星美控股

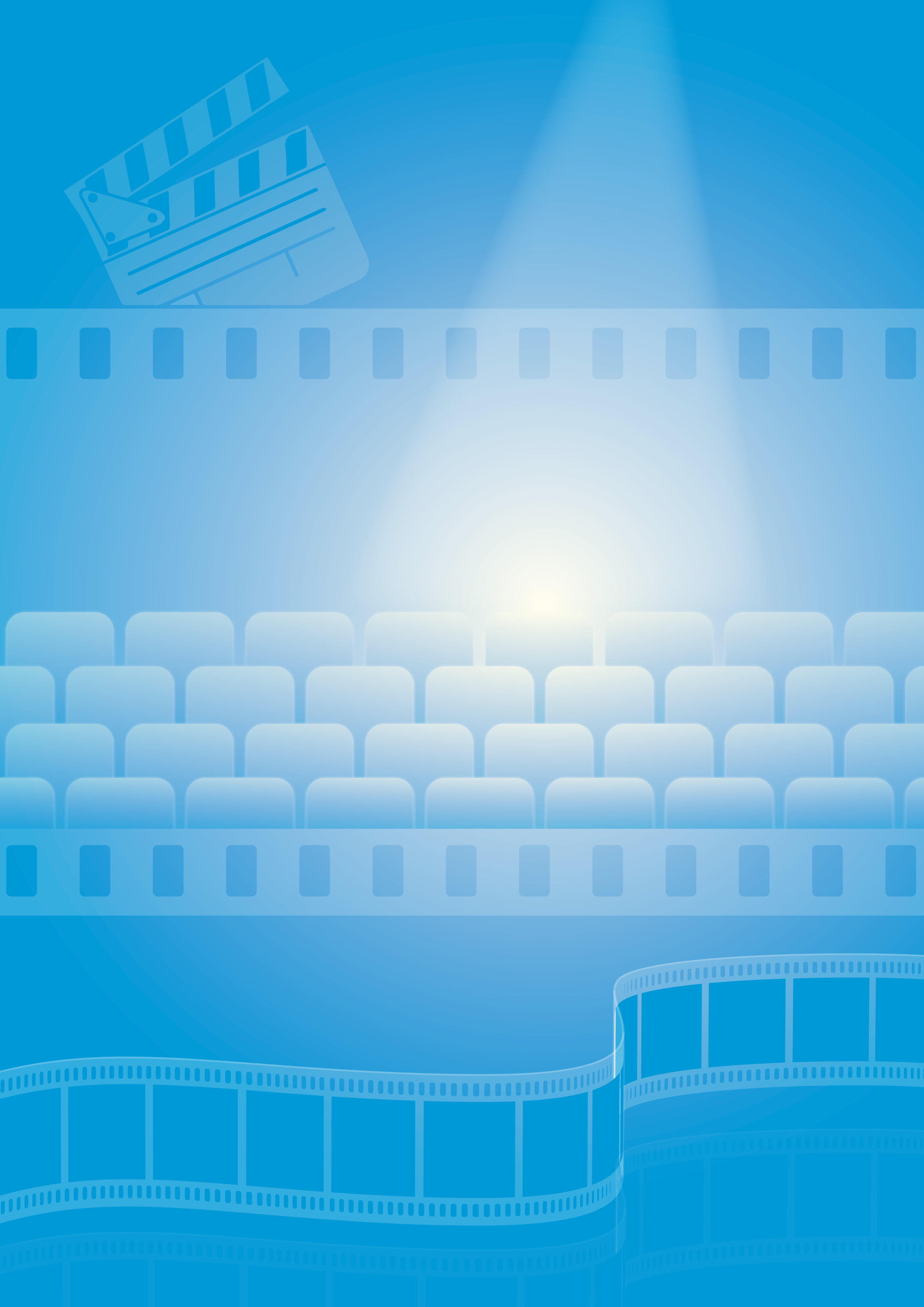
SMI HOLDINGS GROUP LIMITED

星美控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 198)

ANNUAL REPORT 2014



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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. CHENG Chi Chung *(Chief Executive Officer)*
Mr. YANG Rongbing
Mr. NG Kam Tsun
Mr. XI Qing
Mr. LI Yige

Independent Non-Executive Directors
Mr. PANG Hong
Mr. LI Fusheng
Mr. KAM Chi Sing

Audit Committee
Mr. KAM Chi Sing *(Chairman)*
Mr. PANG Hong
Mr. LI Fusheng

Remuneration Committee
Mr. LI Fusheng *(Chairman)*
Mr. PANG Hong
Mr. KAM Chi Sing

Nomination Committee
Mr. PANG Hong *(Chairman)*
Mr. LI Fusheng
Mr. KAM Chi Sing

COMPANY SECRETARY
Mr. NG Kam Tsun

AUTHORIZED REPRESENTATIVES
Mr. CHENG Chi Chung
Mr. NG Kam Tsum

AUDITOR
RSM Nelson Wheeler

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suite 6701-2 & 13
The Center
99 Queen's Road Central
Central, Hong Kong

SHARE REGISTRARS

Principal Share Registrar in Bermuda
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

CEO's Statement

To all shareholders:

During the year ended 31 December 2014, SMI Holdings Group Limited (the "Company") and its subsidiaries (collectively the "Group") have focused on developing the core business (the Movie Theater Business), invested resources to expand non-box-office businesses including Xingmeihui (online shopping and in-theater counter sales) and advertising and promotion business, facilitated the implementation of the New Membership Integrated Marketing Scheme (the "New Membership Scheme"), and actively promoted the Stellar mobile e-commerce client terminal. All business segments of the Group have registered stable growth during the year.

The rapidly expanding movie industry in China has fully ushered in a golden era of development. As a leading Chinese theater operator, the Company has secured its leading position in the movie theater business in first tier cities, and has been expanding its footprints further in the fast-growing second and third tier cities, thereby increasing its market share and deepening its foothold in the industry.

While ensuring the steady development of the core business, the Group has stepped up its resources to actively promote the development of non-box-office businesses (including Xingmeihui's e-commerce and offline retail platform), strengthen our O2O business operation and integrated marketing business, as well as to foster cooperation with major international brands. All these initiatives not only can broaden our revenue streams, but can also enhance the value of our brand, enabling us to provide our customers with comprehensive cultural media services, meet the diversified needs of customers and drive the budding trend in cultural media continuously.

Furthermore, the Company has continued to implement the New Membership Scheme during the year, with an aim to gain insight into customer demand with state-of-the-art statistical technology, provide corresponding services and products, further enhance the Group's core target and provide services that our customers need, and create synergy among various business segments under the Group, thus lifting the aggregate revenue of all business segments. Moreover, the Company has placed strong emphasis on developing the Stellar mobile e-commerce client terminal through employing the latest technology as well as keep track of the trend, so as to integrate the online and offline marketing channels of the Group.

During the year, due to limitation of time to perform specific audit work, eventually our auditor, RSM Nelson Wheeler, does not express an opinion on the consolidated financial statements for the year ended 31 December 2014 (the "2014 Auditor's Opinion"). We would like to emphasis that the Board and the management of the Company have been doing their utmost to assist and cooperate with the auditor. Details of the 2014 Auditor's Opinion was set out in the Independent Auditor's Report of this annual report.

MOVIE THEATER BUSINESS

According to the announcement made by the State Administration of Radio, Film, and Television, the total box office revenue in China has reached RMB29.639 billion in 2014, representing year-on-year growth of 36.15%. The box office revenue of China continued to be ranked the second largest in the world and further narrow the gap with the United States. 1,202 new movie theaters commenced operation in China during the year, and with 5,785 newly added screens, the total number of screens in China has reached 24,304. The audience size of city theaters in China has grown to 830 million in the year, increased by 34.52% year-on-year.

Meanwhile, the box office revenue from domestically produced movies has reached RMB16.155 billion in 2014, surpassing that of foreign movies, such as Hollywood movies. Domestic movies accounted for 54.51% of the total annual box office revenue in China, symbolizing a milestone for the Chinese movie industry. The data evidenced that the progressively improving quality of domestic films is gaining acceptance from the audience in general. We believe that the rise of domestic films has boosted theater admissions, leading to the strong performance in our movie theater business in 2014. Our revenue has grown by 23.9% to a record high of HK$1.49 billion; theater admissions have also increased considerably by 40%.

The Company has attained extensive coverage in first tier provinces and cities in China. Aside from deepening our foothold and gradually expanding market shares in existing locations, we will also actively expand into second and third tier cities. We are currently constructing movie theaters in Nanjing, Guizhou Anshun, Hebei Yanjiao, Anhui Hefei, Zhejiang Huzhou, Zhejiang Zhuji and Harbin. In the foreseeable future, we will further expand our footprints and establish presences in other provinces and cities, thereby lifting the revenue from this segment and reinforcing our leading position in the market.

As at 31 December 2014, the Group has 90 movie theaters with about 700 screens in major cities across China, as compared with 68 movies theaters with 490 screens in 2013, representing an increase of 32.4% and 42.9% respectively. The Group expects that the number of theaters in China under the Group will reach 150 by the end of 2015.

NON-BOX-OFFICE BUSINESS

The booming audience size in movie theaters has contributed to the strong performance of our movie theater business, which has also benefited the development of our new complementary businesses through the synergy created between the two segments. Our non-box-office business has recorded solid growth in revenue, confirming the Group's direction of development. During the year, the non-box-office revenue of the Group (excluding investment in film production and distribution) has recorded an all-time high of HK$745 million, increased by 25%, and accounted for approximately 44% of the Group's total revenue. We will continue to invest resources in this segment and step up effort to promote the development of our non-box-office business. We target to grow the contribution of this segment to 70% of the Group's total revenue.

Xingmeihui

Xingmeihui specializes in operating in-theater counter sales and an online shopping platform, with an aim to provide customers with a brand new shopping experience that combines online shopping and in-theater counter sales. Xingmeihui has clearly defined its market position and development strategy of providing customers with high-quality and diversified products, including peripheral products for movies and TV programs, as well as high-end brand products, specialty food items and fashionable daily staples etc. from Hong Kong, Macau, Taiwan and overseas, so as to fully satisfy various needs of customers. The Group has also established the "Xingmeihui Digital Experience Museum", a manifesto with the digital experience museum concept initiated by the Group. The establishment offers varied kinds of services, including "online order and offline pickup". At present, besides offering products from famous brands like Apple, Samsung and Huawei, Xingmeihui Digital Experience Museum has also added Aigo's digital products on shelf during the year. To blend into the communities in proximity to our movie theaters, and to attract more consumers, the Group will look for more suitable locations to set up such service points, which will create synergy with the movie theater business and serve as a new drive for further growth.

In February 2014, the Company has established a long-term business strategic partnership with JD.com, Inc. ("JD.com"), an online retail giant of electrical appliances and digital products in China. Such partnership will enrich the mix of digital goods in xingmeihui.com and provide the Company with a stable supply of goods.

In May 2014, the Company has reached a strategic cooperation agreement with China Telecom Corporation Limited ("China Telecom") to develop mobile internet business. China Telecom has authorized the Company to provide business acceptance service in the Stellar International Cineplex network in China, and to set up service outlets for China Telecom. The two parties will integrate their own customer bases and provide their customers with mutually beneficial services.

In November 2014, the Group has obtained the Approval for the Pilot Mobile Communications Resale Business from the Ministry of Industry and Information Technology of China. Riding on the rapid growth of 4G mobile communications users in China, the Group can attract more online users as it enters into the mobile telecommunications industry. The Company expects that 500,000 new members will be added each year, and the income generated from the related communications business (data and voice) will further increase the operating revenue of the Company.

Going forward, we will continue our endeavor to form partnerships with outstanding parties, both in China and overseas, so as to expand the business of Xingmeihui, increase sales revenue, lift the brand awareness of Xingmeihui and strengthen the growth of the Group.

Advertising and Promotion Business

With the increasingly extensive coverage of the Group's movie theaters in first tier cities, as well as our venture into second and third tier cities in recent years, the Company has built a comprehensive network of contact points in China. Leveraging on this advantage, the Group has grasped the opportunity to develop the advertising and promotion business through utilizing its movie theaters resources, thereby creating another rich revenue source.

Aiming to optimize the promotion efficiency for its clients, the Group has strived for innovation in this business segment. In addition, the Company has also actively collaborated with various famous brands. During the year, the Company has cooperated with Eva Air to produce a pre-screening advertisement. The cooperation included the production of a creative reminder to be played before movies, in which a flight attendant in the cabin reminded the audience to switch off alarming devices, such as mobile phones. The production was applauded by both audience and clients, and has helped the Group to expand the customer base and explore new fronts in innovative businesses. In addition, the Company has jointly carried out innovative sale and marketing campaigns with JDB Group（加多寶集團）and commenced strategic cooperation with Baidu, which have enhanced the synergy effect of our box office and our advertising business.

NEW MEMBERSHIP INTEGRATED MARKETING SCHEME

In order to gain a systematic understanding of customer's consumption pattern for the purpose of formulating corresponding marketing and sales strategies, the Group has launched the New Membership Scheme since late 2012. The Group has provided customers with a variety of VIP or personalized services to suit their preferences and needs, thereby ensuring the loyalty of existing members and attracting more audiences to participate in the New Membership Scheme.

With over 2 million existing members, the scheme is implemented effectively since its commencement. We will continue to broaden the membership base to boost the number of admissions in theaters, while at the same time attract new members across different channels to facilitate the development of the Group's new complementary businesses and to drive the overall revenue growth for the Group. The Group's existing movie theater resources in China and its e-commerce platform offer its members the window to film and TV cultures, as well as a wide spectrum of consumption complementary services. Leveraging on the advantages of cross-selling potentials, the Group can fully implement its integrated marketing strategy.

CONCLUSION

Capturing opportunities in the flourishing Chinese movie market, the Company relies on its extensive market share and other advantages to develop the core movie theater business. We are also actively expanding our new complementary business to ensure a multi-faceted growth and broaden our revenue streams. Looking back on 2014, our solid performance is apparent, which has affirmed our direction of development.

Going forward, we will vigorously develop new business models, optimize the Group's business structures, and rapidly expand new complementary businesses with the solid foundation of our core business. By this means, we can strengthen and further enhance the Group's leading position in the industry, and maximize the interest for the Group and our shareholders.

Mr. CHENG Chi Chung
Chief Executive Officer

31 March 2015, Hong Kong

Management Discussion and Analysis

BUSINESS REVIEW

In 2014, the Chinese movie industry has sustained its rapid growth momentum. During the year ended 31 December 2014, SMI Holdings Group Limited (the "Company") and its subsidiaries (collectively the "Group") seized the buoyant trend in the movie industry by emphasizing its core movie theater business, while increasing the investment in the expansion of non-box-office businesses (in-theater counter sales and online shopping – Xingmeihui, and advertising and promotion business etc.) and proceeding with the promotion of the New Membership Integrated Marketing Scheme (the "New Membership Scheme"). During the year, the Group has continued to adopt a stable operating strategy with innovative sales models and widening of channel terminals, and all business segments have maintained stable growth.

During the year, the Group's operating revenue was approximately HK$1.68 billion, increased by 18.3% as compared with approximately HK$1.42 billion in 2013. Xingmeihui has contributed revenue of approximately HK$188 million, increased by 2.89 times as compared with 2013. During the year, profit for the Group was approximately HK$125 million, increased by 7.8% as compared with approximately HK$116 million in 2013.

Movie Theater Business

The Chinese movie industry has witnessed a booming scene in 2014. There were 1,202 newly added movie theaters in China, and with 5,785 newly added screens, the total number of screens in China has reached 24,304. The box office revenue in China has surpassed RMB29.6 billion, increased by 36.2%. Benefiting from the thriving industrial landscape, the Group's movie theater business has also recorded rapid growth, with 22 new theaters being added to the portfolio.

In 2014, the revenue of movie theater business was approximately HK$1.49 billion, increased by 23.9% as compared with that in 2013, while the profit of the segment has climbed 47.0% to approximately HK$269 million (2013: HK$183 million). Gross profit was HK$976 million (2013: HK$810 million), and gross profit margin has reached 65.5% (2013: 67.3%).

As at 31 December 2014, the Group has 90 movie theaters with about 700 screens in major cities across China, as compared with 68 movies theaters with 490 screens in 2013, representing an increase of 32.4% and 42.9% respectively. The Group expects that the number of theaters in China under the Group will reach 150 by the end of 2015. During the year, in addition to securing its leading position in first tier provinces and cities, the Group has also strived to expand its footprint into the second and third tier cities with tremendous development potential, new theaters are being set up in cities such as Shenzhen, Chongqing and Xining etc. Given the rapid development in second and third tier cities in China, the Company believes that the enormous development potential in these regions is yet to be explored and we will step up our effort to seize the opportunities presented in these locations.

Advertising and Promotion Business

In line with our expectation, the advertising and promotion business, built around the movie theater business, has continued to expand rapidly during the year. As the Group's movie theater coverage gradually extends into all major first tier cities and fast-growing second and third tier cities in China, the Group's advertising and promotion business has evolved into a nationwide platform. With the objective to meet the diversified marketing needs of clients, the Group has planned the space and idle time of movie theaters, screening halls and projection screens in a sensible way accordingly, and installed high-tech equipment, such as LED panels, to sustain the growth of the advertising and promotion business. Furthermore, the Group has been diversifying advertising channels while initiating innovative promotion methods, such as holding auto shows in the movie theater lobby, opening more naming rights of large-scaled screening halls etc. In the future, the Group will rely on the nationwide theater platform to formulate its advertising and promotion strategies, so as to maximize the marketing efficiency for clients and attract more large-scaled clients for the Group.

New Membership Integrated Marketing Scheme

The New Membership Scheme has helped the Group to understand customer needs in a systematic approach, thereby retaining the existing customer base while exploring new pools of customers. With the establishment of a comprehensive customer database, the New Membership Scheme has laid a solid foundation for the sustainable development of the Group's core business (movie theater business) and complementary business (Xingmeihui). With the New Membership Scheme, the Group has fully explored the potential business opportunities brought by the massive audience and those within the community surrounding our movie theaters by providing different contents and utilizing different channels. Through the use of movie theater advertising, on-site events and celebrity exposure, coupled with the Online to Offline ("O2O") sales model, we have become the most valuable and dynamic platform for the brands operators and service providers in China.

During the year, the Group has continued to implement the New Membership Scheme, unleashing its full potential to further expand the membership database for the Group, so as to safeguard the Group's future development in the core business and complementary business.

Xingmeihui

In 2012, the Group has founded the first O2O e-shop based on movie theater channels in China – Xingmeihui. Leveraging on the nationwide chain theater network, and riding on the O2O Xingmeihui community digital e-shop, the Group aims to diversify its business model and strengthen its commercial advantages in the industrial chain. The "Digital" station concept initiated by the Group has comprehensively penetrated the surrounding communities of the Cineplex network, covering the consumer groups in the proximity. At the moment, Xingmeihui has extensively covered first and second tier cities and economically developed regions, and it is now gradually entering third and fourth tier cities. As at 31 December 2014, the Group has established 90 Xingmeihui in-theater zones and 150 community shops outside theaters, which are the focal points of the Group's future development.

After two years of planning and development, the maturing Xingmeihui has shown escalating growth momentum during the year. The segment has recorded revenue of approximately HK$188 million, grew markedly by 289.2% year-on-year as compared with 2013. A slight loss of the segment amounting to approximately HK$3.6 million (2013: profit of 2.6 million) is mainly due to strategically lower the profit margin for a comprehensive penetration of our community shops surrounding the Cineplex network. Xingmeihui has become a new engine for the Group's growth, and its contribution in the future will be increasingly prominent.

During the year, the Group has vigorously sought partnership opportunities both locally and overseas. We hope to cooperate with renowned brands to deliver high quality and diversified products to our customers, including high-end brand products and food items from Hong Kong, Macau, Taiwan and foreign regions. We aim to develop Xingmeihui as a center point that offers a whole spectrum of high quality products around the world.

Prospects

The box office revenue of China is increasing, and we expect the gap between China and the world's largest movie market, the USA, to narrow further. Meanwhile, the box office for domestic films has achieved a series of breakthroughs since the beginning of the year. The China movie industry has clearly stepped into the golden era of development. In future, the Group will continue to consolidate existing businesses and bring up new business models for the sake of embracing opportunities and challenges arising from the movie industry.

FINANCIAL REVIEW

Turnover, Revenue and Profit for the year

During the year ended 31 December 2014, total turnover and revenue amounted to approximately HK$1,681 million and approximately HK$1,681 million respectively (2013: approximately HK$1,452 million and approximately HK$1,418 million respectively), an increase of 15.8% and 18.5% as compared with 2013 respectively.

During the year ended 31 December 2014, the profit after tax was approximately HK$125 million (2013: approximately HK$116 million), an increase of 7.8% as compared with 2013.

The increase in revenue was mainly due to the stable growth of the Group's core business and the rapid growth of complementary business which has become the Group's another strong source of revenue and has increased the Group's annual revenue substantially. In addition to the Group's prudent and reasonable spending plan, the Group recorded an increase in profit in the 2014 financial year.

During the year ended 31 December 2014, the segment revenue and profit were mainly contributed by theater operation.

