



星 美 國 際

SMI CORPORATION LIMITED

星美國際集團有限公司*

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

Interim Report 2012



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. QIN Hong (*Chairman*)

Mr. CHENG Chi Chung
(*Chief Executive Officer*)

Mr. HU Yidong

Mr. WONG Kui Shing, Danny

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the first six months ended 30 June 2012 (the "Reporting Period"), under the leadership of new management team, SMI Corporation Limited (the "Company") and its subsidiaries (collectively the "Group") is moving on a new direction. The Company has disposed all its trading securities and is determined to focus on its core business (the movie theater operation), and develop in the new complementary businesses (Xingmeihui (on-line shopping and in-theater counter sales) and advertising and promotion business).

Movie Theater Business

During the Reporting Period, the Group's cinema operation continued to develop at a steady pace, apart from the existing network chain in the first-tier cities, the coverage and market shares of our cinema operation business were gradually improving in the second and third-tier cities with enormous market potential. This will further strengthen the Group's position as the leading brand in the cinema chain operation in Mainland China.

In 2012, The Chinese Government continues to be supportive to the movie industry. In February 2012, the Chinese and the U.S. government reached into an agreement to increase the annual quotas of U.S. films for China market (from 24 movies to 34 movies which 14 of them are IMAX or 3D movies). These special feature movies attract more audience into the cinema and further contribute to higher box office revenue. The Group is devoted to provide our audience splendid enjoyment of these special feature movies, hence has equipped our cinemas with digitalized and IMAX screens. Out-performed the industry average, over 90% of our movie theaters were equipped with digitalized screens. Together with the success of blockbusters, like 3D Titanic and Marvel the Avenger, during the Reporting Period, the revenue from theater increased from approximately HK\$225 million to HK\$392 million when compared to the corresponding period in 2011.

Movie and TV series production Business

The profit generated from this segment was approximately HK\$18 million (2011: HK\$20 million).

As a leading market player, the Company is dedicating its effort to understand the market situation and trend more and maintain a market share. We invested in the production and distribution of some high profile movies namely “新天生一對” and “晚秋” which were shown during the Reporting Period and received remarkable reviews.

New Complementary businesses

Xingmeihui (星美匯)

Xingmeihui was launched in the end of 2011 and is aimed to be the growth engine of the Company's business. It is a combination of online shopping and in-theater counter sales, offering a fresh, unique and flexible shopping experience to our customers. The shop offers (i) movie and celebrity related merchandizes, (ii) fashion and accessories, (iii) skincare, (iv) food and living goods and (v) a wide range of high-ended brands from Hong Kong, Taiwan & overseas. By the end of June 2012, there were 31 Xingmeihui in-theater counters set up at our movie theatres.

The management team of the Company has continued to team up with various business associates including prestigious local and overseas retail brands, logistics partners and sales & promotion teams to strengthen this developing business.

By utilizing the Group's nation-wide movie theater network and the high admission to our cinemas, the Group made a revenue of HK\$8 million which marked a great start for this new complementary business.

Advertising and promotion business

In 2011, the Group was determined to strengthen and add value to our existing advertising and promotion business. Apart from the traditional advertising channels, such as stickers, banners and screen advertising, the Company is committed to provide our cinema audience and our clients with advanced advertising facilities. We have started to explore new advertising channels & features (e.g.: LED panels etc.) that were available in the movies invested and our movie theaters to further expand the business and to fully utilize the space in the movie theaters.

To take advantage of our movie theater sites and the idle time of the screening halls, the Group has started off a new business strategy. The Group is going to organise several promotion activities in the first and second tier cities (such as Chengdu and Changsha etc) in the second half of year 2012, both indoors and outdoors with different corporate clientele. Meanwhile, clientele can provide sponsorship in these promotion activities to give their products as well as our Company more exposure. These promotion activities not only helps increase the profit margins in this business segment but also help penetration of the Company as a more well-known brand all over China.

Prospects

With the persisting support from the Chinese Government, the flourishing domestic film industry and the growing national economy, the Group is convinced to continue to focus on the development of our core business of movie theater operation as well as the new complementary businesses. The encouraging performance of the Group during the Reporting Period in the movie theater operation and complementary businesses demonstrate a great start of this integrated business model.

