



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)

INTERIM REPORT 2016



星美国际影城
STELLAR INTERNATIONAL COMPLEX

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Dr. YAP Allan (*Chairman*)

Independent Non-Executive Directors

Mr. PANG Hong
Mr. LI Fusheng
Mr. LI Wing Yin

AUDIT COMMITTEE

Mr. LI Wing Yin (*Chairman*)
Mr. PANG Hong
Mr. LI Fusheng

REMUNERATION COMMITTEE

Mr. LI Fusheng (*Chairman*)
Mr. PANG Hong
Mr. LI Wing Yin

NOMINATION COMMITTEE

Mr. PANG Hong (*Chairman*)
Mr. LI Fusheng
Mr. LI Wing Yin

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>

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

During the first half of 2016, the Chinese movie industry continued with its rapid growth momentum. According to the data of Entgroup, the number of newly added movie theatres nationwide increased by 658 to 7,038. The number of newly added screens was 3,583, with an average of 20 new screens per day and a total number of 35,252 screens. During the six months ended 30 June 2016, the box office revenue in China reached RMB24.573 billion, increased by 21.38% as compared with the corresponding period in 2015. The box office revenue in February reached RMB6.9 billion, exceeding the US market for the first time.

Meanwhile, PricewaterhouseCoopers' "2016-2020 Global Entertainment and Media Outlook" published in June this year expects the China's box office revenue will exceed that of the U.S., reaching US\$10.3 billion and will become the number one box office revenue market globally. The report estimates that the global box office revenue will likely to grow with a compound annual growth rate of 5.97% to reach US\$49.4 billion, with China accounting for US\$15.1 billion in 2020.

The rapid growth of China's movie market brings enormous business opportunities to the industry. The Group will seize the opportunities to expand its movie theatre business and non-theatre business at the same time.

Business Review

Benefiting from the development of China's booming movie industry, the Group continued to achieve satisfactory growth in its business. For the six months ended 30 June 2016 (the "Reporting Period"), the Group's operating revenue reached HK\$1,833 million, representing an increase of 30.6% as compared with the corresponding period in 2015. The gross profit was approximately HK\$612 million, representing an increase of 30.2% as compared with the corresponding period in 2015, and its gross profit margin reached 33.4% (corresponding period in 2015: 33.5%).

During the Reporting Period, the Group continued to focus in the development of its core business (movie theatre business), while at the same time was actively investing in non-theatre business. These include the launching of the full service chain business model of "internet + theatre users + lifestyle services + free delivery within two kilometers", as well as the upgrade of SMI Holdings Group's cultural business.

Movie Theatre Business

For the first half of 2016, the Group's movie theatre business segment generated revenue of approximately HK\$1,556 million, representing an increase of 26.3% as compared with the corresponding period in 2015. The profit of this segment increased by 81.4% to approximately HK\$381 million (corresponding period in 2015: HK\$210 million).

As at 30 June 2016, the Group had approximately 250 movie theatres with approximately 1,700 screens in major cities across China, representing a significant increase as compared with 130 movie theatres and over 1,000 screens as at 30 June 2015. The Group will carry out its expansion by building its own theatres and through acquisitions. It is anticipated that, by the end of 2016, the Group will have a total of over 300 theatres, with a total number of viewing trips exceeding 100 million, and coverage across China's 30 provinces and autonomous regions. The Group will continue to maintain its competitiveness in the first tier and second tier cities, and at the same time extend its development in the third tier and fourth tier cities, with an objective to ensure the overall quality of the newly constructed theatres, and bring about upgrades to acquired theatres in terms of infrastructure and services through the support of the brand name and cash flows.

Non-Theatre Business

With the extension of the Group's theatre network across the nation, a lot of traffic is attracted which is beneficial to the growth of the non-theatre office business. For the six months ended 30 June 2016, the revenue of the Group's non-theatre office business reached approximately HK\$277 million, representing an increase of 113.1% as compared with the corresponding period in 2015 and accounting for 15.1% of total revenue, which was above the average level of the peers in the industry. The Group's objective is to set up over 300 theatres nation-wide by the end of 2016. It is expected that this can help to drive the development of value-added business in addition to box office revenue, and establish a brand new operating path which is different and with competitive advantage.

Advertising and Promotion Business

Other than the traditional food and beverage business, the Group's advertising and promotion business also benefit from the economies of scale as a result of the nation-wide theatre network. As one of the leading brands in the country's theatres, the customers have absolute trust in the "SMI" brand name. Currently, the Group offers more than 20 types of advertising and promotion packages to choose from, which include advertisements before movies, position advertisements (posters, lobby displays, seat-back advertisements, seat-back LED monitors, etc.), new media advertising, and advertising through commercial and marketing events. We have also installed high-tech commercial facilities in some of the theatres.

