Interim Report

2017

星美控股

SMI HOLDINGS GROUP LIMITED
星美控股集團有限公司

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. WAI Yee Tai *(Executive Chairman)*
Mr. YANG Rongbing
(Chief Executive Officer)
Mr. KOH Kok Sim *(Chief Operating Officer)*
Mr. CHENG Chi Chung
Mr. KONG Dalu

Non-Executive Directors
Dr. YAP Allan *(Honorary Chairman)*
Mr. HUNG Ka Hai Clement

Independent Non-Executive Directors
Mr. PANG Hong
Mr. LI Fusheng
Mr. WONG Shui Yeung

AUDIT COMMITTEE

Mr. WONG Shui Yeung *(Chairman)*
Mr. PANG Hong
Mr. LI Fusheng
Mr. HUNG Ka Hai Clement

REMUNERATION COMMITTEE

Mr. LI Fusheng *(Chairman)*
Mr. PANG Hong
Mr. HUNG Ka Hai Clement

NOMINATION COMMITTEE

Mr. PANG Hong *(Chairman)*
Mr. LI Fusheng
Mr. HUNG Ka Hai Clement

COMPANY SECRETARY

Mr. WONG Wing Shun

AUTHORIZED REPRESENTATIVES

Mr. CHENG Chi Chung
Mr. YANG Rongbing

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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The Center
99 Queen's Road Central
Central, Hong Kong

SHARE REGISTRARS

Principal Share Registrar in Bermuda
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Branch Share Registrar in Hong Kong
Tricor Progressive Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

STOCK CODE

00198.HK

WEBSITE

http://www.smi198.com

INDUSTRY REVIEW

According to the statistics of the Film Division of the State Administration of Press, Publication, Radio, Film and Television, China continues to be the world's second largest movie market, next to the USA. For the 6 months ended 30 June 2017 (the "Reporting Period"), China's total box office receipts amounted to RMB27.175 billion, representing an increase of 10.49% as compared with RMB24.594 billion for the corresponding period last year. The urban cinema admission was 781 million, representing an increase of 6.69% as compared with 732 million for the same period last year.

By referencing per capita GDP growth and the stage of cultural consumption development in the United States, it is shown that when the per capita GDP came close to the level of USD5,000, the proportion of cultural industry contributed to GDP would soar sharply. In the previous ten consecutive years, per capita cultural consumption in the United States has recorded a growth of more than 10%. The growth rate of per capita cultural consumption in the PRC has remained high since 2004. In 2016, per capita GDP in the PRC has reached USD8,154, providing an excellent foundation which demanded for the rapid growth of cultural consumption. Fueled by the increase in per capita GDP, an average CAGR of 32.7% was recorded for cultural consumption in the past ten years, demonstrating an extraordinary growth.

The generation of "post-80s" to "post-00s" grew up in the Internet era, have a stronger awareness of idea to pay for contents, with their families generally having higher standards of living and possess stronger consumption power. With the generation of the"post-80s" to "post-00s" becoming the major consumption population in the society, the entertainment consumption industry, represented by the movie sector, is about to enter a stage of exponential growth. The "post-80s" and "post-90s" consumers tend to possess a more mature viewing habit, which contribute to the scale of growth of the regular consumer base and become an established viewing habit of the whole society.

With the deepening of the reform in the movie industry together with the influx of resources and capital, the Chinese movie industry flourished. The movie box office in the PRC recorded a CAGR of 28% in the past five years, with a total box office receipts increasing from RMB13.2 billion to RMB45.5 billion. In 2016, urban cinema admission was 1.372 billion, and box office receipts for domestic production amounted to RMB 26.663 billion, accounting for 58.33% of the total box office receipts. In the first half of 2017, the number of newly added movie theatres nation-wide was 864, and the total number of movie screens exceeds 45,000, surpassing that of the United States, and the PRC has become the country with the highest number of movie screens in the world. It is expected that the movie industry will maintain its fast development pace, and the annual box office receipts of the PRC is expected to surpass that of the North America in 2017.

Management Discussion and Analysis

BUSINESS REVIEW

Benefited from China's burgeoning movie market, the Group's profit for the 6 months ended 30 June 2017 reached approximately HK$306 million, representing an increase of 10.9% as compared with approximately HK$276 million for the same period ended 30 June 2016. During the Reporting Period, the Group's operating revenue was approximately HK$2,259 million, representing an increase of 23.2% as compared with approximately HK$1,833 million for the same period in 2016. Gross profit was approximately HK$774 million (same period in 2016: approximately HK$612 million), representing a gross margin of 34.3% (same period in 2016: 33.4%).

Movie Theatre Business

Thanks to the thriving industry, the Group's movie theatre business has achieved excellent progress. For the 6 months ended 30 June 2017, the Group's movie theatre business segment generated a revenue of approximately HK$1,777 million, representing an increase of 14.2% as compared with approximately HK$1,556 million for the same period in 2016. Profit of this segment increased 22.3% to approximately HK$466 million (same period in 2016: approximately HK$381 million).

As at 30 June 2017, the Group owned 318 movie theatres in China's major cities with a total of approximately 2,010 screens, representing a substantial growth as compared with 250 movie theatres and approximately 1,700 screens as at 30 June 2016. The Group will continue to leverage on the advantage of the industry. While maintaining our leading position in Beijing, Shanghai, Guangzhou, Shenzhen and other first-tier cities, SMI has vigorously expanded to the second and third tier cities, which possess huge potentials for box office receipts, by speeding up its nationwide acquisitions, as well as pushing forward the strategy of "one cinema in every county", that is, to operate at least one movie theatre in every county in China in order to capture the opportunity and consolidate its leading position in the industry.

During the Reporting Period, Chengdu Runyun Culture Broadcasting Limited (成都潤運文化傳播有限公司) ("Chengdu Runyun"), a subsidiary of the Group, entered into the agreements with the strategic investors, which agreed to make an aggregate capital contribution of RMB2,500 million. As at 30 June 2017, the strategic investors had injected RMB1,980 million. Upon the completion of the transaction, the investors together will hold 15.625% of the enlarged equity interest of Chengdu Runyun. The proceeds from the capital increase will be used for the construction and acquisition of new movie theatres.

