2006/2007

INTERIM REPORT

星 美 國 際

SMI CORPORATION LIMITED

(Provisional Liquidators Appointed)

星美國際集團有限公司*

(已委任臨時清盤人)

(Incorporated in Bermuda with limited liability)

(Stock Code: 198)

* For identification purposes only

CORPORATE INFORMATION

Provisional Liquidators

Mr. Liu Yiu Keung, Stephen
Ms. Chan Wai Hing

Board of directors

Executive Directors

Mr. Liu Xianbo
Ms. Horfuangfung Wei Ho
Mr. Li Kai *(Deputy Chairman)*
Mr. Hao Bin

Independent Non-executive Directors

Mr. Lam Tak Shing, Harry
Mr. Pang Hong
Mr. Qiao Zhen Pu

Audit Committee Members

Mr. Pang Hong
Mr. Qiao Zhen Pu

Joint auditors

Messrs. Ting Ho Kwan & Chan
Certified Public Accountants
and
Messrs. Cheung & Siu
Certified Public Accountants

Registered office

Clarendon House,
Church Street,
Hamilton HM 11,
Bermuda

Principal place of business in Hong Kong

Room 2502, 25th Floor,
Sino Plaza,
255-257 Gloucester Road,
Causeway Bay,
Hong Kong

Share registrars

Principal Share Registrar in Bermuda

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre,
11 Bermudiana Road,
Pembroke,
Bermuda

Branch Share Registrar in Hong Kong

Tricor Progressive Limited
26th Floor,
Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

Stock code

198

Website

www.equitynet.com.hk/smi

INTERIM RESULTS AND DIVIDEND

The board of directors (the "Directors") of SMI Corporation Limited (Provisional Liquidators Appointed) (the "Company") announces that the unaudited loss attributable to the shareholders of the Company for the six months ended 30 September 2006 was approximately HK$13,194,000, representing a drastic decrease of approximately HK$24,639,000 or 65% from the loss of approximately HK$37,833,000 for the corresponding interim period in 2005. The loss per share for the six months ended 30 September 2006 was 4.2 Hong Kong cents (six months ended 30 September 2005: 12.0 Hong Kong cents).

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2006 (six months ended 30 September 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company is an investment holding company and its subsidiaries (collectively as the "Group") are mainly engaged in the production, distribution and licensing of content in relation to movies and films, leisure business including theme restaurant, talent management, investments in cinema businesses and cyber café. During the six months ended 30 September 2006, approximately 91% (six months ended 30 September 2005: approximately 74%) and approximately 9% (six months ended 30 September 2005: approximately 18%) of the Group's turnover were derived from a theme restaurant in the name of Planet Hollywood operated by the Group in Japan and the production, distribution and licensing of content in relation to movies and films respectively. In recent years, the theme restaurant operation was not successful and had been in continuous operating losses.

WINDING-UP PETITION AND APPOINTMENT OF PROVISIONAL LIQUIDATORS

On 28 September 2007, the Company was placed into the third stage of the delisting procedures. If no viable resumption proposal is submitted at least 10 business days before 27 March 2008, the listing status of the Company will be cancelled.

On 18 February 2008 and 19 February 2008, a winding-up petition (the "Petition") and an application for the appointment of provisional liquidators were respectively presented and filed in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "High Court") by the Bank of China (Hong Kong) Limited ("BOCHK"), a creditor of the Company. On 20 February 2008, the High Court appointed Mr. Liu Yiu Keung, Stephen and Ms. Chan Wai Hing, both of Ernst & Young Transactions Limited as the joint and several provisional liquidators (the "Provisional Liquidators") of the Company.

Pursuant to an order of the High Court, the Provisional Liquidators would, inter alia, take into their custody and protect all the assets of the Group and manage the Group until such time as further order is made. The Provisional Liquidators are independent third parties not connected with the Company or any of the Directors, chief executive and substantial shareholders of the Company or its subsidiaries or their respective associates as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Provisional Liquidators initiated steps to have in place a proposal for the application for resumption of trading of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

By an order of the High Court dated 21 October 2008, the Petition originally scheduled to be heard on 16 April 2008 was further adjourned to 17 December 2008.

