星美控股

SMI HOLDINGS GROUP LIMITED
星美控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 198)

ANNUAL REPORT 2015

Contents

Corporate Information

BOARD OF DIRECTORS
Executive Directors
Mr. CHENG Chi Chung *(Chief Executive Officer)*
Mr. YANG Rongbing
Mr. ZHOU Lin

Non-Executive Directors
Mr. LI Xuan
Mr. ZHANG Yongdong

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
Deloitte Touche Tohmatsu

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

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

BRANCH SHARE REGISTRAR IN HONG KONG
Tricor Progressive Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER
The Hongkong and Shanghai Banking
Corporation Limited

STOCK CODE
00198.HK

WEBSITE
http://www.smi198.com

CEO's Statement

To all shareholders,

I am pleased to present the annual report of SMI Holdings Group Limited (the "Company") and its subsidiaries (collectively refer to the "Group") for the year ended 31 December 2015.

For the year ended 31 December 2015, China's movie industry continues to flourish. The total national box office exceeded RMB40 billion for the first time. Since 2011, China's box office has been maintaining an annual growth of over 30%. It has now become the world's second-largest movie market only after the United States. It is expected that the rapid growth will continue, and possibly overtake the United States ("USA") to become the world's largest movie market.

MOVIE THEATRE BUSINESS

During the reporting period, while benefited from the strong demands of movie industry in China, the movie theatre business of the Group recorded rapid growth. As at 31 December 2015, the Group has about 200 movie theatres with about 1,400 screens in major cities across China, a substantial increase as compared with 90 movies theatres with 700 screens in 2014 representing an increase of 122% and 100% respectively. The Group continues to expand and has about 226 movie theatres up to date, and expects that the number of theatres in China under the Group will not be less than 300 by the end of 2016.

The Group will continue its efforts to maintain its leading position in Beijing, Shanghai, Guangzhou, Shenzhen and other cities, while actively developing in the second, third and fourth tier cities which are of great development potentials. These include the construction of theatres in Nanjing, Guizhou, Hebei Yanjiao, Hefei, Chongqing, Xiamen and Harbin. The Group will further expand the business territory in Chengdu, Hohhot, and other 105 cities, consolidating its leading position in China's theatre operation.

NON-BOX-OFFICE BUSINESS

The large number of audience size in movie theatres has contributed to the strong performance of our movie theatre business, which has also benefited the development of our new complementary businesses through the synergy created between the two segments. During the reporting period, our non-box-office business has recorded solid growth in revenue reaching HK$364 million, representing an increase of 94%, and accounted for over 12% of the Group's total revenue. We will continue to invest resources in this segment and step up the effort to promote the development of non-box-office business. We target the portion of contribution of non-box-office business will keep growing in the coming years.

In addition to the traditional food and beverages, advertising and promotion businesses, The Company has launched a strategy of full service chain in February 2016 to develop cooperation with co-branded corporations to promote online financial services, personal finance, insurance, and movie premieres, wine tasting, fashion show, customized movie fans products, as well as to provide delivery, after-sale and other one-stop services to meet the strong commercial products needs of the movie club members. It is expected that the scale of earnings and core competitiveness of the Group will be greatly enhanced.

FINANCIAL RESOURCES

During the reporting period, the Group actively explored diverse sources of funding and financing channels and strengthened the financial position of the Group, in order to meet the Group's rapid expansion strategy, as well as the ability to broaden the shareholder base of the Company.

In June 2015, each of Vitel Group Limited, a wholly-owned subsidiary of HOPU Investments, Baidu (Hong Kong) Limited and Tianan Property Insurance Company Limited, subscribed 200 million subscription shares of the Company. A total of 600 million new subscription shares at the subscription price of HK$0.75 per Share were issued. Upon the completion of the subscriptions in July, each of Vitel Group Limited, Baidu (Hong Kong) Limited and Tianan Property Insurance Company Limited would own as to 1.59%, 1.59% and 1.59% respectively of the Group's enlarged share capital. Meanwhile, 600 million placing shares were also placed to not less than six places at 30 June 2015. The aggregate gross proceeds and net proceeds from the subscriptions and the placing were approximate HK$900 million and HK$887 million respectively.

Baidu and the Group have been cooperating in business, including the launch of "SMI Baidu Cobranded Card" and online tickets sales which helped increase the number of movie audiences, and the establishment of the "2-km ecosystem surrounding the theatre". Since Baidu has become a member of SMI, the cooperation between the parties has been getting closer. In October 2015, SMI Group and Baidu worked together on the Baidu shopping platform, Baidu Nuomi, and the CITIC Trust to launch the cinema consumption crowdfunding product "Stellar international Cineplex" with an aggregate issuance amount of RMB500 million, which was the first crowdfunding product based on cinema consumption in the country.

The parties will continue to deepen their business cooperation, and Baidu will open various sources to the Group, including map search and mobile location-based services, provision of comprehensive technical support, research and development of new products and the cooperation on financial products such as the sale and promotional support of SMI Baidu Cobranded Card. The parties will also focus on the close link between online and offline comprehensive business cooperation and online payment.

In April 2015, the Group entered a trust loan agreement with 2 financial instructions in an aggregate amount of RMB1,350 million. Subsequently the financial institutions pool the loans drawn down in an assets backed security ("ABS") and the ABS was listed in the Shenzhen Stock Exchange in August 2015.

CONCLUSION

With the opportunity to encounter a booming market in China's movie industry, the Group's business has recorded rapid growth in recent years. We will continue to capture opportunities and fully leverage on the Group's extensive market share and other advantages not only to develop the core movie theatre business but also actively expand new value-added business to ensure a multi-faceted growth with a view to broaden the revenue stream. Going forward, we will continue to invest more resources to promote the development of non-office-box businesses.

We will vigorously develop new business models, optimize the Group's business structures, and rapidly expand new value-added businesses with the solid foundation of our core business, so as to build an integrated service platform to provide movies, living, commercial products and financial services. By this means, we can strengthen and further enhance the Group's leading position in the industry, and maximize the interest for the Group and our shareholders.

Mr. CHENG Chi Chung
Chief Executive Officer

Hong Kong, 15 April 2016

Management Discussion and Analysis

BUSINESS REVIEW

During the year ended 31 December 2015, China movie industry has sustained its rapid growth momentum. Last year's annual box office revenue soared 48.7% to RMB44.069 billion, which was the first time for China's box office to exceed RMB40 billion. According to this growth rate, the China movie market is likely to exceed the USA in the next two to three years, and become the world's largest movie market.

Benefited from the development of China's booming movie market, the Group's profit for the year ended 31 December 2015 increased significantly as compared with the corresponding period ended 31 December 2014. During the reporting period, the Group's operating revenue was HK$2,924 million, increased by 77% as compared with approximately HK$1,650 million in the corresponding period in 2014. Gross profit was approximately HK$854 million, an increment of 107% compared to 2014 (restated): HK$413 million and gross profit margin has reached 29% (2014: 25%).

In the year ended 31 December 2015, the Group has continued to focus on the core business (movie theatre business), while increasing investment for the expansion of non-box-office businesses. In February 2016, the Group announced the introduction of the comprehensive service chain strategy, aiming to further promote the cultural media services of the Company to a higher developmental stage, and build a brand new industry and business model with cultural products as its core, to which thousands of daily life commodities and services for millions of consumer groups are linked.

Movie Theatre Business

According to the data of the State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China, during the year ended 31 December 2015, a total of 1,200 new cinemas were opened across China, 8,035 screens were added to the market (average daily addition of 22 screens), with a total of 31,627 screens in China. China's box office reached RMB44.069 billion, soared 48.7% as compared with the corresponding period in 2014. Benefited from the momentum of the movie industry, the Group has also achieved outstanding results.

In the year ended 31 December 2015, the revenue of movie theatre business was approximately HK$2,559 million, increased by 75% as compared with the same period in 2014. The profit of the segment has climbed 60% to approximately HK$553 million (2014: HK$345 million).

As at 31 December 2015, the Group has about 200 movie theatres with about 1400 screens in major cities across China, a substantial increase as compared with 90 movies theatres with 700 screens at 31 December 2014. The Group continues to expand and has about 226 movie theatres up to date, and expects that the number of theatres in China under the Group will not be less than 300 by the end of 2016. As in the past, in addition to securing its leading position in first and second tier provinces and cities, the Group has also strived to expand its footprint into the third and fourth tier cities.

Advertising and Promotion Business

During the reporting period, with the rapid development of the movie theatre business, the Group's movie theatres have covered all the first and second tier cities, and rapid-growing third and fourth tier cities, and the Group's advertising and promotional business has already expanded to become a nation-wide network. The Group currently offers more than 20 types of advertising and marketing options, including pre-movie advertising, advertising positions (posters, lobby displays, chair-back advertising, LED screen, movie hall naming rights, etc), new media advertising, advertising in business and marketing activities. In order to achieve higher promotional requirements of the customers, we have also installed high-tech advertising facilities in some theatres to guarantee the best results of promotion by means of hardware. With the development and optimization of the Group's theatre network, we believe that the Group's advertising and promotion services can be further developed.

Membership Integrated Marketing Scheme ("Membership Scheme")

Membership Scheme is a way to systematically understand the needs of the customers. The Group introduced a new Membership Scheme at the end of 2012. This scheme has effectively maintained the customer base and explored new customer sources. At the end of 2015, accumulated number of members has reached 10 million.

During the reporting period, the Membership Scheme has played its role and has further expanded the database of the Group's members. At the same time, the Membership Scheme has laid the foundation for the sustainable development of the Group's core business (movie theatre business) and value-added service ("SMI Living"). Through this Membership Scheme, by providing different content and channels, the Group is able to explore a huge number of movie fans and the potential business opportunities in the surrounding areas.

"SMI Living"

In 2012, the Group has founded SMI Living, the first O2O e-shop based on movie theatre channels in China. After three years of planning and development, SMI Living has clearly defined its market position and development strategy of providing customers with high-quality and diversified products, including peripheral products surrounding movies and TV programs, as well as high-end branded products, specialty food items and fashionable daily commodities from Hong Kong, Macau, Taiwan and overseas, so as to fully satisfy various needs of the customers.

Prospects

Looking ahead, it is expected that the development of China movie market will continue to boom, and hopefully even surpass the United States in the next 2 to 3 years. The Group's movie theatre business will continue to benefit from the strong momentum of the China movie industry. We are confident that by the end of 2016, we will operate not less than 300 theatres with over 100 million of audience per year, and services covering more than 60 million households.

We are also actively implementing our comprehensive-service chain strategy to further expand non-box-office business. In addition to traditional food and beverages, advertising and promotion businesses, SMI also launched the strategy of "2-km ecosystem surrounding the theatre" in March 2015. In May, the e-Commerce store "SMI Living" was officially announced in Beijing, and in August, SMI Logistics Company was officially established. In the future, the Group will continue to focus on co-branded cooperation and increase online financial services, personal finance, insurance, as well as movie premieres, wine tasting, fashion shows, customized movie fans products, etc. We also provide delivery, after-sale and other one-stop services to meet the movies club members' strong demand for commercial products.

FINANCIAL REVIEW

Turnover, Revenue and Profit for the year

During the year ended 31 December 2015, total revenue amounted to approximately HK$2,924 million (2014: approximately HK$1,650 million), an increase of 77% as compared with 2014. The profit after tax was approximately HK$368 million (2014: approximately HK$125 million), an increase of 194% as compared with 2014.

During the reporting period, The Group continuously expanded through acquisition and self construction. The number of the theatres and the screens owned by the Group increased significantly. The revenue of the Group's core business recorded a substantial growth. In addition to the Group's prudent and reasonable spending plan, the Group recorded an increase in profit in the 2015 financial year.

During the year ended 31 December 2015, the segment revenue and profit were mainly contributed by theatre operation.

The revenue of theatre operation for the year ended 31 December 2015 increased by approximately HK$1,098 million compared to 2014 while and the profit increased by 60% from approximately HK$345 million in 2014 to HK$553 million in 2015.

Furthermore, the Value Added Service business did well during the year. Retail stores segment recorded revenues of approximately HK$364 million. A turn around of segment profit approximately HK$29.3 million (2014: loss HK$2.8 million) is recorded due to strategically lower the profit margin to stimulate the sales and an effective cost control for a comprehensive penetration of our community shops surrounding the Cineplex network.

Selling, Marketing and Administrative Expenses

The selling, marketing and administrative expenses increased by 40%, which were mainly attributable to the increase in number of theatres acquired and completed and the advertising expenses for the promotion of the new business of the Group during the year ended 31 December 2015.

Financial Costs

Financial costs were mainly represented by the interest of approximately HK$101 million from bank and other loans, interest of approximately HK$54 million from bonds, interest of approximately HK$38 million from convertible notes, interest of approximately HK$13 million from securities margin facilities and finance lease charges of approximately HK$7 million.

Financial Resources and Liquidity

As at 31 December 2015, the Group had net current liabilities of approximately HK$94 million. The Group has been operating in profit and positive operating cash inflow is recorded since 2011. In addition to the successful fund raising activities organised at past, the Directors believe that the Group will have sufficient cash resources to satisfy its future working capital requirement.

As at 31 December 2015, the gearing ratio (total debts (including convertible notes) to equity attributable to equity holders of the Company) rose to 47.8% from 40.7% in 2014, which was mainly due to increase in the trust loans of approximately HK$930 million in 2015.

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

The issue of equity securities made under General Mandate during the year ended 31 December 2015 are as follows:

Completion Date	Type	Reason	Number of shares issued/ to be converted	Gross Proceeds (HK$)	Net Proceeds (HK$)	Issue price/ exercise price per share (HK$)	Subscriber	Market Price (HK$)
13 April 2015	Subscription of new shares	General Working Capital requirement	139,582,733	38,804,000	38,600,000	0.278	Linekong Interactive Group Co., Limited	0.415
30 April 2015	Issue of 3-years 8% convertible bond	General Working Capital requirement and capital expenditure	258,476,666	93,051,600	92,800,000	0.360	China Consumer Capital Fund II, L.P.	0.870
30 June 2015	Placement of new shares	Capital expenditure	600,000,000	450,000,000	437,000,000	0.750	more than 6 independent professional, institutional and other investors	1.070
03 July 2015	Subscription of new shares	Capital expenditure	200,000,000	150,000,000	150,000,000	0.750	Vitel Group Limited	0.880
06 July 2015	Subscription of new shares	Capital expenditure	200,000,000	150,000,000	150,000,000	0.750	Baidu (Hong Kong) Limited	0.760
06 July 2015	Subscription of new shares	Capital expenditure	200,000,000	150,000,000	150,000,000	0.750	Tianan Property Insurance Company Limited	0.760
05 November 2015	Issue of 2-years 4% convertible bond	Capital expenditure	389,610,389	300,000,000	299,600,000	0.770	Cheer Hope Holdings Ltd	0.740
12 November 2015	Issue of 2-years 4% convertible bond	Capital expenditure	357,142,857	275,000,000	274,600,000	0.770	Admire Idea Limited	0.820
23 November 2015	Issue of 2-years 4% convertible bond	Capital expenditure	51,948,051	40,000,000	40,000,000	0.770	Giant Profit Enterprises Limited	0.820
23 November 2015	Issue of 2-years 4% convertible bond	Capital expenditure	238,961,038	184,000,000	183,500,000	0.770	Haitong International Capital Management Limited	0.820

Capital expenditures

During the year, the leasehold improvements and theatre equipment of the Group increased approximately HK$542 million. The Group also acquired a number of subsidiaries for an aggregated consideration of HK$2,059 million. The above expenditures were mainly related to the construction and acquisition of movie theatres by the Group all over China.

Contingent liabilities

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

As at 31 December 2015, the Group and the Company did not have any other significant contingent liabilities.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets and transactions are mainly denominated in Hong Kong dollars and Renminbi. The exchange rates of Renminbi against Hong Kong dollars were relatively stable during the year. During the year, the Group did not use financial instruments for hedging purposes. The Group continues to monitor the exposures to Renminbi and will take necessary procedures to reduce the fluctuations in exchange rates at reasonable costs.

Pledge of Assets

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

(a) The Group's investments in associates amounted to approximately HK$149,911,000 (2014: HK$86,409,000) were pledged to secure margin account facilities granted to the Group.

(b) The Group's building situated in the PRC amounted to approximately HK$28,224,000 (2014: HK$30,881,000) was pledged to secure a bank loan granted to the Group.

(c) The Group assigned the Box-office receipts and receivables from the movie theatres operated by certain subsidiaries in the PRC from May to December in each calendar year from 2015 to 2019 to the financial institutions for securing the repayment of trust loans.

(d) The Group pledged its subordinated securities with a principal amount of RMB100,000,000 (equivalent to HK$121,180,000) 5-year non-tradable zero coupon as a collateral for having the trust loans made available to the Group under the trust loans arrangement.

(e) The Group pledged bank deposits of HK$121,180,000 to secure certain bank facilities granted to the Group.

Employees

Excluding the staff of associates, the Group had a total of 4,613 full-time staff as at 31 December 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.

Biographical Information of Directors

EXECUTIVE DIRECTORS

Mr. CHENG Chi Chung, aged 49, was appointed as executive director of the Company on 22 November 2011 and Chief Executive Officer ("CEO") of the Company on 7 June 2012. He holds an EMBA degree from Tsinghua University of Beijing and a bachelor degree from Taiwan University, and obtained Special Awards and honor of the 44th National Culture and Arts in China. He also had been the chief executive officer of Beijing Gome Online Co., Ltd.(北京國美在線有限公司), the group vice president of China Seven Star Shopping Limited (a company listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), stock code: 0245), the chief executive officer of Beijing Yichengyangguang Technology Development Co., Ltd.(北京億誠陽光科技發展有限公司), the general manager of Eastern Broadcasting and Eastern Shopping (America)(東森電視及東森購物(美洲)), the general manager of Eastern Public Relations Company(東森公關公司)and the director of Eastern Broadcasting News Channel(東森電視新聞台). Mr. CHENG has extensive management experience in culture, media and retail areas.

Mr. YANG Rongbing, aged 36, was appointed as an executive director of the Company on 3 May 2013. He holds a MBA from Central University of Finance and Economics. Mr. YANG joined the Group in 2010 and is an executive director and the vice president of the Company. Mr. YANG is mainly responsible for corporate strategy whilst oversees a list of key operational departments including finance, investment, human resources and legal. Mr. YANG has extensive experience in investment and finance, and familiar with relevant areas with regard to the media industry, including financial markets and tax planning. Mr YANG is also an expert in adopting a wide range of innovative financial vehicles to support rapid growth and continuously improving capital structure. Mr. YANG has acquired deep experiences in financial management, capital planning, internal control, investment and financing and capital financial strategy from serving various financial and investment roles in state-owned enterprises and institutions such as Beijing Golden Tide Group Co., Ltd., Foreign Economic Cooperation Office under Ministry of Environmental Protection, Center for Development of Trade and Control of Investment in Europe, etc.

Mr. ZHOU Lin, aged 52, was appointed as an executive director of the Company on 1 July 2015. He obtained a degree in Computer and Communications from Beijing University of Posts and Telecommunications in 1984 and a qualified engineer in the People's Republic of China. Mr. ZHOU has over 30 years' experience in computer and software related industry. Mr. ZHOU was the deputy general manager of Tongding Interconnection Information Co., Ltd.(通鼎互聯信息股份有限公司), whose shares are listed on the Shanghai Exchange Limited.

NON-EXECUTIVE DIRECTOR

Mr. ZHANG Yongdong, aged 39, was appointed as a non-executive director of the Company on 1 July 2015. He is the chairman and the CEO of Hawking Capital Management Group Limited*(行健資本管理集團)and the chairman of Dongfang Enterprise Group*(東方企業集團公司). Meanwhile, Mr. ZHANG also serves as the vice chairman of Federation of Hong Kong Jiangsu Youth and president of Jiangsu Overseas Friendship Association(江蘇海外聯誼會). Mr. ZHANG has over 18 years' experience in investment, finance and management, and has extensive experience in corporate merger and acquisition and direct investment business.