SMI Living

SMI Holdings has been well established in the movie market for a long time. Relying on the advantage of its main business and actively exploring its channels, the proportion of its comprehensive income from non-box office business has far exceeded the average level of its peers in the industry, thus creating a brand new business path with sufficient differentiation and competitiveness, which has opened up a new era in the operation of cinema malls.

With nearly 30 million members it has accumulated, SMI took the lead in developing a consumption model of "online and offline synergistic marketing", and multi-dimensionally explored the potentials in members' consumption. "SMI Living", the Internet platform of SMI, was launched in 2015. Through its big data analysis system and membership privilege management system, the platform has led to a thorough online and offline integration of industry chains of SMI, and has become the online portal and entry point for various business lines of SMI. "Xingmeihui", an offline shop established in 2012, has already populated in all the SMI cinema malls nationwide. With SMI theatres as the focal point, customers in communities located within two kilometers are offered free delivery of diversified products, thus providing the customers with intimate encounter with products and brand names. "SMI Living" targets at the young and fashionable crowd. With the special characters of movies, culture and entertainment, brand promotion is carried out through theatres, WeChat, Weibo, forums, media, communications and physical stores, while at the same time online marketing service is provided to boost the operation of Xingmeihui and bring the consumption experience to the customers, in such a way to build SMI's ecological system of "Internet + cinema audience + daily life services + two-kilometer ecological circle" with an aim to substantially increasing its overall profitability.

PROSPECTS

Looking into the future, it is expected that movie watching will continue to be a popular entertainment in China, and the Group's movie theatre business will continue to benefit from the development momentum of the industry.

Currently, SMI Holdings Group Limited is committed to implementing the strategy of comprehensive service chain. In addition to the traditional of food and beverages, advertising and promotion businesses, SMI has launched the strategy of "Two Kilometers Perimeter from Theatres Ecosystem", and established the SMI Logistics Delivery Company to promote online and offline consumptions. In the future, the Group will continue to focus on our core business, the movie theatre business, while at the same time actively expand into non-box office businesses.

Management Discussion and Analysis

The capital increase by Chengdu Runyun will enhance the development potentials of the Group in the movie industry. The Group will carry out a study on reorganisation and the feasibility of listing the relevant assets and operations on the A-share market, so as to enhance the parent company, SMI Holding's capability in capital utilisation.

In addition, the shares of the Group have already been included in the list of eligible stocks for Shenzhen Connect, which is expected to enhance the liquidity of the Group's shares and the diversity of its investors. In particular, Mainland investors are more keen on investing in cultural industries. With the brand awareness of the Group in the Mainland, we are confident that the true value of its shares will be better reflected in the future.

FINANCIAL REVIEW

Revenue and Profit for the period

During the Reporting Period, the Group achieved a revenue of approximately HK$2,259 million (corresponding period in 2016: approximately HK$1,833 million), representing an increase of 23.2% over the corresponding period in 2016.

During the Reporting Period, the profit after taxation increased by 10.9% from approximately HK$276 million to approximately HK$306 million. The increase in profit was mainly due to the strong growth of the Group's core business as beneficiary of the high speed development of the movie market in Mainland China and the rapid growth of higher gross profit margin business, and has become the Group's another strong source of revenue and has increased the Group's revenue for the Reporting Period substantially. In addition to the Group's prudent and reasonable spending plan, the Group recorded an increase in profit in the Reporting Period.

During the Reporting Period, the segment revenue and profit were mainly contributed by movie theatre business as well as the complementary business.

The revenue and profit of movie theatre operation for the Reporting Period increased by approximately HK$221 million and approximately HK$85 million respectively with the corresponding period in 2016.

The revenue and profit of the complementary business was approximately HK$350 million and approximately HK$22 million for the Reporting Period.

Selling, Marketing and Administrative Expenses

The selling, marketing and administrative expenses increased by 14.9% as compared with the corresponding period in 2016, which were mainly attributable to the increase in number of theatres completed and the expansion of the staff of the Group during the Reporting Period.

Financial Costs

Financial costs were mainly represented by the interest of approximately HK$80 million from bonds, interest of approximately HK$56 million from convertible notes, interest of approximately HK$1 million from bank loans, interest of approximately HK$24 million from securities margin facilities, finance lease charges of approximately HK$6 million and interest of approximately HK$103 million from other loans.

Financial Resources and Liquidity

As at 30 June 2017, the Group has net current liability of approximately HK$1,364 million. The decrease in the net current liability are mainly due to the increase in bank balances of approximately HK$1,100 million under the capital increase of Chengdu Runyun and the settlement of trade and other receivables, followed by the increase in trade and other payables of approximately HK$472 million due to further expansion of the movie theatres.

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

The debt to asset ratio (total debts to total assets) decreased from 46.1% as at 31 December 2016 to 36.0% as at 30 June 2017, which is mainly attributable to the increase in total assets under the capital increase of Chengdu Runyun.

The Group was financed mainly through share capital, bonds, notes, bank and other borrowings.

Foreign Exchange Risks

The Group reports its financial statements in Hong Kong dollars ("HK$"). All revenues and operating costs of the theatre operation and new complementary business were denominated in Renminbi ("RMB"). The expansion of the theatre operation business and new complementary business will be principally carried out in China. Therefore, the Group will be exposed to exchange loss if HK$ strengthens against RMB.

The Group currently does not have any foreign currency hedging policy. The Group will monitor its foreign currency exposure closely and will consider implementing appropriate foreign currency hedging policies should the need arise.

Contingent Liabilities

As at 30 June 2017, the Group and the Company did not have any significant contingent liabilities.

Employees

Excluding the staff of associates, the Group had a total of approximately 7,000 full-time staff as at 30 June 2017 (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.

PROSPECTS

Looking ahead into the second half of the year, China's box office revenue will be getting closer to that of the U.S. market, currently the number one market globally. The Group will seize the opportunity and grow with the industry, and continue to uplift the competitiveness of Cineplex malls in the first and second tier cities, and devise plans to develop business in the third and fourth tier cities.

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 other comprehensive income on pages 19 to 20.

The board of directors (the "Board") does not recommend the payment of any interim dividend to the shareholders for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

SHARE CAPITAL AND RESERVES

As at 30 June 2017, the total number of shares issued by the Company was 2,720,041,916 shares.