Under the leadership of our competent management team and devotion of the Group's staff, the Group will continue to expand its national coverage of our cinemas and the market share and will dedicate its best to strength its position as the leading movie theater operator in China.

Financial review

Turnover, revenue and profit for the period

For the Reporting Period, the Group achieved a turnover of approximately HK\$478 million and revenue of approximately HK\$424 million (2011: HK\$432 million and HK\$318 million respectively), an increase of 11% and 33% over the corresponding period in 2011.

As compared with corresponding period in 2011, the profit after tax almost doubled up from approximately HK\$39 million to HK\$70 million.

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

The revenues and profit of theater operation for the Reporting Period has been increased by approximately HK\$167 million and approximately HK\$13 million respectively when compared with the corresponding period in 2011.

Selling, Marketing and administrative expenses

The increase in selling, marketing and administrative expenses mainly came from the increase in number of theaters established during the second half of year 2011 and the Reporting Period.

Finance cost

Finance cost was mainly represented by the effective interest of approximately HK\$3 million derived from convertible notes.

Financial resources and Liquidity

As at 30 June 2012, the Group has net current liabilities of approximately HK\$108 million. This is mainly due to the convertible notes of HK\$141 million issued to controlling shareholder which will be due in May 2013.

On 25 July 2012, four indirect non-wholly-owned subsidiaries of the Company had entered into an underwriting agreement in respect of the issue of the private placement bonds in the issue size of up to RMB200 million (HK\$242 million). The memorandum of the above private placement bonds has been submitted to the Shanghai Stock Exchange and waiting for its formal approval.

Moreover, the Group is operating in profit since 2010. The directors believe that the Group will have sufficient cash resources to satisfy its future working capital requirement.

The Groups net assets were approximately HK\$2,634 million, representing an increase of approximately HK\$64 million from HK\$2,570 million as at 31 December 2011. This was mainly due to the profit earned during the Reporting Period.

Debt and gearing

The gearing ratio (Total borrowings including convertible notes to equity attributable to equity holders of the Company) is 5% as at 30 June 2012 (2011: 5%).

The Group was financed primarily through share capital and reserve. There was no bank borrowing as at 30 June 2012.

Foreign exchange risks

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

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

Employees

Excluding the staff of associates and jointly controlled entities, there are a total of 1,592 full-time staff as at 30 June 2012 (including directors but excluding part-time staffs). The Company offers remuneration and benefit packages to its employees according to the prevailing salary levels in the market, individual merits and performance.

DIRECTORS' REPORT

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

Results and appropriations

The results of the Group for the Reporting Period are set out in the condensed consolidated income statement and condensed consolidated statement of comprehensive income on page 19 to 21.

No dividend was paid or proposed during the Reporting Period.

Share capital and reserves

As at 30 June 2012, the total number of shares issued by the Company was 8,101,606,688 shares.

Movements in the Company's authorised and issued share capital are set out in note 21 to the condensed consolidated financial statements on pages 42. Movements in the reserves of the Group are set out in the condensed consolidated statement of changes in equity on page 24.

There is no change in authorised and issued share capital of the Company during the Reporting Period.

Property, plant and equipment

Details of the Group's property, plant and equipment as at 30 June 2012 are set out in note 11 to the condensed consolidated financial statements on page 33.

Directors and directors' service contracts

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

Executive directors:

Mr. QIN Hong (*Chairman*) (Resigned as Chief Executive Officer ("CEO") on 7 June 2012)

Mr. CHENG Chi Chung (Appointed as CEO on 7 June 2012)

Mr. HU Yidong

Mr. WONG Kui Shing, Danny

Independent non-executive directors:

Mr. HE Peigang

Mr. PANG Hong

Mr. CHAN Sek Nin, Jackey

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.

