



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)



2013
Interim Report

* For identification purposes only



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. CHENG Chi Chung
(Chief Executive Officer)
Mr. WONG Kui Shing, Danny
Mr. LEE Chee Chuang, Roger
(appointed on 3 May 2013)
Mr. YANG Rongbing
(appointed on 3 May 2013)

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 Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
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

In 2013, with the growing number of Chinese movie audiences and the evolving advanced movie technology like IMAX or digital movies, the Chinese movie industry continues to shine. More domestic movies stroke a record-high box office revenue in China, which confirmed the continuous growth of the industry. In line with our direction to focus on our core business (the Movie Theater Business) and complementary business (Xingmeihui (in-theater counter sales and online shopping)) and with the New Membership Integrated Marketing Scheme (the "New Membership Scheme") during the first six months ended 30 June 2013 (the "Reporting Period"), SMI Corporation Limited (the "Company") and its subsidiaries (collectively the "Group") have enjoyed the golden era of Chinese movie industry and has been gradually moving towards its goal to cement itself as one of the leading movie theater operator in China.

Movie Theater Business

In the first half of 2013, it recorded a total admission of approximately 283 million people to movie theaters in China. Inspired by these encouraging industry figures, our Group is more than convinced to take a firm step on the development in our core business.

During the Reporting Period, the Group kept up its effort in extending its movie theater footprints in high growth second and third tier provinces and cities in China like RuGao and SuQian, etc. while securing its leading position in the first tier provinces and cities, including Guangzhou and Dongguan, etc. The Group is operating a total of 56 movie theaters with up to 398 screens as at 30 June 2013.

In parallel with the expansion of our movie theater network, the Group is dedicated to keep pace with the technological advancement of the industry. Among the films that achieved an individual box office revenue of over RMB100 million in China, 43.35% of them were 3D movies, indicating a trend that 3D movies are becoming more popular among the audiences. Hence, we are committed to equip our movie theaters and value add ourselves with more 3D and IMAX screens and facilities in existing and new movie theaters which outstands the industry average. As at 30 June 2013, all of the projection facilities are digitalized and all our theaters are equipped with 3D or IMAX screens.

New Membership Integrated Marketing Scheme

Introduced in late 2012, the New Membership Scheme has successfully tied the other business segments of the Group including the Movie Theater Business and the Complementary Business together. It provides a catalyst for the growth of various business segments while enhancing the overall business strategy and model of the Group to become an integrated one.

The Group will keep its best effort to strengthen this New Membership Scheme, which is the vein between our various business segments for the sustainable and healthy growth of the Group.

Movie and TV series production Business

2013 is a year when domestic movies begin to bloom. Among the total box office revenue which exceeded RMB10 billion in China for the first half of 2013, domestic movies accounted for 62% of the total box office revenue against 38% from the imported movies.

As one of the leading pioneers in the industry, we seize every opportunity to invest in the production of high quality movies and TV series in China. During the Reporting Period, one of the movies we invested, “中國合伙人” (American Dreams in China) directed by renowned Hong Kong film director Peter Chan Ho-San, and the cast featuring 黃曉明 (Huang Xiaoming), 鄧超 (Deng Chao) and 佟大為 (Tong Dawei), was not only well received by the audiences, but also remarkably scored over RMB500 million box office revenue in China.

The profit generated from this segment was approximately HK\$19 million during the Reporting Period.

New Complementary Businesses

Xingmeihui (星美匯)

Chained by the New Membership Scheme, Xingmeihui is more closely connected with and can benefit more from our core business (Movie Theater Business).

The management team of the Group has strived hard to provide our customers with a variety of brands and products, from high-end brands to living goods to our customers.

During the Reporting Period, our Group has opened up more in-theater counters. Basically, Xingmeihui will be established in our newly opened theaters. By the end of June 2013, there were a total of 56 Xingmeihui in-theater set up at our theaters.

Making use of the well-integrated business model as well as the boom in the Chinese movie industry, Xingmeihui has made a revenue of HK\$21 million, which marked the gradual development of Xingmeihui as a new growth engine of the Group.

Advertising and Promotion Business

With the objective to make use of our movie theater sites and the idle time of the screening halls, the Group has continued to research for the most suitable business strategy in developing the business.

Meanwhile, the Group has been installing more advanced advertising facilities like LED panels, etc. in our movie theaters, providing our clients refreshing and high technological advertising channels to present their products to the customers in the best way.

Apart from that, we had held a range of promotion events in cities like Shanghai, Guangzhou, etc. with different corporate clientele, in both indoors and outdoors areas where the idle time and space of movie theaters can be fully utilized. In these promotion events, we can provide tailor-made and flexible advertising solutions to deal with different needs of the clienteles.

Our Group has been actively liaising with a diversity of retail brands for more co-operation opportunities to organize promotion events or movie premiere events in our movie theater sites and screening halls.

Prospects

Facing the increasingly fierce market competition attracted by the prosperous Chinese movie industry, the Group will stand against the adversity and take advantage of the impetus. With our prudent operation and comprehensive integrated business model, the Group will maintain sustainable growth. The Group will continue to spare its best efforts in strengthening different segments of the Group. The Group was determined to carve out its non-core businesses while allocate more resources into its other business segments.

After the Reporting Period, Able Charm Limited, a wholly-owned subsidiary of the Company, had entered into a Memorandum of Understanding with Mr. HU Yidong, a former director of the Company and existing director of various subsidiaries of the Group, regarding possible disposal of the investment in a non-core business. Meanwhile, the Group had acquired the listed securities of Qin Jia Yuan Media Services Company Limited (Stock Code: 2366), of which shares are listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), having the objective that the existing business of movie and TV program production will benefit with a synergizing effect and will lower the cost of the Group for the development of its movie and TV program production. The details of these events after Reporting Period are set out in note 29 of this report.

