



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)



2015

Interim Report



Contents

2	Corporate Information
3	Management Discussion and Analysis
9	Directors' Report
16	Corporate Governance Report
21	Condensed Consolidated Statement of Profit or Loss
22	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
23	Condensed Consolidated Statement of Financial Position
25	Condensed Consolidated Statement of Changes in Equity
27	Condensed Consolidated Statement of Cash Flows
29	Notes to the Condensed Consolidated Financial Statements



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. CHENG Chi Chung
(Chief Executive Officer)
Mr. YANG Rongbing
Mr. ZHOU Lin

Non-Executive Directors

Mr. ZHANG Yongdong
Mr. LI Xuan

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. LOU Sai Tong

AUTHORIZED REPRESENTATIVES

Mr. CHENG Chi Chung
Mr. YANG Rongbing

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>



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the first half of 2015, the Chinese movie industry continued with its rapid growth momentum. For the six month ended 30 June 2015 (the "Reporting Period"), SMI Holdings Group Limited (the "Company") and its subsidiaries (collectively the "Group") focused on developing its core business (the movie theater business), at the same time increasing the investment in the expansion of non-box-office businesses, such as in-theater counter sales and online shopping – Xingmeihui, and advertising and promotion businesses etc., and proceeding with the promotion of the New Membership Scheme. During the Reporting Period, the Group achieved a substantial increase profit over the corresponding period ended 30 June 2014. Such profit was mainly due to the prosperous development of the movie market in Mainland China, the further market sharing improvement of the Group's channel business and the innovation of business models.

During the Reporting Period, the Group's operating revenue was approximately HK\$1,420 million, representing an increase of 62.3% as compared with approximately HK\$875 million of the corresponding period in 2014. Included among these, Xingmeihui contribution of revenue approximately HK\$130 million. During the Reporting Period, profit for the Group was approximately HK\$189 million, increased by 56.2% as compared with approximately HK\$121 million of the corresponding period in 2014.

Movie Theater Business

In the first half of 2015, there are 600 newly added movie theaters nationwide, and with 2,449 newly added screens, average 13.5 newly added screen every day. The total number of screens in China reached 26,244. The newly added seats was 306,256 and was averagely 1,692 in each day. The box office revenue in China exceeded RMB20 billion, increased by 48% as compared with the corresponding period in 2014. With the favorable development of the industry, the movie theater business of the Group also recorded outstanding achievement.



For the first half of 2015, the segment of movie theater business generated revenue of approximately HK\$1,249 million, increased by 64.1% compared with the corresponding period in 2014, while the profit of this segment increased by 25% to approximately HK\$210 million (corresponding period of 2014: HK\$168 million). Gross profit was approximately HK\$795 million (corresponding period of 2014: HK\$541 million) and gross profit margin reached 63.7% (corresponding period of 2014: 71%).

As at 30 June 2015, the Group had 130 movie theaters with more than 1,000 screens in major cities across China, representing an increase of 44.4% and 42.9% respectively as compared with 90 movie theaters with about 700 screens as at 31 December 2014. The Group expects to have 200 theaters nationwide by the end of 2015. As in the past, the Group maintained its leading position in first tier cities, the Group also emphasized to extend its development in movie theaters in second and third tier cities with tremendous development potential.

Advertising and Promotion Business

During the Reporting Period, the Group's advertising and promotion business expanded to a nationwide network due to the in line with the rapid growth of the movie theater business coverage of all major first tier cities and fast-growing second and third cities in China. Other than the Group to plan the space and idle time of the movie theaters, screening halls and projection screens in application for fully utilization, the Group also introduced interactive marketing campaign in order to sustain the growth of this business. On the other side, auto shows in the movie theater lobby and naming rights of large screening halls as the Group's innovative promotion methods were initiated to diversify advertising channels. The Group will bring about its advertising and promotion strategies, based on its nationwide theater network, so as to maximize the clients' satisfaction and attract more potential clients for the Group.



Membership Intergrated Scheme (“Membership Scheme”)

Membership Scheme is a systematic method to understand the needs of customers. It has been effectively retaining customer base while exploring new pools of customers. With the establishment of a comprehensive customer database, the Membership Scheme has laid a solid foundation for the sustainable development of the Group’s core business (the movie theater business) and complementary business (Xingmeihui). The Group, through the Membership Scheme, fully explored the potential business opportunities brought by the massive audiences and those within the community surrounding our movie theaters by providing different contents and utilizing different channels. Moreover, the Group became the most valuable diversified platform and branding services provider in China through the use of movie theater advertising, on-site event and celebrities, couple with the Online to Offline (“O2O”) sales model.

During the Reporting Period, the Membership Scheme was being unleashed its potential to expand the membership database for the Group, it also secured the Group’s core and complementary businesses.

Xingmeihui

Xingmeihui was the first O2O e-shop based on movie theater channels in China. During the Reporting Period, the Group had focus to develop the complementary business by leveraging on the nationwide chain theater network, and riding on the O2O Xingmeihui community digital e-shop. Xingmeihui penetrated the surrounding communities of the Cineplex network, it established in first and second tier cities and economically developed regions, and started to enter third and fourth tier cities. Xingmeihui was established at in-theater zones and community shops were established outside theaters.

During the Reporting Period, this segment recorded revenue of approximately HK\$130 million and recorded a profit of approximately HK\$2.8 million. Xingmeihui is in the expansion stage, it is expected to bring stable and strong contribution to the Group after the maturity of development.



The Group aimed to cooperate with renowned brands to deliver high quality and diversified products to the customers, including high-end brand products and food items from Hong Kong, Macau, Taiwan and foreign regions in order to develop Xingmeihui as a center point that offers a whole spectrum of high quality products around the world. Moreover, as Baidu has subscribed share of the Company, both sides will deepen their cooperation in business like Co-brand Card and online ticketing etc. It will help to increase cinema admission of the Group and create "Two Kilometers Ecosystems".

Prospects

In the first half of 2015, the total box office revenue in China reached RMB20 billion, an increase of 48% compared to corresponding period in 2014. During the Reporting Period, over 550 million person-times watched movies and around 25 million screen-times showed in China. The gap between China and the world's largest movie market, the USA, was expected gradually to further narrow. The movie industry in China is in golden era of development but still to exist an enormous room to grow. In the future, the Group will continue to consolidate currently available businesses and take the advantage of the powerful network nationwide to exploit new business, so as to create greatest value for shareholders.

Financial Review

Revenue and Profit for the year

During the Reporting Period, the Group achieved a revenue of approximately HK\$1,420 million (corresponding period 2014 was HK\$875 million), an increase of 62.3% over the corresponding period in 2014.

During the Reporting Period, the profit after tax increased by 56.2% from approximately HK\$121 million to approximately HK\$189 million. The increase in profit was mainly due to the strong growth of the Group's core business as beneficiary of the high speed development of the movie market in Mainland China and the rapid growth of higher gross profit margin business, and has become the Group's another strong source of revenue and has increased the Group's revenue for the Reporting Period substantially. In addition to the Group's prudent and reasonable spending plan, the Group recorded an increase in profit in the Reporting Period.



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

The revenue and profit of movie theater operation for the Reporting Period increased by approximately HK\$488 million and approximately HK\$42 million respectively with the corresponding period in 2014.

The revenue and profit of the complementary business was approximately HK\$130 million and approximately HK\$2.8 million for the Reporting Period.

Selling, Marketing and Administrative Expenses

The selling, marketing and administrative expenses increased by 49% as compared with the corresponding period in 2014, 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 Reporting Period.

Financial Costs

Financial costs were mainly represented by the interest of approximately HK\$30 million from bonds, interest of approximately HK\$19 million from convertible notes, interest of approximately HK\$8 million from bank loans, interest of approximately HK\$5 million from securities margin facilities and finance lease charges of approximately HK\$3 million, interest of approximately HK\$10 million from others (included bank overdraft, other loans and finance charges etc.).