Directors and chief executive's interests

As at 30 June 2012, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in the Rules Governing the Listing of Securities on the Stock Exchange (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	Beneficial owner	-	-	58,200,000 (Note a)	-	0.72%
HU Yidong	Beneficial owner	-	-	15,000,000	-	0.19%
WONG Kui Shing, Danny	Interest of controlled corporation	-	1,000,000 (Note b)	-	-	0.01%

Notes:

- (a) According to the Director's/Chief Executive's Notice of Mr. QIN Hong filed on 21 June 2012, Mr. QIN Hong was interested in 58,200,000 shares which comprise 33,000,000 underlying shares and 25,200,000 shares.

In addition, as at the date of this report, Mr. QIN Hong was interested in 67,400,000 shares which comprise 33,000,000 underlying shares and 34,400,000 shares.

- (b) According to the Director's/Chief Executive's Notice of Mr. WONG Kui Shing, Danny filed on 14 June 2012, 1,000,000 shares are held by Global Moral Investments Limited ("Global Moral"), which Mr. WONG Kui Shing, Danny owns 50% control of Global Moral.

Save as disclosed above, as at 30 June 2012, none of the other directors or the chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company, subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share option scheme

The Company adopted a new share option scheme on 30 September 2009. The purpose of the share option scheme is to enable the Board, at its discretion, to grant options to eligible participants, including the directors of the Company, as incentives or rewards for their contributions to the Group, details of the scheme are set out in note 22 to the consolidated financial statements.

During the Reporting Period, certain existing executive directors of the Company and other eligible participants have interests in share options to subscribe for shares in the Company. Details of such interests and movement of share options granted by the Company are shown below:

Name	Date of grant	Number of share options					Balance as at 30 June 2012	Exercise price per share HK\$
		Exercise period (Notes)	Balance as at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period		
Director								
QIN Hong	11 June 2010	1	33,000,000	-	-	-	33,000,000	0.51
HU Yidong	11 June 2010	1	15,000,000	-	-	-	15,000,000	0.51
Other Eligible participants								
	11 June 2010	2	91,075,507 (Note 2)	-	-	-	91,075,507	0.51
			<u>139,075,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,075,507</u>	

Notes:

- (1) Divided into 2 tranches exercisable from 11 June 2010 to 10 June 2013.
- (2) Including 5,000,000 shares granted to Mr. LI Kai, who resigned as director of the Company on 22 November 2011.

Substantial shareholders' interests

As at 30 June 2012, 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%

Notes:

- Mr. QIN Hui is beneficially interested in the convertible notes in the principal amount of HK\$141 million issued by the Company which is convertible into 300,000,000 shares at the conversion price of HK\$0.47 per share. Mr. QIN Hui is therefore interested in 6,297,508,961 shares which comprise (i) 300,000,000 underlying shares and (ii) 5,997,508,961 shares.
- Mr. QIN Hui owns the entire interest in Strategic Media International Limited ("SMIL") and was accordingly deemed to be interested in 23,878,623 shares of the Company which are held by SMIL.
- According to the Corporate Substantial Shareholder Notices filed by Kingston, Ample Cheer and Best Forth filed on 30 May 2011, Kingston, as person having a security in shares, is interested in 2,057,118,644 shares which comprise (i) 300,000,000 underlying shares and (ii) 1,757,118,644 shares. Since Kingston is wholly-owned by Ample Cheer who in turn is 80%-owned by Best Forth, Ample Cheer and Best Forth are deemed to be interested in 2,057,118,644 shares held by Kingston.
- According to the Individual Substantial Shareholder Notice filed by Madam Chu on 30 May 2011, Madam Chu is deemed to be interested in 2,057,119,707 shares which comprise (i) 300,000,000 underlying shares and (ii) 1,757,119,707 shares through corporations controlled by her.

Directors' interests in competing business

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

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

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

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

Directors' interests in contracts

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

Purchase, sale or redemption of the listed securities of the company

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

Public float

As at 30 June 2012, 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.

Contingent liabilities

As at 30 June 2012, the Group and the Company did not have any significant contingent liabilities.

Event after the Reporting Period

Details of significant events occurring after the date of statement of financial position are set out in note 27 to the consolidated financial statements on page 46.

