Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

星美控股

SMI HOLDINGS GROUP LIMITED
星美控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 198)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

The Board of Directors (the "Directors" or "Board") of SMI Holdings Group Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015 (the "Reporting Period"), together with the corresponding figures for the year ended 31 December 2014, as follows:

RESULTS HIGHLIGHTS

1. Turnover increased by 77% to approximately HK$2,924 million (2014: approximately HK$1,650 million).

2. Gross profit increased by 107% to approximately HK$854 million (2014: approximately HK$413 million*).

3. Profit for the year increased by 194% to approximately HK$368 million (2014: approximately HK$125 million).

4. Basic earnings per share increased by 120% to HK3.06 cents (2014: HK1.39 cents).

5. The Board proposed a final dividend of HK1.09 cents per ordinary share (2014: HK0.37 cents).

* In the current year, certain direct operating costs related to the operating segments are reclassified from "Selling and marketing expenses" to "Cost of sales" as the management believes the current classification could provide better presentation to the user of the financial information to evaluate the Group's operating performance. Accordingly, the comparative figures of gross profit have been re-presented.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTE	2015 HK$'000	2014 HK$'000
Revenue	4	**2,924,086**	1,650,146
Cost of theatre operation and sales		**(2,070,094)**	(1,236,648)
Gross profit		**853,992**	413,498
Other gains and income		**101,682**	206,504
Selling and marketing expenses		**(105,813)**	(91,387)
Administrative expenses		**(135,625)**	(80,848)
Other losses and expenses		**(54,619)**	(47,703)
Finance costs		**(213,375)**	(109,872)
Share of results of associates		**6,628**	(142,715)
Unrealised losses on change in fair value of held-for-trading securities		**(6,011)**	–
Reversal of impairment loss on investment in an associate		**–**	61,600
Profit before taxation		**446,859**	209,077
Income tax expense	6	**(78,498)**	(83,692)
Profit for the year	7	**368,361**	125,385
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		**(37,169)**	(11,114)
Total comprehensive income for the year		**331,192**	114,271
Profit (loss) for the year attributable to:			
Owners of the Company		**359,964**	130,992
Non-controlling interests		**8,397**	(5,607)
		368,361	125,385
Total comprehensive income (expense) attributable to:			
Owners of the Company		**322,753**	124,428
Non-controlling interests		**8,439**	(10,157)
		331,192	114,271
Earnings per share (HK cents)	8		
– Basic		**3.06 cents**	1.39 cents
– Diluted		**2.96 cents**	1.34 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	NOTE	**2015** HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,265,974**	1,758,077
Goodwill		**3,369,166**	1,454,108
Intangible assets		**56,773**	13,155
Prepaid lease payments		**42,854**	46,917
Interests in associates		**168,414**	104,013
Rental deposits		**145,067**	105,497
Other financial assets		**88,089**	–
Progress payments for construction of property, plant and equipment and other deposits		**376,830**	522,786
Deposits paid for acquisitions of entities		**914,068**	996,047
		7,427,235	5,000,600
CURRENT ASSETS			
Inventories		**96,871**	87,764
Prepaid lease payments		**3,074**	3,120
Trade and other receivables	*10*	**544,643**	691,864
Held-for-trading investments		**196,017**	77,577
Loan to an associate		**50,000**	50,000
Amounts due from related parties		**13,788**	39,606
Pledged bank deposits		**121,180**	25,150
Bank balances and cash		**1,007,629**	130,221
		2,033,202	1,105,302
Assets classified as held for sale		**25,180**	25,180
		2,058,382	1,130,482