Financial Resources and Liquidity

As at 30 June 2015, the Group has net current assets of approximately HK\$390 million. This is the positive effect of new shares issued to raise working capital in 2015.

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 30 June 2015, the gearing ratio (total debts (including convertible notes and other financial derivatives) to equity attributable to equity holders of the Company) dropped down to 25.1% from 43.5% as at 31 December 2014, which was mainly due to issue of new shares to increase working capital reserves and the conversions of convertible notes.

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

Foreign Exchange Risks

The Group 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\$ strengthen against RMB.

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

Contingent Liabilities

As at 30 June 2015, the Group and the Company did not have any significant contingent liabilities.

Employees

Excluding the staff of associates, the Group had a total of approximately 3,400 full-time staff as at 30 June 2015 (including directors but excluding part-time staff). The Group offers remuneration and benefit packages to its employees according to the prevailing salary levels in the market, individual merits and performance.



DIRECTORS' REPORT

The directors present their interim report of the Group for the Reporting Period.

Results and appropriations

The results of the Group for the Reporting Period are set out in the condensed consolidated statement of profit or loss and condensed consolidated statement of profit or loss and other comprehensive income on pages 21 and 22.

The board of directors (the "Board") does not recommend the payment of any interim dividend to the shareholders for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

Share capital and reserves

As at 30 June 2015, the total number of shares issued by the Company was 12,096,039,999 shares.

Movement in the Company's authorized and issued share capital are set out in note 24 to the condensed consolidated financial statements on page 56. Movement in the reserves of the Group are set out in the condensed consolidated statement of changes in equity on page 25.

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

On 12 March 2015, the Company entered into a subscription agreement for the subscription of and a total of 139,582,733 subscription shares at the subscription price of HK\$0.278 per subscription share. The gross proceeds from the subscription were HK\$38.8 million. The subscription was completed and a total of 139,582,733 new shares of the Company were issued and allotted on 13 April 2015. Further details of the above transaction are set out in the announcements of the Company dated 12 March 2015, 27 March 2015 and 13 April 2015.

On 30 April 2015, a convertible note holder, GuangDong Infore Investment Partnership Enterprise (Limited Partnership) (廣東盈峰投資合夥企業) (有限合夥) exercised the conversions rights to the extent of the principal amount of HK\$20,400,000 of the convertible note for the conversion of 60,000,000 shares of HK\$0.1 each at a conversion price of HK\$0.34 per share. The conversion was completed on 8 May 2015.



On 5 May 2015, a convertible note holder, KTB China Platform Fund exercised the conversions rights to the extent of the principal amount of HK\$77,643,990 of the convertible note for the conversion of 258,813,300 shares of HK\$0.1 each at a conversion price of HK\$0.30 per share. The conversion was completed on 11 May 2015.

On 6 May 2015, a convertible note holder, Wisdomont Investments Holdings Limited exercised the conversions rights to the extent of the principal amount of HK\$20,400,000 of the convertible note for the conversion of 60,000,000 shares of HK\$0.1 each at a conversion price of HK\$0.34 per share. The conversion was completed on 13 May 2015.

On 6 May 2015, a convertible note holder, Harvest Progress International Limited exercised the conversions rights to the extent of the principal amount of HK\$100,000,000 of the convertible note for the conversion of 294,117,647 shares of HK\$0.1 each at a conversion price of HK\$0.34 per share. The conversion was completed on 14 May 2015.

On 12 May 2015, a convertible note holder, Mr. QIN Hui exercised the conversions rights to the extent of the principal amount of HK\$41,000,000 of the convertible note for the conversion of 110,810,810 shares of HK\$0.1 each at a conversion price of HK\$0.37 per share. The conversion was completed on 14 May 2015.

On 20 May 2015, 160,000,000 shares were issued upon exercise of share options under Share Option Scheme other than by directors of the Company.

On 29 May 2015, 96,666,664 shares were issued upon exercise of share options under Share Option Scheme by directors and employees of the Company.

On 29 May 2015, a convertible note holder, CCB International Overseas Limited exercised the conversions rights to the extent of the principal amount of HK\$30,000,000 of the convertible note for the conversion of 88,235,294 shares of HK\$0.1 each at a conversion price of HK\$0.34 per share. The conversion was completed on 11 June 2015.

On 18 June 2015, a convertible note holder, GuangDong Infore Investment Partnership Enterprise (Limited Partnership) (廣東盈峰投資合夥企業) (有限合夥) exercised the conversions rights to the extent of the principal amount of HK\$17,627,633 of the convertible note for the conversion of 51,845,980 shares of HK\$0.1 each at a conversion price of HK\$0.34 per share. The conversion was completed on 25 June 2015.



On 10 June 2015, the Company entered into a placing agreement pursuant to which the Company could issue a maximum of 600,000,000 new shares of HK\$0.75 per share. The net proceeds from this were approximately HK\$437 million. The placing agreement was completed and 600,000,000 new shares of the Company were issued and allotted on 30 June 2015. Further details of the above transactions are set out in the announcement of the Company dated 10 June 2015.

Property, plant and equipment

Details of the Group's property, plant and equipment as at 30 June 2015 are set out in note 11 to the condensed consolidated financial statements on page 36.

Directors and directors' service contracts

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

Executive directors:

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

Mr. YANG Rongbing

Mr. ZHOU Lin (appointed on 1 July 2015)

Mr. NG Kam Tsun (resigned on 30 June 2015)

Mr. XI Qing (resigned on 30 June 2015)

Mr. LI Yige (resigned on 30 June 2015)

Non-executive directors:

Mr. ZHANG Yongdong (appointed on 1 July 2015)

Mr. LI Xuan (appointed on 1 July 2015)

Independent non-executive directors:

Mr. PANG Hong

Mr. LI Fusheng

Mr. KAM Chi Sing

Each of the three independent non-executive directors has entered into service contract with the Company for a term of three years. The service contract can be terminated by either party by giving three months' notice to the other party.



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

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

As at 30 June 2015, the interests and short positions of the directors and chief executive of the Company and their associates in the shares and underlying shares of the Company or any of its associate corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in the shares and underlying shares of the Company

Directors	Capacity	Registered Shareholders	Corporate Interest	Underlying Interest	Total Interest	% of total issued shares
CHENG Chi Chung	Beneficial owner	–	–	26,666,667	26,666,667	0.22%
YANG Rongbing	Beneficial owner	1,076,000	–	13,333,334	14,409,334	0.12%
PANG Hong	Beneficial owner	–	–	5,000,000	5,000,000	0.04%



Save as disclosed above, as at 30 June 2015, none of the other directors or the chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company, subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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 option 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 25 to the condensed consolidated financial statements.

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

Name	Date of grant	Exercise period (Notes)	Balance	Changes during the period			Balance	Exercise price per share HK\$
			as at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	as at 30 June 2015	
Director								
CHENG Chi Chung	19 July 2013	1	40,000,000	-	13,333,333	-	26,666,667	0.18
YANG Rongbing	19 July 2013	1	20,000,000	-	6,666,666	-	13,333,334	0.18
PANG Hong	19 July 2013	1	5,000,000	-	-	-	5,000,000	0.18
Other Eligible participants								
Consultants (Note 1)	19 July 2013	1	140,000,000	-	36,666,666	-	103,333,334	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	-	26,666,666	-	53,333,334	0.18
HU Yidong	19 July 2013	1	40,000,000	-	13,333,333	-	26,666,667	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) Shares options can be exercisable during 19 July 2013 to 19 July 2016 (both dates inclusive).

As at 30 June 2015, the total number of shares available for issue under the Share Option Scheme is 228,333,336 shares.