The revenue of theater operation for the year ended 31 December 2014 increased by approximately HK$288 million compared to 2013 while and the profit increased by 47.0% from approximately HK$183 million in 2013 to HK$269 million in 2014.

Furthermore, the complementary business did well during the year. Among which, in-theater counter sales and online shopping segment recorded revenues of approximately HK$188 million. A slight loss of the segment amounting to approximately HK$3.6 million (2013: profit of 2.6 million) is mainly due to strategically lower the profit margin for a comprehensive penetration of our community shops surrounding the Cineplex network.

Selling, Marketing and Administrative Expenses

The selling, marketing and administrative expenses increased by 22.5%, which were mainly attributable to the increase in number of theaters completed and the advertising expenses for the promotion of the new business of the Group during the year ended 31 December 2014.

Financial Costs

Financial costs were mainly represented by the interest, net of amount capitalised, of approximately HK$16 million from other loans, interest of approximately HK$47 million from bonds, interest of approximately HK$18 million from convertible notes, interest of approximately HK$10 million from bank loans, interest of approximately HK$7 million from securities margin facilities and finance lease charges of approximately HK$7 million.

Financial Resources and Liquidity

As at 31 December 2014, the Group had net current liabilities of approximately HK$355 million. This is mainly due to issue of new bonds of approximately HK$300 million in 2014.

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.

As at 31 December 2014, the gearing ratio (total debts (including convertible notes) to equity attributable to equity holders of the Company) rose to 43.5% from 32.8% in 2013, which was mainly due to issue of convertible notes and bonds of approximately HK$745 million in 2014.

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

The issues of equity securities made under general mandate during the financial year ended 31 December 2014 are as follows:

Date (Note 1)	Reasons for Making the Issue and Use of Proceeds	Types	Number Issued and Nominal Value (HK$)	Issue/ Exercise Price Per Unit	Gross Proceeds (approximately)	Net Proceeds (approximately)	Net Price Per Unit	Subscriber(s)	Market Price (Note 2)
17 Jan 2014	General working capital requirements and repayment of liabilities	Subscription of new shares	550,000,000; HK$55,000,000	HK$0.210	HK$115.5 million	HK$111.8 million	HK$0.203	Wise Vanguard Holdings Limited	HK$0.230
27 Feb 2014	General working capital requirements and repayment of liabilities and to satisfy capital needs for upcoming investment and business opportunity	Placement of 1-year 8% bonds and unlisted warrants	Bonds: 115 Warrants: 460,000,000; HK$46,000,000	Bond: HK$1,280,000 Warrant: HK$0.320	Bonds: HK$147.2 million Warrants: Nil	Bonds: HK$142.6 million Warrants: Nil	Bond: HK$1,240,000 Warrant: HK$0.320	More than 6 independent professional, institutional and other investors	HK$0.295
14 Mar 2014	General working capital requirements and repayment of liabilities	Issue of 5-year 8% convertible bonds	258,813,300; HK$25,881,330	HK$0.30	HK$77,643,990	HK$77.5 million	HK$0.299	KTB China Platform Fund	HK$0.300
7 Aug 2014	Capital expenditure, repayment of liabilities and general working capital requirements	Issue of 3-year 9% convertible bonds	588,235,294; HK$58,823,529	HK$0.340	HK$200 million	HK$198 million	HK$0.337	CCBI and Harvest Progress	HK$0.315

Date (Note 1)	Reasons for Making the Issue and Use of Proceeds	Types	Number Issued and Nominal Value (HK$)	Issue/ Exercise Price Per Unit	Gross Proceeds (approximately)	Net Proceeds (approximately)	Net Price Per Unit	Subscriber(s)	Market Price (Note 2)
20 Aug 2014	Group's investment purposes, general working capital requirements, repayment of liabilities and fulfillment of capital commitment	Placement of new shares	780,000,000; HK$78,000,000	HK$0.285	HK$222.3 million	HK$221.1 million	HK$0.283	Dr. Charles CHAN Kwok Keung	HK$0.300
12 Sep 2014	General working capital requirements and repayment of liabilities and to satisfy capital needs for upcoming investment and business opportunity	Placement of 1-year 8% notes and unlisted warrants	Notes: 450 Warrants: 450,000,000; HK$45,000,000	Note: HK$340,000 Warrant: HK$0.340	Note: HK$153 million Warrants: Nil	Notes: HK$143 million Warrants: Nil	Note: HK$317,778 Warrant: HK$0.340	More than 6 independent professional, institutional and other investors	HK$0.295
11 Dec 2014	Enhance working capital, strengthen capital base and financial position and broaden the shareholders' base	Issue of 3-year 7% convertible bonds	229,471,215; HK$22,947,121	HK$0.340	HK$78 million	HK$77 million	HK$0.336	GuangDong Infore Investment and Wisdomont Investments	HK$0.275

Notes:

(1) The date on which the terms of the issue were fixed (the "Named Date").

(2) The closing price of shares of the Company on the Named Date.

Foreign Exchange Risks

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

The Group currently does not have any foreign currency hedging policy. The Directors consider that it is unlikely HK$ would strengthen against RMB in the near future. However, if RMB continues to strengthen against HK$, the Company is expected to have an exchange gain resulting from its RMB denominated investment in China. The Group will monitor its foreign currency exposure closely and will consider implementing appropriate foreign currency hedging policies should the need arise.

Capital Expenditures

During the year, the Group had capital expenditures of approximately HK$657 million. And the net increase in prepayments for the construction of movie theaters was approximately HK$293 million. The above expenditures were mainly related to the construction of movie theaters by the Group all over China.

Contingent Liabilities

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

As at 31 December 2014, the Group and the Company did not have any other significant contingent liabilities.

Employees

Excluding the staff of associates and jointly-controlled entities, the Group had a total of 2,779 full-time staff as at 31 December 2014 (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.

Biographical Information of Directors

EXECUTIVE DIRECTORS

Mr. CHENG Chi Chung, aged 48, was appointed as executive director of the Company on 22 November 2011 and Chief Executive Officer ("CEO") of the Company on 7 June 2012. He holds an EMBA degree from Tsinghua University of Beijing and a bachelor degree from Taiwan University, and obtained Special Awards and honor of the 44th National Culture and Arts in China. He also had been the chief executive officer of Beijing Gome Online Co., Ltd.（北京國美在線有限公司）, the group vice president of China Seven Star Shopping Limited (a company listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), stock code: 0245), the chief executive officer of Beijing Yichengyangguang Technology Development Co., Ltd.（北京億誠陽光科技發展有限公司）, the general manager of Eastern Broadcasting and Eastern Shopping (America)（東森電視及東森購物（美洲））, the general manager of Eastern Public Relations Company（東森公關公司）and the director of Eastern Broadcasting News Channel（東森電視新聞台）. Mr. CHENG has extensive management experience in culture, media and retail areas.

Mr. YANG Rongbing, aged 35, was appointed as an executive director of the Company on 3 May 2013. He holds a MBA from Central University of Finance and Economics. Mr. YANG joined the Group in 2010 and is an executive director and the vice president of the Company. Mr. YANG is mainly responsible for corporate strategy whilst oversees a list of key operational departments including finance, investment, human resources and legal. Mr. YANG has extensive experience in investment and finance, and familiar with relevant areas with regard to the media industry, including financial markets and tax planning. Mr YANG is also an expert in adopting a wide range of innovative financial vehicles to support rapid growth and continuously improving capital structure. Mr. YANG has acquired deep experiences in financial management, capital planning, internal control, investment and financing and capital financial strategy from serving various financial and investment roles in state-owned enterprises and institutions such as Beijing Golden Tide Group Co., Ltd., Foreign Economic Cooperation Office under Ministry of Environmental Protection, Center for Development of Trade and Control of Investment in Europe, etc.

Mr. NG Kam Tsun, aged 41, was appointed as an executive director and authorised representative of the Company on 6 June 2014. Mr. NG joined the Company since January 2014 as our chief financial officer and he was appointed as company secretary of the Company on 13 May 2014. He was a director of a number of subsidiaries of the Company. Mr. NG is responsible for corporate finance management, corporate governance, investor relations and company secretarial duties of the Group. Before joining the Company, Mr. NG had worked for different listed companies in Hong Kong. He has gained extensive experience in financial management, corporate finance, merger and acquisition, investor relations and corporate governance. Currently, Mr. NG is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of CPA Australia. Mr. NG graduated from Monash University with a bachelor degree in Business. He also holds a master degree of Management from Shanghai University of Finance and Economics and master degree of Law from The Chinese University of Hong Kong.

Mr. XI Qing, aged 39, was appointed as an executive director of the Company on 6 June 2014. He joined the Company since January 2014 as our vice president of information technology, and is responsible for corporate information technology. He has over 12 years of experience in offline retailing and online e-commerce business workflows, information system and talent training. Prior to joining the Group, he had been serving several multinational e-commerce corporations and has extensive experience in e-commerce, commodity management and operating management. Mr. XI graduated from Tsinghua University and obtained a bachelor degree of Science from its Computer Department.

Mr. LI Yige, aged 42, was appointed as an executive director of the Company on 6 June 2014. He joined the Group since August 2013 as general manager of the business department, and is responsible for development of strategic plan, operation plan and analysis of product markets. Prior to joining the Company, he had been serving various internet and e-commerce corporations in the PRC and has extensive experience in e-commerce. Mr. LI Yige graduated from Dalian College of Economics and Management, majoring in Business Administration.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. PANG Hong, aged 60, was appointed as an independent non-executive director of the Company on 28 September 2004. Mr. PANG had worked for various enterprises and government departments in China for over 20 years. He has substantial knowledge of the investment environment in China and has extensive experience in the management of Chinese companies. After studying in the United States for 3 years, he came to Hong Kong to further his career development. He is currently engaged in providing private management consultancy services. Mr. PANG was a former executive director of PacMOS Technologies Holdings Limited (Stock Code: 1010) and a former independent non–executive director of Dragonite International Limited (Stock Code: 329), both shares are listed on the main board of the Hong Kong Stock Exchange.

Mr. LI Fusheng, aged 53, was appointed as an independent non-executive director of the Company on 10 October 2013. Mr. LI is the manager of Beijing Office of Hong Kong Ta Kung Pao. Since joining Ta Kung Pao in 1994, Mr. LI has reported many breaking news and important events. He has reported many significant events in Mainland China, such as reporting the news about the National People's Congress and Chinese People's Political Consultative Conference for 20 consecutive years, and the Beijing Olympic Games. Mr. LI has extensive experience and network in the media industry.

Mr. KAM Chi Sing, aged 43, was appointed as an independent non-executive director of the Company on 5 September 2014. He is a fellow member of The Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants, Institute of Financial Accountants (UK) and The Taxation Institute of Hong Kong. Mr. KAM is also a member of the Society of Trust and Estate Practitioners and Hong Kong Securities and Investment Institute. He has over 14 years of CPA practising experience in Hong Kong.

Mr. KAM holds a Bachelor of Science honorary degree from The University of Hong Kong. In 2000, he established Roger Kam & Co, Certified Public Accountants (Practising) and R&T Consulting Group in Hong Kong. He is now being the Managing Partner of the CPA firm and Managing Director of the consulting group, and representatives of the branch offices in Shanghai, Shenzhen and Beijing. Mr. KAM has over 20 years of experience in management accounting, auditing and assurance, taxation, corporate services and cross border merge and acquisition consultation in Hong Kong and the Mainland China. He is also committee member of various organizations in Hong Kong, including The Hong Kong General Chamber of Commerce, The Chinese General Chamber of Commerce, The Association of Chartered Certified Accountants and The Hong Kong Red Cross.

Directors' Report

The Board of Directors (the "Board" or the "Directors") presents their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014.

CHANGE OF COMPANY NAME

By a special resolution passed on 21 October 2014, the name of the Company was changed from "SMI Corporation Limited" to "SMI Holdings Group Limited" and the Company adopted the Chinese name "星美控股集團有限公司" as part of its legal name.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 48 to the consolidated financial statements.

Details of the Company's principal subsidiaries and associates as at 31 December 2014 are set out in notes 48 and 20 to the consolidated financial statements on pages 96 and 69 respectively.

There were no significant changes in the nature of the principal activities of the Company and of the Group during the year ended 31 December 2014.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 30 and 31.

The Directors recommended the payment of a final dividend of HK0.37 cents per ordinary share totalling approximately HK$37,651,000 (2013: HK0.41 cents per ordinary share).

SHARE CAPITAL AND RESERVES

As at 31 December 2014, the total number of shares issued by the Company was 10,175,967,571 shares.

Movements in the Company's authorized and issued share capital are set out in note 38 to the consolidated financial statements on page 89. Movements in the reserves of the Group are set out in the consolidated statement of changes in equity on page 33 and those of the Company are set out in note 49 to the consolidated financial statements on page 101.

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

On 17 January 2014, the Company entered into a subscription agreement for the subscription of and a total of 550,000,000 subscription shares at the subscription price of HK$0.21 per subscription share. The gross proceeds from the subscription were HK$115.5 million. The subscription was completed and a total of 550,000,000 new shares of the Company were issued and allotted on 7 February 2014, Further details of the above transaction are set out in the announcements of the Company dated 17 January 2014 and 7 February 2014.

On 11 April 2014, a subsidiary of the Company entered into the sale and purchase agreements regarding the acquisition of 55% equity interests in TicketChina Holdings Limited. Pursuant to the agreements, the Company was proceeded to allot and issue a total of 122,423,947 consideration shares at the price at HK$0.28 per share. The sale and purchase agreements of the relevant shares in accordance with the terms and conditions of each of the Agreements was completed on 17 April 2014. Further details of the above transaction are set out in the announcements of the Company dated 11 April 2014.

On 18 June 2014, a convertible note holder, Mr. QIN Hui exercised the conversions rights to the extent of the principal amount of HK$100,000,000 of the convertible note for the conversion of 270,270,270 shares of HK$0.1 each at a conversion price of HK$0.37 per share. The conversion was completed on 20 June 2014.

On 16 July 2014, an independent non-executive director of the Company exercised his share option to subscribe 1,666,666 shares of HK$0.1 each at the exercise price of HK$0.18 per share. 1,666,666 shares of the Company were issued and allotted on 16 July 2014.

On 20 August 2014, the Company entered into a placing agreement pursuant to which the Company could issue a maximum of 780,000,000 new shares of HK$0.285 per share. The net proceeds from this were approximately HK$221.1 million. The placing agreement was completed and 780,000,000 new shares of the Company were issued and allotted on 3 September 2014. Further details of the above transactions are set out in the announcements of the Company dated 20 August 2014 and 3 September 2014 respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the Group's property, plant and equipment during the year ended 31 December 2014 are set out in note 17 to the consolidated financial statements on page 66.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year ended 31 December 2014 and up to the date of this report were:

Executive directors:

Mr. CHENG Chi Chung	*(Chief Executive Officer)*
Mr. YANG Rongbing	
Mr. NG Kam Tsun	(appointed on 6 June 2014)
Mr. XI Qing	(appointed on 6 June 2014)
Mr. Li Yige	(appointed on 6 June 2014)
Mr. WONG Kui Shing, Danny	(resigned on 6 June 2014)
Mr. LEE Chee Chuang, Roger	(resigned on 6 June 2014)

Independent non-executive directors:

Mr. PANG Hong	
Mr. LI Fusheng	
Mr. KAM Chi Sing	(appointed on 5 September 2014)
Mr. HE Peigang	(resigned on 5 September 2014)

In accordance with Bye-laws 86(2), 87(1) and 87(2) of the Company's bye-laws ("Bye-laws"), Mr. NG Kam Tsun, Mr. XI Qing, Mr. LI Yige who were appointed by the Board as executive director of the Company on 6 June 2014 and Mr. KAM Chi Sing who was appointed by the Board as independent non-executive director of the Company on 5 September 2014, they, together with Mr. CHENG Chi Chung and Mr. LI Fusheng, shall retire from office, and being eligible, have offered themselves for re-election at the forthcoming 2015 annual general meeting of the Company. Save for the aforesaid, the other remaining Directors of the Company would continue in office.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers Mr. LI Fusheng and Mr. KAM Chi Sing are independent. The Board considers that Mr. PANG Hong meets the independence guidelines set out in Rule 3.13 of the Listing Rules and the Company has received his annual written independence confirmation. Even though Mr. PANG has served as an INED for more than nine years, the Board is of the view that his duration of service will not interfere with his exercise of independent judgment in carrying out the duties and responsibilities as an INED. The Board considers him to be independent and believes he will continue to contribute to the Board because of his familiarity and experience with the Company's businesses and affairs. Each of the three independent non-executive directors has entered into a service contract with the Company for a term of three years. The service contract can be terminated by either party by giving three months' notice to the other party.

All annual remuneration packages were determined on arm's length negotiations between the parties based on their respective contributions to and responsibilities in the Company.

No Director proposed for re-election at the forthcoming 2015 annual general meeting has a 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.

Details of Director's emoluments are set out in note 13 to the consolidated financial statements.

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2014, the interests and short positions of the Directors and chief executive in the shares of the Company and their associates or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of 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
CHENG Chi Chung	Beneficial owner	–	–	40,000,000	40,000,000	0.39%
YANG Rongbing (Note 1)	Beneficial owner	1,076,000	–	20,000,000	21,076,000	0.21%
PANG Hong	Beneficial owner	–	–	5,000,000	5,000,000	0.05%

Note:

(1) According to the Director's/Chief Executive's Notice of Mr. YANG Rongbing filed on 17 October 2013, Mr. YANG was interested in 21,076,000 shares comprise 20,000,000 underlying shares and 1,076,000 shares.

Save as disclosed above, as at 31 December 2014, none of the 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.

SHARE OPTION SCHEME

The Company adopted a new share option scheme on 30 September 2009. The purpose of the share option scheme is to enable the Board, at its discretion, to grant options to eligible participants, including the Directors of the Company, as incentives or rewards for their contributions to the Group. Details of the scheme are set out in note 39 to the consolidated financial statements.

During the year ended 31 December 2014, certain existing executive directors of the Company and other eligible participants have interests in share options to subscribe for shares in the Company. Details of such interests and movement of share options granted by the Company are shown below:

Name	Date of grant	Exercise Period (Notes)	Balance as at 1 January 2014	Changes during the year: Granted during the year	Changes during the year: Exercised during the year	Changes during the year: Lapsed during the year	Balance as at 31 December 2014	Exercise price per share HK$
Director								
CHENG Chi Chung	19 July 2013	1	40,000,000	–	–	–	40,000,000	0.18
YANG Rongbing	19 July 2013	1	20,000,000	–	–	–	20,000,000	0.18
PANG Hong	19 July 2013	1	5,000,000	–	–	–	5,000,000	0.18
Ex-Director								
HE Peigang (Note 3)	19 July 2013	1	5,000,000	–	1,666,666	3,333,334	–	0.18
WONG Kui Shing, Danny (Note 4)	19 July 2013	2	40,000,000	–	–	40,000,000	–	0.18
Other Eligible participants								
Consultants (Note 1)	19 July 2013	1	140,000,000	–	–	–	140,000,000	0.18
Consultants (Note 2)	19 July 2013	2	160,000,000	–	–	–	160,000,000	0.18
QIN Hong	19 July 2013	1	80,000,000	–	–	–	80,000,000	0.18
HU Yidong	19 July 2013	1	40,000,000	–	–	–	40,000,000	0.18

Notes:

(1) From 19 July 2013 to 18 July 2016 (both dates inclusive) provided that the maximum number of share options granted on 19 July 2013 which may be exercisable by each of the Grantee in each one year of the exercise period shall not exceed one-third of the Options granted to that Grantee.

(2) Share options can be exercisable during 19 July 2013 to 18 July 2016 (both dates inclusive).

(3) Mr. HE Peigang resigned as an independent non-executive director of the Company on 5 September 2014.

(4) Mr. WONG Kui Shing, Danny resigned as an executive director of the Company on 6 June 2014.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2014, 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 interests	Long position		Short position	% of total issued shares
Mr. QIN Hui	6,548,043,231 (Note 1)	23,878,623 (Note 2)	–	6,682,732,664		–	65.67%
Chan Kwok Keung, Charles	780,000,000	93,726,193	–	873,726,193	(Note 3)	–	8.59%
Ng Yuen Lan Macy	–	873,726,193	873,726,193	873,726,193	(Note 3)	–	8.59%
Luk Siu Man Semon	–	751,256,000	751,256,000	751,256,000	(Note 4)	–	7.38%
Wise Vanguard Holdings Limited	751,256,000	–	–	751,256,000	(Note 4)	–	7.38%
Yeung Sau Shing, Albert	–	751,256,000	–	751,256,000	(Note 4)	–	7.38%

Notes:

1. Mr. QIN Hui is beneficially interested in the convertible notes in the principal amount of HK$141 million issued by the Company which is convertible into 300,000,000 shares at the conversion price of HK$0.47 per share. On 18 June 2014, the conversion rights attaching to the Convertible Note have been partially exercised for HK$100,000,000 and a total of 270,270,270 ordinary shares were issued upon conversion. As at the date of this report, 110,810,810 shares shall be issued by the Company to Mr. QIN Hui upon conversion of the Convertible Note in the remaining principal amount of HK$41,000,000 in full at the prevailing conversion price of HK$0.37 per share. Mr. QIN Hui is therefore interested in 6,548,043,231 shares which comprise (i) 110,810,810 underlying shares and (ii) 6,437,232,421 shares.