Membership Integrated Scheme ("Membership Scheme")

The Group launched a new membership scheme at the end of 2012 to improve the loyalty of existing customers as well as to attract new customers. As at 30 June 2016, the number of members of the Group reached 13 million. The Group has launched membership cards which include the SMI Living Card (星美生活卡), Movie Card (隨影卡), Senior Card (老年卡), etc. to enhance member loyalty. Members can enjoy viewing deals of newly-released movies and watch movies of which the copyrights are owned by SMI for free all year round. Those members with Movie Cards are also entitled to participate in the casting events for the roles in customized TV programs which the Group plans to shoot annually.

"SMI Living"

In 2012, the Group founded SMI Living, the first O2O e-shop based on movie theatre channels in China. Leveraged on the resources of the theatres, value-added services are developed, forming an ecosystem within two kilometres. In 2016, the Group announced the strategy of full service chain, which is a brand new business operating system and industry model integrating resources advantages including branded products, national theatre network, online platform, logistic distribution and end-users, etc. It is a business model built on top of movie watching, with communication services as carrier, and products, contents and day-to-day services as its core, which has become a brand new online platform.

Based on the full service chain strategic guidelines, the Group established its logistic distribution company in 2015, set up a national distribution system, and made way for an O2O full service chain operating mode within two kilometres from the theatres. Currently, the first batch of 2,000 logistic distribution vehicles have been deployed in the living areas surrounding the theatres in up to 100 cities, delivering SMI products to the doors of the end-users with no charge. To cope with the strategy of SMI full service chain, SMI customer service center has also been put into operation. Under the full channels service mode, phone calls, short messages, Wechat, online network and APPs are used to provide uninterrupted services to customers all year round.

Financial Review

Revenue and Profit for the period

During the Reporting Period, the Group achieved a revenue of approximately HK\$1,833 million (corresponding period in 2015: HK\$1,403 million), representing an increase of 30.6% over the corresponding period in 2015.

During the Reporting Period, the profit after taxation increased by 46.4% from approximately HK\$189 million to approximately HK\$276 million. The increase in profit was mainly due to the strong growth of the Group's core business as beneficiary of the high speed development of the movie market in Mainland China and the rapid growth of higher gross profit margin business, and has become the Group's another strong source of revenue and has increased the Group's revenue for the Reporting Period substantially. In addition to the Group's prudent and reasonable spending plan, the Group recorded an increase in profit in the Reporting Period.

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

The revenue and profit of movie theatre operation for the Reporting Period increased by approximately HK\$324 million and approximately HK\$171 million respectively with the corresponding period in 2015.

The revenue and profit of the complementary business was approximately HK\$277 million and approximately HK\$7.4 million for the Reporting Period.

Selling, Marketing and Administrative Expenses

The selling, marketing and administrative expenses increased by 28.3% as compared with the corresponding period in 2015, which were mainly attributable to the increase in number of theatres completed and the advertising expenses for the promotion of the new business of the Group during the Reporting Period.

Financial Costs

Financial costs were mainly represented by the interest of approximately HK\$11,611,000 from bonds, interest of approximately HK\$37,787,000 from convertible notes, interest of approximately HK\$8,392,000 from bank loans, interest of approximately HK\$10,179,000 from securities margin facilities, finance lease charges of approximately HK\$5,623,000 and interest of approximately HK\$42,580,000 from others (including other loans interests and finance charges etc.).

Financial Resources and Liquidity

As at 30 June 2016, the Group has net current liability of approximately HK\$583 million. The increase in the net current liability are mainly due to the increase of other loans approximately HK\$545 million due to the expansion in the numbers of cinemas by way of self-construction and acquisition.

Moreover, the Group has been operating in profit since 2010. The directors believe that the Group will have sufficient cash resources to satisfy its future working capital requirement.

The debt to asset ratio (total debts to total assets) increased from 26.0% as at 31 December 2015 to 34.4% as at 30 June 2016, which is mainly resulted by the increase in the other borrowings, bonds and notes during the Reporting Period.

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

Foreign Exchange Risks

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

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

Contingent Liabilities

As at 30 June 2016, the Group and the Company did not have any significant contingent liabilities.

Employees

Excluding the staff of associates, the Group had a total of approximately 6,669 full-time staff as at 30 June 2016 (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.

Prospects

Looking ahead into the second half of the year, China’s box office revenue will be getting closer to that of the U.S. market, currently the number one market globally. The Group will seize the opportunity and grow with the industry. The plan is to set up more than 300 theatres across the nation by the end of 2016, continue to uplift the competitiveness of Cineplex malls in the first and second tier cities, and devise plans to develop business in the third and fourth tier cities.

2016 is the year in which SMI first launched its full service chain strategy. The O2O e-shop based on movie theatre channels that we have been working on have basically completed its deployment and positioning today. With the development of a national distribution system, the Group will cooperate with more brands, supply the customers with a range of diverse and high quality products and establish an O2O full service chain business model within a distance of 2 kilometers from the theatres. We believe that the revenue from non-theatre office business will become one of the most important sources of revenue of the Group.

