



SMI Culture Group Holdings Limited

星美文化集團控股有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code : 2366)

2015
Interim Report





BOARD OF DIRECTORS

Executive Directors

Mr. HAO Bin (*Chairman*)
Mr. WANG Hai Yun
(appointed on 6 August 2015)
Mr. CHAN Chi To, Antony
Mr. KONG Dalu
Mr. YUAN Xin
(resigned on 6 August 2015)

Independent Non-executive Directors

Mr. DU Jiang
Mr. LIU Xianbo
Mr. WU Chien-Chiang
Mr. JIANG Jinsheng
(resigned on 6 August 2015)

BOARD COMMITTEES

Audit Committee

Mr. DU Jiang (*Chairman*)
Mr. LIU Xianbo
Mr. WU Chien-Chiang
Mr. JIANG Jinsheng
(resigned on 6 August 2015)

Remuneration Committee

Mr. DU Jiang (*Chairman*)
Mr. LIU Xianbo
Mr. WU Chien-Chiang
Mr. JIANG Jinsheng
(resigned on 6 August 2015)

Nomination Committee

Mr. LIU Xianbo (*Chairman*)
Mr. DU Jiang
Mr. WU Chien-Chiang
Mr. JIANG Jinsheng
(resigned on 6 August 2015)

Executive Committee

Mr. HAO Bin (*Chairman*)
(appointed as chairman on 6 August 2015)
Mr. WANG Hai Yun
(appointed on 6 August 2015)
Mr. CHAN Chi To, Antony
Mr. YUAN Xin (*ex-Chairman*)
(resigned on 6 August 2015)

AUTHORISED REPRESENTATIVES

Mr. HAO Bin (appointed on 6 August 2015)
Mr. CHAN Chi To, Antony
Mr. YUAN Xin (resigned on 6 August 2015)

COMPANY SECRETARY

Ms. MUI Ngar May

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda



CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19/F., Prosperity Tower
No. 39 Queen's Road Central
Central, Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
A18/F., Asia Orient Tower
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (HK) Limited
Bank of China (Hong Kong) Limited

LEGAL ADVISERS

As to Hong Kong Law
Michael Li & Co.

As to Cayman Islands Law
Conyers Dill & Pearman

As to PRC Law
Duan & Duan

STOCK CODE

2366

WEBSITE

<http://www.smiculture2366.com>



The chairman (the “Chairman”) of the board (the “Board”) of directors (the “Director(s)”) of SMI Culture Group Holdings Limited (the “Company”) is pleased to present this report (including the unaudited consolidated results of the Company and its subsidiaries (together referred to as the “Group”) for the six months ended 30 June 2015) to the shareholders of the Company. These results have been reviewed by the Company’s audit committee.

Business Review

During the six months ended 30 June 2015 (the “Period”), the film and television series investment, production and distribution business of the Group have been moving on the right track with steadily improving operating results. Focusing on the development of the investment in the production of film and television programmes content and mobile internet businesses, the Group has stepped up the investment in quality projects and laid a solid development groundwork.

The Chinese film market has been experiencing a huge boom in the past few years. Box office in China recorded impressive receipts of RMB20.3 billion for the first half of 2015, proving the rapid growth of the television and film industry. In order to capitalise on the huge business opportunities presented in the Chinese market, the Group continued to integrate its existing business resources and innovate its business models in an effort to become a leader in the cultural industry in the Greater China region.

The business as a whole saw a satisfactory growth during the Period and several movies released performed exceptionally well. The Golden Era and Dearest, two of the films invested by the Group, obtained several international and domestic awards. The Golden Era dazzled the eyes at the Presentation Ceremony of the 34th Hong Kong Film Awards (“HKFA”) by winning 5 major awards including the Best Film and the Best Director. Dearest obtained the Best Actress at HKFA and grossed RMB340 million impressively. 愛的保鏢, a television series invested by the Group, was broadcasted in China Central Television with outstanding viewership. These films and television programmes productions have greatly lifted the Group’s brand recognition and demonstrated the Group’s strong capability to produce quality films and television programmes and series. In an effort to enhance its market competitiveness and boost its revenue, the Group set up its own film distribution company during the Period, and acquired Paddington, a British animated film. The film arrived at cinemas in March this year and made almost RMB100 million at the box office and satisfactory operating profit.



CHAIRMAN'S STATEMENT

During the Period, the Group speeded up its film and television programmes and series production and commenced a total of 12 projects. Commenced projects included a film called 《獵狐2014》, two television series called 《特種部隊之熱血尖兵》 and 《沙海老兵》, and a television documentary series called 《向前！向前！向前！》. The Group has also secured agency and distribution contracts for 6 films.

In order to bring its development to a new height and create new source of profit growth, the Group has actively branched out to the internet video clip market during the Period. Preparations are underway to transform “娛樂貓” into a group-wide online business platform, and production planning for several online drama and animation series has begun so as to establish a valuable IP industry chain. These digital entertainment products will be distributed under copyright licensing, which will serve as a new and promising stream of revenue for the Group. The Group also spent great efforts in expanding its existing license database by entering into co-operation agreements in relation to copyright with several film and television owners. Operating revenue from copyright was recorded and the Group was able to realise income from its existing copyright assets.