RESUMPTION PROPOSAL

On 7 March 2008, the Provisional Liquidators, the Company, Cenith Capital Limited ("Cenith"), P.C. Woo & Co. (the "Escrow Agent") and the Company's controlling shareholder, namely, Strategic Media International Limited (the "Controlling Shareholder") (collectively as the "Parties") entered into an escrow agreement (the "Escrow Agreement") under which the Parties agreed that Cenith was required to deposit with the Escrow Agent a maximum of HK$15 million (the "Deposit") for payment of restructuring expenses to be incurred by the Provisional Liquidators during the implementation of the Resumption Proposal (as defined below). In addition, the Parties also agreed that a sum of HK$5 million be deposited into the Escrow Agent's account as escrow money (the "Escrow Money") payable to the creditors of the Company in the event that the proposed restructuring could not proceed further due to the action done or not done by the Controlling Shareholder.

On 11 March 2008, a Memorandum of Understanding ("MOU") was signed between the Provisional Liquidators, the Company and the Controlling Shareholder. The purpose of the MOU is to record the agreement and arrangements of the parties regarding the proposed restructuring of the Company for the purpose of resuming the trading of the Company's shares on the Stock Exchange. On the same date, a resumption proposal was submitted to the Stock Exchange requesting for the resumption of trading of the Company's shares. Subsequently, one set of supplementary information for the resumption proposal and one set of supplements to the resumption proposal (collectively as the "Resumption Proposal") were submitted to the Stock Exchange on 9 May 2008 and 7 August 2008 respectively.

On 13 March 2008, a supplemental agreement to the Escrow Agreement (the "Supplemental Escrow Agreement") was executed by the Parties for the purpose of extending the date on which a sum of HK$3 million of the Escrow Money was to be deposited to the Escrow Agent.

On 28 March 2008, the Company, the Provisional Liquidators, the Controlling Shareholder and Mr. Qin Hui (the beneficial owner of the Controlling Shareholder) ("Mr. Qin") entered into a formal agreement (the "Formal Agreement") in relation to the proposed restructuring of the Company to supersede the MOU.

In March 2008, the Escrow Agent received part of the Deposit and the Escrow Money in the sum of HK$6 million and HK$5 million respectively according to the Escrow Agreement and the Supplemental Escrow Agreement.

On 30 September 2008, a supplemental agreement to the Formal Agreement was entered into by the relevant parties for the purposes of amending the relevant terms of the Formal Agreement.

PROSPECTS

The Resumption Proposal, if completely implemented, will amongst other things, result in the following:

(a) an acquisition of a cinema business to be settled by way of the issuance of consideration shares of the Company;

(b) an open offer giving rise to gross proceeds of approximately HK$94.2 million;

(c) the setting up of café bars in the PRC;

(d) an increase in the authorised share capital of the Company;

(e) all the creditors of the Company being repaid in full;

(f) reorganisation of the Group's operations by disposing part of its inactive subsidiaries by way of voluntary liquidation; and

(g) trading of the Company's shares on the Stock Exchange being resumed upon completion of the proposed restructuring subject to prior compliance with various conditions to the satisfaction of the Listing Division of the Stock Exchange.

The Company also intends to streamline its business and concentrate its activities in areas where growth opportunities exist for the Group.

BUSINESS OUTLOOK

Looking ahead, the Group will concentrate on the businesses of (i) theme restaurant operation; and (ii) entertainment business in relation to the production, distribution and licensing of content for movies, television programs and documentaries.

Apart from the continuous efforts to monitor the market development, restructure and streamlining the business operations so as to improve the financial status of the Group and enhance its business performance, the management of the Company is actively looking for business opportunities to expand the Group's businesses and to widen the Group's income streams.

SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended from 11:04 a.m. on 28 April 2005 and will remain suspended until further notice.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

	Note	Six months ended 30 September 2006 HK$'000 (Unaudited)	2005 HK$'000 (Unaudited)
Turnover	4	**19,428**	26,319
Cost of sales		**(4,572)**	(23,303)
Direct expenses		**(19,027)**	(20,622)
Gross loss		**(4,171)**	(17,606)
Other income and gains, net	5	**477**	968
Distribution costs		**–**	(390)
Administrative expenses		**(6,331)**	(14,852)
Other operating expenses		**(3,317)**	(3,570)
Loss from operations	6	**(13,342)**	(35,450)
Finance costs	7	**(1,672)**	(1,415)
Share of results of associates		**1,828**	(955)
Loss before taxation		**(13,186)**	(37,820)
Taxation	8	**(8)**	(13)
Loss for the period		**(13,194)**	(37,833)
Attributable to:			
Equity holders of the Company		**(13,194)**	(37,833)
Minority interests		**–**	–
		(13,194)	(37,833)
Basic loss per share attributable to the equity holders of the Company during the period	9	**(4.2) cents**	(12.0) cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2006