2. Mr. QIN Hui owns the entire interest in Strategic Media International Limited ("SMIL") and was accordingly deemed to be interested in 23,878,623 shares of the Company which are held by SMIL.

3. According to the Individual Substantial Shareholder Notices filed by Dr. Chan Kwok Keung, Charles ("Dr. Chan") and Ms. Ng Yuen Lan Macy on 5 September 2014, Dr. Chan personally held 780,000,000 shares of the Company and the interest of 93,726,193 shares was held by Advance Tech Limited, Advance Tech Limited which was controlled by Dr. Chan. Ms. Ng Yuen Lan Macy, the spouse of Dr. Chan, was deemed to be interested in the shares of the Company held by Dr. Chan.

4. According to the Corporate Substantial Shareholder Notice filed by Wise Vanguard Holdings Limited ("Wise Vanguard") on 25 June 2014, Wise Vanguard held a long position in 751,256,000 Shares in its capacity of beneficial owner. According to the Individual Substantial Shareholder Notices filed by Dr. Yueng Sau Shing, Albert ("Dr. Yeung) and Ms. Luk Siu Man Semon on 25 June 2014, Wise Vanguard was wholly-owned by Dr. Yeung. He was interested in these shares through his interests in controlled corporation. By virtue of being the spouse of Dr. Yeung, Ms. Luk Siu Man Semon was also deemed to have interests in the same shares.

Save as disclosed herein, the Company has not been notified by any of other person (other than a Director of the Company) who had an interest or a short position in the shares and underlying shares as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2014.

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 completed or likely to compete with the business of the Group at the end of the year or at any time during the year ended 31 December 2014 which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding company, was a party, and in which a Director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	6%	
Five largest customers in aggregate	17%	
The largest supplier		35%
Five largest suppliers in aggregate		46%

For the year ended 31 December 2014, none of the Directors or any of their associates or any substantial shareholders of the Company (who to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

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

During the year ended 31 December 2014, other than those disclosed in note 38 to the consolidated financial statements, none of the Company or any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

PUBLIC FLOAT

As at 31 December 2014, 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 Bye-laws, or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefit schemes are set out in note 14 to the condensed consolidated financial statements on page 64.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group and the Company did not have any significant contingent liabilities.

EVENT AFTER THE REPORTING PERIOD

Details of significant events occurring after the date of statement of financial position are set out in note 51 to the consolidated financial statements on page 103.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years and for the year ended 31 December 2014 is set out on page 104 of the annual report.

AUDITOR

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

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.

On behalf of the Board
CHENG Chi Chung
Chief Executive Officer

Hong Kong, 31 March 2015

Corporate Governance Report

OVERVIEW OF CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The Board believed that effective internal control and corporate governance practices are essential for the sustainable growth for the Group and for safeguarding and maximizing the interest of 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 Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2014, the Company compiled with the code provisions (the "Code Provisions") of the Corporate Governance Code ("CG Code"), except for the deviations from Code Provisions A.2.1, A.6.7 and E.1.2 as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") which are explained below:

Chairman and Chief Executive Officer

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

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

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

Attendance of Directors in general meetings

In respect of the Code Provision A.6.7, Messrs. CHENG Chi Chung, WONG Kui Sing, Danny, LEE Chee Chuang, Roger, executive directors of the Company and Mr. PANG Hong, the independent non-executive director of the Company, were unable to attend the special general meeting held on 11 April 2014, 6 June 2014, 13 October 2014, 21 October 2014, 18 November 2014 and annual general meeting of the Company held on 6 June 2014 respectively due to their overseas engagements and flight delay.

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

Chairman attend annual general meeting

Code Provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting ("AGM").

The Company does not at present have any officer with the title Chairman. An executive director of the Company chaired the 2014 AGM and answered questions from the shareholders. The AGM provides a channel for communication between the Board and the shareholders. Two members of the Audit and Remuneration Committee were also available to answer questions at the 2014 AGM. Other than the AGM, the shareholders may communicate with the Company through the contact information listed on the Company's website.

BOARD OF DIRECTORS

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

As at the date of this report, the Board comprises five executive directors and three independent non-executive directors which provide the Board with a balanced composition of skills and experience appropriate for the requirements of the business of the Company. Biographies of all the Directors and the relationships (if any) among them are set out on pages 10 to 11 of this annual report.

The Company has received annual confirmations of independence from all the independent non-executive directors that, save as disclosed in the annual report, they did not have any business or financial interest with the Company or its subsidiaries and were independent as at 31 December 2014 in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the existing independent non-executive directors are independent.

Notice convening each regular board meeting is sent at least 14 days in advance, and reasonable notice is given for other board meetings. The Company Secretary circulated meeting agenda and supporting papers to the Directors at least 3 days in advance of a board meeting to enable the Directors to make informed decisions on the matters to be discussed, except where a board meeting is convened on a very urgent basis to consider any urgent ad hoc matter.

Minutes are recorded in sufficient detail (the matters considered by the board at the meeting and decisions reached, including any concerns raised by Directors o dissenting view expressed.

Updated list of Directors identify their roles and functions is available on the websites of the Stock Exchange: www.hkexnews.hk and the Company website: www.smi198.com whenever there is any change.

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

The Board shall be responsible for:

- Approval of corporate and business strategies and objectives of the Company
- Approval of the annual budgets and financial reports of the Group and selecting suitable accounting policies and ensuring consistent application of these policies
- Monitoring the operating and financial performance of the Group
- Overseeing the management of the Company's relationships with the stakeholders, especially the Government, shareholders etc.
- Approval of investment proposals of the Company

- Restructuring and spin off relating to the Group

- Overseeing the processes for evaluation of the adequacy of internal controls, risk management, financial reporting and compliance

- Monitoring the performance of management

- Overseeing the corporate governance policies adopted by the Company

The management shall be responsible for:

- Day to day operations of the Company and its subsidiaries as delegated by the Board to the management led by the CEO

- Formulation of corporate and business strategies to be approved by the Board

- Execution of corporate and business strategies approved by the Board

- Formulation of investment, acquisition, mergers or spin off proposals

- Execution of investment, acquisition, mergers or spin off proposals and approved by the Board

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

All Directors (including independent non-executive directors) are subject to retirement by rotation and re-election in accordance with the Bye-laws and also the CG Code.

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

Details of the rotation and re-election of Directors are set in page 13 of this annual report.

NON-EXECUTIVE DIRECTORS

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

The company has 3 independent non-executive directors representing one-third of the total number of the board members and it is in compliance with the requirement of Rule 3.10 of the Listing Rules. Each of them has, pursuant to Rule 3.13 of the Listing Rules, provided an annual confirmation of his independence to the Company and the Company also considers that all independent non-executive directors are to be independent.

One of three independent non-executive directors is professional accountant and two of them possess the related extensive management experience. Mr. KAM Chi Sing, chairman of the Audit Committee, has the appropriate accounting and financial management expertise requirement under Rule 3.10(2) of the Listing Rules.

The independent non-executive directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. The Board also considers that the independent non-executive directors can provide independent advice on the Company's business strategies, results and management so as to safeguard the interests of the Company and its shareholders.

TRAINING AND CONTINUOUS SUPPORT

Every newly appointed director will receive an induction upon his appointment. Such induction may include briefing of a director's obligation in the Listing Rules and other regulatory requirements, and/or visits to the business site of the Company and meetings with the management of the Company. This enables the Directors to have a more comprehensive understanding of the Company's business and operation as well as to be aware of his responsibilities as a director in a listed company. All directors appointed to fill a casual vacancy would be subject to election by shareholders at the first general meeting of the Company at the appointment.

Meanwhile, directors' training is an ongoing process. Pursuant to Code Provision A.6.5 of the CG Code, the directors should participate in continuous professional development to develop their knowledge and skills. During the year, the Directors are provided with updates on the Company's performance to enable the Board as a whole and each Director to discharge their duties and have a proper understanding of the Company's business under the applicable laws and regulations The Company would also keep the Directors updated with the latest information regarding the developments and changes in the Listing Rules and other regulatory requirements.

Apart from the updates of the Listing Rules and the Company, Directors also visited and met the key managements and the Company's facilities in Hong Kong or PRC in order to understand and be updated of the Company's business and operations. The Company believes that it would ensure that the contribution of the Directors to the Board remains informed and relevant to the Company.

The participation by the Directors for the year ended 31 December 2014 is as follows:–

Name of Directors	Reading Regulatory Updates	Visit/Meeting Key Management
Executive Directors		
CHENG Chi Chung (Chief Executive Officer)	✓	✓
YANG Rongbing	✓	✓
NG Kam Tsun (appointed on 6 June 2014)	✓	✓
XI Qing (appointed on 6 June 2014)	✓	✓
LI Yige (appointed on 6 June 2014)	✓	✓
WONG Kui Shing, Danny (resigned on 6 June 2014)	✓	✓
LEE Chee Chuang, Roger (resigned on 6 June 2014)	✓	✓
Independent Non-Executive Directors		
PANG Hong	✓	✓
LI Fusheng	✓	✓
KAM Chi Sing (appointed on 5 September 2014)	✓	✓
HE Peigang (resigned on 5 September 2014)	✓	✓

Company Secretary

Mr. NG Kam Tsun was appointed as the Company Secretary of the Company on 13 May 2014 and appointed as the executive director and the authorised representative of the Company on 6 June 2014. Details of Mr. NG's biographical information is set out on page 10 of this annual report.

The Company Secretary is responsible for facilitating the Board process, as well as communications among Board members. For the financial year ended 31 December 2014, the Company Secretary has complied with paragraph 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate directors' and officers' liability insurance cover for protect the directors and officers of the Group from potential legal actions against them.

ATTENDANCE OF INDIVIDUAL DIRECTORS AT BOARD MEETINGS AND GENERAL MEETINGS IN 2014

There were a total of 53 board meetings and 5 general meetings held during the year ended 31 December 2014. The attendance of individual directors at the board meetings and general meetings held during the period is as follows:

Name of Director	Number of board meetings	Number of general meetings
Executive Directors		
CHENG Chi Chung	53/53	0/5
YANG Rongbing	53/53	1/5
NG Kam Tsun	21/21	3/3
XI Qing	9/21	0/3
LI Yige	0/21	0/3
WONG Kui Shing, Danny (resigned on 6 June 2014)	23/38	1/2
LEE Chee Chuang, Roger (resigned on 6 June 2014)	17/38	0/2
Independent Non-Executive Directors		
PANG Hong	53/53	0/5
LI Fusheng	42/53	1/5
KAM Chi Sing	7/7	2/3
HE Peigang (resigned on 5 September 2014)	25/46	1/2

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

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 (the "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 fully complied with the Model Code.

BOARD COMMITTEES

Audit Committee

Since 14 July 2009, the Company has established an audit committee (the "Audit Committee") with written terms of reference aligned with the Code Provisions of the CG Code. The terms of reference of the Audit Committee are disclosed in full on the Company's website. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. KAM Chi Sing (appointed as chairman on 5 September 2014), Mr. PANG Hong and Mr. LI Fusheng.

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

The terms of reference of the Audit Committee were adopted in March 2012 and are in line with the Code Provisions of the CG Code, a copy of which is posted on the websites of the Company and the Stock Exchange.

The Audit Committee held 2 meetings during the year ended 31 December 2014 to consider the full year audit report for financial year ended 31 December 2014. The attendance records of the meetings are as follows:–

Name	Attendance
KAM Chi Sing *(Chairman)* (appointed as Audit Committee Chairman on 5 September 2014)	1/1
PANG Hong	2/2
LI Fusheng	1/2
HE Peigang (resigned as Audit Committee Chairman on 5 September 2014)	1/1

Remuneration Committee

Since 14 July 2009, the Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference. The terms of reference of the Remuneration Committee are disclosed in full on the Company's website. The Remuneration Committee currently comprises three independent non-executive directors, namely, Mr. LI Fusheng (as chairman), Mr. PANG Hong and Mr. KAM Chi Sing.

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

The terms of reference of the Remuneration Committee were adopted in March 2012 and are in line with the Code Provisions of the CG Code, a copy of which is posted on the websites of the Company and the Stock Exchange.

The Remuneration Committee held 4 meetings during the year ended 31 December 2014 to review the remuneration of Directors and senior management for the financial year ended 31 December 2014 and to make recommendations on the remuneration package of the newly appointed Directors. The attendance records of the meeting are as follows:–

Name	Attendance
LI Fusheng *(Chairman)* (appointed as a Remuneration Committee Chairman on 5 September 2014)	2/4
PANG Hong	3/4
KAM Chi Sing (appointed as a Remuneration Committee member on 5 September 2014)	1/1
HE Peigang (resigned as Remuneration Committee Chairman on 5 September 2014)	3/3

Nomination Committee

Since 14 July 2009, the Company has established a nomination committee (the "Nomination Committee") with written terms of reference. The terms of reference are disclosed in full on the Company's website. The Nomination Committee currently comprises three independent non-executive directors, namely, Mr. PANG Hong (appointed as Chairman on 5 September 2014), Mr. LI Fusheng and Mr. KAM Chi Sing.

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 terms of reference of the Nomination Committee were adopted in March 2012 and are in line with the Code Provisions of the CG Code, a copy of which is posted on the websites of the Company and the Stock Exchange.

The Nomination Committee held 3 meetings during the year ended 31 December 2014. The attendance records of the meetings are as follows:–

Name	Attendance
PANG Hong *(Chairman)* (appointed as a Nomination Committee Chairman on 5 September 2014)	3/3
LI Fusheng	3/3
KAM Chi Sing (appointed as Nomination Committee member on 5 September 2014)	1/1
HE Peigang (resigned as Nomination Committee Chairman on 5 September 2014)	2/2

ACCOUNTABILITY AND AUDIT

Remuneration of the Auditor

The remuneration in respect of audit services provided by auditor of the Group for the year ended 31 December 2014 is HK$3,629,000.

Internal Control

The Board has overall responsibility for the internal control and risk management systems of the Company and for reviewing the effectiveness of the internal control and risk management system through the Audit Committee during the year.

The Company has strived to improve its internal control. Due to the existing operational scale, in late 2014, the Company has reviewed and implemented the existing internal control menu of the Company. Revised internal control menu will be designed to facilitate the effectiveness and efficiency of existing and future operations, safeguard assets against unauthorized use and disposition, ensure the maintenance of proper accounting records for provision of reliable financial information and to ensure compliance with relevant legislation and regulations. Internal control reports will be submitted and discussed by the Audit Committee regularly to review the effectiveness of the internal control policies.

The Board also considered the adequacy of resources, staff qualifications and experience, training program and budget of the Company's accounting and financial reporting function.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The responsibilities of the auditor of the Company in preparing the financial statements are set out in the independent auditor's report on pages 28 and 29 of this annual report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Investor Relations and Communication with Shareholders

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

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

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

Shareholder's Rights

Set below is a summary of certain rights of the shareholders of the Company:

(1) Convening an special general meeting on requisition by shareholders

According to the Bye-laws, the shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Act.

(2) Procedures for directing shareholders' enquiries to the board

Shareholders may at any time send enquires and concerns to the Board of Directors of the Company in writing through the Company Secretary whose contact details are as follows:–

The Company Secretary
SMI Holdings Group Limited
Suite 6701-2 & 13
The Center
99 Queen's Road Central
Central, Hong Kong
E-mail: info@smi198.com
Tel No.: +852 2111 9859
Fax No.: +852 2111 0498

The Company Secretary shall forward enquires and concerns received to the Board of Directors and/or the relevant board committees of the Company, where appropriate, to answer the shareholders' questions.

(3) Procedures for putting forward proposals at general meetings by shareholders

Pursuant to Bye-law 88, the shareholders of the Company may refer to the procedures below for proposing a person for election as a Director of the Company:

Any shareholder (who is duly qualified to attend and vote at the meeting), who wishes to propose a person other than a retiring director of the Company for election as a Director at any general meeting, may do so by sending the written notice together with other relevant documents in relation to the said proposal ("Nomination Documents") to the head office or at the registration office of the Company. The period of lodgment of such written notice shall commence on or after the day after the despatch of the notice of general meeting appointed for such election and ending no later than 7 days prior to the date of such general meeting. The minimum length of such notice period shall be at least 7 days.

The shareholders may send the Nomination Documents to the following principal place of business of the Company in Hong Kong:

The Company Secretary
SMI Holdings Group Limited
Suite 6701-2 & 13, 67/F
The Center
99 Queen's Road Central
Central, Hong Kong

The Nomination Documents includes:

(1) Notice of intention regarding the proposal by the shareholder;

(2) Consent in writing to be elected as Director of the Company by the nominated candidate;

(3) Biography of the nominated candidate; and

(4) Any other relevant information of the proposal.

CONSTITUTIONAL DOCUMENTS

During the year, there had been no significant change in the Company's constitutional documents.

Independent Auditor's Report

29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Causeway Bay
Hong Kong

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

REPORT ON THE FINANCIAL STATEMENTS

We were engaged to audit the consolidated financial statements of SMI Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 103, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

BASIS FOR DISCLAIMER OF OPINION

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the deposits received from several customers of approximately HK$393,925,000 at one of the bank accounts of a PRC subsidiary of the Group of which HK$239,351,000 approximately were recognised in revenue and the residual of approximately HK$154,574,000 was recognised as other payables. Any adjustments to the above figures would have a significant consequential effect on the results for the year and net assets as at 31 December 2014.

DISCLAIMER OF OPINION

Because of the significance of the matters as described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

31 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Turnover	6	**1,680,610**	1,452,369
Revenue	6	**1,680,610**	1,417,684
Cost of sales		**(683,109)**	(521,803)
Gross profit		**997,501**	895,881
Other income	8	**206,504**	56,936
Gain on disposal of held-for-trading investments		**–**	4,012
Selling and marketing expenses		**(675,390)**	(529,914)
Administrative expenses		**(89,970)**	(94,730)
Other operating expenses	9	**(32,223)**	(7,062)
Profit from operations		**406,422**	325,123
Finance costs	10	**(109,872)**	(57,872)
Gain on disposal of joint ventures		**–**	154
Share of profits and losses of associates		**(142,715)**	(13,951)
Share of profits of joint ventures		**–**	1,616
Reversal of/(Provision for) impairment loss on investments in an associate		**61,600**	(61,600)
Equity-settled share-based payments		**(6,358)**	(20,874)
Profit before tax		**209,077**	172,596
Income tax expense	11	**(83,692)**	(56,878)
Profit for the year	12	**125,385**	115,718
Attributable to:			
Owners of the Company		**130,992**	112,973
Non-controlling interests		**(5,607)**	2,745
		125,385	115,718
Earnings per share	16		
Basic		**HK1.39 cents**	HK1.38 cents
Diluted		**HK1.36 cents**	HK1.38 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Profit for the year	**125,385**	115,718
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(11,114)**	16,543
Other comprehensive income for the year, net of tax	**(11,114)**	16,543
Total comprehensive income for the year	**114,271**	132,261
Attributable to:		
Owners of the Company	**124,428**	122,111
Non-controlling interests	**(10,157)**	10,150
	114,271	132,261

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	17	**1,758,077**	1,284,053
Goodwill	18	**1,454,108**	1,421,706
Intangible assets	19	**63,192**	129,257
Investments in associates	20	**104,013**	184,233
Available-for-sale financial assets	21	**–**	23,020
Rental deposits		**27,766**	28,486
Prepayments for construction of cinemas	22	**1,116,433**	823,732
		4,523,589	3,894,487
Current assets			
Inventories	23	**87,764**	45,341
Trade and other receivables	24	**1,171,995**	512,953
Held-for-trading investment	25	**77,577**	–
Loan to an associate	26	**50,000**	–
Due from a related party	30	**39,606**	–
Current tax assets		**–**	73
Restricted bank balances	27	**25,150**	–
Bank and cash balances	27	**130,221**	41,383
		1,582,313	599,750
Assets classified as held for sale	40	**25,180**	–
		1,607,493	599,750
Current liabilities			
Trade and other payables	28	**1,322,875**	784,182
Due to associates	29	**1,016**	1,672
Due to related parties	30	**1,381**	1,548
Finance lease payables	31	**23,426**	13,164
Bank loans	32	**56,587**	53,586
Other loans	33	**32,000**	63,103
Convertible notes	34	**41,000**	141,000
Bonds	35	**388,561**	–
Current tax liabilities		**92,049**	68,008
		1,958,895	1,126,263
Liabilities directly associated with assets classified as held for sale	40	**4,088**	–
		1,962,983	1,126,263
Net current liabilities		**(355,490)**	(526,513)
Total assets less current liabilities		**4,168,099**	3,367,974
Non-current liabilities			
Finance lease payables	31	**66,912**	47,093
Bank loans	32	**232,638**	55,121
Other loans	33	**–**	165,000
Convertible notes	34	**353,174**	9,934
Bonds	35	**142,995**	273,648
Deferred income		**2,898**	1,953
Deferred tax liabilities	37	**4,305**	5,056
		802,922	557,805
NET ASSETS		**3,365,177**	2,810,169
Capital and reserves			
Share capital	38	**1,017,597**	845,161
Reserves	49	**2,294,819**	1,890,209
Equity attributable to owners of the Company		**3,312,416**	2,735,370
Non-controlling interests		**52,761**	74,799
TOTAL EQUITY		**3,365,177**	2,810,169

Approved by the Board of Directors on 31 March 2015.

