星美控股

SMI HOLDINGS GROUP LIMITED
星美控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 198)

INTERIM REPORT 2018

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WAI Yee Tai *(Chairman)*
Mr. YANG Rongbing *(Chief Executive Officer)*
(Retired on 31 May 2018)
Mr. KOH Kok Sim *(Chief Operating Officer)*
(Resigned on 9 March 2018)
Mr. CHENG Chi Chung
Mr. KONG Dalu
Mr. PAN Jen Kai (Appointed on 9 March 2018 and resigned on 9 July 2018)
Mr. REN Xiaonan (Appointed on 9 July 2018)

Non-Executive Directors

Mr. HUNG Ka Hai Clement

Independent Non-Executive Directors

Mr. PANG Hong
Mr. LI Fusheng
Mr. WONG Shui Yeung

AUDIT COMMITTEE

Mr. WONG Shui Yeung *(Chairman)*
Mr. PANG Hong
Mr. LI Fusheng
Mr. HUNG Ka Hai Clement

REMUNERATION COMMITTEE

Mr. LI Fusheng *(Chairman)*
Mr. PANG Hong
Mr. HUNG Ka Hai Clement

NOMINATION COMMITTEE

Mr. PANG Hong *(Chairman)*
Mr. LI Fusheng
Mr. HUNG Ka Hai Clement

COMPANY SECRETARY

Mr. WONG Wing Shun
(Resigned on 17 August 2018)
Mr. CHAN Sing Nun
(Appointed on 21 August 2018)

AUTHORIZED REPRESENTATIVES

Mr. CHENG Chi Chung
Mr. WAI Yee Tai

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 6701-2 & 13
The Center
99 Queen's Road Central
Central, Hong Kong

SHARE REGISTRARS

Principal Share Registrar in Bermuda

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Progressive Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Chong Hing Bank Limited

STOCK CODE

00198.HK

WEBSITE

http://www.smi198.com

Management Discussion and Analysis

INDUSTRY REVIEW

According to the statistics of the Film Division of the State Administration of Press, Publication, Radio, Film and Television, China continues to be the world's second largest movie market, next to the USA. For the 6 months ended 30 June 2018 (the "Reporting Period"), China's total box office receipts amounted to RMB32.031 billion, representing an increase of 17.87% as compared with RMB27.175 billion for the corresponding period last year. The urban cinema admission was 901 million, representing an increase of 15.36% as compared with 781 million for the same period last year.

The generation of "post-80s" to "post-00s" grew up in the Internet era, having a stronger awareness to pay for contents, with families generally having higher standards of living and stronger consumption power. As the generation of the"post-80s" to "post-00s" enters the employment market, they have become the major consumption population in the society. The social and entertainment consumption industry, represented by the movie sector, is about to enter a stage of exponential growth. With the"post-80s" and "post-90s" consumers who tend to possess a more mature viewing habit, and the diversification of movies both in terms of contents and varieties, the growth of regular consumption and viewing frequencies in the movie market will gradually expand and help promote the establishment of viewing habit in the society.

With the deepening of the reform in the movie industry together with the influx of resources and capital, the Chinese movie industry flourished. The movie box office in the PRC recorded a CAGR of 21% in the past five years, with a total box office receipts increasing from RMB21.5 billion to RMB55.911 billion. In 2017, urban cinema admission was 1.623 billion, and box office receipts for domestic production amounted to RMB30.1 billion, accounting for 53.84% of the total box office receipts. In the first half of 2018, the number of newly added movie theatres nation-wide was 739, and the total number of movie screens exceeds 56,000, surpassing that of the United States, and the PRC has become the country with the highest number of movie screens in the world.

Management Discussion and Analysis

During the Reporting Period, the domestic blockbusters including "Operation Red Sea", "Detective Chinatown 2", "Monster Hunt 2" and "The Ex-file: The Return Of The Exes" contributed to a total box office receipts of RMB10.99 billion. The imported movies including Hollywood blockbusters "Avengers 3: Infinity War" and "Jurassic World 2", together contributed a total of RMB3.9 billion to the box office. The domestic box office receipts accounted for 59.7% of total revenue across the nation, representing a year-on-year increase of 78.2% compared to same period last year. During the Chinese New Year in February, total box office receipts reached RMB5.442 billion within the 7-day holidays and broke the RMB10 billion mark for the first time, setting a new single-month box office record in Mainland China since August 2017 (RMB7.37 billion). This also beat the single-month, single-market box office record of North America in July 2011 (US$1.395 billion, equivalent to approximately RMB8.816 billion).