	Note	30 September 2006 HK$'000 (Unaudited)	31 March 2006 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**5,595**	9,575
Intangible assets		**19**	22
Interests in associates		**54,644**	53,024
Interests in jointly controlled entities		**32,831**	32,538
		93,089	95,159
Current assets			
Inventories		**2,674**	2,703
Trade and other receivables	10	**33,949**	40,913
Tax refundable		**2,390**	2,390
Pledged bank deposits		**22,248**	24,799
Cash and bank balances		**309**	688
		61,570	71,493
Current liabilities			
Trade and other payables	11	**58,833**	55,783
Tax payable		**1,999**	1,992
Bank and other borrowings			
– due within one year		**29,330**	28,934
Obligation under a finance lease			
– due within one year		**–**	70
		90,162	86,779
Net current liabilities		**(28,592)**	(15,286)
Total assets less current liabilities		**64,497**	79,873

	Note	30 September 2006 HK$'000 (Unaudited)	31 March 2006 HK$'000 (Audited)
Non-current liabilities			
Bank and other borrowings			
– due after one year		**16,480**	19,839
Obligation under a finance lease			
– due after one year		**–**	7
		16,480	19,846
Net assets		**48,017**	60,027
Equity			
Capital and reserves attributable to the Company's equity holders:			
Share capital		**31,407**	31,407
Share premium		**44,150**	44,150
Other reserves		**32,472**	31,288
Accumulated losses		**(60,012)**	(46,818)
Total equity		**48,017**	60,027

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

	Share capital	Share premium account	Contributed surplus	Foreign currency translation reserve	Retained profits/ (Accumulated losses)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2006 (Audited)	31,407	44,150	31,172	116	(46,818)	60,027
Translation difference recognised directly in equity (Unaudited)	–	–	–	1,184	–	1,184
Loss for the period (Unaudited)	–	–	–	–	(13,194)	(13,194)
At 30 September 2006 (Unaudited)	31,407	44,150	31,172	1,300	(60,012)	48,017
At 1 April 2005 (Audited)	31,407	44,150	31,172	(3,514)	2,227	105,442
Translation difference recognised directly in equity (Unaudited)	–	–	–	2,607	–	2,607
Loss for the period (Unaudited)	–	–	–	–	(37,833)	(37,833)
At 30 September 2005 (Unaudited)	31,407	44,150	31,172	(907)	(35,606)	70,216

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

These unaudited condensed interim financial statements are prepared in accordance with Hong Kong Accounting Standard 34: "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the applicable disclosure provisions of the Listing Rules and the same accounting policies as those adopted in the annual financial statements for the year ended 31 March 2006 (the "2006 Annual Accounts"). These unaudited condensed interim financial statements should be read in conjunction with the 2006 Annual Report. The financial information relating to the financial year ended 31 March 2006 that is included in these unaudited condensed interim financial statements is derived from the 2006 Annual Accounts.

The preparation of the unaudited condensed interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

These unaudited condensed interim financial statements have been prepared under the historical cost convention except for certain properties and financial instruments which are stated at fair values. The accounting policies and methods of computation used in the preparation of these unaudited condensed interim financial statements are consistent with those used in the 2006 Annual Accounts.

A condensed consolidated cash flow statement and segment information for the six months ended 30 September 2006 have not been presented in these unaudited condensed interim financial statements as it is impracticable for the Group to prepare such statement and information.

2. Going concern

The Group had net current liabilities of approximately HK$28,592,000 as at 30 September 2006 (31 March 2006: approximately HK$15,286,000) and incurred a loss of approximately HK$13,194,000 for the six months ended 30 September 2006 (six months ended 30 September 2005: approximately HK$37,833,000). The Group's liquidity position further deteriorated during the current interim period. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on a going concern basis on the basis that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

In preparing the unaudited condensed interim financial statements, the Directors have given consideration to the current and anticipated future liquidity of the Group. As part of the measures to improve the Group's immediate liquidity and cash flows, the Company, through its financial advisor, submitted the Resumption Proposal to the Stock Exchange.

