星 美 國 際

SMI CORPORATION LIMITED

星美國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 198)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

The Board of Directors (the "Directors") of SMI Corporation Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010, together with corresponding figures for the period ended 31 December 2009, as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	**Year ended 31.12.2010** ***HK$'000***	Period from 1.4.2009 to 31.12.2009 *HK$'000* (Restated)
Continuing operations			
Turnover	*3*	**771,318**	326,671
Revenue	*3*	**356,637**	72,029
Cost of sales		**(123,260)**	(46,749)
Gross profit		**233,377**	25,280
Other income		**17,244**	109
Gain on disposal of held-for-trading investments		**16,754**	7,743
Selling and marketing expenses		**(72,260)**	(7,365)
Administrative expenses		**(68,445)**	(21,348)
Other operating expenses		**(8,468)**	(13,591)
Profit/(loss) from operations		**118,202**	(9,172)

* *For identification purpose only*

	Note	Year ended 31.12.2010 HK$'000	Period from 1.4.2009 to 31.12.2009 HK$'000 (Restated)
Finance costs		**(15,401)**	(1,878)
Impairment loss on interests in associates		**–**	(18,189)
Impairment loss on interests in jointly controlled entities		**–**	(6,727)
Share of profits of associates		**1,477**	–
Share of profits of a jointly controlled entity		**34,682**	–
Gain/(loss) on disposal of an associate		**4,000**	(3,612)
Gain on disposal of jointly controlled entities		**1,651**	–
Gain on disposal of subsidiaries		**14,877**	309
Gain on deconsolidation of subsidiaries		**–**	10,326
Equity-settled share-based expenses		**(29,342)**	–
Profit/(loss) before tax		**130,146**	(28,943)
Income tax expense	*5*	**(7,397)**	(4,196)
Profit/(loss) for the year/period from continuing operations	*6*	**122,749**	(33,139)
Discontinued operations			
Gain on deconsolidation of a subsidiary	*7*	**–**	61,132
Profit for the year/period		**122,749**	27,993
Attributable to:			
Owners of the Company			
Profit/(loss) from continuing operations		**123,365**	(37,130)
Profit from discontinued operation		**–**	61,132
Profit attributable to owners of the Company		**123,365**	24,002
Non-controlling interests			
(Loss)/profit from continuing operations		**(616)**	3,991
Profit from discontinued operation		**–**	–
(Loss)/profit attributable to non-controlling interests		**(616)**	3,991
		122,749	27,993
Earnings/(loss) per share	*9*		
From continuing and discontinued operations			
– Basic		**HK2.86 cents**	HK1.61 cents
– Diluted		**HK2.66 cents**	N/A
From continuing operations			
– Basic		**HK2.86 cents**	HK(2.49) cents
– Diluted		**HK2.66 cents**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	Year ended 31.12.2010 HK$'000	Period from 1.4.2009 to 31.12.2009 HK$'000
Profit for the year/period		**122,749**	27,993
Other comprehensive income:			
Exchange differences on translating foreign operations		**3,309**	85
Release of exchange differences to profit or loss upon deconsolidation of a subsidiary		**–**	597
Other comprehensive income for the year/period, net of tax		**3,309**	682
Total comprehensive income for the year/period		**126,058**	28,675
Attributable to:			
Owners of the Company		**126,446**	24,656
Non-controlling interests		**(388)**	4,019
		126,058	28,675

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	Note	2010 HK$'000	2009 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment		**153,775**	36,599
Goodwill		**1,434,349**	21,343
Intangible assets		**224,182**	7,000
Investments in associates		**8,813**	–
Investments in jointly controlled entities		**44,867**	17,000
Deposit paid for acquisition of property, plant and equipment		**–**	5,533
Deposits paid for investment		**83,462**	–
Available-for-sale financial assets		**23,020**	–
Rental deposits		**15,000**	–
Prepayments for construction of cinemas		**115,203**	–
Deferred tax assets		**2,312**	–
		2,104,983	87,475
Current assets			
Inventories		**1,592**	518
Trade and other receivables	*10*	**261,565**	51,485
Held-for-trading investments		**13,270**	73,257
Convertible notes designated at financial assets at fair value through profit or loss		**28,600**	19,258
Due from associates		**16,558**	–
Due from a jointly controlled entity		**850**	–
Bank and cash balances		**253,817**	76,229
		576,252	220,747
Current liabilities			
Trade and other payables	*11*	**158,176**	87,077
Due to associates		**9,149**	–
Due to a jointly controlled entity		**244**	–
Due to related parties		**966**	14,928
Current tax liabilities		**3,896**	6,674
		172,431	108,679
Net current assets		**403,821**	112,068
Total assets less current liabilities		**2,508,804**	199,543

	Note	2010	2009
		HK$'000	*HK$'000*
			(Restated)
Non-current liabilities			
Convertible notes		**440,670**	–
Deferred income		**1,640**	–
Deferred tax liabilities		**6,739**	–
		449,049	–
NET ASSETS		**2,059,755**	199,543
Capital and reserves			
Share capital	*12*	**647,449**	251,878
Reserves		**1,364,634**	(62,199)
Equity attributable to owners of the Company		**2,012,083**	189,679
Non-controlling interests		**47,672**	9,864
TOTAL EQUITY		**2,059,755**	199,543

NOTES:

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in entertainment businesses relating to the operation of movie theater and café bar business, investments in film production and trading of securities.

In the opinion of the directors of the Company, as at 31 December 2010, Mr. Qin Hui is the ultimate controlling party of the Company.

2. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The consolidated financial statements up to 31 December 2009 had been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the directors of the Company decided to prepare its consolidated financial statements in accordance with IFRSs for its accounting year beginning on 1 January 2010. The consolidated financial statements have been prepared in accordance with IFRSs with effect from this reporting period and the comparative financial statement for the period from 1 April 2009 to 31 December 2009 have been converted in accordance with IFRSs.

The directors of the Company believe the adoption of internationally recognised accounting standards will allow its financial statements to be better understood by its shareholders, the capital markets and the other users globally.

With due regard to the Group's accounting policies in previous periods and the requirements of IFRSs, the directors of the Company have concluded that no adjustments were required to the amounts reported under HKFRSs as at 1 April 2009, the date of IFRSs adoption, or in respect of the nine months ended 31 December 2009. The adoption of IFRSs has had no financial impact on the Group's financial position as at 1 April 2009, 31 December 2009 and 31 December 2010 or the Group's operating results or cash flows for the nine months ended 31 December 2009 and the year ended 31 December 2010.

2. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

The Group has adopted all the new and revised IFRSs issued by the International Accounting Standards Board that are relevant to its operation and effective for accounting year beginning on 1 January 2010. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years except as stated below.

Business Combinations

IFRS 3 (Revised) "Business Combinations" continues to require acquisition method to be applied to business combinations with some significant changes:

– Contingent consideration is recognised at its acquisition-date fair value and forms part of the cost of acquisition. The previous IFRS 3 requires that a contingent consideration be recognised if it is probable and can be measured reliably.

– In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate goodwill. The previous IFRS 3 does not have a requirement for such fair value measurement.

– There is a choice to measure initially the non-controlling interests in a subsidiary either at their acquisition-date fair value or the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date. The previous IFRS 3 only allows the latter choice.

– If a business combination is accounted for using provisional amounts, the measurement period that the provisional amounts can be adjusted retrospectively is limited to one year from the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The previous IFRS 3 does not have a time limit for adjustments in relation to contingent considerations and deferred tax assets. Subsequent adjustments to contingent considerations and deferred tax assets will adjust goodwill.

– Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. The previous IFRS 3 requires that acquisition-related costs form part of the cost of a business combination.

2. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Business Combinations (Continued)

IFRS 3 (Revised) has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010 and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	2010	2009
	HK$'000	*HK$'000*
Increase in other operating expenses	**8,152**	–
Decrease in goodwill	**8,152**	–
Decrease in EPS *(HK cents)*	**0.19**	–

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

3. TURNOVER AND REVENUE

The Group's turnover which represents the amounts received and receivable from box office takings and screen advertising, sales of food and beverage, dividend income and trading of equity securities during the year/period from continuing operations are as follows:

	Year ended 31.12.2010	Period from 1.4.2009 to 31.12.2009
	HK$'000	*HK$'000*
Film exhibition		
– box office income	**331,278**	62,155
– screen advertising income	**2,940**	2,480
Sales of food and beverage	**19,536**	7,080
Dividend income from held-for-trading investments	**511**	314
Distribution of film	**1,287**	–
Proceeds from held-for-trading investments	**414,681**	254,642
Others	**1,085**	–
	771,318	326,671

3. TURNOVER AND REVENUE (Continued)

An analysis of the Group's revenue for the year/period from continuing operation is as follows:

	Year ended 31.12.2010 *HK$'000*	Period from 1.4.2009 to 31.12.2009 *HK$'000*
Film exhibition		
– box office income	**331,278**	62,155
– screen advertising income	**2,940**	2,480
Sales of food and beverage	**19,536**	7,080
Dividend income from held-for-trading investments	**511**	314
Distribution of film	**1,287**	–
Others	**1,085**	–
	356,637	72,029

4. SEGMENT INFORMATION

The Group has four reportable segments as follows:

(a) Film exhibition – box office income and screen advertising income

(b) Café bars – sales of food and beverage

(c) Securities trading – trading of marketable securities

(d) Film production and distribution – production and distribution of films

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

The Group's other operating segment include the operating and management business, which earns operating and management income and advertising and public relation services which earn service income for advertising. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments are included in the 'others' column.

Segment profit represents the profit earned by each segment without allocation of central administrative expenses, gain on disposal of subsidiaries, increase in fair value of convertible notes designated at financial assets at fair value through profit or loss ("FVTPL"), gain/(loss) on disposal of an associate, gain on disposal of jointly controlled entities, impairment loss on interests in associates, impairment loss on interests in jointly controlled entities, financial costs, share of results of associates and jointly controlled entities and equity-settled share-based expenses. Segment assets do not include interests in associates, interests in jointly controlled entities, convertible notes designated at financial assets at FVTPL, assets of headquarter and other receivables of the headquarter. Segment liabilities do not include amounts due to related parties, tax payable, other payables of headquarter and convertible notes. Segment non-current assets do not include financial instruments and deferred tax assets. This is the measure reported to the Chief Operation Decision Maker, the directors of the Company, for the purposes of resource allocation and performance assessment.