BUSINESS REVIEW

Benefited from China's burgeoning movie market, the Group's profit for the 6 months ended 30 June 2018 reached approximately HK$301 million, representing a decreased of 2% as compared with approximately HK$306 million for the same period ended 30 June 2017. During the Reporting Period, the Group's operating revenue was approximately HK$2,448 million, representing an increase of 8% as compared with approximately HK$2,259 million for the same period in 2017. Gross profit was approximately HK$883 million (same period in 2017: approximately HK$774 million), representing a gross margin of 36% (same period in 2017: 34%). Earnings before interests, taxation, depreciation and amortization (EBITDA) was approximately HK$677 million (same period in 2017: HK$648 million), represent an increase of 5% compared to the same period of last year.

Movie Theatre Business

Operating data of the Group's movie theatres in Mainland China (For the six months ended 30 June)	**2018**	2017
Number of movie theatres*	**365**	318
Number of screens*	**2,290**	2,010
Admitted audience (million admissions)	**29.5**	25.8
Average net fare (RMB)	**33.8**	33.2
Total box office revenue (RMB million)	**995.3**	855.9

* as at 30 June

Management Discussion and Analysis

Thanks to the thriving industry, the Group's movie theatre business has achieved stable progress. For the 6 months ended 30 June 2018, the Group's movie theatre business generated a revenue of approximately HK$1,524 million, representing a decrease of 14% as compared with approximately HK$1,777 million for the same period in 2017. The reason for decrease in segment revenue was mainly due to significant decrease in advertising income compared to same period last year as well as discount and promotion launched for non-box office merchandise for members and audiences which attributed a drop in both revenue and gross profit. However, box office revenue for the group remain at a stable growth.

The Group will continue to leverage on the advantage of the industry. While maintaining our leading position in Beijing, Shanghai, Guangzhou, Shenzhen and other first-tier cities, SMI has vigorously expanded to the second and third tier cities, which possess huge potentials for box office receipts, by speeding up its nationwide acquisitions, as well as pushing forward the strategy of "one cinema in every county", that is, to operate at least one movie theatre in every county in China in order to capture the opportunity and consolidate its leading position in the industry.

SMI Living

SMI Holdings has been well established in the movie market for a long time. Relying on the advantage of its main business and actively exploring its channels, the proportion of its comprehensive income from non-box office business has far exceeded the average level of its peers in the industry, thus creating a brand new business path with sufficient differentiation and competitiveness, which has opened up a new era in the operation of cinema malls.

With nearly 43.75 million members it has accumulated, SMI took the lead in developing a consumption model of "online and offline synergistic marketing", and multi-dimensionally explored the potentials in members' consumption. "SMI Living", the Internet platform of SMI, was launched in 2015. Through its big data analysis system and membership privilege management system, the platform has led to a thorough online and offline integration of industry chains of SMI, and has become the online portal and entry point for various business lines of SMI. "Xingmeihui", an offline shop established in 2012, has already populated in all the SMI cinema malls nationwide. With SMI theatres as the focal point, customers in communities located within two kilometers are offered free delivery of diversified products, thus providing the customers with intimate encounter with products and brand names. "SMI Living" targets at the young and fashionable crowd. With the special characters of movies, culture and entertainment, brand promotion is carried out through theatres, WeChat, Weibo, forums, media, communications and physical stores, while at the same time online marketing service is provided to boost the operation of Xingmeihui and bring the consumption

Management Discussion and Analysis

experience to the customers. In the first half of the year, SMI has been authorized by Apple China to set up apple authorized stores in SMI's cinema lobbies which allows all members to purchase the latest Apple products while enjoying movies and further helps the construction of SMI's ecological system of "Internet + cinema audience + daily life services + two-kilometer ecological circle" with an aim to substantially increasing its overall profitability.

PROSPECTS

Under the uncertainties brought by the US interest rate hike and China-US trade war, market sentiment and consumer spending will be more or less affected and the overall operating environment will probably face challenges to a certain extent. The Group will continue to review its business strategies and implement prudent financial management to respond to possible new challenges.