Looking ahead, with these further restructures of the Group, the Group is confident to out-perform and generate considerable value to our shareholders.

Financial Review

Turnover, Revenue and Profit for the Period

During the Reporting Period, the Group achieved a turnover of approximately HK\$649 million and revenue of approximately HK\$633 million (2012: HK\$478 million and HK\$424 million respectively), an increase of 36% and 49% over the corresponding period in 2012.

As compared with corresponding period in 2012, the profit after tax decreased by 4% from approximately HK\$70 million to HK\$67 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\$130 million and decreased by approximately HK\$4 million respectively when compared with the corresponding period in 2012.

The revenues and profit of investments in film production and distribution for the Reporting Period has been increased by approximately HK\$69 million and approximately HK\$1 million respectively when compared with the corresponding period in 2012.

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 2012 and the Reporting Period.

Finance Costs

Finance costs were mainly represented by the effective interest of approximately HK\$3 million and HK\$13 million derived from convertible notes and long term bonds respectively.

Financial Resources and Liquidity

As at 30 June 2013, the Group has net current liabilities of approximately HK\$340 million. This is mainly due to the convertible notes of HK\$141 million issued to controlling shareholder which will be due in May 2014 and the receipts in advance of approximately HK\$221 million which are mainly contributed by sales of membership cards and advertising income during the Reporting Period.

During the year 2012, the Group had issued a private placement bonds in the size of RMB200 million (equivalent to approximately HK\$253 million) to finance the development of the theater operation.

Moreover, the Group is operating in profit since 2010. The Board of Directors (the "Board" or "Directors") believe that the Group will have sufficient cash resources to satisfy its future working capital requirement.

The Groups net assets were approximately HK\$2,672 million, representing an increase of approximately HK\$76 million from HK\$2,596 million as at 31 December 2012. This was mainly due to the profit generated during the Reporting Period.

Debt and Gearing

As at 30 June 2013, the total debts of the Company increased by approximately HK\$69 million as compared with 31 December 2012. The total debts include other loans, convertible notes and long term bonds (Details of which are set out in notes 18, 19 and 20 respectively). There was no bank borrowing as at 30 June 2013.

The gearing ratio (total debts to equity attributable to owners of the Company) is 18% as at 30 June 2013 (at 31 December 2012: 16%).

The Group was financed mainly through share capital and reserves.

Pledge of Asset

At 30 June 2013, the Group's convertible notes designated as financial assets at fair value through profit or loss amounted to approximately HK\$19,366,000 (at 31 December 2012: HK\$Nil) were pledged to secure other loans amounted to HK\$12,000,000 (at 31 December 2012: HK\$Nil) granted to the Group. The pledge of convertible notes designated as financial assets at fair value through profit or loss was discharged on 28 August 2013. Details of which are set out in note 23 of this report.

Foreign Exchange Risks

The Group 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 Group will therefore be exposed to exchange loss if HK\$ strengthens against 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 Group is expected to have an exchange gain resulting from its RMB based investments in China. The Group will monitor its foreign currency exposure closely and will consider implementing an appropriate foreign currency hedging policy should the need arise.

Employees

Excluding the staff of associates and joint ventures, there are a total of 1,795 full-time staff as at 30 June 2013 (including directors but excluding part-time staff). The Group offers remuneration and benefit packages to its employees according to the prevailing salary levels in the market, individual merits and performance.

DIRECTORS' REPORT

The Directors present 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 statement of profit or loss and condensed consolidated statement of profit or loss and other comprehensive income on pages 21 to 22.

No dividend was paid or proposed during the Reporting Period.

Share capital and reserves

As at 30 June 2013, the total number of shares issued by the Company was 8,101,606,688 shares.

Movements in the Company's authorised and issued share capital are set out in note 21 to the condensed consolidated financial statements on page 47. Movements in the reserves of the Group are set out in the condensed consolidated statement of changes in equity on page 25.

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 2013 are set out in note 11 to the condensed consolidated financial statements on page 36.

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. CHENG Chi Chung (*Chief Executive Officer*)

Mr. WONG Kui Shing, Danny

Mr. LEE Chee Chuang Roger (appointed as executive director on 3 May 2013)

Mr. YANG Rongbing (appointed as executive director on 3 May 2013)

Mr. QIN Hong (resigned as executive director and Chairman on 17 January 2013)

Mr. HU Yidong (resigned as executive director and Chairman on 3 May 2013)

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 2013, 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 Issuers (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
WONG Kui Shing, Danny	Interest of controlled corporation	–	1,000,000 (note (a))	1,000,000	–	0.01%
YANG Rongbing	Beneficial owner	1,076,000	–	1,076,000	–	0.01%
QIN Hong (resigned as executive director and Chairman on 17 January 2013)	Beneficial owner	139,400,000	–	139,400,000	–	2.13%

Note:

- (a) 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 2013, none of the other directors or the chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company, subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share option scheme

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

During the 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	Exercise period	Number of share options				Balance as at 30 June 2013	Exercise price per share HK\$
			Balance as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period		
Director								
QIN Hong (resigned as executive director and Chairman on 17 January 2013)	11 June 2010	11 June 2010 to 10 June 2013	33,000,000	-	-	(33,000,000)	-	0.51
HU Yidong (resigned as executive director and Chairman on 3 May 2013)	11 June 2010	11 June 2010 to 10 June 2013	15,000,000	-	-	(15,000,000)	-	0.51
Other Eligible participants								
Individuals	11 June 2010	11 June 2010 to 10 June 2013	91,075,507	-	-	(91,075,507)	-	0.51
			<u>139,075,507</u>	<u>-</u>	<u>-</u>	<u>(139,075,507)</u>	<u>-</u>	

On 19 July 2013, the Company had granted a total number of 535,000,000 share options to some of the Directors, senior management, employees and/or consultants. Details of the above grant of share options are set out in the announcement of the Company dated 19 July 2013.

