables.

Management fee income is recognised upon the provision of the services.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from held-for-trading investments is recognised when the shareholders' rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(x) Share-based payments

The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(y) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(aa) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Related parties (Continued)

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(ab) Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ac) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(ad) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The significant accounting policies are set forth in note 3 to the financial statements. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(b) Fair value of convertible notes designated at financial assets at fair value through profit or loss

The fair value of the convertible notes involves assumptions on the issuer's credit spread, discount rate, expected credit rating and future cash flows. Should these assumptions change, there would be material changes to the valuation. As at 31 December 2011, the carrying amount of the convertible notes is HK$21,700,000 (2010: HK$28,600,000).

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK$1,421,706,000 (2010: HK$1,434,349,000), an impairment loss of HK$5,912,000 was recognised during the year.

(d) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(e) Impairment loss on investments in film production

At the end of the reporting period, when the present value of the expected future net revenue of investments in film production is estimated to be less than its carrying amount, the carrying amount of films under production will be written down to its present value of the expected future net revenue. If the actual revenue differs from the estimated net revenue expected to be realised, such difference may result in further impairment loss. As at 31 December 2011, the carrying amount of the investments in film production was HK$122,265,000 (2010: HK$132,275,000).

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk, interest rate risk and price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

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

(b) Credit risk

The carrying amount of the cash and bank balances, trade and other receivables, investments and amounts due from associates and jointly controlled entity, included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group's credit risk is primarily attributable to trade receivables and advances made to some independent third parties which were included in other receivables and bank balances.

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

The Group has concentration of credit risk as 63% (2010: 77%) of the total trade receivables was due from the Group's five largest customers.

The credit risk on liquid funds is limited because majority of the counterparties are reputable banks or banks with high credit-ratings assigned by international credit-rating agencies.

None of the Group's financial assets are secured by collateral or other credit enhancements.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2011				
Trade and other payables	**223,046**	**–**	**–**	**–**
Due to associates	**379**	**–**	**–**	**–**
Due to related parties	**469**	**–**	**–**	**–**
Convertible notes	**–**	**141,705**	**–**	**–**
At 31 December 2010				
Trade and other payables	125,864	–	–	–
Due to associates and a jointly controlled entity	9,393	–	–	–
Due to related parties	966	–	–	–
Convertible notes	–	482,400	–	–

(d) Interest rate risk

The Group's exposure to changes in interest rate risk is mainly attributable to its bank balances. Bank balances at variable-interest rate expose the Group to cash flow interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk.

At 31 December 2011, if interest rates at that date had been 100 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been HK$144,000 (2010: HK$1,998,000) lower, arising mainly as a result of lower interest income on bank balances. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$144,000 (2010: HK$1,998,000) higher, arising mainly as a result of higher interest income on bank.

5. FINANCIAL RISK MANAGEMENT (Continued)

(e) Price risk

The Group is exposed to equity price risk through its investments in listed equity securities and convertible notes designated at financial assets at fair value through profit or loss ("financial assets at FVTPL"). The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange.

(i) Sensitivity analysis for held-for-trading investments.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity securities included in held-for-trading investments had been 10% (2010: 10%) higher/lower, the consolidated profit after tax for the year ended 31 December 2011 would increase/decrease by approximately HK$4,511,000 (2010: profit increases/decrease by HK$1,327,000) as a result of the changes in fair value of held-for-trading investments .

(ii) Sensitivity analysis for convertible notes designated at financial assets at FVTPL.

The sensitivity analyses below have been determined based on the exposure to the change of share price and its volatility of the convertible notes at the reporting date only.

If the share prices of convertible notes had been 10% (2010: 10%) higher/lower and all other variables were held constant, the consolidated profit after tax for the year ended 31 December 2011 would increase by HK$2,205,000 (2010: HK$1,696,000) and decrease by HK$1,488,000 (2010: HK$1,664,000) respectively, as a result of changes in fair value of convertible notes designated at financial assets at FVTPL.

(f) Categories of financial instruments at 31 December 2011

	2011 HK$'000	2010 HK$'000
Financial assets		
Financial assets at fair value through profit or loss:		
– Held for trading	**45,106**	13,270
– Designated financial assets at FVTPL	**21,700**	28,600
Available-for-sale financial assets	**23,020**	23,020
Loans and receivables (including cash and cash equivalents)	**163,121**	514,652
Financial liabilities		
Financial liabilities at amortised cost	**356,038**	576,713

5. FINANCIAL RISK MANAGEMENT (Continued)

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Disclosures of level in fair value hierarchy at 31 December 2011:

	Fair value measurement using:			Total
Description	**Level 1**	**Level 2**	**Level 3**	**2011**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Held-for-trading investment				
– listed equity securities	**45,106**	**–**	**–**	**45,106**
Convertible notes designated at				
financial assets FVTPL	**–**	**21,700**	**–**	**21,700**
Total	**45,106**	**21,700**	**–**	**66,806**

	Fair value measurement using:			Total
Description	Level 1	Level 2	Level 3	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Held-for-trading investment				
– listed equity securities	13,270	–	–	13,270
Convertible notes designated at				
financial assets FVTPL	–	28,600	–	28,600
Total	13,270	28,600	–	41,870

There have no transfers between levels 1 and 2 during the reporting period. Loss arising from fair value changes of held-for-trading investments of approximately of HK$13,855,000 (2010: gain of HK$658,000) was included in the consolidated income statement for the year ended 31 December 2011. Included in the consolidated income statement is approximately HK$6,900,000 (2010: gain of HK$9,342,000) fair value loss related to convertible notes designated at financial assets at FVTPL.

6. TURNOVER AND REVENUE

The Group's turnover which represents the amounts received and receivable from theater operation, dividend income and trading of equity securities during the year are as follows:

	2011 HK$'000	2010 HK$'000
Theater operation	**569,170**	353,754
Dividend income from held-for-trading investments	**594**	511
Investments in film production and distribution	**159,138**	1,287
Others	**7,415**	1,085
Proceeds from held-for-trading investments	**147,226**	414,681
	883,543	771,318

An analysis of the Group's revenue for the year is as follows:

	2011 HK$'000	2010 HK$'000
Theater operation	**569,170**	353,754
Dividend income from held-for-trading investments	**594**	511
Investments in film production and distribution	**159,138**	1,287
Others	**7,415**	1,085
	736,317	356,637

7. SEGMENT INFORMATION

The Group has three reportable segments as follows:

(a) Theater operation – box office income, advertising income, facilities rental income, membership service 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

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The Group's other operating segments include the operating and management business which earns operating and management income, advertising and public relation services which earn service income for advertising and trading business which earn profit from goods sold. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the "others" column.

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements.

Segment profit represents the profit earned by each segment without allocation of central administrative expenses, gain on disposal of subsidiaries, change in fair value of convertible notes designated at financial assets at FVTPL, interest income from convertible notes designated at financial assets at FVTPL, gain on disposal of an associate, gain on disposal of jointly controlled entities, financial costs incurred by convertible notes and equity-settled share-based expenses. Segment assets do not include convertible notes designated at financial assets at FVTPL, assets of headquarters and other receivables of the headquarters. Segment liabilities do not include amounts due to related parties, other payables of headquarters and convertible notes. Segment non-current assets do not include non-current assets of headquarters. This is the measure reported to the Chief Operation Decision Maker, the Directors of the Company, for the purposes of resource allocation and performance assessment.