Substantial shareholders' interests

As at 30 June 2015, so far as it is known to the Directors, the following parties (other than the directors and chief executive of the Company had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept under Section 336 of SFO:

Substantial shareholders	Beneficial owner	Corporate interests	Family interest	Long position	Short position	% of total issued shares (Note a)
Mr. QIN Hui	6,754,684,664	23,878,623 (Note b)	-	6,754,684,664	-	55.84%

Notes:

- (a) There were 12,096,039,999 shares of the Company in issue as at 30 June 2015.
- (b) 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.

Directors' interests in competing business

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

Directors' interests in contracts

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



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

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

Public float

As at 30 June 2015, the Company has maintained the prescribed public float under the Listing Rules based on the information that is publicly available to the Company and within the knowledge of the Board.

Pre-emptive rights

There is no provision for pre-emptive right under the Company's by-laws, or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Contingent liabilities

As at 30 June 2015, the Group and the Company did not have any significant contingent liabilities.

Events after the Reporting Period

Details of significant events occurring after the Reporting Period are set out in note 33 to the condensed consolidated financial statements on page 66.

Appreciation

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

By order of the Board

SMI Holdings Group Limited

CHENG Chi Chung

Executive Director & Chief Executive Officer

Hong Kong, 28 August 2015



CORPORATE GOVERNANCE REPORT

Overview of corporate governance

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

The Company has established a corporate governance framework comprising principally the Bye-laws and internal control handbook of the Company to implement the code provisions in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules.

Corporate governance code

During the Reporting Period, the Company has complied with the code provisions of the Corporate Governance Code ("CG Code"), except for the deviations from Code Provisions A.2.1 and A.6.7 as set out in Appendix 14 to the Listing Rules which is explained below:

Chairman and Chief Executive Officer

Under Code Provision A.2.1 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 endeavor in looking for a suitable candidate to act as chairman of the Company as soon as possible.



Attendance of directors in general meeting

In respect of the Code Provision A.6.7 of the CG Code, Messrs. CHENG Chi Chung, XI Qing (resigned on 30 June 2015) and LI Yige (resigned on 30 June 2015), three of our executive directors and Mr. LI Fusheng, the independent non-executive director of the Company, were unable to attend the annual general meeting and special general meeting of the Company held on 2 June 2015 due to their overseas engagements.

Save as those mentioned above, in the opinion of the directors, the Company complied with the provisions of the CG Code during the Reporting Period.

Non-executive directors

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

One of three independent non-executive directors is professional accountant and two of them possess the related extensive management experience. This composition is in compliance with the requirement of Rule 3.10 of the Listing Rules. Each independent non-executive director has, pursuant to Rule 3.13 of the Listing Rule, provide an annual confirmation of his independence to the Company and the Company also considers them to be independent.

Compliance with the model code for securities transactions by directors

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



Changes in Directors' Biographical Details

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

Mr. ZHOU Lin

- appointed as an Executive Director of the Company with effect from 1 July 2015

Mr. ZHANG Yongdong

- appointed as a Non-executive Director of the Company with effect from 1 July 2015

Mr. LI Xuan

- appointed as a Non-executive Director of the Company with effect from 1 July 2015

Mr. PANG Hong

- appointed as an independent non-executive directors of Sino Haijing Holdings Limited (Stock Code: 01106) with effect from 14 April 2015 and Meike International Holdings Limited (Stock Code: 00953) with effect from 23 June 2015

Mr. NG Kam Tsun

- resigned as an Executive Director of the Company with effect from 30 June 2015

Mr. XI Qing

- resigned as an Executive Director of the Company with effect from 30 June 2015

Mr. LI Yige

- resigned as an Executive Director of the Company with effect from 30 June 2015

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

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



Audit committee

Since 14 July 2009, the Company has established an audit committee (the “Audit Committee”) with written terms of reference aligned with the Provisions of the CG Code. The terms of reference of the Audit Committee are disclosed in full on the Company’s website. During the Report Period, the Audit Committee comprised three independent non-executive directors, namely, Messrs. KAM Chi Sing (as Chairman), PANG Hong and LI Fusheng.

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

The Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed internal control and the financial reporting matters, including reviewing the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015.

Remuneration committee

Since 14 July 2009, the Company has established a remuneration committee (the “Remuneration Committee”) with written terms of reference. The terms of reference of the Remuneration Committee are disclosed in full on the Company’s website. During the Reporting Period, the Remuneration Committee comprises three independent non-executive directors, namely, LI Fusheng (as Chairman), PANG Hong and 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 objectives resolved by the Board from time to time; ensuring no director or any of his associates is involved in deciding his own remuneration and advising shareholders on how to vote with respect to any service contracts of directors that requires shareholders' approval.

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

Nomination committee

Since 14 July 2009, the Company has established a nomination committee (the "Nomination Committee") with written terms of reference. The terms of reference of the Nomination Committee are disclosed in full on the Company's website. During the Reporting Period, the Nomination Committee comprises three independent non-executive directors, namely, Messrs. PANG Hong (as Chairman), LI Fusheng and 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 Nomination Committee has reviewed the structure, size and composition of the Board.

Internal control

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



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Note	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	1,419,784	874,641
Cost of sales		(557,887)	(310,292)
Gross profit		861,897	564,349
Other income	5	9,618	8,157
Selling and marketing expenses		(474,147)	(291,457)
Administrative expenses		(65,142)	(69,528)
Other operating expenses		(2,380)	(765)
Profit from operations		329,846	210,756
Finance costs	6	(75,484)	(38,970)
Share of profits and losses of associates		(5,054)	(6,220)
Equity-settled share-based payments		(1,121)	(4,510)
Gain on deemed disposal of interest in an associate		13,368	–
Change in fair value of warrants		–	(3,581)
Profit before tax		261,555	157,475
Income tax expense	7	(72,908)	(36,384)
Profit for the period	8	188,647	121,091
Attributable to:			
Owners of the Company		191,054	101,004
Non-controlling interests		(2,407)	20,087
		188,647	121,091
Earnings per share	10		
Basic		HK1.82 cents	HK1.13 cents
Diluted		HK1.70 cents	HK1.08 cents



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	188,647	121,091
Other comprehensive income:		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(4,509)</u>	<u>(18,252)</u>
Other comprehensive income for the period, net of tax	<u>(4,509)</u>	<u>(18,252)</u>
Total comprehensive income for the period	<u>184,138</u>	<u>102,839</u>
Attributable to:		
Owners of the Company	188,792	90,004
Non-controlling interests	<u>(4,654)</u>	<u>12,835</u>
	<u>184,138</u>	<u>102,839</u>



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

		30 June	31 December
		2015	2014
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	11	2,006,043	1,758,077
Goodwill	12	1,454,108	1,454,108
Intangible assets	13	61,608	63,192
Investments in associates	14	125,501	104,013
Rental deposits		27,766	27,766
Prepayments for construction of cinemas		968,874	1,116,433
		4,643,900	4,523,589
Current assets			
Inventories		62,997	87,764
Trade and other receivables	15	1,491,274	1,171,995
Held-for-trading investments		2,455	77,577
Loan to an associate	16	–	50,000
Due from a related party	19	10,169	39,606
Restricted bank balances	17	24,972	25,150
Bank and cash balances		723,876	130,221
		2,315,743	1,582,313
Assets classified as held for sale	26	25,180	25,180
		2,340,923	1,607,493
Current liabilities			
Trade and other payables	18	1,450,004	1,322,875
Due to associates		1,016	1,016
Due to a related party	19	1,381	1,381
Finance lease payables		24,205	23,426
Bank loans	20	62,430	56,587
Other loans	21	–	32,000
Convertible notes	22	–	41,000
Bonds	23	249,011	388,561
Current tax liabilities		159,396	92,049
		1,947,443	1,958,895
Liabilities directly associated with assets classified as held for sale	26	3,830	4,088
		1,951,273	1,962,983
Net current assets/(liabilities)		389,650	(355,490)
Total assets less current liabilities		5,033,550	4,168,099