Substantial shareholders' interests

As at 30 June 2013, 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	6,197,508,961 (note (a))	23,878,623 (note (b))	6,221,387,584	–	76.79%
Kingston Finance Limited ("Kingston")	2,057,118,644	–	2,057,118,644 (note (c))	–	25.39%
Ample Cheer Limited ("Ample Cheer")	2,057,118,644	–	2,057,118,644 (note (c))	–	25.39%
Best Forth Limited ("Best Forth")	2,057,118,644	–	2,057,118,644 (note (c))	–	25.39%
Chu Yuet Wah ("Madam Chu")	–	2,057,119,707	2,057,119,707 (note (d))	–	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 6,197,508,961 shares which comprise (i) 300,000,000 underlying shares and (ii) 5,897,508,961 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 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.

After the Reporting Period, according to the Corporate Substantial Shareholder Notices filed by Kingston, Ample Cheer and Best Forth filed on 2 August 2013, Kingston, as person having a security in shares, is interested in 1,957,118,644 shares which comprise (i) 300,000,000 underlying shares and (ii) 1,657,118,644 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 1,957,118,644 shares held by Kingston.

- (d) 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.

After the Reporting Period, according to the Individual Substantial Shareholder Notice filed by Madam Chu on 2 August 2013, Madam Chu is deemed to be interested in 1,957,120,274 shares which comprise (i) 300,000,000 underlying shares and (ii) 1,657,120,274 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 (resigned as executive director and Chairman on 17 January 2013)	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 (resigned as executive director and Chairman on 3 May 2013)	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 2013, 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 2013, the Group and the Company did not have any significant contingent liabilities.

Events after the Reporting Period

Details of significant events occurring after the date of statement of financial position are set out in note 29 to the condensed consolidated financial statements on page 54.

Appreciation

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

By order of the Board
SMI Corporation Limited
CHENG Chi Chung
Chief Executive Officer & Executive Director

Hong Kong, 28 August 2013

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 Corporate Governance Code ("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 and A.6.7 as set out in Appendix 14 to the Listing Rules which is explained below:

Chairman and Chief Executive Officer

Under Code Provision A.2.1, the role of both the Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. During the Reporting Period, after the resignation of Mr. HU Yidong as director and chairman of the Company on 3 May 2013, no individual was appointed as chairman of the Company. The role of the chairman has been performed collectively by all executive directors of the Company.

The Board considers this arrangement allows contributions from all executive directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and the interest of the shareholders of the Company as a whole.

The Board will continue to use its best endeavour in finding a suitable candidate to assume duties as Chairman of the Company as soon as possible.

Attendance of directors in general meetings

In respect of the provision A.6.7, Messrs. CHENG Chi Chung, LEE Chee Chuang, Roger and YANG Rongbing, three of our executive directors and Mr. PANG Hong, the independent non-executive director of the Company, were unable to attend the special general meeting held on 25 June 2013 and the annual general meeting of the Company held on 26 June 2013 due to their overseas engagements and flight delay.

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

One of three independent non-executive directors is 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.

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.

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.

The Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed internal control and the financial reporting matters, including reviewing the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013.

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.

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

Nomination committee

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 has reviewed the structure, size and composition of the Board.

Internal control

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

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. 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 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 to provide framework to facilitate effective communication with shareholders.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended 30 June 2013*

	Note	Six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Turnover	3	649,097	478,362
Revenue	3	632,671	423,860
Cost of sales		(289,382)	(141,476)
Gross profit		343,289	282,384
Other income	5	23,597	23,671
Gain/(loss) on disposal of held-for-trading investments		5,119	(4,458)
Selling and marketing expenses		(220,207)	(164,756)
Administrative expenses		(37,448)	(46,774)
Other operating expenses		(3,219)	–
Profit from operations		111,131	90,067
Finance costs	6	(18,720)	(3,442)
Share of profits of associates		290	117
Share of profits of joint ventures		1,616	330
Profit before tax		94,317	87,072
Income tax expense	7	(27,094)	(16,981)
Profit for the period	8	67,223	70,091
Attributable to:			
Owners of the Company		69,961	64,126
Non-controlling interests		(2,738)	5,965
		67,223	70,091
Earnings per share	10		
Basic		HK0.86 cents	HK0.79 cents
Diluted		HK0.86 cents	HK0.79 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	67,223	70,091
Other comprehensive income:		
<i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>8,888</u>	<u>(6,247)</u>
Other comprehensive income for the period, net of tax	<u>8,888</u>	<u>(6,247)</u>
Total comprehensive income for the period	<u>76,111</u>	<u>63,844</u>
Attributable to:		
Owners of the Company	<u>75,051</u>	60,492
Non-controlling interests	<u>1,060</u>	<u>3,352</u>
	<u>76,111</u>	<u>63,844</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 June 2013*