7. SEGMENT INFORMATION (Continued)

Information about reportable segment profit or loss, assets and liabilities:

	Theater operation HK$'000	Securities trading HK$'000	Investments in film production and distribution HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2011					
Revenue from external customers	569,170	594	159,138	7,415	736,317
Segment profit/(loss)	121,645	(13,230)	42,737	(1,660)	149,492
Interest revenue	112	–	5	–	117
Interest expense	(9)	(2,337)	–	–	(2,346)
Depreciation and amortisation	(33,045)	–	(116,744)	(64)	(149,853)
Other material items of income and expense:					
Loss on acquisition of subsidiaries, net	(7,277)	–	–	–	(7,277)
Share of profits of jointly controlled entities	10,542	–	–	2,834	13,376
Share of profits of associates	9,522	–	–	–	9,522
Income tax (expense)/credit	(39,971)	69	–	–	(39,902)
Other material non-cash items:					
Impairment loss on goodwill	–	–	–	(5,912)	(5,912)
Impairment loss on other receivables	(215)	–	–	–	(215)
Additions to segment non-current assets	629,827	–	127,620	3,332	760,779
As at 31 December 2011					
Segment assets	2,638,970	45,292	190,847	119,757	2,994,866
Segment liabilities	(277,106)	(42,601)	(1,598)	(2,227)	(323,532)
Investments in associates	16,533	–	–	–	16,533
Investments in jointly controlled entities	–	–	–	76,071	76,071

	Theater operation HK$'000	Securities trading HK$'000	Investments in film production and distribution HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2010					
Revenue from external customers	353,754	511	1,287	1,085	356,637
Segment profit/(loss)	172,375	12,874	(1,682)	(3,218)	180,349
Interest revenue	132	1	5	–	138
Interest expense	(202)	(2,144)	–	–	(2,346)
Depreciation and amortisation	(13,049)	–	–	(189)	(13,238)
Share of profits of a jointly controlled entity	34,682	–	–	–	34,682
Share of profits of associates	1,477	–	–	–	1,477
Income tax expense	(7,388)	–	–	–	(7,388)
Other material non-cash items:					
Impairment loss on other receivables	(204)	–	–	–	(204)
Additions to segment non-current assets	1,725,335	–	162,940	94,022	1,982,297
As at 31 December 2010					
Segment assets	2,176,312	13,497	230,745	6,099	2,426,653
Segment liabilities	(176,009)	(127)	(345)	–	(176,481)
Investments in associates	8,813	–	–	–	8,813
Investments in jointly controlled entities	44,867	–	–	–	44,867

Revenue reported above represents revenue generated from external customers. There are no inter-segment sales for the year ended 31 December 2011 (31 December 2010: Nil).

7. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2011 HK$'000	2010 HK$'000
Revenue		
Total revenue of reportable segments	**736,317**	356,637
Profit or loss		
Total profit or loss of reportable segments	**149,492**	180,349
Other income	**997**	2,210
Unallocated amounts:		
Fair value (loss)/gain on convertible notes designated at financial assets at FVTPL	**(6,900)**	9,342
Gain on disposal of subsidiaries	**–**	14,877
Gain on disposal of an associate	**–**	4,000
Gain on disposal of jointly controlled entities	**–**	1,651
Impairment loss on deposits paid for investment	**(1,207)**	–
Equity-settled share-based payments	**–**	(29,342)
Unallocated finance costs	**(12,274)**	(13,055)
Corporate expenses	**(29,800)**	(47,283)
Consolidated profit for the year	**100,308**	122,749

	2011 HK$'000	2010 HK$'000
Assets		
Total assets of reportable segments	**2,994,866**	2,426,653
Convertible notes designated at financial assets at FVTPL	**21,700**	28,600
Unallocated headquarter amounts:		
Property, plant and equipment	**2,377**	4,038
Prepayments and other receivables	**7,178**	9,796
Bank and cash balance	**1,676**	212,148
Consolidated total assets	**3,027,797**	2,681,235
Liabilities		
Total liabilities of reportable segments	**323,532**	176,481
Amounts due to related companies	**469**	966
Convertible notes	**132,144**	440,670
Unallocated headquarters amounts:		
Others liabilities	**1,936**	3,363
Consolidated total liabilities	**458,081**	621,480

7. SEGMENT INFORMATION (Continued)

Geographical information:

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

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

	Revenue		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**6,199**	1,446	**2,377**	10,259
PRC except Hong Kong	**730,118**	355,191	**2,635,256**	2,069,392
Consolidated total	**736,317**	356,637	**2,637,633**	2,079,651

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers:

There are no major customers contributing over 10% of the Group's revenue for the year ended 31 December 2011 and 31 December 2010.

8. OTHER (LOSS)/INCOME

	2011	2010
	HK$'000	HK$'000
Bank interest income	**192**	339
Coupon interest income from convertible notes designated at financial assets at FVTPL	**899**	1,048
Fair value (loss)/gain of convertible notes designated at financial assets at FVTPL	**(6,900)**	9,342
Fair value (loss)/gain of held-for-trading investments	**(13,855)**	658
Government grants	**1,750**	2,657
Others	**6,638**	1,559
	(11,276)	15,603

9. OTHER OPERATING EXPENSES

	2011	2010
	HK$'000	HK$'000
Acquisition – related costs	**–**	8,152
Impairment loss on other receivables	**215**	204
Impairment loss on deposits paid for investment	**1,207**	–
Loss on disposal of property, plant and equipment	**138**	14
Others	**–**	98
	1,560	8,468

10. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on borrowings wholly repayable within five years		
– securities margin facilities	2,337	2,144
– convertible notes	12,274	12,883
– bank overdraft	9	374
	14,620	15,401

11. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000
Current tax – Hong Kong Profits Tax		
(Over)/under-provision in prior years	(69)	9
Current tax – Overseas		
Provision for the year	38,972	6,514
Under/(over)-provision in prior years	1,736	(1,177)
	40,708	5,337
Deferred tax (note 34)	(737)	2,051
	39,902	7,397

Hong Kong Profits Tax has been provided at a rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year ended 31 December 2011.

For the 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.

In last year, pursuant to Guoshuihan [2011] No. 86 issued by the State Administration of Taxation of the PRC, two of the Group's PRC subsidiaries, namely 北京回龍觀星美國際影城管理有限公司 (Beijing Huilongguan Stellar Cineplex Management Co., Ltd.) ("Beijing Huilongguan Stellar") and 天津星美影城管理有限公司 (Tianjin Stellar Cineplex Management Co., Ltd) ("Tianjin Stellar"), are qualified as the "新辦文化企業" and therefore they can exempt from the enterprise income tax for the period from 1 January 2010 to 31 December 2010.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

11. INCOME TAX EXPENSE (Continued)

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2011 HK$'000	2010 HK$'000
Profit before taxation (excluding share of profits of associates and share of profits of a jointly controlled entity)	**117,312**	93,987
Tax at the applicable income tax rate of 16.5% (2010: 16.5%)	**19,356**	15,508
Tax effect of expenses not deductible for tax purposes	**7,145**	161,075
Tax effect of income not taxable for tax purposes	**(9,754)**	(157,266)
Tax effect of unrecognised tax losses	**9,205**	–
Tax effect on utilisation of tax losses not previously recognised	**(256)**	(1,276)
Tax effect of tax holidays/tax concession	**20**	(15,741)
Under-provision in prior years	**1,934**	9
Over-provision in prior years	**(267)**	(1,177)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**12,414**	2,601
Tax effect of temporary differences not recognised	**119**	1,945
Tax effect of current year tax loss not recognised	**(14)**	1,687
Others	**–**	32
Income tax expense	**39,902**	7,397

12. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2011 HK$'000	2010 HK$'000
Acquisition-related costs	–	8,152
Amortisation of lease contracts (included in selling and marketing expenses and administrative expenses)	3,603	1,292
Amortisation of investments in film production	116,744	–
Auditor's remuneration		
– Current	2,404	1,557
– Under-provision in prior year	246	1,103
	2,650	2,660
Cost of service provided	178,481	115,251
Cost of inventories sold	26,656	8,009
Impairment loss on other receivables	215	204
Directors' emoluments (note 13)	1,903	6,946
Depreciation on property, plant and equipment	31,195	13,199
Net exchange gain	(13,634)	(1,641)
Operating lease charges of land and buildings		
– Minimum lease payments	40,826	14,548
– Contingent rent	19,711	18,846
	60,537	33,394
Staff costs excluding directors' emoluments		
– salaries, bonus and allowances	61,039	28,304
– equity-settled share-based payments	–	3,455
– retirement benefits scheme contributions	12,457	4,541
	73,496	36,300
Equity-settled share-based payments paid to consultants	–	22,070

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

	Director fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Name of director					
Executive directors					
Mr. CHENG Chi Chung (note a)	**190**	**–**	**–**	**–**	**190**
Mr. HU Yidong	**120**	**–**	**–**	**–**	**120**
Mr. LI Kai (note b)	**180**	**–**	**–**	**–**	**180**
Mr. QIN Hong	**720**	**–**	**–**	**–**	**720**
Mr. SUNG Chit Nim (note c)	**200**	**–**	**3**	**–**	**203**
Mr. WONG Kui Shing, Danny (note d)	**130**	**–**	**–**	**–**	**130**
Independent non-executive directors:					
Mr. CHAN Sek Nin, Jackey	**120**	**–**	**–**	**–**	**120**
Mr. HE Peigang	**120**	**–**	**–**	**–**	**120**
Mr. PANG Hong	**120**	**–**	**–**	**–**	**120**
Total for the year ended 2011	**1,900**	**–**	**3**	**–**	**1,903**

	Director fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Name of director					
Executive directors					
Mr. HU Yidong	130	–	–	784	914
Mr. LI Kai (note b)	184	–	–	261	445
Mr. QIN Hong	740	–	–	1,726	2,466
Mr. SUNG Chit Nim (note c)	10	–	–	–	10
Mr. WONG Kui Shing, Danny (note d)	200	–	5	–	205
Ms. XIAO Ping (note e)	1,500	–	–	1,046	2,546
Independent non-executive directors:					
Mr. CHAN Sek Nin, Jackey	120	–	–	–	120
Mr. HE Peigang	120	–	–	–	120
Mr. PANG Hong	120	–	–	–	120
Total for the year ended 2010	3,124	–	5	3,817	6,946

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Notes:

(a) appointed on 22 November 2011

(b) appointed on 26 March 2010 and resigned on 22 November 2011

(c) appointed on 17 December 2010 and resigned on 22 November 2011

(d) resigned on 26 March 2010 and re-appointed on 22 November 2011

(e) resigned on 17 December 2010

During the year, there was no arrangement under which a director waived or agreed to waive any emoluments during the year.

The five highest paid individuals in the Group during the year included two (2010: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2010: three) individuals are set out below:

	2011 HK$'000	2010 HK$'000
Basic salaries and allowances	1,613	1,655
Retirement benefit scheme contributions	38	30
	1,651	1,685

The emoluments fell within the following band:

	Number of individuals	
	2011 HK$'000	2010 HK$'000
Nil to HK$1,000,000	3	3

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. RETIREMENT BENEFIT SCHEME

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in retirement benefits operated by the relevant local government authorities. The Group is required to make contributions on behalf of employees who are registered permanent residents in the PRC. The Group's contributions for the year ended 31 December 2011 were amounted to approximately HK$12,309,000 (2010: HK$4,220,000).

The Group's Hong Kong office implemented a Mandatory Provident Fund Scheme (the "MPF") in compliance with the applicable regulations in Hong Kong for its staff at the end of 2011. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Group's contribution to the MPF for the year ended 31 December 2011 amounted to approximately HK$151,000 (2010: HK$326,000).

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	2011	2010
	HK$'000	HK$'000
Earnings		
Earnings for the year attributable to owners of the Company	**101,626**	123,365
Finance costs saving on conversion of convertible notes outstanding	**12,274**	12,883
Earnings for the purpose of calculating diluted earnings per share	**113,900**	136,248
Number of shares		
Issued ordinary shares at beginning of year	**6,474,488,044**	2,518,775,028
Effect of placing of new shares	**–**	455,571,419
Effect of consideration shares issued	**–**	1,123,380,543
Effect of conversion of convertible notes	**1,100,603,668**	221,964,244
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**7,575,091,712**	4,319,691,234
Effect of dilutive potential ordinary shares arising from convertible notes outstanding	**705,693,058**	810,958,903
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**8,280,784,770**	5,130,650,137

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2011.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Operation equipment HK$'000	Electronic equipment HK$'000	Broadcasting equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 January 2010	67,197	–	–	–	28,117	1,404	–	96,718
Reclassification	(458)	2,265	249	11,082	(12,027)	(11)	(1,100)	–
Additions	20,372	378	945	10,796	547	1,343	–	34,381
Acquisition of subsidiaries	59,653	10,051	300	22,921	214	444	2,176	95,759
Disposal	–	(47)	(1)	(3)	(7)	–	–	(58)
Written-off	(46,206)	–	–	–	(10,919)	–	(1,109)	(58,234)
Exchange differences	3,184	443	25	1,551	29	69	33	5,334
At 31 December 2010 and 1 January 2011	103,742	13,090	1,518	46,347	5,954	3,249	–	173,900
Reclassification	805	1,157	32	(1,958)	(32)	(4)	–	–
Additions	400,857	33,774	6,094	89,949	1,046	–	–	531,720
Acquisition of subsidiaries (note 36)	28,047	5,252	203	14,002	59	–	–	47,563
Disposal	(443)	(369)	(116)	(44)	(152)	–	–	(1,124)
Exchange differences	13,546	1,493	156	4,257	104	93	–	19,649
At 31 December 2011	546,554	54,397	7,887	152,553	6,979	3,338	–	771,708
Accumulated depreciation and impairment								
At 1 January 2010	43,737	–	–	–	15,925	457	–	60,119
Reclassification	68	(8)	30	2	(92)	–	–	–
Charge for the year	5,961	3,059	350	3,120	226	483	–	13,199
Disposal	–	(41)	–	–	(3)	–	–	(44)
Written-off	(43,129)	–	–	–	(10,919)	–	–	(54,048)
Exchange differences	360	135	9	293	91	11	–	899
At 31 December 2010 and 1 January 2011	6,997	3,145	389	3,415	5,228	951	–	20,125
Reclassification	376	103	–	(479)	–	–	–	–
Charge for the year	15,784	4,492	1,667	8,446	404	402	–	31,195
Disposal	(265)	(243)	(94)	(18)	(79)	–	–	(699)
Exchange differences	790	300	49	540	15	27	–	1,721
At 31 December 2011	23,682	7,797	2,011	11,904	5,568	1,380	–	52,342
Carrying amount								
At 31 December 2011	522,872	46,600	5,876	140,649	1,411	1,958	–	719,366
At 31 December 2010	96,745	9,945	1,129	42,932	726	2,298	–	153,775

During the year, in order to have a better classification and consist with the classification of the property, plant and equipment for the newly acquired cinema business, the Group has made a reclassification of the property, plant and equipment.