Director *Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000 (note 49(c)(i))	Other reserve HK$'000 (note 49(c)(ii))	Contributed surplus HK$'000 (note 49(c)(iii))	Foreign currency translation reserve HK$'000 (note 49(c)(iv))	Convertible notes reserve HK$'000	Warrants reserve HK$'000	Statutory reserve HK$'000 (note 49(c)(v))	Share-based payment reserve HK$'000	Retained profits HK$'000	Dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	810,161	1,666,517	(121,745)	31,172	13,531	12,913	–	34,091	7,272	77,363	–	2,531,275	64,519	2,595,794
Total comprehensive income for the year	–	–	–	–	9,138	–	–	–	–	112,973	–	122,111	10,150	132,261
Issue of shares by placement (note 38(a))	35,000	26,110	–	–	–	–	–	–	–	–	–	61,110	–	61,110
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	130	130
Recognition of share options lapsed	–	–	–	–	–	–	–	–	(7,272)	7,272	–	–	–	–
Share-based payments	–	–	–	–	–	–	–	–	20,874	–	–	20,874	–	20,874
Transfer to statutory reserve	–	–	–	–	–	–	–	10,309	–	(10,309)	–	–	–	–
Changes in equity for the year	35,000	26,110	–	–	9,138	–	–	10,309	13,602	109,936	–	204,095	10,280	214,375
At 31 December 2013	845,161	1,692,627	(121,745)	31,172	22,669	12,913	–	44,400	20,874	187,299	–	2,735,370	74,799	2,810,169
At 1 January 2014	845,161	1,692,627	(121,745)	31,172	22,669	12,913	–	44,400	20,874	187,299	–	2,735,370	74,799	2,810,169
Total comprehensive income for the year	–	–	–	–	(6,564)	–	–	–	–	130,992	–	124,428	(10,157)	114,271
Approved final dividend for the year ended 31 December 2013	–	–	–	–	–	–	–	–	–	(37,409)	37,409	–	–	–
Dividend paid during the year	–	–	–	–	–	–	–	–	–	–	(37,409)	(37,409)	–	(37,409)
Reduction of share premium	–	(1,692,627)	–	1,432,498	–	–	–	–	–	260,129	–	–	–	–
Issue of shares by subscription (note 38(b))	55,000	57,035	–	–	–	–	–	–	–	–	–	112,035	–	112,035
Issue of shares by placement (note 38(a))	78,000	143,188	–	–	–	–	–	–	–	–	–	221,188	–	221,188
Recognition of share options lapsed	–	–	–	–	–	–	–	–	(2,295)	2,295	–	–	–	–
Recognition of equity component of convertible notes (note 34(c) to (f))	–	–	–	–	–	12,772	–	–	–	–	–	12,772	–	12,772
Allotment of shares for acquisition of a subsidiary (note 38(c))	12,242	22,037	–	–	–	–	–	–	–	–	–	34,279	–	34,279
Issue of conversion shares (note 38(d))	27,027	72,973	–	–	–	(8,865)	–	–	–	8,865	–	100,000	–	100,000
Issue of Warrants (note 35(b)(c)(d))	–	–	–	–	–	–	3,095	–	–	–	–	3,095	–	3,095
Share option exercised (note 38(e))	167	133	–	–	–	–	–	–	–	–	–	300	–	300
Non-controlling interests on acquisition of a subsidiary (note 41)	–	–	–	–	–	–	–	–	–	–	–	–	(11,881)	(11,881)
Share-based payments	–	–	–	–	–	–	–	–	6,358	–	–	6,358	–	6,358
Transfer to statutory reserve	–	–	–	–	–	–	–	10,146	–	(10,146)	–	–	–	–
Changes in equity for the year	172,436	(1,397,261)	–	1,432,498	(6,564)	3,907	3,095	10,146	4,063	354,726	–	577,046	(22,038)	555,008
At 31 December 2014	1,017,597	295,366	(121,745)	1,463,670	16,105	16,820	3,095	54,546	24,937	542,025	–	3,312,416	52,761	3,365,177

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**209,077**	172,596
Adjustments for:		
Interest expenses	**106,594**	47,854
Financial charges in respect of finance lease obligations	**7,098**	4,268
Bank interest income	**(256)**	(509)
Interest income from an associate	**(2,285)**	–
Amortisation of lease contracts	**2,822**	3,343
Amortisation of prepaid building lease rights	**1,117**	1,117
Amortisation of investments in film production	**–**	90,110
Depreciation	**145,693**	123,209
Share of profits and losses of associates	**142,715**	13,951
Share of profits of joint ventures	**–**	(1,616)
Increase in fair value of convertible notes designated as financial assets at fair value through profit or loss	**–**	(5,231)
Dividend income from held-for-trading investments	**–**	(200)
Gain on disposal of available-for-sale financial assets	**(1,980)**	–
Gain on disposal of investment in film production	**(3,745)**	–
Gain on disposal of held-for-trading investment	**–**	(4,012)
Gain on disposal of joint ventures	**–**	(154)
Loss on disposal of property, plant and equipment	**–**	50
Provision for litigation claim	**7,496**	–
Equity-settled share-based payments	**6,358**	20,874
Impairment loss on property, plant and equipment	**12,695**	1,263
(Reversal of)/provision for impairment loss on investments in an associate	**(61,600)**	61,600
Impairment on prepayment	**876**	–
Impairment loss on trade and other receivables, net	**11,156**	2,532
Prepaid building lease rights written off	**–**	3,217
Operating profit before working capital changes	**583,831**	534,262
Increase in inventories	**(42,423)**	(23,670)
Decrease/(increase) in rental deposits	**720**	(315)
Increase in trade and other receivables	**(614,462)**	(176,913)
Additional cost incurred in investments in film production	**–**	(6,295)
Dividend income from held-for-trading investments	**–**	200
Increase in deferred income	**945**	1,192
Increase in trade and other payables	**451,153**	295,076
Increase in held-for-trading investment	**(77,577)**	–
Cash generated from operations	**302,187**	623,537
Income taxes paid	**(60,329)**	(20,318)
Finance lease charges paid	**(7,098)**	(4,268)
Net cash generated from operating activities	**234,760**	598,951

	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(604,699)**	(370,928)
Net prepayments for construction of cinemas	**(292,701)**	(440,581)
Acquisition of a subsidiary, net of cash acquired (note 41)	**2,432**	–
Investments in associates	**(937)**	(243,017)
(Decrease)/increase in amounts due to associates	**(50,656)**	1,103
Proceeds from disposal of held-for-trading investments	**–**	34,685
Proceeds from disposal of property, plant and equipment	**3,390**	4,928
Proceeds from disposal of joint ventures	**–**	10,000
Proceeds from disposal of available-for-sale financial assets	**25,000**	–
Bank interest received	**256**	509
Net cash used in investing activities	**(917,915)**	(1,003,301)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	**(37,409)**	–
Increase in restricted bank balances	**(25,150)**	–
Proceeds from issue of shares by placement	**221,188**	61,110
Proceeds from issue of shares by subscription	**112,035**	–
Proceeds from issue of bonds	**253,097**	20,000
Proceeds from issue of convertible notes	**350,898**	–
Proceeds from exercise of share option	**300**	–
Net receipts from other loans	**–**	228,103
Proceeds from other loans	**190,086**	–
Repayments to other loans	**(386,189)**	–
Proceeds from bank loans raised	**257,788**	108,707
Repayments to bank loans	**(76,734)**	–
Advance from non-controlling interests of subsidiaries	**48,652**	7,035
Capital contribution from non-controlling interests	**–**	130
Repayment of finance lease payables	**(21,049)**	(10,952)
(Repayment to)/advance from related parties	**(39,992)**	727
Interest paid	**(79,076)**	(32,203)
Net cash generated from financing activities	**768,445**	382,657
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**85,290**	(21,693)
Effect of foreign exchange rate changes	**3,608**	(5,382)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**41,383**	68,458
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**130,281**	41,383
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**130,221**	41,383
Bank and cash balances under assets classified as held for sale (note 40)	**60**	–
	130,281	41,383

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 48 to the financial statements.

In the opinion of the Directors of the Company, as at 31 December 2014, Mr. QIN Hui is the controlling party of the Company.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. IFRSs comprise International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and Interpretations.

(a) Application of new and revised IFRSs

The following standards have been adopted by the Group for the first time for the financial year beginning 1 January 2014:

Amendment to IAS 32, Offsetting financial assets and financial liabilities

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendment to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments do not have an impact on these consolidated financial statements as the recoverable amounts of assets or cash-generating units have been determined on the basis of their value in use.

Amendments to IFRS 2 (Annual Improvements to IFRSs 2010-2012 Cycle)

This amendment clarifies the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment is applicable prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014 and had no effect on the Group's consolidated financial statements.

Amendments to IFRS 3 (Annual Improvements to IFRSs 2010-2012 Cycle)

This amendment, applicable prospectively to business combinations for which the acquisition date is on or after 1 July 2014, requires any contingent consideration that is classified as an asset or a liability (i.e. non-equity) to be measured at fair value at each reporting date with changes in fair value recognised in profit or loss. It had no effect on the Group's consolidated financial statements.

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

(a) Application of new and revised IFRSs (Continued)

Amendments to IFRS 13 (Annual Improvements to IFRSs 2010-2012 Cycle)

This amendment to the standard's basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

(b) New and revised IFRSs in issue but not yet effective

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2014. The directors anticipate that the new and revised IFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised IFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

These include the following which may be relevant to the Group.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[2]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

(c) New Hong Kong Companies Ordinance

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs and comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i,e, activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

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

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

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

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

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

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

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

(b) **Business combination and goodwill**

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

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

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

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

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) **Associates**

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Associates (Continued)

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

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(iii) Translation on consolidation

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

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

(e) Property, plant and equipment

Building comprises the cinema premise of the Group. All property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Building	5%
Leasehold improvements	the term of the lease
Operation equipment	20%
Broadcasting equipment	10% to 20%
Electronic equipment	33.33%
Furniture, fixtures and equipment	10% to 33.33%
Motor vehicles	20%

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

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

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

(f) Leases

The Group as lessee

(i) Operating leases

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

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over their estimated useful lives.

The Group as lessor

(i) Operating leases

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

(g) Trademark

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

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

(h) Prepaid building lease rights

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Lease contracts

Lease contracts are the fair value of the difference between the market rent and the minimum lease payment of the lease contracts held by the acquired companies at the date of acquisition. Lease contracts are stated at cost less accumulated amortisaton. Amortisaton is calculated on a straight-line basis over the remaining lease terms of the corresponding lease contracts.

(j) Investments in film production

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

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Recognition and derecognition of financial instruments

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

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

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

(m) Investments

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Investments (Continued)

(ii) Available-for-sale financial assets

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

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be realiably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

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

(n) Trade and other receivables

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

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

(o) Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Cash and cash equivalents

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

(q) Financial liabilities and equity instruments

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

(r) Borrowings

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

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

(s) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair value and are subsequently measured at the higher of:

– the amount of the obligations under the contracts, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

– the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

(t) Convertible notes

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

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Bonds with detachable warrants

The bonds and warrants are accounted for separately as debt instruments and equity instruments respectively. The bonds are recognised initially at the fair value of a similar liability that is issued without warrants. The warrants are initially recognised at a residual amount being the difference between total consideration received on issue and the fair value of the bonds, and are included in equity as warrants reserve. Subsequent to initial recognition, the bonds are measured at amortised cost using the effective interest method while the warrants are not re-measured.

Transactions costs are apportioned between the bonds and warrants based on their relative carrying amounts at date of issue. The portion relating to the warrants is charged directly to equity.

(v) Trade and other payables

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

(w) Equity instruments

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

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Income from box office ticketing is recognised when the services are rendered.

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

Income from sales of food and beverage and other goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

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

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

Interest income from a financial asset is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(z) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

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

Equity-settled share-based payments to consultants are measured at the fair value of the services received or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(aa) Borrowing costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ab) Government grants

Government grants that become receivable for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(ac) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ad) Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

(ae) Impairment of assets

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

At the end of each reporting period, the Group reviews the carrying amounts of its assets-except goodwill, investments, inventories and receivables, of which the impairment policies are set out in notes 3(b), 3(m), 3(k) and 3(n) respectively, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ae) Impairment of assets (Continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

(af) Provisions and contingent liabilities

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

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

(ag) Events after the reporting period

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

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

In preparing its consolidated financial statements, the Group has made significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Group periodically monitors such estimates and assumptions and makes sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) Consolidation of entity with less than 50% equity interest holding

Although the Group owns less than 50% of the equity interest in several companies as shown in note 48 to the financial statements, they are treated as subsidiaries because the Group is able to control the relevant activities of these subsidiaries after considering in substance all facts and circumstances.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment loss for bad and doubtful debts

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

As at 31 December 2014, the carrying amount of trade receivable and other receivables were approximately HK$100,494,000 and HK$350,221,000 (2013: HK$31,357,000 and HK$128,520,000) respectively net of impairment loss for bad and doubtful debts of HK$14,419,000 (2013: HK$3,263,000).

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

The carrying amount of goodwill at the end of the reporting period was approximately HK$1,454,108,000 (2013: HK$1,421,706,000). Details of the impairment loss calculation are provided in note 18 to the consolidated financial statements.

(c) Property, plant and equipment and depreciation

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

The carrying amount of property, plant and equipment as at 31 December 2014 was approximately HK$1,758,077,000 (2013: HK$1,284,053,000).

(d) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, approximately HK$83,692,000 (2013: HK$56,878,000) of income tax was charged to profit or loss based on the estimated profit.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(e) Share-based payments

Fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. The estimate of the number of equity instruments expected to vest is revised by the Group at the end of each reporting period through settlement. Revisions of the original estimates, if any, is recognised in profit or loss so that the cumulative expense includes the revised estimate, with the corresponding adjustment to the share-based payment reserve in equity.

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

(b) Credit risk

The carrying amount of the cash and bank balances, trade and other receivables, loan to an associate, due from a related party and investments included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

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

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

The Group has concentration of credit risk as 44% (2013: 41%) of the total trade receivables were due from the Group's five largest customers.

The credit risk on cash and bank balances is limited because the majority of the counterparties are reputable banks registered in the People's Republic of China (the "PRC") and Hong Kong.

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

(c) Liquidity risk

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

5. **FINANCIAL RISK MANAGEMENT (Continued)**

(c) **Liquidity risk (Continued)**

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	On demand/ Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2014				
Trade and other payables	1,048,205	–	–	–
Due to associates	1,016	–	–	–
Due to related parties	1,381	–	–	–
Other loans	37,760	–	–	–
Bank loans	72,723	27,599	230,641	–
Convertible notes	71,267	30,181	436,901	–
Bonds	428,518	8,500	25,500	182,894
Finance lease payables	29,759	29,759	46,121	–
At 31 December 2013				
Trade and other payables	574,560	–	–	–
Due to associates	1,672	–	–	–
Due to related parties	1,548	–	–	–
Other loans	83,497	165,000	–	–
Bank loans	60,115	33,657	25,016	–
Convertible notes	141,865	512	11,118	–
Bonds	25,299	272,979	3,000	21,941
Finance lease payables	17,312	17,312	36,660	–

(d) **Interest rate risk**

The Group's exposure to changes in interest rate risk is mainly attributable to its bank deposits and bank borrowings. These bank deposits and borrowings bear interests at variable interest rates and expose the Group to cash flow interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk.

As at 31 December 2014, if interest rates at that date had been 100 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$3,135,000 (2013: HK$579,000) higher arising mainly as a result of lower interest expenses on bank borrowings. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$3,135,000 (2013: HK$579,000) lower arising mainly as a result of higher interest expenses on bank borrowings.

5. FINANCIAL RISK MANAGEMENT (Continued)

(e) Price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments of different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange.

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

As at 31 December 2014, if the share price of the investment increases/decreases by 10%, profit after tax for the year would have been approximately HK$7,757,000 (2013: HK$Nil) higher/lower, arising as a result of the fair value gain/loss of the investment.

(f) Categories of financial instruments as at 31 December 2014

	2014	2013
	HK$'000	HK$'000
Financial assets		
Financial assets at fair value through profit or loss:		
– Held-for-trading	**77,577**	–
Available-for-sale financial assets	**–**	23,020
Loans and receivables (including cash and cash equivalents)	**720,879**	218,289
Financial liabilities		
Financial liabilities at amortised cost	**2,297,557**	1,339,172

6. TURNOVER AND REVENUE

The Group's turnover which represents the amounts received and receivable from theater operation, in-theater counter sales and online shopping during the year are as follows:

	2014	2013
	HK$'000	HK$'000
Theater operation	**1,491,544**	1,204,005
In-theater counter sales and online shopping	**187,545**	48,184
Investments in film production and distribution	**–**	163,281
Dividend income from held-for-trading investments	**–**	200
Proceeds from held-for-trading investments	**–**	34,685
Others	**1,521**	2,014
	1,680,610	1,452,369

6. TURNOVER AND REVENUE (Continued)

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

	2014 HK$'000	2013 HK$'000
Theater operation	**1,491,544**	1,204,005
In-theater counter sales and online shopping	**187,545**	48,184
Investments in film production and distribution	**–**	163,281
Dividend income from held-for-trading investments	**–**	200
Others	**1,521**	2,014
	1,680,610	1,417,684

7. SEGMENT INFORMATION

The four reportable segments of the Group are as follows:

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

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

The Group's other operating segments includes the operating and management business which earns agency income, dividend income from investments and trading business which earn profit from goods sold. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the "others" column.

Segment profit represents the profit earned by each segment without allocation of central administrative expenses, financial costs and equity-settled share-based expenses. 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, other loans, bonds and convertible notes. Segment non-current assets do not include non-current assets of headquarters. This is the measure reported to the Chief Operation Decision Maker, i.e. the Directors of the Company, for the purposes of resource allocation and performance assessment.

7. SEGMENT INFORMATION (Continued)

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

	Theater operation HK$'000	In-theater counter sales and online shopping HK$'000	Investments in film production and distribution HK$'000	Securities trading HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2014						
Revenue from external customers	1,491,544	187,545	–	–	1,521	1,680,610
Segment profit/(loss)	268,621	(3,552)	(5,995)	(70)	(105,920)	153,084
Interest income	233	18	–	–	–	251
Interest expense	(41,587)	–	–	–	–	(41,587)
Depreciation and amortisation	(148,393)	(848)	–	–	(391)	(149,632)
Other material items of income and expense:						
Share of profits and losses of associates	484	–	–	–	(143,199)	(142,715)
Income tax expense	(76,288)	–	(776)	–	(28)	(77,092)
Other material non-cash items:						
Impairment loss on trade and other receivables, net	(2,741)	(5,894)	–	–	(2,521)	(11,156)
Reversal of impairment loss on investments in an associate	–	–	–	–	61,600	61,600
Additions to segment non-current assets	896,008	1,013	–	–	34,289	931,310
As at 31 December 2014						
Segment assets	5,484,441	216,840	56,135	79,413	175,133	6,011,962
Segment liabilities	(1,542,252)	(228,382)	(4,088)	–	(104,045)	(1,878,767)
Investments in associates	17,604	–	–	–	86,409	104,013

7. SEGMENT INFORMATION (Continued)

	Theater operation HK$'000	In-theater counter sales and online shopping HK$'000	Investments in film production and distribution HK$'000	Securities trading HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2013						
Revenue from external customers	1,204,005	48,184	163,281	200	2,014	1,417,684
Segment profit/(loss)	182,538	2,599	77,742	4,212	(74,625)	192,466
Interest income	146	4	–	–	–	150
Interest expense	(31,664)	–	–	–	(7)	(31,671)
Depreciation and amortisation	(126,803)	(233)	(90,110)	–	(318)	(217,464)
Other material items of income and expense:						
Share of profits and losses of associates	396	–	–	–	(14,347)	(13,951)
Share of profits of joint ventures	–	–	–	–	1,616	1,616
Income tax expense	(56,012)	(866)	–	–	–	(56,878)
Other material non-cash items:						
Impairment loss on trade and other receivables, net	(211)	–	–	–	(2,321)	(2,532)
Impairment loss on investments in associates	–	–	–	–	(61,600)	(61,600)
Additions to segment non-current assets	811,230	594	6,295	–	243,017	1,061,136
As at 31 December 2013						
Segment assets	4,121,609	74,835	107,965	8,123	171,505	4,484,037
Segment liabilities	(1,144,768)	(36,764)	(4,818)	–	(77,256)	(1,263,606)
Investments in associates	17,163	–	–	–	167,070	184,233

Notes:

(a) Revenue reported above represents revenue generated from external customers. There are no inter-segment sales for the year ended 31 December 2014 (2013: HK$Nil).

(b) Segment result of theater operation includes share of profits of associates from related theater operation.