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2015

		30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Non-current liabilities			
Finance lease payables		54,050	66,912
Bank loans	20	237,234	232,638
Convertible notes	22	185,644	353,174
Bonds	23	212,024	142,995
Deferred income		2,877	2,898
Deferred tax liabilities		4,048	4,305
		<u>695,877</u>	<u>802,922</u>
NET ASSETS		<u>4,337,673</u>	<u>3,365,177</u>
Capital and reserves			
Share capital	24	1,209,604	1,017,597
Reserves		3,079,962	2,294,819
Equity attributable to owners of the Company		<u>4,289,566</u>	<u>3,312,416</u>
Non-controlling interests		48,107	52,761
TOTAL EQUITY		<u>4,337,673</u>	<u>3,365,177</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

For the six months ended 30 June 2014

	Attributable to owners of the Company												Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (note (a))	Other reserve HK\$'000 (note (b))	Contributed surplus HK\$'000 (note (c))	Foreign currency translation reserve HK\$'000 (note (d))	Convertible notes reserve HK\$'000	Statutory reserve HK\$'000 (note (e))	Share-based payment reserve HK\$'000	Retained profits HK\$'000	Dividend HK\$'000	Total HK\$'000			
At 1 January 2014 (Audited)	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 period	-	-	-	-	(11,000)	-	-	-	101,004	-	90,004	12,835	102,839	
Approved final dividend for the year ended 31 December 2013	-	-	-	-	-	-	-	-	(37,409)	37,409	-	-	-	
Dividend paid during the period	-	-	-	-	-	-	-	-	(37,409)	(37,409)	-	-	(37,409)	
Reduction of share premium	-	(1,692,627)	-	1,432,498	-	-	-	-	260,129	-	-	-	-	
Recognition of equity component of convertible notes	-	-	-	-	-	6,932	-	-	-	-	6,932	-	6,932	
Issue of shares by subscription (note 24(b))	55,000	57,035	-	-	-	-	-	-	-	-	112,035	-	112,035	
Allotment of shares for acquisition of a subsidiary (note 24(c))	12,242	22,037	-	-	-	-	-	-	-	-	34,279	-	34,279	
Issue of conversion shares (note 24(d))	27,027	72,973	-	-	-	(8,865)	-	-	8,865	-	100,000	-	100,000	
Non-controlling interests on acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	7,919	7,919	
Share based payments	-	-	-	-	-	-	-	4,510	-	-	4,510	-	4,510	
Changes in equity for the period	94,269	(1,540,582)	-	1,432,498	(11,000)	(1,933)	-	4,510	332,589	-	310,351	20,754	331,105	
At 30 June 2014 (Unaudited)	939,430	152,045	(121,745)	1,463,670	11,669	10,980	44,400	25,384	519,888	-	3,045,721	95,553	3,141,274	

For the six months ended 30 June 2015

	Attributable to owners of the Company												Non-controlling interests HK\$'000	Total Equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (note (a))	Other reserve HK\$'000 (note (b))	Contributed surplus HK\$'000 (note (c))	Foreign currency translation reserve HK\$'000 (note (d))	Convertible notes reserve HK\$'000	Warrants reserve HK\$'000	Statutory reserve HK\$'000 (note (e))	Share-based payment reserve HK\$'000	Retained profits HK\$'000	Dividend HK\$'000	Total HK\$'000		
At 1 January 2015 (Audited)	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
Total comprehensive income for the period	-	-	-	-	(2,262)	-	-	-	-	191,054	-	188,792	(4,654)	184,138
Approved final dividend for the year ended 31 December 2014	-	-	-	-	-	-	-	-	-	(42,017)	42,017	-	-	
Dividend paid during the period	-	-	-	-	-	-	-	-	-	(42,017)	(42,017)	-	(42,017)	
Issue of shares by subscription (note 24 (f))	13,958	24,774	-	-	-	-	-	-	-	-	38,732	-	38,732	
Issue of conversion shares (note 24 (g))	92,382	207,100	-	-	-	(15,471)	-	-	-	15,471	299,482	-	299,482	
Recognition of share options exercised (note 24 (h))	25,667	20,533	-	-	-	-	-	(13,819)	13,819	-	46,200	-	46,200	
Issue of shares by placement (note 24 (i))	60,000	377,230	-	-	-	-	-	-	-	-	437,230	-	437,230	
Recognition of equity component of convertible notes	-	-	-	-	-	7,610	-	-	-	-	7,610	-	7,610	
Recognition of warrants lapsed	-	-	-	-	-	-	(2,071)	-	-	2,071	-	-	-	
Share based payments	-	-	-	-	-	-	-	1,121	-	-	1,121	-	1,121	
Changes in equity for the period	192,007	629,637	-	-	(2,262)	(7,861)	(2,071)	-	(12,698)	180,398	-	977,150	(4,654)	972,496
At 30 June 2015 (Unaudited)	1,209,604	925,003	(121,745)	1,463,670	13,843	8,959	1,024	54,546	12,239	722,423	-	4,289,566	48,107	4,337,673



Notes:

(a) 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.

(b) Other reserve

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

(c) Contributed surplus

The contributed surplus of the Group represented the balance of credit arising from the reduction of share capital and the cancellation of share premium in relation to the capital reorganisation in 1996, plus the balance of credit arising from the Share Premium Reduction in 2014, less the amount transferred to accumulated losses in relation to another capital reorganisation in the years ended 31 March 2003 and 2005 and the amount released from disposal of certain associates and distribution of dividend in prior years.

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

(d) Foreign currency translation reserve

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

(e) Statutory reserve

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



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Operating activities			
Cash generated from operations		384,590	138,110
Finance lease charges paid		(3,247)	(2,196)
Income taxes paid		(2,850)	(3,551)
Net cash generated from operating activities		378,493	132,363
Investing activities			
Acquisition of a subsidiary, net of cash acquired		–	2,432
Purchase of property, plant and equipment		(91,262)	(423,527)
Net prepayments for construction of cinemas		(102,161)	(2,618)
Other net cash flows arising from investing activities		(10,533)	(11,146)
Net cash used in investing activities		(203,956)	(434,859)
Financing activities			
Net proceeds from issue of bonds, bank loans and convertible notes		222,422	267,195
Net repayments of bonds and bank loans		(197,500)	–
Net proceeds from issue of shares by subscription		38,732	112,035
Net proceeds from issue of shares by placement		437,230	–
Net repayments of other loans		(32,000)	(10,913)
Dividend paid		(42,017)	(37,409)
Other net cash flows arising from financing activities		(11,827)	(32,198)
Net cash generated from financing activities		415,040	298,710



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Net increase/(decrease) in cash and cash equivalents		589,577	(3,786)
Cash and cash equivalents at the beginning of period		130,281	41,383
Effect of foreign exchange rate changes		4,078	6,492
		<hr/>	<hr/>
Cash and cash equivalents at the end of period		723,936	44,089
		<hr/>	<hr/>
Analysis of cash and cash equivalents			
Bank and cash balances		723,876	44,089
Bank and cash balances under assets classified as held for sale	26	60	–
		<hr/>	<hr/>
		723,936	44,089
		<hr/>	<hr/>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

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

The condensed consolidated financial statements should be read in conjunction with the 2014 annual financial statements. The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2014.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting period beginning on 1 January 2015. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's condensed consolidated financial statements and amounts reported for the current period and prior years.

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



3. REVENUE

The Group's revenue which represents the amounts received and receivable from theater operation, in-theater counter sales and online shopping and distribution and net gain on disposal from trading of marketable securities during the period are as follows:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Theater operation	1,248,625	761,094
In-theater counter sales and online shopping	129,995	113,547
Net gain on disposal of held-for-trading investments	41,164	—
	1,419,784	874,641

4. SEGMENT INFORMATION

The four reportable segments of the Group are as follows:

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

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

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.