4. SEGMENT INFORMATION (Continued)

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

	Film exhibition *HK$'000*	Café bars *HK$'000*	Securities trading *HK$'000*	Film production and distribution *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 December 2010						
Revenue from external customers	334,218	19,536	511	1,287	–	355,552
Segment profit/(loss)	95,615	(447)	13,922	1,521	–	110,611
Interest revenue	334	–	1,048	5	–	1,387
Interest expense	(12,270)	(30)	(2,144)	–	(957)	(15,401)
Depreciation and amortisation	(10,797)	(1,140)	–	–	(1,262)	(13,199)
Other material items of income and expense:						
Gain on disposal of subsidiaries	–	–	–	–	14,877	14,877
Increase in fair value of convertible notes designated at financial assets at FVTPL	–	–	9,342	–	–	9,342
Gain on disposal of an associate	–	–	–	–	4,000	4,000
Gain on disposal of jointly controlled entities	–	–	–	–	1,651	1,651
Share of profits of a jointly controlled entity	34,682	–	–	–	–	34,682
Share of profits of associates	1,477	–	–	–	–	1,477
Income tax expense	(7,388)	–	–	–	(9)	(7,397)
Other material non-cash items:						
Impairment loss on trade and other receivables	(204)	–	–	–	–	(204)
Additions to segment non-current assets	187,994	10,225	–	162,940	–	361,159
As at 31 December 2010						
Segment assets	2,273,553	36,405	42,098	189,725	–	2,541,781
Segment liabilities	(603,541)	(3,238)	(127)	(25)	–	(606,931)
Investments in associates	8,813	–	–	–	–	8,813
Investments in jointly controlled entities	44,867	–	–	–	–	44,867

4. SEGMENT INFORMATION (Continued)

	Film exhibition *HK$'000*	Café bars *HK$'000*	Securities trading *HK$'000*	Film production and distribution *HK$'000*	Others *HK$'000*	Total *HK$'000*
Period from 1 April 2009 to 31 December 2009						
Revenue from external customers	64,635	7,080	314	–	–	72,029
Segment profit	12,481	3,870	6,322	–	–	22,673
Interest revenue	1	–	145	–	–	146
Interest expense	(795)	–	(1,083)	–	–	(1,878)
Depreciation and amortisation	(1,380)	(22)	–	–	(41)	(1,443)
Other material items of income and expense:						
Gain on deconsolidation of subsidiaries	–	–	–	–	10,326	10,326
Gain on disposal of a subsidiary	–	–	–	–	309	309
Increase in fair value of convertible notes designated at financial assets at FVTPL	–	–	1,258	–	–	1,258
Loss on disposal of an associate	–	–	–	–	(3,612)	(3,612)
Impairment loss on interests in associates	–	–	–	–	(18,189)	(18,189)
Impairment loss on interests in jointly controlled entities	–	–	–	–	(6,727)	(6,727)
Income tax expense	–	–	–	–	(4,196)	(4,196)
Other material non-cash items:						
Impairment of inventories	–	–	–	(1,000)	–	(1,000)
Impairment of assets	(259)	–	–	–	–	(259)
Additions to segment non-current assets	37,731	331	–	–	160	38,222
As at 31 December 2009						
Segment assets	97,744	390	79,525	7,000	–	184,659
Segment liabilities	(35,853)	(735)	(34,515)	–	–	(71,103)
Investments in jointly controlled entities	–	–	–	–	17,000	17,000

Revenue reported above represents revenue generated from external customers. There are no inter-segment sales for the year ended 31 December 2010 (31 December 2009: Nil).

4. SEGMENT INFORMATION (Continued)

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

	Year ended 31.12.2010 *HK$'000*	Period from 1.4.2009 to 31.12.2009 *HK$'000*
Revenue		
Total revenue of reportable segments	**355,552**	72,029
Other revenue	**1,085**	–
Consolidated revenue	**356,637**	72,029
Profit or (loss)		
Total profit or (loss) of reportable segments	**110,611**	22,673
Share of profits of associates	**1,477**	–
Share of profits of a jointly controlled entity	**34,682**	–
Other profit or (loss)	**426**	(12,012)
Unallocated amounts:		
Fair value gain on convertible notes designated as financial assets at FVTPL	**9,342**	1,258
Gain on deconsolidation of subsidiaries	**–**	10,326
Gain on disposal of subsidiaries	**14,877**	309
Gain/(loss) on disposal of an associate	**4,000**	(3,612)
Gain on disposal of jointly controlled entities	**1,651**	–
Impairment loss on interests in associates	**–**	(18,189)
Impairment loss on interests in jointly controlled entities	**–**	(6,727)
Equity-settled share-based payments	**(29,342)**	–
Corporate expenses	**(17,578)**	(22,969)
Consolidated profit/(loss) before tax	**130,146**	(28,943)
Assets		
Total assets of reportable segments	**2,541,781**	184,659
Investments in associates	**8,813**	–
Investments in a jointly controlled entity	**44,867**	17,000
Other assets	**–**	106,563
Unallocated amounts:		
Deposits paid for investments	**83,462**	–
Deferred tax assets	**2,312**	–
Consolidated total assets	**2,681,235**	308,222
Liabilities		
Total liabilities of reportable segments	**606,931**	71,103
Other liabilities	**3,914**	30,902
Unallocated amounts:		
Current tax liabilities	**3,896**	6,674
Deferred tax liabilities	**6,739**	–
Consolidated total liabilities	**621,480**	108,679

4. **SEGMENT INFORMATION (Continued)**

Geographical information:

The Group principally operates in the PRC (country of domicile) with revenue and profit derived mainly from its operations in the PRC.

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

	Revenue		**Non-current assets**	
		Period from		
	Year ended	1.4.2009 to		
	31.12.2010	31.12.2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,596**	314	**10,259**	–
PRC except Hong Kong	**355,041**	71,715	**2,069,392**	87,475
Consolidated total	**356,637**	72,029	**2,079,651**	87,475

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

Revenue from major customers:

There are no major customers contributing over 10% of the Group's revenue for the year ended 31 December 2010 and for the period from 1 April 2009 to 31 December 2009.