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

	2014 HK$'000	2013 HK$'000
Revenue		
Total revenue of reportable segments	**1,680,610**	1,417,684
Profit or loss		
Total profit of reportable segments	**153,084**	192,466
Other income	**65,119**	2,455
Unallocated amounts:		
Increase in fair value of convertible notes designated as financial assets at fair value through profit or loss ("financial assets at FVTPL")	**–**	5,231
Unallocated finance costs	**(68,285)**	(26,201)
Corporate expenses	**(24,533)**	(58,233)
Consolidated profit for the year	**125,385**	115,718

7. SEGMENT INFORMATION (Continued)

	2014 HK$'000	2013 HK$'000
Assets		
Total assets of reportable segments	**6,011,962**	4,484,037
Unallocated headquarter amounts:		
Property, plant and equipment	**24**	16
Trade and other receivables	**95,036**	9,653
Bank and cash balances	**24,060**	531
Consolidated total assets	**6,131,082**	4,494,237
Liabilities		
Total liabilities of reportable segments	**1,878,767**	1,263,606
Due to related parties	**1,381**	1,548
Convertible notes	**394,174**	150,934
Bonds	**431,794**	20,000
Other loans	**32,000**	228,103
Unallocated headquarters amounts:		
Other liabilities	**27,789**	19,877
Consolidated total liabilities	**2,765,905**	1,684,068

Geographical information:

The Group principally operates in the PRC with revenue and profit derived mainly from its operations in the PRC.

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

	Revenue		Non-current assets	
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**	2013 HK$'000
Hong Kong	**2,510**	2,214	**34,694**	1,094
Taiwan	**1,521**	–	**301**	–
PRC except Hong Kong	**1,676,579**	1,415,470	**4,488,594**	3,870,373
Consolidated total	**1,680,610**	1,417,684	**4,523,589**	3,871,467

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

Revenue from major customers:

There are no major customers contributing over 10% of the Group's revenue for the year ended 31 December 2014 (2013: Nil).

8. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Interest income	**2,541**	150
Coupon interest income from convertible notes designated as financial assets at FVTPL	**–**	359
Increase in fair value of convertible notes designated as financial assets at FVTPL	**–**	5,231
Net exchange gain	**–**	16,473
Gain on disposal of investment in film production	**3,745**	–
Government grants (note (a))	**25,886**	25,533
Government interest subsidies (note (b))	**3,016**	5,681
Other rental income	**1,759**	–
Other advertising income	**6,598**	–
Waiver of amount due to a related party (note (c))	**18,000**	–
Shareholder's subsidies (note (d))	**40,000**	–
Priority construction rights granted to a construction company (note (e))	**96,000**	–
Gain on disposal of available-for-sale financial assets	**1,980**	–
Reversal of allowance for receivables assets	**997**	–
Others	**5,982**	3,509
	206,504	56,936

Note:

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

(b) Government interest subsidies represented the subsidies from the Government on the loans obtained by PRC companies in Beijing.

(c) A payable, with no fixed repayment terms, unsecured and interest-free, in the amount of HK$18,000,000 due to a related company, a company wholly-owned by Mr. QIN Hui, was waived by the related company.

(d) Mr. QIN Hui granted to the Group a subsidy in the amount of HK$40,000,000 for the partial interest expenses incurred by the Group with no other compensation made to Mr. QIN Hui during the year.

(e) During the year, the Group granted a priority construction rights to a major construction company of the cinemas of the Group for sub-contracting the construction works of the Group for a period from 1 July 2014 to 30 June 2015 at a consideration of HK$192,000,000, HK$96,000,000 is recognised in profit or loss during the reporting period.

9. OTHER OPERATING EXPENSES

	2014 HK$'000	2013 HK$'000
Impairment loss on trade and other receivables, net	11,156	2,532
Impairment loss on prepayment	876	–
Impairment loss on property, plant and equipment	12,695	1,263
Loss on disposal of property, plant and equipment	–	50
Provision for litigation claim (note)	7,496	–
Prepaid building lease rights written off	–	3,217
	32,223	7,062

Note: The provision for litigation claim of approximately HK$7,496,000 was in relation to a lawsuit against a PRC subsidiary, 上海星美影院管理有限公司("上海星美") as a defendant, that a construction company, as a plaintiff, who demanded for compensation from 上海星美 for its unsettled construction works liabilities together with the related interest accrued on the liabilities. Based on the verdict issue during the year, 上海星美 lost the lawsuit and was ordered for payment of compensation to the plaintiff. Up to the date of annual report, 上海星美 has not yet paid the demanded compensation and is considering to lodge an appeal to the court, a provision for the litigation claim was made accordingly.

10. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on borrowings wholly repayable within five years:		
– bonds	41,306	25,250
– convertible notes	17,868	3,719
– bank loans	9,530	2,123
– other loans	21,224	12,191
– securities margin facilities	7,451	4,483
– bank overdraft	3,965	29
Interest on bonds not wholly repayable within five years	5,250	59
Finance charges	8,600	5,750
Finance lease charges	7,098	4,268
Total borrowing costs	122,292	57,872
Amount capitalised	(12,420)	–
	109,872	57,872

The weighted average capitalisation rate on funds borrowed generally is at a rate of 8.9% per annum (2013: Nil).

11. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Current tax – Hong Kong Profits Tax	**6,600**	–
Current tax – PRC Enterprise Income Tax		
Provision for the year	**77,668**	58,819
Under/(over) provision in prior year, net	**175**	(1,107)
	77,843	57,712
Deferred tax (note 37)	**(751)**	(834)
	83,692	56,878

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2014. No provision for Hong Kong Profits Tax is required in previous year since the Group has sufficient tax losses brought forward or no assessable profit for that year.

For the PRC subsidiaries of the Group, the provision for PRC Enterprise Income Tax is based on a statutory rate of 25% (2013: 25%) of the estimated assessable profits of the group entities as determined in accordance with the relevant income tax rules and regulations of the PRC.

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

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

	2014 HK$'000	2013 HK$'000
Profit before taxation (excluding share of profits and losses of associates and share of profits of joint ventures)	**351,792**	184,931
Tax at the applicable income tax rate of 16.5% (2013: 16.5%)	**58,045**	30,514
Tax effect of expenses not deductible for tax purposes	**16,400**	28,458
Tax effect of income not taxable for tax purposes	**(22,165)**	(24,017)
Tax effect of unrecognised tax losses	**6,873**	9,422
Tax effect on utilisation of tax losses not previously recognised	**(5,424)**	(8,639)
Under provision in prior years	**6,896**	594
Over provision in prior years	**(1,253)**	(1,701)
Over provision for the year	**765**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**24,257**	21,990
Tax effect of temporary differences not recognised	**(702)**	52
Tax effect of current year tax loss not recognised	**–**	205
Income tax expense	**83,692**	56,878

12. PROFIT FOR THE YEAR

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

	2014 HK$'000	2013 HK$'000
Amortisation of lease contracts (included in selling and marketing expenses)	**2,822**	3,343
Amortisation of prepaid building lease rights (included in selling and marketing expenses)	**1,117**	1,117
Amortisation of investments in film production	**–**	90,110
Auditor's remuneration	**3,629**	3,012
Cost of services provided	**487,047**	372,580
Cost of inventories sold	**196,062**	59,113
Impairment loss on prepayment	**876**	–
Impairment loss on trade and other receivables, net	**11,156**	2,532
(Reversal of)/Provision for impairment loss on investments in an associate	**(61,600)**	61,600
Directors' emoluments (note 13)	**5,640**	8,272
Depreciation on property, plant and equipment	**145,693**	123,209
Prepaid building lease rights written off	**–**	3,217
Net exchange loss/(gain)	**15,480**	(16,473)
Operating lease charges of land and buildings		
– minimum lease payments	**154,464**	127,679
– contingent rent	**22,326**	18,312
	176,790	145,991
Staff costs excluding directors' emoluments		
– salaries, bonus and allowances	**149,103**	122,890
– equity-settled share-based payments	**2,657**	4,245
– retirement benefit scheme contributions	**30,664**	28,133
	182,424	155,268
Equity-settled share-based payments paid to consultants	**2,467**	12,286

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

	Director fees HK$'000	Salaries, bonus and allowances HK$'000	Equity-settled share-based payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Name of director					
Executive directors					
Mr. CHENG Chi Chung	**137**	**1,811**	**759**	**–**	**2,707**
Mr. YANG Rongbing	**137**	**435**	**380**	**–**	**952**
Mr. NG Kam Tsun (note (a))	**137**	**485**	**–**	**11**	**633**
Mr. XI Qing (note (a))	**137**	**–**	**–**	**–**	**137**
Mr. LI Yige (note (a))	**137**	**–**	**–**	**–**	**137**
Mr. WONG Kui Shing, Danny (note (b))	**520**	**–**	**–**	**7**	**527**
Mr. LEE Chee Chuang, Roger (note (b))	**57**	**–**	**–**	**–**	**57**
Independent non-executive directors					
Mr. HE Peigang (note (c))	**89**	**–**	**–**	**–**	**89**
Mr. KAM Chi Sing (note (d))	**42**	**–**	**–**	**–**	**42**
Mr. PANG Hong	**132**	**–**	**95**	**–**	**227**
Mr. LI Fusheng (note (e))	**132**	**–**	**–**	**–**	**132**
Total for 2014	**1,657**	**2,731**	**1,234**	**18**	**5,640**
Name of director					
Executive directors					
Mr. CHENG Chi Chung	1,818	–	1,213	–	3,031
Mr. WONG Kui Shing, Danny (note (b))	1,200	–	2,143	15	3,358
Mr. YANG Rongbing	333	–	606	–	939
Mr. LEE Chee Chuang, Roger (note (b))	87	–	–	–	87
Mr. QIN Hong (note (f))	5	–	–	–	5
Mr. HU Yidong (note (g))	41	–	–	–	41
Independent non-executive directors					
Mr. HE Peigang (note (c))	132	–	152	–	284
Mr. PANG Hong	132	–	152	–	284
Mr. LI Fusheng	30	–	–	–	30
Mr. CHAN Sek Nin, Jackey (note (h))	136	–	77	–	213
Total for 2013	3,914	–	4,343	15	8,272

Notes:

(a) appointed on 6 June 2014

(b) resigned on 6 June 2014

(c) resigned on 5 September 2014

(d) appointed on 5 September 2014

(e) appointed on 10 October 2013

(f) resigned on 17 January 2013

(g) resigned on 3 May 2013

(h) resigned on 10 October 2013

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

During the year, there was no arrangement under which a director waived or agreed to waive any emoluments (2013: Nil).

The five highest paid individuals in the Group during the year included four (2013: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining one (2013: two) individual are set out below:

	2014 **HK$'000**	2013 HK$'000
Salaries, bonus and allowances	**644**	1,766
Retirement benefit scheme contributions	**9**	30
	653	1,796

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**–**	1

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil).

14. RETIREMENT BENEFIT SCHEME

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in retirement benefit schemes operated by the relevant local government authorities. The Group is required to make contributions on behalf of employees who are registered permanent residents in the PRC. The Group's contributions for the year ended 31 December 2014 amounted to approximately HK$30,458,000 (2013: HK$27,987,000).

The Group's Hong Kong office implemented a Mandatory Provident Fund Scheme (the "MPF") in compliance with the applicable regulations in Hong Kong for its staff at the end of 2014. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Group's contribution to the MPF for the year ended 31 December 2014 amounted to approximately HK$224,000 (2013: HK$161,000).

15. DIVIDEND

A final dividend of HK0.37 cents (2013: HK0.41 cents) per ordinary share for the year ended 31 December 2014 amounting to approximately HK$37,651,000 (2013: HK$34,652,000) have been proposed by the Directors and are subject to approval by the shareholders in the forthcoming Annual General Meeting. This final dividend has not been recognised in the consolidated financial statements.

16. EARNINGS PER SHARE

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

	2014 HK$'000	2013 HK$'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**130,992**	112,973
Number of shares		
Issued ordinary shares at beginning of year	**8,451,606,688**	8,101,606,688
Effect of new shares issued by placement	**256,438,356**	73,835,616
Effect of new shares issued by subscription	**494,246,575**	–
Effect of allotment of shares for acquisition of subsidiaries	**86,870,691**	–
Effect of issue of conversion shares	**144,390,966**	–
Effect of issue of shares from exercise of share options	**771,689**	–
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**9,434,324,965**	8,175,442,304
Effect of dilutive potential ordinary shares arising from share options	**187,678,638**	1,322,242
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**9,622,003,603**	8,176,764,546

The effects of potential ordinary shares arising from convertible notes and warrants outstanding are not included in calculating the diluted earnings per share as they had an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2014.

17. PROPERTY, PLANT AND EQUIPMENT

	Building situated outside Hong Kong HK$'000	Leasehold improvements HK$'000	Operation equipment HK$'000	Electronic equipment HK$'000	Broadcasting equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost								
At 1 January 2013	–	735,242	79,618	14,643	229,611	8,011	5,626	1,072,751
Reclassification	–	1,208	(34)	302	(1,624)	148	–	–
Additions	34,291	268,251	21,772	3,262	109,889	4,672	–	442,137
Disposal	–	(23)	(1,413)	(11)	(6,492)	–	–	(7,939)
Exchange differences	445	23,784	2,460	445	8,062	150	103	35,449
At 31 December 2013 and 1 January 2014	34,736	1,028,462	102,403	18,641	339,446	12,981	5,729	1,542,398
Reclassification	–	871	(18)	(871)	18	–	–	–
Additions	–	493,737	59,760	5,349	96,515	991	465	656,817
Disposal	–	(213)	(462)	(643)	(3,192)	(101)	–	(4,611)
Exchange differences	(581)	(16,744)	(1,681)	(300)	(5,709)	(135)	(62)	(25,212)
At 31 December 2014	34,155	1,506,113	160,002	22,176	427,078	13,736	6,132	2,169,392
Accumulated depreciation and impairment loss								
At 1 January 2013	–	65,629	20,168	5,233	32,534	6,247	1,713	131,524
Reclassification	–	–	108	2	(108)	(2)	–	–
Charge for the year	1,646	66,317	18,813	3,865	30,569	1,111	888	123,209
Impairment loss for the year	–	1,263	–	–	–	–	–	1,263
Disposal	–	(17)	(1,329)	(11)	(1,604)	–	–	(2,961)
Exchange differences	21	2,737	836	183	679	47	807	5,310
At 31 December 2013 and 1 January 2014	1,667	135,929	38,596	9,272	62,070	7,403	3,408	258,345
Reclassification	–	108	(1)	(108)	1	–	–	–
Charge for the year	1,634	81,027	16,299	4,112	40,228	1,349	1,044	145,693
Impairment loss for the year	–	12,695	–	–	–	–	–	12,695
Disposal	–	(213)	(174)	(524)	(219)	(91)	–	(1,221)
Exchange differences	(27)	(2,192)	(652)	(144)	(1,115)	(39)	(28)	(4,197)
At 31 December 2014	3,274	227,354	54,068	12,608	100,965	8,622	4,424	411,315
Carrying amount								
At 31 December 2014	30,881	1,278,759	105,934	9,568	326,113	5,114	1,708	1,758,077
At 31 December 2013	33,069	892,533	63,807	9,369	277,376	5,578	2,321	1,284,053

17. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

The carrying amount of property, plant and equipment includes an amount of approximately HK$104,625,000 (2013: HK$64,926,000) in respect of assets held under finance lease obligations.

As at 31 December 2014, the carrying amount of the building situated outside Hong Kong held under medium-term lease and pledged as security for the Group's bank loans amounted to approximately HK$30,881,000 (2013: HK$33,069,000).

18. **GOODWILL**

	2014 HK$'000	2013 HK$'000
Cost		
At 1 January	**1,427,618**	1,427,618
Arising on acquisition of a subsidiary (note 41)	**32,402**	–
At 31 December	**1,460,020**	1,427,618
Accumulated impairment loss		
At 1 January and at 31 December	**5,912**	5,912
Carrying amount	**1,454,108**	1,421,706

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

	2014 HK$'000	2013 HK$'000
Software development:		
Best Fame Holdings Limited ("Best Fame")	**32,402**	–
Film exhibition:		
Colour Asia Pacific Limited ("Colour Asia")	**15,431**	15,431
North Hollywood Limited ("North Hollywood")	**1,406,275**	1,406,275
	1,454,108	1,421,706

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2013: 3%). The rates used to discount the cash flows forecast from the subsidiaries of Best Fame, Colour Asia and North Hollywood are ranged from 16.4% to 25.5% (2013: 14.2%).

19. INTANGIBLE ASSETS

	Trademark (purchased) HK$'000 (Note (a))	Lease contracts (purchased) HK$'000	Prepaid building lease rights (purchased) HK$'000 (Note (b))	Investments in film production HK$'000 (Note (c))	Total HK$'000
Cost					
At 1 January 2013	25,120	31,188	40,000	133,976	230,284
Additions during the year	–	–	–	6,295	6,295
Written off	–	–	(3,217)	–	(3,217)
Return of investment	–	–	–	(90,110)	(90,110)
At 31 December 2013 and 1 January 2014	25,120	31,188	36,783	50,161	143,252
Additions during the year	–	–	–	12,961	12,961
Disposal	–	–	–	(49,967)	(49,967)
Reclassified to assets classified as held for sale (note 40)	(25,120)	–	–	–	(25,120)
At 31 December 2014	–	31,188	36,783	13,155	81,126
Accumulated amortisation and impairment losses					
At 1 January 2013	–	7,805	1,730	–	9,535
Amortisaton for the year	–	3,343	1,117	90,110	94,570
Return of investment	–	–	–	(90,110)	(90,110)
At 31 December 2013 and 1 January 2014	–	11,148	2,847	–	13,995
Amortisaton for the year	–	2,822	1,117	–	3,939
At 31 December 2014	–	13,970	3,964	–	17,934
Carrying amount					
At 31 December 2014	–	17,218	32,819	13,155	63,192
At 31 December 2013	25,120	20,040	33,936	50,161	129,257

Notes:

(a) Trademark

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

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

During the year, the trademark has been reclassified to assets classified as held for sale. Details of the reclassification are set out in note 40 to the financial statements.

19. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(b) Prepaid building lease rights

During the year ended 31 December 2010, the Group purchased from an independent third party, 星美投資有限責任公司 (Xingmei Investment Co., Ltd.), the building lease contract rights for the leasing of 25 sites in the PRC, intended for the operation of 25 cinemas. Details of the transaction are disclosed in the circular dated 13 September 2010. In last year, 2 lease contracts have been cancelled with the landlord and the corresponding purchase cost are write off to profit or loss. As at 31 December 2014, the legal titles of 15 (2013: 14) lease contracts out of the total of 23 lease contracts have been transferred to the Group, others are still in the name of the vendor.

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

(c) Investments in film production

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

20. INVESTMENTS IN ASSOCIATES

	2014 HK$'000	2013 HK$'000
Listed investments:		
Share of net assets	**86,409**	228,670
Less: Impairment loss (note)	**–**	(61,600)
	86,409	167,070
Unlisted investments:		
Share of net assets	**7,899**	7,458
Goodwill	**9,705**	9,705
	17,604	17,163
	104,013	184,233
Fair value of listed investments in associates based on quoted market price (level 1 fair value measurement)	**58,166**	116,968

Note:

Since the acquisition of SMI Culture Group Holdings Limited ("SMI Culture") (formerly known as Qin Jia Yuan Media Services Company Limited) and its subsidiaries ("SMI Culture Group") in August 2013, the market value of the investment in SMI Culture Group was below the carrying amount. As a result, we performed impairment tests on the carrying amount of the interest in SMI Culture Group. The impairment test was performed by comparing the recoverable amount of SMI Culture Group determined by a value in use ("VIU") calculation, with its carrying amount. The calculation of VIU was prepared based on discounted cash flow projections which was based on management's estimates. The discount rate used is 25% (2013: 20%) which was based on a cost of capital used to evaluate investments in similar type and quality as of the valuation date. Management judgement is required in estimating the future cash flows of SMI Culture Group. As at 31 December 2014, a reversal of impairment of approximately HK$61,600,000 is recognised in profit or loss (2013: provision for HK$61,600,000).

20. INVESTMENTS IN ASSOCIATES (Continued)

Details of the Group's associates as at 31 December 2014 are as follows:

Name	Place of incorporation/ establishment	Issued/paid up capital	Percentage of equity interest held by the Group/profit sharing 2014	2013	Principal activities
星美文化集團控股有限公司 SMI Culture Group Holdings Limited	Cayman Islands	562,557,684 ordinary shares of US$0.1 each	**29.97%**	29.70%	Provision of media services in the PRC
廣州市華影星美影城有限公司 Guangzhou Huaying Stellar Cineplex Limited	PRC	Registered capital of RMB1,000,000	**46.55%**	46.55%	Operation of cinema
北京世紀東都國際影城有限公司	PRC	Registered capital of RMB1,000,000	**40.85%**	40.85%	Operation of cinema

The above associates are limited liability companies.

The following table shows information of an associate, SMI Culture Group, that is material to the Group and is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the Hong Kong Financial Reporting Standards consolidated financial statements of SMI Culture Group.