Movement in the Company's authorized and issued share capital are set out in note 16 to the condensed consolidated financial statements on page 38. Movement in the reserves of the Group are set out in the condensed consolidated statement of changes in equity on page 24.

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

During the Reporting Period, the Company repurchased and cancelled 11,000,000 shares of HK$0.10 per shares from the market.

PROPERTY, PLANT AND EQUIPMENT

Details of the Group's property, plant and equipment as at 30 June 2017 are set out in note 11 to the condensed consolidated financial statements on page 35.

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. WAI Yee Tai *(Executive Chairman)* (Appointed on 5 September 2017)
Mr. YANG Rongbing *(Chief Executive Officer)*
Mr. KOH Kok Sim *(Chief Operating Officer)* (Appointed on 1 September 2017)
Mr. CHENG Chi Chung
Mr. KONG Dalu (appointed on 6 April 2017)

Non-executive directors:

Dr. YAP Allan *(Honorary Chairman)* (Re-designated on 13 April 2017)
Mr. HUNG Ka Hai Clement (Appointed on 16 January 2017 as independent non-executive director and re-designated as non-executive director on 15 March 2017)

Independent non-executive directors:

Mr. PANG Hong
Mr. LI Fusheng
Mr. LI Wing Yin (Resigned on 16 January 2017)
Mr. WONG Shui Yeung (Appointed on 13 April 2017)

Each of the three independent non-executive directors has entered into 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 negotiation between the parties based on their respective contributions to and responsibilities in the Company.

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2017, the interests and short positions of the directors and chief executive of the Company and their associates in the shares and underlying shares of the Company or any of its associate corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise required to be 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 Issuers (the "Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in the shares and underlying shares of the Company

Directors	Capacity	Registered Shareholders	Corporate Interest	Underlying Interest	Total Interest	% of total issued shares
YANG Rongbing	Beneficial owner	1,649,066	–	–	1,649,066	0.06%

Save as disclosed above, as at 30 June 2017, none of the other directors or the chief executive 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2017, so far as it is known to the Directors, the following parties (other than the directors and chief executive 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	Beneficial owner	Corporate interests	Family interest	Long position	Short position	% of total issued shares (Note a)
Mr. QIN Hui	1,686,526,408	1,285,828 (Note b)	–	1,687,812,236	–	62.00%

Notes:

(a) There were 2,720,041,916 shares of the Company in issue as at 30 June 2017.

(b) Mr. QIN Hui owns the entire interest in Strategic Media International Limited ("SMIL") and was accordingly deemed to be interested in 1,285,828 shares of the Company which are held by SMIL.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

No director of the Company had a material interest in any business apart from the business of the Group which directly or indirectly competed or likely to compete with the business of the Group at the end of the Reporting Period or at any time during the Reporting Period which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its 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 COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2017, the Company repurchased and cancelled a total of 11,000,000 shares of HK$0.10 per share through the Stock Exchange at an aggregate consideration of approximately HK$7,807,000 (including transaction costs). Details of shares repurchased during the period are set out as follows:

Month of repurchases	No. of ordinary shares of HK$0.10 each	Price paid per share Highest	Price paid per share Lowest	Aggregate consideration paid (including expenses)
		HK$	HK$	HK$'000
May 2017	11,000,000	0.73	0.68	7,807

The directors believe that repurchases of shares are in the best interests of the Company and its shareholders and that such repurchases of shares would lead to an enhancement of the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

PUBLIC FLOAT

As at 30 June 2017, 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 by-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 2017, the Group and the Company did not have any significant contingent liabilities.

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 Holdings Group Limited
YANG Rongbing
Executive Director & Chief Executive Officer

Hong Kong, 31 August 2017

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.

CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with the code provisions of the Corporate Governance Code ("CG Code"), except for the deviations from Code Provisions A.6.7 and E.1.2 as set out in Appendix 14 to the Listing Rules which is explained below:

ATTENDANCE OF DIRECTORS IN GENERAL MEETING

Under Code Provision A.6.7 of the CG Code, all directors, including non-executive directors and independent non-executive directors, should also attend the general meetings of the Company for developing a balanced understanding of the view of shareholders. During the reporting period, certain directors were unable to attend the annual general meeting and the special general meeting due to other engagements. The Company will try its best endeavors in arranging the meeting schedule and arrangement in order to comply with the code provision in future.

ATTENDANCE OF CHAIRMAN OF THE BOARD AT ANNUAL GENERAL MEETING

Under Code provision E.1.2 of the CG Code, the chairman of the Board is required to attend the annual general meeting of the Company held on 2 June 2017 (the "AGM"). Mr. Cheng Chi Chung, the Chairman of the Board, was unable to attend the AGM due to other business commitment. Mr. YANG Rongbing, who took the chair of the AGM, was of sufficient calibre and knowledge for answering questions at the AGM.

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 two non-executive directors and three independent non-executive directors. The independent non-executive directors have entered into a service agreement with the Company. 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 Rule, provide an annual confirmation of his independence to the Company and the Company also considers them to be independent.

BOARD COMPOSITION

Subsequent to Mr. Wai's appointment with effect from 5 September 2017, the Board comprised ten directors, with three independent non-executive directors ("INED"). The Company is in the process of identifying a suitable candidate to fill the vacancy of the INED as soon as possible and within the three-month period from 5 September 2017 pursuant to Rule 3.11 of the Listing Rules.

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 of all directors by the Company, all directors confirmed that they have complied with the Model Code.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Pursuant to Rules 13.51B(1) of the Listing Rules, changes in the information of directors of the Company required to be disclosed are shown as follows:

Mr. WAI Yee Tai

- was appointed as executive director of the Company and Executive Chairman of the Board at 5 September 2017

Mr. KOH Kok Sim

- was appointed as executive director and Chief Operating Officer at 1 September 2017

Mr. CHENG Chi Chung

- was appointed as Chairman of the Company at 6 April 2017 and ceased to be the Chairman at 5 September 2017

Mr. YANG Rongbing

- was appointed as Chief Executive Officer of the Company at 6 April 2017

Mr. KONG Dalu

- was appointed as executive director of the Company at 6 April 2017

Dr. YAP Allan

- was appointed as honorary Chairman of the Company at 6 April 2017

Mr. HUNG Ka Hai Clement

- was appointed as an independent non-executive director of Sheng Ye Capital Limited (Stock Code: 8469) at 19 June 2017

- redesignated as independent non-executive director of LT Commercial Real Estate Limited (Stock Code: 112) at 30 June 2017

- was appointed as the managing director of Titan Global Finance Limited at 4 May 2017

- was appointed as the supervisor of China Guangfa Bank at 1 August 2017

Mr. WONG Shui Yeung

- was appointed as an independent non-executive director of Singapore eDevelopment Limited (the shares of which are listed on the Catalist of the Singapore Exchange Securities Trading Limited, Stock Code: 40V) at 5 June 2017

Updated biographical details of the Directors are also available on the website of the Company.