5. INCOME TAX EXPENSE

	Year ended 31.12.2010	Period from 1.4.2009 to 31.12.2009
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year/period	**–**	69
Under-provision in prior years	**9**	–
	9	69
Current tax – Overseas		
Provision for the year/period	**6,514**	4,127
Over-provision in prior years	**(1,177)**	–
	5,337	4,127
Deferred tax	**2,051**	–
	7,397	4,196

Hong Kong Profits Tax has been provided at a rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year ended 31 December 2010.

Pursuant to Guoshuihan [2010] No. 86 issued by the State Administration of Taxation of the PRC, two of the Group's PRC subsidiaries, namely 北京回龍觀星美國際影城管理有限公司(Beijing Huilongguan Stellar Cineplex Management Co., Ltd) ("Beijing Huilongguan Stellar") and 天津星美影城管理有限公司 (Tianjin Stellar Cineplex Management Co., Ltd) ("Tianjin Stellar"), are qualified as the "新辦文化企業" and therefore they can exempt from the enterprise income tax for the period from 1 January 2009 to 31 December 2010.

5. INCOME TAX EXPENSE (Continued)

For other PRC subsidiaries of the Group, the provision for PRC enterprise income tax is based on a statutory rate of 25% (2009: 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 charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

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

	Year ended 31.12.2010	Period from 1.4.2009 to 31.12.2009
	HK$'000	*HK$'000*
Profit/(loss) before taxation (excluding share of profits of associates and share of profits of a jointly controlled entity)	**93,987**	(28,943)
Tax at the applicable income tax rate of 16.5% (2009: 16.5%)	**15,508**	(4,776)
Tax effect of expenses not deductible for tax purposes	**161,075**	5,776
Tax effect of income not taxable for tax purposes	**(157,266)**	(2,064)
Tax effect on utilisation of tax losses not previously recognized	**(1,276)**	–
Tax effect of tax holidays/tax concession	**(15,741)**	–
Under-provision in prior years	**9**	–
Over-provision in prior years	**(1,177)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,601**	577
Tax effect of temporary differences not recognised	**1,945**	4,315
Tax effect of current year tax loss not recognised	**1,687**	368
Others	**32**	–
Income tax expense	**7,397**	4,196

6. PROFIT/(LOSS) FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS

The Group's profit/(loss) for the year/period from continuing operations is stated after charging the following:

	Year ended 31.12.2010 *HK$'000*	Period from 1.4.2009 to 31.12.2009 *HK$'000*
Acquisition-related costs	**8,152**	–
Amortisation of lease contracts		
(included in administrative expenses)	**1,292**	–
Auditor's remuneration		
– Current	**1,557**	840
– Under-provision in prior year	**1,103**	–
	2,660	840
Cost of service provided	**115,251**	44,163
Cost of inventories sold	**8,009**	2,586
Impairment loss on inventories (included in cost of sales)	**–**	1,000
Directors' emoluments	**6,946**	1,796
Depreciation on property, plant and equipment	**13,199**	1,443
Operating lease charges of land and buildings		
– minimum lease payments	**33,394**	6,881
– contingent rent	**–**	1,155
Staff costs excluding directors' emoluments		
– salaries, bonus and allowances	**28,304**	4,649
– equity-settled share-based payments	**3,455**	–
– retirement benefits scheme contributions	**4,541**	218
	36,300	4,867
Equity-settled share-based payments paid to consultants	**22,070**	–

7. DISCONTINUED OPERATION

On 7 April 2009, the Tokyo District Court of Japan had made a judgment against Planet Hollywood (Japan) K.K. ("PHJ"), a wholly owned subsidiary of the Group which carried out all of the Group's theme restaurant operation, that it was obliged to pay The Disney Store Japan ("TDSJ") the outstanding rental expenses being claimed. Subsequently on 12 April 2009, PHJ closed its operation and vacated the premises. On 17 July 2009, Star East (Japan) Limited, the immediate holding company of PHJ, was placed under liquidation. Since then, the Group had lost control over Star East (Japan) Limited and PHJ and both companies were deconsolidated from the Group's consolidated financial statements.

The gain for the period from the discontinued operation is analysed as follows:

	Period from 1.4.2009 to 31.12.2009 *HK$'000*
Loss of theme restaurant operation for the period	–
Gain on deconsolidation of theme restaurant operation	61,132
	61,132

There is no income or expense incurred by the discontinued operation which has been included in the consolidated statement of comprehensive income and no cash flow from the discontinued operation for the period from 1 April 2009 to 17 July 2009.

8. DIVIDEND

At the Board meeting held on 28 March 2011, the directors do not recommend the payment of any dividends in respect of the year ended 31 December 2010 (2009: Nil).

9. EARNINGS/(LOSS) PER SHARE

(a) The calculation of the basic and diluted earnings/(loss) per share is based on the following:

	Year ended 31.12.2010 *HK$'000*	Period from 1.4.2009 to 31.12.2009 *HK$'000*
Earnings		
Earnings for the year/period attributable to owners of the Company	**123,365**	24,002
Finance costs saving on conversion of convertible notes outstanding	**12,883**	82
Earnings for the purpose of calculating diluted earnings per share	**136,248**	24,084

	Year ended 31.12.2010	Period from 1.4.2009 to 31.12.2009
Issued ordinary shares at beginning of year/period	**2,518,775,028**	314,068,757
Effect of share issued for open offer	**–**	585,974,859
Effect of placing of new shares	**455,571,419**	59,695,890
Effect of consideration shares issued	**1,123,380,543**	524,587,671
Effect of conversion of convertible notes	**221,964,244**	7,824,310
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**4,319,691,234**	1,492,151,487
Effect of dilutive potential ordinary shares arising from convertible notes outstanding	**810,958,903**	8,189,781
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	**5,130,650,137**	1,500,341,268

The calculation of diluted loss per share for the period ended 31 December 2009 does not include share options as their assumed exercise would result in decrease in loss per share.