Appreciation

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

By order of the Board

HU Yidong

Executive Director

Hong Kong, 29 August 2012

CORPORATE GOVERNANCE REPORT

Overview of corporate governance

The Company is committed to maintaining high standards of corporate governance. The Company emphasizes on effective internal control, transparency and its accountability to the shareholders.

The Company has established a corporate governance framework comprising principally the Bye-laws and internal control handbook of the Company to implement the code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (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.6.7 which is explained below:

Attendance of directors in general meetings

Messrs. QIN Hong, CHENG Chi Chung and HU Yidong, three of the executive directors and Messrs. PANG Hong and CHAN Shek Nin, Jackey, two of the independent non-executive directors, were unable to attend the annual general meeting of the Company held on 29 June 2012 due to their overseas engagements.

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.

Compliance with the model code for securities transactions by directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules regarding securities transactions by Directors. Upon specific enquiries by the Company, all Directors confirmed that they have fully complied with the Model Code.

Non-executive directors

There are currently three non-executive directors, 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. Each independent non-executive director has, pursuant to rule 3.13 of the Listing Rules, provided an annual confirmation of his independence to the Company and the Company also considers them to be independent.

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

The primary role of the Audit Committee are to monitor integrity of the annual report, 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 also meets regularly with the Company's external auditors to discuss the audit progress and accounting matters.

Remuneration committee

Since 14 July 2009, the Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference. 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, Mr. 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 objectives 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 requires shareholders' approval.

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.

Internal control

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

Investor relations and communication with shareholders

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. publish 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 the investment community.

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

The Company has established a shareholder communication policy in March 2012 to provide framework to facilitate effective communication with shareholders.

CONDENSED CONSOLIDATED INCOME STATEMENT*For the six months ended 30 June 2012*

	NOTES	Six months ended 30 June	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Turnover	3	478,362	432,439
Revenue	3	423,860	318,493
Cost of sales		(141,476)	(150,581)
Gross profit		282,384	167,912
Other income	5	9,151	822
Selling and marketing expenses		(164,756)	(77,098)
Administrative expenses		(46,774)	(28,819)
(Loss)/gain on disposal of held-for-trading investments		(4,458)	3,506
Fair value gain/(loss) of convertible notes designated at financial assets at fair value through profit or loss	17	665	(6,896)
Fair value gain/(loss) of held-for-trading investments		13,855	(715)
Profit from operation		90,067	58,712
Finance costs	6	(3,442)	(9,536)
Share of profits of associates		117	7,003
Share of profits of jointly controlled entities		330	749
Profit before tax		87,072	56,928
Income tax expense	7	(16,981)	(17,681)
Profit for the period	9	70,091	39,247

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)*For the six months ended 30 June 2012*

		Six months ended 30 June	
		2012	2011
	NOTES	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
– Owners of the Company		64,126	34,255
– Non-controlling interests		5,965	4,992
		<u>70,091</u>	<u>39,247</u>
Earnings per share			
	10		
– Basic		<u>HK0.79 cents</u>	<u>HK0.49 cents</u>
– Diluted		<u>HK0.79 cents</u>	<u>HK0.49 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2012*

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	70,091	39,247
Other comprehensive income, net of tax		
Exchange differences arising on translation	<u>(6,247)</u>	<u>4,974</u>
Total comprehensive income for the period	<u>63,844</u>	<u>44,221</u>
Total comprehensive income attributable to:		
– Owners of the Company	60,492	35,103
– Non-controlling interests	<u>3,352</u>	<u>9,118</u>
	<u>63,844</u>	<u>44,221</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2012*