Save as disclosed above, there is no other change of directors' biographical details required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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. Currently the Audit Committee comprised three independent non-executive directors, namely, Messrs. WONG Shui Yeung (as Chairman), PANG Hong and LI Fusheng and non-executive director Mr. HUNG Kai Hai Clement.

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 judgements 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 2017.

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. During the Reporting Period, the Remuneration Committee comprises two independent non-executive directors, namely, Messrs. LI Fusheng (as Chairman), PANG Hong and non-executive director Mr. HUNG Ka Hai Clement.

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 of the Nomination Committee are disclosed in full on the Company's website. During the Reporting Period, the Nomination Committee comprises two independent non-executive directors, namely, Messrs. PANG Hong (as Chairman), LI Fusheng and non-executive director Mr. HUNG Ka Hai Clement.

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.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	NOTES	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)
Revenue	3	**2,258,937**	1,832,887
Cost of theatre operation and sales		**(1,485,017)**	(1,221,346)
Gross profit		**773,920**	611,541
Other gains and income	5	**34,855**	53,969
Selling and marketing expenses		**(34,872)**	(36,681)
Administrative expenses		**(183,583)**	(153,390)
Other losses and expenses		**(30,573)**	(5,438)
Finance costs	6	**(270,053)**	(116,172)
Share of results of associates		**60**	9,567
Unrealised gains (losses) on change in fair value of held-for-trading securities		**15,274**	(41,677)
Fair value gains on derivative financial instruments		**27,397**	–
Profit before taxation		**332,425**	321,719
Income tax expense	7	**(26,129)**	(45,460)
Profit for the period	8	**306,296**	276,259
Profit for the period attributable to:			
Owners of the Company		**305,248**	275,019
Non-controlling interests		**1,048**	1,240
		306,296	276,259

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Profit for the period		**306,296**	276,259
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		**142,203**	(58,437)
Total comprehensive income for the period		**448,499**	217,822
Total comprehensive income for the period attributable to:			
Owners of the Company		**445,257**	216,635
Non-controlling interests		**3,242**	1,187
		448,499	217,822

	Notes	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited and restated)
Earnings per share (HK cents) (after adjustment on share consolidation)	10		
– basic		**11.22**	10.19
– diluted		**11.22**	9.66

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	NOTES	**At 30 June 2017 HK$'000 (Unaudited)**	At 31 December 2016 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	**3,799,744**	3,638,211
Goodwill		**6,740,608**	5,536,125
Intangible assets		**109,381**	123,303
Prepaid lease payments		**36,635**	39,855
Interests in associates		**17,261**	64,724
Other financial assets		**253,101**	243,120
Rental deposits		**61,648**	59,845
Progress payments for construction of property, plant and equipment and other deposits		**129,947**	127,771
Deposits paid for acquisitions of entities		**1,293,936**	154,289
		12,442,261	9,987,243
Current assets			
Inventories		**280,176**	360,055
Film rights investment		**378,590**	397,643
Prepaid lease payments		**4,146**	2,999
Trade and other receivables	12	**679,618**	973,758
Held-for-trading investments		**75,865**	304,217
Other loan		**126,000**	150,000
Pledged bank deposits		**108,368**	121,642
Bank balances and cash		**1,755,684**	625,081
		3,408,447	2,935,395

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	NOTES	At 30 June 2017 HK$'000 (Unaudited)	At 31 December 2016 HK$'000 (Audited)
Current liabilities			
Trade and other payables	13	**1,519,335**	1,047,294
Amounts due to related parties		**13,025**	20,967
Finance lease payables		**81,601**	88,662
Bank borrowings	14	**40,303**	38,906
Other borrowings	14	**798,949**	824,900
Bonds	14	**930,506**	1,225,711
Convertible notes	14	**991,036**	1,007,572
Derivative financial instruments		**16,176**	55,686
Taxation payables		**381,844**	357,853
		4,772,775	4,667,551
Net current liabilities		**(1,364,328)**	(1,732,156)
Total assets less current liabilities		**11,077,933**	8,255,087

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	NOTES	**At 30 June 2017 HK$'000 (Unaudited)**	At 31 December 2016 HK$'000 (Audited)
Non-current liabilities			
Finance lease payables		**63,624**	96,279
Other borrowings	14	**1,831,446**	1,986,044
Bonds	14	**958,972**	639,886
Deferred tax liabilities	15	**13,067**	14,025
		2,867,109	2,736,234
Net assets		**8,210,824**	5,518,853
Capital and reserves			
Share capital	16	**1,360,021**	1,361,121
Reserves		**5,876,414**	3,910,003
Equity attributable to owners of the Company		**7,236,435**	5,271,124
Non-controlling interests		**974,389**	247,729
Total equity		**8,210,824**	5,518,853