The diluted loss per share for the period ended 31 December 2009 is not presented as it resulted in a decrease in loss per share from continuing operations.

9. EARNINGS/(LOSS) PER SHARE (Continued)

(b) From continuing operations in 2009

Basic earnings/(loss) per share

The calculation of basic loss per share from continuing operations attributable to owners of the Company is based on the loss for the period from 1 April 2009 to 31 December 2009 from continuing operations attributable to owners of the Company of approximately HK$37,130,000 and the denominator used is the same as that detailed above for basic earnings/(loss) per share.

Diluted earnings/(loss) per share

The diluted loss per share for the period ended 31 December 2009 is not presented as it resulted in a decrease in loss per share from continuing operations.

(c) From discontinued operations in 2009

Basic earnings per share for the discontinued operation is HK4.10 cents per share and diluted earnings per share for the discontinued operation is HK4.07 cents per share, based on the profit for the period from the discontinued operation of approximately HK$61,132,000 and the denominators detailed above for both basic and diluted earnings per share.

Diluted loss per share

The diluted loss per share for the period ended 31 December 2009 is not presented as it resulted in a decrease in loss per share from continuing operations.

10. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**49,125**	6,788
Rental and other deposits	**4,241**	3,010
Margin deposit placed with a financial institution *(note a)*	**–**	6,268
Amount due from non-controlling interests of subsidiaries *(note b)*	**45,932**	10,029
Prepayments and other receivables *(note c)*	**162,267**	25,390
	261,565	51,485

10. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) The deposits are placed with a financial institution for trading of securities. The deposits carried interest at market rates at 0.01% per annum. The amount is secured and repayable on demand.

(b) The amount of HK$45,932,000 as at 31 December 2010 is unsecured, interest-free and repayable on demand.

(c) Included in prepayments and other receivables are advances to independent third parties of approximately HK$58,596,000 which are unsecured, interest-free and repayable within 1 year. The remaining other receivables are unsecured, interest-fee and repayable on demand. As at 31 December 2009, other receivables of approximately HK$10,023,000 were guaranteed by a non-controlling interest of a subsidiary.

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

	2010	2009
	HK$'000	*HK$'000*
0 to 30 days	**25,841**	4,839
31 to 90 days	**5,086**	1,949
Over 91 days	**18,198**	–
	49,125	6,788

As at 31 December 2010, trade receivables of HK$18,198,000 (2009: HK$nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010	2009
	HK$'000	*HK$'000*
3 to 6 months	**18,198**	–

10. TRADE AND OTHER RECEIVABLES (Continued)

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

	2010	2009
	HK$'000	*HK$'000*
Hong Kong dollars	**121**	6,788
Renminbi ("RMB")	**49,004**	–
Total	**49,125**	6,788

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

Impairment loss on 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 other receivable balance directly.

The movement in the impairment loss of trade and other receivables is as follow:

	2010	2009
	HK$'000	*HK$'000*
Balance at the beginning of the year	**49**	–
Impairment loss recognized	**204**	49
Balance at the end of the year	**253**	49

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

11. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**35,975**	18,181
Customers' deposits	**32,312**	16,010
PRC business and other tax payables	**6,298**	618
Payroll and welfare payables	**1,743**	847
Margin payable due to financial institutions *(Note)*	**–**	34,315
Amount due to a non-controlling interest of subsidiaries	**23,554**	–
Accrued charges and other payable	**58,294**	17,106
	158,176	87,077

Note: The margin payable due to financial institutions are secured and repayable on demand. The interest are range from 8% to 9.38% per annum.

The average credit period on purchases of goods is 30 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
Up to 30 days	**13,133**	7,917
31 to 60 days	**5,685**	6,459
Over 60 days	**17,157**	3,805
	35,975	18,181

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

	2010	2009
	HK$'000	*HK$'000*
Hong Kong dollars	**65**	18,181
RMB	**35,910**	–
Total	**35,975**	18,181

12. SHARE CAPITAL

	Number of Shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.1 (2009: HK$0.1) each		
At 1 April 2009	1,000,000,000	100,000
Increase during the period	4,000,000,000	400,000
At 31 December 2009 and 1 January 2010	5,000,000,000	500,000
Increase during the year *(Note a)*	15,000,000,000	1,500,000
At 31 December 2010	20,000,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of HK$0.1 (2009: HK$0.1) each		
At 1 April 2009	314,068,757	31,407
Issue of shares for open offer	942,206,271	94,221
Issue of shares for acquisition of subsidiaries	843,500,000	84,350
Issue of shares for placing	269,000,000	26,900
Issue of shares for conversion of convertible notes on 3 December 2009	15,000,000	1,500
Issue of shares for conversion of convertible notes on 11 December 2009	113,000,000	11,300
Issue of shares for conversion of convertible notes on 22 December 2009	22,000,000	2,200
At 31 December 2009 and at 1 January 2010	2,518,775,028	251,878
Issue of shares by placing on 2 May 2010 *(Note b)*	503,752,000	50,375
Issue of shares for conversion of convertible notes on 6 May 2010 *(Note c)*	338,983,050	33,898
Issue of shares for acquisition of subsidiaries *(Note d)*	2,440,677,966	244,068
Issue of shares by placing on 22 October 2010 *(Note e)*	672,300,000	67,230
At 31 December 2010	6,474,488,044	647,449

Notes:

(a) Pursuant to an ordinary resolution passed by the Company's shareholders at a general meeting held on 10 June 2010, the Company increased its share capital from HK$500,000,000 to HK$1,000,000,000 by the creation of additional 5,000,000,000 ordinary shares of HK$0.1 each.