Mr. ZHANG is the executive director of Mason Financial Holding Limited (Stock Code: 273) and a non-exective director of KFM Kingdom Holdings Limited (Stock Code: 3816) (both shares are listed on the Main board of The Stock Exchange of Hong Kong Limited).

Mr. LI XUAN, aged 44, was appointed as a non-executive director of the Company at 1 July 2015. He is currently the head of technology investments of HOPU Investment Management Company ("HOPU"). Mr. Li has over 10 years' experiences in the financial industry. Mr. Li has successfully invested in several outstanding enterprises, including wellknown companies such as Xiaomi Technology Co., Ltd. He has been working with HOPU for three years and before that he worked in financial industry for more than 10 years including Dresdner Bank AG, CICC.

** For identification purpose only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. PANG Hong, aged 61, was appointed as an independent non-executive director of the Company on 28 September 2004. Mr. PANG had worked for various enterprises and government departments in China for over 20 years. He has substantial knowledge of the investment environment in China and has extensive experience in the management of Chinese companies. After studying in the United States for 3 years, he came to Hong Kong to further his career development. He is currently engaged in providing private management consultancy services. Mr. PANG is the independent non-executive director of Meike International Holdings Limited (Stock Code: 953) and Sino Haijing Holdings Limited (Stock Code: 1106), both shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. LI Fusheng, aged 54, was appointed as an independent non-executive director of the Company on 10 October 2013. Mr. LI is the manager of Beijing Office of Hong Kong Ta Kung Pao. Since joining Ta Kung Pao in 1994, Mr. LI has reported many breaking news and important events. He has reported many significant events in Mainland China, such as reporting the news about the National People's Congress and Chinese People's Political Consultative Conference for 20 consecutive years, and the Beijing Olympic Games. Mr. LI has extensive experience and network in the media industry.

Mr. KAM Chi Sing, aged 44, was appointed as an independent non-executive director of the Company on 5 September 2014. He is a fellow member of The Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants, Institute of Financial Accountants (UK) and The Taxation Institute of Hong Kong. Mr. KAM is also a member of the Society of Trust and Estate Practitioners and Hong Kong Securities and Investment Institute. He has over 14 years of CPA practising experience in Hong Kong.

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

Directors' Report

The board (the "Board") of directors (the "Directors") presents its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are operating theatres in PRC. Details of the Company's principal subsidiaries and associates as at 31 December 2015 are set out in notes 48 and 20 to the consolidated financial statements on pages 102-106 and 74 respectively. There were no significant changes in the nature of the principal activities of the Company and of the Group during the year ended 31 December 2015.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group and a discussion and analysis of the Group's performance during the year under review and a discussion on the Group's future business development and outlook of the Company's business, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2015 are provided in the section headed "CEO Statement" on pages 3 to 4, the section headed "Management Discussion and Analysis" on pages 5 to 8 of this annual report and the paragraph headed "Principal Risks and Uncertainties" of this section of this annual report. An analysis of the Group's performance during the year ended 31 December 2015 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 5 to 8 of this annual report. An account of the Company's relationships with its employees, suppliers and customers is included in the paragraph headed "Relationship with Employees, Suppliers, Customers and Other Stakeholders" of this section of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk and uncertainties will affect the Group in the aspect of financial and operational. The followings are part of the key risks factors and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Business Risk

With the increasing disposable income for families in PRC, people increase their spending in social or cultural activities. However, since the second half of 2015, the financial situation become unstable in PRC. If the economic contraction persists in 2016, people may reduce their spending on entertainment activities and these may affect the performance of the core business of the Group. Moreover, retail business, both online and offline, are under fierce competition. Our performance of the value-added business, SMI Living, may be affected by the pricing and marketing strategies applied by our competitors.

Liquidity Risk

This referred to the potential threat that the Group may be unable to meet the financial obligations when they fall due. The Company will keep monitoring the cashflow of the Group to ensure there are sufficient fundings for any financial liabilities are fall due.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 28. The Directors recommended the payment of a final dividend of HK1.09 cents per ordinary share totalling approximately HK$147,231,000 (2014: HK0.37 cents per ordinary share).

SHARE CAPITAL AND RESERVES

As at 31 December 2015 the total number of shares issued by the Company was 13,507,427,488 shares. Movements in the Company's authorized and issued share capital are set out in note 39 to the consolidated financial statements on pages 93 to 95.

Movements in the reserves of the Group are set out in the consolidated statement of changes in equity on pages 31 to 32 and those of the Company are set out in note 49 to the consolidated financial statements on page 106.

PROPERTY, PLANT AND EQUIPMENT

Details of the Group's property, plant and equipment during the year ended 31 December 2015 are set out in note 17 to the consolidated financial statements on pages 69 to 70.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year ended 31 December 2015 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. LI Xuan	(appointed on 1 July 2015)
Mr. ZHANG Yongdong	(appointed on 1 July 2015)

Independent non-executive Directors:

Mr. PANG Hong
Mr. LI Fusheng
Mr. KAM Chi Sing

In accordance with Bye-laws 86(2), 87(1) and 87(2) of the Company's bye-laws ("Bye-laws"), Mr. Zhou Lin was appointed by the Board as an executive Director of the Company on 1 July 2015, Mr. Li Xuan and Mr. Zhang Yongdong were appointed by the Board as non-executive Directors of the Company on 1 July 2015. They, together with Mr. Yang Rongbing and Mr. Pang Hong, shall retire from office, and being eligible, have offered themselves for re-election at the forthcoming 2015 annual general meeting of the Company. Save for the aforesaid, the other remaining Directors of the Company would continue in office.

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

All annual remuneration packages of the Directors were determined on arm's length negotiations between the parties based on their respective contributions to and responsibilities in the Company. No Director proposed for re-election at the forthcoming 2015 annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation. Details of the Director's emoluments are set out in note 13 to the consolidated financial statements.

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2015, the interests and short positions of the Directors and chief executive in the shares of the Company and their associates or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Registered Shareholders	Underlying Interest	Total	Approximate % of shareholdings
CHENG Chi Chung	Beneficial Owner	26,666,667	13,333,333	40,000,000	0.30%
YANG Rongbing	Beneficial Owner	13,333,334	6,666,666	20,000,000	0.15%
PANG Hong	Beneficial Owner	–	1,666,666	1,666,666	0.01%

Save as disclosed above, as at 31 December 2015, none of the Directors or the chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company, subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company adopted a new share option scheme on 30 September 2009. The purpose of the share option scheme is to enable the Board, at its discretion, to grant options to eligible participants, including the Directors of the Company, as incentives or rewards for their contributions to the Group. Details of the scheme are set out in note 40 to the consolidated financial statements.

During the year ended 31 December 2015, 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:

	Date of Grant	Exercise periods	Balance as at 1 January 2015	Grant during the year	Exercise during the year	Lapsed during the year	Balance as at 31 December 2015	Exercise price per share (HK$)
Director								
CHENG Chi Chung	19 July 2013	2	40,000,000	–	13,333,333	13,333,334	13,333,333	0.18
YANG Rongbing	19 July 2013	2	20,000,000	–	6,666,666	6,666,668	6,666,666	0.18
PANG Hong	19 July 2013	2	5,000,000	–	–	3,333,334	1,666,666	0.18
Other Eligible Participants								
Consultants (note 1)	19 July 2013	2	140,000,000	–	36,666,666	56,666,668	46,666,666	0.18
Consultants (note 2)	19 July 2013	3	160,000,000	–	160,000,000	–	–	
QIN Hong	19 July 2013	2	80,000,000	–	26,666,666	26,666,668	26,666,666	0.18
HU Yidong	19 July 2013	2	40,000,000	–	13,333,333	13,333,334	13,333,333	0.18

Note:

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

(2) Share options are exercisable during 19 July 2013 to 18 July 2016 (both days inclusive).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 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 Shareholder	Beneficial Owner	Corporate Interest	Family Interest	Long Position	Short Position	% of total issued share
Mr. QIN Hui (Note 1 and 2)	7,328,860,041	6,429,143	–	7,335,289,184	–	56.34%

Notes:

1. Mr. QIN Hui is beneficially interested in 7,328,860,041 shares.

2. Mr. QIN Hui owns the entire interest in Strategic Media International Limited ("SMIL") and was accordingly deemed to be interested in 6,429,143 shares which are held by SMIL.

Save as disclosed herein, the Company has not been notified by any of other person (other than a Director of the Company) who had an interest or a short position in the shares and underlying shares as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

No Director of the Company had a material interest in any business apart from the business of the Group which directly or indirectly completed or likely to compete with the business of the Group at the end of the year or at any time during the year ended 31 December 2015 which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

There are no major customer contributing over 10% of the Group's revenue during the year ended 31 December 2015 and 2014.

CONTRACTUAL ARRANGEMENTS

The Contractual Arrangements which were in place during the year ended 31 December 2015 and brief description of the major terms of the structured contracts under the Contractual Arrangements are as follows:

Pursuant to applicable PRC laws and regulations, except for certain cities, foreign investors are restricted from owning more than 49% of equity interest of any theatre operation entities. In order to enable control to be exercised over the entities engaged in theatre operation business invested by the Group, certain wholly-owned subsidiaries of the Group entered into certain Contractual Arrangements with the Group's theatre operation companies and their respective equity holders, who are controlled by Mr. Qin, the controlling shareholder of the Company, which enable those wholly-owned subsidiaries and the Company to exercise effective financial and operational control over the theatre operation companies and receive substantially all of the economic interest returns generated by the theatre operation companies.

Details of the Contractual Arrangements are set out in the section headed "Consolidation of entities engaged in theatres operation in the PRC" in note 4 to the financial statements.

Apart from the above, there are no other material Contractual Arrangements entered into, renewed or reproduced during the year ended 31 December 2015. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2015.

During the year ended 31 December 2015, none of the structured contracts mentioned above has been unwound as none of the restrictions that led to the adopted of structured contracts under the Contractual Arrangements has been removed.

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

During the year ended 31 December 2015, the Company purchased 44,148,000 shares of its own ordinary shares of the Company at the highest and lowest prices of HK$0.76 and HK$0.68 per share respectively ("Shares Repurchase"). The Company conducted the Shares Repurchase because the Board considered that the then value of the Company's shares was consistently undervalued, and the Board believed that the then financial resources of the Company would enable it to conduct the Shares Repurchase while maintaining a solid financial position for the continuation of the Company's business in the financial year.

Detail information of the purchase, sales or redemption of the listed securities of the Company by the Company or any of its subsidiaries during the year ended 31 December 2015 were disclosed in note 39 of the consolidated financial statements.

PUBLIC FLOAT

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. As a responsible corporation, to the best knowledge of the Directors, the Group has complied with all relevant laws and regulations regarding environmental protection during the year ended 31 December 2015.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with the applicable rules and regulations. To the best knowledge of the Directors, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 December 2015.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the success of the Group's business depends on the support from its key stakeholders including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefit schemes are set out in note 14 to the condensed consolidated financial statements on page 67.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group and the Company did not have any significant contingent liabilities.

EVENT AFTER THE REPORTING PERIOD

Details of significant events occurring after the date of statement of financial position are set out in note 52 to the consolidated financial statements on page 111.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years and for the year ended 31 December 2015 is set out on page 112 of the annual report.

AUDITOR

RSM Nelson Wheeler ("RSM") resigned as the auditor of the Company and Messrs Deloitte Touche Tohmatsu ("Deloitte") was being appointed to fill the casual vacancy at 22 February 2016. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Deloitte as the auditor of the Company.

APPRECIATION

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

On behalf of the Board
CHENG Chi Chung
Chief Executive Officer

Hong Kong, 15 April 2016

Corporate Governance Report

OVERVIEW OF CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The Board believed that effective internal control and corporate governance practices are essential for the sustainable growth for the Group and for safeguarding and maximizing the interest of the shareholders.

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

THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2015, the Company compiled with the code provisions (the "Code Provisions") of the Corporate Governance Code ("CG Code"), except for the deviations from Code Provisions A.2.1, A.6.7 and E.1.2 as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") which are explained below:

Chairman and Chief Executive Officer

Under Code Provision A.2.1 of the CG Code, the role of both the Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. No individual was appointed as chairman of the Company. The role of the chairman has been performed collectively by all executive Directors of the Company.

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

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

Attendance of Directors in general meetings

In respect of the Code Provision A.6.7 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 Code Provisions of the CG Code during the year.

Chairman attend annual general meeting

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

The Company does not at present have any officer with the title Chairman. An executive Director of the Company chaired the annual general meeting for the year ended 31 December 2014 ("2015 AGM") and answered questions from the shareholders. The AGM provides a channel for communication between the Board and the shareholders. Two members of the Audit and Remuneration Committee were also available to answer questions at the 2015 AGM. Other than the AGM, the shareholders may communicate with the Company through the contact information listed on the Company's website.

BOARD OF DIRECTORS

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

As at the date of this report, the Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors which provide the Board with a balanced composition of skills and experience appropriate for the requirements of the business of the Company. Biographies of all the Directors and the relationships (if any) among them are set out on pages 9 to 10 of this annual report.

The Company has received annual confirmations of independence from all the independent non-executive Directors that, save as disclosed in the annual report, they did not have any business or financial interest with the Company or its subsidiaries and were independent as at 31 December 2015 in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the existing independent non-executive Directors are independent.

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

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

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

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

The Board shall be responsible for:

- Approval of corporate and business strategies and objectives of the Company
- Approval of the annual budgets and financial reports of the Group and selecting suitable accounting policies and ensuring consistent application of these policies
- Monitoring the operating and financial performance of the Group
- Overseeing the management of the Company's relationships with the stakeholders, especially the Government, shareholders, etc.
- Approval of investment proposals of the Company
- Restructuring and spin-off relating to the Group
- Overseeing the processes for evaluation of the adequacy of internal controls, risk management, financial reporting and compliance
- Monitoring the performance of management
- Overseeing the corporate governance policies adopted by the Company

The management shall be responsible for:

- Day to day operations of the Company and its subsidiaries as delegated by the Board to the management led by the CEO
- Formulation of corporate and business strategies to be approved by the Board
- Execution of corporate and business strategies approved by the Board
- Formulation of investment, acquisition, mergers or spin off proposals
- Execution of investment, acquisition, mergers or spin-off proposals and approved by the Board

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

Details of the rotation and re-election of Directors are set in pages 12 and 13 of this annual report.

NON-EXECUTIVE DIRECTORS

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

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

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

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

TRAINING AND CONTINUOUS SUPPORT

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

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

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

The participation by the Directors for the year ended 31 December 2015 is as follows:–

Name of Directors	Reading Regulatory Updates	Visit/Meeting Key Management
Executive Directors		
CHENG Chi Chung *(Chief Executive Officer)*	✓	✓
YANG Rongbing	✓	✓
ZHOU Lin (appointed on 1 July 2015)	✓	✓
NG Kam Tsun (resigned on 30 June 2015)	✓	✓
XI Qing (resigned on 30 June 2015)	✓	✓
LI Yige (resigned on 30 June 2015)	✓	✓
Non-Executive Directors		
LI Xuan (appointed on 1 July 2015)	✓	✓
ZHANG Yongdong (appointed on 1 July 2015)	✓	✓
Independent Non-Executive Directors		
PANG Hong	✓	✓
LI Fusheng	✓	✓
KAM Chi Sing	✓	✓

Company Secretary

Mr. Lou Sai Tong was appointed as the Company Secretary on 16 July 2015.

Mr. LOU, aged 48, has over 22 years of professional experience working in international audit firms and as chief financial officer/company secretary in various publicly listed companies. Mr. LOU has extensive experience in providing financial management, corporate financial management, corporate finance and company secretarial services to listed companies. Mr. LOU graduated from University of South Australia and received a master's degree in business administration. He is a member of Association of International Accountants as well as a member of Hong Kong Institute of Certified Public Accountants.

The Company Secretary is responsible for facilitating the Board process, as well as communications among Board members. For the financial year ended 31 December 2015, the Company Secretary has complied with paragraph 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

DIRECTORS' AND OFFICERS' INSURANCE

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

ATTENDANCE RECORDS AND MEETINGS

The attendance records of each Director of various meeting of the Company during the year ended 31 December 2015 are set out as below:

	Annual General Meeting	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting
No. of meetings	1	47	3	2	2
Executive Directors					
CHENG Chi Chung	0	46/47	0	0	0
YANG Rongbing	1	46/47	0	0	0
ZHOU Lin (appointed on 1 July 2015)	0	8/22	0	0	0
NG Kam Tsun (resigned on 30 June 2015)	1	23/25	0	0	0
XI Qing (resigned on 30 June 2015)	0	2/25	0	0	0
LI Yige (resigned on 30 June 2015)	0	0/25	0	0	0
Non-Executive Directors					
Li Xuan (appointed on 1 July 2015)	0	2/22	0	0	0
ZHANG Yongdong (appointed on 1 July 2015)	0	1/22	0	0	0
Independent Non-Executive Directors					
PANG Hong	1	38/47	3/3	2/2	2/2
LI Fusheng	0	27/47	3/3	2/2	2/2
KAM Chi Sing	1	27/47	3/3	2/2	2/2

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD COMMITTEES

Audit Committee

Since 14 July 2009, the Company has established an audit committee (the "Audit Committee") with written terms of reference aligned with the Code Provisions of the CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. KAM Chi Sing (as Chairman), Mr. PANG Hong and Mr. LI Fusheng.

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

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

The Audit Committee held 3 meetings during the year ended 31 December 2015 to consider the full year audit report for financial year ended 31 December 2015. The attendance records of the meetings are as follows:

Name	Attendance
KAM Chi Sing *(Chairman)*	3
PANG Hong	3
LI Fusheng	3

Remuneration Committee

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

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

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

The Remuneration Committee held 2 meetings during the year ended 31 December 2015 to review the remuneration of Directors and senior management for the financial year ended 31 December 2015 and to make recommendations on the remuneration package of the newly appointed Directors. The attendance records of the meeting are as follows:

Pursuant to paragraph B.1.5 of the CG Code, the remuneration of Directors and the members of the senior management by band for the year ended 31 December 2015 is set out as below:

Remuneration Band	Number of individuals
Nil to HK$1,000,000	12
HK$1,000,001 to HK$1,500,000	1

Further particulars regarding to Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the listing rules are set out in note 13 to the consolidated financial statements.

Name	Attendance
LI Fusheng *(Chairman)*	2/2
PANG Hong	2/2
KAM Chi Sing	2/2

Nomination Committee

Since 14 July 2009, the Company has established a nomination committee (the "Nomination Committee") with written terms of reference. The Nomination Committee currently comprises three independent non-executive directors, namely, Mr. PANG Hong (as Chairman), Mr. LI Fusheng and Mr. KAM Chi Sing.

The primary function of the Nomination Committee is to make recommendations to the Board on potential candidates to fill vacancies or additional appointment on the Board and senior management. All appointments of Directors were nominated by the Nomination Committee based on considerations including vacancy available, competence and experience, possession of requisite skills and qualifications, independence and integrity.

The Nomination Committee adopted the "Board Diversity Policy" in relation to the nomination and appointment of new directors. The Nomination Committee selects board candidates based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

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

The Nomination Committee held 2 meetings during the year ended 31 December 2015. The attendance records of the meetings are as follows:

Name	Attendance
PANG Hong *(Chairman)*	2/2
LI Fusheng	2/2
KAM Chi Sing	2/2

ACCOUNTABILITY AND AUDIT

Remuneration of the Auditor

The remuneration in respect of audit and other services provided by auditor of the Group for the year ended 31 December 2015 are as follows:

	2015 HK$'000
Annual audit service	**6,788**
Interim review service	**360**
Other service	**200**

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the internal control system of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. During the year, under review, the Board has conducted a review of the effectiveness of the internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budgets and the Board considers them effective and adequate.