Looking into the future, it is expected that movie watching will continue to be a popular entertainment in China. In the second half of 2018, the launching of domestic blockbusters will continue. Xu Zheng's "Dying to Survive", Huang Bo's "The Island (2018)", Shen Teng's "Hello Mr. Billionaire" as well as various types of movies including mega productions with special effects such as "The Meg", "Detective Dee: The Four Heavenly Kings" and the suspense movie "Candle in the Tomb: The Valley of Worms in Yunnan" will be released one after another, feeding the audience's appetite of the Chinese movie market with a feast for their eyes in 2018 and in the coming year. The Group's movie theatre business will continue to benefit from the development momentum of the industry.

Currently, SMI Holdings Group Limited continues its commitment in implementing the strategy of comprehensive service chain. In addition to the traditional of food and beverages, red wine, advertising and promotion businesses, SMI has launched the strategy of "Two Kilometers Perimeter from Theatres Ecosystem", and established the SMI Logistics Delivery Company to promote online and offline consumptions. In the future, the Group will focus on our core business, the movie theatre business, while at the same time actively expanding into non-box office businesses.

FINANCIAL REVIEW

Revenue and Profit for the period

During the Reporting Period, the Group achieved a revenue of approximately HK$2,448 million (corresponding period in 2017: approximately HK$2,259 million), representing an increase of 8% over the corresponding period in 2017.

Management Discussion and Analysis

During the Reporting Period, the profit after taxation decreased by 2% from approximately HK$306 million to approximately HK$301 million. The Group's core business, benefited from the high speed development of the movie market in Mainland China and the rapid growth of higher gross profit margin business, attributed a stable revenue sources.

During the Reporting Period, the segment revenue and profit were mainly contributed by movie theatre business as well as the complementary business. However, due to the fluctuation of Hong Kong stock market in the first half of 2018, the Group recorded a significant investment and fair value loss during the reporting period.

Selling, Marketing and Administrative Expenses

The selling, marketing and administrative expenses decreased by 8% as compared with the corresponding period in 2017, which were mainly due to effective cost control at cinema operation level during the Reporting Period.

Financial Costs

Financial costs were mainly represented by the interest of approximately HK$100 million from bonds, interest of approximately HK$49 million from convertible notes, interest of approximately HK$2 million from bank loans, interest of approximately HK$26 million from securities margin facilities, finance lease charges of approximately HK$16 million and interest of approximately HK$113 million from other loans.

Financial Resources and Liquidity

As at 30 June 2018, the Group had cash and bank deposits of approximately HK$207 million (31 December 2017: approximately HK$246 million) and net current liability of approximately HK$1,982 million. The decrease in cash and net liability was mainly due to the early redemption of the SMI Senior A-6 to A-15 Class asset backed securities with a total amount of RMB800 million by the Group three years in advance on 27 June 2018.

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

The gearing ratio (total borrowings (including convertible notes) to total asset of the Company decreased from 33% as at 31 December 2017 to 32% as at 30 June 2018, which also contributed by the redemption of asset backed securities.

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

Management Discussion and Analysis

Foreign Exchange Risks

The Group reports its financial statements in Hong Kong dollars ("HK$"). All revenues and operating costs of the theatre operation and new complementary business were denominated in Renminbi ("RMB"). The expansion of the theatre operation business and new complementary business will be principally carried out in China. Since HK$ depreciated slightly against RMB during the Reporting Period, the Group recorded an unrealised translation exchange loss of approximately HK$100 million.

The Group currently does not have any foreign currency hedging policy. The Group will monitor its foreign currency exposure closely and will consider implementing appropriate foreign currency hedging policies should the need arises in order to minimize the risk at a reasonable cost.

Contingent Liabilities

As at 30 June 2018, the Group and the Company did not have any significant contingent liabilities.

Employees

Excluding the staff of associates, the Group had a total of approximately 6,215 full-time staff as at 30 June 2018 (including directors but excluding part-time staff). The Group offers remuneration and benefit packages to its employees according to the prevailing salary levels in the market, individual merits and performance.

PROSPECTS

Looking ahead into the second half of the year, China's box office revenue will be getting closer to that of the U.S. market, currently the number one market globally. The Group will seize the opportunity and grow with the industry, and continue to uplift the competitiveness of Cineplex malls in the first and second tier cities, and devise plans to develop business in the third and fourth tier cities.