12. SHARE CAPITAL (Continued)

Pursuant to an ordinary resolution passed by the Company's shareholders at a special general meeting held on 15 December 2010, the Company increased its share capital from HK$1,000,000,000 to HK$2,000,000,000 by the creation of additional 10,000,000,000 ordinary shares of HK$0.1 each.

(b) On 2 May 2010, the Company entered into a placing agreement pursuant to which the Company could issue, a maximum of 503,752,000 new shares of HK$0.1 each at the subscription price of HK$0.435 per share. The gross proceeds from this were approximately HK$219,132,000. Also, placing agreement was completed and the 503,752,000 new shares in the Company were duly issued and allotted in May 2010. Further details of the above transactions are set out in the announcement of the Company dated 12 May 2010.

(c) On 6 May 2010, the convertible note holders exercised their conversion rights to convert the convertible notes of HK$100,000,000 into the Company's ordinary shares of 338,983,050 shares at a conversion price of HK$0.295 per ordinary share.

(d) On 16 July 2010, the Group acquired the entire equity interests in GDL and SMIIC by the allotment and issuance of a total of 2,440,677,966 new shares of HK$0.1 each at the consideration price of HK$0.295 per share. Further details of the above transaction are set out in the announcement of the Company dated 15 July 2010.

(e) On 20 October 2010, the Company entered into a placing and subscription agreement pursuant to which the Company could issue, a maximum of 672,300,000 new shares of HK$0.1 each at the subscription price of HK$0.48 per share. The gross proceeds from this subscription was approximately HK$322,704,000. The agreement was completed and the 672,300,000 new shares in the Company were duly issued and allotted on 22 October 2010. Further details of the above transactions are set out in the announcements of the Company dated 21 October 2010.

All the shares which were issued during the year rank pari passu with the then existing shares in all respects.

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the current period.

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

12. SHARE CAPITAL (Continued)

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

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2010, 32.13% (2009: 40.59%) of the shares were in public hands.

13. EVENTS AFTER THE REPORTING PERIOD

(a) On 21 December 2010, Resources International Investment Limited ("RIIL"), a wholly-owned subsidiary of the Company, entered into 2 Profit Entitlement Agreements with:

(i) 深圳市潤運科技發展有限公司 (Shenzhen Runyun Technology Development Co., Ltd*) ("Shenzhen Runyun") and two subsidiaries of the Company, Beijing Wangjing and Beijing Mingxiang, in relation to the distribution of profit of Beijing Mingxiang for a consideration of RMB14.27 million. Upon completion, the Group would be entitled to 90% of the economic interest in Beijing Mingxiang; and

(ii) Shenzhen Runyun, 星美(北京)影業有限公司 (Stellar (Beijing) Movie Co., Ltd.*) and Beijing Wangjing in relation to the distribution of profit in relation to Beijing Wangjing for a consideration of RMB57.62 million. Upon completion, the Group would be entitled to 90% of the economic interests in Beijing Wangjing.

Details of the transaction are disclosed in the Circular dated 18 January 2011.

As the financial information after the end of reporting period is not yet available, the Group is unable to quantify the possible financial effect of this acquisition to the Group.

(b) Pursuant to a cooperative and shares transfer agreement and a supplementary agreement signed on 14 October 2010, the Group agreed to acquire 60% of the equity interests in a limited company established in the PRC, which is engaged in the agency services for artists in the PRC. The total consideration was RMB11.8 million (equivalent to approximately HK$14.0 million). As at 31 December 2010, a deposit of approximately HK$9.3 million was paid.

As the transaction is not yet completed, the Group is unable to quantify the possible financial effect of this acquisition to the Group.

* *For identification purpose only*

BASIS FOR QUALIFIED OPINION

(a) Opening balances and corresponding figures

The consolidated financial statements of the Group for the period ended 31 December 2009, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified by the preceding auditor because of the significance of the possible effect of the limitations on the scope of the audit including (i) Interests in associates, share of results of associates, impairment loss recognised on interests in associates and loss on disposal of an associate; (ii) Interests in jointly controlled entities, share of results of jointly controlled entities and impairment loss recognised on interests in jointly controlled entities; (iii) Trade and other payables and (iv) Gain on deconsolidation/disposal of subsidiaries. Details of the above mentioned qualified audit opinion are set out in the independent auditor's report dated 28 April 2010 issued by the preceding auditor and included in the Company's annual report for the period from 1 April 2009 to 31 December 2009.

(b) Share of results of associates and gain on disposal of associates

The Group has disposed of Applause Holdings Limited ("Applause") and 星美影院發展有限公司 during the year and a gain on disposal of associates amounted to HK$4,000,000 were recognised in the consolidated profit or loss for the year ended 31 December 2010. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy of the financial position as at 1 January 2010 and at the disposal date, and of the results from 1 January 2010 to date of disposal of the associates being disposed of, and whether the amount of gain on disposal of associates and share of profits of associates had been accurately recorded in the consolidated income statement. Any adjustments to the figures might have a consequential effect on the results for the year.

(c) Share of results of jointly controlled entities and gain on disposal of jointly controlled entitles

The Group has disposed of the jointly controlled entities, Canaria Holding Limited and Earn Elite Development Limited during the year and a gain on disposal of jointly controlled entities amounted to approximately HK$1,651,000 was recognised in the consolidated profit or loss for the year ended 31 December 2010. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy of the financial position as at 1 January 2010 and at the disposal date, and of the results from 1 January 2010 to date of disposal of these jointly controlled entities being disposed of, and whether the amount of gain on disposal of jointly controlled entities and share of profits of jointly controlled entities had been accurately recorded in the consolidated income statement. Any adjustments to the figures might have a consequential effect on the results for the year.