Name	星美文化集團控股有限公司 SMI Culture Group Holdings Limited	
Principal place of business/country of incorporation		**PRC/Cayman Islands**
Principal activities		**Provision of media services in the PRC**
	2014	2013
% of ownership interests/voting rights held by the Group	**29.97%**	29.70%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**156,844**	493,056
Current assets	**396,059**	643,074
Non-current liabilities	**–**	(6,468)
Current liabilities	**(264,753)**	(277,984)
Net assets	**288,150**	851,678
Non-controlling interests	**168**	(2,398)
Net assets attributable to owners	**288,318**	849,280
Group's share of net assets	**86,409**	252,236
Fair value adjustments	**–**	(23,566)
Group's share of carrying amount of interests	**86,409**	228,670
Year ended 31 December:		
Revenue	**124,762**	191,402
Loss after tax	**(563,255)**	(674,341)
Other comprehensive income	**(273)**	29,675
Total comprehensive income	**(563,528)**	(644,666)
Dividends received from associates	**–**	–

20. INVESTMENTS IN ASSOCIATES (Continued)

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2014 HK$'000	2013 HK$'000
At 31 December:		
Carrying amounts of interests	**17,604**	17,163
Year ended 31 December:		
Profit from operations	**484**	396
Other comprehensive income	**–**	–
Total comprehensive income	**484**	396

The Group's share of associates' profit for the year includes share of associates' taxation of approximately HK$484,000 (2013: HK$431,000).

21. AVAILABLE– FOR-SALE FINANCIAL ASSETS

	2014 HK$'000	2013 HK$'000
Unlisted equity security, at cost	**–**	23,020

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

Such unlisted equity security was carried at cost as it does not have a quoted market price in an active market and its fair value cannot be reliably measured. The unlisted equity security was disposed of on 23 December 2014 for a consideration of approximately HK$25,000,000. A gain on disposal of approximately HK$1,980,000 was recognised in profit or loss during the reporting period.

22. PREPAYMENTS FOR CONSTRUCTION OF CINEMAS

The Group has made agreements with certain construction companies for the supervision, administration and quality control of the construction projects of cinemas in the PRC. As at 31 December 2014, the Group has prepaid approximately HK$1,116,433,000 (2013: HK$823,732,000) to these construction companies for the planning, design and construction work of the construction projects.

23. INVENTORIES

	2014 HK$'000	2013 HK$'000
Food and beverage (exclude red wine)	**6,929**	4,027
Red wine	**45,012**	20,334
Electronic products	**11,273**	2,401
Others	**24,550**	18,579
	87,764	45,341

24. TRADE AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**100,494**	31,357
Rental and other deposits	**552,152**	275,374
Amounts due from non-controlling interests of subsidiaries (note (a))	**25,187**	17,029
Prepayments and other receivables (note (b))	**494,162**	189,193
	1,171,995	512,953

Notes:

(a) The amounts of approximately HK$25,187,000 (2013: HK$17,029,000) as at 31 December 2014 are unsecured, interest-free and repayable on demand.

(b) As at 31 December 2014, included in prepayments and other receivables are: (i) advances to independent third parties of approximately HK$21,853,000 (2013: HK$36,680,000) which are unsecured, interest-free and repayable within 1 year; and (ii) the remaining other receivables are unsecured, interest-free and repayable on demand.

The Group allows an average credit period of 90 days to its trade customers. The aging analysis of the Group's trade receivables based on the invoice date at the end of the reporting period is as follows:

	2014 HK$'000	2013 HK$'000
0 to 30 days	**19,391**	7,778
31 to 90 days	**19,797**	12,828
91 to 180 days	**50,593**	4,894
181 days to 1 year	**1,284**	2,682
Over 1 year	**9,429**	3,175
	100,494	31,357

As at 31 December 2014, trade receivables of HK$61,306,000 (2013: HK$10,751,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2014 HK$'000	2013 HK$'000
91 to 180 days	**50,593**	4,894
181 days to 1 year	**1,284**	2,682
Over 1 year	**9,429**	3,175
	61,306	10,751

24. TRADE AND OTHER RECEIVABLES (Continued)

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

	2014 HK$'000	2013 HK$'000
Hong Kong dollars	**2,529**	2,521
Renminbi ("RMB")	**97,965**	28,836
Total	**100,494**	31,357

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

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

The movement in the allowance for impairment loss of trade and other receivables is as follows:

	2014 HK$'000	2013 HK$'000
Balance at the beginning of the year	**3,263**	709
Impairment loss recognised	**11,156**	2,532
Exchange differences	**–**	22
Balance at the end of the year	**14,419**	3,263

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

25. HELD-FOR-TRADING INVESTMENT

	2014 HK$'000	2013 HK$'000
Equity securities, at fair value		
Listed in Hong Kong	**77,577**	–

The investment represents investment in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains.

The fair value of listed securities is based on current bid prices (level 1 fair value measurement). As there was no fair value changes between the date of acquisition and at the end of the reporting period, no gain or loss was recognised in profit or loss during the reporting period.

26. LOAN TO AN ASSOCIATE

The loan to an associate is unsecured, interest-bearing at 10% per annum and shall be repaid on the third anniversary of the date of the loan agreement. The Group has the right to demand for early repayment of any amounts drawn by written notice.

27. RESTRICTED BANK BALANCES AND BANK AND CASH BALANCES

The Group's restricted bank balances of approximately HK$25,150,000 (2013: HK$Nil) represented deposits to a bank to secure bank facility granted to the Group as set out in note 32(d) to the financial statements.

As at 31 December 2014, the bank and cash balances of the Group denominated in RMB amounted to HK$123,626,000 (2013: HK$32,391,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

28. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	HK$'000
Trade payables	**500,351**	200,288
Customers' deposits and receipts in advance	**274,670**	209,622
Interests payable	**19,683**	10,670
PRC business and other tax payables	**24,389**	18,319
Amount due to non-controlling interests of subsidiaries (note (a))	**71,683**	14,874
Margin payables due to financial institutions (note (b))	**103,071**	75,731
Accrued charges and other payables (note (c))	**329,028**	254,678
	1,322,875	784,182

Notes:

(a) The amount of approximately HK$57,630,000 (2013: HK$14,874,000) as at 31 December 2014 is unsecured, interest-free and repayable on demand. The remaining amounts of approximately HK$14,053,000 (2013: HK$Nil) are unsecured, interest bearing at 7% per annum and repayable on demand.

(b) The margin payables due to financial institutions are secured and repayable on demand. The interests are charged from 11% to 12% per annum.

(c) Other payables in amount of HK$154,574,000 is related to a new membership scheme, which has not been launched during the year.

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

	2014	2013
	HK$'000	HK$'000
0 to 30 days	**62,250**	30,884
31 to 60 days	**46,303**	84,249
61 days to 1 year	**307,010**	53,262
Over 1 year	**84,788**	31,893
	500,351	200,288

The carrying amounts of the Group's trade payables are all denominated in RMB.

29. DUE TO ASSOCIATES

The amounts due to associates are unsecured, interest-free and have no fixed repayment terms.

30. DUE FROM/(TO) RELATED PARTIES

	2014 HK$'000	2013 HK$'000
Mr. QIN Hui (note (a))	**39,606**	(167)
Strategic Media International Limited ("SMIL") (note (b))	**(1,381)**	(1,381)
	38,225	(1,548)

Notes:

(a) Mr. QIN Hui is the controlling shareholder of the Company.

(b) Mr. QIN Hui has significant influence over SMIL.

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

31. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Amounts payable under finance leases:				
Within one year	**29,759**	17,312	**23,426**	13,164
In the second to fifth years, inclusive	**75,880**	53,972	**66,912**	47,093
	105,639	71,284	**90,338**	60,257
Less: Future finance charges	**(15,301)**	(11,027)	**N/A**	N/A
Present value of finance lease obligations	**90,338**	60,257		
Less: Amounts due for settlement within one year (shown under current liabilities)			**(23,426)**	(13,164)
Amounts due for settlement after one year			**66,912**	47,093

It is the Group's practice to lease certain of its broadcasting equipments under finance leases. The lease term is usually 10 years. As at 31 December 2014, the average effective borrowing rate was 6.9% (2013: 6.9%) per annum. Interest rates are fixed at the contract date and thus expose the Group to fair value interest rate risk. The above lease obligations only include basic lease payments, and do not include the contingent rental amounts, if any, which are to be determined generally by applying pre-determined percentages to future revenue less the basic rentals of the respective leases, as it is not possible in advance to calculate the amount of such additional rental.

All finance lease payables are denominated in RMB.

The Group's finance lease obligations are secured by the lessor's title to the leased assets.

32. BANK LOANS

	2014 HK$'000	2013 HK$'000
Bank loans, secured, with principal amount of:		
– RMB25 million (note (a))	**31,438**	31,973
– RMB60 million (note (b))	**–**	76,734
– RMB10 million (note (c))	**12,575**	–
– RMB200 million (note (d))	**245,212**	–
	289,225	108,707

The bank loans are repayable as follows:

	2014 HK$'000	2013 HK$'000
Within one year	**56,587**	53,586
In the second year	**12,575**	30,847
In the third to fifth years, inclusive	**220,063**	24,274
	289,225	108,707
Less: amount due for settlement within one year (shown under current liabilities)	**(56,587)**	(53,586)
Amount due for settlement after one year	**232,638**	55,121

All bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

(a) Bank loan of approximately HK$31,438,000 (2013: HK$31,973,000) is wholly repayable within one year and secured by the Group's building situated outside Hong Kong. The bank loan is arranged at floating rate with average interest rate of 9.0% (2013: 9.0%) per annum as at 31 December 2014. The loan is fully settled after the reporting period.

(b) Bank loans of approximately HK$Nil (2013: HK$76,734,000) are wholly repayable within three years. These bank loans are arranged at floating rate with average interest rate of 6.7% (2013: 6.7%) per annum as at 31 December 2014. The loans were early settled during the year.

(c) Bank loan of approximately HK$12,575,000 (2013: HK$Nil), borrowed by one of the PRC subsidiaries of the Company, is wholly repayable within one year and secured by personal guarantee given by Mr. QIN Hong, a former director and chairman of the Company and the legal representative of the subsidiary, and Mr. WU Yidong, an ex-director of the Company. The bank loan is arranged at floating rate with average interest rate of 7.2% (2013: Nil) per annum. The loan is fully settled after the reporting period.

(d) Bank loan of approximately HK$245,212,000 (2013: HK$Nil) is wholly repayable within three years and secured by corporate guarantee given by the Company and certain subsidiaries of the Company and restricted bank balances (note 27). The bank loan is arranged at floating rate with average interest rate of 6.5% (2013: Nil) per annum.

33. OTHER LOANS

	2014 HK$'000	2013 HK$'000
Repayable on demand or within one year (shown under current liabilities), with principal amount of:		
– HK$12 million (note (a))	–	5,000
– HK$50 million (note (b))	–	38,103
– HK$20 million (note (c))	–	20,000
– HK$32 million (note (d))	32,000	–
	32,000	63,103
Repayable over one year		
– HK$165 million (note (e))	–	165,000
	32,000	228,103

Notes:

(a) In March 2013, the Group entered into a loan agreement for a principal amount of HK$12,000,000 with an independent third party. The loan was fully settled during the reporting period.

(b) In April 2013, the Group entered into a project management contract ("PM Contract") with a construction company, an independent third party. Pursuant to the PM Contract, the construction company provided management services to the Group in relation to the construction of seven cinemas in the PRC as specified in the PM Contract. The loan was fully settled during the reporting period.

(c) In December 2013, the Group entered into a loan agreement with a financial institution. The loan was fully settled during the reporting period.

(d) In August and December 2014, the Group entered into two loan agreements with an independent third party. The loans are interest bearing at 1.5% per month, unsecured and repayable on demand.

(e) From September to November 2013, the Group entered into several loan agreements with an independent third party. The loans were fully settled during the reporting period.

34. CONVERTIBLE NOTES

	2014 HK$'000	2013 HK$'000
Convertible notes with principal amount of:		
– HK$141 million (note (a))	41,000	141,000
– HK$10.25 million (note (b))	10,013	9,934
– HK$77.64 million (note (c))	72,228	–
– HK$200 million (note (d))	197,445	–
– US$5.16 million (note (e))	39,188	–
– RMB30 million (note (f))	34,300	–
	394,174	150,934
Analysed as:		
Current liabilities	41,000	141,000
Non-current liabilities	353,174	9,934
	394,174	150,934

34. CONVERTIBLE NOTES (Continued)

Notes:

(a) The Company issued a 2-year 0.25% convertible note ("Convertible Note I") with principal amount of HK$141,000,000 on 27 May 2011 to Mr. QIN Hui. The Convertible Note I is denominated in Hong Kong dollars and entitle the holder to convert it into ordinary shares of the Company at any business day after the date of issue of the Convertible Note I up to and including the date which is 7 business days prior to the maturity date on 27 May 2013 at a conversion price of HK$0.47. If the Convertible Note I has not been converted, it will be redeemed at 100% of its principal amount on the maturity date. No early redemption is allowed. Interest of 0.25% per annum will be payable semi-annually.

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

On 6 June 2014, a special general meeting was passed for the approval of the further extension of the maturity date of the Convertible Note I from 27 May 2014 to 27 May 2015, and the conversion price was revised from HK$0.47 per conversion share to HK$0.37 per conversion share. All the other terms and conditions of the Convertible Note I remain unchanged. No early redemption is allowed.

On 20 June 2014, the Convertible Note I holder, Mr. QIN Hui exercised the conversion rights to the extent of principal amount of HK$100,000,000 of the Convertible Note I, to convert the Convertible Note I at a conversion price of HK$0.37 per ordinary share, a total of 270,270,270 conversion ordinary shares were then issued. Premium on issue of shares, amounting to approximately HK$72,973,000, was credited to the Company's share premium account.

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

The Directors estimate the fair value of the liability component as at 31 December 2014 to be approximately HK$41,000,000 (2013: HK$141,000,000). This fair value has been calculated by discounting the estimated contractual cash flows at the market rate (level 3 fair value measurements).

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

	HK$'000
Nominal value of Convertible Note I issued, net of issue costs	141,000
Equity component	(12,500)
Liability components at date of issue	128,500

	2014 HK$'000	2013 HK$'000
Liability component at 1 January	**141,000**	138,216
Issue of conversion shares (note 38(d))	**(100,000)**	–
Interest expenses recognised	**219**	3,136
Interest paid	**(219)**	(352)
Liability component at 31 December	**41,000**	141,000

34. CONVERTIBLE NOTES (Continued)

Notes: (Continued)

(b) The Company issued several 5-year 5% convertible notes ("Convertible Notes II") with principal amount totaling HK$10,250,000 on 11 September 2012 to certain independent third party investors. The Convertible Notes II are denominated in Hong Kong dollars and entitle the holders to convert them into ordinary shares of the Company at any business day after the date of issue of the Convertible Notes II up to and including the date which is 7 business days prior to the maturity date on 10 September 2017 at a conversion price of HK$1.00 per share. If the Convertible Notes II have not been converted, they will be redeemed at 100% of their principal amount on the maturity date. No early redemption is allowed. Interest of 5.0% per annum will be payable annually on the last business day of each calendar year.

The Convertible Notes II contain two components, liability and equity element. The equity element is presented in equity as convertible notes reserve. The effective interest rate of the liability component is 5.9%.

The Directors estimate the fair value of the liability component as at 31 December 2014 to be approximately HK$10,000,000 (2013: HK$9,900,000). This fair value has been calculated by discounting the estimated contractual cash flows at the market rate (level 3 fair value measurements).

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

	HK$'000
Nominal value of Convertible Notes II issued, net of issue costs	10,250
Equity component	(413)
Liability components at date of issue	9,837

	2014 HK$'000	2013 HK$'000
Liability component at 1 January	**9,934**	9,864
Interest expenses recognised	**592**	583
Interest paid	**(513)**	(513)
Liability component at 31 December	**10,013**	9,934

(c) The Company issued a 5-year 8% convertible note ("Convertible Note III") with principal amount of HK$77,643,990 on 26 March 2014 to an independent third party investor, KTB China Platform Fund. The Convertible Note III is denominated in Hong Kong dollars and entitles the holder to convert into ordinary shares of the Company at any business day after the date of issue of the Convertible Note III up to and including the maturity date on 25 March 2019 at a conversion price of HK$0.30. If the Convertible Note III has not been converted, it will be redeemed at 100% of its principal amount on the maturity date. The Subscriber, KTB China Platform Fund, may on the date falling on the third anniversary of the date of issue of the Convertible Note III require the Company to redeem the Convertible Note III in whole or in part at 112% of the outstanding principal amount of the Convertible Note III by serving at least 30 Business Days' prior written notice to the Company. Interest of 8% per annum will be payable semi-annually.

The Convertible Note III contains two components, liability and equity element. The equity element is presented in equity as convertible notes reserve. The effective interest rate of the liability component is 13.8%. The fair value of the liability component has been calculated by using the binomial option pricing models (level 3 fair value measurements).

34. CONVERTIBLE NOTES (Continued)

Notes: (Continued)

(c) (Continued)

The Director estimate the fair value of the liability component as at 31 December 2014 to be approximately HK$79,527,000 (2013: HK$ Nil). This fair value has been calculating by discounting the estimated contractual cash flows at an appropriate discount rate (level 3 fair value measurements).

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

	HK$'000
Nominal value of Convertible Notes III issued, net of issue costs	76,480
Equity component	(6,932)
Liability components at date of issue	69,548

	2014	2013
	HK$'000	HK$'000
Liability component at date of issue/1 January	**69,548**	–
Interest expenses recognised	**7,462**	–
Interest paid	**(4,782)**	–
Liability component at 31 December	**72,228**	–

(d) The Company issued several 3-year 9% convertible notes ("Convertible Notes IV") with principal amount totaling HK$200,000,000 on 15 August 2014 to certain independent third party investors. The Convertible Notes IV are denominated in Hong Kong dollars and entitle the holders to convert them into ordinary shares of the Company at any business day after the date of issue of the Convertible Notes IV up to and including the maturity date on 14 August 2017 at a conversion price of HK$0.34 per share. If the Convertible Notes IV have not been converted, they will be redeemed at 100% of their principal amount on the maturity date. The subscriber may on the date falling 24 months from the issue date of Convertible Notes IV require the Company to redeem the Convertible Note IV in whole or in part at 112% of the outstanding principal amount of the Convertible Note IV by serving at least 45 days written notice to the Company. Interest of 9% per annum will be payable quarterly.

The Convertible Notes IV contain two components, liability and equity element. The equity element is presented in equity as convertible notes reserve. The effective interest rate of the liability component is 12.5%. The fair value of the liability component has been calculated by using the discounting cash flows method (level 3 fair value measurements).

The Directors estimate the fair value of the liability component as at 31 December 2014 to be approximately HK$204,810,000 (2013: HK$Nil). This fair value has been calculated by discounting the estimated contractual cash flows at an appropriate discount rate (level 3 fair value measurements).

34. CONVERTIBLE NOTES (Continued)

Notes: (Continued)

(d) (Continued)

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

	HK$'000
Nominal value of Convertible Notes IV issued, net of issue costs	196,398
Equity component	(1,489)
Liability components at date of issue	194,909

	2014	2013
	HK$'000	HK$'000
Liability component at date of issue/1 January	**194,909**	–
Interest expenses recognised	**9,335**	–
Interest paid	**(6,799)**	–
Liability component at 31 December	**197,445**	–

(e) The Company issued a 3-year 7% convertible note ("Convertible Note V") with principal amount of US$5,160,000, equivalent to approximately HK$39,992,000, on 20 December 2014 to an independent third party investor. The Convertible Note V is denominated in US dollars and entitles the holder to convert it into ordinary shares of the Company at any business day after the date of issue of the Convertible Note V up to and including the maturity date on 19 December 2017 at a conversion price of HK$0.34 per share. If the Convertible Note V has not been converted, it will be redeemed at 100% of its principal amount on the maturity date. The subscriber may on the date falling 24 months from the issue date of Convertible Note V require the Company to redeem the Convertible Note V in whole or in part at 110% of the outstanding principal amount of the Convertible Note V by serving at least 45 days written notice to the Company. Interest of 7% per annum will be payable semi-annually.

The Convertible Note V contain three components, liability, call option and equity element. The equity element is presented in equity as convertible notes reserve. The effective interest rate of the liability component is 10.5%.

The call option is an embedded derivative that is separated and recognised at fair value as an asset. The fair value of the liability component and the call option was valued by Roma Appraisals Limited, an independent qualified professional valuer, and was estimated at the day of issue using binomial option pricing model taking into account the terms and conditions upon which the Convertible Notes V issued. As the amount of the fair value of the call option is insignificant at the date of issue and at the end of the reporting period, it is not recognised in the financial statements (level 3 fair value measurements).

The Directors estimate the fair value of the liability component as at 31 December 2014 to be approximately HK$39,191,000 (2013: HK$Nil). This fair value has been calculated by discounting the estimated contractual cash flows at an appropriate discount rate (level 3 fair value measurements).