Business Prospects

Envisaging the rapid growth of the Chinese cultural and entertainment market, the Board will continuously innovate and accelerate investments in the cultural industry to establish a brand new business and operating model focusing on film and television entertainment.

At the same time, the Group also aims at taking advantage of the era of mobile internet by actively investing in contents and products of the digital entertainment business while actively establishing a terminal platform targeting at new media users.

Furthermore, the Group will capture the enormous potential consumption power of the Chinese cultural and tourism market by launching cultural tourism property projects with its brand influence in the film and television industry, resource consolidation ability and investment expertise in order to strengthen its competitiveness and business scale in the substantial culture sector so as to pave the way for new developments.

The Board is confident that such initiatives will help the Group realise its strategic upgrade, reinforce its core competitiveness and enhance its profitability and sustainability. In view of the ample opportunities in the cultural industry, market competition will intensify. With solid



financial strength, years of management experience and innovative and execution abilities, the Group will strive for better investment returns for its shareholders and become a pioneer and leader in the cultural industry in the Greater China region.

Appreciation

The planning and determination for the Group's important moves is never easy. I am profoundly grateful to my fellow directors for their unceasing support to the Board while together with our management team that made the implementation of these decisions possible. Besides, this statement cannot end without expressing my heartfelt thanks to all our stakeholders which includes business partners, shareholders, suppliers and employees, etc. for their dedication and support to the Group during the reporting period and we look forward to their continued support for the betterment of our business in the years to come.

On behalf of the Board

SMI Culture Group Holdings Limited

HAO Bin

Chairman of the Board of Directors

28 August 2015



MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The unaudited consolidated turnover of the Group was approximately HK\$48.7 million for the six months ended 30 June 2015, representing a 8-fold increase compared to HK\$5.1 million for the six months ended 30 June 2014. During the current Period, the turnover came from the Group's return on investment in the production of films and television programmes of HK\$16.0 million (2014: nil), and TV program related income of approximately HK\$32.7 million (2014: HK\$5.1 million). Gross profit for the Period was HK\$12.7 million whereas the gross loss for the six months ended 30 June 2014 was HK\$18.1 million. The increase in gross profit for the Period is mainly due to revenue increased from HK\$5.1 million for the six months ended 30 June 2014 to HK\$48.7 million for the Period and the amortisation of the Group's intangible assets decreased from HK\$16.5 million for the six months ended 30 June 2014 to HK\$8.7 million for the Period. Loss for the six months ended 30 June 2015 was HK\$24.0 million (2014: HK\$30.3 million). The loss for the current Period was mainly arrived at after charging administrative and other operating expenses of HK\$10.1 million (2014: HK\$16.4 million) and finance costs of HK\$5.0 million (2014: HK\$1.4 million).

Discontinued operation

The operating results of the discontinued operation for the Period were derived from the television and other advertising which ceased on 20 March 2015 when the voluntary wind-up of the WFOE. This is a move to spin off the non-profitable and non-core business from the Group and the Company will reduce its operational costs. The gain on disposal of discontinued operation amounted to approximately HK\$7.5 million (2014: nil).

Liquidity and Financial Resources

During the current interim Period, the management of the Company has consistently managed its cash level and other financial resources in a prudent manner in order to meet the liabilities falling due and the loan covenants as stipulated by its creditors. As at 30 June 2015, the Group's cash level stood at approximately HK\$43.9 million (31 December 2014: HK\$8.8 million). The balances are mainly in Hong Kong Dollar and Renminbi. During the six months ended 30 June 2015, the Group financed its operations mainly through internally generated resources and external borrowings. As at 30 June 2015, the Group had working capital calculated by current assets less current liabilities of approximately HK\$312.6 million (31 December 2014: HK\$131.3 million) and the current ratio increased to 2.9 against current ratio of 1.5 as at 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS



As at 30 June 2015, the Group had total borrowings in aggregate of approximately HK\$12.9 million (31 December 2014: HK\$92.9 million) comprised of other borrowings of approximately HK\$12.9 million.

The gearing ratio (expressed as a percentage of total borrowings over total equity) was approximately 2.8% (31 December 2014: 32.2%).

There have been no significant changes in the Group's policy in terms of exchange rate exposure. Transactions of the Group are mainly denominated in either Hong Kong Dollar or Renminbi. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

Employees

As at 30 June 2015, the Group had a total employees of 32 (31 December 2014: 58). Employees' remuneration packages are reviewed regularly and are commensurate with the prevailing market level and with reference to the performance and experience of individual employee. The Group also provides its employees retirement schemes, medical and dental care insurance and share option scheme benefits.

Contingent Liabilities

As at 30 June 2015, the Company has not issued any guarantees to banks in respect of banking facilities granted to its subsidiaries (31 December 2014: nil).

Details of pending litigation are set out in note 22 to the unaudited interim financial statements.



CORPORATE GOVERNANCE

Corporate Governance Practices

During the six months period ended 30 June 2015, the Company had complied with the code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except the following deviations:

Code provision A.2.1 of the CG Code provides that the roles and responsibilities of chairman and chief executive officer should be divided. The chief executive officer of the Company has been vacant from 23 October 2013. Until the appointment of new chief executive officer, the Executive Committee (chaired by Mr. HAO Bin, the chairman of the Board) continues to oversee the day-to-day management of the business and operations of the Group. The Company is endeavoring to identify suitable candidate to fill the vacancy as soon as possible.