In the opinion of the Directors, the Group will have sufficient working capital for its current financial requirements and future development after completing the proposed restructuring. Accordingly, the Directors are satisfied that it is appropriate to prepare the unaudited condensed interim financial statements on a going concern basis, notwithstanding the Group's financial position and liquidity position as at 30 September 2006.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets.

3. Adoption of new and revised Hong Kong Financial Reporting Standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations, that are first effective or available for early adoption for the current accounting period of the Group. The Group has determined the accounting policies expected to be adopted in the preparation of the Group's financial statements for the year ended 31 March 2007 on the basis of HKFRSs currently in issue.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these standards will have no material impact on the results and financial position of the Group's financial statements for the year ended 31 March 2007.

4. Turnover

Turnover represents the aggregate of net amounts received and receivable from third parties during the six months ended 30 September 2006. An analysis of the Group's turnover is as follows:

	Six months ended 30 September 2006 HK$'000 (Unaudited)	2005 HK$'000 (Unaudited)
Income from investment in marketable securities	**–**	1,691
Interest income from provision of finance	**10**	203
Movies, television and dramas and documentary production, distributing and licensing income	**1,786**	4,628
Property income	**–**	193
Theme restaurant income	**17,632**	19,604
	19,428	26,319

5. Other income and gains, net

An analysis of the Group's other income and gains, net is as follows:

	Six months ended 30 September 2006 HK$'000 (Unaudited)	2005 HK$'000 (Unaudited)
Other income		
Bank interest income	**2**	2
Interest income, other than from loan receivables	**322**	324
	324	326
Recovery of loans and interest receivables	**–**	120
Sundry income	**153**	432
	477	878
Gains, net		
Gains on disposal of interest in a jointly controlled entity	**–**	90
	477	968

6. Loss from operations

	Six months ended 30 September 2006 HK$'000 (Unaudited)	2005 HK$'000 (Unaudited)
Loss from operations is arrived at after charging:		
Staff costs:		
– wages and salaries	**2,080**	5,818
– retirement benefit scheme contribution	**72**	25
	2,152	5,843
Amortisation of intangible assets	**4**	10
Depreciation	**261**	519
Loss on disposal of property, plant and equipment	**–**	106
Allowance for bad debts	**224**	–

7. Finance costs

	Six months ended 30 September 2006 HK$'000 (Unaudited)	2005 HK$'000 (Unaudited)
Interest on:		
Borrowings wholly repayable within five years		
bank loan and overdrafts	**1,371**	601
other loans	**296**	809
Finance leases	**5**	5
	1,672	1,415

8. Taxation

	Six months ended 30 September	
	2006	2005
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax – current year income tax	**–**	–
Taxation outside Hong Kong – current year income tax	**8**	13
Taxation charge	**8**	13

No provision for Hong Kong Profits Tax has been made in the condensed Consolidated Financial Statements as the companies within the Group have either no assessable profits for the six months ended 30 September 2006 and 2005 or have their profits wholly absorbed by tax losses brought forward.

Taxation on overseas profits has been calculated on the estimated assessable profits for the six months ended 30 September 2006 and 2005 at the rates of taxation prevailing in the countries in which the Group operates.

9. Loss per share

The calculation of basic loss per ordinary share is based on the Group's loss attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
Loss for the period	**HK$13,194,000**	HK$37,833,000
Weighted average number of ordinary shares in issue during the period	**314,068,757**	314,068,757

Since the outstanding share options are anti-dilutive to the loss per share, no diluted loss per share is presented for the six months ended 30 September 2006 and 2005.

10. Trade and other receivables

	30 September 2006 HK$'000 (Unaudited)	31 March 2006 HK$'000 (Audited)
Trade receivables, net	**1,989**	13,849
Loans and interest receivables – due within one year	**134**	303
Other receivables and prepayments	**13,276**	3,206
Deposits paid on acquisition of interest in an associate	**15,555**	15,555
Consideration receivable on disposal of available-for-sale financial asset	**2,995**	8,000
	33,949	40,913

The Directors consider that the carrying amounts of trade and other receivables approximate to their fair values.

11. Trade and other payables

	30 September 2006 HK$'000 (Unaudited)	31 March 2006 HK$'000 (Audited)
Trade payables	**11,685**	8,595
Other creditors, accrued charges and deposits	**45,937**	44,572
Amount due to an investee company	**–**	480
Amount due to related parties	**1,211**	2,136
	58,833	55,783

The Directors consider that the carrying amounts of trade and other payables approximate to their fair values.