	Note	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	926,428	941,227
Goodwill		1,421,706	1,421,706
Intangible assets	12	149,927	220,749
Investments in associates	13	16,995	16,705
Investments in joint ventures		80,844	79,228
Available-for-sale financial assets		23,020	23,020
Rental deposits		26,885	28,171
Prepayments for construction of cinemas		632,012	383,151
		<u>3,277,817</u>	<u>3,113,957</u>
Current assets			
Inventories		37,179	21,671
Trade and other receivables	14	371,016	269,984
Convertible notes designated as financial assets at fair value through profit or loss	15	19,366	25,442
Bank and cash balances		27,576	68,458
		<u>455,137</u>	<u>385,555</u>
Current liabilities			
Trade and other payables	16	544,684	472,948
Due to associates		670	569
Due to related parties	17	290	821
Other loans	18	62,000	–
Convertible notes	19	141,000	138,216
Current tax liabilities		46,949	29,245
		<u>795,593</u>	<u>641,799</u>
Net current liabilities		<u>(340,456)</u>	<u>(256,244)</u>
Total assets less current liabilities		<u>2,937,361</u>	<u>2,857,713</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2013

		30 June	31 December
		2013	2012
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Long term bonds	20	249,962	245,404
Convertible notes	19	9,896	9,864
Deferred income		–	761
Deferred tax liabilities		5,472	5,890
		<u>265,330</u>	<u>261,919</u>
NET ASSETS		<u>2,672,031</u>	<u>2,595,794</u>
Capital and reserves			
Share capital	21	810,161	810,161
Reserves		1,796,165	1,721,114
		<u>2,606,326</u>	<u>2,531,275</u>
Equity attributable to owners of the Company		2,606,326	2,531,275
Non-controlling interests		65,705	64,519
		<u>2,672,031</u>	<u>2,595,794</u>
TOTAL EQUITY		<u>2,672,031</u>	<u>2,595,794</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2013*

For the six months ended 30 June 2012

	Attributable to owners of the Company											Total Equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (note (a))	Other reserve HK\$'000 (note (b))	Contributed surplus HK\$'000 (note (c))	Foreign currency translation reserve HK\$'000 (note (d))	Convertible notes reserve HK\$'000	Statutory reserve HK\$'000 (note (e))	Share- based payment reserve HK\$'000	Retained Profits HK\$'000	Total HK\$'000	Non- controlling interests 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 to statutory reserve	-	-	-	-	-	-	3,553	-	(3,553)	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	736	736
Changes in equity for the period	-	-	-	-	(3,634)	-	3,553	-	60,573	60,492	4,088	64,580
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

For the six months ended 30 June 2013

	Attributable to owners of the Company											Total Equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (note (a))	Other reserve HK\$'000 (note (b))	Contributed surplus HK\$'000 (note (c))	Foreign currency translation reserve HK\$'000 (note (d))	Convertible notes reserve HK\$'000	Statutory reserve HK\$'000 (note (e))	Share- based payment reserve HK\$'000	Retained Profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
At 1 January 2013 (Audited)	810,161	1,666,517	(121,745)	31,172	13,531	12,913	34,091	7,272	77,363	2,531,275	64,519	2,595,794
Total comprehensive income for the period	-	-	-	-	5,090	-	-	-	69,961	75,051	1,060	76,111
Transfer to statutory reserve	-	-	-	-	-	-	195	-	(195)	-	-	-
Recognition of share options lapsed	-	-	-	-	-	-	-	(7,272)	7,272	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	126	126
Changes in equity for the period	-	-	-	-	5,090	-	195	(7,272)	77,038	75,051	1,186	76,237
At 30 June 2013 (Unaudited)	810,161	1,666,517	(121,745)	31,172	18,621	12,913	34,286	-	154,401	2,606,326	65,705	2,672,031

Notes:

(a) Share premium

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

(b) 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 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).

(c) 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.

(d) 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.

(e) Statutory reserve

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 2013*

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash generated from operations	156,282	113,121
Tax paid	(10,395)	(4,364)
	<hr/>	<hr/>
Net cash generated from operating activities	145,887	108,757
Net cash used in investing activities	(260,132)	(123,280)
Net cash generated from/(used in) financing activities	66,826	(3,499)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(47,419)	(18,022)
Cash and cash equivalents at beginning of period	68,458	45,295
Effect of foreign exchange rate changes	6,537	6,142
	<hr/>	<hr/>
Cash and cash equivalents at end of period	27,576	33,415
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the 2012 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012 except as stated below.

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 2013. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); 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 except as stated below.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(a) *Amendments to IAS 1 "Presentation of Financial Statements"*

Amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(b) *IFRS 13 "Fair Value Measurement"*

IFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by IFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of IFRS 13 only affects disclosures on fair value measurements in the condensed consolidated financial statements. IFRS 13 has been applied prospectively.

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, in-theater counter sales and online shopping, return from investments in film production and distribution, dividend income and trading of equity securities during the period are as follows:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Theater operation	522,162	391,755
In-theater counter sales and online shopping	21,066	8,220
Investments in film production and distribution	89,291	20,774
Dividend income from held-for-trading investments	–	1,313
Proceeds from held-for-trading investments	16,426	54,502
Others	152	1,798
	<u>649,097</u>	<u>478,362</u>

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Theater operation	522,162	391,755
In-theater counter sales and online shopping	21,066	8,220
Investments in film production and distribution	89,291	20,774
Dividend income from held-for-trading investments	–	1,313
Others	152	1,798
	<u>632,671</u>	<u>423,860</u>

4. SEGMENT INFORMATION

The four reportable segments of the Group are as follows:

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

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.