4. SEGMENT INFORMATION (Continued)

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.

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

	Segment revenue		Segment result		Segment assets		Segment liabilities	
	Six months ended 30 June		Six months ended 30 June		At		At	
	2015	2014	2015	2014	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Theater operation	1,248,625	761,094	210,303	168,463	6,352,101	5,484,441	(1,639,460)	(1,542,252)
In-theater counter sales and online shopping	129,995	113,547	2,840	10,176	298,389	216,840	(72,828)	(228,382)
Investments in film production and distribution	-	-	(2,556)	(7,519)	55,248	56,135	(7,660)	(4,088)
Securities trading	41,164	-	29,815	-	52,649	79,413	(5,500)	-
Other	-	-	(2,400)	(15,254)	141,006	175,133	(52,171)	(104,045)
	1,419,784	874,641	238,002	155,866	6,899,393	6,011,962	(1,777,619)	(1,878,767)

Notes:

- Revenue reported above represents revenue generated from external customers. There are no inter-segment sales for the six months ended 30 June 2015 (Unaudited) (six months ended 30 June 2014: HK\$Nil (Unaudited)).
- Segment result of theater operation includes share of profits of associates from related theater operation.



4. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment profit or loss:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total profit of reportable segments	238,002	155,866
Other income	2,804	437
Unallocated amounts:		
Unallocated finance costs	(48,218)	(26,946)
Corporate expenses	(3,941)	(8,266)
	<hr/>	<hr/>
Consolidated profit for the period	188,647	121,091
	<hr/>	<hr/>

5. OTHER INCOME

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	2,358	739
Government grants (note (a))	5,501	6,491
Others	1,759	927
	<hr/>	<hr/>
	9,618	8,157
	<hr/>	<hr/>

Note:

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



6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on borrowings		
– bank overdraft	4,471	4
– bank loans	7,932	2,829
– other loans	4,608	8,807
– convertible notes	18,994	2,984
– bonds	30,454	17,763
– securities margin facilities	4,978	4,387
Finance charges	800	–
Finance lease charges	3,247	2,196
	<u>75,484</u>	<u>38,970</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax	5,500	–
Current tax – PRC Enterprise Income Tax		
Provision for the period	67,665	36,838
Over provision in prior years, net	–	(35)
	<u>73,165</u>	<u>36,803</u>
Deferred tax	(257)	(419)
	<u>72,908</u>	<u>36,384</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated profits for the six months ended 30 June 2015. No provision for Hong Kong Profits Tax is required since the Group has sufficient tax losses brought forward or no assessable profit for the six months ended 30 June 2014.

7. INCOME TAX EXPENSE (Continued)

For the PRC subsidiaries of the Group, the provision for PRC Enterprise Income Tax is based on a statutory rate of 25% (six months ended 30 June 2014: 25%) of the estimated assessable profits of the group entities as determined in accordance with the relevant income tax rules and regulations of the PRC.

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

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of lease contracts (included in selling and marketing expenses)	1,026	1,672
Amortisation of prepaid building lease rights (included in selling and marketing expenses)	558	558
Decrease in fair value of held-for-trading investments	42	–
Auditor's remuneration	200	180
Cost of services provided	432,360	207,034
Cost of inventories sold	125,527	103,258
Impairment loss on trade and other receivables	2,328	–
Directors' emoluments		
– salaries, bonus and allowances	1,127	1,926
– directors' fees	798	83
– equity-settled share-based payments	121	942
– retirement benefit scheme contributions	9	7
	2,055	2,958
Depreciation on property, plant and equipment	78,580	59,685
Net exchange loss	6,297	17,009
Operating lease charges of land and buildings		
– minimum lease payments	104,591	70,880
– contingent rent	12,711	8,268
	117,302	79,148
Staff costs excluding directors' emoluments		
– salaries, bonus and allowances	104,934	73,493
– equity-settled share-based payments	630	1,885
– retirement benefit scheme contributions	19,068	15,367
	124,632	90,745
Equity-settled share-based payments to consultants	370	1,683



9. DIVIDENDS

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend for the year ended 31 December 2014 approved and paid – HK0.37 cents (2013: HK0.41 cents) per ordinary share	42,017	37,409

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings attributable to owners of the Company, used in the basic earnings per share calculation	191,054	101,004
Effect of assumed conversions from finance cost saving on conversion of convertible notes	18,994	2,984
Earnings attributable to owners of the Company, used in the diluted earnings per share calculation	210,048	103,988
Number of shares		
Issued ordinary shares at beginning of the period	10,175,967,571	8,451,606,688
Effect of new shares issued by subscription	60,922,850	437,569,061
Effect of new shares issued for acquisition of a subsidiary	–	50,728,155
Effect of new conversion shares issued	225,921,689	16,425,265
Effect of new shares issued by placement	3,314,917	–
Effect of issue of new shares from exercise of share options	53,867,403	–
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	10,519,994,430	8,956,329,169
Effect of dilutive potential ordinary shares arising from share options	299,016,999	185,064,789
Effect of dilutive potential ordinary shares arising from convertible notes	1,060,950,558	443,724,830
Effect of dilutive potential ordinary shares arising from warrants	450,000,000	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	12,329,961,987	9,585,118,788



11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group spent approximately HK\$91,262,000 (Unaudited) (six months ended 30 June 2014: HK\$423,527,000 (Unaudited)) on additions to property, plant and equipment.

12. GOODWILL

HK\$'000

Cost

At 1 January 2014 (Audited)

1,427,618

Addition on acquisition of a subsidiary

32,402

**At 31 December 2014, 1 January 2015 (Audited) and
30 June 2015 (Unaudited)**

1,460,202

Accumulated impairment losses

At 1 January 2014, 31 December 2014 and 1 January 2015 (Audited) and
30 June 2015 (Unaudited)

5,912

Carrying amount

At 30 June 2015 (Unaudited)

1,454,108

At 31 December 2014 (Audited)

1,454,108



13. INTANGIBLE ASSETS

	Trademark (purchased) HK\$'000	Lease contracts (purchased) HK\$'000	Prepaid building lease rights (purchased) HK\$'000	Investments in film production HK\$'000	Total HK\$'000
Cost					
At 1 January 2014	25,120	31,188	36,783	50,161	143,252
Additions	-	-	-	12,961	12,961
Disposal	-	-	-	(49,967)	(49,967)
Reclassified to assets classified as held for sale (note 26)	(25,120)	-	-	-	(25,120)
At 31 December 2014 (Audited) and 30 June 2015 (Unaudited)	-	31,188	36,783	13,155	81,126
Accumulated amortisation and impairment losses					
At 1 January 2014	-	11,148	2,847	-	13,995
Amortisation	-	2,822	1,117	-	3,939
At 31 December 2014 (Audited) Amortisation	-	13,970	3,964	-	17,934
	-	1,026	558	-	1,584
At 30 June 2015 (Unaudited)	-	14,996	4,522	-	19,518
Carrying amount					
At 30 June 2015 (Unaudited)	-	16,192	32,261	13,155	61,608
At 31 December 2014 (Audited)	-	17,218	32,819	13,155	63,192

14. INVESTMENTS IN ASSOCIATES

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Listed investments:		
Share of net assets	107,414	86,409
Unlisted investments:		
Share of net assets	8,382	7,899
Goodwill	9,705	9,705
Net assets	18,087	17,604
	125,501	104,013
Fair value of listed investments in associates based on quoted market price (level 1 fair value measurement)	176,860	58,166

Details of the Group's associates at 30 June 2015 are as follows:

Name	Place of incorporation/ establishment	Issued/paid up capital	Percentage of equity interest held by the Group/profit sharing		Principal activities
			30 June 2015	31 December 2014	
星美文化集團控股有限公司 SMI Culture Group Holdings Limited ("SMI Culture")	Cayman Islands	810,057,684 ordinary shares of US\$0.1 each (At 31 December 2014: 562,557,684)	23.48%	29.97%	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.