17. GOODWILL

	HK$'000
Cost	
At 1 January 2010	21,343
Arising on acquisition of subsidiaries	1,413,006
At 31 December 2010 and 1 January 2011	1,434,349
Derecognisation of goodwill (note)	(275,193)
Arising on acquisition of subsidiaries (note 36)	268,462
At 31 December 2011	1,427,618
Accumulated impairment losses	
At 1 January 2010, 31 December 2010 and 1 January 2011	–
Impairment loss recognised in current year	5,912
At 31 December 2011	5,912
Carrying amount	
At 31 December 2011	1,421,706
At 31 December 2010	1,434,349

Note:

Derecognisation of goodwill represented the goodwill attributed to two associates and a jointly controlled entity which are derecognised when these companies are acquired as the subsidiaries of the Group. Details of the acquisitions are set out in note 36.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2011	2010
	HK$'000	HK$'000
Film exhibition:		
Colour Asia Pacific Limited ("Colour Asia")	**15,431**	15,431
North Hollywood Limited ("North Hollywood")	**1,406,275**	1,413,006
Provision of entertainment arts education:		
Step Delight Limited ("Step Delight")	**–**	5,912
	1,421,706	1,434,349

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

17. GOODWILL (Continued)

Film exhibition

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the growth rate of 3% (2010: 3%). The rate used to discount the forecast cash flows from the subsidiaries of Colour Asia and North Hollywood is 15% (2010: 15%).

Provision of entertainment arts education

As at 31 December 2010, the Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors of the Company for the next five years with the residual period using the growth rate of 5%. The rate used to discount the forecast cash flows from the subsidiaries of Step Delight is 20%. During the year ended 31 December 2011, the Group carried out a review of the goodwill. The goodwill has therefore been reduced to its recoverable amount through recognition of an impairment loss of HK$5,912,000 during the year.

18. INTANGIBLE ASSETS

	Trademarks (purchased) HK$'000 (Note a)	Lease contracts (purchased) HK$'000 (Note b)	Prepaid building lease rights (purchased) HK$'000 (Note c)	Investments in film production HK$'000 (Note d)	Total HK$'000
Cost					
At 1 January 2010	–	–	–	7,000	7,000
Additions during the year	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 and 1 January 2011	25,120	28,079	40,000	132,275	225,474
Additions during the year	–	–	–	127,620	127,620
Return of investment	–	–	–	(79,040)	(79,040)
Acquisition of subsidiaries (note 36)	–	3,109	–	–	3,109
At 31 December 2011	25,120	31,188	40,000	180,855	277,163
Accumulated amortisation and impairment losses					
Amortisation for the year and at 31 December 2010 and 1 January 2011	–	1,292	–	–	1,292
Amortisaton for the year	–	2,948	655	116,744	120,347
Return of investment	–	–	–	(58,154)	(58,154)
At 31 December 2011	–	4,240	655	58,590	63,485
Carrying amount					
At 31 December 2011	25,120	26,948	39,345	122,265	213,678
At 31 December 2010	25,120	26,787	40,000	132,275	224,182

18. INTANGIBLE ASSETS (Continued)

Notes:

(a) Trademark

The trademark, PhotonVFX, was originally owned by Photon Group. The principal activities of Photon Group are entertainment related business in relation to the production, distribution and licensing of entertainment related contents for movies, television drama series, documentary and information or entertainment programs, and cinemas business. After the completion of sale and purchase agreement dated 12 July 2010, the Company indirectly owned the legal right in this trademark.

PhotonVFX, has a legal right life of 10 years commencing 28 October 2003 but is renewable every 10 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including product life cycle studies, market, and brand extension opportunities have been performed by management of the Company, which supports that this trademark-PhotonVFX has no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Company.

The Group has assessed the recoverable amount of the trademark acquired with indefinite life for the CGUs and determined that such trademark has not been impaired at 31 December 2011. Such trademark has been allocated to the business segment of "Film production and distribution".

The recoverable amount of the CGUs is determined from value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of five years. The rates used to discount the forecast cash flows are approximately 18%. The assumptions used are based on management's past experience of the specific market and reference to external sources of information.

(b) Lease contracts

The Group carried out reviews of the recoverable amount of the lease contract rights in 2011, having regard to the market conditions of the property market in the cities in which the Group's cinemas are located. These assets are used in the Group's film exhibition segment. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 15%.

(c) Prepaid building lease rights

During the year ended 31 December 2010, the Group purchased from an independent third party, 星美投資有限責任公司 (Xingmei Investment Co., Ltd.), the building lease contracts rights for the leasing of 25 sites in the PRC, intended for the operation of 25 cinemas. Details of the transaction are disclosed in the circular dated 13 September 2010. As at 31 December 2011, the legal titles of 12 leases contracts out of the total 25 of lease contracts has been transferred to the Group, others are still in the name of the vendor.

The prepaid building lease rights are used in the film exhibition segment and are amortised on a straight-line basis over the remaining lease terms range from 10 to 20 years.

18. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(d) **Investments in film production**

Investments in film production represent funds advanced to licensed production houses for co-financing of the production of films, which are freely to be exploited by the production houses. The investments are governed by the relevant investment agreements entered into between the Group and the production houses whereby the Group is entitled to benefits generated from the distribution of the related films. The amounts will be recoverable by the Group from a pre-determined share of the sales proceeds of the respective co-financed films, resulting from the distribution to be confirmed by the relevant production houses.

19. INVESTMENTS IN ASSOCIATES

	2011 HK$'000	2010 HK$'000
Unlisted investments :		
Share of net assets	6,828	8,813
Goodwill	9,705	–
Net assets	16,533	8,813

Details of the Group's associates at 31 December 2011 are as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of equity interest held by the Group/ profit sharing	Principal activities
廣州華影星美影城管理有限公司 Guangzhou Huaying Stellar Cineplex Limited ("Guangzhou Huaying Stellar")	PRC	Registered capital of RMB1,000,000	46.55%/46.55%	Operation of a cinema
北京世紀東都國際影城有限公司	PRC	Registered capital of RMB1,000,000	40.85%/40.85%	Operation of a cinema

The above associates are limited liability companies incorporated in the PRC.

19. INVESTMENTS IN ASSOCIATES (Continued)

Summarised financial information in respect of the Group's associates is set out below:

	2011 HK$'000	2010 HK$'000
At 31 December		
Total assets	**43,384**	90,358
Total liabilities	**(27,394)**	(69,998)
Net assets	**15,990**	20,360
Group's share of associates' net assets	**6,828**	8,813
Total revenue	**88,136**	42,566
Total profit for the year	**9,751**	1,293
Group's share of associates' profit for the year	**9,522**	1,477

20. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	2011 HK$'000	2010 HK$'000
Unlisted investments:		
Share of net assets	**25,352**	44,867
Goodwill	**50,719**	–
	76,071	44,867

Details of the jointly controlled entities at 31 December 2011 are as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of equity interest held by the Group/ profit sharing	Principal activities
匯揚控股有限公司 Top Frontier Holdings Limited	HK	2 ordinary shares of HK$1 each	**50%/50%**	Investment Holdings
北京麗水寶貝教育咨詢有限公司	PRC	Registered capital of RMB41,000,000	**50%/50%**	Early Childhood Education

20. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Note:

The following amounts are the Group's share of the jointly controlled entities that are accounted for by the equity method of accounting.