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

	Segment revenue		Segment result		Segment assets		Segment liabilities	
	Six months ended 30 June		Six months ended 30 June		At		At	
	2013	2012	2013	2012	30 June	31 December	30 June	31 December
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Theater operation	522,162	391,755	52,928	56,763	3,382,863	3,165,065	(876,595)	(739,884)
In-theater counter sales and online shopping	21,066	8,220	(1,099)	69	23,747	12,930	(10,761)	(3,644)
Investments in film production and distribution	89,291	20,774	19,262	17,956	161,304	202,873	(4,434)	(3,965)
Securities trading	-	1,313	5,057	9,757	1,868	150	-	-
Other	152	1,798	(304)	521	100,179	80,635	(1,513)	(447)
	632,671	423,860	75,844	85,066	3,669,961	3,461,653	(893,303)	(747,940)

4. SEGMENT INFORMATION *(Continued)*

Notes:

- (a) Revenue reported above represents revenue generated from external customers. There are no inter-segment sales for the six months ended 30 June 2013 (six months ended 30 June 2012: HK\$Nil).
- (b) Segment result of theater operation includes share of profits of associates from related theater operation.

Reconciliations of reportable segment profit or loss:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total profit of reportable segments	75,844	85,066
Other income	1,014	442
Unallocated amounts:		
Increase in fair value of convertible notes designated as financial assets at fair value through profit or loss ("financial assets at FVTPL")	5,231	665
Unallocated finance costs	(4,513)	(2,698)
Corporate expenses	(10,353)	(13,384)
	67,223	70,091
Consolidated profit for the period	67,223	70,091

5. OTHER INCOME

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Interest income	73	38
Coupon interest income from convertible notes designated as financial assets at FVTPL	223	446
Increase in fair value of convertible notes designated as financial assets at FVTPL	5,231	665
Increase in fair value of held-for-trading investments	–	13,855
Net exchange gain	8,101	–
Government grants (note (a))	9,122	8,569
Others	847	98
	23,597	23,671

Note:

- (a) Government grants mainly represented the refund of the contributions to the National Film Development Trust (國家電影事業發展專項資金).

6. FINANCE COSTS

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Interest on borrowings wholly repayable within five years:		
– convertible notes	3,246	2,698
– long term bonds	12,549	–
– securities margin facilities	–	744
– bank overdraft	13	–
– other loans	2,912	–
	18,720	3,442

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax		
Provision for the period	27,959	19,663
Over provision in prior years	(447)	(4,711)
	<u>27,512</u>	<u>14,952</u>
Deferred tax	(418)	2,029
	<u>27,094</u>	<u>16,981</u>

No provision for Hong Kong Profits Tax is required since the Group has sufficient tax losses brought forward or no assessable profit for the six months ended 30 June 2013 (six months ended 30 June 2012: HK\$Nil).

For the PRC subsidiaries of the Group, the provision for PRC Enterprise Income Tax is based on a statutory rate of 25% (six months ended 30 June 2012: 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.

Tax charges 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.

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of lease contracts (included in selling and marketing expenses and administrative expenses)	2,230	2,305
Amortisation of investments in film production	71,670	439
Auditor's remuneration	110	153
Cost of services provided	187,618	121,556
Cost of inventories sold	30,094	19,920
Directors' emoluments		
– salaries, bonus and allowances	1,856	1,457
– retirement benefit scheme contributions	8	8
	1,864	1,465
Depreciation on property, plant and equipment	49,746	35,480
Lease contracts written off	3,217	–
Net exchange (gain)/loss	(8,101)	3,902
Operating lease charges of land and buildings		
– minimum lease payments	52,659	37,109
– contingent rent	8,857	8,498
	61,516	45,607
Staff costs excluding directors' emoluments		
– salaries, bonus and allowances	55,564	44,099
– retirement benefit scheme contributions	12,664	10,256
	68,228	54,355

9. INTERIM DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2013 (six months ended 30 June 2012: HK\$Nil).

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings attributable to owners of the Company, used in the basic and diluted earnings per share calculation	69,961	64,126
	'000	'000
Number of shares		
Weighted average number of ordinary shares, used in the basic and diluted earnings per share calculation	8,101,607	8,101,607

For the six months ended 30 June 2013 and 2012, diluted earnings per share was same as the basic earnings per share, as the effect of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2013 and 2012.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group spent approximately HK\$40,205,000 and HK\$248,861,000 (six months ended 30 June 2012: HK\$114,172,000 and HK\$9,771,000) on additions to property, plant and equipment and prepayments for construction of cinemas respectively.

12. INTANGIBLE ASSETS

	Trademark (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 2012	25,120	31,188	40,000	180,855	277,163
Additions	-	-	-	68,920	68,920
Return of investment	-	-	-	(115,799)	(115,799)
At 31 December 2012 (Audited)	25,120	31,188	40,000	133,976	230,284
Additions	-	-	-	6,295	6,295
Written off	-	-	(3,217)	-	(3,217)
Return of investment	-	-	-	(71,670)	(71,670)
At 30 June 2013 (Unaudited)	25,120	31,188	36,783	68,601	161,692
Accumulated amortisation and impairment losses					
At 1 January 2012	-	4,240	655	58,590	63,485
Amortisation	-	3,565	1,075	39,224	43,864
Return of investment	-	-	-	(97,814)	(97,814)
At 31 December 2012 (Audited)	-	7,805	1,730	-	9,535
Amortisation	-	1,672	558	71,670	73,900
Return of investment	-	-	-	(71,670)	(71,670)
At 30 June 2013 (Unaudited)	-	9,477	2,288	-	11,765
Carrying amount					
At 30 June 2013 (Unaudited)	25,120	21,711	34,495	68,601	149,927
At 31 December 2012 (Audited)	25,120	23,383	38,270	133,976	220,749