Code provision E.1.2 of the CG Code requires the chairman of the board to invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. Due to other business commitments, the chairmen and members of the audit, remuneration and nomination committees of the Company could not attend the annual general meeting of the Company held in June 2015. In addition, all independent board committee members could not attend two extraordinary general meetings held during the period under review to approve the transaction that required independent shareholders’ approval as provided for in the said code provision.

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company, having made specific enquiry, confirms that all directors complied throughout the six months ended 30 June 2015 with the Model Code. The relevant employees who, because of their office in the Company, are likely to be in possession of inside information, have been requested to comply with the provisions of the Model Code.

Changes of Directors’ Information Under Rule 13.51B(1) of the Listing Rules

As at the date of this interim report, the Company is not aware of any change in the directors’ information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



Interim Dividend

The Directors do not declare an interim dividend for the six months ended 30 June 2015 (2014: nil).

Share Option Scheme

The Company adopted a share option scheme by written resolutions of the shareholders passed on 13 June 2004 (the “old share option scheme”). Taking into account of the old share option scheme expired on 13 June 2014, the Company terminated the old share option scheme and adopted a new share option scheme (the “new share option scheme”) pursuant to the ordinary resolution passed by the shareholders at the annual general meeting held on 6 June 2014 which complies with Chapter 17 of the Listing Rules. The old share option scheme was terminated and all outstanding options granted thereunder lapsed on 13 June 2014.

The purpose of the new share option scheme is to provide incentives and rewards to the eligible participants who contribute to the success of the Group’s operations. The Company is of the view that the eligible participants are persons who may contribute to the growth and development of the Group through their services or investments. Whether the Company will grant any options to any of the eligible participants depends on many factors such as their interest in the shares, their business/working relationship with the Group, and their contribution that has or may have made to the Group etc. The general principle is the same for all eligible participants.

The rules of the new share option scheme provide that the Company may specify certain eligible participants to whom options shall be granted, the number of shares subject to each option and the date on which the options shall be granted. The basis for determining the subscription price is also specified precisely in the rules of the new share option scheme. There is no performance target specified in the new share option scheme though the Company may specify such performance target at the time of grant. The Company considers that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage eligible participants to acquire proprietary interests in the Company.

During the six months ended 30 June 2015, no options were outstanding, granted, exercised, cancelled or lapsed under the new share option scheme since its adoption.



GENERAL INFORMATION

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

As at 30 June 2015, none of the Directors or chief executives of the Company had interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code and as known to the Company.

Discloseable Interests and Short Positions of Shareholders Under the SFO

As at 30 June 2015, the interests and short positions of those persons (other than a Director or chief executive of the Company disclosed above) holding 5% or more in the shares and underlying shares of the Company which (i) have been notified to the Company and recorded in the register required to be kept under Section 336 of the SFO; and (ii) informed the Company by the respective shareholders were as follows:

Long positions in shares of the Company

Name of Substantial Shareholder	Capacity	Nature of interest	Total number of Shares held	Approximate percentage of total issued shares of the Company as at 30 June 2015	Note
SMI Investment (HK) Limited	Beneficial owner	Beneficial interest	185,427,281	22.89%	Note 1
SMI Holdings Group Limited	Interested in controlled corporation	Corporate interest	185,427,281	22.89%	Note 1
Mr. Qin Hui	Interested in controlled corporation	Corporate interest	185,427,281	22.89%	Note 2
Yuxing Technology Company Limited	Beneficial owner	Beneficial interest	55,995,000	6.91%	Note 3
Yuxing InfoTech Investment Holdings Limited	Interested in controlled corporation	Corporate interest	55,995,000	6.91%	Note 3
Super Dragon Co., Ltd	Interested in controlled corporation	Corporate interest	55,995,000	6.91%	Note 3
Chen Fu Rong	Interested in controlled corporation	Corporate interest	55,995,000	6.91%	Note 3
Zhu Wei Sha	Interested in controlled corporation	Corporate interest	55,995,000	6.91%	Note 3
Hong Kong Xinhu Investment Co., Limited	Beneficial owner	Beneficial interest	6,657,538	1.18%	Note 4
Xinhu Zhongbao Co., Limited	Interested in controlled corporation	Corporate interest	6,657,538	1.18%	Note 4



Note 1 SMI Investment (HK) Limited is wholly-owned by SMI Holdings Group Limited (“SMI Holdings”), the shares of which are listed on the Stock Exchange. SMI Investment (HK) Limited is the beneficial owner of 185,427,281 shares. SMI Holdings is deemed to be interested in such 185,427,281 shares through SMI Investment (HK) Limited under the SFO. The Company was informed by SMI Holdings on 23 July 2015 and 24 July 2015 that its interest had been increased to 236,039,581 shares through SMI Investment (HK) Limited, representing 29.14% of the existing issued shares of the Company.

Note 2 According to Individual Substantial Shareholder Notice filed by Mr. Qin Hui on 22 April 2015, Mr. Qin is deemed to be interested in 185,427,281 shares through his 65.05% control in SMI Holdings. His interest in shares had been changed through SMI Holdings (notwithstanding Mr. Qin’s interest in SMI Holdings had been decreased to 54.42%) as disclosed in note 1 above.