FINANCIAL REVIEW

Review of Results

The Group's turnover for the six months ended 30 September 2006 was approximately HK$19,428,000, a decrease of approximately HK$6,891,000 or 26% compared with the turnover for the corresponding period in 2005 which was approximately HK$26,319,000.

It is impracticable to present the Group's segment results for the six months ended 30 September 2006 because segment information is not available. An analysis of the Group's turnover is as follows:

	Six months ended 30 September		
	2006	2005	
	HK$'000	HK$'000	**Decrease**
Income from investment in marketable securities	**–**	1,691	(100%)
Interest income from provision of finance	**10**	203	(95%)
Movies, television, dramas and documentary production, distributing and licensing income	**1,786**	4,628	(61%)
Property income	**–**	193	(100%)
Theme restaurant income	**17,632**	19,604	(10%)
	19,428	26,319	(26%)

The Group's movies, television, dramas and documentary production, distributing and licensing operation was not a success during the current interim period due to heavy competition. Interest income from provision of finance and music production income for the current interim period had continued to shrink as a result of the Group's discontinuation or disposal of these two activities in previous years. The Group had also recorded a loss in its theme restaurant operation in Japan during the current interim period.

The leisure and entertainment industry is highly volatile because it is very much dependent on the economic condition and consumers' willingness to spend. Therefore, the Group's performance would fluctuate vigorously in accordance with changes in market condition. However, it is the Group's long term strategy to diversify its business operations within the leisure and entertainment industry in order to minimise the impacts due to such unstable market environment.

Loss attributable to the Company's shareholders for the six months ended 30 September 2006 was approximately HK$13,194,000, a decrease of approximately HK$24,639,000 or 65% compared with approximately HK$37,833,000 for the corresponding interim period in 2005. The substantial decrease in loss for the six months ended 30 September 2006 was mainly due to decreases in cost of sales and administrative expenses.

Financial Resources, Liquidity, Capital Structure, Gearing Ratio and Foreign Currency Exposure

As at 30 September 2006, the Group did not maintain sufficient liquid funds and had net current liabilities of approximately HK$28,592,000 (31 March 2006: approximately HK$15,286,000). If all pledged bank deposits are excluded, the net current liabilities as at 30 September 2006 will amount to approximately HK$50,840,000 (31 March 2006: approximately HK$40,085,000). The net current liabilities as at 30 September 2006 comprises cash and bank balances of approximately HK$309,000 (31 March 2006: approximately HK$688,000).

The capital structure of the Group consists of borrowings, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

As at 30 September 2006, the Group's total loans and borrowings were amounted approximately to HK$45,810,000 (31 March 2006: approximately HK$48,850,000), of which, approximately HK$39,437,000 (31 March 2006: approximately HK$42,217,000) was bank loans and borrowings and approximately HK$6,373,000 (31 March 2006: approximately HK$6,556,000) was other loans and borrowings.

The Group's gearing ratio as at 30 September 2006 was approximately 48% (31 March 2006: 39%), which is calculated on the basis of the Group's total interest bearing debts net of cash and bank balances, pledged deposit and short-term marketable securities over the total equity interest as at 30 September 2006.

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

When appropriate and at times of interest rate or exchange rate uncertainty or volatility, hedging instruments including swaps and forwards are used by the Group in the management of exposure to interest rate and foreign exchange rate fluctuations.

There has not been any change in the Group's funding and treasury policies and the Group will continue to follow the practice of prudent cash management.

Pledge of Assets

As at 30 September 2006, the Group's bank deposits of approximately HK$22,248,000 (31 March 2006: HK$24,799,000) were pledged to banks to secure credit facilities granted to the Group.

On 15 November 2004, the Group entered into a share mortgage agreement (the "Share Mortgage Agreement") with ITC Management Limited ("ITC"). Pursuant to the Share Mortgage Agreement, the Group agreed to pledge its 100% interest in Fung Ming Venture Limited ("Fung Ming"), 50% interest in Canaria Holding Limited ("Canaria"), 40% interest in Applause Holdings Limited and 100% interest in Cheerfame Limited ("Cheerfame") held by the Company's subsidiaries in favour of ITC as security (the "Share Mortgage") to secure a loan of HK$15,000,000 granted by ITC to the Group. Subsequent to the interim period ended 30 September 2006, the Share Mortgage was discharged on 23 October 2006 with all the shares pledged being released.