CONSTITUTIONAL DOCUMENTS

There is no significant change in the Company's constitutional documents during the year ended 31 December 2015.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Investor Relations and Communication with Shareholders

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

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

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

Shareholder's Rights

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

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

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

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

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

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

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

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

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

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

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

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

The Nomination Documents includes:

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

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

(3) Biography of the nominated candidate; and

(4) Any other relevant information of the proposal.

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF SMI HOLDINGS GROUP LIMITED
星美控股集團有限公司
(Incorporated in Bermuda with limited liability)

We have audited the accompanying consolidated financial statements of SMI Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 111, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

BASIS FOR QUALIFIED OPINION ON THE POSSIBLE EFFECT OF THE COMPARABILITY OF THE CURRENT YEAR'S FIGURES AND CORRESPONDING FIGURES

As explained in note 1 to the consolidated financial statements, the consolidated financial statements for the year ended 31 December 2014 were audited by another auditor who expressed a disclaimer opinion on those statements on 31 March 2015 as a result of the limitation of scope encountered in respect of their audit of the deposits received from several customers at one of the bank accounts of a PRC subsidiary of the Company, part of which were recognised as revenue during the year ended 31 December 2014 and part of which were included in trade and other payables as at 31 December 2014. Furthermore, our opinion on the current year's consolidated financial statements is modified because of the possible effect of these matters on the comparability of the current year's figures and corresponding figures.

QUALIFIED OPINION

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the applicable disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

15 April 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	6	**2,924,086**	1,650,146
Cost of theatre operation and sales		**(2,070,094)**	(1,236,648)
Gross profit		**853,992**	413,498
Other gains and income	8	**101,682**	206,504
Selling and marketing expenses		**(105,813)**	(91,387)
Administrative expenses		**(135,625)**	(80,848)
Other losses and expenses	9	**(54,619)**	(47,703)
Finance costs	10	**(213,375)**	(109,872)
Share of results of associates		**6,628**	(142,715)
Unrealised losses on change in fair value of held-for-trading securities		**(6,011)**	–
Reversal of impairment loss on investment in an associate		**–**	61,600
Profit before taxation		**446,859**	209,077
Income tax expense	11	**(78,498)**	(83,692)
Profit for the year	12	**368,361**	125,385
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		**(37,169)**	(11,114)
Total comprehensive income for the year		**331,192**	114,271
Profit (loss) for the year attributable to:			
Owners of the Company		**359,964**	130,992
Non-controlling interests		**8,397**	(5,607)
		368,361	125,385
Total comprehensive income (expense) attributable to:			
Owners of the Company		**322,753**	124,428
Non-controlling interests		**8,439**	(10,157)
		331,192	114,271
Earnings per share (HK cents)	16		
– Basic		**3.06 cents**	1.39 cents
– Diluted		**2.96 cents**	1.34 cents

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**2,265,974**	1,758,077
Goodwill	18	**3,369,166**	1,454,108
Intangible assets	19.1	**56,773**	13,155
Prepaid lease payments	19.2	**42,854**	46,917
Interests in associates	20	**168,414**	104,013
Rental deposits		**145,067**	105,497
Other financial assets	21	**88,089**	–
Progress payments for construction of property, plant and equipment and other deposits	22	**376,830**	522,786
Deposits paid for acquisitions of entities	23	**914,068**	996,047
		7,427,235	5,000,600
CURRENT ASSETS			
Inventories	24	**96,871**	87,764
Prepaid lease payments	19.2	**3,074**	3,120
Trade and other receivables	25	**544,643**	691,864
Held-for-trading investments	26	**196,017**	77,577
Loan to an associate	27	**50,000**	50,000
Amounts due from related parties	31	**13,788**	39,606
Pledged bank deposits	28	**121,180**	25,150
Bank balances and cash	28	**1,007,629**	130,221
		2,033,202	1,105,302
Assets classified as held for sale	41	**25,180**	25,180
		2,058,382	1,130,482
CURRENT LIABILITIES			
Trade and other payables	29	**1,506,677**	1,322,875
Amount due to an associate	30	**–**	1,016
Amounts due to related parties	31	**18,536**	1,381
Finance lease payables	32	**29,556**	23,426
Bank borrowings	33	**193,427**	56,587
Other borrowings	34	**214,963**	32,000
Convertible notes	35	**39,938**	41,000
Bonds	36	**–**	388,561
Taxation payable		**145,566**	92,049
		2,148,663	1,958,895
Liabilities directly associated with assets classified as held for sale	41	**3,635**	4,088
		2,152,298	1,962,983
NET CURRENT LIABILITIES		**(93,916)**	(832,501)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,333,319**	4,168,099

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT LIABILITIES			
Deferred income	29	**100,896**	2,898
Finance lease payables	32	**50,721**	66,912
Bank borrowings	33	**212,066**	232,638
Other borrowings	34	**715,404**	–
Convertible notes	35	**783,269**	353,174
Bonds	36	**225,131**	142,995
Deferred tax liabilities	38	**18,498**	4,305
		2,105,985	802,922
NET ASSETS		**5,227,334**	3,365,177
CAPITAL AND RESERVES			
Share capital	39	**1,350,743**	1,017,597
Reserves	49	**3,880,559**	2,294,819
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**5,231,302**	3,312,416
Non-controlling interests		**(3,968)**	52,761
TOTAL EQUITY		**5,227,334**	3,365,177

The consolidated financial statements on pages 28 to 111 were approved and authorised for issue by the Board of Directors on 15 April 2016 and are signed on its behalf by:

Mr. CHENG Chi Chung	**Mr. YANG Rongbing**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000 (note 49(i))	Other reserve HK$'000 (note 49(ii))	Contributed surplus HK$'000 (note 49(iii))	Translation reserve HK$'000 (note 49(iv))	Convertible notes reserve HK$'000	Warrants reserve HK$'000	Statutory reserve HK$'000 (note 49(v))	Share-based payment reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	845,161	1,692,627	(121,745)	31,172	22,669	12,913	–	44,400	20,874	187,299	2,735,370	74,799	2,810,169
Profit for the year	–	–	–	–	–	–	–	–	–	130,992	130,992	(5,607)	125,385
Other comprehensive expense	–	–	–	–	(6,564)	–	–	–	–	–	(6,564)	(4,550)	(11,114)
Total comprehensive income for the year	–	–	–	–	(6,564)	–	–	–	–	130,992	124,428	(10,157)	114,271
Approved final dividend for the year ended 31 December 2013	–	–	–	–	–	–	–	–	–	(37,409)	(37,409)	–	(37,409)
Reduction of share premium	–	(1,692,627)	–	1,432,498	–	–	–	–	–	260,129	–	–	–
Issue of shares by subscription	55,000	57,035	–	–	–	–	–	–	–	–	112,035	–	112,035
Issue of shares by placement	78,000	143,188	–	–	–	–	–	–	–	–	221,188	–	221,188
Lapse of share options	–	–	–	–	–	–	–	–	(2,295)	2,295	–	–	–
Recognition of equity component of convertible notes (note 35(c) to (f))	–	–	–	–	–	12,772	–	–	–	–	12,772	–	12,772
Allotment of shares for acquisition of a subsidiary (note 39(c))	12,242	22,037	–	–	–	–	–	–	–	–	34,279	–	34,279
Issue of conversion shares (note 39(d))	27,027	72,973	–	–	–	(8,865)	–	–	–	8,865	100,000	–	100,000
Issue of Warrants (note 36(b)(c)(d))	–	–	–	–	–	–	3,095	–	–	–	3,095	–	3,095
Exercise of share option (note 39(d))	167	133	–	–	–	–	–	–	–	–	300	–	300
Non-controlling interests on acquisition of a subsidiary (note 42)	–	–	–	–	–	–	–	–	–	–	–	(11,881)	(11,881)
Share-based payments	–	–	–	–	–	–	–	–	6,358	–	6,358	–	6,358
Transfer to statutory reserve	–	–	–	–	–	–	–	10,146	–	(10,146)	–	–	–
Changes in equity for the year	172,436	(1,397,261)	–	1,432,498	(6,564)	3,907	3,095	10,146	4,063	354,726	577,046	(22,038)	555,008
At 31 December 2014	1,017,597	295,366	(121,745)	1,463,670	16,105	16,820	3,095	54,546	24,937	542,025	3,312,416	52,761	3,365,177

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000 (note 49(i))	Other reserve HK$'000 (note 49(ii))	Contributed surplus HK$'000 (note 49(iii))	Translation reserve HK$'000 (note 49(iv))	Convertible notes reserve HK$'000	Warrants reserve HK$'000 (note 36 (b)(c)(d))	Statutory reserve HK$'000 (note 49(v))	Share-based payment reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	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
Profit for the year	-	-	-	-	-	-	-	-	-	-	359,964	359,964	8,397	368,361
Other comprehensive expense	-	-	-	-	(37,211)	-	-	-	-	-	-	(37,211)	42	(37,169)
Total comprehensive income for the year	-	-	-	-	(37,211)	-	-	-	-	-	359,964	322,753	8,439	331,192
Approved final dividend for the year ended 31 December 2014	-	-	-	-	-	-	-	-	-	-	(42,017)	(42,017)	-	(42,017)
Issue of shares by subscription (note 39(b))	73,958	414,774	-	-	-	-	-	-	-	-	-	488,732	-	488,732
Issue of shares upon conversion (note 39(c))	132,936	303,531	-	-	-	(23,453)	-	-	-	-	23,453	436,467	-	436,467
Issue of shares on exercise of share options (note 39(d))	25,667	20,533	-	-	-	-	-	-	(13,819)	-	13,819	46,200	-	46,200
Issue of shares by placement (note 39(a))	60,000	377,230	-	-	-	-	-	-	-	-	-	437,230	-	437,230
Recognition of equity component of convertible notes (notes 35(g) to (k))	-	-	-	-	-	42,014	-	-	-	-	-	42,014	-	42,014
Lapse of warrants	-	-	-	-	-	-	(2,071)	-	-	-	2,071	-	-	-
Issue of shares on exercise of warrants	45,000	108,000	-	-	-	-	(1,024)	-	-	-	1,024	153,000	-	153,000
Shares repurchased	(4,415)	(31,936)	-	-	-	-	-	-	-	4,415	-	(31,936)	-	(31,936)
Recognition of share-based payments	-	-	-	-	-	-	-	-	1,275	-	-	1,275	-	1,275
Transfer	-	-	-	-	-	-	-	195	-	-	(195)	-	-	-
Acquisition of additional interests in subsidiaries (Note)	-	-	50,507	-	14,661	-	-	-	-	-	-	65,168	(65,168)	-
Changes in equity for the year	333,146	1,192,132	50,507	-	(22,550)	18,561	(3,095)	195	(12,544)	4,415	358,119	1,918,886	(56,729)	1,862,157
At 31 December 2015	1,350,743	1,487,498	(71,238)	1,463,670	(6,445)	35,381	-	54,741	12,393	4,415	900,144	5,231,302	(3,968)	5,227,334

Note: On 1 January 2015, the non-controlling shareholders of certain subsidiaries assigned all their economic interests in those subsidiaries to the Group under a contractual arrangement (the "Arrangement") at nil consideration. The Group's effective interests in those subsidiaries increased to 100% after the Arrangement. An amount of HK$50,507,000 (being the non-controlling interest's proportionate share of the carry amount of those subsidiaries' net assets, net of the effect on accumulated translation of HK$14,661,000) has been transferred from non-controlling interests to other reserve.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**446,859**	209,077
Adjustments for:		
Interest expenses	**205,293**	106,594
Financial charges in respect of finance lease obligations	**7,282**	7,098
Bank interest income	**(5,211)**	(256)
Interest income from associates and other parties	**(9,361)**	(2,285)
Amortisation of prepaid lease payments	**4,109**	3,939
Depreciation on property, plant and equipment	**243,005**	145,693
Share of results of associates	**(6,628)**	142,715
Loss on disposal/write-off of property, plant and equipment	**173**	–
Gain on deemed disposal of interests in associates	**(9,716)**	–
Gain on disposal of available-for-sale financial assets	**–**	(1,980)
Gain on disposal of investment in film production	**(1,446)**	(3,745)
Allowance for doubtful debts	**21,693**	11,156
Equity-settled share-based payments	**1,275**	6,358
Unrealised losses on change in fair value of held-for-trading securities	**6,011**	–
Provision for litigation claim	**–**	7,496
Impairment loss on property, plant and equipment	**–**	12,695
Reversal of impairment loss on investments in an associate	**–**	(61,600)
Impairment on prepayment	**–**	876
Operating cash flows before working capital changes	**903,338**	583,831
Increase in inventories	**(7,911)**	(42,423)
(Increase) decrease in rental deposits	**(44,391)**	720
Decrease (increase) in trade and other receivables	**225,198**	(212,062)
Decrease (increase) in amount due from a related party	**25,818**	(39,825)
Increase in held-for-trading investment	**(124,451)**	(77,577)
Increase in deferred income	**97,501**	945
(Decrease) increase in trade and other payables	**(79,371)**	451,153
Cash generated from operations	**995,731**	664,762
Income taxes paid	**(19,137)**	(60,329)
Finance lease interests paid	**(7,282)**	(7,098)
Net cash generated from operating activities	**969,312**	597,335

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
INVESTING ACTIVITIES			
Repayment of loans from other parties		**250,000**	–
Bank interest received		**5,211**	256
Other interest received		**2,533**	–
Proceeds from disposal of property, plant and equipment		**1,514**	3,390
Proceeds from disposal of available-for-sale investments		**–**	25,000
Acquisition of interests in associates		**(48,190)**	(937)
Placement of restricted bank balances		**(97,179)**	(25,150)
Acquisition of subordinated asset-backed securities		**(123,519)**	–
Deposits paid for acquisitions of property, plant and equipment		**(185,829)**	(270,445)
Purchase of property, plant and equipment		**(246,944)**	(33,308)
Advance of loans to other parties		**(250,000)**	(50,656)
Deposits paid for acquisitions of entities		**(944,414)**	(996,047)
Acquisition of a subsidiary, net of cash acquired	42	**(1,040,916)**	2,432
Net cash used in investing activities		**(2,677,733)**	(1,345,465)
FINANCING ACTIVITIES			
Proceeds from other borrowings		**1,641,426**	190,086
Proceeds from issue of shares from placement and subscription		**925,962**	333,223
Proceeds from issue of convertible notes, net of transaction costs		**892,051**	350,898
Proceeds from bank borrowings raised		**411,434**	257,788
Proceeds from disposal of own debt securities		**373,201**	–
Proceeds from issue of bonds, net of transaction costs		**77,460**	403,997
Proceeds from issue of shares upon exercise of share options		**46,200**	300
Advance from (repayment to) related parties		**17,155**	(167)
Advance from non-controlling interests of subsidiaries		**–**	48,652
Repayment to associates		**(1,016)**	–
Repayment of finance lease payables		**(16,362)**	(21,049)
Repurchase of shares		**(31,936)**	–
Dividend paid		**(42,017)**	(37,409)
Interest paid		**(161,515)**	(79,076)
Repayments of bonds		**(246,962)**	(150,900)
Repayments of other borrowings		**(224,052)**	(386,189)
Repayments of bank borrowings		**(283,766)**	(76,734)
Repurchase of own debt securities		**(796,522)**	–
Net cash generated from financing activities		**2,580,741**	833,420
NET INCREASE IN CASH AND CASH EQUIVALENTS		**872,320**	85,290
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**130,281**	41,383
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		**5,088**	3,608
		1,007,689	130,281
CASH AND CASH EQUIVALENTS AT 31 DECEMBER			
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**1,007,629**	130,221
Bank balances and cash under assets held for sale	41	**60**	60
		1,007,689	130,281

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

SMI Holdings Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. In the opinion of the directors of the Company, the immediate and ultimate controlling party of the Company is Mr. Qin Hui ("Mr. Qin"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report. The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 48 to the consolidated financial statements.

The Group's consolidated financial statements for the year ended 31 December 2014 were audited by RSM Nelson Wheeler, Certified Public Accountants who expressed a disclaimer opinion on those statements on 31 March 2015 as a result of the limitation of scope encountered in respect of their audit of the deposits received from several customers of approximately HK$393,925,000 at one of the bank accounts of a subsidiary of the Company in the People's Republic of China (the "PRC") of which approximately HK$239,351,000 were recognised in revenue during the year ended 31 December 2014 and approximately HK$154,574,000 were recorded in trade and other payables as at 31 December 2014. Subsequent to the issuance of the consolidated financial statements for the year ended 31 December 2014 on 31 March 2015, the management performed certain procedures on the abovementioned bank deposits, revenue, and trade and other payables and identified that the amounts of the bank deposits, related revenue and trade and other payables relating to this specific matter described in the basis of disclaimer of opinion paragraph of auditor's report issued by RSM Nelson Wheeler on 31 March 2015 should be HK$380,403,000, HK$225,829,000 and HK$154,574,000, respectively.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration of the future liquidity of the Group in light of the fact that the Group incurred a net current liabilities of HK$ 93,916,000 (2014: HK$832,501,000) as at 31 December 2015. The consolidated financial statements have been prepared on a going concern basis because Mr. Qin has agreed to provide adequate funds for the Company to meet in full its financial obligations as they fall due for the foreseeable future.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. The management believes that the Group's operation involved Renminbi ("RMB") and HK$ while the financing is mainly in HK$. Taking into account of all the factors, the management exercised their judgement in determining the functional currency which is HK$ after considering that the adoption of HK$ as the functional currency is the most faithful reflection of the economic effects of the underlying transactions, events and conditions that are relevant to the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Application of new and revised IFRS

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year.

Amendments to IAS 19	Defined benefit plans: Employee contributions
Amendments to IFRSs	Annual improvements to IFRSs 2010 – 2012 cycle
Amendments to IFRSs	Annual improvements to IFRSs 2011 – 2013 cycle

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial instruments[1]
IFRS 15	Revenue from contracts with customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations[3]
Amendments to IAS 1	Disclosure initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation[3]
Amendments to IFRSs	Annual improvements to IFRSs 2012 – 2014 cycle[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants[3]
Amendments to IAS 27	Equity method in separate financial statements[3]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception[3]
Amendments to IAS 7	Disclosure initiative[5]
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after a date to be determined
5 Effective for annual periods beginning on or after 1 January 2017

IFRS 9 "Financial instruments"

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

2. **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)**

IFRS 9 "Financial instruments" (Continued)

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 "Financial instruments: Recognition and measurement" are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 15 "Revenue from contracts with customers"

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 15 "Revenue from contracts with customers" (Continued)

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

IFRS 16 "Lease"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of IFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these financial statements. The directors of the Company anticipate that the application of IFRS 16 in the future will have a material impact on the Group's consolidated financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

Amendments to IAS 1 "Disclosure initiative"

The amendments to IAS 1 "Presentation of financial statements" give some guidance on how to apply the concept of materiality in practice.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to IAS 1 will have a material impact on the amounts recognised in the Group's consolidated financial statements.