Note 3 Yuxing Technology Company Limited (“Yuxing Technology”) is the beneficial owner of 55,995,000 shares. Yuxing Technology is wholly-owned by Yuxing Group International Limited (“Yuxing Group”) which in turn is wholly-owned by Yuxing InfoTech Investment Holdings Limited (“Yuxing InfoTech”). Yuxing InfoTech is 36.83% owned by Super Dragon Co., Ltd., a company in which Chen Fu Rong and Zhu Wei Sha has an interest of 36.40% and 63.60%, respectively. Accordingly, each of Yuxing InfoTech, Super Dragon Co. Ltd, Chen Fu Rong and Zhu Wei Sha is deemed to be interested in 55,995,000 shares through Yuxing Technology under the SFO.

According to Individual Substantial Shareholder Notices filed by Chen Fu Rong and Zhu Wei Sha on 15 July 2015, they and their respective controlled corporations ceased to have notifiable interest in the Company under the SFO.

Note 4 According to the Corporate Substantial Shareholder Notices filed by Hong Kong Xinhua Investment Co., Limited (“HK Xinhua”) and Xinhua Zhongbao Co., Limited (“Xinhua Zhongbao”) in July 2012, HK Xinhua was indirectly wholly-owned by Xinhua Zhongbao, the shares of which are listed on Shanghai Stock Exchange and HK Xinhua was the beneficial owner of 332,876,894 shares. Xinhua Zhongbao is deemed to be interests in such shares through HK Xinhua under the SFO. Such 332,876,894 shares were adjusted by share consolidation and rights issue in March 2013 to 6,657,538 shares. The Company was informed by Xinhua Zhongbao on 4 August 2014 that the total number of shares held by HK Xinhua was 39,945,228 shares after subscription of rights shares under the rights issue made in March 2013, representing 4.93% of the total issued shares of the Company as at 30 June 2015. The Company did not receive any corporate substantial shareholder notices from HK Xinhua and Xinhua Zhongbao reporting their current shareholding and cessation of notifiable interest.

Save as disclosed above, as at 30 June 2015, the Directors are not aware of any other persons who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.



GENERAL INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

The Company has not redeemed any of its listed securities during the six months ended 30 June 2015.

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the six months ended 30 June 2015.

Review of Interim Report

The audit committee of the Company has reviewed the interim report for the six months ended 30 June 2015 before it was tabled for the Board's review and approval and are of the opinion that such report complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2015 – unaudited
(Expressed in Hong Kong dollars)



	Note	Six months ended 30 June 2015 HK\$'000	Six months ended 30 June 2014 HK\$'000 (Restated)
Continuing operations			
Revenue	3	48,716	5,056
Cost of sales		(36,012)	(23,153)
Gross profit/(loss)		12,704	(18,097)
Other income	4(a)	9	8,465
Other expense	4(b)	(688)	(2)
Impairment loss recognised in respect of intangible assets		(8,078)	—
Allowance for inventories		(13,532)	—
Administrative and other operating expenses		(10,081)	(16,408)
Finance costs	5(a)	(4,991)	(1,425)
Loss before taxation	5	(24,657)	(27,467)
Taxation	6	(5,429)	—
Loss for the period from continuing operations		(30,086)	(27,467)
Discontinued operation			
Profit/(Loss) for the period from discontinued operation	7	6,061	(2,832)
Loss for the period		(24,025)	(30,299)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation		(369)	326
Total comprehensive expenses for the period		(24,394)	(29,973)



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2015 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2015 HK\$'000	Six months ended 30 June 2014 HK\$'000 (Restated)
Loss for the period attributable to:			
Owners of the Company			
– Continuing operations		(30,012)	(26,452)
– Discontinued operation		6,710	(1,804)
Non-controlling interests			
– Continuing operations		(74)	(1,015)
– Discontinued operation		(649)	(1,028)
		(24,025)	(30,299)
Total comprehensive expenses attributable to:			
Owners of the Company			
– Continuing operations		(30,381)	(26,126)
– Discontinued operation		6,710	(1,804)
Non-controlling interests			
– Continuing operations		(74)	(1,015)
– Discontinued operation		(649)	(1,028)
		(24,394)	(29,973)
Loss per share (HK\$)			
From continuing and discontinued operations			
– basic and diluted	9	(0.04)	(0.05)

The notes on pages 19 to 38 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION



at 30 June 2015 — unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
Non-current assets			
Property, plant and equipment		224	1,081
Intangible assets	10	138,985	155,763
Interest in an associate		—	—
		139,209	156,844
Current assets			
Inventories	11	256,804	273,706
Film rights investment	12	85,415	43,243
Trade and other receivables	13	90,326	70,321
Bank balances and cash	14	43,921	8,789
		476,466	396,059
Current liabilities			
Trade and other payables	16	89,346	113,702
Tax payable		61,667	58,186
Loan from a shareholder	15(a)	—	50,000
Other loans	15(b)	12,865	42,865
		163,878	264,753
Net current assets		312,588	131,306



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015 — unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
	<i>Note</i>		
NET ASSETS		451,797	288,150
CAPITAL AND RESERVES			
Share capital	17	8,101	438,795
Share premium and reserves		449,438	(150,477)
Equity attributable to owners of the Company		457,539	288,318
Non-controlling interests		(5,742)	(168)
		451,797	288,150

The notes on pages 19 to 38 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2015 – unaudited
(Expressed in Hong Kong dollars)