	2011 HK$'000	2010 HK$'000
At 31 December		
Current assets	**4,307**	20,446
Non-current assets	**24,863**	7,476
Current liabilities	**(3,818)**	(4,159)
Non-current liabilities	**–**	(199)
Net assets	**25,352**	23,564
Additional share of profit in according to the profit entitlement agreement	**–**	21,303
	25,352	44,867

	2011 HK$'000	2010 HK$'000
Turnover	**42,405**	42,042
Expenses	**(29,028)**	(5,487)

21. DEPOSITS PAID FOR INVESTMENTS

	2011 HK$'000	2010 HK$'000
Deposit paid for investment in a subsidiary	**11,764**	10,516
Deposits paid for investment in jointly controlled entities (note a and note b)	**–**	72,946
	11,764	83,462

Note:

(a) Pursuant to a cooperation agreement signed on 10 August 2010 and a supplementary agreement signed on 13 October 2010 between Able Charm Limited ("Able Charm"), a wholly owned subsidiary of the Group, and an independent third party, Babyboss International Limited ("BIL"), to acquire 50% equity interests in 北京麗水寶貝教育咨詢有限公司 ("北京麗水寶貝"), a limited company established in the PRC, which is engaged in the operation of "Baby Boss" in the PRC. The total consideration was RMB42,750,000 (equivalent to approximately HK$50.6 million). Upon the consideration was fully paid, each of Able Charm and BIL agree to inject RMB20,000,000 to 北京麗水寶貝 for its operation. As at 31 December 2010, the total deposit paid for the investment amounted to approximately HK$49.6 million. During the year ended 31 December 2011, the acquisition is completed and the deposits paid in 2010 has been transferred to interest in jointly controlled entities.

(b) Pursuant to a letter of intent signed on 27 October 2010 between Able Charm and BIL, both parties agreed to set up a business of "Baby Boss" in Shanghai, the PRC. As at 31 December 2010, the Group has paid a deposit of RMB20,000,000 (equivalent to approximately HK$23.3 million) to BIL. The project is suspended. During the year ended 31 December 2011, amount of HK$18.7 million has been refunded. The remaining of HK$4.6 million as at 31 December 2011 was included in trade and other receivables and fully refunded as at the reporting date.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 HK$'000	2010 HK$'000
Unlisted equity security, at cost	**23,020**	23,020

The Group owned 20% equity interests in a company incorporated in Hong Kong. Due to certain contractual arrangements with the other shareholders of that company, the Group is unable to exercise significant influence over that company and the investment is classified as available-for-sale financial assets.

Such unlisted equity security was carried at cost as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

23. PREPAYMENT FOR CONSTRUCTION OF CINEMAS

The Group has made agreements with certain construction companies for the supervision, administration and quality control of the construction projects of cinemas in the PRC. As at 31 December 2011, the Group has prepaid approximately HK$160,040,000 (2010: HK$115,203,000) to these construction companies for the planning and design and construction work of the construction projects.

24. INVENTORIES

	2011 HK$'000	2010 HK$'000
Food and beverage	**20,743**	1,141
Others	**2,478**	451
	23,221	1,592

25. TRADE AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade receivables	**43,991**	49,125
Rental and other deposits	**63,461**	4,241
Amount due from non-controlling interests of subsidiaries (note a)	**21,487**	45,932
Prepayments and other receivables (note b)	**100,362**	162,267
	229,301	261,565

Notes:

(a) The amount of HK$21,487,000 (2010: HK$45,932,000) as at 31 December 2011 is unsecured, interest-free and repayable on demand.

(b) As at 31 December 2011, included in prepayments and other receivables are advances to independent third parties of approximately HK$6,004,000 (2010: HK$58,596,000) which are unsecured, interest-free and repayable within 1 year. The remaining other receivables are unsecured, interest-fee 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 the Reporting Period is as follow:

	2011 HK$'000	2010 HK$'000
0 to 30 days	**28,727**	25,841
31 to 90 days	**10,381**	5,086
Over 91 days	**4,883**	18,198
	43,991	49,125

25. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2011, trade receivables of HK$4,883,000 (2010: HK$18,198,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2011 HK$'000	2010 HK$'000
3 to 6 months	4,883	18,198

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2011 HK$'000	2010 HK$'000
Hong Kong dollars	1,600	121
Renminbi ("RMB")	42,391	49,004
Total	43,991	49,125

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

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

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

	2011 HK$'000	2010 HK$'000
Balance at the beginning of the year	253	49
Impairment loss recognized	215	204
Acquisition of subsidiaries	83	–
Written off of receivables	(25)	–
Exchange differences	9	–
Balance at the end of the year	535	253

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

26. HELD-FOR-TRADING INVESTMENTS

	2011 HK$'000	2010 HK$'000
Equity securities, at fair value listed in Hong Kong	**45,106**	13,270

The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. They are classified as held-for-trading and recorded in current assets.

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

As at 31 December 2011, the carrying amount of held-for-trading investments pledged as security for the margin account facility amounted to HK$45,106,000 (2010: HK$NIL).

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

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 Hong Kong 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 conversion price of 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.

On 29 September 2011, ITC approved the extension of the maturity date of the said convertible notes from 2 November 2011 to 2 November 2013. The conversion price and all the other terms and conditions of the convertible notes remain unchanged. No early redemption is allowed. Further details regarding the above extension of the maturity date of the convertible notes are set out in the announcement dated on 26 August 2011 and in the circular dated on 12 September 2011.

A fair value loss of approximately HK$6,900,000 (2010: gain of HK$9,342,000) was recorded for the year ended 31 December 2011.

At 31 December 2011, the fair value of the convertible notes was valued by Savills Valuation and Professional Services Limited ("Savills"), an independent qualified professional valuer. Binomial (Cox, Ross, Rubinstein) option pricing model ("Binomial Model") is used for valuation for the conversion option component of the convertible notes designated at fair value through profit or loss. The fair value are estimated by considering the key assumptions as follows:

	31 December 2011
Share price of the ITC	**HK$0.36**
Expected volatility	**95%**
Risk free rate	**0.38%**
Life of the options	**1.84 year**
Expected ordinary dividend yield	**5.5%**
Effective interest rate	**35%**

28. DUE FROM/(TO) ASSOCIATES/A JOINTLY CONTROLLED ENTITY

The amounts due from/(to) associates/a jointly controlled entities are unsecured, interest-free and have no fixed repayment terms.

29. BANK AND CASH BALANCES

As at 31 December 2011, the bank and cash balances of the Group denominated in RMB amounted to HK$34,920,000 (2010: HK$231,176,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

30. TRADE AND OTHER PAYABLES

	2011 HK$'000	2010 HK$'000
Trade payables	**84,789**	35,975
Customers' deposits	**57,185**	32,312
PRC business and other tax payables	**6,537**	6,298
Margin payable due to financial institution (note)	**42,601**	–
Amount due to a non-controlling interest of subsidiaries	**–**	23,554
Accrued charges and other payable	**89,119**	60,037
	280,231	158,176

Note: The margin payable due to financial institution is secured and repayable on demand. The interest is charged at 8% 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:

	2011 HK$'000	2010 HK$'000
Up to 30 days	**28,415**	13,133
31 to 60 days	**12,441**	5,685
Over 60 days	**43,933**	17,157
	84,789	35,975

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2011 HK$'000	2010 HK$'000
Hong Kong dollars	**720**	65
RMB	**84,069**	35,910
Total	**84,789**	35,975

31. DUE TO RELATED PARTIES

	2011 HK$'000	2010 HK$'000
Mr. QIN Hui (note a)	378	114
Strategic Media International Limited ("SMIL")	91	852
	469	966

Note a: Mr. QIN Hui is the controlling shareholder of the Company.

Note b: Mr. QIN Hui has significant influence over SMIL.

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

32. CONVERTIBLE NOTES

	2011 HK$'000	2010 HK$'000
Convertible bonds with principal amount of:		
– HK$480million (note a)	–	440,670
– HK$141million (note b)	132,144	–
	132,144	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 entitle the holder to convert them into ordinary shares of the Company at any business days after the date of issue of the Acquisition Convertible Notes 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 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.

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, 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.