13. INVESTMENTS IN ASSOCIATES

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Unlisted investments:		
Share of net assets	7,290	7,000
Goodwill	9,705	9,705
Net assets	16,995	16,705

Details of the Group's associates at 30 June 2013 are as follows:

Name	Place of establishment	Paid up capital	Percentage of equity interest held by the Group/profit sharing		Principal activities
			30 June 2013	31 December 2012	
廣州華影星美影城投資顧問有限公司 Guangzhou Huaying Stellar Cineplex Limited	PRC	Registered capital of RMB1,000,000	46.55%/ 46.55%	46.55%/ 46.55%	Operation of 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 cinema

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

14. TRADE AND OTHER RECEIVABLES

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Trade receivables	125,360	41,344
Rental and other deposits	94,010	78,850
Amount due from a non-controlling interest of subsidiary	–	2,412
Prepayments and other receivables	151,646	147,378
	371,016	269,984

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 the end of the reporting period is as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
0 to 30 days	90,804	15,578
31 to 90 days	13,133	4,391
Over 90 days	21,423	21,375
	125,360	41,344

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

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Convertible notes designated as financial assets at fair value through profit or loss	19,366	25,442

On 2 November 2009, the Group acquired 5% coupon rate convertible notes, with the maturity date on 2 November 2011 and principal amount of HK\$18,000,000 issued by ITC Corporation Limited ("ITC") (Stock Code: 372), of which shares are listed on the main board of the Stock Exchange. The convertible notes can be converted, in amount 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 the 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 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 extension of the maturity date of the convertible notes are set out in the announcement and circular of ITC dated 26 August 2011 and 12 September 2011 respectively.

During the six months ended 30 June 2013, convertible notes in the principal amount of HK\$8,000,000 were converted into 26,666,666 ordinary shares of ITC (six months ended 30 June 2012: HK\$Nil).

A fair value gain of approximately HK\$5,231,000 (six months ended 30 June 2012: HK\$665,000) was recorded for the period ended 30 June 2013.

15. CONVERTIBLE NOTES DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

At 30 June 2013, the fair value of the convertible notes was valued by Roma Appraisals Limited, an independent qualified professional valuer. Binomial option pricing model was used for the valuation of the conversion component of the convertible notes designated at fair value through profit or loss. The fair value was estimated by considering the key assumptions as follows:

30 June 2013

Share price of ITC	HK\$0.580
Expected volatility	46.644%
Risk free rate	0.128%
Life of the options	0.323 year
Expected ordinary dividend yield	6.897%

At 30 June 2013, the Group's convertible notes designated as financial assets at FVTPL amounted to approximately HK\$19,366,000 (at 31 December 2012: HK\$Nil) were pledged to secure other loans amounted to HK\$12,000,000 (at 31 December 2012: HK\$Nil) granted to the Group. The pledge of convertible notes designated as financial assets at FVTPL was discharged on 28 August 2013.

16. TRADE AND OTHER PAYABLES

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Trade payables	84,098	77,606
Customers' deposits and receipts in advance	220,954	232,486
Long term bonds interests payable	20,005	7,876
PRC business and other tax payables	19,053	8,280
Amount due to a non-controlling interest of subsidiaries	14,772	10,250
Accrued charges and other payables	185,802	136,450
	544,684	472,948

The average credit period on purchases of goods is 30 to 60 days. The aging analysis of the Group's trade payables based on the invoice date at the end of the reporting period is as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
0 to 30 days	34,326	33,962
31 to 60 days	6,311	25,695
Over 60 days	43,461	17,949
	84,098	77,606

17. DUE TO RELATED PARTIES

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Mr. QIN Hui (note (a))	199	730
Strategic Media International Limited ("SMIL") (note (b))	91	91
	290	821

Notes:

- (a) Mr. QIN Hui is the controlling shareholder of the Company.
- (b) Mr. QIN Hui has significant influence over SMIL.
- (c) The amounts are unsecured, interest-free and repayable on demand.

18. OTHER LOANS

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Other loans:		
– secured (note (a))	12,000	–
– unsecured (note (b))	50,000	–
	62,000	–

18. OTHER LOANS (Continued)

Notes:

- (a) On 13 March 2013, the Group entered into a loan agreement for a principal amount of HK\$12,000,000 with an independent third party. The loan bears interest at 3% per month and is repayable on 2 April 2013.

At 30 June 2013, the loan was secured by convertible notes designated as financial assets at FVTPL amounted to HK\$19,366,000 (at 31 December 2012: HK\$Nil).

Up to 28 August 2013, total repayments of HK\$7,000,000 were made by the Group and the repayment date of the outstanding amount of the loan of HK\$5,000,000 was extended to 28 December 2013. The pledge of convertible notes designated as financial assets at FVTPL was discharged on 28 August 2013.

- (b) On 10 April 2013, the Group entered into a project management contract ("PM Contract") with a construction company, an independent third party. Pursuant to the PM Contract, the construction company will provide management services to the Group in relation to the construction of seven cinemas in the PRC as specified in the PM Contract. The management service fee is charged at 20% of total borrowings drawn by the Group as stated below.

The construction company will make borrowings with a maximum amount of HK\$50,000,000 to the Group for the settlement of construction costs incurred. The borrowings are unsecured and bear interest at 1.5% per month.