(d) Gain on disposal of subsidiaries

The Group has disposed of a number of subsidiaries during the year and a gain on disposal of subsidiaries amounted to approximately HK$14,877,000 was recognised in the consolidated profit or loss for the year ended 31 December 2010. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy of the financial position as at 1 January 2010 and at the disposal date, and of the results from 1 January 2010 to date of disposal of the subsidiaries being disposed of, and whether the amount of gain on disposal of subsidiaries had been accurately recorded in the consolidated income statement. Any adjustments to the figures might have a consequential effect on the results for the year.

QUALIFIED OPINION

In our opinion, except for the possible effects on the corresponding figures and on the current year's consolidated financial statements of the matters as described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the state of the affairs of the Group as at 31 December 2010, and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2009, the Group was experiencing a period of transition and transformation for business restructure. Loss making businesses were largely discontinued and faded out. As at 31 December 2010, the restructuring was substantially completed.

The 2010 financial statements reflect the impact of the growth of the 3 movie theaters which are operating since July 2009 as well as the completion of the acquisition of 12 movie theaters in mid of 2010 on the financial position of the Group.

The Group reported a net profit of HK$123 million for the year ended December 2010 (2009: HK$28 million), which includes an aggregate one-off gain on disposal of subsidiaries, associate and jointly controlled entity approximate to HK$20.5 million. The operating results of the Group for 2010 were fairly encouraging.

Movie Theater Business

In China, the movie industry continues to be one of the most attractive and fastest growing industries in the consumer market. The film box office in China exceeded RMB10 billion in the year of 2010, rising 64% from that in the same period of 2009, showing tremendous potentials of Chinese film market.

Coupled with the recent success of 3D presentation, China's movie industry has entered into a rapid development stage with growing number of audience who are demanding high quality entertainment experience in modern theaters. As such increasing number of high quality and high profile domestic films are being produced and increasing number of foreign movies are being imported to satisfy this demand.

We have already seen increasing numbers of blockbusters and high profile domestic productions planned to be launched later this year. This will give the market an additional push and we expect the rapid growth of the China movie industry will be sustained.

Movie Theater Business (Continued)

On 15 March 2010, the Group entered into an acquisition agreement with Mr. Qin Hui ("Mr. Qin") to acquire the interests in 12 movie theaters in China. The acquisition was completed on 15 July 2010 and resulted in the Group becoming one of the leading Chinese theater operators with 15 theaters currently in operation as of 31 December 2010 and with national coverage locating in tier one cities of Beijing, Shanghai and Guangzhou and in regional centers in China; namely, Tianjin, Chongqing, Chengdu, Shenyang, Xuzhou and Lanzhou. Together with the 3 existing movie theaters, which are operating since July 2009, the Group is now operating a total of 15 multi-screen movie theaters with up to 105 screens and 15,822 seats in total.

For the year ended 31 December 2010, the film exhibition segment has generated total revenues of HK$334 million and segment profit of HK$96 million, representing about 86% of total segment profit of the Group.

Photon VFX – Visual effect, Animation and Post-production business

In mid of 2010, the Company announced the acquisition of Photon VFX, a world's leading visual effects, animation and post-production company based in Queensland, Australia.

Mr. Dale Duguid, the founder of Photon VFX who has been the prime mover in the Australian VFX industry over the last 20 years with his works on Hollywood movies nominated for Academy and Emmy awards on numerous occasions, will act as the Chief Executive Officer of SMI-Photon China to lead the development of this new venture.

SMI-Photon will integrate the superior vocational skills, technology, experience and network in Hollywood of Photon VFX and the prominent presence in movie production, extensive theaters network of the Company to revolutionize the visual effects, animation and post-production of movie industry in China.

Operation and Management of 25 Movie Theatres

In July 2010, the Group and Xingmei Investment Company Limited entered into the Agreement in relation to the transfer of Leases for 25 movie theaters in China (the "Transfer"). Upon completion of the Transfer, the Group will invest in the screens and other facilities located in the theaters to be constructed on the leased properties. The Group will participate, directly or indirectly, in the operation and management of an additional 25 cinemas with up to 191 screens and 29,357 seats in 21 cities in China.

Movie Production

During the year ended 31 December 2010, the Company invested in the film production of many high profile films namely “無人駕駛” (Unmanned), “趙氏孤兒” (Sacrifice), “神奇俠侶” (Mr and Mrs Incredible) and ”武俠” (Martial arts), etc. Among them, “趙氏孤兒” (Sacrifice) and “無人駕駛” (Unmanned) were started to be shown in 2010 and will give us positive return on investment.

PROSPECTS

With the continuing growth of the movie industry in China, the China theater operation business of the Group is expected to experience an even more rapid growth this year.

3D presentations have been proven by the successes of Avatar, Alice in the Wonderland and Clash of the Titans. There is a substantial market for 3D technical production in China. In addition to additional capacity to our theaters operation, in view of the increasing popularity of 3D presentations, the Group is adding more 3D systems to its movie theaters.

These 3D movies will be shown in the Group’s cinemas. The Group has ordered IMAX systems to enhance the 3D capability in the Group’s cinemas. The Group will continue to expand its movie theater portfolio to become one of leading movie theater operators in China.

Looking forward, the Group is continuing it solicit and pursue the new lease agreements and acquisition opportunities to further expand our cinema network throughout the China.