(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 entitle the holder to convert them into ordinary shares of the Company at any business days after the date of issue of the Convertible Notes 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 up 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%.

32. CONVERTIBLE NOTES (Continued)

Notes: (Continued)

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

	2011 HK$'000
Nominal value of convertible loan notes issued	**141,000**
Equity component	**(12,500)**
Liability components at date of issue	**128,500**
Interest charged	**3,855**
Interest paid	**(211)**
Liability component at 31 December 2011	**132,144**

The Directors estimate the fair value of the liability component at 31 December 2011 to be approximately HK$132,000,000. This fair value has been calculated by discounting the future cash flows at the market rate.

33. PLEDGE OF ASSETS

At 31 December 2011, the Group's held-for-trading investments amounted to approximately HK$45,106,000 (2010: HK$NIL) were pledged to secure margin account facilities granted to the Group.

34. DEFERRED TAX

(a) The following are the major deferred tax assets/(liabilities) recognised by the Group:

	Allowance of trade and other receivables HK$'000	Deferred income HK$'000	Expenses to be claimed on paid basis HK$'000	Lease contracts HK$'000	Others HK$'000	Total HK$'000
At 1 January 2010	–	–	–	–	–	–
Acquisition of subsidiaries	2,624	565	534	(7,020)	841	(2,456)
(Charge)/credit to profit or loss for the year	(1,615)	–	(164)	323	(595)	(2,051)
Exchange differences	61	22	18	–	(21)	80
At 31 December 2010	1,070	587	388	(6,697)	225	(4,427)
Acquisition of subsidiaries (note 36)	27	–	80	(777)	–	(670)
(Charge)/credit to profit or loss for the year	(996)	3	957	737	36	737
Exchange differences	(10)	25	39	–	46	100
At 31 December 2011	**91**	**615**	**1,464**	**(6,737)**	**307**	**(4,260)**

34. DEFERRED TAX (Continued)

(b) The following is the analysis of the deferred tax balance (after offset) for consolidated statement of financial position purposes:

	2011	2010
	HK$'000	HK$'000
Deferred tax liabilities	**(6,781)**	(6,739)
Deferred tax assets	**2,521**	2,312
	(4,260)	(4,427)

(c) At the end of the Reporting Period, the Group has unused tax losses of approximately HK$65,328,000 (2010: HK$24,586,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$4,871,000 (2010: HK$76,000) that will expire in 2016. Other tax losses may be carried forward indefinitely.

(d) At the end of the Reporting Period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, associates and jointly controlled entities for which deferred tax liabilities have not been recognised is approximately HK$16,235,000 (2010: HK$9,607,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

35. SHARE CAPITAL

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

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 32(a) sets out the details of the Acquisition Convertible Note.

All the shares which were issued during the year rank pari passu with the then 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 year.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group regularly reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the raising of new debts or the repayment of existing debts.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2011, 25.68% (2010: 32.13%) of the shares were in public hands.

36. ACQUISITION

(a) Acquisition of a subsidiary, Beijing Shijiecheng Stellar Cineplex Mgt Co., Ltd ("Beijing Shijiecheng Stellar")

In July 2010, the Group acquires 49% equity interest in Beijing Shijiecheng Stellar which was accounted for as an associate of the Group. On 14 November 2011, the Group obtained control of Beijing Shijiecheng Stellar following the amendments in the Memorandum and Articles of Association of Beijing Shijiecheng Stellar which enables the Group to control over the financial and operating policies of Beijing Shijiecheng Stellar. As a result, notwithstanding the fact that the percentage of ownership held by the Group remains unchanged and no consideration was involved in the transaction, the Group obtained the control over Beijing Shijiecheng Stellar and was accounted for as a subsidiary of the Group with effective from 14 November 2011.

The fair value of the identifiable assets and liabilities of Beijing Shijiecheng Stellar acquired as its date of acquisition is as follows:

	HK$'000
Property, plant and equipment	24,543
Deferred tax assets	8
Trade and other receivables	20,260
Intangible asset lease contract	3,109
Inventories	341
Cash and bank balances	218
Trade payables and other payables	(30,728)
Current tax liabilities	(2,638)
Deferred tax liabilities	(777)
Net identifiable assets and liabilities acquired	14,336
Share of 51% non-controlling interests of Beijing Shijiecheng Stellar	(5,042)
Goodwill	71,770
Fair value of interest in Beijing Shijiecheng Stellar at date of acquisition	81,064
Net cash inflow arising on acquisition:	
Cash and Cash equivalents acquired	218

The Group recognised a gain of HK$44,624,000 as a result of measuring at fair value its 49% equity interest in Beijing Shijiecheng Stellar held before the business combination. The gain is included in "Loss on acquisition of subsidiaries, net" and presented separately in the consolidated income statement during the year.

The additional goodwill arising on the acquisition of Beijing Shijiecheng Stellar is attributable to the anticipated profitability of the Group's theater operation in the PRC and the anticipated future operating synergies from the combination.

Beijing Shijiecheng Stellar contributed approximately HK$4,402,000 and HK$1,376,000 to the Group's turnover and profit for the year respectively for period between the date of acquisition and the end of the Reporting Period.

If the acquisition had been completed on 1 January 2011, total Group turnover for the year would have been HK$771,815,000 and profit for the year would have been HK$100,308,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

36. ACQUISITION (Continued)

(b) Acquisition of a subsidiary, Lanzhou Stellar Cineplex Limited ("Lanzhou Stellar")

In July 2010, the Group acquires 49% equity interest in Lanzhou Stellar and the Group which was accounted for as an associate of the Group. On 11 October 2011, the Group obtained control of Lanzhou Stellar following the amendments in the Memorandum and Articles of Association of Lanzhou Stellar which enables the Group to control over the financial and operating policies of Lanzhou Stellar. As a result, notwithstanding the fact that the percentage of ownership held by the Group remains unchanged and no consideration was involved in the transaction, the Group obtained the control over Lanzhou Stellar and was accounted for as a subsidiary of the Group with effective from 11 October 2011.

The fair value of the identifiable assets and liabilities of Lanzhou Stellar acquired at its date of acquisition is as follows:

	HK$'000
Property, plant and equipment	10,187
Deferred tax assets	70
Trade and other receivable	5,123
Inventories	103
Cash and bank balances	410
Trade payables and other payables	(5,527)
Current tax liabilities	(233)
Net identifiable assets and liabilities acquired	10,133
Share of 51% non-controlling interests of Lanzhou Stellar	(3,496)
Goodwill	33,046
Fair value of interest in Lanzhou Stellar at date of acquisition	39,683
Net cash inflow arising on acquisition:	
Cash and Cash equivalents acquired	410

The Group recognised a loss of HK$2,547,000 as a result of measuring at fair value its 49% equity interest in Lanzhou Stellar held before the business combination. The loss is included in "Loss on acquisition of subsidiaries, net" and presented separately in the consolidated income statement during the year.

The goodwill arising on the acquisition of Lanzhou Stellar is attributable to the anticipated profitability of the Group's theater operation in the PRC and the anticipated future operating synergies from the combination.

Lanzhou Stellar contributed approximately HK$5,455,000 and HK$1,927,000 to the Group's turnover and profit for the year respectively for period between the date of acquisition and the end of the Reporting Period.