Except as described above, the directors of the Company do not anticipate that the application of the other new and revised IFRSs will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income taxes" and IAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise in the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Non-current assets held for sale

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

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

Income from advertising, events and field marketing and other related services is recognised when the services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers, under the Group's customer loyalty scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the awards for which they could be redeemed. Such consideration is not recognised as revenue at the time of the initial sale transaction – but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Property, plant and equipment (Continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible and intangible assets other than goodwill (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Inventories

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

Leasing (Continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Retirement benefit costs and termination benefits

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations in other parts of the PRC and Taiwan are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

In addition, in relation to a partial disposals of associates that do not result in the Group losing significant influence, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss exclude any dividend or interest earned on the financial assets and is included in the "other gains and income" or "other losses and expenses" line item. Fair value is determined in the manner described in note 50.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other financial assets, trade and other receivables, loan to an associate, amounts due from related parties, pledged bank deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments (Continued)

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities (including trade and other payables, amount(s) due to associates/related parties, bank borrowings, other borrowings, bonds and convertible notes-liability component) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Convertible notes

The component parts of the convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

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

Financial instruments (Continued)

Bonds with detachable warrants

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

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity share-based payment reserve.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying accounting policy

The followings are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Consolidation of entities engaged in theatres operation in the PRC

The theatres operation of the Group is carried out mainly through domestic operating companies incorporated in the PRC. Certain Group's wholly-owned subsidiaries hold certain percentage of shareholding in certain of these theatre operating companies. The remaining equity interests of these theatre operating companies are held by certain PRC entities controlled by Mr. Qin, the controlling shareholder of the Company ("Mr. Qin's Affiliates"). The Group's entities engaged in theatre operation are collectively defined as the "Relevant Entities" thereafter.

Pursuant to applicable PRC laws and regulations, foreign investors are restricted from owning more than 49% of equity interest of any theatre operation entities, except for: i) in certain cities (including Beijing, Shanghai, Guangzhou, Chengdu, Xian, Wuhan and Nanjing in the PRC under pilot plan whereby foreign investors are allowed to own up to 75% of equity interest in any theatre operation entities; and ii) theatre operator from Hong Kong or Macau could invest by the way of holding not more than 75% of equity interest in any theatre operation entities since 1 January 2014. In order to enable control to be exercised over the entities engaged in theatre operation business invested by the Group, certain wholly-owned subsidiaries of the Group entered into certain contractual arrangements (the "Contractual Arrangements") with the Relevant Entities and their respective equity holders, who are being Mr. Qin's Affiliates, which enable those wholly-owned subsidiaries and the Company to:

- exercise effective financial and operational control over the Relevant Entities;
- exercise equity holders' voting rights of the Relevant Entities;

4. **CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY(Continued)**

Critical judgments in applying accounting policy (Continued)

Consolidation of entities engaged in theatres operation in the PRC (Continued)

- receive substantially all of the economic interest returns generated by the Relevant Entities;
- obtain an irrevocable and exclusive right to purchase the remaining entire equity interest in the Relevant Entities from the respective equity holders;
- obtain a guarantee over the entire equity interest of the Relevant Entities from their respective equity holders as collateral security to secure performance of the obligations of the Relevant Entities and their respective equity holders under the Contractual Arrangements.

As a result of the Contractual Arrangements, the Company has rights to variable returns from its involvement with the Relevant Entities and has the ability to affect those returns through its power over the Relevant Entities and is considered to control the Relevant Entities. Consequently, the Company regards the Relevant Entities as consolidated structured entities under IFRSs and all existing ownership interests of these Relevant Entities are held by the Group. The Group has included the assets and liabilities and results of the Relevant Entities in the consolidated financial statements. The revenue generated from the Relevant Entities during the year ended 31 December 2015 and total assets and total liabilities attributable to the Relevant Entities as at 31 December 2015 amounted to HK$2,558,740,000 (2014:HK$1,461,080,000), HK$7,363,324,000 (2014: HK$5,484,441,000) and HK$2,825,951,000 (2014:HK$1,542,252,000), respectively.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Relevant Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Relevant Entities. However, the Company believes that, based on the legal opinion obtained from the Company's PRC external legal counsel, the Contractual Arrangements are in compliance with relevant current PRC laws and regulations and are legally binding and enforceable.

Key sources of estimation uncertainty

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

Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates.

Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at 31 December 2015, the carrying amount of trade receivable and other receivables were approximately HK$544,643,000 (2014: HK$691,864,000), net of impairment loss for bad and doubtful debts.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of goodwill

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

The carrying amount of goodwill at the end of the reporting period was approximately HK$3,369,166,000 (2014: HK$1,454,108,000). Details of the impairment loss assessment are set out in note 18 to the consolidated financial statements.

Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different from those previously estimated, or it will write-off or write-down technically obsolete assets. The carrying amount of property, plant and equipment as at 31 December 2015 was approximately HK$2,265,974,000 (2014: HK$1,758,077,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of borrowings and equity attributable to owners of the Company (comprising issued share capital, share premium, reserves and retained profits).

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

6. REVENUE

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

	2015 **HK$'000**	2014 HK$'000
Theatre operation	**2,558,740**	1,461,080
Sales of goods in retail stores	**363,813**	187,545
Others	**1,533**	1,521
	2,924,086	1,650,146

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

6. **REVENUE (Continued)**

In the current year, sales related taxes amounting to HK$30,464,000 for the year ended 31 December 2014, which were presented in prior year's financial statements as "Cost of theatre operation and sales" are reclassified and treated as deduction from revenue from theatre operation as the management believes the current revenue analysis could provide better presentation to the users of the financial information to evaluate the Group's income sources. Accordingly, the comparative figures of the revenue analysis have been re-presented. The sales related taxes for the year ended 31 December 2015 amounted to HK$45,302,000.

7. **SEGMENT INFORMATION**

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

(a)	Theatre operation	–	box office ticketing, advertising, events & field marketing services and other related services and sales of food & beverages and film products.
(b)	Retail stores (formerly known as in-theatre counter sales and online shopping)	–	sales of goods in retail stores "SMI Living" situated in the theatre complex
(c)	Others	–	investments in production and distribution of films and trading of marketable securities

These operating and reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies that conform to IFRSs, that are regularly reviewed by the chief operating decision makers (the "CODM"), who are the members of executive directors of the Company for the purposes of resource allocation and performance assessment. The CODM regularly reviews revenue analysis by theatre operation and retail stores. In the current year, the presentation of reportable segments of the Group are revised as detailed below as the CODM believes the current reportable segments could provide better summary to them in reviewing the Group's operating performance and making decision in resource allocation. Accordingly, the comparative figures of the reportable segments have been re-presented for the purpose of presenting segment information.

The Group's operations in relation to investments in production and distribution of film and trading of marketable securities which were presented as separate reportable segments in the prior years are considered as a single operating segment by the CODM in the current year. Accordingly, the information of these operations have been aggregated into a single reportable segment which is reported as "Others" for segment reporting.

Segment results represents the profit earned by each segment without allocation of corporate-level income and expenses including certain interest income, certain interest expenses, certain other gains and income. Segment assets do not include assets of headquarters and other receivables of the headquarters. Segment liabilities do not include amounts due to related parties, other payables of headquarters, certain other borrowings, bonds and convertible notes.

7. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December 2015

	Theatre operation HK$'000	Retail stores HK$'000	Others HK$'000	Total HK$'000
REVENUE				
External and segment revenue	**2,558,740**	**363,813**	**1,533**	**2,924,086**
Segment results	**552,840**	**29,312**	**(47,810)**	**534,342**
Unallocated corporate income				**27,443**
Unallocated corporate expense				**(114,926)**
Profit before tax				**446,859**

For the year ended 31 December 2014

	Theatre operation HK$'000	Retail stores HK$'000	Others HK$'000	Total HK$'000
REVENUE				
External and segment revenue	1,461,080	187,545	1,521	1,650,146
Segment results	344,909	(2,775)	(111,957)	230,177
Unallocated corporate income				65,119
Unallocated corporate expense				(86,219)
Profit before tax				209,077

Notes:

(a) Revenue reported above represents revenue generated from external customers. There are no inter-segment sales for the year ended 31 December 2015 (2014: nil).

(b) Segment results of "Theatre operation" and "Others" includes share of results of associates from related theatre operation and equity investment in associates, respectively.

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	2015 HK$'000	2014 HK$'000
Theatre operation	7,363,324	5,484,441
Retail stores	1,070,747	216,840
Others	940,766	310,681
Total segment assets	9,374,837	6,011,962
Unallocated corporate assets	110,780	119,120
Unallocated consolidated assets	9,485,617	6,131,082

Segment liabilities

	2015 HK$'000	2014 HK$'000
Theatre operation	2,825,951	1,542,252
Retail stores	225,516	228,382
Others	129,756	108,133
Total segment liabilities	3,181,223	1,878,767
Amounts due to related parties – corporate	18,536	1,381
Convertible notes – corporate	823,207	394,174
Bonds – corporate	225,131	431,794
Other borrowings – corporate	–	32,000
Corporate liabilities	10,186	27,789
Consolidated liabilities	4,258,283	2,765,905

Other segment information

For the year ended 31 December 2015

	Theatre operation HK$'000	Retail stores HK$'000	Others HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets (Note)	2,732,284	1,205	766	2,734,255
Depreciation and amortisation	245,867	589	658	247,114
Allowance for doubtful debts	21,693	–	–	21,693
Interests in associates	18,503	–	149,911	168,414
Share of profits of associates	1,032	–	5,596	6,628
Finance cost	111,521	4,254	97,600	213,375
Other gains and income	84,134	5,784	11,764	101,682

7. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2014

	Theatre operation HK$'000	Retail stores HK$'000	Others HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets	896,008	1,013	34,289	931,310
Depreciation and amortisation	148,393	848	391	149,632
Allowance for doubtful debts	2,741	5,894	2,521	11,156
Interests in associates	17,604	–	86,409	104,013
Share of profits(losses) of associates	484	–	(143,199)	(142,715)
Finance cost	41,587	–	68,285	109,872
Other gains and income	200,433	4,391	1,680	206,504

Note: Non-current assets excluded deposits paid for acquisition of entities.

The Group operates in Hong Kong, Taiwan and the PRC with revenue and profit derived from its operations in these geographical location.

Substantially all of the Group's revenue from external customers by geographical locations of the customers and approximately 99% its non-current assets by geographical location of assets are located in the PRC.

There are no major customers contributing over 10% of the Group's revenue for the year ended 31 December 2015 (2014: nil).

8. OTHER GAINS AND INCOME

	2015 HK$'000	2014 HK$'000
Interest income from banks	**5,211**	256
Interest income from associates	**2,996**	2,285
Interest income from other parties	**6,365**	–
Gain on disposal of investment in film production	**1,446**	3,745
Gain on deemed disposal of interest in an associate (Note (e))	**9,716**	–
Government grants (Note (a))	**24,829**	25,886
Government interest subsidies (Note (b))	**–**	3,016
Sponsorship fee	**17,676**	1,759
Other advertising income	**5,784**	6,598
Handling fee arising from loan to a third party	**15,000**	–
Dividend income from held-for-trading securities	**602**	–
Consultancy fee received (Note (c))	**–**	58,000
Priority construction rights granted to a construction company (Note (d))	**–**	96,000
Gain on disposal of available-for-sale financial assets	**–**	1,980
Reversal of allowance for receivables assets	**–**	997
Others	**12,057**	5,982
	101,682	206,504

8. OTHER GAINS AND INCOME (Continued)

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). The amounts were received in full in the current year.

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

(c) The amount represents a consultancy fee receivable by a subsidiary of the Group for the consultancy services provided to an independent third party on the sharing of operating information of the Group's membership and cinema network. HK$40,000,000 and HK$18,000,000 were paid by the third party through the controlling shareholder, Mr. Qin, and a related company controlled by Mr. Qin respectively, from the independent third party during the year ended 31 December 2014. Certain amount of which was receivable from Mr. Qin as at 31 December 2014 (see note 31).

(d) During the year ended 31 December 2014, the Group granted a priority right in tendering to a major construction company (the "Major Construction Company") of the cinemas for tendering the construction works of the Group for a period from 1 July 2014 to 30 June 2015 at a consideration of HK$192,000,000, 50% of which, amounting to HK$96,000,000 was received in 2014 and was recognised in profit or loss during 2014. The agreement was cancelled under mutual consent of the Group and the construction company in the current year and the remaining unsettled consideration of HK$96,000,000 was waived by the Group.

(e) On 24 March 2015 and 23 June 2015, an associate entered into the agreements with independent counterparties for placing and subscription of 112,500,000 ordinary shares with unit price of HK$0.64 and 135,000,000 ordinary shares with unit price of HK$0.93 respectively (the "Transactions"). Immediately after the Transactions, the shareholding of the Company in the associate was decreased from approximately 29.97% to 24.97%. A gain on deemed disposal of interest in the associate of HK$9,716,000 was recognised in profit or loss during the year ended 31 December 2015.

9. OTHER LOSSES AND EXPENSES

	2015 HK$'000	2014 HK$'000
Allowance for doubtful debts, net	21,693	11,156
Net exchange losses (Note (a))	32,616	15,480
Impairment loss on prepayments	–	876
Impairment loss on property, plant and equipment	–	12,695
Net loss on disposal/write off of property, plant and equipment	173	–
Net loss on disposal of held-for-trading investments	137	–
Provision for litigation claim (Note (b))	–	7,496
	54,619	47,703

Notes:

(a) In these consolidated financial statements, net exchange losses amounting to HK$15,480,000 for the year ended 31 December 2014 are reclassified from "Administrative expenses" to "Other losses and expenses", and the equity-settled share-based payments amounting to HK$6,358,000 for the year ended 31 December 2014 are reclassified to "Administrative expenses" as the management believes the revised classification better reflects the function of the respective expenses. Accordingly, the comparative figures of "Administrative expenses" and "Other losses and expenses" have been re-presented.

(b) The provision for litigation claim of approximately HK$7,496,000 as at 31 December 2014 was in relation to a lawsuit against a PRC subsidiary, 上海星美影院管理有限公司 ("上海星美") as a defendant, that a construction company, as a plaintiff, who demanded for compensation from 上海星美 for its unsettled construction works liabilities together with the related interest accrued on the liabilities. Based on the verdict issued during 2014, 上海星美 lost the lawsuit and was ordered for payment of compensation to the plaintiff. The amount was fully settled during the year ended 31 December 2015.

10. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on borrowings:		
– bonds	**53,766**	41,306
– convertible notes	**38,181**	17,868
– bank borrowings	**32,646**	9,530
– other borrowings	**67,422**	26,474
– securities margin facilities	**13,278**	7,451
– bank overdraft	**–**	3,965
Finance charges	**800**	8,600
Finance lease charges	**7,282**	7,098
Total borrowing costs	**213,375**	122,292
Amount capitalised	**–**	(12,420)
	213,375	109,872

The weighted average capitalisation rate on funds borrowed generally was at a rate of 8.9% per annum in 2014 (2015: nil).

11. INCOME TAX EXPENSE

	2015 HK$'000	2014 HK$'000
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**–**	6,600
Current tax		
– PRC Enterprise Income Tax ("EIT")	**79,024**	71,435
– (Over)underprovision in prior years	**(13)**	6,408
	79,011	77,843
Deferred tax (note 38)		
– Current year	**(513)**	(751)
	78,498	83,692

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profits for both years.

11. **INCOME TAX EXPENSE (Continued)**

As stipulated in Cai Shui [2011] No. 112 and Xin Cai Fa Shui [2012] No. 1, enterprises newly established in Xin Jiang Ka Shi/Huoerguosi special economic areas during the period from 2011 to 2020 could enjoy EIT exemption for five years starting from its first profit-making year. The enterprises engaged in the encouraged industries as defined under the《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》. The subsidiaries entitled the such EIT exemption derived more than 70% of the Group's revenue during the year ended 31 December 2015 from the encouraged projects. According to《企業所得稅優惠事項備案表》, the Group obtained the approval from the PRC tax bureau on 14 July 2015 for entitlement of EIT exemption from 1 June 2015 to 31 December 2019.

For the other PRC subsidiaries of the Group, the provision for PRC Enterprise Income Tax is based on a statutory rate of 25% (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 estimated assessable profits derived elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The income tax expense for the year can be reconciled to the profit before taxation in the consolidated statement of profit or loss as follows:

	2015	2014
	HK$'000	HK$'000
Profit before taxation	**446,859**	209,077
Tax at the applicable income tax rate of 25% (2014: 25%)	**111,715**	52,269
Effect of share of results of associates	**(1,656)**	35,677
Tax effect of expenses not deductible for tax purpose	**93,483**	16,400
Tax effect of income not taxable for tax purpose	**(16,620)**	(22,165)
Tax effect of tax exemption granted to a subsidiary	**(141,739)**	–
Tax effect of tax losses not recognised	**36,732**	6,873
Utilisation of tax losses previously not recognised	**(2,140)**	(5,424)
(Over)/under provision in prior years	**(13)**	6,408
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,264)**	(5,644)
Tax effect of temporary differences not recognised	**–**	(702)
Tax charge for the year	**78,498**	83,692

12. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2015 HK$'000	2014 HK$'000
Amortisation of prepaid lease payments	**4,109**	3,939
Auditor's remuneration	**7,348**	3,629
Cost of services provided (Note (a))	**841,394**	456,584
Cost of inventories sold	**398,526**	196,062
Directors' emoluments (note 13)	**4,011**	5,640
Depreciation on property, plant and equipment	**243,005**	145,693
Promotion and advertising expenses	**73,156**	51,238
Operating lease payments or premises		
– minimum lease payments	**323,682**	154,464
– contingent rent	**32,996**	22,326
	356,678	176,790
Other staff costs excluding directors' emoluments		
– salaries and allowances	**217,664**	149,103
– equity-settled share-based payments	**306**	2,657
– retirement benefit scheme contributions	**45,868**	30,664
	263,838	182,424
Share-based payments paid to consultants	**646**	2,467

Notes:

(a) Cost of services provided mainly represents film exhibition costs under pre-defined distribution percentages by each movie ticket sales of HK$744,618,000 (2014: HK$402,301,000) and special levy contributed to National Film Development Trust (國家電影事業發展專項資金) of HK$88,480,000 (2014: HK$48,653,000) operating under the State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China (中華人民共和國國家新聞出版廣電總局).

(b) In the current year, certain direct operating costs presented in prior year's financial statements as "Selling and marketing expenses" amounting to HK$584,003,000 are reclassified under the expense category of "Cost of theatre operation and sales", as the management believes the revised classification better reflects the function of those expenses. Such operating costs included operating staff and other costs, operating lease payments on premises and depreciation on property, plant and equipment of HK$273,112,000, HK$174,757,000 and HK$136,134,000 respectively for the year ended 31 December 2014. Accordingly, the comparative figures of "Selling and marketing expenses" and "Cost of theatre operations and sales" have been re-presented.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments of each director and chief executive were as follows:

Name of director	Director fees	Salaries and allowances	Equity-settled share-based payments	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Mr. CHENG Chi Chung *(chief executive)*	240	737	199	–	1,176
Mr. YANG Rongbing	240	634	99	–	973
Mr. NG Kam Tsun (notes (a) and (c))	120	440	–	9	569
Mr. XI Qing (notes (a) and (c))	120	–	–	–	120
Mr. LI Yige (notes (a) and (c))	120	–	–	–	120
Mr. ZHOU Lin (note (b))	500	–	–	–	500
Non-executive directors					
Mr. ZHANG Yongdong (note (b))	66	–	–	–	66
Mr. LI Xuan (note (b))	66	–	–	–	66
Independent non-executive directors					
Mr. KAM Chi Sing (note (f))	132	–	–	–	132
Mr. PANG Hong	132	–	25	–	157
Mr. LI Fusheng	132	–	–	–	132
For the year ended 31 December 2015	1,868	1,811	323	9	4,011
Executive directors					
Mr. CHENG Chi Chung *(chief executive)*	137	1,811	759	–	2,707
Mr. YANG Rongbing	137	435	380	–	952
Mr. NG Kam Tsun (notes (a) and (c))	137	485	–	11	633
Mr. XI Qing (notes (a) and (c))	137	–	–	–	137
Mr. LI Yige (notes (a) and (c))	137	–	–	–	137
Mr. WONG Kui Shing, Danny (note (d))	520	–	–	7	527
Mr. LEE Chee Chuang, Roger (note (d))	57	–	–	–	57
Independent non-executive directors					
Mr. HE Peigang (note (e))	89	–	–	–	89
Mr. KAM Chi Sing (note (f))	42	–	–	–	42
Mr. PANG Hong	132	–	95	–	227
Mr. LI Fusheng	132	–	–	–	132
For the year ended 31 December 2014	1,657	2,731	1,234	18	5,640

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Notes:

(a) resigned on 30 June 2015

(b) appointed on 1 July 2015

(c) appointed on 6 June 2014

(d) resigned on 6 June 2014

(e) resigned on 5 September 2014

(f) appointed on 5 September 2014

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

During both reporting periods, there was no arrangement under which a director waived or agreed to waive any emoluments.