Directors' Report

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

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the condensed consolidated statement of profit or loss and other comprehensive income on pages 19 to 20.

The board of directors (the "Board") does not recommend the payment of any interim dividend to the shareholders for the six months ended 30 June 2018.

SHARE CAPITAL AND RESERVES

As at 30 June 2018, the total number of shares issued by the Company was 2,720,041,916 shares.

Movement in the Company's authorized and issued share capital are set out in note 11 to the condensed consolidated financial statements on page 37. Movement in the reserves of the Group are set out in the condensed consolidated statement of changes in equity on page 24.

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

During the Reporting Period, the Company repurchased 1,280,000 shares of HK$0.50 per shares from the market.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors

Mr. WAI Yee Tai *(Chairman)*
Mr. YANG Rongbing *(Chief Executive Officer)* (Retired on 31 May 2018)
Mr. KOH Kok Sim *(Chief Operating Officer)* (Resigned on 9 March 2018)
Mr. CHENG Chi Chung
Mr. KONG Dalu
Mr. PAN Jen Kai (Appointed on 9 March 2018 and resigned on 9 July 2018)
Mr. REN Xiaonan (Appointed on 9 July 2018)

Non-Executive Directors

Mr. HUNG Ka Hai Clement

Independent Non-Executive Directors

Mr. PANG Hong
Mr. LI Fusheng
Mr. WONG Shui Yeung

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

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

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2018, the interests and short positions of the Directors and chief executive in the shares of the Company and their associates or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Register Shareholders	Underlying Interest	Total	Approximate % of Shareholding
WAI Yee Tai	Beneficial Owner	–	6,000,000	6,000,000	0.22
YANG Rongbing	Beneficial Owner	1,066	7,000,000	7,001,066	0.26
CHENG Chi Chung	Beneficial Owner	–	4,500,000	4,500,000	0.17
KONG Dalu	Beneficial Owner	–	7,000,000	7,000,000	0.26

Save as disclosed above, as at 30 June 2018, none of the Directors or the chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company, subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company adopted a new share option scheme on 30 September 2009. The purpose of the share option scheme is to enable the Board, at its discretion, to grant options to eligible participants, including the Directors of the Company, as incentives or rewards for their contributions to the Group. Details of the scheme are set out in note 12 to the consolidated financial statements.

During the six months ended 30 June 2018, certain existing executive Directors of the Company and other eligible participants have interests in share options to subscribe for shares in the Company. Details of such interests and movement of share options granted by the Company are shown below:

	Date of Grant	Exercise period	Balance as at 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 30 June 2018	Exercise price per share (HK$)
WAI Yee Tai	12 October 2017	Note 1	6,000,000	–	–	–	6,000,000	4.37
YANG Rongbing	12 October 2017	Note 1	7,000,000	–	–	–	7,000,000	4.37
CHENG Chi Chung	12 October 2017	Note 1	4,500,000	–	–	–	4,500,000	4.37
KONG Dalu	12 October 2017	Note 1	7,000,000	–	–	–	7,000,000	4.37
Other Eligible Participants	12 October 2017	Note 1	59,500,000	–	–	–	59,500,000	4.37

Notes:

(1) From 12 October 2017 to 12 October 2019 (both days inclusive) provided that the maximum number of share options granted on 12 October 2017 which may be exercisable of by each of the Grantee in each one year of the exercise period shall not exceed half of the options granted to that Grantee.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2018, so far as it is known to the Directors, the following parties (other than the Directors and chief executive of the Company) had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept under Section 336 of SFO:

Substantial Shareholder	Beneficial Owner	Corporate Interest	Family Interest	Long Position	Short Position	% of total issued share
Mr. QIN Hui (Notes 1 and 2)	1,879,641,513	1,285,828	–	1,880,927,341	–	69.15%

Notes:

1. Mr. QIN Hui is beneficially interested in 1,879,641,513 shares.

2. Mr. QIN Hui owns the entire interest in Strategic Media International Limited ("SMIL") and was accordingly deemed to be interested in 1,285,828 shares which are held by SMIL.