If the acquisition had been completed on 1 January 2011, total Group turnover for the year would have been HK$748,967,000 and profit for the year would have been HK$100,308,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

36. ACQUISITION (Continued)

(c) Acquisition of a subsidiary Shenyang Stellar Cineplex Management Co., Ltd ("Shenyang Stellar")

In July 2010, the Group acquires 49% equity interest in Shenyang Stellar which was accounted for as a jointly controlled entity. On 22 September 2011, the Group obtained control of Shenyang Stellar following the amendments in the Memorandum and Articles of Association of Shenyang Stellar which enables the Group to control over the financial and operating policies of Shenyang Stellar. As a result, notwithstanding the fact that the percentage of ownership held by the Group and the PRC venture remains unchanged and no consideration was involved in the transaction, the Group obtained the control over Shenyang Stellar and was accounted for as a subsidiary of the Group with effective from 22 September 2011.

The fair value of the identifiable assets and liabilities of Shenyang Stellar acquired at its date of acquisition is as follows:

	HK$'000
Property, plant and equipment	12,833
Deferred tax assets	29
Trade and other receivables	56,511
Inventories	46
Cash and bank balances	524
Trade payables and other payables	(7,666)
Current tax liabilities	(3,386)
Net identifiable assets and liabilities acquired	58,891
Share of 51% non-controlling interests of Shenyang Stellar	(4,028)
Goodwill	163,646
Fair value of interest in Shenyang Stellar at date of acquisition	218,509
Net cash inflow arising on acquisition:	
Cash and Cash equivalents acquired	524

The Group recognised a loss of HK$49,354,000 as a result of measuring at fair value its 49% equity interest in Shenyang Stellar held before the business combination. The loss is included in "Loss on acquisition of subsidiaries, net" and presented separately in the consolidated income statement during the year.

The goodwill arising on the acquisition of Shenyang Stellar is attributable to the anticipated profitability of the Group's theater operation in the PRC and the anticipated future operating synergies from the combination.

Shenyang Stellar contributed approximately HK$18,509,000 and HK$11,542,000 to the Group's turnover and profit for the year respectively for period between the date of acquisition and the end of the Reporting Period.

If the acquisition had been completed on 1 January 2011, total Group turnover for the year would have been HK$759,990,000 and profit for the year would have been HK$100,308,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

37. SHARE-BASED PAYMENT

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. Options granted during the life of the 2002 old share option scheme and remain 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's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share. Details of the principal terms of the New Share Option Scheme were summarised and set out in a circular to shareholders dated 9 September 2009.

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

	Date of grant	Exercise period	Exercise price	Number of share options granted
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 year ended 31 December 2011. The corresponding equity-settled share-based expenses previously recognised in share-based payment reserve were transferred to retained profits during the year ended 31 December 2011.

37. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme (Continued)

The fair value of the options granted is estimated at the date of grant using Black-Schole 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
Date of grant (Lot A)	11 June 2010
Dividend yield (%)	Nil
Expected volatility (%)	46.519
Risk-free interest rate (%)	0.145
Expected life (years)	1
Weighted average share price	0.504
Date of grant (Lot B)	11 June 2010
Dividend yield (%)	Nil
Expected volatility (%)	46.519
Risk-free interest rate (%)	0.145
Expected life (years)	1
Weighted average share price	0.504

38. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2010, the Company acquired the entire equity interests in GDL and SMIIC by the allotment and issuance of a total of 2,440,677,966 new shares at an issue price of HK$0.1 per share. The fair value of the ordinary shares of the Company is approximately HK$0.294 per share.

39. LEASE COMMITMENTS

At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2011 HK$'000	2010 HK$'000
Within one year	**134,000**	43,400
In the second to fifth years inclusive	**848,000**	144,889
After five years	**2,695,000**	202,583
	3,677,000	390,872

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

The lease 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.

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rental payable (contingent rents), if any, which are to be determined generally by applying pre-determined percentages to future revenue less the basic rentals of the respective leases, as it is not possible in advance to calculate the amount of such additional rental.

40. OTHER COMMITMENTS

At the end of Reporting Period, the Group had the following commitments:

		2011 HK$'000	2010 HK$'000
(a)	Amount contracted for but not provided in the consolidated financial statements in respect of:		
	Investments in film production	**11,485**	50,112
	Construction for cinemas premises	**209,268**	–
	Consultancy fee paid	**8,073**	9,867
	Investment in jointly controlled entities	**–**	24,600
(b)	Capital expenditure authorised but not contracted for in respect of:		
	Construction for cinemas premises	**1,373,250**	300,492

41. CONTINGENT LIABILITIES

As at 31 December 2011, the Group and the Company did not have any significant contingent liabilities.

42. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group did not have any transactions with its related parties during the year.

(b) During the year, the key management personnel compensation paid by the Group was disclosed in note 13 to the financial statements.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Investments in subsidiaries	44	**280,847**	280,847
Available-for-sale financial assets		**23,020**	23,020
		303,867	303,867
Current assets			
Prepayments, deposits and other receivables		**2,963**	3,703
Due from subsidiaries	44	**2,102,096**	1,766,273
Bank and cash balances		**519**	205,952
		2,105,578	1,975,928
Current liabilities			
Trade and other payables		**1,672**	2,560
Due to related parties		**469**	966
Due to subsidiaries	44	**1,210**	1,168
		3,351	4,694
Net current assets		**2,102,227**	1,971,234
Total assets less current liabilities		**2,406,094**	2,275,101
Non-current liabilities			
Convertible notes		**132,144**	440,670
NET ASSETS		**2,273,950**	1,834,431
Capital and reserves			
Share capital	35	**810,161**	647,449
Reserves	45	**1,463,789**	1,186,982
TOTAL EQUITY		**2,273,950**	1,834,431

44. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 HK$'000	2010 HK$'000
Unlisted investments, at cost	**280,847**	280,847

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

44. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2011 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up/ registered capital	Percentage of equity interest held by the Company Directly	Indirectly	Percentage of profit sharing	Principal activities
Able Charm Limited	HK	10,000,000 ordinary share of HK$1 each	100%	–	100%	Investment holding
Admiral Team Limited	BVI	1 ordinary share of US$1 each	–	100%	100%	Investment holding
*Beijing Huilongguan Stellar (note)	PRC	Registered capital of RMB6,000,000	–	#49%	100%	Operation of a cinema
*Beijing Mingxiang International Cinema Mgt Co. Ltd (note)	PRC	Registered capital of RMB7,000,000	–	72.86%	100%	Operation of a cinema
*Beijing Shijiecheng Stellar (note)	PRC	Registered capital of RMB6,000,000	–	#49%	100%	Operation of a cinema
*Beijing Wangjing Stellar International Cinema Mgt Co. Ltd (note)	PRC	Registered capital of RMB7,500,000	–	60%	100%	Operation of a cinema
Bravissimi Films (International) Limited	BVI	1 ordinary share of US$1 each	100%	–	100%	Investment in production of film
Campbell Hall Limited	BVI	3 ordinary shares of US$1 each	–	100%	100%	Investment holding
Chengdu Stellar Cineplex Limited	PRC	Registered capital of RMB10,000,000	–	57%	57%	Operation of a cinema
*Chongqing Stellar Cinema Management Co., Ltd (note)	PRC	Registered capital of RMB6,000,000	–	#49%	100%	Operation of a cinema
Color Asia Pacific Limited	HK	1 ordinary share of HK$1 each	100%	–	100%	Investment holding
GDL Nominee Limited ("GDL")	HK	2 ordinary shares of HK$1 each	–	100%	100%	Investment holding
*Lanzhou Stellar (note)	PRC	Registered capital of RMB6,000,000	–	#49%	100%	Operation of a cinema
LS Education Centre Company Limited	HK	100 ordinary shares of HK$1 each	–	51%	51%	Provision of entertainment arts education and training services
Market Dynamics (Hong Kong) Limited	HK	10,000 ordinary shares of HK$1 each	100%	–	100%	Provision of advertising and public relation services

44. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up/ registered capital	Percentage of equity interest held by the Company Directly	Percentage of equity interest held by the Company Indirectly	Percentage of profit sharing	Principal activities
North Hollywood Limited	BVI	1 ordinary share of US$1 each	100%	–	100%	Investment holding
*Shanghai Lemo Stellar Cineplex Management Co., Ltd. (note)	PRC	Registered capital of RMB6,000,000	–	75%	100%	Operation of a cinema
*Shanghai Stellar Cineplex Management Co., Ltd. (note)	PRC	Registered capital of RMB12,000,000	–	75%	100%	Operation of a cinema
*Shenyang Stellar (note)	PRC	Registered capital of RMB6,000,000	–	#49%	100%	Operation of a cinema
SMI International Cinemas Limited ("SMIIC")	HK	10,000 ordinary shares of HK$1 each	–	100%	100%	Investment holding
SMI Investment (HK) Limited	HK	1 ordinary share of HK$1 each	100%	–	100%	Investment in securities
SMI Management (Beijing) Limited	HK	1 ordinary share of HK$1 each	100%	–	100%	Provision of administrative services
SMI Management (HK) Limited	HK	1 ordinary share of HK$1 each	100%	–	100%	Provision of administrative services
SMI Photon (HK) Limited	HK	1 ordinary share of HK$1 each	–	100%	100%	Inactive
SMI Photon Pty Limited	Australia	100 ordinary shares of AUD55,000 each	–	80%	80%	Provision of visual effect and post-production of film making
Star East Services Limited	HK	2 ordinary shares of HK$1 each	–	100%	100%	Nominees of company secretary of group companies
*Tianjin Stellar (note)	PRC	Registered capital of RMB6,000,000	–	#49%	100%	Operation of a cinema
*Xuzhou Stellar Cineplex Management Co., Ltd. (note)	PRC	Registered capital of RMB6,000,000	–	#49%	100%	Operation of a cinema
北京星美滙餐飲管理有限公司	PRC	Registered capital of RMB8,800,000	–	100%	100%	Operation of cafe and sale of food and beverage in cinema
*成都潤運文化傳播有限公司	PRC	Registered capital of RMB3,000,000	–	95%	95%	Investment holding

44. INVESTMENTS IN SUBSIDIARIES (Continued)

Although the Group owns less than 50% of the equity interest in these companies, they are deemed to be subsidiaries of the Company as the Group is able to control the composition of the board of directors.

* These subsidiaries are sino-foreign equity joint ventures established in the PRC.

Note: During the year, the Group has made profit entitlement agreements and supplementary agreements with most of the non-controlling interests of its subsidiaries in which the non-controlling interests agreed to waive their share of the profit after tax for the year ended 31 December 2011 in the corresponding subsidiaries. Therefore, the Group is entitled to 100% of the profit after tax for most of the subsidiaries for the year ended 31 December 2011. Pursuant to the profit entitlement agreements, the Group is entitled to 90% or 95% of the respective profit after tax from 1 January 2012 onwards of the relevant subsidiaries. In addition, the non-controlling interests confirmed that they would indemnify the Group for all expenses incurred for the distribution of profits from them under the profit entitlement agreements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

45. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium HK$'000	Other reserve HK$'000	Contributed surplus HK$'000	Conversion notes reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	109,487	(36,615)	36,003	–	–	(165,890)	(57,015)
Loss for the year	–	–	–	–	–	(56,390)	(56,390)
Issue of shares on placement	424,231	–	–	–	–	–	424,231
Acquisition of subsidiaries	473,492	–	–	–	–	–	473,492
Transaction cost attributable to issue of shares	(17,637)	–	–	–	–	–	(17,637)
Share-based payments	–	–	–	–	29,342	–	29,342
Recognition of equity component of convertible notes	–	–	–	335,593	–	–	335,593
Conversion of convertible notes	67,059	–	–	(11,693)	–	–	55,366
At 31 December 2010	1,056,632	(36,615)	36,003	323,900	29,342	(222,280)	1,186,982
Loss for the year	–	–	–	–	–	(21,678)	(21,678)
Recognition of share option lapsed	–	–	–	–	(22,070)	22,070	–
Recognition of equity component of convertible notes (note 32(b))	–	–	–	12,500	–	–	12,500
Conversion of convertible notes (note 32(a))	609,885	–	–	(323,900)	–	–	285,985
At 31 December 2011	1,666,517	(36,615)	36,003	12,500	7,272	(221,888)	1,463,789

45. RESERVES (Continued)

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.

(ii) Other reserve

The other reserve represents (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 and the issued and fully paid up amount of such ordinary shares and (ii) the considerations 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).

(iii) Contributed surplus

The contributed surplus of the Group represented the balance of credit arising from the reduction of share capital and the cancellation of share premium in relation to the capital reorganisation in 1996 less the amount transferred to accumulated losses in relation to another capital reorganisation in the years ended 31 March 2003 and 2005 and the amount released from disposal of certain associates and distribution of dividend in prior years.

Under the Companies Act of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if: (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

46. COMPARATIVE FIGURES

Certain comparative figures in the consolidated income statement have been reclassified to conform to the current year's presentation. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

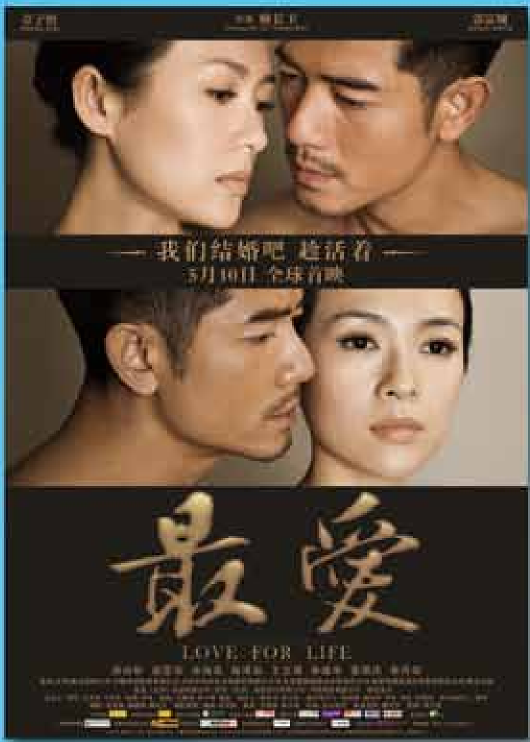
47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2012.

Financial Summary

Results	1.4.2007- 31.3.2008 HK$'000	1.4.2008- 31.3.2009 HK$'000	1.4.2009- 31.12.2009 HK$'000	1.1.2010- 31.12.2010 HK$'000	**1.1.2011- 31.12.2011 HK$'000**
Revenue	29,675	35,551	72,029	356,637	**736,317**
(Loss)/Profit before tax	(90,442)	(28,231)	32,189	130,146	**140,210**
Taxation	(13)	–	(4,196)	(7,397)	**(39,902)**
(Loss)/Profit before non-controlling interests	(90,455)	(28,231)	27,993	122,749	**100,308**
Non-controlling interests	–	–	(3,991)	616	**1,318**
Net (loss)/profit for the year/period	(90,455)	(28,231)	24,002	123,365	**101,626**

Assets and liabilities	31.3.2008 HK$'000	31.3.2009 HK$'000	31.12.2009 HK$'000	31.12.2010 HK$'000	**31.12.2011 HK$'000**
Total assets	71,380	62,117	308,222	2,681,235	**3,027,797**
Total liabilities	(126,594)	(146,287)	(108,679)	(621,480)	**(458,081)**
Total equity	(55,214)	(84,170)	199,543	2,059,755	**2,569,716**



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