Contingent Liabilities

Subsequent to the interim period ended 30 September 2006, a notice of claim was filed on 15 April 2008 by a creditor, Planet Hollywood International Inc, ("Planet Hollywood") for a sum of US$6,173,497.61 (the "Claim") in respect of a Final Default Judgement against the Company (the "Declaratory Judgement"). Planet Hollywood obtained the Declaratory Judgement in the Circuit Court of the Ninth Judicial Circuit In and For Orange County, Florida (the "US Court") on 9 April 2008 for damages based on the breach of a settlement agreement, namely, the Term Sheet dated 7 February 2005 entered into between Planet Hollywood and the Company (the "Term Sheet"). By the Declaratory Judgement, the US Court ruled that the Company had breached the Term Sheet by failing to perform the agreed-upon provisions therein and that Planet Hollywood could recover its damages for the Company's breach of the Term Sheet, including but not limited to actual damages, lost profits, lost business opportunities, interest, attorneys' fees and costs.

According to the legal opinion obtained by the Company, the likelihood of Planet Hollywood eventually making a successful recovery of an amount of damages based on the breach of the Term Sheet is slim, given the nature of the claim upon which the Notice of Claim was filed and given the legal requirements for Planet Hollywood in applying for leave to issue proceedings against a company for which provisional liquidators are appointed.

Nevertheless, the Company is in the course of liaising a proposed settlement of the Claim with Planet Hollywood. Planet Hollywood had tabled a draft settlement proposal to the Company, pursuant to which the Company, inter alia, is to forfeit its rights in accordance with the licence agreement entered into between the Group and Planet Hollywood and revert the same to Planet Hollywood in exchange for its dismissal of the Claim. The Provisional Liquidators obtained a legal opinion on the same and had reverted to Planet Hollywood their comment on the draft settlement proposal. However, the eventual mutual settlement between Planet Hollywood and the Company is subject to the sanction of the High Court.

Material acquisitions and disposals

The Group had no material acquisition and disposal during the six months ended 30 September 2006.

Capital Commitment

The Group had no significant capital commitment as at 30 September 2006 and 31 March 2006.

EMPLOYEES AND REMUNERATION POLICIES

Employee remuneration, excluding directors' remuneration, for the six months ended 30 September 2006 is approximately HK$2,152,000 (six months ended 30 September 2005: approximately HK$5,843,000). The pay scale of the Group's employees is maintained at a competitive level and the employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2006 (six months ended 30 September 2005: Nil).

SUBSEQUENT EVENTS

Apart from those events as already disclosed elsewhere in this interim report, the following additional events occurred after 30 September 2006:

(a) Pledge of assets

On 27 December 2006, the Group entered into a new share mortgage agreement (the "New Share Mortgage Agreement") and a loan assignment agreement (the "Loan Assignment Agreement") with Sunday Inn Limited (the "Lender"). Pursuant to the New Share Mortgage Agreement, the Group agreed to pledge in favour of the Lender the Group's 50% interest (held by Fung Ming, a subsidiary of the Group) in Canaria (which in turn owns 100% interest in Earn Elite Development Limited) ("Earn Elite"). Pursuant to the New Share Mortgage Agreement and Loan Assignment Agreement, the Group agreed to assign to the Lender absolutely all its right, title, interest and benefit in and to the assigned monies of loans in the principal amount of approximately HK$54,324,000 (before making an impairment loss of approximately HK$26,627,000) and HK$9,500,000 (before making an impairment loss of approximately HK$4,657,000) due by Canaria and its subsidiary, Earn Elite, respectively. Both of the New Share Mortgage Agreement and Loan Assignment Agreement were entered into as the security (the "Secured Assets") to secure a loan of HK$11,000,000 (the "Loan") granted by the Lender to the Company and the Group.

By a power of attorney dated 11 January 2008, the Lender appointed an attorney to take steps in realising the Secured Assets, including the exercising of the power of sale.