Save as disclosed herein, the Company has not been notified by any other person (other than a Director of the Company) who had an interest or a short position in the shares and underlying shares as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

During the six months ended 30 June 2018, the Company repurchased a total of 1,280,000 shares of HK$0.50 per share through the Stock Exchange at an aggregate consideration of approximately HK$4,177,000 (including transaction costs). Details of shares repurchased during the period are set out as follows:

Month of repurchases	No. of ordinary shares of HK$0.50 each	Price paid per share Highest	Price paid per share Lowest	Aggregate consideration paid (including expenses)
		HK$	HK$	HK$'000
June 2018	1,280,000	3.35	2.30	4,177

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

PUBLIC FLOAT

As at 30 June 2018, the Company has maintained the prescribed public float under the Listing Rules based on the information that is publicly available to the Company and within the knowledge of the Board.

PRE-EMPTIVE RIGHTS

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

CONTINGENT LIABILITIES

As at 30 June 2018, the Group and the Company did not have any significant contingent liabilities.

APPRECIATION

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

By order of the Board
SMI Holdings Group Limited
WAI Yee Tai
Chairman

Hong Kong, 30 August 2018

Corporate Governance Report

OVERVIEW OF CORPORATE GOVERNANCE

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

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

CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied all the code provisions of the Corporate Governance Code.

NON-EXECUTIVE DIRECTORS

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Corporate Governance Report

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Biographical details of the Directors are available on the website of the Company.

There is no change of directors' biographical details required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

Since 14 July 2009, the Company has established an audit committee (the "Audit Committee") with written terms of reference aligned with the Provisions of the CG Code. The terms of reference of the Audit Committee are disclosed in full on the Company's website. Currently the Audit Committee comprised three independent non-executive directors, namely, Messrs. WONG Shui Yeung (as Chairman), PANG Hong and LI Fusheng and non-executive director Mr. HUNG Kai Hai Clement.

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

The Audit committee also meets regularly with the Company's external auditors to discuss the audit progress and accounting matters. The Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed internal control and the financial reporting matters, including reviewing the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018.

REMUNERATION COMMITTEE

Since 14 July 2009, the Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference. The terms of reference of the Remuneration Committee are disclosed in full on the Company's website. During the Reporting Period, the Remuneration Committee comprises two independent non-executive directors, namely, Messrs. LI Fusheng (as Chairman), PANG Hong and non-executive director Mr. HUNG Ka Hai Clement.

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

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

NOMINATION COMMITTEE

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

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

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

INTERNAL CONTROL

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	NOTE	Six months ended 30 June **2018** **HK$'000** **(Unaudited)**	 2017 HK$'000 (Unaudited)
Revenue	3	**2,447,515**	2,258,937
Cost of theatre operation and sales		**(1,564,452)**	(1,485,017)
Gross profit		**883,063**	773,920
Other gains and income		**87,937**	77,526
Selling and marketing expenses		**(38,423)**	(34,872)
Administrative expenses		**(163,497)**	(183,583)
Other losses and expenses		**(134,611)**	(30,573)
Finance costs		**(306,653)**	(270,053)
Share of results of associates		**(601)**	60
Profit before taxation		**327,215**	332,425
Income tax expenses	5	**(26,399)**	(26,129)
Profit for the period	6	**300,816**	306,296
Profit for the period attributable to:			
Owners of the Company		**300,818**	305,248
Non-controlling interests		**(2)**	1,048
		300,816	306,296

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	NOTE	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Profit for the period		**300,816**	306,296
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		**(129,493)**	142,203
Total comprehensive income for the period		**171,323**	448,499
Total comprehensive income for the period attributable to:			
Owners of the Company		**171,325**	445,257
Non-controlling interests		**(2)**	3,242
		171,323	448,499
Earnings per share attributable to equity holders of the Company (HK cents)	8		
– basic		**11.06**	11.22
– diluted		**11.06**	11.22

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	NOTE	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,880,916**	4,104,792
Goodwill		**7,108,492**	7,094,692
Intangible assets		**27,861**	33,161
Purchased license rights		**53,632**	61,148
Prepaid lease payments		**37,086**	37,597
Interests in associates		**16,624**	17,835
Rental deposits		**74,943**	65,347
Other financial assets		**105,270**	202,755
Available-for-sale investments		**–**	66,347
Financial assets designated as at fair value through profit or loss		**170,863**	147,941
Progress payments for construction of property, plant and equipment and other deposits		**228,547**	168,603
Deposits paid for acquisitions of entities		**387,768**	292,928
		12,092,002	12,293,146
CURRENT ASSETS			
Prepaid lease payments		**4,234**	4,234
Inventories		**309,866**	297,727
Film rights investment		**810,211**	810,617
Trade receivables	9	**953,979**	760,407
Other receivables, deposits and prepayment		**633,559**	387,905
Amounts due from related parties		**–**	76,624
Held-for-trading investments		**87,290**	61,961
Other loan		**126,000**	126,000
Pledged bank deposits		**134,358**	149,262
Bank balances and cash		**72,744**	97,165
		3,132,241	2,771,902