DIRECTORS' REPORT

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

Results and appropriations

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

The board of directors (the "Board") does not recommend the payment of any interim dividend to the shareholders for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

Share capital and reserves

As at 30 June 2016, the total number of shares issued by the Company was 13,451,427,488 shares.

Movement in the Company's authorized and issued share capital are set out in note 16 to the condensed consolidated financial statements on page 37. Movement in the reserves of the Group are set out in the condensed consolidated statement of changes in equity on page 26.

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

During the Reporting Period, the Company repurchased 66,000,000 shares from the market and cancelled 56,000,000 shares.

Property, plant and equipment

Details of the Group's property, plant and equipment as at 30 June 2016 are set out in note 11 to the condensed consolidated financial statements on page 34.

Directors and directors' service contracts

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

Executive directors:

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

Mr. YANG Rongbing

Mr. ZHOU Lin (retired on 2 June 2016)

Non-executive directors:

Dr. YAP Allan (*Chairman*) (appointed on 27 April 2016)

Mr. ZHANG Yongdong (retired on 2 June 2016)

Mr. LI Xuan (resigned on 27 April 2016)

Independent non-executive directors:

Mr. PANG Hong

Mr. LI Fusheng

Mr. KAM Chi Sing (resigned on 2 June 2016)

Mr. LI Wing Yin (appointed on 2 June 2016)

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

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

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

As at 30 June 2016, the interests and short positions of the directors and chief executive of the Company and their associates in the shares and underlying shares of the Company or any of its associate corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in the shares and underlying shares of the Company

Directors	Capacity	Registered Shareholders	Corporate Interest	Underlying Interest	Total Interest	% of total issued shares
CHENG Chi Chung	Beneficial owner	13,333,333	-	13,333,333	26,666,666	0.20%
YANG Rongbing	Beneficial owner	6,666,666	-	6,666,666	13,333,332	0.10%
PANG Hong	Beneficial owner	-	-	1,666,666	1,666,666	0.01%

Save as disclosed above, as at 30 June 2016, none of the other directors or the chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company, subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share option scheme

The Company adopted a new share option scheme on 30 September 2009. The purpose of the share option scheme is to enable the Board, at its discretion, to grant option to eligible participants, including the directors of the Company, as incentives or rewards for their contributions to the Group.

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

Name	Date of grant	Exercise period (Notes)	Balance	Changes during the period			Balance	Exercise price per share HK\$
			as at 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period	as at 30 June 2016	
Director								
CHENG Chi Chung	19 July 2013	1	13,333,333	-	-	-	13,333,333	0.18
YANG Rongbing	19 July 2013	1	6,666,666	-	-	-	6,666,666	0.18
PANG Hong	19 July 2013	1	1,666,666	-	-	-	1,666,666	0.18
Other Eligible participants								
Consultants (Note 1)	19 July 2013	1	46,666,666	-	-	-	46,666,666	0.18
QIN Hong	19 July 2013	1	26,666,666	-	-	-	26,666,666	0.18
HU Yidong	19 July 2013	1	13,333,333	-	-	-	13,333,333	0.18

Notes:

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

As at 30 June 2016, the total number of shares available for issue under the Share Option Scheme is 108,333,330 shares.

Substantial shareholders' interests

As at 30 June 2016, so far as it is known to the Directors, the following parties (other than the directors and chief executive of the Company) had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept under Section 336 of SFO:

Substantial shareholders	Beneficial owner	Corporate interests	Family interest	Long position	Short position	% of total issued shares (Note a)
Mr. QIN Hui	7,944,792,041	6,429,143 (Note b)	-	7,951,221,184	-	59.11%

Notes:

- (a) There were 13,451,427,488 shares of the Company in issue as at 30 June 2016.
- (b) 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 of the Company which are held by SMIL.

Directors' interests in competing business

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

Directors' interests in contracts

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

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

During the six months ended 30 June 2016, the Company repurchased a total of 66,000,000 shares of HK\$0.10 per share through the Stock Exchange at an aggregate consideration of approximately HK\$46,734,000 (including transaction costs). 56,000,000 of the shares repurchased were cancelled during the period. Details of shares repurchased during the period are set out as follows:

Month of repurchases	No. of ordinary shares of HK\$0.10 each	Price paid per share		Aggregate consideration paid (including expenses) HK\$'000
		Highest	Lowest	
		HK\$	HK\$	
April 2016	5,000,000	0.74	0.74	3,713
May 2016	41,000,000	0.74	0.68	29,352
June 2016	20,000,000	0.72	0.67	13,669
	<hr/>			
	66,000,000			<hr/>

The directors believe that repurchases of shares are in the best interests of the Company and its shareholders and that such repurchases of shares would lead to an enhancement of the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

Public float

As at 30 June 2016, the Company has maintained the prescribed public float under the Listing Rules based on the information that is publicly available to the Company and within the knowledge of the Board.