The repayment of the management service fee, borrowings and interest expenses will be made by installments of HK\$10,000,000 at the end of each month from June to September 2013 and the remaining balance is fully repayable on 31 October 2013. On 28 June 2013, the repayment schedule was extended and the repayment installments will be made from July to October 2013 and the remaining balance is fully repayable on 30 November 2013.

19. CONVERTIBLE NOTES

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Convertible notes with principal amount of:		
– HK\$141 million (note (a))	141,000	138,216
– HK\$10.25 million (note (b))	9,896	9,864
	150,896	148,080

19. CONVERTIBLE NOTES (Continued)

Notes:

- (a) 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 it into ordinary shares of the Company at any business day after the date of issue of the Convertible Note up to and including the date which is 7 business days prior to the maturity date on 27 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% per annum will be payable semi-annually.

On 25 June 2013, a special general meeting was passed for the approval of the extension of the maturity date of Convertible Note from 27 May 2013 to 27 May 2014. The conversion price and all the other terms and conditions of Convertible Note remain unchanged. No early redemption is allowed.

The Convertible Note contains two components, liability and equity element. The equity element is presented in equity as convertible notes reserve. The revised effective interest rate of the liability component is 0.25%.

The Directors estimate the fair value of the liability component at 30 June 2013 to be approximately HK\$141,000,000 (at 31 December 2012: HK\$138,200,000). This fair value has been calculated by discounting the future cash flows at the market rate (level 2 fair value measurement).

- (b) The Company issued some 5-year 5% convertible notes ("Convertible Notes II") with principal amount totaling of HK\$10,250,000 on 4 September 2012 to certain independent third party investors. The Convertible Notes II are denominated in Hong Kong dollars and entitle the holders to convert them into ordinary shares of the Company at any business day after the date of issue of the Convertible Notes II up to and including the date which is 7 business days prior to the maturity date on 4 September 2017 at a conversion price of HK\$1.00 per share. If the Convertible Notes II have not been converted, it will be redeemed at 100% of its principal amount on the maturity date. No early redemption is allowed. Interest of 5.0% per annum will be payable annually on the last business day of each calendar year.

The Convertible Notes II contain 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 5.9%.

The Directors estimate the fair value of the liability component at 30 June 2013 to be approximately HK\$9,896,000 (at 31 December 2012: HK\$9,800,000). This fair value has been calculated by discounting the future cash flows at the market rate (level 2 fair value measurement).

20. LONG TERM BONDS

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
SMEs Private Placement Bonds	249,962	245,404

Pursuant to the 上海證券交易所中小企業私募債券業務指引(試行)(Tentative Measures for SMEs Private Placement Bonds*), the Joint Issuers are classified as micro, small and medium sized enterprises which conform to the stipulations in the "Notice on Issuing Provisions on Classification Standards for Small and Medium-sized Enterprises" (No. 300 (2011) of the Ministry of Industry and Information Technology) and are therefore eligible to issue private placement bonds to qualified investors.

The SMEs Private Placement Bonds (the "Bonds") have been arranged and underwritten by 首創證券有限責任公司, a qualified financial institution approved by the Securities Association of China. The Bonds will only be transferred to qualified investors solely through the Shanghai Stock Exchange Comprehensive Electronic Platform of Fixed Income Securities (上海證券交易所固定收益綜合電子平台). The Bonds are issued by four PRC subsidiaries of the Group, 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.*), 天津星美影城管理有限公司 (Tianjin Stellar Cineplex Management Co., Ltd.*), 北京名翔國際影院管理有限公司 (Beijing Mingxiang International Cinema Management Co., Ltd.*), and 北京望京星美國國際影城管理有限公司 (Beijing Wangjing Stellar International Cinema Management Co., Ltd.*) ("Joint Issuers") on 30 August 2012 with par value of Renminbi ("RMB") 100 each totaling RMB200 million (equivalent to approximately HK\$242 million).

The Bonds are of 3-year term but may be redeemed in whole on the date falling on the second financial year from the date of issue of the Bonds at the option of the Joint Issuers (the "Redemption Option"). Upon exercise of such Redemption Option by the Joint Issuers, the date falling at the end of the second financial year from the date of issue of the Bonds, will be taken as the maturity date of the entire outstanding Bonds. On the other hand, the holders of the Bonds may, at their own option, on the date falling the interest payment for the second year, sell the whole or part of their Bonds back to the Joint Issuers. The Bonds carry interest at a rate of 9.5% per annum payable at the end of each financial year from the date of issue of the Bonds. The effective interest rate of the Bonds is 10.37%.

* For identification purpose only

20. LONG TERM BONDS (Continued)

At 30 June 2013, the fair value of the Bonds is estimated to be approximately RMB221,645,000 (equivalent to approximately HK\$280,048,000) (at 31 December 2012: RMB213,378,000 (equivalent to approximately HK\$265,357,000)). The fair value is derived from discounted future cash flows using bond interest rate with similar terms of 8% per annum (level 2 fair value measurement).

The Company, Mr. QIN Hui and several subsidiaries have issued joint guarantees to the underwriter at a maximum amount of RMB200 million (equivalent to approximately HK\$253 million) in respect of the issuance of the Bonds.

The Directors consider raising fund by issuing the Bonds will enhance the Group's working capital and strengthen its capital base and financial position for expanding the Group's channel chain and brand building, enhancing new complementary businesses and improving the operation standard of the Group with an aim to become a leading integrated entertainment and media company.