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	NOTE	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade payables	10	**508,158**	504,892
Other payables and accruals		**957,139**	962,866
Amounts due to related parties		**25,683**	22,163
Finance lease payables		**90,059**	90,059
Bank borrowings		**42,979**	45,411
Other borrowings		**649,600**	1,336,112
Convertible notes		**908,726**	907,813
Derivative financial instruments		**4,194**	14,584
Bonds		**1,514,713**	1,528,170
Taxation payable		**413,022**	409,984
		5,114,273	5,822,054
NET CURRENT LIABILITIES		**(1,982,032)**	(3,050,152)
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,109,970**	9,242,994

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	NOTE	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Finance lease payables		**38,692**	55,142
Bank borrowings		**29,081**	29,081
Other borrowings		**466,483**	631,662
Convertible notes		**604,841**	10,000
Bonds		**516,499**	330,989
Deferred tax liabilities		**24,453**	12,082
		1,680,049	1,068,956
NET ASSETS		**8,429,921**	8,174,038
CAPITAL AND RESERVES			
Share capital	11	**1,360,021**	1,360,021
Reserves		**6,027,675**	5,771,790
Equity attributable to owners of the Company		**7,387,696**	7,131,811
Non-controlling interests		**1,042,225**	1,042,227
Total equity		**8,429,921**	8,174,038

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Treasury stock HK$'000	Other reserve HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Convertible notes reserve HK$'000	Statutory reserve HK$'000	Share-based payment reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
31 December 2017 (audited)	1,360,021	1,457,976	–	1,904,851	1,463,670	(6,136)	34,817	267,879	12,064	13,615	623,054	7,131,811	1,042,227	8,174,038
Adjustment (see note 2)	–	–	–	–	–	–	–	–	–	–	3,411	3,411	–	3,411
At 1 January 2018	1,360,021	1,457,976	–	1,904,851	1,463,670	(6,136)	34,817	267,879	12,064	13,615	626,465	7,135,222	1,042,227	8,177,449
Total comprehensive income for the period	–	–	–	–	–	(129,493)	–	–	–	–	300,818	171,325	(2)	171,323
Share based payment	–	–	–	–	–	–	–	–	21,490	–	–	21,490	–	21,490
Recognition of equity competent of convertible note	–	–	–	–	–	–	63,836	–	–	–	–	63,836	–	63,836
Purchase of treasury stock	–	–	(4,177)	–	–	–	–	–	–	–	–	(4,177)	–	(4,177)
Changes in equity for the period	–	–	(4,177)	–	–	(129,493)	63,836	–	21,490	–	300,818	252,474	(2)	252,472
At 30 June 2018 (Unaudited)	1,360,021	1,457,976	(4,177)	1,904,851	1,463,670	(135,629)	98,653	267,879	33,554	13,615	927,283	7,387,696	1,042,225	8,429,921
At 1 January 2017 (Audited)	1,361,121	1,465,783	–	(33,053)	1,463,670	(258,064)	34,817	265,691	–	12,515	958,644	5,271,124	247,729	5,518,853
Total comprehensive income for the period	–	–	–	–	–	140,009	–	–	–	–	305,248	445,257	3,242	448,499
Transfer to statutory reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Approved final dividend for the year ended 31 December 2016	–	–	–	–	–	–	–	–	–	–	(179,668)	(179,668)	–	(179,668)
Share repurchased	(1,100)	(7,807)	–	–	–	–	–	–	–	1,100	–	(7,807)	–	(7,807)
Acquisition of additional interests in a subsidiary	–	–	–	(1,685)	–	–	–	–	–	–	–	(1,685)	(58,744)	(60,429)
Arising from conversion of a subsidiary's convertible notes	–	–	–	25,537	–	–	–	–	–	–	–	25,537	40,370	65,907
Arising from placement of a subsidiary's shares	–	–	–	56,326	–	–	–	–	–	–	–	56,326	89,173	145,499
Arising from deemed disposal of partial interest of a subsidiary without losing control	–	–	–	1,627,351	–	–	–	–	–	–	–	1,627,351	652,619	2,279,970
Changes in equity for the period	(1,100)	(7,807)	–	1,707,529	–	140,009	–	–	–	1,100	125,580	1,965,311	726,660	2,691,971
At 30 June 2017 (Unaudited)	1,360,021	1,457,976	–	1,674,476	1,463,670	(118,055)	34,817	265,691	–	13,615	1,084,224	7,236,435	974,389	8,210,824