	NOTES	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	785,467	719,366
Goodwill		1,421,706	1,421,706
Intangible assets	12	221,272	213,678
Investments in associates	13	16,527	16,533
Investments in jointly controlled entities	14	76,401	76,071
Deposits paid for investments		11,764	11,764
Available-for-sales financial assets		23,020	23,020
Rental deposits		24,652	18,475
Prepayments for construction of cinemas		169,811	160,040
Deferred tax assets		–	2,521
		2,750,620	2,663,174
Current assets			
Inventories		27,069	23,221
Trade and other receivables	15	240,592	229,301
Held-for-trading investments	16	–	45,106
Convertible notes designated at financial assets at fair value through profit or loss	17	22,365	21,700
Bank and cash balances		33,415	45,295
		323,441	364,623
Current liabilities			
Trade and other payables	18	253,719	280,231
Due to associates		558	379
Due to related parties	19	645	469
Convertible note	20	134,665	–
Current tax liabilities		41,413	36,368
		431,000	317,447
Net current (liabilities)/assets		(107,559)	47,176
Total assets less current liabilities		2,643,061	2,710,350

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2012

		30 June 2012	31 December 2011
	NOTES	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Convertible note	20	–	132,144
Deferred income		2,429	1,709
Deferred tax liabilities		6,336	6,781
		<u>8,765</u>	<u>140,634</u>
Net Assets		<u>2,634,296</u>	<u>2,569,716</u>
Capital and reserves			
Share capital	21	810,161	810,161
Reserves		1,748,390	1,687,898
Equity attributable to owners of the Company		2,558,551	2,498,059
Non-controlling interests		75,745	71,657
Total equity		<u>2,634,296</u>	<u>2,569,716</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

For the six months ended 30 June 2011

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

For the six months ended 30 June 2012

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note (a))	Contributed surplus HK\$'000	Foreign currency translation reserve HK\$'000	Convertible notes reserve HK\$'000	Statutory reserve HK\$'000 (Note (b))	Share-based payment reserve HK\$'000	Retained Profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total Equity HK\$'000
At 1 January 2012 (Audited)	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
Total comprehensive income for the period	-	-	-	-	(3,634)	-	-	-	64,126	60,492	3,352	63,844
Transfer (Note (b))	-	-	-	-	-	-	3,553	-	(3,553)	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	736	736
At 30 June 2012 (Unaudited)	810,161	1,666,517	(121,745)	31,172	7,969	12,500	32,724	7,272	111,981	2,558,551	75,745	2,634,296

Notes:

- (a) Other reserve represented: (i) the difference between the fair value of the 843,500,000 ordinary shares issued for the acquisition of the entire equity interest in Colour Asia Pacific Limited and the issued and fully paid up amount of such ordinary shares. (ii) The consideration for the additional economic interests of two principal subsidiaries.

- (b) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2012*

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash generated from operations	113,121	39,463
Tax paid	(4,364)	(4,829)
	<hr/>	<hr/>
Net cash generated from operating activities	108,757	34,634
Net cash used in investing activities	(123,280)	(347,726)
Net cash (used in)/generated from financing activities	(3,499)	119,411
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(18,022)	(193,681)
Cash and cash equivalents at beginning of period	45,295	253,817
Effect of foreign exchange rate changes	6,142	942
	<hr/>	<hr/>
Cash and cash equivalents at end of period	33,415	61,078
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the applicable disclosures required by the Listing Rules.

These condensed financial statements should be read in conjunction with the 2011 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2012. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

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

3. TURNOVER AND REVENUE

The Group's turnover which represents the amounts received and receivable from theater operation, investments in film production and distribution, dividend income, trading of equity securities and in-theater counter sales and online shopping during the period are as follow:

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Theater operation	391,755	225,095
Dividend income from held-for-trading investments	1,313	147
Investments in film production and distribution	20,774	85,352
Proceeds from held-for-trading investments	54,502	113,946
In-theater counter sales and online shopping	8,220	–
Others	1,798	7,899
	478,362	432,439

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

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Theater operation	391,755	225,095
Dividend income from held-for-trading investments	1,313	147
Investments in film production and distribution	20,774	85,352
In-theater counter sales and online shopping	8,220	–
Others	1,798	7,899
	423,860	318,493

4. SEGMENT INFORMATION

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

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

Information regarding the above segments is reported below.