Details of the issue of the Bonds are disclosed in the announcement and supplemental announcement of the Company dated 25 July 2012 and 26 July 2012 respectively.

21. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each		
At 1 January 2012 (Audited), 31 December 2012 (Audited), and 30 June 2013 (Unaudited)	20,000,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each		
At 1 January 2012 (Audited), 31 December 2012 (Audited) and 30 June 2013 (Unaudited)	8,101,606,688	810,161

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the current period (six months ended 30 June 2012: Nil).

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.

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 of the Company 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.

22. SHARE-BASED PAYMENT (Continued)***Equity-settled share option scheme (Continued)***

During the year ended 31 December 2010, total numbers of share options 546,126,507 were granted to directors, senior management and consultants 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 May 2010 – 2 May 2011	HK\$0.57	209,975,500
June 2010 (Lot A)	11 June 2010	11 June 2010 – 10 June 2013	HK\$0.51	139,075,507
June 2010 (Lot B)	11 June 2010	11 June 2010 – 10 June 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 139,075,507 granted on 11 June 2010 were lapsed during the period ended 30 June 2013. The numbers of share options of 209,975,500 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.

The fair value of the options granted is estimated at the date of grant using a 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	11 June 2010 (Lot A)	11 June 2010 (Lot B)
Dividend yield (%)	Nil	Nil	Nil
Expected volatility (%)	41.566	46.519	46.519
Risk-free interest rate (%)	0.145	0.145	0.145
Expected life (years)	1	1	1
Weighted average share price	0.572	0.504	0.504

23. PLEDGE OF ASSETS

At 30 June 2013, the Group's convertible notes designated as financial assets at FVTPL amounted to approximately HK\$19,366,000 (at 31 December 2012: HK\$Nil) were pledged to secure other loans amounted to HK\$12,000,000 (at 31 December 2012: HK\$Nil) granted to the Group. The pledge of convertible notes designated as financial assets at FVTPL was discharged on 28 August 2013.

24. LEASE COMMITMENTS

At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Within one year	279,000	212,000
In the second to fifth years inclusive	1,273,000	1,183,000
After five years	3,273,000	3,391,000
	<u>4,825,000</u>	<u>4,786,000</u>

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

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

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.

25. OTHER COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
(a) Amount contracted but not provided for in the condensed consolidated financial statements in respect of:		
Investments in film production	7,569	14,053
Construction of cinema premises	303,194	364,150
Consultancy fee expenses	5,382	6,279
	<hr/>	<hr/>
(b) Capital expenditure authorised but not contracted for in respect of:		
Construction of cinema premises	1,573,912	1,043,625
Purchase of leasehold properties	37,905	37,308
	<hr/>	<hr/>

26. CONTINGENT LIABILITIES

Up to the date of this report, there are certain disputes which arise from time to time in the ordinary course of the operation of theaters. The Group is in the course of processing these matters. While it is in an early stage of those disputes, the Directors of the Company are of the view that these disputes will not have a material adverse impact on the condensed consolidated financial statements of the Group.

At 30 June 2013, the Group did not have any other significant contingent liabilities.

27. RELATED PARTY TRANSACTIONS

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

(b) Compensation to key management

The remuneration of directors during the six months ended 30 June 2013 and 2012 was as follows:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, bonus and allowances	1,856	1,457
Retirement benefit scheme contributions	8	8
	1,864	1,465

28. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

28. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 30 June 2013:

Description	Fair value measurements at 30 June 2013 using:			Total 2013 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurements:				
Convertible notes designated as financial assets at FVTPL	—	19,366	—	19,366
Total recurring fair value measurements	—	19,366	—	19,366

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2013:

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value at 30 June 2013 HK\$'000
Convertible notes designated as financial assets at FYTPL	Binomial option pricing model	Share price, volatility level, risk free rate, and expected ordinary dividend yield	19,366

There were no changes in the valuation technique used.

For other financial assets and liabilities, the Directors consider the carrying amounts of these financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

29. EVENTS AFTER THE REPORTING PERIOD**(a) Issue of share options**

On 19 July 2013, a total number of 535,000,000 share options at an exercise price of HK\$0.18 per share were granted to directors, senior management and consultants of the Group.

(b) Possible disposal of investments in joint ventures

On 25 July 2013, a non-legally binding memorandum of understanding was entered into between Able Charm Limited, a wholly-owned subsidiary of the Company, and Mr. HU Yidong, a former director of the Company and existing director of various subsidiaries of the Group, in relation to the disposal of 50% equity interests in Top Frontier Holdings Limited, a joint venture, at HK\$72,000,000. Up to the date of this report, no formal agreement was made.

(c) Acquisition of listed securities

During the period from 8 August 2013 to 28 August 2013, SMI Investment (HK) Limited ("SMI Investment"), a wholly-owned subsidiary of the Company, acquired on-market 17,020,000 shares of Qin Jia Yuan Media Services Company Limited ("QJY") (Stock Code: 2366), of which shares are listed on the main board of the Stock Exchange at the price between HK\$0.84 and HK\$1.02 per share (exclusive of transaction costs).

On 15 August 2013, SMI Investment acquired from various vendors sourced from an independent financial stock broker, a total of 150,002,281 shares of QJY, representing approximately 26.66% of the entire issued share capital of QJY at a total consideration of HK\$225,003,422 (exclusive of transaction cost).

Up to the date of this report, the Group holds 167,022,281 shares of QJY, representing approximately 29.69% of the entire issued share capital of QJY and QJY becomes an associate of the Group.

30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 August 2013.