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Treasury stock HK$'000	Other reserve HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Convertible notes reserve HK$'000	Statutory reserve HK$'000	Share-based payment reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017 (Audited)	**1,361,121**	**1,465,783**	**–**	**(33,053)**	**1,463,670**	**(258,064)**	**34,817**	**265,691**	**–**	**12,515**	**958,644**	**5,271,124**	**247,729**	**5,518,853**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**140,009**	**–**	**–**	**–**	**–**	**305,248**	**445,257**	**3,242**	**448,499**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Approved final dividend for the year ended 31 December 2016	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(179,668)**	**(179,668)**	**–**	**(179,668)**
Share repurchased	**(1,100)**	**(7,807)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,100**	**–**	**(7,807)**	**–**	**(7,807)**
Acquisition of additional interests in a subsidiary	**–**	**–**	**–**	**(1,685)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,685)**	**(58,744)**	**(60,429)**
Arising from conversion of a subsidiary's convertible notes	**–**	**–**	**–**	**25,537**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25,537**	**40,370**	**65,907**
Arising from placement of a subsidiary's shares	**–**	**–**	**–**	**56,326**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**56,326**	**89,173**	**145,499**
Arising from deemed disposal of partial interest of a subsidiary without losing control	**–**	**–**	**–**	**1,627,351**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,627,351**	**652,619**	**2,279,970**
Changes in equity for the period	**(1,100)**	**(7,807)**	**–**	**1,707,529**	**–**	**140,009**	**–**	**–**	**–**	**1,100**	**125,580**	**1,965,311**	**726,660**	**2,691,971**
At 30 June 2017 (Unaudited)	**1,360,021**	**1,457,976**	**–**	**1,674,476**	**1,463,670**	**(118,055)**	**34,817**	**265,691**	**–**	**13,615**	**1,084,224**	**7,236,435**	**974,389**	**8,210,824**
At 1 January 2016 (Audited)	1,350,743	1,487,498	–	(71,238)	1,463,670	(6,445)	35,381	54,741	12,393	4,415	900,144	5,231,302	(3,968)	5,227,334
Total comprehensive income for the period	–	–	–	–	–	(58,384)	–	–	–	–	275,019	216,635	1,187	217,822
Transfer to statutory reserve	–	–	–	–	–	–	–	88,054	–	–	(88,054)	–	–	–
Approved final dividend for the year ended 31 December 2015	–	–	–	–	–	–	–	–	–	–	(147,231)	(147,231)	–	(147,231)
Share repurchased	(5,600)	(39,596)	–	–	–	–	–	–	–	5,600	–	(39,596)	–	(39,596)
Acquisition of additional interests in subsidiaries	–	–	–	18,191	–	–	–	–	–	–	–	18,191	(3,857)	14,334
Purchase of treasury stock	–	–	(6,970)	–	–	–	–	–	–	–	–	(6,970)	–	(6,970)
Changes in equity for the period	(5,600)	(39,596)	(6,970)	18,191	–	(58,384)	–	88,054	–	5,600	39,734	41,029	(2,670)	38,359
At 30 June 2016 (Unaudited)	1,345,143	1,447,902	(6,970)	(53,047)	1,463,670	(64,829)	35,381	142,795	12,393	10,015	939,878	5,272,331	(6,638)	5,265,693

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from operations	**1,644,745**	246,877
Finance lease charges paid	**(5,946)**	(5,623)
Income taxes paid	**(3,491)**	(3,593)
Net cash from operating activities	**1,635,308**	237,661
Investing activities		
Acquisition of subsidiaries, net of cash acquired	**(1,005,068)**	(389,848)
Acquisition of additional interests in a subsidiary	**(60,429)**	–
Purchase of property, plant and equipment	**(214,445)**	(25,027)
Deposits utilised (paid) for acquisitions of property, plant and equipment	**2,410**	(260,531)
Deposits paid for acquisitions of entities	**(1,269,772)**	(763,898)
Proceeds from disposal of an associate	**50,000**	–
Proceeds from disposal of property, plant and equipment	**37,906**	–
Advance of loan to an associate	**–**	(15,150)
Repayment from (advance to) loan to other party	**24,000**	(250,000)
Release of restricted bank balances	**15,373**	115,594
Other net cash flows arising from investing activities	**3,186**	(34,480)
Net cash used in investing activities	**(2,416,839)**	(1,623,340)
Financing activities		
Proceeds from issue of bonds, bank loans and convertible notes	**12,300**	529,524
Repayment of bonds and bank loans	**–**	(351,829)
Net proceeds from issue of a subsidiary's shares by placement	**145,499**	–
Proceeds from deemed disposal of partial interest of a subsidiary without losing control	**2,279,970**	–
Repayment of other borrowings	**(454,897)**	(170,461)
Proceeds from other borrowings	**181,740**	587,344
Proceeds from disposal of own debt securities	**–**	424,130
Repayment of finance lease payable	**(49,751)**	(20,245)
Repurchase of shares	**(7,807)**	(46,566)
Interests paid	**(191,474)**	(18,570)
Other net cash flows arising from financing activities	**(8,570)**	14,336
Net cash from financing activities	**1,907,010**	947,663
Net increase (decrease) in cash and cash equivalents	**1,125,479**	(438,016)
Cash and cash equivalents at 1 January	**625,081**	1,007,629
Effect of foreign exchange rate changes	**5,124**	(8,822)
Cash and cash equivalents at 30 June, represented by bank balances and cash	**1,755,684**	560,791
Analysis of cash and cash equivalents		
Bank balances and cash	**1,755,684**	560,791

1.1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting" issued by the International Accounting Standard Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Group continually reviews the presentation and disclosure of the condensed consolidated financial statements to ensure compliance with relevant accounting standards and regulations, and also consider their relevance and usefulness to users. During the six months ended 30 June 2017, the Group enhanced the presentation and disclosure of its unaudited condensed consolidated financial statements for consistence with the relevant presentation and disclosure in its audited consolidated financial statements for the year ended 31 December 2016. Accordingly, certain comparative financial information in these condensed consolidated financial statements are re-presented in conformity with the current period presentation.

1.2 SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

During the six months ended 30 June 2017, the Group acquired the entire equity interests in thirty-eight PRC entities which are engaged in operation of theatre and two Hong Kong entities which are engaged in holding of properties in Hong Kong from independent third parties for aggregated cash consideration of RMB980,000,000 (equivalent to approximately HK$1,128,470,000) and HK$42,000,000 respectively. Details of the acquisition is disclosed in note 19.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current period, the Group has adopted, for the first time, certain amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are mandatorily effective for the current interim period. The application of above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

The Group's revenue which represents the amounts received and receivable during the period, net of sales related taxes is as follows:

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Theatre operation	**1,776,882**	1,556,037
Retail business	**349,821**	276,850
Others	**132,234**	–
	2,258,937	1,832,887

Revenue derived from theatre operation comprises of income from box office ticketing, income from advertising, events & field marketing services and other related services, and income from sales of food & beverages and film products.