The following tables present revenue, profit and assets information regarding the Group's reportable segments for the six months ended 30 June 2012 and 2011:

	Segment revenue		Segment result		Segment assets	
					As at	
	Six months ended 30 June 2012	2011	Six months ended 30 June 2012	2011	30 June 2012	31 December 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Theater operation	391,755	225,095	56,763	44,445	2,715,966	2,638,970
Securities trading	1,313	147	9,757	2,003	–	45,292
Investments in film production and distribution	20,774	85,352	17,956	20,178	214,796	190,847
In-theater counter sales and online shopping	8,220	–	69	–	25,226	–
Other	1,798	7,899	521	2,031	86,901	119,757
	423,860	318,493	85,066	68,657	3,042,889	2,994,866

4. SEGMENT INFORMATION (Continued)

Note:

Revenue reported above represents revenue generated from external customers. There are no inter-segment sales during the period (30 June 2011: Nil).

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

Reconciliations of reportable segment revenue, profit or loss:

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Total revenue of reportable segments	423,860	318,493
Profit or loss		
Total profit or loss of reportable segments	85,066	68,657
Other income	442	85
Unallocated amounts:		
Fair value gain/(loss) on convertible notes designated as financial assets at fair value through profit or loss	665	(6,896)
Unallocated finance costs	(2,698)	(9,095)
Corporate expenses	(13,384)	(13,504)
Consolidated profit for the period	70,091	39,247

5. OTHER INCOME

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	38	126
Interest income from convertible notes designated at financial assets at fair value through profit or loss	446	442
Government grants	8,569	–
Sundry income	98	254
	9,151	822

6. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
– Other borrowings wholly repayable within the year	744	441
– Effective interest expenses on convertible notes	2,698	9,095
	3,442	9,536

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax:		
Provision for the period	19,663	16,028
(Over)/under-provision in prior years	(4,711)	2,016
	14,952	18,044
Deferred tax	2,029	(363)
	16,981	17,681

No provision for Hong Kong Profits Tax is required since the Group has sufficient tax losses brought forward or no assessable profit for the period.

For the PRC subsidiaries of the Group, the provision for PRC enterprise income tax is based on a statutory rate of 25% (2011: 25%) of the estimated assessable profits of the group entities as determined in accordance with the relevant income tax rules and regulations of the PRC.

8. INTERIM DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2012 and 2011.

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisations of investments in film production	439	65,774
Amortisations of lease contracts (included in selling and marketing expenses and administrative expenses)	2,305	1,693
Auditor's remuneration	153	669
Directors' emoluments		
– salaries, bonus and allowances	1,457	840
– retirement benefits scheme contributions	8	3
	1,465	843
Staff costs excluding directors' emoluments		
– salaries, bonus and allowances	44,099	24,765
– retirement benefits scheme contributions	10,256	4,477
	54,355	29,242
Cost of service provided	121,556	137,638
Cost of inventories sold	19,920	12,943
Depreciation on property, plant and equipment	35,480	12,244
Operating lease charges of land and buildings		
– minimum lease payments	37,109	13,363
– contingent rent	8,498	7,807
	45,607	21,170

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	64,126	34,255
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	8,101,607	7,039,850

For the six months ended 30 June 2012 and 30 June 2011, diluted earnings per share was same as the basic earnings per share, as the effect of the conversion of the convertible notes was anti-dilutive for the six months ended 30 June 2012 and 30 June 2011.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group spent approximately HK\$114,172,000 and HK\$9,771,000 (30 June 2011: HK\$34,061,000 and HK\$102,840,000) on addition to property, plant and equipment and prepayments for construction of cinemas respectively.

12. INTANGIBLE ASSETS

	Trademarks (purchased) HK\$'000	Lease contracts (purchased) HK\$'000	Prepaid building lease rights (purchased) HK\$'000	Investments in film production HK\$'000	Total HK\$'000
Cost					
At 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	-	3,109	-	-	3,109
At 31 December 2011 (Audited)	25,120	31,188	40,000	180,855	277,163
Additions during the period	-	-	-	10,338	10,338
Return of investment	-	-	-	(439)	(439)
At 30 June 2012 (Unaudited)	25,120	31,188	40,000	190,754	287,062
Accumulated amortisation and impairment losses					
At 1 January 2011	-	1,292	-	-	1,292
Amortisation for the year	-	2,948	655	116,744	120,347
Return of investment	-	-	-	(58,154)	(58,154)
At 31 December 2011 (Audited)	-	4,240	655	58,590	63,485
Amortisation for the period	-	1,778	527	439	2,744
Return of investment	-	-	-	(439)	(439)
At 30 June 2012 (Unaudited)	-	6,018	1,182	58,590	65,790
Carrying amount					
At 30 June 2012 (Unaudited)	25,120	25,170	38,818	132,164	221,272
At 31 December 2011 (Audited)	25,120	26,948	39,345	122,265	213,678