Pre-emptive rights

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

Contingent liabilities

As at 30 June 2016, the Group and the Company did not have any significant contingent liabilities.

Events after the Reporting Period

Details of significant events occurring after the Reporting Period are set out in note 22 to the condensed consolidated financial statements on page 40.

Appreciation

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

By order of the Board

SMI Holdings Group Limited

CHENG Chi Chung

Executive Director & Chief Executive Officer

Hong Kong, 31 August 2016

CORPORATE GOVERNANCE REPORT

Overview of corporate governance

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

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

Corporate governance code

During the Reporting Period, the Company has complied with the code provisions of the Corporate Governance Code (“CG Code”), except for the deviations from Code Provisions A.2.1, A.6.7 and E.1.2 as set out in Appendix 14 to the Listing Rules which is explained below:

Chairman and Chief Executive Officer

Under Code Provision A.2.1 of the CG Code, the role of both the chairman and chief executive officer should be separated and should not be performed by the same individual. The executive directors share the responsibility of the Chairman during the year and on 27 April 2016, the Company appointed Dr. YAP Allan as the chairman of the Board to comply with the code provision.

Attendance of directors in general meeting

Under Code Provision A.6.7 of the CG Code, all directors, including non-executive directors and independent non-executive directors, should also attend the general meetings of the Company for developing a balanced understanding of the view of shareholders. During the reporting period, certain directors were unable to attend the annual general meeting and the special general meeting due to other engagements. The Company will try its best endeavors in arranging the meeting schedule and arrangement in order to comply with the code provision in future.

Attendance of Chairman of the Board at annual general meeting

Under Code provision E.1.2 of the CG Code, the chairman of the Board is required to attend the annual general meeting of the Company held on 2 June 2016 (the “AGM”). Dr. YAP Allan, the Chairman of the Board, was unable to attend the AGM due to other business commitment. Mr. YANG Rongbing, who took the chair of the AGM, was of sufficient calibre and knowledge for answering questions at the AGM.

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

Non-executive directors

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

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

Compliance with the model code for securities transactions by directors

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

Changes in Directors' Biographical Details

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

Mr. YANG Rongbing

- appointed as an independent non-executive Director of China Leon Inspection Holdings Limited (Stock Code: 1586) with effect from 18 June 2016

Mr. ZHOU Lin

- retired as an Executive Director of the Company with effect from 2 June 2016

Mr. ZHANG Yongdong

- retired as a Non-executive Director of the Company with effect from 2 June 2016

Mr. LI Xuan

- resigned as a Non-executive Director of the Company with effect from 27 April 2016

Dr. YAP Allan

- appointed as a Non-Executive Director of the Company with effect from 27 April 2016

Mr. KAM Chi Sing

- resigned as an Independent non-executive Director of the Company with effect from 2 June 2016

Mr. LI Wing Yin

- appointed as an Independent non-executive Director of the Company with effect from 2 June 2016

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

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

Audit committee

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

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

The Audit committee also meets regularly with the Company’s external auditors to discuss the audit progress and accounting matters. The Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed internal control and the financial reporting matters, including reviewing the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016.

Remuneration committee

Since 14 July 2009, the Company has established a remuneration committee (the “Remuneration Committee”) with written terms of reference. The terms of reference of the Remuneration Committee are disclosed in full on the Company’s website. During the Reporting Period, the Remuneration Committee comprises three independent non-executive directors, namely, Messrs. LI Fusheng (as Chairman), PANG Hong and LI Wing Yin.

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

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

Nomination committee

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

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

The Nomination Committee has reviewed the structure, size and composition of the Board.

Internal control

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	NOTES	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	1,832,887	1,403,428
Cost of theatre operation and sales		(1,221,346)	(933,844)
Gross profit		611,541	469,584
Other gains and income	5	53,969	9,618
Selling and marketing expenses		(119,681)	(81,834)
Administrative expenses		(70,390)	(66,263)
Other losses and expenses		(5,438)	(2,338)
Finance costs	6	(116,172)	(75,484)
Share of results of associates		9,567	8,314
Unrealised losses on change in fair value of held-for-trading securities		(41,677)	(42)
Profit before taxation		321,719	261,555
Income tax expense	7	(45,460)	(72,908)
Profit for the period	8	276,259	188,647
Profit (loss) for the period attributable to:			
Owners of the Company		275,019	191,054
Non-controlling interests		1,240	(2,407)
		276,259	188,647
Earnings per share (HK cents)	10		
– basic		2.04	1.82
– diluted		1.93	1.70

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
NOTES	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	276,259	188,647
Other comprehensive expense:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	(58,437)	(4,509)
Total comprehensive income for the period	217,822	184,138
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	216,635	188,792
Non-controlling interests	1,187	(4,654)
	217,822	184,138