On 26 September 2008 and 2 October 2008, the Company paid sums of HK$13,465,445 and HK$321,258 respectively to the Lender representing the outstanding Loan and accrued interest and legal fee to redeem the Secured Assets. The said sums (the "Sums") used for financing the redemption is provided by Mr. Qin to Silver Epoch Limited ("Silver Epoch"), being the major creditor and sole shareholder of Fung Ming. In return, Silver Epoch will enter into an agreement with Mr. Qin to repay the Sums upon the occurrence of a number of events and it is the intention of Silver Epoch to repay the Sums to Mr. Qin only from the proceeds realised from the Secured Assets. As at the date of this interim report, the Lender has not yet to confirm its agreement to release and discharge the Secured Assets to the Company.

(b) The Company's registration status in Bermuda

On 7 September 2007, the Registrar of Companies in Bermuda struck off the Company from the Register of Companies as a result of the Company's non-payment of its government fee and late penalties. The Company is in the course of making an application to the Supreme Court of Bermuda for an order declaring the reinstatement of the Company's status in Bermuda.

(c) Litigation

On 23 August 2007, The Disney Store Japan ("TDSJ"), a division of Walt Disney International Japan, Inc. filed a legal claim to a court in Japan against Planet Hollywood (Japan) K.K. ("PHJ"), a subsidiary of the Group, in relation to outstanding rental expenses of approximately HK$29,383,000 as at 10 August 2007. Such rental expenses were arising from the sublease agreement dated 19 September 2000 entered into by TDSJ and PHJ.

(d) Establishment of café bars

By an order of the High Court dated 14 October 2008, the Provisional Liquidators were sanctioned to set up a subsidiary of the Company as a special purpose vehicle and to enter into an agreement with Cenith for the purpose of preserving the assets of the Company and/or carrying out a restructuring of the business of the Company.

The Company intends to make use of the above special purpose vehicle to commence and run café bars in mainland China.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company and its subsidiaries had not redeemed any of the Company's listed securities during the six months ended 30 September 2006. In addition, neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the six months ended 30 September 2006.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30 September 2006 have neither been reviewed by an external auditor nor reviewed by an audit committee as the Directors have not appointed sufficient number of audit committee members to constitute an audit committee.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 September 2006, the Company was in compliance with the principles of good governance (the "Principles") and code provisions (the "Code Provisions") set out in Appendix 14: "Code on Corporate Governance Practices" (the "Code") of the Listing Rules, except for the following:

1. Due to practical reasons, 14 days' advanced notifications have not been given to all meetings of the board of Directors (the "Board"). Reasons have not been given in the notifications in respect of those meetings of the Board where it is not practical to give 14 days' advanced notification. The Directors' will give 14 days' advanced notifications of regular Board meeting to give all Directors an opportunity to attend and use its best endeavour to give reasonable notices for all other Board meetings (Code Provisions A.1.3);

2. Non-executive Directors were not appointed for a specific term but were subject to retirement by rotation at the Company's annual general meeting in accordance with the Company's articles of association (the "Articles") (Code Provision A.4.1);

3. No remuneration committee was established to review directors' remuneration policy and other remuneration related matters. The Directors will, as soon as practicable, establish a remuneration committee with specific written reference which deals clearly with its authorities and duties (Code Provision B.1.1);

4. The Company had not complied with the financial reporting and disclosure requirements set out in the Listing Rules by publishing annual and interim reports on a regular basis. The Directors will use their best endeavour to present a balanced, cleared and assessable assessment of the Company's performance, position and prospects to shareholders of the Company by publishing annual and interim reports in accordance with the financial reporting and disclosure requirements set out in the Listing Rules (Code Provision C.1.3);

5. The Directors did not maintain sound and effective internal controls to safeguard the Company's shareholders' investment and the Company's assets. In this regard, the Directors will at least annually conduct a review of the effectiveness of the system of internal control of the Group (Code Provision C.2.1); and

6. The Directors did not maintain an on-going dialogue with shareholders of the Company. In this regard, the Directors will at least annually conduct a general meeting to communicate with shareholders of the Company and encourage their participation (Code of Best Practice E.1).

Save as those mentioned above, in the opinion of the Directors, the Company has met with the Code Provisions in the Code during the six months ended 30 September 2006.

COMPLIANCE WITH THE MODEL CODE

The Directors have not adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10: "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") of the Listing Rules. However, the Directors will, as soon as practicable, adopted such code of conduct and request all Directors to comply with it.

AUDIT COMMITTEE

The Directors have not appointed sufficient members to constitute an audit committee. However, the Directors will, as soon as practicable, establish an audit committee with clear terms of reference pursuant to the Listing Rules.