4. SEGMENT INFORMATION

The Group's operating and reportable segments are analysed as follows:

(a)	Theatre operation	–	box office ticketing, advertising, events & field marketing services and other related services and sales of food & beverages and film products.
(b)	Retail business	–	in-theatre counter sales and online shopping under "SMI Living" brand and related business.
(c)	Others	–	sales of editing and licensing income from purchased license rights from television program related business, investments in production and distribution of film rights and trading of marketable securities.

These operating and reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies that conform to IFRSs, that are regularly reviewed by the chief operating decision makers (the "CODM"), who are the members of executive directors of the Company for the purposes of resource allocation and performance assessment. The CODM regularly reviews revenue analysis by theatre operation and retail business.

Segment results represents the profit earned by each segment without allocation of corporate-level income and expenses including certain interest income, certain interest expenses, certain other gains and income, certain other losses and expenses, share of results of associates and unrealised gains on change in fair value of held-for-trading securities. Segment assets do not include assets of headquarters and other receivables of the headquarters. Segment liabilities do not include amounts due to related parties, other payables of headquarters, certain other borrowings, bonds and convertible notes.

4. SEGMENT INFORMATION *(Continued)*

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 30 June	At 31 December	At 30 June	At 31 December
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Theatre operation	**1,776,882**	1,556,037	**466,147**	381,391	**13,064,254**	9,807,874	**(3,759,529)**	(3,793,985)
Retail business	**349,821**	276,850	**21,837**	7,412	**843,815**	765,850	**(89,177)**	(22,599)
Others	**132,234**	–	**410**	(51,998)	**1,699,342**	2,065,975	**(1,201,576)**	(1,144,122)
	2,258,937	1,832,887	**488,394**	336,805	**15,607,411**	12,639,699	**(5,050,282)**	(4,960,706)

Notes:

(a) Revenue reported above represents revenue generated from external customers. There are no inter-segment sales for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

(b) Segment result of "Theatre operation" and "Others" includes share of results of associates from related theatre operation, television program related business and film investment and distribution and equity investment in associates, respectively.

4. SEGMENT INFORMATION *(Continued)*

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Total profit of reportable segments	**462,265**	336,805
Unallocated other income	**538**	10,197
Unallocated finance costs	**(127,397)**	(64,114)
Unallocated corporate expenses	**(29,110)**	(6,629)
Consolidated profit for the period	**306,296**	276,259

5. OTHER GAINS AND INCOME

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Government grants	**11,278**	14,785
Interest income	**6,787**	13,904
Dividend income	**228**	1,237
Realised gains on disposal of held-for-trading investments	**6,520**	21,004
Gain on disposal of an associate	**2,478**	–
Others	**7,564**	3,039
	34,855	53,969

6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interests on borrowings		
– bank borrowings	**1,310**	8,392
– other borrowings	**103,196**	42,580
– convertible notes	**56,085**	37,787
– bonds	**79,723**	11,611
– securities margin facilities	**23,793**	10,179
Finance lease charges	**5,946**	5,623
	270,053	116,172

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Tax charge comprises:		
Current tax – Hong Kong Profits tax	**–**	–
Current tax – PRC Enterprise Income Tax ("EIT")	**27,482**	45,716
Deferred taxation	**(1,353)**	(256)
Taxation for the period	**26,129**	45,460

7. INCOME TAX EXPENSE *(Continued)*

As stipulated in Cai Shui [2011] No. 112 and Xin Cai Fa Shui [2012] No. 1, enterprises newly established in Xin Jiang Ka Shi/Huoerguosi special economic areas during the period from 2011 to 2020 could enjoy EIT exemption for five years starting from its first profit-making year. The enterprises engaged in the encouraged industries as defined under the《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》. According to《企業所得稅優惠事項備案表》, the Group obtained the approval from the PRC tax bureau on 14 July 2015 for entitlement of EIT exemption from 1 June 2015 to 31 December 2019.

For the other PRC subsidiaries of the Group, the provision for PRC EIT is based on a statutory rate of 25% (2016: 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.

No provision for taxation in Hong Kong is made for the six months ended 30 June 2017 and 30 June 2016 as the Group did not have any assessable profit arising from Hong Kong.

Tax charges on estimated assessable profits derived 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 the following:

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	**11,196**	5,677
Amortisation of prepaid lease payments	**2,073**	1,537
Auditor's remuneration	**–**	2,805
Directors' emoluments	**2,662**	1,678
Depreciation on property, plant and equipment	**220,543**	195,023
Net exchange loss	**12,363**	5,438
Operating lease payments of premises		
– minimum lease payments	**191,292**	156,314
– contingent rent	**13,640**	15,498
	204,932	171,812
Other staff costs excluding directors' emoluments	**231,142**	185,530

9. DIVIDENDS

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Final dividend recognised as distribution during the period:		
– HK$1.32 cents per ordinary share for the year ended 31 December 2016 (2016: HK$1.09 cents per ordinary share for the year ended 31 December 2015)	**179,668**	147,231

No interim dividend was proposed for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings for the purposes of calculating basic earnings per share:		
Profit for the period attributable to owners of the Company	**305,248**	275,019
Effect of dilutive potential ordinary shares:		
Interest on certain convertible notes	**–**	2,521
Earnings for the purpose of calculating diluted earnings per share	**305,248**	277,540
Number of shares (Note):		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,721,623,132**	2,698,832,750
Effect of dilutive potential ordinary shares:		
Share options	**–**	16,486,696
Convertible notes	**–**	158,880,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,721,623,132**	2,874,199,446

For the six months ended 30 June 2017, the effects of potential ordinary shares arising from all (six months ended 30 June 2016: certain) convertible notes are not included in calculating the diluted earning per share as they had an anti-dilutive effect on the earning per share for the both periods.

Note: The number of shares are adjusted after the share consolidation which was effected on 5 June 2017 is on the basis that every five issued and unissued existing shares of HK$0.10 each in the share capital of the Company be consolidated into one consolidated share of HK$0.50 each. Comparative figures are restated.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group incurred approximately HK$370,616,000 (year ended 31 December 2016: HK$1,762,804,000) on additions to property, plant and equipment.