13. INVESTMENTS IN ASSOCIATES

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Unlisted investments:		
Share of net assets	6,822	6,828
Goodwill	9,705	9,705
	<hr/>	<hr/>
Net assets	16,527	16,533
	<hr/>	<hr/>

Details of the associates of the Group at 30 June 2012 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
			30 June 2012	31 December 2011	
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%	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%	40.85%/ 40.85%	Operation of a cinema

14. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Unlisted investments:		
Share of net assets	25,682	25,352
Goodwill	50,719	50,719
	76,401	76,071

Details of the jointly controlled entities at 30 June 2012 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
			30 June 2012	31 December 2011	
匯揚控股有限公司 Top Frontier Holdings Limited	Hong Kong	2 Ordinary shares of HK\$1 each	50%/ 50%	50%/ 50%	Investment Holdings
北京麗水寶貝教育諮詢 有限公司	PRC	Registered capital of RMB41,000,000	50%/ 50%	50%/ 50%	Early Childhood Education

15. TRADE AND OTHER RECEIVABLES

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Trade receivables	59,506	43,991
Rental and other deposits	61,247	63,461
Amounts due from non-controlling interests of subsidiaries (Note)	24,977	21,487
Prepayments and other receivables (Note)	94,862	100,362
	240,592	229,301

15. TRADE AND OTHER RECEIVABLES (Continued)

Note: Included in the prepayments and other receivables are advances to independent third parties of approximately HK\$5,546,000 (31 December 2011: HK\$6,004,000) which are unsecured, interest-free and repayable within 1 year. The remaining other receivables and amounts due from non-controlling interests of subsidiaries are unsecured, interest-free and repayable on demand.

The Group allows an average credit period of 90 days to the 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:

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
0 to 30 days	53,303	28,727
31 to 90 days	2,296	10,381
Over 91 days	3,907	4,883
	59,506	43,991

16. HELD-FOR-TRADING INVESTMENTS

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Equity securities at fair value listed in Hong Kong	–	45,106

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

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

	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Convertible notes designated at financial assets at fair value through profit or loss	22,365	21,700

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

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 gain of approximately HK\$665,000 (2011: loss of HK\$6,896,000) was recorded for the period ended 30 June 2012.

At 30 June 2012, the fair value of the convertible notes was valued by Roma Appraisals Limited, an independent qualified professional valuer. Trinomial option pricing model is used for valuation for the conversion option component of the convertible notes designated at fair value through profit or loss.

18. TRADE AND OTHER PAYABLES

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Trade payables	100,999	84,789
Customers' deposits	58,064	57,185
Margin payable due to financial institution (Note)	–	42,601
Accrued charges and other payables	94,656	95,656
	253,719	280,231

Note: As at 31 December 2011, the margin payable due to financial institutions are secured and repayable on demand. The interest rate was 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:

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Up to 30 days	26,588	28,415
31 to 60 days	17,668	12,441
Over 60 days	56,743	43,933
	100,999	84,789

19. DUE TO RELATED PARTIES

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Mr. QIN Hui (Note a)	554	378
Strategic Media International Limited ("SMIL") (Note b)	91	91
	645	469

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.

20. CONVERTIBLE NOTE

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Convertible note with principal amount of HK\$141 million	134,665	132,144

20. CONVERTIBLE NOTE (Continued)

The Company issued a 2-year 0.25% convertible note ("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 components. The equity component is presented in equity as convertible notes reserve. The effective interest rate of the liability component is 5.0%.