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from operations	**339,973**	1,638,799
Income taxes paid	**(27,325)**	(3,491)
Net cash from operating activities	**312,648**	1,635,308
Investing activities		
Acquisition of subsidiaries, net of cash acquired	–	(1,005,068)
Acquisition of additional interests in a subsidiary	–	(60,429)
Purchase of property, plant and equipment	**(24,850)**	(214,445)
Deposits (paid) utilised for acquisitions of property, plant and equipment	**(62,138)**	2,410
Deposits paid for acquisitions of entities	**(98,651)**	(1,269,772)
Proceeds from disposal of an associate	–	50,000
Proceeds from disposal of property, plant and equipment	–	37,906
Repayment from related parties	**76,624**	–
Repayment from loan to other party	–	24,000
Release of restricted bank balances	**12,962**	15,373
Other net cash flows arising from investing activities	**(3,701)**	3,186
Net cash used in investing activities	**(99,754)**	(2,416,839)
Financing activities		
Proceeds from issue of bonds, bank loans and convertible notes	**832,100**	12,300
Net proceeds from issue of a subsidiary's shares by placement	–	145,499
Proceeds from deemed disposal of partial interest of a subsidiary without losing control	–	2,279,970
Repayment of other borrowings	**(1,410,018)**	(454,897)
Proceeds from other borrowings	**553,898**	181,740
Repayment of finance lease payable	**(16,450)**	(49,751)
Repurchase of shares	**(4,177)**	(7,807)
Interests paid	**(113,715)**	(191,474)
Other net cash flows arising from financing activities	**3,520**	(8,570)
Net cash (used in) from financing activities	**(154,842)**	1,907,010
Net increase in cash and cash equivalents	**58,052**	1,125,479
Cash and cash equivalents at 1 January	**97,165**	625,081
Effect of foreign exchange rate changes	**(82,473)**	5,124
Cash and cash equivalents at 30 June, represented by bank balances and cash	**72,744**	1,755,684
Analysis of cash and cash equivalents		
Bank balances and cash	**72,744**	1,755,684

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standard Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the "Listing Rules").

In preparing the condensed consolidated financial statements, the Directors 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$1,982 million as at 30 June 2018. The immediate and ultimate controlling shareholder of the Company, Mr. Qin Hui 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 condensed consolidated financial statements have been prepared on a going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. The condensed consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Other than changes in accounting policies resulting from application of new International Financial Reporting Standards ("IFRS"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to IFRSs *(Continued)*

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Other than as further explained below, the adoption of the new/revised IFRSs did not have any material effect on the financial position for the current or prior accounting period which have been prepared and presented.

IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to IFRSs *(Continued)*

IFRS 9 Financial Instruments (Continued)

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures. As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The table below illustrates the adjustments recognised for each individual line items.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Available-for-Sale investment HK$'000	Financial assets designated as at fair value through profit and loss HK$'000	Retained profits HK$'000
Closing balance at 31 December 2017	66,347	147,941	623,054
Effect arising from initial application of IFRS 9	3,411	–	3,411
Reclassification from available-for-sale investments (note a)	(69,758)	69,758	–
	–	217,699	626,465

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to IFRSs *(Continued)*

(a) Available-for-sale ("AFS") investments

From AFS investments to financial assets designated at fair value through profit and loss ("financial assets at FVTPL")

At the date of initial application of IFRS 9, the Group's unlisted private fund of HK$66,347,000 were reclassified from AFS investments to financial assets at FVTPL. The fair value gain of HK$3,411,000 relating to the unlisted private fund previously carried at cost less impairment were adjusted to financial assets at FVTPL and retained profits as at 1 January 2018.