34. CONVERTIBLE NOTES (Continued)

Notes: (Continued)

(e) (Continued)

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

	HK$'000
Nominal value of Convertible Notes V issued, net of issue costs	39,992
Equity component	(846)
Liability components at date of issue	39,146

	2014	2013
	HK$'000	HK$'000
Liability component at date of issue/1 January	**39,146**	–
Interest expenses recognised	**135**	–
Interest paid	**(93)**	–
Liability component at 31 December	**39,188**	–

(f) The Company issued a 3-year 7% convertible note ("Convertible Note VI") with principal amount of RMB30,000,000, equivalent to approximately HK$38,028,000, on 22 December 2014 to an independent third party investor. The Convertible Note VI is denominated in RMB and entitles the holder to convert it into ordinary shares of the Company at any business day after the date of issue of the Convertible Note VI up to and including the maturity date on 21 December 2017 at a conversion price of HK$0.34 per share. If the Convertible Note VI has not been converted, it will be redeemed at 100% of its principal amount on the maturity date. The subscriber may on the date falling 24 months from the issue date of Convertible Note VI require the Company to redeem the Convertible Note VI in whole or in part at 110% of the outstanding principal amount of the Convertible Note VI by serving at least 45 days written notice to the Company. Interest of 7% per annum will be payable semi-annually.

The Convertible Notes VI contain three components, liability, call option and equity element. The equity element is presented in equity as convertible notes reserve. The effective interest rate of the liability component is 13.4%.

The call option is an embedded derivative that is separated and recognised at fair value as an asset. The fair value of the liability component and the call option was valued by Roma Appraisals Limited, an independent qualified professional valuer, and was estimated at the day of issue using binomial option pricing model taking into account the terms and conditions upon which the Convertible Notes VI issued. As the amount of the fair value of the call option is insignificant at the date of issue and at the end of the reporting period, it is not recognised in the financial statements (level 3 fair value measurements).

The Directors estimate the fair value of the liability component as at 31 December 2014 to be approximately HK$34,969,000 (2013: HK$Nil). This fair value has been calculated by discounting the estimated contractual cash flows at an appropriate discount rate (level 3 fair value measurements).

34. CONVERTIBLE NOTES (Continued)

Notes: (Continued)

(f) (Continued)

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

	HK$'000
Nominal value of Convertible Notes VI issued, net of issue costs	38,028
Equity component	(3,505)
Liability components at date of issue	34,523

	2014 HK$'000	2013 HK$'000
Liability component at date of issue/1 January	**34,523**	–
Interest expenses recognised	**125**	–
Interest paid	**(73)**	–
Exchange realignment	**(275)**	–
Liability component at 31 December	**34,300**	–

35. BONDS

	2014 HK$'000	2013 HK$'000
Bonds with principal amount of:		
SMEs Private Placement Bonds (note (a))	**99,762**	253,648
HK$147.2 million (note (b))	**144,427**	–
HK$74.8 million (note (c))	**70,406**	–
HK$78.2 million (note (d))	**73,966**	–
7-year 5% bonds (note (e))	**142,995**	20,000
	531,556	273,648
Analysed as:		
Current liabilities	**388,561**	–
Non-current liabilities	**142,995**	273,648
	531,556	273,648

Notes:

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

* *For identification only*

35. BONDS (Continued)

Notes: (Continued)

(a) (Continued)

The SMEs Private Placement Bonds (the "SMEs Private Placement Bonds") has been arranged and underwritten by 首創證券有限責任公司, a qualified financial institution approved by the Securities Association of China. The SMEs Private Placement Bonds will only be transferred to qualified investors solely through the Shanghai Stock Exchange Comprehensive Electronic Platform of Fixed Income Securities (上海證券交易所固定收益綜合電子平台). The SMEs Private Placement Bonds are issued by four PRC subsidiaries of the Group, namely 北京回龍觀星美國際影城管理有限公司 (Beijing Huilongguan Stellar Cineplex Management Co., Ltd.*), 天津星美影城管理有限公司 (Tianjin Stellar Cineplex Management Co., Ltd.*), 北京名翔國際影院管理有限公司 (Beijing Mingxiang International Cinema Management Co., Ltd.*), and 北京望京星美國際影城管理有限公司 (Beijing Wangjing Stellar International Cinema Management Co., Ltd.*) ("Joint Issuers") on 30 August 2012 with par value of RMB100 each totaling RMB200 million (equivalent to approximately HK$242 million).

The SMEs Private Placement Bonds are of 3-year term but may be redeemed in whole on the date falling on the second financial year from the date of issue of the SMEs Private Placement Bonds at the option of the Joint Issuers (the "Redemption Option"). Upon exercise of such redemption option by the Joint Issuers, the date falling at the end of the second financial year from the date of issue of the SMEs Private Placement Bonds, will be taken as the maturity date of the entire outstanding SMEs Private Placement Bonds. On the other hand, the holders of the SMEs Private Placement Bonds may, at their own option, on the date of the interest payment for the second year, sell the whole or part of their SMEs Private Placement Bonds back to the Joint Issuers. The SMEs Private Placement Bonds carry interest at a rate of 9.5% per annum payable at the end of each financial year of the date of issue of the SMEs Private Placement Bonds. The effective interest rate of the SMEs Private Placement Bonds is 10.4%.

During the reporting period, part of the SMEs Private Placement Bonds of RMB120 million, equivalent to approximately HK$150.9 million, was repaid. As at 31 December 2014, the fair value of the SMEs Private Placement Bonds is estimated to be approximately RMB82,907,000 (2013: RMB210,896,000) (equivalent to approximately HK$104,255,000 (2013: HK$269,715,000)). The fair value is derived from discounted future cash flows using bond interest rate with similar terms of 8% per annum (level 2 fair value measurements).

The Company, Mr. QIN Hui and several subsidiaries have issued joint guarantees to the underwriter at a maximum amount of RMB200 million (equivalent to approximately HK$242 million) in respect of the issuance of the SMEs Private Placement Bonds.

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

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

(b) The Company issued 1-year 8% Bonds ("Bonds I") with principal amount of HK$147,200,000 on 27 March 2014 to certain independent third party investors. The Bonds I are denominated in Hong Kong dollars. The Company may at any time before the maturity date redeem the Bonds I in whole or in part at 100% of the total principal amount of the Bonds I together with payment of interests accrued up to the date of such early redemption. The effective interest rate of the Bonds I is 16.4%.

The Directors estimate the fair value of the Bonds I as at 31 December 2014 to be approximately HK$155,908,000 (2013: HK$Nil). This fair value has been calculated by discounting the estimated contractual cash flows at an appropriate discount rate (level 3 fair value measurements).

* *For identification only*

35. BONDS (Continued)

Notes: (Continued)

(b) (Continued)

Warrants were issued to the subscribers of the Bonds I on 27 March 2014 with no additional payment from them on the basis of 4,000,000 Warrants for every whole multiple of HK$1,280,000 in the principal amount of the Bonds I taken up. Accordingly, an aggregate of 460,000,000 Warrants ("Warrants I") had been issued by the Company to the subscribers. The Warrants I entitles the holder to subscribe for a new share of the Company for each warrant, from the date of issue of the Warrants I to the date falling on the first anniversary of the issue of the Warrants I at an exercise price of HK$0.32 per new share of the Company.

The Warrants I are detachable from the Bonds I and both the Warrants I and the Bonds I can be transferred individually and separately.

The Warrants I are recognised in equity at a residual amount, being the difference between the total considerations received, net of issue costs, on issue of the Bonds I and the fair value of the Bonds I at the date of issue.

The nominal value received, net of issue costs, has been split between the bonds component and warrants component as follows:

	HK$'000
Nominal value received, net of issue costs	138,182
Warrants I	(2,071)
Bonds I at date of issue	136,111

	2014	2013
	HK$'000	HK$'000
Bonds I at date of issue/1 January	**136,111**	–
Interest expenses recognised	**17,350**	–
Interest paid	**(9,034)**	–
Bonds I at 31 December	**144,427**	–

(c) The Company issued 1-year 8% Bonds ("Bonds II") with principal amount of HK$74,800,000 on 23 October 2014 to certain independent third party investors. The Bonds II are denominated in Hong Kong dollars. The Company may at any time before the maturity date redeem the Bonds II in whole or in part at 100% of the total principal amount of the Bonds II together with payment of interests accrued up to the date of such early redemption. The effective interest rate of the Bonds II is 16.0%.

The Directors estimate the fair value of the Bonds II as at 31 December 2014 to be approximately HK$75,469,000 (2013: HK$Nil). This fair value has been calculated by discounting the estimated contractual cash flows at an appropriate discount rate (level 3 fair value measurements).

35. BONDS (Continued)

Notes: (Continued)

(c) (Continued)

Warrants were issued to the subscribers of the Bonds II on 23 October 2014 with no additional payment from them on the basis of 1,000,000 Warrants for every whole multiple of HK$340,000 in the principal amount of the Bonds II taken up. Accordingly, an aggregate of 220,000,000 Warrants ("Warrants II") had been issued by the Company to the subscribers. The Warrants II entitles the holder to subscribe for a new share of the Company for each warrant, from the date of issue of the Warrants II to the date falling on the first anniversary of the issue of the Warrants II at an exercise price of HK$0.34 per new share of the Company.

The Warrants II are detachable from the Bonds II and both the Warrants II and the Bonds II can be transferred individually and separately.

The Warrants II are recognised in equity at a residual amount, being the difference between the total considerations received, net of issue costs, on issue of the Bonds II and the fair value of the Bonds II at the date of issue.

The nominal value received, net of issue costs, has been split between the bonds component and warrants component as follows:

	HK$'000
Nominal value received, net of issue costs	69,966
Warrants II	(512)
Bonds II at date of issue	69,454

	2014 **HK$'000**	2013 HK$'000
Bonds II at date of issue/1 January	**69,454**	–
Interest expenses recognised	**2,100**	–
Interest paid	**(1,148)**	–
Bonds II at 31 December	**70,406**	–

35. BONDS (Continued)

Notes: (Continued)

(d) The Company issued 1-year 8% Bonds ("Bonds III") with principal amount of HK$78,200,000 on 11 November 2014 to certain independent third party investors. The Bonds III are denominated in Hong Kong dollars. The Company may at any time before the maturity date redeem the Bonds III in whole or in part at 100% of the total principal amount of the Bonds III together with payment of interests accrued up to the date of such early redemption. The effective interest rate of the Bonds III is 14.9%.

The Directors estimate the fair value of the Bonds III as at 31 December 2014 to be approximately HK$78,544,000 (2013: HK$Nil). This fair value has been calculated by discounting the estimated contractual cash flows at an appropriate discount rate (Level 3 fair value measurements).

Warrants were issued to the subscribers of the Bonds III on 11 November 2014 with no additional payment from them on the basis of 1,000,000 Warrants for every whole multiple of HK$340,000 in the principal amount of the Bonds III taken up. Accordingly, an aggregate of 230,000,000 Warrants ("Warrants III") had been issued by the Company to the subscribers. The Warrants III entitles the holder to subscribe for a new share of the Company for each warrant, from the date of issue of the Warrants III to the date falling on the first anniversary of the issue of the Warrants III at an exercise price of HK$0.34 per new share of the Company.

The Warrants III are detachable from the Bonds III and both the Warrants III and the Bonds III can be transferred individually and separately.

The Warrants III are recognised in equity at a residual amount, being the difference between the total considerations received, net of issue costs, on issue of the Bonds III and the fair value of the Bonds III at the date of issue.

The nominal value received, net of issue costs, has been split between the bonds component and warrants component as follows:

	HK$'000
Nominal value received, net of issue costs	73,854
Warrants III	(512)
Bonds III at date of issue	73,342

	2014 HK$'000	2013 HK$'000
Bonds III at date of issue/1 January	**73,342**	–
Interest expenses recognised	**1,498**	–
Interest paid	**(874)**	–
Bonds III at 31 December	**73,966**	–

(e) As at 31 December 2014, the Company issued eighteen (2013: two) 7-year 5% bonds with principal amount ranged from HK$3,000,000 to HK$12,000,000 each to certain independent third party investors. The effective interest rate of the bonds is ranged from 5.0% to 9.1%.

36. PLEDGE OF ASSETS

(a) As at 31 December 2014, the Group's investments in associates amounted to approximately HK$86,409,000 (2013: HK$167,070,000) were pledged to secure margin account facilities granted to the Group.

(b) As at 31 December 2014, the Group's building situated outside Hong Kong amounted to approximately HK$30,881,000 (2013: HK$33,069,000) was pledged to secure a bank loan granted to the Group.

(c) The equity interests of certain subsidiaries held by the Group being pledged to secured bank loans granted to the Group were discharged in November 2014.

37. DEFERRED TAX

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

	Lease contracts HK$'000
At 1 January 2013	(5,890)
Credit to profit or loss for the year (note 11)	834
At 31 December 2013 and 1 January 2014	**(5,056)**
Credit to profit or loss for the year (note 11)	751
At 31 December 2014	**(4,305)**

(b) At the end of the reporting period, the Group has unused tax losses of approximately HK$157,994,000 (2013: HK$148,565,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$122,814,000 (2013: HK$118,788,000) that will expire within 5 years. Other tax losses may be carried forward indefinitely.

(c) At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, associates and joint ventures for which deferred tax liabilities have not been recognised is approximately HK$31,480,000 (2013: HK$26,397,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

38. SHARE CAPITAL

	Number of shares		Amount	
	2014	2013	**2014**	2013
			HK$'000	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each				
At beginning of year and end of year	**20,000,000,000**	20,000,000,000	**2,000,000**	2,000,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
At beginning of year	**8,451,606,688**	8,101,606,688	**845,161**	810,161
Issue of shares by placement (note (a))	**780,000,000**	350,000,000	**78,000**	35,000
Issue of shares by subscription (note (b))	**550,000,000**	–	**55,000**	–
Allotment of shares for acquisition of a subsidiary (note (c))	**122,423,947**	–	**12,242**	–
Issue of conversion shares (note (d))	**270,270,270**	–	**27,027**	–
Share option exercised (note (e))	**1,666,666**	–	**167**	–
At end of year	**10,175,967,571**	8,451,606,688	**1,017,597**	845,161

Notes:

(a) On 13 September 2013, the Company and Placing Agent, Emperor Securities Limited, entered into a placing agreement in respect of the placement of 350,000,000 ordinary shares of HK$0.1 each to independent investors at a price of HK$0.18 per share. The placement was completed on 16 October 2013 and the premium on the issue of shares, amounting to HK$26,110,000, net of share issue expenses of HK$1,890,000, was credited to the Company's share premium account.

On 20 August 2014, the Company and Placing Agent, Get Nice Securities Limited entered into a placing agreement in respect of the placement of 780,000,000 ordinary shares of HK$0.1 each to one placee at a price of HK$0.285 per share. The placement was completed on 3 September 2014 and the premium on the issue of shares, amounting to HK$143,189,000, net of share issue expenses of HK$1,111,000 was credited to the Company's share premium account.

(b) On 17 January 2014, the Company entered into a subscription agreement with Wise Vanguard Holdings Limited for the subscription of 550,000,000 ordinary shares of HK$0.1 each to the subscriber at a price of HK$0.21 per share. The subscription was completed on 7 February 2014 and the premium on the issue of shares amounting to HK$57,035,000, net of share issue expense of HK$3,465,000, was credit to the Company's share premium account.

(c) On 11 April 2014, the subsidiary of the Company, Best Fame Holdings Limited entered into 5 sale and purchase agreements with vendors, to acquire in total 55% equity interest in TicketChina Holdings Limited, and among the total consideration, it comprised a partial consideration shares in issuance of 122,423,947 ordinary shares of the Company of HK$0.1 each to vendors at a price of HK$0.28 per share. The acquisition was completed on 17 April 2014 and the partial consideration shares were issued on the same date, and the premium on the issue of shares amounting to approximately HK$22,037,000 was credited to the Company's share premium account.

38. SHARE CAPITAL (Continued)

Notes: (Continued)

(d) On 18 June 2014, a convertible note holder, Mr. QIN Hui elected to exercise the conversion rights to the extent of the principal amount of HK$100,000,000 of the convertible note, for the conversion of 270,270,270 ordinary shares of HK$0.1 each at a conversion price of HK$0.37 per share. The conversion was completed on 20 June 2014 and the premium on issue of shares amounted to approximately HK$72,973,000 was credited to the Company's share premium account.

(e) During the year, 1,666,666 share options were exercised at the exercise price of HK$0.18 per share, resulting in the issue of 1,666,666 ordinary shares of par value of HK$0.1 each for a cash consideration of HK$300,000.

(f) Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year (2013: Nil).

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

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

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2014, 35.0% (2013: 27.9%) of the shares were in public hands.

39. SHARE-BASED PAYMENT

Equity-settled share option scheme

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

Under the Share Option Scheme, the consideration paid for each grant of share options will be HK$1.00. The subscription price shall be determined by the Board of Directors and notified to a participant and shall be at least the higher of: (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share. Details of the principal terms of the Share Option Scheme were summarised and set out in a circular to shareholders dated 9 September 2009.

Share Option I

During the year ended 31 December 2010, a total number of 546,126,507 share options were granted to directors, senior management and consultants of the Company. All the share options under Share Option I were lapsed in last year.

39. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme (Continued)

Share Option II

During the year ended 31 December 2013, a total number of 535,000,000 share options were granted to consultants, directors and senior management of the Company. Details of specific categories of share options are as follows:

	Date of grant	Exercise period	Exercise price	Number of share options granted
July 2013 (Lot A)	19 July 2013	19 July 2013 – 18 July 2016	HK$0.18	311,666,666
July 2013 (Lot B)	19 July 2013	19 July 2014 – 18 July 2016	HK$0.18	111,666,667
July 2013 (Lot C)	19 July 2013	19 July 2015 – 18 July 2016	HK$0.18	111,666,667

Options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, their fair values are measured by reference to the fair value of the share options granted.

During the year, 1,666,666 share options were exercised at subscription price of HK$0.18 per share, resulting in the issue of 1,666,666 ordinary shares with par value of HK$0.1 each for a cash consideration of HK$300,000.

During the year, Mr. WONG Kui Shing, Danny and Mr. HE Peigang resigned for executive director and independent non-executive director on 6 June 2014 and 5 September 2014 respectively. Their share options under the Share Option Scheme were lapsed.

The fair value of the options granted is estimated at the date of grant using binomial option pricing method taking into account the terms and conditions upon which the options were granted. The fair value of options granted during the year ended 31 December 2013 was estimated on the date of grant using the following assumptions:

	July 2013 (Lot A)	July 2013 (Lot B)	July 2013 (Lot C)
Date of grant	19 July 2013	19 July 2013	19 July 2013
Dividend yield (%)	Nil	Nil	Nil
Expected volatility (%)	53.554	53.554	53.554
Risk-free interest rate (%)	0.517	0.517	0.517
Expected life (years)	3	2	1
Weighted average share price	0.165	0.165	0.165

40. ASSETS CLASSIFIED AS HELD FOR SALE

	2014 HK$'000	2013 HK$'000
Intangible asset – Trademark (note)	25,120	–
Bank and cash balances	60	–
Assets of Photon Group classified as held for sale	25,180	–
Other payables	4,088	–
Liabilities of Photon Group associated with assets classified as held for sale	4,088	–
Net assets of Photon Group classified as held for sale	21,092	–

Note:

On 12 March 2015, the Company entered into a memorandum of understanding ("MOU") with SMI Culture. Pursuant to the MOU, the Company has intention to sell and SMI Culture has intention to buy all the equity interest in Photon Group which owns the trademark, PhotonVFX, as set out in note 19 to the audited consolidated financial statements. The Company anticipated that the disposal will be completed by 2015. The gross proceeds of the disposal is estimated to be approximately HK$21,100,000.

41. ACQUISITION OF A SUBSIDIARY

On 17 April 2014, the Group acquired 55% equity interest in TicketChina Holdings Limited and its subsidiaries ("TicketChina Group") at a consideration of approximately HK$35,787,000. TicketChina Group is a limited liability company incorporated in British Virgin Islands and is principally engaged in digital products and related software development, wholesale, trading business (involving quota licensing management, handling of specific managed products in accordance with national regulations), provision of relevant technical consulting services of the above mentioned services, provision of online-to-offline integrated marketing platform as well as online ticketing services through www.ipiao.com ("Ipiao").

The acquisition is for the purpose of expanding the Group's core business in online ticketing services. The online network of Ipiao can be integrated with the businesses of the Group and will bring along synergy effect to the Group's business integration and membership promotion. It will also help the Group to further penetrate into different cities in PRC, thus enlarging the number of members of the Group. It can also provide more diversified and convenient online value-added services to the customers and members of the Group.

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

Net assets acquired:	HK$'000
Trade and other receivables	285
Prepayments and deposits	5,133
Bank and cash balances	2,432
Trade and other payables	(3,812)
Other loans	(14,042)
Total identifiable net liabilities	(10,004)
Non-controlling interests	11,881
Goodwill (note 18)	32,402
	34,279

41. ACQUISITION OF A SUBSIDIARY (Continued)

Net assets acquired:	HK$'000
Satisfied by:	
122,423,947 ordinary shares of the Company issued	34,279
Contingent consideration	–
Total consideration	34,279
Net cash inflow on acquisition of subsidiaries	
Bank and cash balances acquired from the subsidiaries	2,432

The fair value of the acquired identifiable assets and liabilities were valued by Roma Appraisals Limited, an independent qualified professional valuer.