	Attributable to equity shareholders of the company											
	Share capital	Share premium	General reserve	Capital redemption reserve	Capital reserve	Exchange reserve	Equity component of convertible notes	Warrant reserve	(Accumulated losses)/ Retained profits	Total	Non-controlling interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2014	438,795	1,092,929	–	95	13,198	966	–	5,392	(702,095)	849,280	2,398	851,678
Loss for the period	–	–	–	–	–	–	–	–	(28,256)	(28,256)	(2,043)	(30,299)
Other comprehensive income	–	–	–	–	–	326	–	–	–	326	–	326
Total comprehensive income for the period	–	–	–	–	–	326	–	–	(28,256)	(27,930)	(2,043)	(29,973)
Balance at 30 June 2014	438,795	1,029,929	–	95	13,198	1,292	–	5,392	(730,351)	821,350	355	821,705
Balance at 1 January 2015	438,795	1,092,929	–	95	11,961	693	–	5,392	(1,261,547)	288,318	(168)	288,150
Profit for the period	–	–	–	–	–	–	–	–	(23,302)	(23,302)	(723)	(24,025)
Other comprehensive income	–	–	–	–	–	(369)	–	–	–	(369)	–	(369)
Total comprehensive income for the period	–	–	–	–	–	(369)	–	–	(23,302)	(23,671)	(723)	(24,394)
Capital reorganisation (note 17(iii))	(433,169)	(1,092,929)	–	–	–	–	–	–	1,526,098	–	–	–
Placement of shares (note 17(i))	2,475	190,417	–	–	–	–	–	–	–	192,892	–	192,892
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(4,851)	(4,851)
Balance at 30 June 2015	8,101	190,417	–	95	11,961	324	–	5,392	241,249	457,539	(5,742)	451,797

The notes on pages 19 to 38 form part of these financial statements.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2015 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June 2015 \$'000	Six months ended 30 June 2014 \$'000
Net cash used in operating activities	(100,274)	(19,382)
Net cash generated from/(used in) investing activities	22,514	(276)
Net cash generated from financing activities	112,892	20,300
Net increase in cash and cash equivalents	35,132	642
Cash and cash equivalents at beginning of period	8,789	4,994
Cash and cash equivalents at end of period	43,921	5,636

The notes on pages 19 to 38 form part of these financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS



(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They were authorised for issuance on 28 August 2015.

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 December 2014, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs), which term collectively includes HKASs and Interpretations issued by the HKICPA.

These interim financial statements are unaudited, but have been reviewed by the audit committee of the Company. The financial information relating to the year ended 31 December 2014 that is included in the interim financial statements as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company's head office and principal place of business in Hong Kong. The auditor has expressed an unmodified opinion on those financial statements in their report dated 31 March 2015.

On 20 March 2015, the Company voluntarily wind-up of the WFOE. Since then, the principal activities of the Group are the provision of cross-media services including investment in the production and distribution of films and TV programmes and related services. These interim financial statements have been prepared and the comparative figures have been re-presented to reflect the results of the discontinued business separately.



NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 CHANGES IN ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014. In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 19	Defined benefits plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

3 REVENUE AND SEGMENT INFORMATION

The Group's operating segments, determined based on the information reported to the chief operating decision maker ("CODM"), being the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

During the period ended 30 June 2014, the management has determined that no operating segment should be presented as the Group is only engaged in media related services.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS



(Expressed in Hong Kong dollars)

3 REVENUE AND SEGMENT INFORMATION *(continued)*

During the period ended 30 June 2015, the management of the Group started the film investment and distribution business and the CODM re-organised the internal reports for resources allocation and performance assessment purposes into three operating divisions, which are stated as follows:

- Television program related business — sales of editing/publishing rights, scripts and synopses as well as licensing of purchased license rights over films and television drama series
- Television and other advertising — sales of television advertising air-times in PRC
- Film investment and distribution — distribution of and investment in film rights

As described in more detail in note 7, the Group discontinued a reportable and operating segment regarding the television and other advertising during the period. Accordingly, the segment information regarding its continuing operations reported below does not include the amounts for the television and other advertising. The comparative figures related to the discontinued operations have been re-presented.

The segment analysis for the period ended 30 June 2014 has accordingly been re-presented to conform with current period presentation.



NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 REVENUE AND SEGMENT INFORMATION *(continued)*

Segment revenue and results

An analysis of the Group's revenue and results by operating and reportable segment is as follows:

For the period ended 30 June 2015

	Films investment and distribution HK\$'000	Television program related business HK\$'000	Total HK\$'000
Revenue	15,976	32,740	48,716
Segment profit/(loss)	4,170	(18,544)	(14,374)
Finance costs			(4,991)
Unallocated expenses			(5,292)
Loss before taxation (continuing operations)			(24,657)

For the period ended 30 June 2014 (re-presented)

	Films investment and distribution HK\$'000	Television program related business HK\$'000	Total HK\$'000
Revenue	—	5,056	5,056
Segment loss	(8,537)	(22,057)	(30,594)
Unallocated other income			8,404
Finance costs			(1,425)
Unallocated expenses			(3,852)
Loss before taxation (continuing operations)			(27,467)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS



(Expressed in Hong Kong dollars)

3 REVENUE AND SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

All of the segment revenue reported above are from external customers.