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	2,373,829	2,265,974
Goodwill		4,538,573	3,369,166
Intangible assets		87,721	56,773
Prepaid lease payments		41,317	42,854
Interests in associates		177,818	168,414
Progress payments for construction of property, plant and equipment and other deposits		424,259	376,830
Deposits paid for acquisition of entities		745,829	914,068
Other financial assets		201,623	233,156
		8,590,969	7,427,235
Current assets			
Inventories		70,214	96,871
Prepaid lease payments		3,074	3,074
Trade and other receivables	12	670,001	544,643
Held-for-trading investments		221,047	196,017
Loans to other parties		250,000	–
Loan to an associate		65,150	50,000
Amounts due from related parties		2,169	13,788
Pledged bank deposits		–	121,180
Bank balances and cash		560,791	1,007,629
		1,842,446	2,033,202
Assets classified as held for sale		–	25,180
		1,842,446	2,058,382

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2016

		At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	13	1,284,087	1,506,677
Amounts due to related parties		79,387	18,536
Finance lease payables		36,832	29,556
Bank borrowings	14	34,971	193,427
Other borrowings	14	759,894	214,963
Convertible notes	14	39,603	39,938
Taxation payables		190,893	145,566
		<hr/> 2,425,667	<hr/> 2,148,663
Liabilities directly associated with assets classified as held for sale		–	3,635
		<hr/> 2,425,667	<hr/> 2,152,298
Net current liabilities		<hr/> (583,221)	<hr/> (93,916)
Total assets less current liabilities		<hr/> 8,007,748	<hr/> 7,333,319

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2016

		At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
	NOTES		
Non-current liabilities			
Other payables		737	100,896
Finance lease payables		153,570	50,721
Bank borrowings	14	–	212,066
Other borrowings	14	998,521	715,404
Convertible notes	14	803,605	783,269
Bonds	14	757,684	225,131
Deferred tax liabilities	15	27,938	18,498
		2,742,055	2,105,985
Net assets		5,265,693	5,227,334
Capital and reserves			
Share capital	16	1,345,143	1,350,743
Reserves		3,927,188	3,880,559
Equity attributable to owners of the Company		5,272,331	5,231,302
Non-controlling interests		(6,638)	(3,968)
Total equity		5,265,693	5,227,334

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company												Non-controlling interests	Total equity	
	Share capital	Share premium	Treasury stock	Other reserve	Contributed surplus	Foreign currency translation reserve	Convertible notes reserve	Warrants reserve	Statutory reserve	Share-based payment reserve	Capital redemption reserve	Retained profits			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2016 (Audited)	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
Total comprehensive income for the period	-	-	-	-	-	(58,384)	-	-	-	-	-	275,019	216,635	1,187	217,822
Transfer to statutory reserve	-	-	-	-	-	-	-	88,054	-	-	-	(88,054)	-	-	-
Approved final dividend for the year ended 31 December 2015	-	-	-	-	-	-	-	-	-	-	-	(147,231)	(147,231)	-	(147,231)
Share repurchased	(5,600)	(39,596)	-	-	-	-	-	-	-	-	5,600	-	(39,596)	-	(39,596)
Acquisition of additional interests in subsidiaries	-	-	-	18,191	-	-	-	-	-	-	-	-	18,191	(3,857)	14,334
Purchase of treasury stock	-	-	(6,970)	-	-	-	-	-	-	-	-	-	(6,970)	-	(6,970)
Changes in equity for the period	(5,600)	(39,596)	(6,970)	18,191	-	(58,384)	-	88,054	-	5,600	39,734	41,029	(2,670)	38,259	
At 30 June 2016 (Unaudited)	1,345,143	1,447,902	(6,970)	(53,047)	1,463,670	(64,828)	35,381	-	142,795	12,393	10,015	939,878	5,272,331	(6,638)	5,265,693
At 1 January 2015 (Audited)	1,017,597	295,366	-	(121,745)	1,463,670	16,105	16,820	3,095	54,546	24,937	-	542,025	3,312,416	52,761	3,365,177
Total comprehensive income for the period	-	-	-	-	-	(2,262)	-	-	-	-	-	191,054	188,792	(4,654)	184,138
Approved final dividend for the year ended 31 December 2014	-	-	-	-	-	-	-	-	-	-	-	(42,017)	(42,017)	-	(42,017)
Issue of shares by subscription	13,958	24,774	-	-	-	-	-	-	-	-	-	-	38,732	-	38,732
Issue of conversion shares	92,382	207,100	-	-	-	-	(15,471)	-	-	-	-	15,471	299,482	-	299,482
Recognition of share options exercised	25,667	20,533	-	-	-	-	-	-	(13,819)	-	13,819	46,200	-	46,200	
Issue of shares by placement	60,000	377,230	-	-	-	-	-	-	-	-	-	-	437,230	-	437,230
Recognition of equity component of convertible notes	-	-	-	-	-	-	7,610	-	-	-	-	-	7,610	-	7,610
Recognition of warrants lapsed	-	-	-	-	-	-	-	(2,071)	-	-	-	2,071	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	1,121	-	-	1,121	-	1,121
Changes in equity for the period	192,007	629,637	-	-	-	(2,262)	(7,861)	(2,071)	-	(12,698)	-	180,398	977,150	(4,654)	972,496
At 30 June 2015 (Unaudited)	1,209,604	925,003	-	(121,745)	1,463,670	13,843	8,959	1,024	54,546	12,239	-	722,423	4,289,566	48,107	4,337,673