15. TRADE AND OTHER RECEIVABLES

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Trade receivables	252,912	100,494
Rental and other deposits	557,343	552,152
Amounts due from non-controlling interests of subsidiaries	25,187	25,187
Prepayments and other receivables	655,832	494,162
	1,491,274	1,171,995

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

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
0 to 30 days	69,840	19,391
31 to 90 days	47,619	19,797
Over 90 days	135,453	61,306
	252,912	100,494

16. 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. The loan was fully settled during the reporting period.



17. RESTRICTED BANK BALANCES

The Group's restricted bank balances of RMB20 million, equivalent to approximately HK\$24,972,000 (Unaudited) (At 31 December 2014: HK\$25,150,000 (Audited)), represented deposits to a bank to secure bank facility granted to the Group as set out in note 20(e) to the financial statements.

18. TRADE AND OTHER PAYABLES

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Trade payables	216,664	500,351
Customers' deposits and receipts in advance	557,657	274,670
Interests payable	25,241	19,683
PRC business and other tax payables	34,701	24,389
Amounts due to non-controlling interests of subsidiaries (note (a))	67,932	71,683
Margin payables due to financial institutions (note (b))	50,845	103,071
Accrued charges and other payables (note (c))	496,964	329,028
	<u>1,450,004</u>	<u>1,322,875</u>

Notes:

- (a) The amounts of approximately HK\$53,443,000 (Unaudited) (At 31 December 2014: HK\$57,630,000 (Audited)) are unsecured, interest-free and repayable on demand. The remaining amounts of approximately HK\$14,489,000 (Unaudited) (At 31 December 2014: HK\$14,053,000 (Audited)) are unsecured, interest bearing at 7% per annum and repayable on demand.
- (b) The margin payables due to financial institutions is secured and repayable on demand. The interests are charged from 11% to 12% per annum (Unaudited) (At 31 December 2014: 11% to 12% per annum (Audited)).
- (c) Other payables in amount of HK\$154,574,000 (Unaudited) (At 31 December 2014: HK\$154,574,000 (Audited)) is related to a new membership scheme, which has not been launched during the reporting period.



18. TRADE AND OTHER PAYABLES (Continued)

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

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
0 to 30 days	2,941	62,250
31 to 60 days	26,527	46,303
Over 60 days	187,196	391,798
	<hr/> 216,664 <hr/>	<hr/> 391,798 <hr/>
	216,664	500,351

19. DUE FROM/(TO) RELATED PARTIES

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Mr. QIN Hui (note (a))	10,169	39,606
Strategic Media International Limited ("SMIL") (note (b))	(1,381)	(1,381)
	<hr/> 8,788 <hr/>	<hr/> 38,225 <hr/>

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.



20. BANK LOANS

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Bank loans, secured, with principal amount of:		
– RMB25 million (note (a))	–	31,438
– RMB30 million (note (b))	37,458	–
– RMB10 million (note (c))	–	12,575
– RMB20 million (note (d))	24,972	–
– RMB190 million (At 31 December 2014: RMB200 million) (note (e))	237,234	245,212
	299,664	289,225
	299,664	289,225
The bank loans are repayable as follows:		
	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within one year	62,430	56,587
In the second year	12,846	12,575
In the third to fifth years, inclusive	224,388	220,063
	299,664	289,225
Less: amount due for settlement within one year (shown under current liabilities)	(62,430)	(56,587)
Amount due for settlement after one year	237,234	232,638



20. BANK LOANS (Continued)

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

- (a) Bank loan of approximately HK\$Nil (At 31 December 2014: HK\$31,438,000) was 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 Nil% (At 31 December 2014: 9.0%) per annum as at 30 June 2015. The loan was fully settled during the reporting period.
- (b) Bank loan of approximately HK\$37,458,000 (At 31 December 2014: HK\$Nil) 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 7.3% (At 31 December 2014: Nil) per annum as at 30 June 2015.
- (c) Bank loan of approximately HK\$Nil (At 31 December 2014: HK\$12,575,000), borrowed by one of the PRC subsidiaries of the Company, was 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 was arranged at floating rate with average interest rate of Nil% (At 31 December 2014: 7.2%) per annum as at 30 June 2015. The loan was fully settled during the reporting period.
- (d) Bank loan of approximately HK\$24,972,000 (At 31 December 2014: HK\$Nil), borrowed by one of the PRC subsidiaries of the Company, was wholly repayable within one year and secured by personal guarantee given by Mr. QIN Hui and corporate guarantee given by a subsidiary of the Company. The bank loan is arranged at floating rate with average interest rate of 7.3% (At 31 December 2014: Nil) per annum as at 30 June 2015.
- (e) Bank loan of approximately HK\$237,234,000 (At 31 December 2014: HK\$245,212,000) 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 17). The bank loan is arranged at floating rate with average interest rate of 6.5% (At 31 December 2014: 6.5%) per annum as at 30 June 2015.



21. OTHER LOANS

In August and December 2014, the Group entered into two loan agreements with an independent third party. The loans were interest bearing at 1.5% per month, unsecured and repayable on demand. The loans were fully repaid during the reporting period.

22. CONVERTIBLE NOTES

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Convertible notes with principal amount of:		
– HK\$141 million (note (a))	–	41,000
– HK\$10.25 million (note (b))	10,055	10,013
– HK\$77.64 million (note (c))	–	72,228
– HK\$200 million (note (d))	70,272	197,445
– US\$5.16 million (note (e))	19,514	39,188
– RMB30 million (note (f))	–	34,300
– HK\$93.05 million (note (g))	85,803	–
	185,644	394,174
Analysed as:		
Current liabilities	–	41,000
Non-current liabilities	185,644	353,174
	185,644	394,174



22. 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 and 14 May 2015, the holder of the Convertible Note I exercised the conversion rights to the extent of principal amounts of HK\$100,000,000 and HK\$41,000,000 of the Convertible Note I, to convert the Convertible Note I at a conversion price of HK\$0.37 per ordinary share, total of 270,270,270 and 110,810,810 conversion ordinary shares were then issued respectively. Premium on issue of shares amounting to approximately HK\$72,973,000 and HK\$29,919,000 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 30 June 2015 to be HK\$Nil (At 31 December 2014: HK\$41,000,000). This fair value has been calculated by discounting the estimated contractual cash flows at the market rate (level 3 fair value measurements).



22. 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 (At 31 December 2014: HK\$10,000,000). This fair value has been calculated by discounting the estimated contractual cash flows at the market rate (level 3 fair value measurements).

- (c) The Company issued a 5-year 8% convertible note (“Convertible Note III”) with principal amount of approximately HK\$77,644,000 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.

On 11 May 2015, the holder of the Convertible Note III exercised the conversion rights to the whole principal amount of approximately HK\$77,644,000 of the Convertible Note III, to convert the Convertible Note III at a conversion price of HK\$0.30 per ordinary share, a total of 258,813,300 conversion ordinary shares were then issued. Premium on issue of shares, amounting to approximately HK\$47,622,000, was credited to the Company’s share premium account.



22. CONVERTIBLE NOTES (Continued)

Notes: (Continued)

(c) (Continued)

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).

The Director estimate the fair value of the liability component as at 30 June 2015 to be HK\$Nil (At 31 December 2014: HK\$79,527,000). This fair value has been calculating by discounting the estimated contractual cash flows at an appropriate discount rate (level 3 fair value measurements).

- (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.