Segment loss represents the loss incurred by each segment without allocation of unallocated other income (which mainly represents gain on disposal of a subsidiary) and unallocated expenses (which mainly include central administration costs, director's emoluments, loss on disposal of subsidiary and share of result of an associate) and finance costs. This is the measure reported to the CODM for the purpose of resource allocation and assessment of segment performance.

4 OTHER INCOME (EXPENSE)

(a) Other income

	Six months ended 30 June 2015 HK\$'000	Six months ended 30 June 2014 HK\$'000 (Restated)
Gain on disposal of subsidiaries	—	8,404
Interest income	1	—
Others	8	61
	9	8,465



NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 OTHER INCOME (EXPENSE) (continued)

(b) Other expense

	Six months ended 30 June 2015 HK\$'000	Six months ended 30 June 2014 HK\$'000
Net exchange loss	(688)	(2)

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June 2015 HK\$'000	Six months ended 30 June 2014 HK\$'000
Interest on bank advances and other borrowings wholly repayable within five years	2,762	739
Loan from a shareholder	2,229	686
Total finance costs	4,991	1,425

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS



(Expressed in Hong Kong dollars)

5 LOSS BEFORE TAXATION *(continued)*

(b) Other items

	Six months ended 30 June 2015 HK\$'000	Six months ended 30 June 2014 HK\$'000 (Restated)
Amortisation of intangible assets	8,700	16,533
Depreciation of fixed assets	126	79

6 INCOME TAX EXPENSE

	Six months ended 30 June 2015 HK\$'000	Six months ended 30 June 2014 HK\$'000 (Restated)
Current taxation — Hong Kong Profits Tax	—	—
Current taxation — Outside Hong Kong	5,429	—
	5,429	—

- (a) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2014: 16.5%) to the six months ended 30 June 2015.

No provision has been made for Hong Kong Profits Tax during the six months ended 30 June 2015 and 2014 as the Group did not earn any income subject to Hong Kong Profits Tax.



NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6 INCOME TAX EXPENSE *(continued)*

(b) The provision for PRC income tax is made as follows:

- For subsidiaries which are foreign investment enterprises located and operated in the PRC, and approved for establishment prior to 16 March 2007 by the State Administration of Industrial and Commerce, the Corporate Income Tax Law of the PRC provides a five- year transition period during which the transitional rates are 18%, 20%, 22%, 24% and 25% for the years ended 31 December 2008, 2009, 2010, 2011 and 2012 onwards, respectively. The PRC corporate income tax rate applicable to these subsidiaries is 25% for the six months ended 30 June 2013 and the periods thereafter. Profits of other subsidiaries established in the PRC are subject to PRC corporate income tax at 25%.
- Foreign enterprises with permanent establishment in the PRC are subject to PRC corporate income tax at a rate of 25% on a deemed profit basis on their PRC sourced income.

7 DISCONTINUED OPERATION

On 20 March 2015, Bounty Gain, the sole shareholder of wholly foreign owned enterprise (the “WFOE”) and subsidiary of the Company, voluntarily wind-up the WFOE. The WFOE is an indirectly non-wholly-owned subsidiary of the Company.

The WFOE is a wholly foreign owned enterprise established in Guangzhou, the PRC on 15 February 2011 with a registered capital of RMB100,000 (equivalent to approximately HK\$125,000). The approved duration of operation of the WFOE is 30 years commencing from 15 February 2011.

On 11 March 2011, the Company, via a wholly-owned subsidiary, agreed to acquire the effective majority control of the WFOE, which had become an exclusive consultancy service provider principally engaging in the television advertising agency business in the PRC.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS



(Expressed in Hong Kong dollars)

7 DISCONTINUED OPERATION *(continued)*

The profit for the period from the discontinued operations is analysed as follows:

	Six months ended 30 June 2015 HK\$'000	Six months ended 30 June 2014 HK\$'000
Loss of discontinued operations for the period	(1,443)	(2,832)
Gain on disposal of discontinued operation (note 18)	7,504	—
	6,061	(2,832)

The results of the discontinued operations for the period from 1 January 2015 to 20 March 2015 and for the six months ended 30 June 2014, which have been included in the consolidated statement of profit or loss and other comprehensive income, are analysed as follows:

	Six months ended 30 June 2015 HK\$'000	Six months ended 30 June 2014 HK\$'000
Revenue	22,618	46,632
Cost of sales	(22,950)	(46,021)
Gross (loss)/profit	(332)	611
Other income	2	10
Administrative and other expenses	(1,113)	(3,550)
Loss before taxation	(1,443)	(2,929)
Taxation	—	97
Loss for the period	(1,443)	(2,832)

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.



NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

7 DISCONTINUED OPERATION *(continued)*

Loss before taxation from discontinued operations has been arrived at after charging (crediting):

	Six months ended 30 June 2015 HK\$'000	Six months ended 30 June 2014 HK\$'000
Depreciation of fixed assets	30	254
Amortisation of intangible assets	—	729
Interest income	(2)	(5)

During the year, the Disposal Group paid HK\$23,455,000 (2014: contributed HK\$1,772,000) in respect of the Group's net operating cash flows, contributed HK\$22,013,000 (2014: paid HK\$nil) to investing activities and paid HK\$nil (2014: HK\$nil) in respect of financing activities.