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from operations	246,877	384,590
Finance lease charges paid	(5,623)	(3,247)
Income taxes paid	(3,593)	(2,850)
Net cash from operating activities	<u>237,661</u>	<u>378,493</u>
Investing activities		
Acquisition of subsidiaries, net of cash acquired	(389,848)	–
Purchase of property, plant and equipment	(25,027)	(91,262)
Deposits paid for acquisition of Property, plant and equipment	(260,531)	(102,161)
Deposits paid for acquisitions of entities	(763,898)	–
Advance of loan to an associate	(15,150)	–
Advance of loans to other parties	(250,000)	–
Release of restricted bank balances	115,594	–
Other net cash flows arising from investing activities	(34,480)	(10,533)
Net cash used in investing activities	<u>(1,623,340)</u>	<u>(203,956)</u>
Financing activities		
Proceeds from issue of bonds, bank loans and convertible notes	529,524	222,422
Repayment of bonds and bank loans	(351,829)	(197,500)
Net proceeds from issue of shares by subscription	–	38,732
Net proceeds from issue of shares by placement	–	437,230
Repayment of other borrowings	(170,461)	(32,000)
Proceed from other borrowings	587,344	–
Proceeds from disposal of own debt securities	424,130	–
Dividend paid	–	(42,017)
Repayment of finance lease payable	(20,245)	–
Repurchase of shares	(46,566)	–
Other net cash flows arising from financing activities	(4,234)	(11,827)
Net cash from financing activities	<u>947,663</u>	<u>415,040</u>
Net (decrease) increase in cash and cash equivalents	(438,016)	589,577
Cash and cash equivalents at 1 January	1,007,629	130,281
Effect of foreign exchange rate changes	(8,822)	4,078
Cash and cash equivalents at 30 June, represented by bank balances and cash	<u>560,791</u>	<u>723,936</u>
Analysis of cash and cash equivalents		
Bank balances and cash	560,791	723,876
Bank balances and cash under assets held for sale	–	60
	<u>560,791</u>	<u>723,936</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1.1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standard Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”).

The Group continually reviews the presentation and disclosure of the condensed consolidated financial statements to ensure compliance with relevant accounting standards and regulations, and also consider their relevance and usefulness to users. During the six months ended 30 June 2016, the Group enhanced the presentation and disclosure of its unaudited condensed consolidated financial statements for consistency with the relevant presentation and disclosure in its audited consolidated financial statements for the year ended 31 December 2015. Accordingly, certain comparative financial information in these condensed consolidated financial statements are re-presented in conformity with the current period presentation.

1.2 SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

During the six months ended 30 June 2016, the Group acquired the entire equity interests in forty-one entities which are engaged in operation of theatre from independent third parties for an aggregated cash consideration of RMB1,134,600,000 (equivalent to approximately HK\$1,322,603,000). Details of the acquisition is disclosed in note 19.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current period, the Group has adopted, for the first time, certain amendments to International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board that are mandatorily effective for the current interim period. The application of above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

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

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Theatre operation	1,556,037	1,232,321
Sales of goods in retail stores	276,850	129,943
Others	–	41,164
	1,832,887	1,403,428

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.

4. SEGMENT INFORMATION

The three reportable segments of the Group are 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 – 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.

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 period. Accordingly, the information of these operations have been aggregated into a single reportable segment which is reported as "Others" for segment reporting.

4. SEGMENT INFORMATION (Continued)

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.

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

	Segment revenue		Segment result		Segment assets		Segment liabilities	
	Six months ended		Six months ended		At		At	
	30 June		30 June		30 June		30 June	
	2016	2015	2016	2015	2016	2015	2016	2015
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Theatre operation	1,556,037	1,232,321	381,391	210,303	8,584,374	6,352,101	(2,569,231)	(1,639,460)
Retail Stores	276,850	129,943	7,412	2,840	709,888	298,389	(116,912)	(72,828)
Others	-	41,164	(51,998)	24,859	508,490	248,903	(130,661)	(65,331)
	1,832,887	1,403,428	336,805	238,002	9,802,752	6,899,393	(2,816,804)	(1,777,619)

Notes:

- (a) Revenue reported above represents revenue generated from external customers. There are no inter-segment sales for the six months ended 30 June 2016 (Unaudited) (six months ended 30 June 2015: Nil (Unaudited)).
- (b) Segment result of "Theatre operation" and "Others" includes share of results of associates from related theatre operation and equity investment in associates, respectively.