DIRECTORS

The directors of the Company during the interim period and up to the date of this interim report were:

Executive directors:

Mr. Liu Xianbo	(appointed as executive director on 5 July 2007)
Ms. Horfuangfung Wei Ho	(appointed as executive director on 5 July 2007)
Mr. Li Kai *(Deputy Chairman)*	
Mr. Hao Bin	
Mr. Tsang Chi Wai, Eric	(resigned as executive director and deputy chairman on 12 June 2006)
Mr. Qin Hong	(resigned as executive director and chairman on 18 June 2007)

Independent non-executive directors:

Mr. Lam Tak Shing, Harry
Mr. Pang Hong
Mr. Qiao Zhen Pu

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

No Director who held office at 30 September 2006 or any of his or her spouses or children under eighteen years of age had interests or short positions in the shares, underlying shares or debentures of the Company, or any of its holding company, subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The Company had been notified of the following interests in the Company's issued shares at 30 September 2006 amounting to 5% or more of the ordinary shares in issue:

			Total number of ordinary shares held		
Substantial shareholders	**Registered shareholders**	**Corporate interests**	**long position**	**short position**	**% of total issued shares**
Mr. Qin Hui	–	163,239,981	163,239,981 (Note)	–	51.98%
Strategic Media International Limited ("SMIL")	163,239,981	–	163,239,981	–	51.98%

Note: Mr. Qin Hui owned the entire interest in SMIL and was accordingly deemed to be having the same interests in the shares as SMIL.

Apart from the foregoing, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

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. Hao Bin	Stellar Megamedia Group Limited and its subsidiaries	Movies, television dramas and documentary production, distribution and licensing in the PRC	As executive director
		Talent management in the PRC	
	China Film & Stellar Theater Chain Co., Limited	Theater management in the PRC	As executive director

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 directors of the Company believe that there is unlikely to be any significant competition with the businesses of the Group.

Apart from the foregoing, none of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

CONNECTED TRANSACTIONS

On 11 March 2008, a Memorandum of Understanding ("MOU") was signed between the Provisional Liquidators, the Company and the Controlling Shareholder. The purpose of the MOU is to record the agreement and arrangements of the parties regarding the proposed restructuring of the Company for the purpose of resuming the trading of the Company's shares on the Stock Exchange.

On 28 March 2008, the Company, the Provisional Liquidators, the Controlling Shareholder and Mr. Qin entered into a formal agreement (the "Formal Agreement") in relation to the proposed restructuring of the Company to supersede the MOU. Pursuant to the Formal Agreement, the Company has conditionally agreed to purchase the entire issued capital of Colour Asia Pacific Limited ("Colour Asia"), a private company wholly owned by Mr. Qin ("the Share") together with the assignment by Mr. Qin of all the benefit of the amount of the shareholder's loan due by Colour Asia to Mr. Qin as at the completion of the said purchase and assignment (the "Colour Asia Loan").

The consideration for the Share and the Colour Asia Loan is estimated at HK$84.35 million and RMB8.70 million (equivalent to approximately HK$9.67 million) respectively which is to be settled by the allotment and issue by the Company of a maximum of 843,500,000 of its new shares at an issue price of HK$0.10.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this interim report, the Company has maintained the prescribed public float under the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

As at 30 September 2006, the following Directors have service contracts with the Company:

Name	Position	Annual remuneration
		HK$
Mr. Qin Hong	Chairman	1,440,000
Mr. Li Kai	Deputy chairman	720,000

All of the above service contracts have no fixed term, continue on a month-to-month basis and can be terminated by either party by giving three months' notice. All annual remuneration packages were determined on arm's length negotiations between the parties based on their respective contribution to and responsibilities in the Company.

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

DISCLOSURE UNDER RULE 13.22 OF THE LISTING RULES

The total value of the amounts due from the Group's affiliated companies as at 30 September 2006 in respect of advances made by the Group was approximately HK$55,456,000, representing more than 8% of the percentage ratios defined under the Listing Rules.

It is not practicable to prepare the combined balance sheet of the Group's affiliated companies as information of certain affiliated companies is not available to the Group.

By Order of the Board
SMI Corporation Limited
(Provisional Liquidators Appointed)
Pang Hong
Director

Hong Kong, 14 November 2008