12. TRADE AND OTHER RECEIVABLES

The Group normally allows an average credit period of 90 days to its box office sales agents, advertising agents and wholesale customers.

The Group allows an average credit period of 90 to 180 days to its trade customers for contract sales of editing rights.

Trade receivables from the licensing income are usually received within 180 days from the date of signing of the contracts.

Trade receivable from film investment income are usually received within 90 days after receipt of box office certificate and profit-sharing confirmation.

The following is an aging analysis of trade receivables presented based on the invoice date, contract date or receipt of box office certificate and profit sharing confirmation, as appropriate, at the end of the reporting period:

	At 30 June 2017 HK$'000 (Unaudited)	At 31 December 2016 HK$'000 (Audited)
0 - 30 days	**241,871**	222,392
31 - 90 days	**44,688**	127,153
Over 90 days	**35,780**	274,047
Trade receivables, net of allowance for doubtful debts	**322,339**	623,592

13. TRADE AND OTHER PAYABLES

The aging analysis of the Group's trade payables based on the invoice date at the end of the reporting period is as follows:

	At 30 June 2017 HK$'000 (Unaudited)	At 31 December 2016 HK$'000 (Audited)
0 - 30 days	**341,851**	317,857
31 - 60 days	**64,224**	56,840
Over 60 days	**27,976**	30,628
Trade payable	**434,051**	405,325

14. BORROWINGS

During the six months ended 30 June 2017, the Group:

(i) did not entered into any new bank borrowings nor repaid bank borrowings (year ended 31 December 2016: repaid bank borrowings of approximately HK$364,863,000).

(ii) did not entered into any trust loan agreement (year ended 31 December 2016: amounted to RMB1,500,000,000 with a five-year term at a fixed effective interest rate of 6.67% per annum).

(iii) obtained other borrowings amounting to approximately HK$181,740,000 (year ended 31 December 2016: HK$1,915,231,000), which carry interests at fixed rate ranging from 9% to 18% and are repayable within two years.

14. BORROWINGS *(Continued)*

(iv) did not issue nor repay any convertible notes. No conversion of convertible notes of the Company was made during both periods. Aggregate amounts of HK$53,795,000 convertible notes of a subsidiary were converted during the six months ended 30 June 2017.

(v) newly issued bonds amounting to HK$12,300,000 (year ended 31 December 2016: HK$1,249,804,000) which carry interest at fixed market rate ranging from 5% to 6% and are repayable by third to seventh years.

15. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities recognised by the Group and movements thereon during the period:

	Intangible assets	**Fair value adjustments on lease contracts**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2016 (Audited)	14,706	3,792	18,498
Credited to profit or loss for the year	(2,558)	(513)	(3,071)
Disposal	(229)	–	(229)
Exchange realignment	(1,173)	–	(1,173)
At 31 December 2016 (Audited)	10,746	3,279	14,025
Credited to profit or loss for the period	**(1,097)**	**(256)**	**(1,353)**
Exchange realignment	**395**	**–**	**395**
At 30 June 2017 (Unaudited)	**10,044**	**3,023**	**13,067**

16. SHARE CAPITAL

	Number of shares		Amount	
	30 June 2017	31 December 2016	**30 June 2017**	31 December 2016
			HK$'000	HK$'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Authorised:				
Ordinary shares of HK$0.10 per share				
At beginning of period/year	**20,000,000,000**	20,000,000,000	**2,000,000,000**	2,000,000,000
Adjustment on Share Consolidation	**(16,000,000,000)**	–	**–**	–
At end of period/year				
Ordinary shares of HK$0.10 per share	**–**	20,000,000,000	**–**	2,000,000,000
Ordinary shares of HK$0.50 per share	**4,000,000,000**	–	**2,000,000,000**	–
Issued and fully paid:				
Ordinary shares of HK$0.10 per share	**13,611,209,583**	13,507,427,488	**1,361,121**	1,350,743
Issue of convertible shares	**–**	116,448,764	**–**	11,645
Share option exercised	**–**	68,333,331	**–**	6,833
Share repurchased	**(11,000,000)**	(81,000,000)	**(1,100)**	(8,100)
Adjustment on share consolidation	**(10,880,167,667)**	–	**–**	–
At end of period/year				
Ordinary shares of HK$0.10 per share	**–**	13,611,209,583	**–**	1,361,121
Ordinary shares of HK$0.50 per share	**2,720,041,916**	–	**1,360,021**	–

17. PLEDGE OF ASSETS

At the end of the reporting period, the Group has the following pledge of assets:

(a) The Group's building situated in the PRC amounted to approximately HK$24,591,000 (At 31 December 2016: HK$24,456,000) was pledged to secure for certain bank borrowings granted to the Group.

(b) The Group assigned the box office's receipts and receivables from the movie theatres operated by certain subsidiaries in the PRC to the financial institutions for securing the repayments of the trust loans in the next five years.

(c) The Group pledged its subordinated securities as stipulated in the asset-backed securities arrangement as a collateral for its trust loans.

(d) As at 30 June 2017 and 31 December 2016, all equity interests in a subsidiary and held-for-trading investments were used as contingent collaterals for the margin account facilities granted to the Group as required.

18. RELATED PARTY TRANSACTIONS

The Group had no significant transactions and balances with related parties during the period.

19. ACQUISITION OF SUBSIDIARIES

For the six months ended 30 June 2017

During the six months ended 30 June 2017, the Group acquired the entire equity interests in thirty-eight PRC entities which are engaged in operation of theatre and two Hong Kong entities which are engaged in holding of properties in Hong Kong from independent third parties for aggregated cash consideration of RMB980,000,000 (equivalent to approximately HK$1,128,470,000) and HK$42,000,000 respectively. The information for these acquisitions is disclosed on an aggregated basis as they are individually immaterial to the Group.

19. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the six months ended 30 June 2017 *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition (determined on a provisional basis) are as follows:

	HK$'000 **(Unaudited)**
Fair value of net assets acquired:	
Property, plant and equipment	**137,702**
Inventories	**1,357**
Trade and other receivables	**12,649**
Bank balances and cash	**11,113**
Trade and other payables	**(48,986)**
Finance lease payables	**(4,060)**
Fair value of total identifiable net assets	**109,775**
Goodwill	**1,060,695**
	1,170,470
Satisfied by:	
Cash	**1,170,470**
Net cash outflow on acquisition of subsidiaries:	
Cash consideration paid	**(1,170,470)**
Utilising deposits paid for acquisitions of entities in prior years	**154,289**
Bank balances and cash acquired from the subsidiaries	**11,113**
	(1,005,068)

The fair value of trade and other receivables at the date of acquisition amounted to HK$12,649,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$12,649,000 at the date of acquisition.

19. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the six months ended 30 June 2017 *(Continued)*

Goodwill arose from the acquisition of these subsidiaries because the costs of the combinations included control premiums. In addition, the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of these subsidiaries. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The fair values of the assets acquired, liabilities and goodwill recognised have been determined on provisional basis, awaiting the completion of the identification of separable assets and valuation of assets and liabilities.

Had the acquisition been completed on 1 January 2017, total group revenue for the year would have been HK$2,297,029,000, and profit for the year would have been HK$298,562,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

In determining the “pro-forma” revenue and profit of the Group had these subsidiaries been acquired at the beginning of the current year, the directors have calculated depreciation of property, plant and equipment and amortisation of intangible asset acquired on the basis of the fair values arising in the initial accounting for the business combination.

19. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2016

(i) During the year ended 31 December 2016, the Group acquired the entire equity interests in seventy-nine entities which are engaged in operation of theatres from independent third parties for an aggregated cash consideration of RMB2,160,700,000 (equivalent to approximately HK$2,401,834,000). The information for these acquisitions is disclosed on an aggregated basis as they are individually immaterial to the Group.

Assets acquired and liabilities recognised at the date of acquisitions are as follows:

	HK$'000
Fair value of net assets acquired:	
Property, plant and equipment	310,223
Inventories	3,868
Trade and other receivables	100,906
Bank balances and cash	23,200
Trade and other payables	(315,663)
Finance lease payables	(6,712)
Fair value of total identifiable net assets	115,822
Goodwill (note 17)	2,286,012
	2,401,834
Satisfied by:	
Cash	2,401,834
Net cash outflow on acquisition of subsidiaries:	
Cash consideration paid	(2,401,834)
Utilising deposits paid for acquisition of entities in prior years	914,068
Bank balances and cash acquired from the subsidiaries	23,200
	(1,464,566)

19. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2016 *(Continued)*

(i) Goodwill arose from the acquisition of these subsidiaries because the costs of the combinations included control premiums. In addition, the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of these subsidiaries. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Included in the profit for the year is approximately HK$36,478,000 attributable to the additional business generated by these subsidiaries. Revenue for the year includes approximately HK$252,314,000 generated from subsidiaries.

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been HK$3,561,275,000, and profit for the year would have been HK$463,698,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had these subsidiaries been acquired at the beginning of the current year, the directors have calculated depreciation of property, plant and equipment and amortisation of intangible asset acquired on the basis of the fair values arising in the initial accounting for the business combination.

(ii) On 28 October 2016, the Group acquired approximately 33.42% equity interests of SMI Culture & Travel Group at a cash consideration of HK$213,899,000 from the open stock market which is engaged in the provision of cross-media services including investment in the production and distribution of films and television programmes and related services. Following the acquisition, the Group's equity interest in SMI Culture & Travel Group increased from 29.99% to 63.41% and SMI Culture & Travel Group becomes a subsidiary of the Company.

19. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2016 ***(Continued)***

(ii) Assets acquired and liabilities recognised at the date of acquisition are as follows (determined on a provisional basis):

	HK$'000
Fair value of net assets acquired:	
Property, plant and equipment	444
Intangible assets	88,017
Inventories	227,572
Trade and other receivables	992,131
Film rights investment	209,535
Bank balances and cash	93,382
Convertible notes	(130,128)
Derivative financial instrument	(55,452)
Other borrowings	(160,000)
Bonds	(509,550)
Trade and other payables	(209,710)
Provisional net assets	546,241
Goodwill arising on acquisition	
Consideration paid	213,899
Add:	
Non-controlling interests	260,903
Fair value of previously held interest	191,998
Less:	
Provisional net assets acquired	(546,241)
Goodwill arising on acquisition (provisional) (note 17)	120,559
Satisfied by:	
Cash	213,899
Net cash outflow on acquisition of subsidiaries:	
Cash consideration paid	(213,899)
Bank balances and cash acquired from the subsidiaries	93,382
	(120,517)

19. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2016 *(Continued)*

(ii) The non-controlling interests in SMI Culture & Travel Group recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to HK$260,903,000.

Goodwill arose from the acquisition of these subsidiaries because the costs of the combinations included control premiums. In addition, the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of these subsidiaries. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Included in the profit for the year of the Group is a profit of HK$3,379,000 attributable to the additional business generated by these subsidiaries. Revenue for the year includes HK$16,744,000 generated from subsidiaries.

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been HK$3,894,675,000, and profit for the year would have been HK$430,176,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had these subsidiaries been acquired at the beginning of the current year, the directors have calculated depreciation of property, plant and equipment and amortisation of intangible asset acquired on the basis of the fair values arising in the initial accounting for the business combination.

20. 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 disclosures of fair value measurements as shown above 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 investments in listed equity interests in held-for-trading investments are measured at fair value (Level 1 inputs) at the end of the reporting period.

The Group's investments in unlisted interests in available-for-sale investments are measured at fair value (Level 3 inputs) for impairment review assessment at the end of the reporting period.

The directors of the company consider that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the results and financial position of the Group approximate their respective fair values.

21. CONTINGENT AND COMMITMENTS

(i) 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 theatres. 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 consolidated financial statements of the Group.

As at 30 June 2017 and 31 December 2016, the Group did not have any other significant contingent liabilities.

(ii) As at 30 June 2017, the management of the Group was engaged with various vendors to acquire a number of theatres in the PRC with total deposits of approximately HK$1,293,936,000 (At 31 December 2016: HK$154,289,000) paid to individual vendors under the memorandum of understandings entered into between the vendors and the Group. In the opinion of the directors of the Company, the total amount of commitment on the acquisitions is subject to the results of due diligence works as at 30 June 2017 and not yet be conclusive.