The five highest paid individuals in the Group during the year included two (2014: four) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2014: one) individuals are set out below:

	2015	2014
	HK$'000	HK$'000
Salaries and allowances	**2,701**	644
Retirement benefit scheme contributions	**9**	9
	2,710	653

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands:

	Number of individuals	
	2015	2014
	HK$'000	HK$'000
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	–

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2014: Nil).

14. RETIREMENT BENEFIT SCHEMES

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in retirement benefit schemes operated by the relevant local government authorities. The Group is required to make contributions on behalf of employees who are registered permanent residents in the PRC.

The Group's Hong Kong office implemented a Mandatory Provident Fund Scheme (the "MPF Scheme") in compliance with the applicable regulations in Hong Kong for its staff for the year ended 31 December 2015 and 31 December 2014. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

15. DIVIDENDS

	2015 HK$'000	2014 HK$'000
Final dividend recognised as distribution during the year – HK$0.37 cents per ordinary share for the year ended 31 December 2014 (2014: HK$0.41 cents per ordinary share for the year ended 31 December 2013)	**42,017**	37,409

A final dividend of HK$1.09 cents per ordinary share, totalling HK$147,231,000, is proposed by the directors of the Company at a board meeting held on 15 April 2016, which is subject to approval by the shareholders of the Company in the forthcoming annual general meeting and is calculated on the basis of 13,507,427,488 ordinary shares in issue at the date of approval of these consolidated financial statements.

16. EARNINGS PER SHARE

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

	2015 HK$'000	2014 HK$'000 (restated)
Earnings for the purposes of calculating basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**359,964**	130,992
Effect of dilutive potential ordinary shares:		
Interest on certain convertible notes	**36**	219
Earnings for the purpose of calculating diluted earnings per share	**360,000**	131,211

16. EARNINGS PER SHARE (Continued)

Number of shares

	2015	2014 (restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**11,760,922,457**	9,434,324,965
Effect of dilutive potential ordinary shares:		
Share options	**174,471,326**	188,749,633
Warrants	**171,086,783**	–
Convertible notes	**44,627,916**	202,036,283
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**12,151,108,482**	9,825,110,881

For the year ended 31 December 2015, the effects of potential ordinary shares arising from certain convertible notes and certain warrants are not included in calculating the diluted earnings per share as they had an anti-dilutive effect on the earnings per share for the year.

For the year ended 31 December 2014, the effects of potential ordinary share arising from certain convertible notes are included in the calculating the diluted earnings per share as they had an anti-dilutive effect on the earnings per share for the year. The dilutive earnings per share has been restated due to the adjusted effect of dilutive potential ordinary shares for share options and convertible notes.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Theatre equipment HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2014	34,736	1,028,462	460,490	12,981	5,729	1,542,398
Reclassification	–	871	(871)	–	–	–
Additions	–	493,737	161,624	991	465	656,817
Disposals	–	(213)	(4,297)	(101)	–	(4,611)
Exchange differences	(581)	(16,744)	(7,690)	(135)	(62)	(25,212)
At 31 December 2014 and 1 January 2015	34,155	1,506,113	609,256	13,736	6,132	2,169,392
Acquisition of subsidiaries (note 42)	–	91,403	153,181	6,472	99	251,155
Additions	28,492	454,033	87,607	2,092	938	573,162
Disposals/write-off	–	(9,849)	(1,819)	–	–	(11,668)
Exchange differences	(1,241)	(63,683)	(27,701)	(444)	(24)	(93,093)
At 31 December 2015	61,406	1,978,017	820,524	21,856	7,145	2,888,948
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS						
At 1 January 2014	1,667	135,929	109,938	7,403	3,408	258,345
Reclassification	–	108	(108)	–	–	–
Charge for the year	1,634	81,027	60,639	1,349	1,044	145,693
Impairment loss for the year	–	12,695	–	–	–	12,695
Disposals	–	(213)	(917)	(91)	–	(1,221)
Exchange differences	(27)	(2,192)	(1,911)	(39)	(28)	(4,197)
At 31 December 2014 and 1 January 2015	3,274	227,354	167,641	8,622	4,424	411,315
Charge for the year	1,559	176,382	62,839	1,543	682	243,005
Disposals/write-off	–	(9,848)	(133)	–	–	(9,981)
Exchange differences	(143)	(11,607)	(9,344)	(265)	(6)	(21,365)
At 31 December 2015	4,690	382,281	221,003	9,900	5,100	622,974
CARRYING AMOUNTS						
At 31 December 2015	56,716	1,595,736	599,521	11,956	2,045	2,265,974
At 31 December 2014	30,881	1,278,759	441,615	5,114	1,708	1,758,077

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and building	5%
Leasehold improvements	over the shorter of 3 to 20 years or the relevant lease term
Theatre equipment	10% to 33.33%
Office equipment	10% to 33.33%
Motor vehicles	20%

At 31 December 2015, the Group is in the process of obtaining the relevant property ownership certificates with respect to a building with carrying values of HK$28,492,000.

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

In the current year, theatre equipment is re-presented as a separate category of property, plant and equipment by combining with other theatre-related operating equipment categories which are presented separately in the prior years as the management believes the current presentation could provide better presentation to the users of the financial information to evaluate the composition of property, plant and equipment of the Group by their respective function. Accordingly, the comparative figures have been re-presented.

The carrying amount of property, plant and equipment includes an amount of approximately HK$113,100,000 (2014: HK$104,625,000) in respect of assets held under finance lease obligations.

As at 31 December 2015, approximately HK$28,224,000 (2014: HK$30,881,000) of the building situated in the PRC was pledged as security for certain of the Group's bank borrowings.

18. GOODWILL

	HK$'000
COST	
At 1 January 2014	1,427,618
Acquisition of a subsidiary (note 42)	32,402
At 31 December 2014	1,460,020
Acquisition of subsidiaries (note 42)	1,915,058
At 31 December 2015	3,375,078
IMPAIRMENT	
At 1 January 2014, 31 December 2014 and 2015	5,912
CARRYING AMOUNTS	
At 31 December 2015	3,369,166
At 31 December 2014	1,454,108

For the purposes of impairment testing, goodwill has been allocated to 15 groups of cash generating units (CGUs), grouped by physical location and timing of their acquisition by the Group, operating in the theatre operation segment. The carrying amount of goodwill (net of accumulated impairment losses) allocated to these groups of CGUs are as follows:

	2015 HK$'000	2014 HK$'000
Theatre operation segment:		
Beijing Stellar Group (formerly known as "Colour Asia")	**15,431**	15,431
Stellar China Line Group (formerly known as "North Hollywood")	**1,406,275**	1,406,275
TicketChina Group (formerly known as "Best Fame")	**32,402**	32,402
62 individually immaterial group entities (comprising 12 groups of CGUs)	**1,915,058**	–
	3,369,166	1,454,108

During the year ended 31 December 2015, no impairment loss (2014: nil) in relation to goodwill has been recognised.

18. GOODWILL (Continued)

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, estimated average occupancy rate of theatres, average number of shows of theatres and average ticket price during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. The estimated average occupancy rate of theatres, average number of shows of theatres and average ticket price are based on the Group and industry historical data and expectations on market development of the PRC movie market in the foreseeable future.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the management and board of directors for the next five years with the remaining period's cash flows forecasted using a growth rate ranging from 6.5% to 7% (2014: 3%). The rates used to discount the cash flows forecast from the subsidiaries of: (i) Beijing Stellar Group, Stellar China Line Group and 62 individually immaterial group entities, and (ii) TicketChina Group are 13.37% and 18.15%, respectively (2014: 16.4% and 25.5%, respectively).

Management believes that any reasonably possible change in any of these assumptions would not cause the individual carrying amount of these CGUs to exceed their individual recoverable amount.

19.1 INTANGIBLE ASSETS

	Cinema operating know-how HK$'000 (Note (c))	Cinema trademark HK$'000 (Note (a))	Investments in film production HK$'000 (Note (b))	Total HK$'000
Cost				
At 1 January 2014	–	25,120	50,161	75,281
Additions during the year	–	–	12,961	12,961
Disposals	–	–	(49,967)	(49,967)
Reclassified to assets classified as held for sale (note 41)	–	(25,120)	–	(25,120)
At 31 December 2014	–	–	13,155	13,155
Additions during the year	–	–	–	–
Arising from acquisition of subsidiary (note 42)	56,773	–	–	56,773
Disposals	–	–	(13,155)	(13,155)
At 31 December 2015	56,773	–	–	56,773
Carrying amounts				
At 31 December 2015	56,773	–	–	56,773
At 31 December 2014	–	–	13,155	13,155

19.1. INTANGIBLE ASSETS (Continued)

In the current year, "Prepaid lease payments" are presented in the consolidated statement of financial position separately from intangible assets, whereas in prior years, such payments were classified in "Intangible assets". The management believes the current presentation provide better disclosure to the users of the financial information. Accordingly, the comparative figures have been re-presented (see note 19.2).

Notes:

(a) Trademark

The trademark, PhotonVFX, was originally owned by a subsidiary namely, SMI Photon Holdings Limited and its subsidiaries ("Photon Group"). The principal activities of Photon Group are entertainment related business in relation to the production, distribution and licensing of entertainment related contents for movies, television drama series, documentary and information or entertainment programs, and cinemas business. After the completion of transaction pursuant to a sale and purchase agreement dated 12 July 2010, the Group indirectly owned the legal right in this trademark.

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

At the end of both reporting periods, the trademark has been presented as assets classified as held for sale. Details of the reclassification are set out in note 41 to the financial statements.

(b) Investments in film production

Investments in film production represent funds advanced to licensed production houses for co-financing of the production of films, which are to be exploited freely by the production houses. The investments are governed by the relevant investment agreements entered into between the Group and the production houses whereby the Group is entitled to benefits generated from the distribution of the related films. During the year ended 31 December 2015, the investments in film production was disposed of at the consideration of HK$14,601,000 (2014: HK$13,154,000).

(c) Cinema operating know-how

Cinema operating know-how represents the acquired businesses' know-how on how to operate a cinema, which includes selection of choice site to locate the cinema, specification such as the optimal size of cinema, number of screens to suit local residents' needs, creating a conducive entertainment experience for customers, maintaining relationships with film distributors to screen popular films etc. Cinema operating know-how is valued at the dates of acquisitions by applying the relief-from-royalty method, assuming a company does not have the know-how but instead hires the know-how from other cinema operators.

The management of the Group is of the opinion that the cinema operating know-how has an estimated useful life of 5 years.

19.2 PREPAID LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
The Group's prepaid lease payments comprise:		
Leases in the PRC	**45,928**	50,037
Analysed for reporting purposes as:		
Current assets	**3,074**	3,120
Non-current assets	**42,854**	46,917
	45,928	50,037

20. INTERESTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Listed investment:		
Cost of investment	**301,860**	243,954
Share of post-acquisition results and accumulated impairment losses	**(151,949)**	(157,545)
	149,911	86,409
Unlisted investments:		
Cost of investments	**5,025**	5,025
Goodwill	**9,705**	9,705
Share of post-acquisition results	**3,906**	2,874
Exchange realignment	**(133)**	–
	18,503	17,604
	168,414	104,013
Fair value of listed investment	**165,208**	58,166

20. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's associates as at 31 December 2015 and 31 December 2014 are as follows:

Name	Place of incorporation/ establishment	Issued/ paid up capital	Percentage of equity interest held by the Group/ profit sharing 2015	2014	Principal activities
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 HK$0.01 each	**29.99%**	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 following table shows information of an associate, SMI Culture, that is material to the Group and is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the consolidated financial statements of SMI Culture prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

	2015 HK$'000	2014 HK$'000
At 31 December		
Non-current assets	**114,898**	156,844
Current assets	**612,758**	396,059
Current liabilities	**(233,868)**	(264,753)
Net assets	**493,788**	288,150
Net assets attributable to owners of SMI Culture	**499,870**	288,318
Non-controlling interests	**(6,082)**	(168)
	493,788	288,150

	2015 HK$'000	2014 HK$'000
Year ended 31 December		
Revenue	**191,390**	37,442
Profit (loss) for the year	**49,519**	(563,255)
Total comprehensive income (expense)	**18,660**	(560,962)

20. INTERESTS IN ASSOCIATES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised on the consolidation financial statements:

	2015 HK$'000	2014 HK$'000
Net assets attributable to owners of SMI Culture	**499,870**	288,318
Proportion of the Group's ownership interest in SMI Culture	**29.99%**	29.97%
Carrying amount of the Group's interest in SMI Culture	**149,911**	86,409

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

	2015 HK$'000	2014 HK$'000
The Group's share of total comprehensive income	**1,032**	484
Aggregate carrying amount of the Group's interest on these associates	**18,503**	17,604

21. OTHER FINANCIAL ASSETS

At the end of the reporting period, the amount comprises a RMB100,000,000 (equivalent to HK$121,180,000) 5-year non-tradable zero coupon subordinated Securities as stipulated in the ABS Arrangement (see note 34(b) for details) as a collateral for having the Trust Loans made available to the Group under the Trust Loans Arrangement. The subordinated Securities will mature in December 2019.

At initial recognition, HK$37,117,000 loss arising from fair value adjustment has been recognised based on the principal amount of RMB100,000,000 (equivalent to HK$121,180,000) at an effective interest rate of 8.3% per annum. The amount was recognised against the carrying amount of the Trust Loans on initial recognition as part of transaction costs.

22. PROGRESS PAYMENTS FOR CONSTRUCTION OF PROPERTY, PLANT AND EQUIPMENT AND OTHER DEPOSITS

At the end of the reporting period, the amounts comprise of:

(i) The progress payments of HK$376,830,000 (2014: HK$522,786,000) paid to constructors, including HK$ 283,310,000 (2014: HK$503,232,000) paid to the Major Construction Company (see Note 8(d)) ("Party A"). The Group has entered into agreements with these constructors for the interior renovation construction of leasehold improvement and theatre equipment in the theatres leased by the Group.

During the year ended 31 December 2015, HK$241,421,000 paid as at 31 December 2014 (2014: HK$353,064,000) was utilised as the additions of property, plant and equipment for the year.

(ii) Deposits of HK$48,146,000 (2014: nil) paid for acquisition of equipment and motor vehicles.

An amounts of HK$593,647,000 related to deposits paid for acquisitions of entities which was included in progress "Prepayments for construction of cinemas" in prior year's financial statements in now reclassified as "Deposits paid for acquisition of entities" (see note 23).

23. DEPOSITS PAID FOR ACQUISITIONS OF ENTITIES

The amounts represent the deposits paid to the Major Construction Company (see Note 8(d)), which has been entrusted by the Group to enter into sales and purchase agreements with certain vendors in the PRC for the proposed acquisitions of 47 entities engaged in theatre operations in the PRC. As the end of the reporting period, the Group has entered into arrangement with the Major Construction Company, which in turn has entered into various agreements with these vendors under which the vendors have conditionally agreed to sell to the Major Construction Company (who in turn would then sell to the Group) the equity interests of those entities but the completion of the acquisitions are mainly subject to the completion of the due diligence and the approval from the relevant PRC government authorities.

At the end of the reporting period, the amounts are non-interest bearing and refundable from the vendors through the Major Construction Company if the proposed transactions do not proceed.

As described in notes 22 and 25, amounts of HK$593,647,000 and HK$402,400,000 respectively, which were included in "Prepayments for construction of cinemas" and "Trade and other receivables" as at 31 December 2014 in prior year's financial statements are now reclassified as "Deposits paid for acquisition of entities" in the comparative figures.

During the year ended 31 December 2015, the entire amount of deposits paid of HK$996,047,000 as at 31 December 2014 was utilised for the acquisition of subsidiaries in the current year (see note 42 for details).

24. INVENTORIES

	2015 **HK$'000**	2014 HK$'000
Food and beverages (excluding wine)	**30,954**	6,929
Wine	**42,774**	45,012
Electronic products	**3,340**	11,273
Others	**19,803**	24,550
	96,871	87,764

25. TRADE AND OTHER RECEIVABLES

	2015 **HK$'000**	2014 HK$'000
Trade receivables, net of allowance for doubtful debts	**277,289**	100,494
Rental and other deposits	**7,739**	72,021
Amounts due from non-controlling interests of subsidiaries	**–**	25,187
Prepayments and other receivables, net of allowance for doubtful debts	**259,615**	494,162
	544,643	691,864

Prepayments and other receivables mainly comprise of prepaid operating and administrative expenses and other receivables on staff loans for business activities.

The comparative figure for "Rental and other deposits" is restated as the prior year's financial statements included deposits paid for acquisitions of entities of HK$402,400,000 and certain long-term rental deposits of HK$77,731,000, which were classified as current assets in prior year. The management re-assessed subsequently and considered that such amounts would not be realised within twelve months from the end of the prior reporting period. Therefore, the management believes the current presentation provide better disclosure to the users of the financial information. Accordingly, those amounts have been reclassified and included in "Deposits paid for acquisitions of entities" and "Rental deposits" under non-current assets.

25. **TRADE AND OTHER RECEIVABLES (Continued)**

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

	2015 HK$'000	2014 HK$'000
0 to 30 days	131,589	19,391
31 to 90 days	105,168	19,797
91 to 180 days	9,539	50,539
181 days to 1 year	8,919	1,284
Over 1 year	22,074	9,483
	277,289	100,494

At 31 December 2015, trade receivables of HK$40,532,000 (2014: HK$61,306,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2015 HK$'000	2014 HK$'000
91 to 180 days	9,539	50,593
181 days to 1 year	8,919	1,284
Over 1 year	22,074	9,429
	40,532	61,306

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

Impairment loss on trade and other receivables are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivable balance directly. The Group does not hold any collateral over trade and other receivables.

The movement in the allowance for doubtful debts of trade and other receivables is as follows:

	2015 HK$'000	2014 HK$'000
Balance at the beginning of the year	14,419	3,263
Allowance for doubtful debts	21,693	11,156
Write-off as uncollectable	(36,112)	–
Balance at the end of the year	–	14,419

26. HELD-FOR-TRADING INVESTMENTS

	2015 HK$'000	2014 HK$'000
Listed equity securities in Hong Kong	**196,017**	77,577

The fair value of the listed equity securities held for trading were determined based on the quoted market bid prices available on the Stock Exchange.

27. LOAN TO AN ASSOCIATE

As at 31 December 2015, the amount comprises a revolving loan to an associate of HK$50,000,000 (2014: HK$50,000,000) which is unsecured and interest-bearing at 10% (2014: 10%) per annum with repayment on demand clause. The management expected the amounts would be realised within twelve months from the end of the reporting period.

28. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The Group's pledged bank deposits HK$121,180,000 (2014: HK$25,150,000) represented deposits to a bank to secure certain bank facilities granted to the Group as set out in note 33 to the financial statements.

As at 31 December 2015, the bank balances and cash of the Group denominated in RMB amounted to HK$574,358,000 (2014: HK$123,626,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The bank balances carry interest at 0.01% to 0.2% (2014: 0.01% to 0.35%) per annum.