FINANCIAL REVIEW

CHANGE OF FINANCIAL YEAR END DATE

To coincide with the financial year end date of film exhibition business of the Group in Mainland China, the Company changed its financial year end date from 31 March to 31 December starting from the financial year 2009. Accordingly, the financial year 2009 covers a period of 9 months from 1 April 2009 to 31 December 2009. When making year-on-year comparisons with current year (2010: 12 months from 1 January 2010 to 31 December 2010), the difference in duration of the two financial periods should be considered.

Turnover, revenues and profit for the year

Total turnover and revenue during the year ended 31 December 2010 were HK$771 million and HK$357 million (2009: HK$327 million and HK$72 million) respectively. The amount increased more than a double of the year 2009.

The profit for the year ended 31 December 2010 was HK$123 million (2009: HK$28 million). The increase in profit was almost 4.3 times that of year 2009.

Film exhibition segment alone accounted for more than 90% of total revenue, amounted to HK$334 million (2009: HK$65 million) and 86% of segment profit, amounted to HK$96 million (2009: HK$12 million).

The drastic increase in revenue and profit were mainly due to the growth and expansion of the theater operation business operated by the group.

Based on the impressive results of current year, the Company expects the theater operating business continue to generate high profit margin in the years to come.

Selling and marketing and administrative expenses

The increase in selling and marketing and administrative expenses were mainly due to increase in the number of theaters acquired during the year ended 31 December 2010.

Finance cost

Finance cost mainly represented effective interest of HK$480 million convertible notes issued during the year.

Gain on disposal of subsidiaries

This represented the gain on disposal of certain subsidiaries with net liabilities during the year. The amount increased from HK$309,000 to HK$14,877,000. Most of the inactive and loss making subsidiaries with net liabilities were disposed of during 2009 and 2010.

Financial resources and Liquidity

As at 31 December 2010, the Group maintained sufficient liquid fund and had net current assets of HK$404 million. The net current assets included a substantial cash reserve of HK$254 million, an increase of HK$178 million from HK$76 million as at 31 December 2009. The increase was mainly due to cash proceeds of HK$624 million from the issuance of convertible notes and placement of new shares.

The Group's net assets were HK$2,060 million, representing an increase of HK$1,860 million from HK$200 million as at 31 December 2009. This was mainly due to the conversion of convertible notes, placement of new shares, issuance of Convertible notes and profit earned during the year.

Debt and gearing

The gearing ratio (Total borrowings including convertible notes to equity attributable to equity holders of the Company) increased from 0% to 22% as at 31 December 2010 (2009: 0%) as a result of the issue of convertible notes on 16 July 2010.

The Group was financed primarily through share capital and reserve. There was no bank borrowing as at 31 December 2010.

Foreign exchange risks

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

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

Capital Expenditure

During the year, the Group incurred capital expenditure of approximately HK$34 million and prepayment for construction contracts of HK$115 million which were financed by internal resources of the Group. The construction contracts were related to building of theaters on 25 newly acquired leases areas through out China.

Contingent liabilities

There were no material contingent liabilities or off balance sheet obligations.

Employees

Excluding the staff of associates and jointly controlled entities, there are total 597 full-time staff as at 31 December 2010 (including directors but excluding part-time staffs). The Company offers remuneration and benefit packages to its employees according to the prevailing salary levels in the market, individual merits and performance.

DIVIDEND

At the Board meeting held on 28 March 2011, the directors do not recommend the payment of any dividends in respect of the year ended 31 December 2010 (2009: Nil).

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2010 (the "Reporting Period"), the Company was in compliance with the provisions of the CG Code, except for the deviations from Code Provisions A.2 which is explained below:

Chairman and Chief Executive Officer ("CEO")

Under the provision A.2.1 of the Code stipulates that the role of both the Chairman and CEO should be separate and should not be performed by the same individual. Mr. QIN Hong is the Chairman of the Company. The primary role of the Chairman is to oversee the operation of the Board and to ensure that it works effectively in the discharge of its responsibilities. However, following the resignation of Ms. Xiao Ping as the executive director and CEO of the Company on 17 December 2010, the Board has temporarily appointed Mr. Qin Hong to hold the position of CEO of the Company on the same date. The roles of the Chairman and CEO are set out in detail in the Bye-laws of the Company.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, other than those disclosed in note 12 to the consolidated financial statements, none of the Company or any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

AUDITORS

SHINEWING (HK) CPA Limited, resigned as auditors of the Company on 24 December 2010. On 28 December 2010, RSM Nelson Wheeler ("RSM") was appointed auditor of the Company. A resolution for the reappointment of RSM as auditor of the Company will be proposed at the forthcoming annual general meeting.

AUDIT COMMITTEE

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financing reporting matters including the review of the audited financial statements for the year ended 31 December 2010, with external auditors. There were no disagreements from the auditors or the audit committee in respect of the accounting policies adopted by the Company.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2010 have been agreed by the Group's auditor, RSM, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by RSM in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.equitynet.com.hk/smi and www.smi198.com.

The 2010 annual report containing all the information required under the Listing Rules will be despatched to shareholders of the Company and available on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our customers, shareholders, bankers, and in turn the management and staff for their unreserved support for the Group during the year.

By Order of the Board
SMI Corporation Limited
Hu Yidong
Director

Hong Kong, 28 March 2011

As at the date of this announcement, the executive Directors of the Company are Mr. Qin Hong, Mr. Sung Chit Nim, Mr. Hu Yidong and Mr. Li Kai. The independent non-executive Directors are Mr. He Peigang, Mr. Pang Hong and Mr. Chan Sek Nin, Jackey.