8 DIVIDENDS

No final dividend in respect of year ended 31 December 2014 and no interim dividend of six months ended 30 June 2015 were paid and declared during the current period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS



(Expressed in Hong Kong dollars)

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$23,302,000 (2014: HK\$28,256,000) and the weighted average number of 632,183,000 ordinary shares in issue during the period (2014: 562,558,000 ordinary shares), calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June 2015 HK\$'000	Six months ended 30 June 2014 HK\$'000
Issued ordinary shares at 1 January	562,558	562,558
Effect of placement of shares	69,625	—
Weighted average number of ordinary shares at 30 June	632,183	562,558

(b) Diluted loss per share

The diluted loss per share for the six months ended 30 June 2015 and 2014 are the same as the basic loss per share as the outstanding share options, equity settled share-based transactions and conversion options for the convertible notes during the periods have anti-dilutive effect to the basic loss per share. The then status of condition was assumed unchanged and thus the condition of reset and adjustment were not met.



NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10 INTANGIBLE ASSETS

	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
Purchased licence rights	138,985	155,763

11 INVENTORIES

The inventories as at 30 June 2015 represent the cost of acquisition of certain scripts, synopses, publication rights, publishing rights and editing rights purchased by the Group, which are held by the Group for re-sale in the ordinary course of business. They are carried at the lower of cost and net realisable value.

An impairment loss of HK\$13,532,000 was recognised for the period ended 30 June 2015 (2014: nil) due to the continuous unsatisfactory results from the sale of these works.

12 FILM RIGHTS INVESTMENT

	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
As at 1 January	43,243	—
Additions	55,690	64,191
Recognised as an expense included in cost of sales	(13,518)	(20,948)
As at 30 June/As at 31 December	85,415	43,243

The costs of film rights are recognised as an expense in cost of sales based on the proportion of actual income earned from a film during the year to the total estimated income from exhibition of the film attributable to the Group, according to the profit sharing ratio specified in the film investment agreements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS



(Expressed in Hong Kong dollars)

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
Trade receivables	75,542	45,461
Deferred sale proceeds on disposal of subsidiaries	8,569	8,569
Deposits, prepayments and other receivables	6,215	16,291
	90,326	70,321

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

Trade customers from the licensing income are allowed a credit period of 180 days from the date of signing the contracts.

Trade receivables from film investment income are usually received within 90 days after the related films have been withdrawn from circuit.

14 CASH AND CASH EQUIVALENTS

	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
Cash at bank and in hand	43,921	8,789
Cash and cash equivalents in the condensed consolidated statement of financial position and condensed consolidated cash flow statement	43,921	8,789



NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

15 LOAN FROM A SHAREHOLDER AND OTHER LOANS

(a) Loan from a shareholder

As at 30 June 2015, loan from a shareholder to the Group of HK\$nil (31 December 2014: HK\$50,000,000) is unsecured, interest-bearing at 10% per annum.

(b) Other loans

The other loans borrowed by the subsidiaries of the Company, are unsecured and interest-bearing.

16 TRADE AND OTHER PAYABLES

All accruals and other payable are expected to be settled within one year or payable on demand.

17 SHARE CAPITAL

	Note	At 30 June 2015		At 31 December 2014	
		Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:					
Ordinary shares of HK\$0.01 each		1,000,000	780,000	1,000,000	780,000
Issued and fully paid:					
At 1 January 2015/ 1 January 2014		562,558	438,795	562,558	438,795
Placement of shares	(i)	247,500	2,475	—	—
Cancellation of Share Premium Account and Capital reorganisation	(ii)	—	(433,169)	—	—
At 30 June 2015/ 31 December 2014		810,058	8,101	562,558	438,795

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



17 SHARE CAPITAL (continued)

Notes:

(i) Placement of shares

A placement of 112,500,000 shares of the company at a price of HK\$0.64 per share was made with independent investors on 24 March 2015. The placing price represented a discount of approximately 3.03% to closing price of \$0.66 per share on 16 March 2015, and a premium of approximately 23.33% to the five trading days average closing price of HK\$0.48 per share on and immediately preceding 13 March 2015. Subsequently, 112,500,000 new ordinary shares of the company were issued at the same price per share. The net proceeds will be used for the repayment of liabilities and general working capital of the company.

A placement of 135,000,000 shares of the company at a price of HK\$0.93 per share was made with independent investors on 23 June 2015. The placing price represented a discount of approximately 16.96% to the closing price of HK\$1.12 per share on 2 June 2015 and a discount of approximately 15.45% to the five trading days average closing price of HK\$1.10 per share up to and including 1 June 2015. The net proceeds was used for general working capital of the company or to finance any future opportunities to be identified by the company.

(ii) Cancellation of Share Premium Account and Capital reorganization

Cancellation of Share Premium Account

The Company cancelled the entire amount standing to the credit of the share premium account of the Company and to transfer the credits arising from such cancellation to an account designated as the contributed surplus account of the Company. The Company has a credit balance of approximately HK\$1,092,929,000 standing in its share premium account. The account designated as the contributed surplus account of the Company, shall be the contributed surplus account of the Company within the meaning of the Companies Act upon the Change of Domicile becoming effective.



NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

17 SHARE CAPITAL (continued)

Notes: (continued)

(ii) Cancellation of Share Premium Account and Capital reorganization (continued)

Capital Reorganisation

The Company implemented the Capital Reorganisation after the Change of Domicile becoming effective which involves the following:

- (a) the Re-denomination whereby the authorised and issued Existing Shares be re-denominated (at the exchange rate of US\$1.0 to HK\$7.8) to HK\$780,000,000 and HK\$438,794,993.52, respectively, such that the par value of each Existing Share will be changed from US\$0.10 to HK\$0.78 ("Adjusted shares");
- (b) the Capital Reduction whereby the par value of each issued Adjusted Share be reduced from HK\$0.78 to HK\$0.01 by cancelling the capital paid-up thereon to the extent of HK\$0.77 on each of the issued Adjusted Shares;
- (c) the Diminution and Increase whereby subject to and forthwith upon the Capital Reduction taking effect, all the authorised but unissued share capital of the Company (which shall include the authorised but unissued share capital arising from the Capital Reduction) be cancelled and forthwith upon such cancellation, the authorised share capital of the Company be increased to HK\$1,000,000,000 by the creation of such number of additional New Shares as shall be sufficient to increase the authorised share capital of the Company to HK\$1,000,000,000 divided into 100,000,000,000 New Shares;
- (d) the credits arising from the Capital Reduction, which amounted to approximately HK\$433,169,417 based on the number of the Existing Shares in issue on 26 January 2015, be transferred to the Contributed Surplus Account; and
- (e) the amount standing to the credit of the Contributed Surplus Account be applied to set off the accumulated losses of the Company by the amount of such credit or be applied in any other manner as may be permitted under the bye-laws of the Company and all applicable laws of Bermuda.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



17 SHARE CAPITAL (continued)

Notes: (continued)

(ii) Capital reorganization (continued)

Terms of unexpired and unexercised share options at the end of the reporting period are as follows:

Exercise period	Adjusted/original exercise price (Note)	Number of options outstanding	
		At 30 June 2015	At 31 December 2014 (Note)
15 March 2007 to 13 June 2014	HK\$55.1534/ HK\$2.05	—	—
7 January 2010 to 13 June 2014	HK\$43.8576/ HK\$1.63	—	—
15 January 2010 to 13 June 2014	HK\$43.8573/ HK\$1.63	—	—
Outstanding at 30 June 2015/31 December 2014		—	—

Each option entitles the holder to subscribe for one ordinary share in the Company.

Note: The exercise price and number of outstanding share options were adjusted upon completion of the rights issue in the proportion of five rights share for every one existing share in August 2013.



NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18. DEEMED DISPOSAL OF DISCONTINUED OPERATION

As set out in note 8, the Group discontinued its television and other advertising upon the voluntary wind-up of the Disposal Group on 20 March 2015. The net assets of the Disposal Group at the date of disposal were as follows:

	<i>HK\$'000</i>
Consideration received and receivable:	
Consideration receivable	13,500
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	201
Trade and other receivables and prepayments	40,852
Bank balances and cash	4,136
Total assets	45,189
Trade and other payables and accruals	19,940
Taxation payable	1,753
Unsecured bank loan	12,649
Total liabilities	34,342
Net assets	10,847
Less: Non-controlling interests	(4,851)
Net assets disposed of	5,996
Gain on disposal of subsidiaries:	
Consideration received	13,500
Net assets disposed of	(5,996)
	7,504
Net cash inflow arising on disposal:	
Consideration received	13,500
Bank loans disposed of	12,649
Bank balances and cash disposed of	(4,136)
	22,013

The impact of Disposal Group on the Group's results and cash flows in the current and prior periods is disclosed in note 7.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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19 COMMITMENTS

(a) Commitments under operating leases

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
Within one year	634	634
In the second to fifth years inclusive	244	561
	878	1,195

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

20 CONTINGENT LIABILITIES

As at 30 June 2015, the Company has not issued any guarantees to banks in respect of banking facilities granted to its subsidiaries (31 December 2014: Nil).

21 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

Transactions with related parties

	Note	Six months ended 30 June 2015 HK\$'000	Six months ended 30 June 2014 HK\$'000
Interest expense payable on loan from a shareholder	(i)	2,229	686



NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

21 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

Transactions with related parties *(continued)*

Notes:

- (i) This represents interest expenses paid and payable in respect of loans amounting to HK\$50,000,000 which was borrowed from a substantial shareholder, SMI Holdings Group Limited. These loans are repayable within one year and bear annual interest rate at 10%.

The directors are of the opinion that the above transactions were all carried out in the ordinary course of business.

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in note 15(a).

22 PENDING LITIGATION

An action was commenced by a business partner against a subsidiary of the Group in December 2013 in Beijing People's Court in respect of an alleged settlement of sums payable to this business partner of approximately RMB29,548,000 (equivalent to approximately HK\$37,018,000), plus interest thereon.

The directors have confirmed that no settlement had been reached by the parties and no judgement on the quantum of damages had been made against the Group in respect of the legal action. The Group has sought legal advice from its legal counsel on the merits of the claim. As of the date of this report, the eventual outcome of the legal action is still uncertain.

The directors are of the view that the quantum of the ultimate cost and damages (if any) to be incurred by the Group will not have a material adverse impact on the Group's consolidated financial position as a provision for the potential settlement of RMB29,548,000 (equivalent to approximately HK\$37,018,000) had been made.