On 14 May 2015 and 11 June 2015, the holders of the Convertible Notes IV exercised the conversion rights to the extent of principal amounts of HK\$100,000,000 and HK\$30,000,000 of the Convertible Note IV, to convert the Convertible Note IV at a conversion price of HK\$0.34 per ordinary share, total of 294,117,647 and 88,235,294 conversion ordinary shares were then issued respectively. Premium on issue of shares, amounting to approximately HK\$70,484,000 and HK\$21,217,000, was credited to the Company's share premium account.

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 30 June 2015 to be approximately HK\$71,625,000 (At 31 December 2014: HK\$204,810,000). This fair value has been calculated by discounting the estimated contractual cash flows at an appropriate discount rate (level 3 fair value measurements).



22. CONVERTIBLE NOTES (Continued)

Notes: (Continued)

- (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.

On 13 May 2015, the holder of the Convertible Note V exercised the conversion rights to the extent of principal amount of HK\$20,400,000 of the Convertible Note V, to convert the Convertible Note V at a conversion price of HK\$0.34 per ordinary share, a total of 60,000,000 conversion ordinary shares were then issued. Premium on issue of shares, amounting to approximately HK\$14,229,000, was credited to the Company's share premium account.

The Convertible Note V contains 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 30 June 2015 to be approximately HK\$19,531,000 (At 31 December 2014: HK\$39,191,000). This fair value has been calculated by discounting the estimated contractual cash flows at an appropriate discount rate (level 3 fair value measurements).



22. CONVERTIBLE NOTES (Continued)

Notes: (Continued)

- (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.

On 8 May 2015 and 25 June 2015, the holder of the Convertible Note VI exercised the conversion rights to the extent of principal amounts of approximately HK\$20,400,000 and HK\$17,628,000 of the Convertible Note VI, to convert the Convertible Note VI at a conversion price of HK\$0.34 per ordinary share, total of 60,000,000 and 51,845,980 conversion ordinary shares were then issued respectively. Premium on issue of shares, amounting to approximately HK\$12,472,000 and HK\$11,157,000, was credited to the Company's share premium account.

The Convertible Note VI contains 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 30 June 2015 to be HK\$Nil (At 31 December 2014: HK\$34,969,000). This fair value has been calculated by discounting the estimated contractual cash flows at an appropriate discount rate (level 3 fair value measurements).



22. CONVERTIBLE NOTES (Continued)

Notes: (Continued)

- (g) The Company issued a 3-year 8% convertible note ("Convertible Note VII") with principal amount of approximately HK\$93,052,000 on 30 April 2015 to an independent third party investor. The Convertible Note VII is denominated in Hong Kong 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 VII up to and including the maturity date on 29 April 2018 at a conversion price of HK\$0.36 per share. If the Convertible Note VII has not been converted, it will be redeemed at 100% of its principal amount on the maturity date. At the holder's sole and absolute discretion, the maturity date can be extended to the date falling on the 4th anniversary of the date of issue of the Convertible Note VII by giving 7 days written notice to the Company. The Company may not request to redeem the outstanding Convertible Note VII prior to the maturity date. Interest of 8% per annum will be payable quarterly.

The Convertible Note VII 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 11.2%. 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 30 June 2015 to be approximately HK\$86,477,000 (At 31 December 2014: 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).



23. BONDS

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Bonds with principal amount of:		
SMEs Private Placement Bonds (note (a))	99,657	99,762
HK\$147.2 million (note (b))	–	144,427
HK\$74.8 million (note (c))	73,022	70,406
HK\$78.2 million (note (d))	76,332	73,966
HK\$252.9 million bonds (At 31 December 2014: HK\$170.0 million) (note (e))	212,024	142,995
	461,035	531,556
Analysed as:		
Current liabilities	249,011	388,561
Non-current liabilities	212,024	142,995
	461,035	531,556

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.

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 北京回龍觀星美國國際影城管理有限公司 (Beijing Huilongguan Stellar Cineplex Management Co., Ltd.*), 天津星美影城管理有限公司 (Tianjin Stellar Cineplex Management Co., Ltd.*), 北京名翔國際影院管理有限公司 (Beijing Mingxiang International Cinema Management Co., Ltd.*), and 北京望京星美國國際影城管理有限公司 (Beijing Wangjing Stellar International Cinema Management Co., Ltd.*) (“Joint Issuers”) on 30 August 2012 with par value of RMB100 each totaling RMB200 million (equivalent to approximately HK\$242 million).



23. BONDS (Continued)

Notes: (Continued)

(a) (Continued)

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 year ended 31 December 2014, part of the SMEs Private Placement Bonds of RMB120 million, equivalent to approximately HK\$150.9 million, was repaid. At 30 June 2015, the fair value of the SMEs Private Placement Bonds is estimated to be approximately RMB80,188,000 (At 31 December 2014: RMB82,907,000) (equivalent to approximately HK\$100,123,000 (At 31 December 2014: HK\$104,255,000)). The fair value is derived from discounted future cash flows using bond interest rate with similar terms of 8% per annum (level 3 fair value measurement).

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



23. BONDS (Continued)

Notes: (Continued)

- (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%.

During the six months period ended 30 June 2015, the Bonds I were fully repaid. The Directors estimate the fair value of the Bonds I as at 30 June 2015 to be HK\$Nil (At 31 December 2014: HK\$155,908,000). 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 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.



23. BONDS (Continued)

Notes: (Continued)

- (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 30 June 2015 to be approximately HK\$78,790,000 (At 31 December 2014: HK\$75,469,000). 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 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.



23. 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 30 June 2015 to be HK\$82,027,000 (At 31 December 2014: HK\$78,544,000). 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.

- (e) As at 30 June 2015, the Company issued thirty-one (At 31 December 2014: eighteen) 7-year 5% bonds and one (At 31 December 2014: Nil) 4-year 6% bonds with an aggregate principal amount of HK\$252,900,000 (At 31 December 2014: HK\$170,000,000) to certain independent third party investors. The effective interest rates of the bonds are ranged from 5.0% to 11.1% (At 31 December 2014: 5.0% to 9.1%).

* For identification purposes only

24. SHARE CAPITAL

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Authorised:		
20,000,000,000 ordinary shares of HK\$0.1 each	2,000,000	2,000,000
Issued and fully paid:		
12,096,039,999 (At 31 December 2014:		
10,175,967,571) ordinary shares of HK\$0.1 each	1,209,604	1,017,597

A summary of the movements in the issued share capital of the Company is as follows:

	Note	Number of shares issued	Nominal value of shares issued HK\$'000
At 1 January 2014 (Audited)		8,451,606,688	845,161
Issue of shares by placement	(a)	780,000,000	78,000
Issue of shares by subscription	(b)	550,000,000	55,000
Allotment of shares for acquisition of a subsidiary	(c)	122,423,947	12,242
Issue of conversion shares	(d)	270,270,270	27,027
Share option exercised	(e)	1,666,666	167
At 31 December 2014 and 1 January 2015 (Audited)		10,175,967,571	1,017,597
Issue of shares by subscription	(f)	139,582,733	13,958
Issue of conversion shares	(g)	923,823,031	92,382
Share option exercised	(h)	256,666,664	25,667
Issue of shares by placement	(i)	600,000,000	60,000
At 30 June 2015 (Unaudited)		12,096,039,999	1,209,604



24. SHARE CAPITAL (Continued)

- (a) 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 approximately HK\$143,189,000, net of share issue expenses of approximately 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 subscription 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.
- (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 amounting to approximately HK\$72,973,000 was credited to the Company's share premium account.
- (e) During the year ended 31 December 2014, 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 with par value of HK\$0.1 each for a cash consideration of HK\$300,000.
- (f) On 12 March 2015, the Company entered into a subscription agreement with Linekong Interactive Group Co., Ltd. (formerly known as 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 of Hong Kong Limited, for the subscription of 139,582,733 ordinary shares of HK\$0.1 each to the subscriber at a price of HK\$0.278 per share. The subscription was completed on 13 April 2015 and the premium on the issue of shares amounting to approximately HK\$24,774,000, net of share issue expense of approximately HK\$72,000, was credit to the Company's share premium account.