The fair value of the trade and other receivables and prepayments and deposits acquired is HK$5,418,000. The gross contractual amount due is HK$5,418,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The fair value of the 122,423,947 ordinary shares of the Company issued as part of the consideration paid was determined on the basis of the closing market price of the Company's ordinary shares on the acquisition date.

The contingent consideration will be satisfied by issuing of 5,385,950 ordinary shares of the Company and is subject to the achievement of certain conditions which included but not limited to the completion of certain technical developments by one of the vendors of the acquired equity interest in the subsidiary. The fair value of the contingent consideration is estimated to be an insignificant amount on the acquisition date. The details of the conditions are disclosed in the announcement of the Company dated 11 April 2014.

The goodwill arising on the acquisition of TicketChina Group is attributable to the synergy effect to the Group's business integration and membership promotion by the online network of Ipiao and the economic benefits attributable to the Group as a result of further penetration into different cities in PRC.

Since the acquisition, TicketChina Group made no significant contribution to the revenue and result of the Group.

If the acquisition had been completed on 1 January 2014, total Group's revenue and profit for the year ended 31 December 2014 would have been approximately HK$1,681,581,000 and HK$123,629,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is intended to be a projection of future results.

42. LEASE COMMITMENTS

As at 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014 **HK$'000**	2013 HK$'000
Within one year	**438,000**	334,000
In the second to fifth years inclusive	**1,827,000**	1,492,000
After five years	**4,167,000**	3,558,000
	6,432,000	5,384,000

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

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

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

43. OTHER COMMITMENTS

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

		2014 **HK$'000**	2013 HK$'000
(a)	Amount contracted but not provided for in the consolidated financial statements in respect of:		
	Investments in film production	**–**	7,843
	Construction of cinema premises	**808,094**	490,989
	Consultancy fee expenses	**–**	4,485
(b)	Capital expenditure authorised but not contract for in respect of:		
	Construction of cinema premises	**2,882,691**	1,886,730

44. CONTINGENT LIABILITIES

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

As at 31 December 2014, the Group and the Company did not have any other significant contingent liabilities.

45. RELATED PARTY TRANSACTIONS

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

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

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Investments in subsidiaries	48	**78**	295,637
Available-for-sale financial assets		**–**	23,020
		78	318,657
Current assets			
Prepayments, deposits and other receivables		**40,832**	7,768
Due from subsidiaries	48	**3,488,070**	2,410,231
Loan to an associate	26	**50,000**	–
Bank and cash balances		**23,491**	70
		3,602,393	2,418,069
Current liabilities			
Trade and other payables		**26,653**	20,314
Due to related parties		**1,775**	1,548
Due to subsidiaries	48	**–**	60
Financial guarantee contracts liabilities	47	**411**	4,933
Other loans	33	**32,000**	63,103
Convertible notes	34	**41,000**	141,000
Bonds	35	**288,799**	–
		390,638	230,958
Net current assets		**3,211,755**	2,187,111
Total assets less current liabilities		**3,211,833**	2,505,768
Non-current liabilities			
Other loans	33	**–**	165,000
Convertible notes	34	**353,174**	9,934
Bonds	35	**142,995**	20,000
		496,169	194,934
NET ASSETS		**2,715,664**	2,310,834
Capital and reserves			
Share capital	38	**1,017,597**	845,161
Reserves	49	**1,698,067**	1,465,673
TOTAL EQUITY		**2,715,664**	2,310,834

47. FINANCIAL GUARANTEE CONTRACTS LIABILITIES

	Company	
	2014	2013
	HK$'000	HK$'000
Financial guarantee contracts	**411**	4,933

In September 2014, the Company and 36 subsidiaries (the "Guarantors") have issued a guarantee of RMB200 million (equivalent to approximately HK$245 million) to a bank in respect of a bank loan of RMB200 million borrowed during the year by a subsidiary, 北京望京星美影城管理有限公司. Financial guarantee contracts liabilities represents the fair value of the financial guarantees provided by the Company at the inception date of the bank loan. At the end of the reporting period, the maximum liability of the Guarantors under the guarantee is the outstanding amount of the bank loan which amounted to approximately HK$245,212,000 (2013: HK$Nil).

In 2012, the Company, Mr. QIN Hui and several subsidiaries (the "Guarantors") have issued a guarantee of RMB200 million (equivalent to approximately HK$242 million) to an underwriter in respect of the issue of the SMEs Private Placement Bonds by four subsidiaries. Financial guarantee contracts liabilities represents the fair value of the financial guarantees provided by the Company at the inception of the SMEs Private Placement Bonds. At the end of the reporting period, the maximum liability of the Guarantors under the guarantee is the outstanding amount of the SMEs Private Placement Bonds which amounted to approximately HK$99,762,000 (2013: HK$253,648,000).

48. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted investments, at cost	**78**	24,878
Amounts due from subsidiaries not expected to be recovered within one year	**–**	270,759
	78	295,637

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

48. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2014 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued/ paid up capital	Percentage of equity interest held by the Company Directly	Percentage of equity interest held by the Company Indirectly	Percentage of profit sharing	Principal activities
Able Charm Limited	HK	10,000,000 ordinary shares of HK$1 each	–	100%	100%	Investment holding
Admiral Team Limited	BVI	1 ordinary share of US$1 each	–	100%	100%	Investment holding
*Beijing Huilongguan Stellar Cineplex Management Co., Ltd. (note) 北京回龍觀星美國際影城管理有限公司	PRC	Registered capital of RMB6,000,000	–	#49%	100%	Operation of cinema
*Beijing Mingxiang International Cinema Mgt Co., Ltd. (note) 北京名翔國際影院管理有限公司	PRC	Registered capital of RMB7,000,000	–	72.86%	100%	Operation of cinema
*Beijing Shijiecheng Stellar Cineplex Management Co., Ltd. (note) 北京世界城星美國際影城管理有限公司	PRC	Registered capital of RMB6,000,000	–	#49%	100%	Operation of cinema
*Beijing Wangjing Stellar International Cinema Mgt Co., Ltd. (note) 北京望京星美國際影城管理有限公司	PRC	Registered capital of RMB7,500,000	–	60%	100%	Operation of cinema
Bravissimi Films (International) Limited	BVI	1 ordinary share of US$1 each	100%	–	100%	Investment in production of film
Campbell Hall Limited	BVI	3 ordinary shares of US$1 each	–	100%	100%	Investment holding
Chengdu Stellar Cineplex Limited 成都星美影業發展有限公司	PRC	Registered capital of RMB10,000,000	–	57%	57%	Operation of cinema
*Chongqing Stellar Cinema Management Co., Ltd. (note) 重慶星美影院管理有限公司	PRC	Registered capital of RMB6,000,000	–	#49%	100%	Operation of cinema
Color Asia Pacific Limited	HK	1 ordinary share of HK$1 each	–	100%	100%	Investment holding
GDL Nominee Limited	HK	2 ordinary shares of HK$1 each	–	100%	100%	Investment holding
*Lanzhou Stellar Cineplex Limited (note) 蘭州星美影城管理有限公司	PRC	Registered capital of RMB6,000,000	–	#49%	100%	Operation of cinema

48. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued/ paid up capital	Percentage of equity interest held by the Company Directly	Indirectly	Percentage of profit sharing	Principal activities
LS Education Centre Company Limited	HK	100 ordinary shares of HK$1 each	–	51%	51%	Provision of entertainment arts education and training services
Market Dynamics (Hong Kong) Limited	HK	10,000 ordinary shares of HK$1 each	–	100%	100%	Provision of advertising and public relation services
North Hollywood Limited	BVI	1 ordinary share of US$1 each	100%	–	100%	Investment holding
*Shanghai Lemo Stellar Cineplex Management Co., Ltd. (note) 上海星美樂莫影院管理有限公司	PRC	Registered capital of RMB6,000,000	–	75%	100%	Operation of cinema
*Shanghai Stellar Cineplex Management Co., Ltd. (note) 上海星美影院管理有限公司	PRC	Registered capital of RMB12,000,000	–	75%	100%	Operation of cinema
*Shenyang Stellar Cineplex Management Co., Ltd. (note) 瀋陽星美影城管理有限公司	PRC	Registered capital of RMB6,000,000	–	#49%	100%	Operation of cinema
SMI International Cinemas Limited	HK	10,000 ordinary shares of HK$1 each	–	100%	100%	Investment holding
SMI Investment (HK) Limited	HK	1 ordinary share of HK$1 each	100%	–	100%	Investment in securities
SMI Management (Beijing) Limited	HK	1 ordinary share of HK$1 each	–	100%	100%	Provision of administrative services
SMI Management (HK) Limited	HK	1 ordinary share of HK$1 each	–	100%	100%	Provision of administrative services
SMI Photon (HK) Limited	HK	1 ordinary share of HK$1 each	–	100%	100%	Inactive
SMI Photon Pty Limited	Australia	100 ordinary shares of AUD55,000 each	–	80%	80%	Provision of visual effect and post-production of film making
*Tianjin Stellar Cineplex Management Co., Ltd. (note) 天津星美影城管理有限公司	PRC	Registered capital of RMB6,000,000	–	#49%	100%	Operation of cinema
*Xuzhou Stellar Cineplex Management Co., Ltd. (note) 徐州星美影院管理有限公司	PRC	Registered capital of RMB6,000,000	–	#49%	100%	Operation of cinema

48. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued/ paid up capital	Percentage of equity interest held by the Company Directly	Indirectly	Percentage of profit sharing	Principal activities
Beijing Xingmeihui Catering Mgt Co., Ltd. 北京星美滙餐飲管理有限公司	PRC	Registered capital of RMB8,800,000	–	100%	100%	Operation of café and sale of food and beverage in cinema
Beijing Zhong Xingmeihui Trading Co., Ltd. 北京中星美滙商貿有限公司	PRC	Registered capital of RMB10,000,000	–	100%	100%	Operation of In-theater counter sales and online shopping
Beijing Stellar Jincheng International Advertising Co., Ltd. 北京星美今晟國際廣告有限公司	PRC	Registered capital of RMB10,000,000	–	76%	76%	Provision of advertising and public relation services
Changshou Stellar Cineplex Mgt Co., Ltd. 常熟市星美影院管理有限公司	PRC	Registered capital of RMB1,000,000	–	95%	95%	Operation of cinema
Shanghai Jinshan Baibei Cineplex Mgt Co., Ltd. 上海金山星美百倍影院管理有限公司	PRC	Registered capital of RMB6,000,000	–	75%	100%	Operation of cinema
Shenyang Dayue Stellar Mgt Co., Ltd. 沈陽大悦星美企業管理有限公司	PRC	Registered capital of RMB1,000,000	–	95%	95%	Operation of cinema
Hohhot Stellar International Cineplex Mgt Co., Ltd. 呼和浩特星美國際影院管理有限公司	PRC	Registered capital of RMB1,000,000	–	95%	95%	Operation of cinema
Kunming Stellar Enterprise Mgt Co., Ltd. 昆明星美企業管理有限公司	PRC	Registered capital of RMB1,000,000	–	95%	95%	Operation of cinema
Nanjing Wending Stellar Cineplex Mgt Co., Ltd. 南京星美文鼎影院管理有限公司	PRC	Registered capital of RMB1,000,000	–	95%	95%	Operation of cinema
Qingdao Yangguang Stellar Cineplex Mgt Co., Ltd. 青島陽光星美影院管理有限公司	PRC	Registered capital of RMB1,000,000	–	95%	95%	Operation of cinema
Beijing Yangguang Stellar International Cineplex Mgt Co., Ltd. 北京陽光星美國際影院管理有限公司	PRC	Registered capital of RMB1,000,000	–	95%	95%	Operation of cinema
Chengdu Jiana Stellar Cineplex Mgt Co., Ltd. 成都戛納星美影城管理有限公司	PRC	Registered capital of RMB1,000,000	–	95%	95%	Operation of cinema
Nanchang Stellar Cineplex Mgt Co., Ltd. 南昌市星美影院管理有限公司	PRC	Registered capital of RMB1,000,000	–	95%	95%	Operation of cinema

48. INVESTMENTS IN SUBSIDIARIES (Continued)

\# The Directors are of opinion that, notwithstanding holding less than half of the voting rights of these companies, having considered in substance all facts and circumstances the Group has control over these companies.

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

Note: During the year, the Group has made profit entitlement agreements and supplementary agreements with most of the non-controlling interests of its subsidiaries in which the non-controlling interests agreed to waive their share of the profit after tax for the year ended 31 December 2014 and 2013 in the corresponding subsidiaries. Therefore, the Group is entitled to 100% of the profit after tax for most of the subsidiaries for the year ended 31 December 2014 and 2013. Pursuant to the profit entitlement agreements, the Group is entitled to 90% or 95% of the respective profit after tax from 1 January 2014 onwards of the relevant subsidiaries. In addition, the non-controlling interests confirmed that they would indemnify the Group for all expenses incurred for the distribution of profits from them under the profit entitlement agreements.

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

The following table shows information of a subsidiary that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

	2014	2013
Name	**Beijing Huilongguan Stellar Cineplex Management Co., Ltd. 北京回龍觀星美國際影城管理有限公司**	
Principal place of business/country of incorporation	PRC/PRC	
% of ownership interests/voting rights held by NCI	**49%/49%**	49%/49%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**8,451**	11,216
Current assets	**232,099**	265,560
Non-current liabilities	**(34,917)**	(101,566)
Current liabilities	**(51,937)**	(24,846)
Net assets	**153,696**	150,364
Accumulated NCI	**4,667**	14,765
Year ended 31 December:		
Revenue	**39,781**	53,129
Profit	**9,088**	20,653
Total comprehensive income	**5,843**	16,958
Profit allocated to NCI	**(1,280)**	(1,987)
Dividends paid to NCI	**–**	–
Net cash generated from/(used in) operating activities	**75,224**	(155,392)
Net cash (used in)/generated from investing activities	**(756)**	142,020
Net cash (used in)/generated from financing activities	**(74,488)**	12,789
Net decrease in cash and cash equivalents	**(20)**	(583)

49. RESERVES

(a) Group

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

(b) Company

	Share premium HK$'000	Other reserve HK$'000	Contributed surplus HK$'000	Convertible notes reserve HK$'000	Warrants reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Dividend HK$'000	Total HK$'000
At 1 January 2013	1,666,517	(36,615)	36,003	12,913	–	7,272	(230,288)	–	1,455,802
Loss for the year	–	–	–	–	–	–	(37,113)	–	(37,113)
Issue of shares by placement (note 38(a))	26,110	–	–	–	–	–	–	–	26,110
Recognition of share options lapsed	–	–	–	–	–	(7,272)	7,272	–	–
Share-based payments	–	–	–	–	–	20,874	–	–	20,874
At 1 December 2013	1,692,627	(36,615)	36,003	12,913	–	20,874	(260,129)	–	1,465,673
At 1 January 2014	1,692,627	(36,615)	36,003	12,913	–	20,874	(260,129)	–	1,465,673
Loss for the year	–	–	–	–	–	–	(47,788)	–	(47,788)
Issue of shares by subscription (note 38(b))	57,035	–	–	–	–	–	–	–	57,035
Approved final dividend for the year ended 31 December 2013	–	–	–	–	–	–	(37,409)	37,409	–
Dividend paid during the year	–	–	–	–	–	–	–	(37,409)	(37,409)
Reduction of share premium	(1,692,627)	–	1,432,498	–	–	–	260,129	–	–
Issue of shares by placement (note 38(a))	143,188	–	–	–	–	–	–	–	143,188
Issue of Warrant (note 35(b)(c)(d))	–	–	–	–	3,095	–	–	–	3,095
Recognition of equity component of convertible notes (note 34(c) to (f))	–	–	–	12,772	–	–	–	–	12,772
Allotment of shares for acquisition (note 38(c))	22,037	–	–	–	–	–	–	–	22,037
Issue of conversion shares (note 38(d))	72,973	–	–	(8,865)	–	–	8,865	–	72,973
Share option exercised (note 38(e))	133	–	–	–	–	–	–	–	133
Recognition of share options lapsed	–	–	–	–	–	(2,295)	2,295	–	–
Share-based payments	–	–	–	–	–	6,358	–	–	6,358
At 31 December 2014	295,366	(36,615)	1,468,501	16,820	3,095	24,937	(74,037)	–	1,698,067

(c) Nature and purpose of reserves

(i) Share premium

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

Pursuant to Section 46(2) of the Companies Act 1981 of Bermuda, the Company was authorised by a special resolution passed at the annual general meeting of the Company held on 6 June 2014 to reduce the share premium account ("Share Premium Reduction"). As at 31 December 2013, the amount standing to the credit of the share premium account of the Company was approximately HK$1,692,627,000 and the amount of accumulated losses was approximately HK$260,129,000. Under the Share Premium Reduction, the entire amount standing to the credit of the share premium account of the Company as at 31 December 2013 in the sum of approximately HK$1,692,627,000 be reduced, with part of the credit arising therefrom being applied to offset the accumulated losses of the Company as at 31 December 2013 in the sum of approximately HK$260,129,000 in full and the remaining balance of the credit in the sum of approximately HK$1,432,498,000 being credited to the contributed surplus account of the Company.

(ii) Other reserve

(i) The difference between the fair value of the 843,500,000 ordinary shares issued for the acquisition of the entire equity interest in Colour Asia Pacific Limited and the issued and fully paid up amount of such ordinary shares in 2009;

(ii) The consideration for the additional economic interests of two principal subsidiaries (Further details of the transactions are set out in the circular of the Company dated 18 January 2011).

49. RESERVES (Continued)

(c) Nature and purpose of reserves (Continued)

(iii) Contributed surplus

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

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

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(v) Statutory reserve

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

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

The Directors consider that the carrying amounts of the financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

50. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy as at 31 December 2014:

Description	Fair value measurements using: Level 1	Level 2	Level 3	Total 2014
	HK$'000	HK$'000	HK$'000	**HK$'000**
Recurring fair value measurements:				
Financial assets				
Held for trading				
Listed securities in Hong Kong	77,577	–	–	**77,577**

As at 31 December 2013, no financial assets are stated at fair value.

51. EVENTS AFTER THE REPORTING PERIOD

(a) On 12 March 2015, the Company entered into a conditional subscription agreement (the "Subscription Agreement") with Linekong Interactive Co., Ltd, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on GEM of the Stock Exchange (Linekong), pursuant to which Linekong has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 139,582,733 shares at a price of HK$0.278 per share. The net proceeds from the subscription approximately HK$38.6 million are expected to be used for general working capital requirements. On 13 March 2015, approximately HK$34.9 million was received.

(b) On 16 March 2015, the Company, a substantial shareholder of SMI Culture, entered into a placing agreement with the Placing Agent, Emperor Securities Limited, on a best effort basis, a maximum of 112,500,000 Shares to not less than six placees at a price of HK$0.64 per placing share. On 16 March 2015, the Company also entered into a subscription agreement with SMI Culture pursuant to which the Company agreed to subscribe for a maximum of 112,500,000 shares at a price of HK$0.64 per share. The shareholding of the Company in SMI Culture will decrease from approximately 29.97% to approximately 9.97% immediately after completion of the placing and will increase to approximately 24.97% immediately after completion of the subscription. The subscription was completed on 24 March 2015.

(c) On 26 March 2015, a loan agreement was entered into between the Company and SMI Culture in relation to the provision of the facilities of up to HK$250,000,000 by the Company in favour of SMI Culture. The amounts drawn under the facilities shall be carried interest at 10% per annum and the principal amount and all accrued interest (if any) shall be repaid by SMI Culture in full in one lump sum on the repayment date from the third anniversary of the date of the loan agreement.

(d) On 27 March 2015, the Company entered into the Subscription Agreement with China Consumer Capital Fund II, L.P. ("CCC"), an exempted limited partnership established under the laws of Cayman Islands, pursuant to which CCC has conditionally agreed to subscribe in cash for 8% convertible bonds in the principal amount of HK$93,051,600 due in 2018. Based on the initial conversion price of HK$0.36 per conversion share, a total of 258,476,666 conversion share will be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds in full. The net proceeds from the subscription are estimated to be of approximately HK$92.8 million and the Company intends to use such net proceeds for capital expenditure and/or as general working capital of the Group. The proceeds were received on 30 March 2015.

52. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2015.

Financial Summary

	Year ended 31 December				
	2010	2011	2012	2013	**2014**
Results	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	356,637	736,317	857,205	1,471,684	**1,680,610**
Profit before tax	130,146	140,210	41,576	172,596	**209,077**
Income tax expense	(7,397)	(39,902)	(21,263)	(56,878)	**(83,692)**
Profit before non-controlling interests	122,749	100,308	20,313	115,718	**125,385**
Non-controlling interests	616	1,318	10,562	(2,745)	**5,607**
Net profit for the year	123,365	101,626	30,875	112,973	**130,992**

	As at 31 December				
	2010	2011	2012	2013	**2014**
Assets and liabilities	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	2,681,235	3,027,797	3,499,512	4,494,237	**6,131,082**
Total liabilities	(621,480)	(458,081)	(903,718)	(1,684,068)	**(2,765,905)**
Total equity	2,059,755	2,569,716	2,595,794	2,810,169	**3,365,177**