29. TRADE AND OTHER PAYABLES/DEFERRED INCOME

	2015 HK$'000	2014 HK$'000
Trade payables	**467,699**	500,351
Customers' deposits and receipts in advance (Note (a))	**259,579**	274,670
Other tax payables	**82,551**	24,389
Amounts due to non-controlling interests of subsidiaries (Note (b))	**14,933**	71,683
Margin payables due to financial institutions (Note (c))	**117,689**	103,071
Accrued charges and sundry payables (Note (d))	**415,175**	348,711
Short-term advances (Note (e))	**149,051**	–
Deferred income (Note (f))	**100,896**	2,898
	1,607,573	1,325,773
Less: Current portion	**(1,506,677)**	(1,322,875)
Non-current portion	**100,896**	2,898

29. **TRADE AND OTHER PAYABLES/DEFERRED INCOME (Continued)**

Notes:

(a) Customers' deposits and receipts in advance represent prepayments from advertising agents for advertising services, prepaid card deposits from cinema customers and prepayments from customers for goods.

(b) The amounts of approximately HK$14,933,000 (2014: HK$14,053,000) are unsecured, interest-bearing at 7% per annum and repayable on demand. At 31 December 2014, the amount included approximately HK$57,630,000 which was unsecured, interest-free and repayable on demand.

(c) The margin payables due to financial institutions are secured by the Group's equity interest in SMI Culture and repayable on demand. The interests are charged at a rate ranging from 11% to 12% per annum.

(d) Accrued charges and sundry payables mainly comprise of interest payables, accrued operating costs and payables for acquisition of property, plant and equipment.

(e) The amounts represent the short-term advances from independent third parties for the Group's operating fund use, which are unsecured carrying interests at 18.3% per annum and have no fixed repayment terms.

(f) During the year ended 31 December 2015, the Group received contributions from non-profit making organisations in the PRC for the social welfare programme joined by the Group to provide membership cards to the organisations for onward distribution to qualifying elderly people in the PRC to enjoy movies in the Group's theatres in a calendar year subsequent to activating the membership cards. At the end of the reporting period, the amounts represent the receipts from organisations on the membership cards acquired but not yet activated by the end users before the year-end date, as well as the unamortised amount of those membership cards that have been activated.

The average credit period on purchases of goods and services 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:

	2015 HK$'000	2014 HK$'000
0 to 30 days	**228,370**	62,250
31 to 60 days	**185,730**	46,303
61 days to 1 year	**23,216**	307,010
Over 1 year	**30,383**	84,788
	467,699	500,351

The Group's trade payables are all denominated in RMB.

30. **AMOUNT DUE TO AN ASSOCIATE**

The amount due to an associate as at 31 December 2014 was unsecured, interest-free and had no fixed repayment terms. The amount was fully repaid in the current year.

31. AMOUNTS DUE FROM (TO) RELATED PARTIES

	2015 HK$'000	2014 HK$'000
Strategic Media International Limited ("SMIL") (Note (a))	**13,619**	–
Mr. Qin Hui ("Mr. Qin") (Note (b))	**169**	39,606
	13,788	39,606
SMIL	**–**	(1,381)
深圳星美聯合通訊有限公司 (Note (c))	**(5,003)**	–
深圳星美聖典文化傳媒集團有限公司 (Note (c))	**(13,533)**	–
	(18,536)	(1,381)

Notes:

(a) Mr. Qin has significant influence over SMIL. The amount is unsecured, interest-free and has no fixed repayment term.

(b) The amount at 31 December 2014 represents: certain settlements from debtors received by Mr. Qin on behalf of the Group during the year ended 31 December 2014.

(c) Mr. Qin has significant influence over these entities. The amounts are unsecured, interest-free and have no fixed repayment terms.

32. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Amounts payable under finance leases:				
Within one year	**34,911**	29,759	**29,556**	23,426
In the second to fifth years, inclusive	**55,380**	75,880	**50,721**	66,912
	90,291	105,639	**80,277**	90,338
Less: Future finance charges	**(10,014)**	(15,301)	**–**	–
Present value of finance lease obligations	**80,277**	90,338		
Less: Amounts due for settlement within one year (shown under current liabilities)			**(29,556)**	(23,426)
Amounts due for settlement after one year			**50,721**	66,912

It is the Group's practice to lease certain of its theatre equipment under finance leases. The common lease term is 10 years. As at 31 December 2015, the average effective borrowing rate was 6.9% (2014: 6.9%) per annum. Interest rates are fixed at the contract date and thus expose the Group to fair value interest rate risk. The above lease obligations only include basic lease payments, and do not include the contingent rental amounts, if any, which are to be determined generally by applying pre-determined percentages to future revenue less the basic rentals of the respective leases, as it is not possible in advance to calculate the amount of such additional rental.

32. FINANCE LEASE PAYABLES (Continued)

All finance lease payables are denominated in RMB.

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

33. BANK BORROWINGS

	2015 HK$'000	2014 HK$'000
Bank loans:		
– secured	**175,251**	289,225
– unsecured	**230,242**	–
	405,493	289,225

The bank loans are repayable as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**193,427**	56,587
Between one to two years	**212,066**	12,575
Between two to five years	**–**	220,063
	405,493	289,225
Less: amount due for settlement within one year	**(193,427)**	(56,587)
Amount due for settlement after one year	**212,066**	232,638

All bank loans are denominated in RMB and carrying interest at People's Bank of China Base Interest Rate with effective interest rates ranging from 5.1% to 8.4% (2014: 6.5% to 9.0%).

At 31 December 2015, a bank loan of approximately HK$24,236,000 which is wholly repayable within one year is secured by a personal guarantee given by Mr. Qin, the controlling shareholder of the Group.

At 31 December 2014, bank loans of approximately HK$12,575,000 which were wholly repayable within one year were secured by a personal guarantee given by Mr. Qin Hong, a former director and chairman of the Company and the legal representative of a PRC subsidiary, and Mr. Wu Yidong, a former director of the Company.

As at 31 December 2015, bank loans of approximately HK$114,661,000 (2014: HK$245,212,000) is secured by restricted bank balances set out in note 28.

34. OTHER BORROWINGS

	2015 HK$'000	2014 HK$'000
Other loans		
– secured	930,367	–
– unsecured	–	32,000
	930,367	32,000
The other loans are repayable as follows:		
Within one year	214,963	32,000
Between one to two years	276,327	–
Between two to five years	439,077	–
	930,367	32,000
Less: Amount due for settlement within one year	(214,963)	(32,000)
Amount due for settlement after one year	715,404	–

Notes:

(a) In August and December 2014, the Group entered into two loan agreements amounting to HK$ 32,000,000 in aggregate with an independent third party. The loans are interest bearing at 1.5% per month, unsecured and repayable on demand. The loan was fully settled during the current year.

(b) Pursuant to the Company's announcement on 29 April 2015, certain subsidiaries of the Group entered into a trust loan agreement (the "Trust Loans") with a trust in the PRC, pursuant to which the trust has agreed to make available the Trust Loans in an aggregate principal amount of RMB1,350,000,000 to the Group for a five-year term at a fixed effective interest rate ranging from 9.6% to 11.8% per annum (the "Trust Loans Arrangement"). The Trust Loans are secured by receipts and receivables from the movie theatres operated by certain subsidiaries of the Group in the PRC for certain calendar months from 2015 to 2019. The Trust Loans are further secured by cross guarantees provided by the Company, a subsidiary of the Group and Mr. Qin. Subsequently, a financial institution in the PRC (the "Financial Institution A") pooled the Trust Loans drawn down by the Group under the Trust Loans Arrangement as asset-backed securities (the "Securities") secured against the receipts and receivables from the movie theatres operated by certain subsidiaries of the Group in the PRC (the "ABS Arrangement"). Pursuant to the ABS Arrangement, the Group is required to invest in one tranche of the Securities products being RMB100,000,000 (equivalent to HK$123,519,000) investment in a 5-year non-tradable zero coupon subordinated Securities as stipulated in the ABS Arrangement for having the Trust Loans made available to the Group under the Trust Loans Arrangement (see note 21 for details). The Securities have been listed on the Shenzhen Stock Exchange since 4 August 2015.

Two tranches of the Securities issued under the ABS Arrangement, with an aggregate principal amounts of RMB647,000,000 (equivalent to HK$796,522,000), was acquired by another financial institution in the PRC (the "Financial Institution B"), at their aggregate principal amounts, who then repackaged the two tranches of the Securities into an unlisted asset-backed security (the "Synthetic Instrument"). The Synthetic Instrument has the same terms and conditions as the underlying two tranches of the Securities carrying fixed effective interest rates of 7.7% and 8.3% per annum. The Synthetic Instrument will mature in 2018 and 2019 based on the terms of the underlying securities.

34. OTHER BORROWINGS (Continued)

Notes: (Continued)

(b) (Continued)

Pursuant to the subscription agreement entered into between Financial Institution B and the Group, Financial Institution B has passed on all risks and rewards of the two tranches of the Securities to the Group as subscriber through the Synthetic Instrument. Accordingly, the Group has effectively repurchased the two tranches of the Securities via this arrangement and RMB647,000,000 (equivalent to HK$796,522,000) paid for the acquisition of the Synthetic Instrument is initially recognised as deduction against the Trust Loans liability.

Subsequently in December 2015, the Group disposed part of the Synthetic Instrument to Financial Institution B of an aggregate principal amount of RMB297,000,000 (equivalent to HK$365,637,000) for a proceed of RMB303,144,000 (equivalent to HK$373,201,000), and simultaneously, Financial Institution B disposed one of the two tranches of the Securities in the Shenzhen Stock Exchange to the market at the same aggregate principal amount for the same amount of proceed. The disposal of the part of the Synthetic Instrument by the Group is accounted for as disposal of own debt instrument previously repurchased. Hence, the proceeds from the disposal is accounted for as part of the proceeds from the deemed issuance the liabilities instruments.

35. CONVERTIBLE NOTES

Shown in the consolidated statement of financial position as:

	2015	2014
	HK$'000	HK$'000
Current liabilities	**39,938**	41,000
Non-current liabilities	**783,269**	353,174
	823,207	394,174

The movement of the liability component of the convertible notes for the year is set out below:

	2015	2014
	HK$'000	HK$'000
Carrying amount at the beginning of the year	**394,174**	150,934
Issued during the year	**850,037**	338,126
Interest charged (Note 10)	**38,181**	17,868
Conversion (Note 39)	**(436,467)**	(100,000)
Interest paid	**(22,482)**	(12,479)
Exchange realignment	**(236)**	(275)
	823,207	394,174

35. CONVERTIBLE NOTES (Continued)

At the end of the reporting period, the amounts comprised of:

(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. The Convertible Note I 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 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, subject to anti-dilutive adjustments. 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. As the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, was less than 10% different from the discounted present value of the remaining cash flows of the original financial liability, the directors of the Company do not consider the terms are substantially different and the costs or fees incurred the carrying amount of the liability which was amortised over the remaining term of the modified liability.

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, subject to anti-dilutive adjustments. All the other terms and conditions of the Convertible Note I remain unchanged. No early redemption is allowed. As the discounted present value of the cash flows under the new terms, including any fees paid and discounted using the original effective interest rate, was more than 10% different from the discounted present value of the remaining cash flows of the financial liability as revised on 25 June 2013, the directors of the Company consider the terms are substantially different and the modification was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Convertible Note I contains two components, a liability component and a conversion component. Since the conversion option would be settled by a fixed number of the Company's own equity instruments, the conversion option is presented in equity as convertible notes reserve. The effective interest rate of the liability component is 11.39% for the new Convertible Note I recognised on 6 June 2014.

On 20 June 2014, the Convertible Note I holder, Mr. Qin exercised the conversion rights to the extent of principal amount of HK$100,000,000 of the Convertible Note I, to convert the Convertible Note I at a conversion price of HK$0.37 per ordinary share, and total of 270,270,270 conversion ordinary shares were then issued.

As at 31 December 2014, Convertible Note I with principal amount of HK$41,000,000 was outstanding.

On 12 May 2015, the Convertible Note I holder, Mr. Qin exercised the conversion rights to the remaining outstanding principal amount of 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, and total of 110,810,810 conversion ordinary shares were then issued. As at 31 December 2015, no Convertible Note I was outstanding.

35. CONVERTIBLE NOTES (Continued)

(b) The Company issued several 5-year 5% convertible notes ("Convertible Note II") with principal amount totalling of HK$10,250,000 on 11 September 2012 to certain independent third party investors. The Convertible Note 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 Note 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, subject to anti-dilutive adjustments. If the Convertible Note 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 Note II contains two components, a liability component and a conversion component. Since the conversion option would be settled by a fixed number of the Company's own equity instruments, the conversion option is presented in equity as convertible notes reserve. The effective interest rate of the liability component is 5.94%.

As at 31 December 2015 and 2014, Convertible Note II with principal amount of HK$10,250,000 was outstanding.

(c) The Company issued a 5-year 8% convertible note ("Convertible Note III") with principal amount of HK$77,643,990 on 26 March 2014 to an independent third party investor, KTB China Platform Fund ("KTB"). 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, subject to anti-dilutive adjustments. If the Convertible Note III has not been converted, it will be redeemed at 120% of its principal amount on the maturity date. KTB may on the date falling on the third anniversary of the date of issue of the Convertible Note III require the Company to redeem the Convertible Note III in whole or in part at 112% of the outstanding principal amount of the Convertible Note III by serving at least 30 Business Days' prior written notice to the Company. Interest of 8% per annum will be payable semi-annually.

The Convertible Note III contains two components, a liability component together with a closely related early redemption option and a conversion component. Since the conversion option would be settled by a fixed number of the Company's own equity instruments, the conversion option is presented in equity as convertible notes reserve. In the case of exercise of the early redemption option, since the redemption price approximately equals to the amortised cost of the issued instrument (prior to the equity conversion option being separated), the early redemption option, therefore, is closely related to the liability component and is not separately recognised. The effective interest rate of the liability component is 12.78%.

On 5 May 2015, the Convertible Note III holder, KTB exercised the conversion rights to the entire principal amount of HK$77,643,990 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.

As at 31 December 2015, no Convertible Note III was outstanding, while as at 31 December 2014, Convertible Note III with principal amount of HK$77,643,990 was outstanding.

35. CONVERTIBLE NOTES (Continued)

(d) The Company issued several 3-year 9% convertible notes ("Convertible Note IV") with principal amount totalling of HK$200,000,000 on 15 August 2014 to certain independent third party investors. The Convertible Note 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 Note IV up to and including the maturity date on 14 August 2017 at a conversion price of HK$0.34 per share, subject to anti-dilutive adjustments. If the Convertible Note IV have not been converted, they will be redeemed at an amount that would yield an annual return of 12% thereon calculated from the issue date to (and including) the maturity date. The subscriber may on the date falling 24 months from the issue date of Convertible Note IV require the Company to redeem the Convertible Note IV in whole or in part at an amount that would yield an annual return of 12% thereon calculated from the issue date to (and including) the early redemption date by serving at least 45 days written notice to the Company. Interest of 9% per annum will be payable quarterly.

The Convertible Note IV contains two components, a liability component together with a closely related early redemption option and a conversion component. Since the conversion option would be settled by a fixed number of the Company's own equity instruments, the conversion option is presented in equity as convertible notes reserve. In the case of exercise of the early redemption option, since the redemption price approximately equals to the amortised cost of the issued instrument (prior to the equity conversion option being separated), the early redemption option, therefore, is closely related to the liability component and is not separately recognised. The effective interest rate of the liability component is 13.62%.

On 14 May 2015, 5 June 2015, 6 July 2015 and 22 October 2015, the Convertible Note IV holders exercised the conversion rights to the extent of principal amount of HK$100,000,000, HK$30,000,000, HK$30,000,000 and HK$20,000,000, respectively, of the Convertible Note IV, to convert the Convertible Note IV at a conversion price of HK$0.34 per ordinary share, and a total of 529,411,764 conversion ordinary shares were then issued.

As at 31 December 2015, Convertible Note IV with principal amount with principal amount of HK$20,000,000 (31.12.2014: HK$200,000,000) was outstanding. As the Company does not have an unconditional right to defer settlement of the Convertible Note IV to more than twelve months from the end of 2015, the entire carrying amount of liability component of Convertible Note IV was classified as current liabilities as at 31 December 2015.

(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$39,992,000, on 20 December 2014 to an independent third party investor. The Convertible Note V is denominated in US dollars, the exchange rate of which to HK$ is fixed at 7.7505 by the subscription agreement, 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, subject to anti-dilutive adjustments. If the Convertible Note V has not been converted, it will be redeemed at an amount that would yield an annual return of 10% thereon calculated from the issue date to (and including) 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 an amount that would yield an annual return of 10% thereon calculated from the issue date to (and including) the early redemption date by serving at least 45 days written notice to the Company. Interest of 7% per annum will be payable semi-annually.

The Convertible Note V contains two components, a liability component with a closely related early redemption option and a conversion component. Since the conversion option would be settled by a fixed number of the Company's own equity instruments, the conversion option is presented in equity as convertible notes reserve. In the case of exercise of the early redemption option, since the redemption price approximately equals to the amortised cost of the issued instrument (prior to the equity conversion option being separated), the early redemption option, therefore, is closely related to the liability component and is not separately recognised. The effective interest rate of the liability component is 11.50%.

35. **CONVERTIBLE NOTES (Continued)**

(e) (Continued)

On 13 May 2015, the Convertible Note V holders exercised the conversion rights to the extent of principal amount of US$2,632,000, equivalent to approximately 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, and a total of 60,000,000 conversion ordinary shares were then issued.

As at 31 December 2015, Convertible Note V with principal amount with principal amount of US$2,528,000, equivalent to approximately HK$19,592,000 (31.12.2014: US$5,160,000, equivalent to approximately HK$39,992,000) was outstanding. As the Company does not have an unconditional right to defer settlement of the Convertible Note V to more than twelve months from the end of 2015, the entire carrying amount of liability component of Convertible Note V was classified as current liabilities as at 31 December 2015.

(f) The Company issued a 3-year 7% convertible note ("Convertible Note VI") with principal amount of RMB30,000,000, equivalent to approximately HK$38,028,000, on 22 December 2014 to an independent third party investor. The Convertible Note VI is denominated in RMB, the exchange rate of HK$ to which is fixed at 0.7889 by the subscription agreement, 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, subject to anti-dilutive adjustments. If the Convertible Note VI has not been converted, it will be redeemed at an amount that would yield an annual return of 10% thereon calculated from the issue date to (and including) 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 an amount that would yield an annual return of 10% thereon calculated from the issue date to (and including) the early redemption date by serving at least 45 days written notice to the Company. Interest of 7% per annum will be payable semi-annually.

The Convertible Note VI contains two components, a liability component with a closely related early redemption option and a conversion component. Since the conversion option would be settled by a fixed number of the Company's own equity instruments, the conversion option is presented in equity as convertible notes reserve. In the case of exercise of the early redemption option, since the redemption price approximately equals to the amortised cost of the issued instrument (prior to the equity conversion option being separated), the early redemption option, therefore, is closely related to the liability component and is not separately recognised. The effective interest rate of the liability component is 14.63%.

As at 31 December 2014, Convertible Note VI with principal amount of RMB30,000,000, equivalent to approximately HK$38,028,000, was outstanding.

On 4 May 2015 and 18 June 2015, the Convertible Note VI holder exercised the conversion rights to the extent of principal amount of RMB16,094,000 and RMB13,906,000, or equivalent to approximately HK$20,400,000 and HK$17,628,000, respectively, of the Convertible Note VI, to convert the Convertible Note VI at a conversion price of HK$0.34 per ordinary share, and a total of 111,845,980 conversion ordinary shares were then issued.

As at 31 December 2015, no Convertible Note VI was outstanding.