	NOTE	2015 HK$'000	2014 HK$'000
CURRENT LIABILITIES			
Trade and other payables	*11*	**1,506,677**	1,322,875
Amount due to an associate		**–**	1,016
Amounts due to related parties		**18,536**	1,381
Finance lease payables		**29,556**	23,426
Bank borrowings		**193,427**	56,587
Other borrowings		**214,963**	32,000
Convertible notes		**39,938**	41,000
Bonds		**–**	388,561
Taxation payable		**145,566**	92,049
		2,148,663	1,958,895
Liabilities directly associated with assets classified as held for sale		**3,635**	4,088
		2,152,298	1,962,983
NET CURRENT LIABILITIES		**(93,916)**	(832,501)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,333,319**	4,168,099

	NOTE	2015 HK$'000	2014 HK$'000
NON-CURRENT LIABILITIES			
Deferred income	*11*	**100,896**	2,898
Finance lease payables		**50,721**	66,912
Bank borrowings		**212,066**	232,638
Other borrowings		**715,404**	–
Convertible notes		**783,269**	353,174
Bonds		**225,131**	142,995
Deferred tax liabilities		**18,498**	4,305
		2,105,985	802,922
NET ASSETS		**5,227,334**	3,365,177
CAPITAL AND RESERVES			
Share capital		**1,350,743**	1,017,597
Reserves		**3,880,559**	2,294,819
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**5,231,302**	3,312,416
Non-controlling interests		**(3,968)**	52,761
TOTAL EQUITY		**5,227,334**	3,365,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

SMI Holdings Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. In the opinion of the Directors of the Company, the immediate and ultimate controlling party of the Company is Mr. Qin Hui ("Mr. Qin"). The 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 is an investment holding company. The principal activities of its principal subsidiaries are operating theatres in the People's Republic of China (the "PRC").

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

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

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

2. QUALIFICATIONS IN INDEPENDENT AUDITOR'S REPORT

The following paragraphs are extracted from the independent auditor's report dated 15 April 2016 provided by the Company's auditor:

"Basis for Qualified Opinion on the Possible Effect of the Comparability of the Current Year's Figures and Corresponding Figures

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

Qualified Opinion

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

The information included in note 1 to the consolidated financial statements mentioned above are set out in Note 1 above in this announcement.

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

Application of new and revised IFRS

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

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

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

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

New and revised IFRSs in issue but not yet effective

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

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

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

IFRS 9 Financial instruments

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

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

IFRS 9 Financial instruments (Continued)

Key requirements of IFRS 9:

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

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

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

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

IFRS 15 Revenue from contracts with customers

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

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

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

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

IFRS 16 Lease

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

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

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

Amendments to IAS 1 "Disclosure initiative"

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

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

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

4. REVENUE

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

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

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

In the current year, revenue derived from: (i) theatre operation, sales of goods in retail stores and others are re-presented in the revenue analysis by the categories of revenue recognised during the year, and (ii) sales related taxes are reclassified from "Cost of theatre operations and sales" to be deductions from revenue from theatre operation as the management believes the current revenue analysis could provide better presentation to the users of the financial information to evaluate the Group's income sources. Accordingly, the comparative figures of the revenue analysis have been re-presented.

5. SEGMENT INFORMATION

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

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

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

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

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

5. SEGMENT INFORMATION (Continued)

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

For the year ended 31 December 2015

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

For the year ended 31 December 2014

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

5. SEGMENT INFORMATION (Continued)

Notes:

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

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

Segment assets and liabilities

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

Segment assets

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

Segment liabilities

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

6. INCOME TAX EXPENSE

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

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

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

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 since it starts to derive income. 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》and which derived more than 70% of its total revenue in the year from the encouraged projects are entitled to the EIT exemption. 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 1/6/2015 to 31/12/2019.

Tax charges on estimated assessable profits 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.

7. PROFIT FOR THE YEAR

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

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

Notes:

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

(b) In the current year, certain direct operating costs (mainly including certain operating staff costs, operating lease payments on premises, depreciation on property, plant and equipment) are classified under the expense category of "Cost of theatre operations and sales" instead of "Selling and marketing expenses" as presented in the past years as the management believes the revised classification better reflects the function of those expenses. Accordingly, the comparative figures of "Selling and marketing expenses" and "Cost of theatre operations and sales" have been re-presented.