4. SEGMENT INFORMATION (Continued)

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total profit of reportable segments	336,805	238,002
Other income	10,197	2,804
Unallocated finance costs	(64,114)	(48,218)
Unallocated corporate expenses	(6,629)	(3,941)
Consolidated profit for the period	276,259	188,647

5. OTHER GAINS AND INCOME

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Government grants	14,785	5,501
Interest income	13,904	2,358
Dividends income	1,237	–
Gain on disposal of investments	21,004	–
Others	3,039	1,759
	53,969	9,618

6. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on borrowings		
– bank overdrafts	–	4,471
– bank borrowings	8,392	7,932
– other borrowings	42,580	4,608
– convertible notes	37,787	18,994
– bonds	11,611	30,454
– securities margin facilities	10,179	4,978
Finance charges	–	800
Finance lease charges	5,623	3,247
	116,172	75,484

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The charge (credit) comprises:		
Current tax – Hong Kong Profits tax	–	5,500
Current tax – PRC Enterprise Income Tax	45,716	67,665
Deferred taxation	(256)	(257)
	<hr/>	<hr/>
Taxation for the period	45,460	72,908
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2015. No provision for Hong Kong Profits Tax is required since the Group has sufficient tax losses brought forward or no assessable profit for the six months ended 30 June 2016.

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 period 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% (2015: 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.

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	5,677	–
Amortisation of prepaid lease contract	1,537	1,026
Auditor's remuneration	2,805	20
Directors' emoluments	1,678	2,055
Depreciation on property, plant and equipment	195,023	78,580
Net exchange loss	5,438	6,297
Operating lease charges of land and buildings		
– minimum lease payments	156,314	104,591
– contingent rent	15,498	12,711
	171,812	117,302
Staff costs, excluding directors' emoluments	185,530	124,632

9. DIVIDENDS

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend recognised during the period:		
– HK\$1.09 cents per ordinary share for the year ended 31 December 2015 (2015: HK\$0.37 cents per ordinary share for the year ended 31 December 2014)	147,231	42,017

No interim dividend was proposed for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

10. 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:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company	275,019	191,054
Effect of dilutive potential ordinary shares:		
Interest on certain convertible notes	2,521	18,994
Profit for the purpose of calculating diluted earnings per share	<u>277,540</u>	<u>210,048</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	13,494,163,752	10,519,994,430
Effect of dilutive potential ordinary shares:		
Share options	82,433,480	299,016,999
Warrants	–	450,000,000
Convertible notes	<u>794,400,000</u>	<u>1,060,950,558</u>
Weighted average number of ordinary shares for the purpose of earnings per share	<u>14,370,997,232</u>	<u>12,329,961,987</u>

The effects of potential ordinary shares arising from certain convertible notes are not included in calculating the diluted earning per share as they had an anti-dilutive effect on the earning per share for the both periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group incurred approximately HK\$257,547,000 (year ended 31 December 2015: HK\$573,162,000) on additions to property, plant and equipment.

12. TRADE AND OTHER RECEIVABLES

The Group normally allows a credit period ranging of 90 days to its box office sales agents, advertising agents and wholesale customers.

The following is an aged analysis of trade receivables presented based on the invoice date, or otherwise, delivery date, at the end of the reporting period, which approximated the respective revenue recognition dates:

	At	At
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables, aged		
0 - 30 days	134,892	131,589
31 - 90 days	127,673	105,168
Over 90 days	48,323	40,532
	<hr/>	<hr/>
Trade receivables, net of allowance for doubtful debts	310,888	277,289
	<hr/>	<hr/>

13. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	At	At
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables, aged		
0 - 30 days	251,862	228,370
31 - 60 days	93,933	185,730
Over 60 days	93,608	53,599
	<hr/>	<hr/>
Trade payable	439,403	467,699
	<hr/>	<hr/>

14. BORROWINGS

During the current interim period, the Group:

- (i) repaid bank borrowings amounting to approximately HK\$351,829,000 (year ended 31 December 2015: HK\$283,766,000).
- (ii) sold the asset-backed securities ("ABS") of approximately HK\$424,130,000 (year ended 31 December 2015: HK\$373,201,000) which was repurchased during the year ended 31 December 2015. Other than ABS, the Group obtained other borrowings amounting to approximately HK\$587,344,000 (year ended 31 December 2015: Nil) during the current interim period, which carry interests at fixed rate of 8% to 12% and are repayable within one year.
- (iii) did not issue nor repay any convertible notes. No conversion was made during the current period.
- (iv) newly issued bonds amounting to approximately HK\$529,524,000 (year ended 31 December 2015 HK\$77,460,000) which carry interest at fixed market rate of 5% and are repayable by third to eighth years.

15. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities recognised by the Group and movements thereon during the period:

	Intangible asset HK\$'000	Fair value adjustment on lease contracts HK\$'000	Total HK\$'000
At 1 January 2015 (Audited)	–	4,305	4,305
Credited to profit or loss for the year	–	(513)	(513)
Acquisition of subsidiaries	14,190	–	14,190
Exchange realignment	516	–	516
	<hr/>	<hr/>	<hr/>
At 31 December 2015 (Audited)	14,706	3,792	18,498
Credited to profit or loss for the period	–	(256)	(256)
Acquisition of subsidiaries	9,696	–	9,696
	<hr/>	<hr/>	<hr/>
At 30 June 2016 (Unaudited)	24,402	3,536	27,938

16. SHARE CAPITAL

	Number of shares		Amount	
	30 June 2016	31 December 2015	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each				
At beginning of period/year and end of period/year	20,000,000,000	20,000,000,000	2,000,000	2,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
At beginning of period/year (audited)	13,507,427,488	10,175,967,571	1,350,743	1,017,597
Issue of shares by placement	-	600,000,000	-	60,000
Issue of shares by subscription	-	739,582,733	-	73,958
Issue of conversion shares	-	1,329,358,520	-	132,936
Share options exercised	-	256,666,664	-	25,667
Shares repurchased	(56,000,000)	(44,148,000)	(5,600)	(4,415)
Warrants exercised	-	450,000,000	-	45,000
At end of the period/year (unaudited)	13,451,427,488	13,507,427,488	1,345,143	1,350,743

17. 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\$159,469,000 (At 31 December 2015: HK\$149,911,000) were pledged to secure margin account facilities granted to the Group.
- (b) The Group's building situated in the PRC amounted to approximately HK\$26,397,000 (At 31 December 2015: HK\$28,224,000) was pledged to secure for certain bank borrowings granted to the Group.
- (c) 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) The Group pledged its subordinated Securities as stipulated in the asset-backed securities arrangement under the other borrowings as a collateral for its trust loans.

18. RELATED PARTY TRANSACTIONS

The Group had no significant transactions and balances with related parties during the period.

19. ACQUISITION OF SUBSIDIARIES

For the six months ended 30 June 2016

During the six months ended 30 June 2016, the Group acquired the entire equity interests in forty-one entities which are engaged in operation of theatre from independent third parties for an aggregated cash consideration of RMB1,134,600,000 (equivalent to approximately HK\$1,322,603,000). The information for these acquisitions is 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 (Unaudited)
Fair value of net assets acquired:	
Property, plant and equipment	132,297
Intangible assets	38,786
Inventories	2,923
Trade and other receivables	70,061
Bank balances and cash	18,687
Trade and other payables	(166,598)
Finance lease payables	(6,118)
Deferred tax liabilities	(9,696)
	<hr/>
Fair value of total identifiable net assets	80,342
Goodwill	1,242,261
	<hr/>
	1,322,603
	<hr/>
Satisfied by:	
Cash	1,322,603
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Net cash outflow on acquisition of subsidiaries:	
Cash consideration paid	(1,322,603)
Utilising deposits paid for acquisitions of entities in prior years	914,068
Bank balances and cash acquired from the subsidiaries	18,687
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	(389,848)
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19. ACQUISITION OF SUBSIDIARIES (Continued)

For the six months ended 30 June 2016 (Continued)

The fair value of trade and other receivables at the date of acquisition amounted to HK\$70,061,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK\$70,061,000 at the date of acquisition.

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.

The fair values of the assets acquired, liabilities and goodwill recognised have been determined on provisional basis, awaiting the completion of the identification of separable assets and valuation of assets and liabilities.

20. 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.

21. CONTINGENT AND COMMITMENTS

- (i) 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 30 June 2016 and 31 December 2015, the Group did not have any other significant contingent liabilities.

- (ii) During the current interim period, the management of the Group is engaged with various vendors to acquire 50 theatres (At 31 December 2015: 47) in the PRC with total deposits of approximately HK\$602,601,000 (At 31 December 2015: HK\$914,068,000) 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 30 June 2016 and not yet be conclusive.

22. EVENTS AFTER THE REPORTING PERIOD

- (i) On 5 August 2016, the Group obtained a trust loan of RMB1,500,000,000. The loan is used for daily operation of the Group. The pledged assets of the loan is part of the future box office revenue from 50 cinemas operated by the Group.
- (ii) In August 2016, the Group's associate, SMI Culture & Travel Group Holdings Limited and two investors entered into two subscription agreements to issue and subscribe notes and convertible bonds. The aggregate amount of notes and convertible bonds to be secured by the Group as guarantor will be HK\$650,000,000.