35. CONVERTIBLE NOTES (Continued)

(g) The Company issued a 3-year 8.0% convertible note ("Convertible Note VII") with principal amount of HK$93,051,600 on 30 April 2015 to an independent third party investor. The Convertible Note VII are denominated in Hong Kong dollars and entitle the holder to convert them into ordinary shares of the Company at any business date from and including the date falling six months from the Issue date up to the close of business on the Maturity date on 30 April 2018 at a conversion price of HK$0.36 per share, subject to anti-dilutive adjustments. If the Convertible Note VII have not been converted, they will be redeemed at such amount that would yield an annual return of 8% per annum thereon calculated form the issue date to (and including) the maturity date. No early redemption is allowed. Interest of 8.0% per annum will be payable quarterly on the last business day of each calendar year.

The Convertible Note VII contains two components, a liability component and a conversion component. Since the conversion option would be settled by a fixed number of the Company's own equity instruments, the conversion option is presented in equity as convertible notes reserve. The effective interest rate of the liability component is 12.24%.

On 26 October 2015, the Convertible Note VII holder exercised the conversion rights to entire principal amount of HK$93,051,600 of the Convertible Note VII, to convert the Convertible Note VII at a conversion price of HK$0.36 per ordinary share, and a total of 258,476,666 conversion ordinary shares were then issued. As at 31 December 2015, no Convertible Note VII (2014: nil) was outstanding.

(h) The Company issued several a 2-year 4.0% convertible note ("Convertible Note VIII") with principal amount totalling of HK$300,000,000 on 5 November 2015 to an independent third party investor. The Convertible Note VIII are denominated in Hong Kong dollars and entitle the holders to convert them into ordinary shares of the Company at any business date from the Issue date up to the close of business on the Maturity date on 5 November 2017 at a conversion price of HK$0.77 per share, subject to anti-dilutive adjustments. If the Convertible Note VIII have not been converted, they will be redeemed at such amount that would yield an annual return of 10% per annum thereon calculated form the issue date to (and including) the maturity date. No early redemption is allowed. Interest of 4.0% per annum will be payable semi-annually on the last business day of every half calendar year.

The Convertible Note VIII contains two components, a liability component and a conversion component. Since the conversion option would be settled by a fixed number of the Company's own equity instruments, the conversion option is presented in equity as convertible notes reserve. The effective interest rate of the liability component is 11.71%.

As at 31 December 2015, Convertible Note VIII with principal amount with principal amount of HK$300,000,000 (2014: nil) was outstanding.

35. CONVERTIBLE NOTES (Continued)

(i) The Company issued several 2-year 4.0% convertible notes ("Convertible Note IX") with principal amount totalling of HK$275,000,000 on 12 November 2015 to an independent third party investor. The Convertible Note IX are denominated in Hong Kong dollars and entitle the holders to convert them into ordinary shares of the Company at any business date from and including the date falling six months from the issue date up to the close of business on the maturity date on 12 November 2017 at a conversion price of HK$0.77 per share, subject to anti-dilutive adjustments. If the Convertible Note IX have not been converted, they will be redeemed at such amount that would yield an annual return of 10% per annum thereon calculated form the issue date to (and including) the maturity date. No early redemption is allowed. Interest of 4.0% per annum will be payable semi-annually on the last business day of every half calendar year.

The Convertible Note IX contains two components, a liability component and a conversion component. Since the conversion option would be settled by a fixed number of the Company's own equity instruments, the conversion option is presented in equity as convertible notes reserve. The effective interest rate of the liability component is 12.30%.

As at 31 December 2015, Convertible Note IX with principal amount with principal amount of HK$275,000,000 (2014: nil) was outstanding.

(j) The Company issued several 2-year 4.0% convertible notes ("Convertible Note X") with principal amount totalling of HK$224,000,000 on 23 November 2015 to certain independent third party investors. The Convertible Note X are denominated in Hong Kong dollars and entitle the holders to convert them into ordinary shares of the Company at any business date from and including the date falling six months from the Issue date up to the close of business on the Maturity date on 23 November 2017 at a conversion price of HK$0.77 per share, subject to anti-dilutive adjustments. If the Convertible Note X have not been converted, they will be redeemed at such amount that would yield an annual return of 10% per annum thereon calculated form the issue date to (and including) the maturity date. No early redemption is allowed. Interest of 4.0% per annum will be payable semi-annually on the last business day of every half calendar year.

The Convertible Note X contains two components, a liability component and a conversion component. Since the conversion option would be settled by a fixed number of the Company's own equity instruments, the conversion option is presented in equity as convertible notes reserve. The effective interest rate of the liability component is 12.45%.

As at 31 December 2015, Convertible Note X with principal amount with principal amount of HK$224,000,000 (2014: nil) was outstanding.

36. BONDS

	2015 HK$'000	2014 HK$'000
The bonds are repayable as follows:		
Within one year	–	388,561
In the second year	–	–
In the third to fifth years, inclusive	225,131	142,995
	225,131	531,556
Less: amount due for settlement within one year	–	388,561
Amount due for settlement after one year	225,131	142,995
Analysed as:		
Secured	–	99,762
Unsecured	225,131	431,794
	225,131	531,556

At the end of the reporting period, the amounts comprised of:

(a) The Company, Mr. Qin and several subsidiaries had 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 上海證券交易所小企業私募債券 ("SMEs Private Placement Bonds") during the year ended 2014.

(b) The Company issued 1-year 8% Bonds ("Bonds I") with principal amount of HK$147,200,000 in March 2014 which are denominated in Hong Kong dollars. The effective interest rate of the Bonds I is 16.4%.

Warrants were issued to the subscribers of the Bonds I on the issue date of Bonds I 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.

On the date of issuance, the fair value of the Bonds I and Warrants I amounted to HK$141,972,000 and HK$5,228,000, respectively. Since the Warrants I would be settled by a fixed number of the Company's own equity instruments, the Warrants I is presented in equity as warrants reserve.

As at 31 December 2014, entire 460,000,000 Warrants I were outstanding. During the year ended 31 December 2015 and 2014, no Warrant I was exercised by the holders and the Warrants I lapsed on 27 March 2015.

36. **BONDS (Continued)**

(c) The Company issued 1-year 8% Bonds ("Bonds II") with principal amount of HK$74,800,000 in October 2014 which are denominated in Hong Kong dollars. The effective interest rate of the Bonds II is 16.0%.

Warrants were issued to the subscribers of the Bonds II on at the issue date of Bonds II 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.

On the date of issuance, the fair value of the Bonds II and Warrants II amounted to HK$72,173,000 and HK$2,627,000, respectively. Since the Warrants II would be settled by a fixed number of the Company's own equity instruments, the Warrants II is presented in equity as warrants reserve.

As at 31 December 2014, entire 220,000,000 Warrants II were outstanding. During the year ended 31 December 2015, 220,000,000 (2014: nil) Warrants II were exercised by the holders and no Warrants II was outstanding as at 31 December 2015.

(d) The Company issued 1-year 8% Bonds ("Bonds III") with principal amount of HK$78,200,000 in November 2014 which are denominated in Hong Kong dollars. The effective interest rate of the Bonds III is 14.9%.

Warrants were issued to the subscribers of the Bonds III on the issue date of Bonds III 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.

On the date of issuance, the fair value of the Bonds III and Warrants III amounted to HK$75,393,000 and HK$2,807,000, respectively. Since the Warrants III would be settled by a fixed number of the Company's own equity instruments, the Warrants III is presented in equity as warrants reserve.

As at 31 December 2014, entire 230,000,000 Warrants III were outstanding. During the year ended 31 December 2015, 230,000,000 (2014: nil) Warrants III were exercised by the holders and no Warrants III was outstanding as at 31 December 2015.

36. BONDS (Continued)

(e) The fair value of the each type of warrants as at the issue dates were determined using the black-scholes model and the significant inputs are as follows:

	Warrant I As at 27 March 2014	Warrant II As at 23 October 2014	Warrant III As at 11 November 2014
Conversion price	HK$0.32	HK$0.34	HK$0.34
Share price	HK$0.285	HK$0.295	HK$0.295
Expected volatility	20.69%	22.94%	23.19%
Remaining life	1 year	1 year	1 year
Risk-free rate	0.19%	0.13%	0.13%

(f) In 2014, the Company issued fifteen 7-year term private bonds to independent third parties with aggregate principal amounts of HK$140,000,000 with fixed coupon rate of 5% per annum each. The effective interest rates of the bonds range from 5.0% to 9.1%.

(g) In 2015, the Company issued two 3-year 5% bonds, one 4-year 6% bonds and thirteen 7-year 5% bonds to independent third parties with aggregate principal amounts of HK$95,900,000. The effective interest rates of the bonds range from 7.8% to 11.4%.

37. PLEDGE OF ASSETS

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

(a) The Group's interests in an associate amounted to approximately HK$149,911,000 (2014: HK$86,409,000) were pledged to secure margin account facilities granted to the Group.

(b) The Group's building situated in the PRC amounted to approximately HK$28,224,000 (2014: HK$30,881,000) was pledged to secure for certain bank borrowings granted to the Group.

(c) As described in note 34(b), the Group assigned all the receipts and receivables from the movie theatres operated by certain subsidiaries in the PRC from May to December in each calendar year from 2015 to 2019 to the financial institutions for securing the repayments of Trust Loans in the next five year.

(d) As described in notes 21 and 34(b), the Group pledged its subordinated Securities as stipulated in the ABS Arrangement as a collateral for the Trust Loans.

38. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised by the Group:

	Intangible assets HK$'000	Fair value adjustments on lease contracts HK$'000	Total HK$'000
At 1 January 2014	–	5,056	5,056
Credit to profit or loss in the year (note 11)	–	(751)	(751)
At 31 December 2014 and 1 January 2015	–	4,305	4,305
Credit to profit or loss in the year (note 11)	–	(513)	(513)
Acquisition of subsidiaries (note 42)	14,190	–	14,190
Exchange realignment	516	–	516
At 31 December 2015	14,706	3,792	18,498

At the end of the reporting period, the Group has unused tax losses of approximately HK$367,639,000 (2014: HK$157,994,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$299,133,000 (2014: HK$122,814,000) that will expire within 5 years. Other tax losses may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised is approximately HK$480,162,000 (2014: HK$31,480,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

39. SHARE CAPITAL

	Number of shares		Amount	
	2015	2014	**2015 HK$'000**	2014 HK$'000
Authorised:				
Ordinary shares of HK$0.1 each				
At beginning of year and end of year	**20,000,000,000**	20,000,000,000	**2,000,000**	2,000,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
At the beginning of the year	**10,175,967,571**	8,451,606,688	**1,017,597**	845,161
Issue of shares by placement (note (a))	**600,000,000**	780,000,000	**60,000**	78,000
Issue of shares by subscription (note (b))	**739,582,733**	550,000,000	**73,958**	55,000
Allotment of shares for acquisition of a subsidiary (note 42)	**–**	122,423,947	**–**	12,242
Issue of conversion shares (note (c))	**1,329,358,520**	270,270,270	**132,936**	27,027
Share options exercised (note (d))	**256,666,664**	1,666,666	**25,667**	167
Shares bought back (note (e))	**(44,148,000)**	–	**(4,415)**	–
Warrants exercised (note (f))	**450,000,000**	–	**45,000**	–
At the end of the year	**13,507,427,488**	10,175,967,571	**1,350,743**	1,017,597

39. SHARE CAPITAL (Continued)

Notes:

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

During the year ended December 2015, the Company a 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 placees 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 HK$377,230,000, net of share issue expenses of HK$12,770,000, 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 credited to the Company's share premium account.

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 739,582,733 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 credited to the Company's share premium account.

On 10 June 2015, the Company entered into three subscription agreements with Baidu (Hong Kong) Limited, Vitel Group Limited and 天安財產保險股份有限公司 (Tianan Property Insurance Company Limited) for the subscription of 200,000,000 ordinary shares of HK$0.1 each to each subscriber at a price of HK$0.75 per share. The subscriptions were completed on 6 July 2015 and the premium on the issue of shares amounting to approximately HK$390,000,000 was credited to the Company's share premium account.

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

On 4 May 2015 and 18 June 2015, the holder of Convertible Note VI as set out in note 35(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 into 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 respectively 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 35(c) to the financial statements elected to exercise the conversion rights to the whole principal amount of approximately HK$77,643,990 of the Convertible Note III, for the conversion into 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 12 May 2015, the holder of Convertible Note I as set out in note 35(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.

39. SHARE CAPITAL (Continued)

Notes: (Continued)

(c) (Continued)

On 13 May 2015, the holder of Convertible Note V as set out in note 35(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 into 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 14 May 2015, 5 June 2015, 6 July 2016 and 22 October 2015, the holders of Convertible Notes IV as set out in note 35(d) to the financial statements elected to exercise the conversion rights to the extent of the principal amounts of HK$100,000,000, HK$30,000,000, HK30,000,000 and HK$20,000,000 of the Convertible Notes IV, for the conversion of 294,117,647, 88,235,294, 88,235,294 and 58,823,529 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, 11 June 2015, 16 July 2015 and 2 November 2015 and the premium on issue of shares amounting to approximately HK$70,484,000, HK$21,217,000, HK$21,305,000 and HK$14,425,000 was credited to the Company's share premium account.

On 26 October 2015, the holder of Convertible Note VII as set out in note 35(g) to the financial statements elected to exercise the conversion rights to the whole principal amount of approximately HK$93,051,600 of the Convertible Note VII, for the conversion of 258,476,666 ordinary shares of HK$0.1 each at a conversion price of HK$0.36 per share. The conversion was completed on 11 November 2015 and the premium on issue of shares amounting to approximately HK$60,701,000 was credited to the Company's share premium account.

(d) During the year ended 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 of par value of HK$0.1 each for a cash consideration of HK$300,000.

During the year ended 31 December 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 total cash consideration of approximately HK$46,200,000.

(e) During the year ended 31 December 2015, the Company bought back 26,348,000, 4,700,000 and 13,100,000 ordinary shares of HK$0.1 each from the market on 6 July, 7 July and 8 July respectively, at highest price of HK$0.76 and lowest price of HK$0.68 per share, and the excess paid over the par value of the shares was debited to the Company's share premium account.

(f) During the year ended 31 December 2015, the holders of Bonds II and Bonds III as set out in note 36(c) and 36(d) to the financial statements exercised 220,000,000 and 230,000,000 warrants to subscribe for 220,000,000 and 230,000,000 ordinary shares of HK$0.1 each respectively at an exercise price of HK$0.34 per share. The subscriptions were completed on 2 November 2015 and 18 November 2015 respectively and the premium on issue of shares amounting to approximately HK$52,800,000 and HK$55,200,000 respectively was credited to the Company's share premium account.

40. SHARE-BASED PAYMENT

Equity-settled share option scheme

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

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

A summary of the movements of the outstanding options during the year ended 31 December 2015 under the Share Option Scheme is as follows:

				Changes during the year						
Type of participants	Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.2014	Exercised in 2014	Lapsed in 2014	Outstanding as at 31.12.2014	Exercised in 2015	Lapsed in 2015	Outstanding as at 31.12.2015
Directors	19 July 2013	19 July 2013 to 18 July 2016	0.18	115,000,000	1,666,666	36,666,670	76,666,664	19,999,999	35,000,000	21,666,665
Employees	19 July 2013	19 July 2013 to 18 July 2016	0.18	140,000,000	–	46,666,668	93,333,332	36,666,666	10,000,000	46,666,666
Others participants	19 July 2013	19 July 2013 to 18 July 2016	0.18	280,000,000	–	40,000,002	239,999,998	199,999,999	–	39,999,999
				535,000,000	1,666,666	123,333,340	409,999,994	256,666,664	45,000,000	108,333,330

As at 31 December 2015, all outstanding share options granted were exercisable.

41. ASSETS CLASSIFIED AS HELD FOR SALE

	2015 HK$'000	2014 HK$'000
Intangible asset – Trademark	**25,120**	25,120
Bank balances and cash	**60**	60
Assets of Photon Group classified as held for sale	**25,180**	25,180
Other payables	**3,635**	4,088
Liabilities of Photon Group associated with assets classified as held for sale	**3,635**	4,088
Net assets of Photon Group classified as held for sale	**21,545**	21,092

41. **ASSETS CLASSIFIED AS HELD FOR SALE (Continued)**

The Company entered into a 買賣股份備忘錄 memorandum of understanding ("MOU") with SMI Culture before 31 December 2014. Pursuant to the MOU, the Company has intention to sell and SMI Culture has intention to buy all the equity interest in Photon Group which owns the trademark, PhotonVFX, as set out in note 19.1 to the consolidated financial statements. The MOU was replaced with a signed MOU on 12 March 2015, but was expired subsequently during the current year.

On 1 December 2015, the Company entered into an unconditional share transfer agreement with an independent third party to dispose of all the equity interest in Photon Group. The Company anticipates that the disposal will be completed by 2016. The gross proceeds of the disposal is estimated to be approximately HK$22,200,000.

42. **ACQUISITION OF SUBSIDIARIES**

For the year ended 31 December 2015

During the year ended 31 December 2015, the Group acquired the entire equity interests in sixty-two entities which are engaged in operation of theatre from independent third parties for an aggregated cash consideration of RMB1,699,450,000 (equivalent to approximately HK$2,059,390,000). The information for these acquisitions disclosed on an aggregated basis as they are individually immaterial to the Group.

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

	HK$'000
Fair value of net assets acquired:	
Property, plant and equipment	251,155
Deposits for renovation projects	10,361
Intangible assets	56,773
Inventories	2,800
Trade and other receivables	98,842
Bank balances and cash	22,427
Bank borrowings	(1,818)
Trade and other payables	(270,960)
Deferred income	(629)
Finance lease payables	(10,429)
Deferred tax liabilities	(14,190)
Fair value of total identifiable net assets	144,332
Goodwill (note 18)	1,915,058
	2,059,390
Satisfied by:	
Cash	2,059,390
Net cash outflow on acquisition of subsidiaries:	
Cash consideration paid	(2,059,390)
Utilising deposits paid for acquisitions of entities in prior years	996,047
Bank balances and cash acquired from the subsidiaries	22,427
	(1,040,916)

The fair value of trade and other receivables at the date of acquisition amounted to HK$98,842,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$98,842,000 at the date of acquisition.

42. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2015 (Continued)

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

Included in the profit for the year is HK$17,367,000 attributable to the additional business generated by these subsidiaries. Revenue for the year includes HK$59,057,000 generated from subsidiaries.

Had the acquisition been completed on 1 January 2015, total group revenue for the year would have been HK$3,108,206,000, and profit for the year would have been HK$387,911,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

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

For the year ended 31 December 2014

On 17 April 2014, the Group acquired 55% equity interest in TicketChina Holdings Limited and its subsidiaries ("TicketChina Group") at a consideration of approximately HK$34,279,000. TicketChina Holding Limited is a limited liability company incorporated in the British Virgin Islands and it is principally engaged in digital products and related software development, wholesale, trading business (involving quota licensing management, handling of specific managed products in accordance with national regulations), provision of relevant technical consulting services of the above mentioned services, provision of online-to-offline integrated marketing platform as well as online ticketing services through www.ipiao.com ("Ipiao").

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

42. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2014 (Continued)

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

	HK$'000
Net assets acquired:	
Trade and other receivables	285
Prepayments and deposits	5,133
Bank balances and cash	2,432
Trade and other payables	(3,812)
Other loans	(14,042)
Total identifiable net liabilities	(10,004)
Non-controlling interests (at its fair value)	11,881
Goodwill (note 18)	32,402
	34,279
Satisfied by:	
122,423,947 ordinary shares of the Company issued	34,279
Net cash inflow on acquisition of subsidiaries	
Bank balances and cash acquired from the subsidiaries	2,432

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

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

Pursuant to the sales and purchase agreement, a contingent consideration will be payable which is to be satisfied by issuing of 5,385,950 ordinary shares of the Company and is subject to the achievement of certain conditions which included but not limited to the completion of certain technical developments by one of the vendors of the acquired equity interest in the subsidiary. The fair value of the contingent consideration was estimated to be an insignificant amount on the acquisition date. The details of the conditions were disclosed in the announcement of the Company dated 11 April 2014. As the condition was confirm to be not met during the year ended 31 December 2015, no additional shares were issued as contingent consideration during both years.