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

	HK\$'000
Nominal value of the Convertible Note issued	141,000
Equity component	<u>(12,500)</u>
Liability component at date of issue	128,500
Interest charged	3,855
Interest paid	<u>(211)</u>
Liability component at 31 December 2011 (Audited)	132,144
Interest charged	2,698
Interest paid	<u>(177)</u>
Liability component at 30 June 2012 (Unaudited)	<u><u>134,665</u></u>

21. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each		
At 1 January 2011, 31 December 2011, 1 January 2012 and 30 June 2012	20,000,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each		
At 1 January 2011 (Audited)	6,474,488,044	647,449
Issue of shares – conversion of convertible notes on 27 April 2011 (Note)	1,500,000,000	150,000
Issue of shares – conversion of convertible notes on 24 May 2011 (Note)	127,118,644	12,712
At 31 December 2011(Audited), 1 January 2012 (Audited) and 30 June 2012 (Unaudited)	8,101,606,688	810,161

Note:

On 27 April 2011 and 24 May 2011, the convertible note holders exercised their conversion rights to convert the convertible notes 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.

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

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

22. SHARE-BASED PAYMENT

Equity-settled share option scheme

On 30 September 2009, an ordinary resolution was proposed at the special general meeting to approve the adoption of a new share option scheme ("New Share Option Scheme") and termination of the operation of the old share option scheme. The resolution was approved by the shareholders and the New Share Option Scheme became effective for a period of 10 years commencing on 30 September 2009. Option granted during the life of the 2002 old share option scheme and 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 quotation 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 sheet 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 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.

22. SHARE-BASED PAYMENT (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 (%)	0.415
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 (%)	0.415
Expected life (years)	1
Weighted average share price	0.504

23. CONTINGENT LIABILITIES

The Group did not have any significant contingent liability at 30 June 2012 (At 31 December 2011: Nil).

24. LEASE COMMITMENTS

At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Within one year	204,000	134,000
In the second to fifth years inclusive	1,253,000	848,000
After five years	3,625,000	2,695,000
	5,082,000	3,677,000

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 rentals.

25. OTHER COMMITMENTS

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Contracted but not provided for:		
Investments in film production	8,832	11,485
Construction for cinemas premises	140,806	209,268
Consultancy fee paid	7,176	8,073
	1,325,053	1,373,250
Authorised but not contracted for:		
Construction for cinemas premises	1,325,053	1,373,250

26. RELATED PARTY TRANSACTIONS

The Group entered into the following transaction with related parties during the six months ended 30 June 2012 and 2011.

Compensation to key management

The remuneration of directors and other members of key management during the six months ended 30 June 2012 and 2011 were as follows:

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, bonus and allowances	1,457	840
Retirement benefits scheme contributions	8	3
	1,465	843

27. EVENTS AFTER THE REPORTING PERIOD***Issue of private placement bonds by subsidiaries***

On 25 July 2012, four indirect non-wholly owned subsidiaries of the Company, namely 北京回龍觀星美國國際影城管理有限公司 (Beijing Huilongguan Stellar Cineplex Management Co., Ltd), 北京名翔國際影院管理有限公司 (Beijing Mingxiang International Cinema Mgt Co. Ltd), 北京望京星美國國際影城管理有限公司 (Beijing Wangjing Stellar International Cinema Mgt Co. Ltd) and 天津星美影城管理有限公司 (Tianjin Stellar Cineplex Management Co., Ltd), had entered into an underwriting agreement in respect of the issue of the private placement bonds in the issue size of up to RMB200 million (equivalent to approximately HK\$242 million).

Details of the said issue of private placement bonds are disclosed in the announcement and supplemental announcement of the Company dated 25 July 2012 and 26 July 2012 respectively.

28. APPROVAL FINANCIAL STATEMENT

The financial statements were approved and authorised for issue by the Board of Directors on 29 August 2012.

怀化大城

怀化賓館



星美国际影城
STAR BEAUTY INTERNATIONAL CITY



星島

星島國際名品城
STAR ISLAND INTERNATIONAL CITY

国际名品城

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