24. SHARE CAPITAL (Continued)

(g) On 30 April 2015 and 18 June 2015, the holder of Convertible Note VI as set out in note 22(f) to the financial statements elected to exercise the conversion rights to the extent of the principal amounts of approximately HK\$20,400,000 and HK\$17,628,000 of the Convertible Note VI, for the conversion of 60,000,000 and 51,845,980 ordinary shares of HK\$0.1 each respectively at a conversion price of HK\$0.34 per share. The conversions were completed on 8 May 2015 and 25 June 2015 and the premium on issue of shares amounting to approximately HK\$12,472,000 and HK\$11,157,000 was credited to the Company's share premium account.

On 5 May 2015, the holder of Convertible Note III as set out in note 22(c) to the financial statements elected to exercise the conversion rights to the whole principal amount of approximately HK\$77,644,000 of the Convertible Note III, for the conversion of 258,813,300 ordinary shares of HK\$0.1 each at a conversion price of HK\$0.30 per share. The conversion was completed on 11 May 2015 and the premium on issue of shares amounting to approximately HK\$47,622,000 was credited to the Company's share premium account.

On 6 May 2015, the holder of Convertible Note V as set out in note 22(e) to the financial statements elected to exercise the conversion rights to the extent of the principal amount of HK\$20,400,000 of the Convertible Note V, for the conversion of 60,000,000 ordinary shares of HK\$0.1 each at a conversion price of HK\$0.34 per share. The conversion was completed on 13 May 2015 and the premium on issue of shares amounting to approximately HK\$14,229,000 was credited to the Company's share premium account.

On 6 May 2015 and 29 May 2015, the holders of Convertible Notes IV as set out in note 22(d) to the financial statements elected to exercise the conversion rights to the extent of the principal amounts of HK\$100,000,000 and HK\$30,000,000 of the Convertible Notes IV, for the conversion of 294,117,647 and 88,235,294 ordinary shares of HK\$0.1 each respectively at a conversion price of HK\$0.34 per share. The conversions were completed on 14 May 2015 and 11 June 2015 and the premium on issue of shares amounting to approximately HK\$70,484,000 and HK\$21,217,000 was credited to the Company's share premium account.

On 12 May 2015, the holder of Convertible Note I as set out in note 22(a) to the financial statements elected to exercise the conversion rights to the whole principal amount of HK\$41,000,000 of the Convertible Note I, for the conversion of 110,810,810 ordinary shares of HK\$0.1 each at a conversion price of HK\$0.37 per share. The conversion was completed on 14 May 2015 and the premium on issue of shares amounting to approximately HK\$29,919,000 was credited to the Company's share premium account.



24. SHARE CAPITAL *(Continued)*

- (h) During the six months period ended 30 June 2015, 256,666,664 share options were exercised at the exercise price of HK\$0.18 per share, resulting in the issue of 256,666,664 ordinary shares with par value of HK\$0.1 each for a cash consideration of approximately HK\$46,200,000.
- (i) On 10 June 2015, the Company and Placing Agent, Guotai Junan Securities (Hong Kong) Limited, entered into a placing agreement in respect of the placement of 600,000,000 ordinary shares of HK\$0.1 each to six places at a price of HK\$0.75 per share. The placement was completed on 30 June 2015 and the premium on the issue of shares, amounting to approximately HK\$377,230,000, net of share issue expenses of approximately HK\$12,770,000, was credited to the Company's share premium account.
- (j) Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the reporting period (year ended 31 December 2014: Nil).

25. SHARE-BASED PAYMENT

Equity-settled share option scheme

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

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



25. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme (Continued)

Share Option

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 ended 31 December 2014, 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 six months period ended 30 June 2015, 256,666,664 share options were exercised at the exercise price of HK\$0.18 per share, resulting in the issue of 256,666,664 ordinary shares with par value of HK\$0.1 each for a cash consideration of approximately HK\$46,200,000.



25. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme (Continued)

Share Option (Continued)

During the year ended 31 December 2014, 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.

During the six months period ended 30 June 2015, no share option was lapsed.

The corresponding equity-settled share-based payment expenses previously recognised in share-based payment reserve were transferred to retained profits upon exercise or lapse.

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

26. ASSETS CLASSIFIED AS HELD FOR SALE

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Intangible asset – Trademark (note 13)	25,120	25,120
Bank and cash balances	60	60
Assets of subsidiaries, SMI Photon Holdings Limited and its subsidiaries (“Photon Group”) classified as held for sale	25,180	25,180
Other payables	3,830	4,088
Liabilities of Photon Group associated with assets classified as held for sale	3,830	4,088
Net assets of Photon Group classified as held for sale	21,350	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. The Company anticipated that the disposal will be completed by 2015. The gross proceeds of the disposal are estimated to be approximately HK\$21,100,000.

27. PLEDGE OF ASSETS

- (a) At 30 June 2015, the Group’s investments in associates amounting to approximately HK\$107,414,000 (Unaudited) (At 31 December 2014: HK\$86,409,000 (Audited)) were pledged to secure margin account facilities granted to the Group.
- (b) At 30 June 2015, the Group’s building situated outside Hong Kong amounting to approximately HK\$29,856,000 (Unaudited) (At 31 December 2014: HK\$30,881,000 (Audited)) was pledged to secure a bank loan granted to the Group.



28. LEASE COMMITMENTS

At 30 June 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within one year	475,000	438,000
In the second to fifth years inclusive	1,879,000	1,827,000
After five years	3,873,000	4,167,000
	<u>6,227,000</u>	<u>6,432,000</u>

Operating lease payments represent rental payables by the Group for its office 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.



29. OTHER COMMITMENTS

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

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
(a) Amount contracted but not provided for in the condensed consolidated financial statements in respect of:		
Construction of cinema premises	942,033	808,094
(b) Capital expenditure authorised but not contracted for in respect of:		
Construction of cinema premises	2,996,530	2,882,691

30. CONTINGENT LIABILITIES

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

At 30 June 2015, the Group did not have any other significant contingent liabilities.



31. RELATED PARTY TRANSACTIONS

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

(b) **Compensation to key management**

The remuneration of directors during the six months ended 30 June 2015 and 2014 was as follows:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, bonus and allowances	1,127	1,926
Directors' fees	798	83
Equity-settled share-based payments	121	942
Retirement benefit scheme contributions	9	7
	<u>2,055</u>	<u>2,958</u>

32. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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



33. EVENTS AFTER THE REPORTING PERIOD

On 10 June 2015, the Company entered into three subscription agreements with Vitel Group Limited, Baidu (Hong Kong) Limited and 天安財產保險股份有限公司 (Tianan Property Insurance Company Limited*) for the subscriptions of a total of 600,000,000 ordinary shares of HK\$0.1 each to subscribers at a price of HK\$0.75 per share. The subscriptions of 200,000,000 ordinary shares and 400,000,000 ordinary shares were completed on 3 July 2015 and 6 July 2015 respectively.

On 13 July 2015, the Asset-Backed Securities (“ABS”) proposal has been filed with Asset Management Association of China, in accordance with Securities Company and Fund Management Company Subsidiaries Securitisation Business Regulations (證券公司及基金管理公司子公司資產證券化業務管理規定) and Assets Back Proposal Filing Management Rules (資產支持專項計劃備案管理辦法). On 4 August 2015, the ABS proposal in the principal amount of RMB1,350,000,000, equivalent to approximately HK\$1,685,610,000, is listed on the Shenzhen Stock Exchange, being the ABS issued based on box offices in the People’s Republic of China.

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 August 2015.

* *For identification purposes only*