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

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

43. LEASE COMMITMENTS

As at 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**493,923**	438,000
In the second to fifth years inclusive	**1,922,045**	1,827,000
After five years	**3,671,821**	4,167,000
	6,087,789	6,432,000

Operating lease payments represent rentals payable by the Group for its office, staff quarters and warehouses in Hong Kong, the office in Taiwan 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 property management fee, 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.

44. CAPITAL COMMITMENTS

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

		2015 HK$'000	2014 HK$'000
(a)	Amount contracted but not provided for in the consolidated financial statements in respect of:		
	Renovation of cinema premises	**711,850**	808,094
(b)	Capital expenditure authorised but not contract for in respect of:		
	Renovation of cinema premises	**2,292,592**	2,882,691

As described in note 23, the management of the Group is engaged with various vendors to acquire 47 theatres (2014: 63) in the PRC with total deposits of HK$914,068,000 (2014: HK$996,047,000) paid to individual vendors under the memorandum of understandings entered into between the vendors and the Group. In the opinion of the directors of the Company, the total amount of commitment on the acquisitions is subject to the results of due diligence works as at 31 December 2015 and not yet be conclusive.

45. 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 theatres. The Group is in the course of processing these matters. While it is in an early stage of those disputes, the directors of the Company are of the view that these disputes will not have a material adverse impact on the consolidated financial statements of the Group.

As at 31 December 2015 and 31 December 2014, the Group did not have any other significant contingent liabilities.

46. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group has below transactions with its related parties during the year:

(a) Save as disclosed in notes 31, 33(b) and 34(a), Mr. Qin, the controlling shareholder of the Group, provided a personal financial guarantee to the lenders to secure the Group's bank borrowings.

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

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK$'000	2014 HK$'000
Non-current assets		
Investments in subsidiaries (note)	**5,084,237**	78
Current assets		
Prepayments, deposits and other receivables	**63,686**	29,373
Amounts due from subsidiaries	**–**	3,499,529
Loans to an associate	**50,000**	50,000
Amounts due from related parties	**169**	–
Bank balances and cash	**18,643**	23,491
	132,498	3,602,393
Current liabilities		
Trade and other payables	**7,668**	26,653
Amounts due to related parties	**1,381**	1,775
Financial guarantee obligation	**258**	411
Other borrowings	**–**	32,000
Convertible notes	**39,938**	41,000
Bonds	**–**	288,799
	49,245	390,638
Net current assets	**83,253**	3,211,755
Total assets less current liabilities	**5,167,490**	3,211,833
Non-current liabilities		
Convertible notes	**783,269**	353,174
Bonds	**225,131**	142,995
	1,008,400	496,169
	4,159,090	2,715,664
Capital and reserves		
Share capital	**1,350,743**	1,017,597
Reserves (note 49)	**2,808,347**	1,698,067
Total equity	**4,159,090**	2,715,664

Note:

During the year, the Company has waived of the amount due from subsidiaries, amounting to HK$5,084,159,000. It was treated as the deemed capital contribution.

48. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries as at 31 December 2015 are as follows:

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

48. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued/ paid up capital	Percentage of equity interest held by the Company Directly	Indirectly	Principal activities
*Chongqing Stellar Cinema Management Co., Ltd. (note) 重慶星美影院管理有限公司	PRC	Registered capital of RMB6,000,000	–	49%	Operation of cinema
Color Asia Pacific Limited	HK	1 ordinary share of HK$1 each	–	100%	Investment holding
GDL Nominee Limited	HK	2 ordinary shares of HK$1 each	–	100%	Investment holding
*Lanzhou Stellar Cineplex Limited (note) 蘭州星美影城管理有限公司	PRC	Registered capital of RMB6,000,000	–	49%	Operation of cinema
Market Dynamics (Hong Kong) Limited	HK	10,000 ordinary shares of HK$1 each	–	100%	Provision of advertising and public relation services
North Hollywood Limited	BVI	1 ordinary share of US$1 each	100%	–	Investment holding
*Shanghai Lemo Stellar Cineplex Management Co., Ltd. (note) 上海星美樂莫影院管理有限公司	PRC	Registered capital of RMB6,000,000	–	49%	Operation of cinema
*Shanghai Stellar Cineplex Management Co., Ltd. (note) 上海星美影院管理有限公司	PRC	Registered capital of RMB12,000,000	–	75%	Operation of cinema
*Shenyang Stellar Cineplex Management Co., Ltd. (note) 瀋陽星美影城管理有限公司	PRC	Registered capital of RMB6,000,000	–	49%	Operation of cinema
SMI International Cinemas Limited	HK	10,000 ordinary shares of HK$1 each	–	100%	Investment holding
SMI Investment (HK) Limited	HK	1 ordinary share of HK$1 each	100%	–	Investment in securities

48. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued/ paid up capital	Percentage of equity interest held by the Company Directly	Indirectly	Principal activities
SMI Management (Beijing) Limited	HK	1 ordinary share of HK$1 each	–	100%	Provision of administrative services
SMI Management (HK) Limited	HK	1 ordinary share of HK$1 each	–	100%	Provision of administrative services
SMI Photon (HK) Limited	HK	1 ordinary share of HK$1 each	–	100%	Inactive
SMI Photon Pty Limited	Australia	100 ordinary shares of AUD55,000 each	–	80%	Provision of visual effect and post-production of film making
*Tianjin Stellar Cineplex Management Co., Ltd. (note) 天津星美影城管理有限公司	PRC	Registered capital of RMB6,000,000	–	49%	Operation of cinema
*Xuzhou Stellar Cineplex Management Co., Ltd. (note) 徐州星美影院管理有限公司	PRC	Registered capital of RMB6,000,000	–	49%	Operation of cinema
Beijing Xingmeihui Catering Mgt Co., Ltd. 北京星美滙餐飲管理有限公司	PRC	Registered capital of RMB8,800,000	–	100%	Operation of cafe and sale of food and beverage in cinema
*Beijing Zhong Xingmeihui Trading Co., Ltd. 北京中星美滙商貿有限公司	PRC	Registered capital of RMB10,000,000	–	90%	Operation of In-theatre counter sales and online shopping
*Beijing Stellar Jincheng International Advertising Co., Ltd. 北京星美今晟國際廣告有限公司	PRC	Registered capital of RMB10,000,000	–	80%	Provision of advertising and public relation services
#*Changshou Stellar Cineplex Mgt Co., Ltd. 常熟市星美影院管理有限公司	PRC	Registered capital of RMB1,000,000	–	30%	Operation of cinema
*Shanghai Jinshan Baibei Cineplex Mgt Co., Ltd. 上海金山星美百倍影院管理有限公司	PRC	Registered capital of RMB6,000,000	–	49%	Operation of cinema

48. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued/ paid up capital	Percentage of equity interest held by the Company Directly	Indirectly	Principal activities
#*Shenyang Dayue Stellar Mgt Co., Ltd. 沈陽大悦星美企業管理有限公司	PRC	Registered capital of RMB1,000,000	–	30%	Operation of cinema
#*Hohhot Stellar International Cineplex Mgt Co., Ltd. 呼和浩特星美國際影院管理有限公司	PRC	Registered capital of RMB1,000,000	–	30%	Operation of cinema
#*Kunming Stellar Enterprise Mgt Co., Ltd. 昆明星美企業管理有限公司	PRC	Registered capital of RMB1,000,000	–	30%	Operation of cinema
#*Nanjing Wending Stellar Cineplex Mgt Co., Ltd. 南京星美文鼎影院管理有限公司	PRC	Registered capital of RMB1,000,000	–	30%	Operation of cinema
#*Qingdao Yangguang Stellar Cineplex Mgt Co., Ltd. 青島陽光星美影院管理有限公司	PRC	Registered capital of RMB1,000,000	–	30%	Operation of cinema
#*Beijing Yangguang Stellar International Cineplex Mgt Co., Ltd. 北京陽光星美國際影院管理有限公司	PRC	Registered capital of RMB1,000,000	–	30%	Operation of cinema
#*Chengdu Jiana Stellar Cineplex Mgt Co., Ltd. 成都戛納星美影城管理有限公司	PRC	Registered capital of RMB1,000,000	–	30%	Operation of cinema
#*Nanchang Stellar Cineplex Mgt Co., Ltd. 南昌市星美影院管理有限公司	PRC	Registered capital of RMB1,000,000	–	30%	Operation of cinema
#*Khorgos Stellar Jincheng International Advertising Co., Ltd. 霍爾果斯市星美今晟國際廣告有限公司	PRC	Registered capital of RMB10,000,000	–	24%	Provision of advertising and public relation services

* These subsidiaries are sino-foreign equity joint ventures established in the PRC. The directors of the Company are of opinion that, notwithstanding the fact of the Group holds less than 100% of nominal shares of these companies, having considered all facts and circumstances, the Group has control over these companies and owns 100% equity interest of these companies. Please refer to note 4 for details.

\# These entities are wholly-owned subsidiaries of Culture Broadcasting Limited (成都潤運文化傳播有限公司) of which 30% of its nominal share are held by the Group and the directors of the Company are of opinion that, having considered all facts and circumstances, the Group has control over them and owns 100% equity interest of it these entities.

48. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

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

49. RESERVES

	Share premium HK$'000	Other reserve HK$'000	Contributed surplus HK$'000	Convertible notes reserve HK$'000	Warrants reserve HK$'000	Share-based payment reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	1,692,627	(36,615)	36,003	12,913	–	20,874	–	(260,129)	1,465,673
Loss for the year	–	–	–	–	–	–	–	(47,788)	(47,788)
Issue of shares by subscription (note 39(b))	57,035	–	–	–	–	–	–	–	57,035
Approved final dividend for the year ended 31 December 2013	–	–	–	–	–	–	–	(37,409)	(37,409)
Reduction of share premium	(1,692,627)	–	1,432,498	–	–	–	–	260,129	–
Issue of shares by placement (note 39(a))	143,188	–	–	–	–	–	–	–	143,188
Issue of Warrant (note 35(b)(c)(d))	–	–	–	–	3,095	–	–	–	3,095
Recognition of equity component of convertible notes (note 35(c) to (f))	–	–	–	12,772	–	–	–	–	12,772
Allotment of shares for acquisition	22,037	–	–	–	–	–	–	–	22,037
Issue of conversion shares (note 39(c))	72,973	–	–	(8,865)	–	–	–	8,865	72,973
Share option exercised (note 39(d))	133	–	–	–	–	–	–	–	133
Recognition of share options lapsed	–	–	–	–	–	(2,295)	–	2,295	–
Share-based payments	–	–	–	–	–	6,358	–	–	6,358
At 31 December 2014	295,366	(36,615)	1,468,501	16,820	3,095	24,937	–	(74,037)	1,698,067
At 1 January 2015	295,366	(36,615)	1,468,501	16,820	3,095	24,937	–	(74,037)	1,698,067
Total comprehensive income for the year	–	–	–	–	–	–	–	(87,539)	(87,539)
Approved final dividend for the year ended 31 December 2014	–	–	–	–	–	–	–	(42,017)	(42,017)
Issue of shares by subscription (note 39(b))	414,774	–	–	–	–	–	–	–	414,774
Issue of conversion shares (note 39(c))	303,531	–	–	(23,453)	–	–	–	23,453	303,531
Recognition of share options exercised	20,533	–	–	–	–	(13,819)	–	13,819	20,533
Issue of shares by placement (note 39(a))	377,230	–	–	–	–	–	–	–	377,230
Recognition of equity component of convertible notes	–	–	–	42,014	–	–	–	–	42,014
Recognition of warrants lapsed	–	–	–	–	(2,071)	–	–	2,071	–
Recognition of warrants exercised	108,000	–	–	–	(1,024)	–	–	1,024	108,000
Repurchase of own shares	(31,936)	–	–	–	–	–	4,415	–	(27,521)
Share-based payments	–	–	–	–	–	1,275	–	–	1,275
Changes in equity for the year	1,192,132	–	–	18,561	(3,095)	(12,544)	4,415	(89,189)	1,110,280
At 31 December 2015	1,487,498	(36,615)	1,468,501	35,381	–	12,393	4,415	(163,226)	2,808,347

49. **RESERVES (Continued)**

(i) **Share premium**

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

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

(ii) **Other reserve**

Other reserve comprises:

(a) 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; and

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

(iii) **Contributed surplus**

The contributed surplus of the Group represented: (a) 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; (b) less the amount transferred to accumulated losses in relation to capital reorganisation in the years ended 31 March 2003 and 2005; (c) the amount released from disposal of certain associates and distribution of dividend in prior years, and (d) the balance of credit arising from the reduction of share capital and the cancellation of share premium in relation to the Share Premium Reduction mentioned in note (i) above during the year ended 31 December 2014.

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

(iv) **Foreign currency translation reserve**

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

(v) **Statutory reserve**

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

50. FAIR VALUE MEASUREMENTS

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

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

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

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

The Group's investments in listed equity interests in held-for-trading investments are measured at fair value (Level 1 inputs) at the end of the reporting period.

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

51. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

Financial instruments are fundamental to the Group's daily operations. The risks associated with financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(b) Categories of financial instruments

	2015 **HK$'000**	2014 HK$'000
Financial assets		
Financial assets at fair value through profit or loss:		
– Held-for-trading	**196,017**	77,577
Loans and receivables (including cash and cash equivalents)	**1,608,527**	720,879
Financial liabilities		
Financial liabilities at amortised cost	**3,567,280**	2,297,557

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3.

51. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk management

The carrying amount of deposits paid for acquisitions of property, plant and equipment, deposits paid for the acquisitions of entities, the pledged bank deposits, the bank balances and cash, trade and other receivables, loan to related parties, and amounts due from a related party represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

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

The Group has concentration of credit risk as 45% (2014: 44%) of the total trade receivables were due from the Group's five largest customers with average credit period of 90 days. In order to minimise the credit risk, the Group reviews the recoverable amount of each individual's receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. An internal credit assessment process assesses the potential borrower's credit quality and defines credit limits by borrowers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In addition, the Group has concentration of credit risk as 75% and 100% (2014: 96% and 100%) of progress payments for construction of property, plant and equipment, deposits paid for acquisitions of entities, respectively, were due from the Major Construction Company (see note 22 and 23 for details). In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of progress payment approvals and other monitoring procedures to ensure that follow-up action is taken to the proper realization of the progress payments and deposits. In addition, the Group reviews the progress on the renovation and due diligence works carrying out by the Major Construction Company during the reporting period, the continuous business relationship and the construction payables to Major Construction Company subsequent to the end of the reporting period, the underlying assets would be obtained by the Group from the vendors under the conditional sales and purchase agreements with the Major Construction Company and the financial background of the Major Construction Company to ascertain the recoverability of the amounts paid to the Major Construction Company.

As a result, the directors of the Company consider that the Group's exposure to credit risk on the amounts paid to the Major Construction Company are significantly reduced.

The credit risk on pledged bank deposits and bank balances is limited because the majority of the counterparties are reputable banks registered in the PRC, Taiwan and Hong Kong.

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

51. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk management

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

The Group's exposure to interest rate risk on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from bank deposits in Hong Kong and People's Bank of China Base Interest Rate arising from bank deposits and bank borrowings in the PRC.

The following table details the Group's sensitivity to a 100 basis points increase and decrease in HIBOR, and a 100 basis points increase and decrease in People's Bank of China ("PBOC") base interest rate prescribed interest rate. 100 basis points are the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The sensitivity analysis includes only variable-rate bank and other borrowings assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year, after taking into consideration the effects of the interest rate swaps designated as hedging instruments. A positive number below indicates an increase in profit where the interest rate decreases. If the interest rate increases, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	2015
	HK$'000
HIBOR	
Profit or loss	5,545
PBOC based interest rate	
Profit or loss	371

(e) Price risk management

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

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

As at 31 December 2015, if the share price of the investment increases/decreases by 10%, profit after tax for the year would have been approximately HK$19,601,700 (2014: HK$7,757,000) higher/lower, arising as a result of the fair value gain/loss of the investment.

(f) Foreign currency risk management

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

51. **FINANCIAL INSTRUMENTS (Continued)**

(g) **Liquidity risk management**

The directors of the Company consider that the Group's holding of bank balances and cash, bank deposits, together with net cash flow from operating activities and committed credit facilities, can provide adequate sources of funding to enable the Group to meet in full its financial obligations due for the foreseeable future and manage its liquidity position. In addition, the management of the Group expects to fund the remaining estimated capital expenditure and commitments of its business development in Hong Kong, Taiwan and the PRC through a proper balance between internal generated funds and credit facilities secured by the Group' assets.

The following table details the Group's remaining contractual maturities of financial liabilities that exposed the Group to liquidity risk based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount of interest payment is estimated based on the interest rate at the end of the reporting period.

	Weighted average effective interest rate	On demand/ less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount at 31.12.2015
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2015							
Trade and other payables	–	1,164,547	–	–	–	1,164,547	1,164,547
Amount due to related parties	–	18,536	–	–	–	18,536	18,536
Other borrowings	10.66%	340,000	381,685	387,617	–	1,109,302	930,366
Bank loans	6.59%	203,946	219,851	–	–	423,797	405,493
Convertible notes	12.06%	103,221	942,935	–	–	1,046,156	823,207
Bonds	8.25%	12,102	12,102	35,433	253,527	313,164	225,131
		1,842,352	1,556,573	423,050	253,527	4,075,502	3,567,280
At 31 December 2014							
Trade and other payables	–	1,048,205	–	–	–	1,048,205	1,048,205
Amounts due to an associate	–	1,016	–	–	–	1,016	1,016
Amounts due to related parties	–	1,381	–	–	–	1,381	1,381
Other borrowings	18.00%	37,760	–	–	–	37,760	32,000
Bank borrowings	7.55%	72,723	27,599	230,641	–	330,963	289,225
Convertible notes	7.50%	71,267	30,181	436,901	–	538,349	394,174
Bonds	5.00%	428,518	8,500	25,500	182,894	645,412	531,556
		1,660,870	66,280	693,042	182,894	2,603,086	2,297,557

The amounts included above for variable rate bank borrowings are subject to change if variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

52. **EVENT AFTER THE REPORTING PERIOD**

As described in notes 23 and 44, the Group is in-progress to finalising its due diligence works on 47 target theatres as at the date of approval for issuance of these consolidated financial statements and the management of the Group expects the transfers of legal ownership interests would be completed by mid-2016 subject to the completion and satisfactory results of due diligence works and approval from the relevant PRC authorities.

Financial Summary

Results	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
			Year ended 31 December		
Revenue	736,317	857,205	1,471,684	1,650,146	**2,924,086**
Profit before taxation	140,210	41,576	172,596	209,077	**446,859**
Income tax expense	(39,902)	(21,263)	(56,878)	(83,692)	**(78,498)**
Profit before non-controlling interests	100,308	20,313	115,718	125,385	**368,361**
Non-controlling interests	1,318	10,562	(2,745)	5,607	**(8,397)**
Profit for the year	101,626	30,875	112,973	130,992	**359,964**

Assets and liabilities	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
			As at 31 December		
Total assets	3,027,797	3,499,512	4,494,237	6,131,082	**9,485,617**
Total liabilities	(458,081)	(903,718)	(1,684,068)	(2,765,905)	**(4,258,283)**
Total equity	2,569,716	2,595,794	2,810,169	3,365,177	**5,227,334**