8. EARNINGS PER SHARE

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

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

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

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

For the year ended 31 December 2014, the effects of potential ordinary share arising from certain convertible notes and all the warrants are not included in the calculation of diluted earnings per share as they had an anti-dilutive effect. The dilutive earnings per share has also been restated to adjust for the number of dilutive potential ordinary shares arising from the assumed exercise of the share options and conversion of the convertible notes.

9. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Final dividend recognised as distribution during the year – HK0.37 cents per ordinary share for the year ended 31 December 2014 (2014: HK0.41 cents per ordinary share for the year ended 31 December 2013)	**42,017**	37,409

A final dividend of HK1.09 cents per ordinary share, totalling approximately HK$147,231,000, is proposed by the Directors of the Company at a board meeting held on 15 April 2016, which is subject to approval by the shareholders of the Company in the forthcoming annual general meeting and is calculated on the basis of 13,507,427,488 ordinary shares in issue at 31 December 2015.

10. TRADE AND OTHER RECEIVABLES

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

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

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

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

11. TRADE AND OTHER PAYABLES/DEFERRED INCOME

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

Movie Theatre Business

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

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

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

Advertising and Promotion Business

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

Membership Integrated Marketing Scheme ("Membership Scheme")

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

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

“SMI Living”

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

Prospects

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

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

FINANCIAL REVIEW

Turnover, Revenue and Profit for the year

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

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

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

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

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

Selling, Marketing and Administrative Expenses

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

Financial Costs

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

Financial Resources and Liquidity

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

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

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

Capital expenditures

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

Contingent liabilities

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

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

Pledge of Assets

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

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

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

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

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

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

Employees

Excluding the staff of associates and jointly-controlled entities, the Group had a total of 4,613 full-time staff as at 31 December 2015 (including Directors but excluding part-time staff). The Group offers remuneration and benefit packages to its employees according to the prevailing salary levels in the market, individual merits and performance.

DIVIDEND

A final dividend of HK1.09 cents (2014: HK0.37 cents) per ordinary share for the year ended 31 December 2015 have been proposed by the Directors and are subject to approval by the shareholders in the forthcoming Annual General Meeting.

THE CORPORATE GOVERNANCE CODE

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

Chairman and Chief Executive Officer

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

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

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

Chairman attend annual general meeting

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

During the year ended 31 December 2015, the Company has following movement on the share capital:

a) An aggregate amount of approximately HK$ 450,123,600 of convertible note was converted to 1,329,358,520 ordinary shares of the Company.

b) 600,000,000 ordinary shares of the Company were issued by placement.

c) 739,582,733 ordinary shares of the Company were issued by subscription.

d) 450,000,000 ordinary shares of the Company were issued by warrants exercised.

e) 256,666,664 ordinary shares of the Company were issued by share option exercised.

f) The Company bought back 44,148,000 ordinary shares of the Company. The purchased ordinary shares were then cancelled.

Audit Committee

Since 14 July 2009, the Company has established an audit committee (the "Audit Committee") with written terms of reference aligned with the Code Provisions of the CG Code. The terms of reference of the Audit Committee are disclosed in full on the Company's website. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. KAM Chi Sing, Mr. PANG Hong and Mr. LI Fusheng. The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2015.

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.smi198.com.

The 2015 annual report of the Company 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 Holdings Group Limited
CHENG Chi Chung
Executive Director and Chief Executive Officer

Hong Kong, 15 April 2016

As at the date of this announcement, the executive Directors are Mr. CHENG Chi Chung, Mr. YANG Rongbing, Mr. ZHOU Lin; the non-executive Directors are Mr. ZHANG Yongdong and Mr. LI Xuan; and the independent non-executive Directors are Mr. PANG Hong, Mr. LI Fusheng and Mr. KAM Chi Sing.