(b) Impairment under ECL model

Loss allowances for other financial assets at amortised cost mainly comprise of trade and other receivables, loan receivables, pledged bank deposits, cash and cash equivalents, are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition. As at 1 January 2018, the directors of the Company concluded that the impairment under ECL was approximate to the impairment under IAS 39. No additional credit loss allowance has been recognised against retained profits and the respective asset.

3. REVENUE

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Theatre operation	**1,523,792**	1,776,882
Retail business	**849,561**	349,821
Others	**74,162**	132,234
	2,447,515	2,258,937

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

4. SEGMENT INFORMATION

The Group's operating and reportable segments are 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 business	–	in-theatre counter sales and online shopping under "SMI Living" brand and related business.
(c)	Others	–	sales of editing and licensing income from purchased license rights from television program related business, investments in production and distribution of film rights 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 business.

Segment results represents the profit earned or loss incurred by each segment without allocation of corporate level income and expenses including certain finance costs, certain other gains and income, certain other losses and expenses, share of results of associates and unrealised gain on change in fair value of held-for-trading securities. 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.

4. SEGMENT INFORMATION *(Continued)*

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

	Segment revenue		Segment result		Segment assets		Segment liabilities	
	Six months ended 30 June		Six months ended 30 June		At 30 June	At 31 December	At 30 June	At 31 December
	2018	2017	2018	2017	2018	2017	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Theatre operation	**1,523,792**	1,776,882	**272,610**	466,147	**12,305,716**	12,200,855	**2,259,215**	3,161,164
Retail business	**849,561**	349,821	**298,359**	21,837	**993,625**	696,243	**153,782**	184,161
Others	**74,162**	132,234	**(142,529)**	410	**1,924,902**	1,830,683	**1,164,403**	1,225,756
	2,447,515	2,258,937	**428,440**	488,394	**15,224,243**	14,727,781	**3,577,400**	4,571,081

Notes:

(a) Revenue reported above represents revenue generated from external customers. There are no inter-segment sales for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

(b) Segment result of "Theatre operation" and "Others" includes share of results of associates from related theatre operation, television program related business and film investment and distribution and equity investment in associates, respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

4. SEGMENT INFORMATION *(Continued)*

Reconciliation of reportable segment profit or loss:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Total profit of reportable segments	**428,440**	462,265
Other income	**–**	538
Unallocated finance costs	**(111,159)**	(127,397)
Unallocated corporate expenses	**(16,465)**	(29,110)
Consolidated profit for the period	**300,816**	306,296

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Tax charge comprises:		
Current tax – Hong Kong Profits tax	**–**	–
Current tax – PRC Enterprise Income Tax ("EIT")	**30,517**	27,482
Overprovision in prior period	**(154)**	–
Deferred taxation	**(3,964)**	(1,353)
Taxation for the period	**26,399**	26,129

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

5. INCOME TAX EXPENSES *(Continued)*

For the other PRC subsidiaries of the Group, the provision for PRC EIT is based on a statutory rate of 25% (2017: 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.

No provision for taxation in Hong Kong is made for the six months ended 30 June 2018 and 30 June 2017 as the Group's operation in Hong Kong have no assessable profit arising from Hong Kong.

Tax charges on estimated assessable profits derived elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

6. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Amortisation	**16,179**	13,269
Depreciation on property, plant and equipment	**248,726**	220,543
Net exchange loss, net	**7,811**	12,363
Staff costs including directors' emoluments and share based payment	**183,669**	233,804

7. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Final dividend recognised as distribution during the period:		
– HK$ Nil cents per ordinary share for the year ended 31 December 2017 (2017: HK$1.32 cents per ordinary share for the year ended 31 December 2016)	**–**	179,668

No interim dividend was proposed for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

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:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period for the purposes of calculating basic and diluted earnings per share	**300,818**	305,248

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

8. EARNINGS PER SHARE *(Continued)*

	Six months ended 30 June	
	2018	2017
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,720,041,916**	2,721,623,132
Effect of dilutive potential ordinary shares:		
Share options	–	–
Convertible notes	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,720,041,916**	2,721,623,132

For the period ended 30 June 2018, the computation of diluted earnings per share does not assume the exercise of the Company's share options scheme and convertible notes because the exercise price of those options and convertible notes are higher than the average market prices for six months period ended 30 June 2018.

For the period ended 30 June 2017, the effects of potential ordinary shares arising from all Share options and convertible notes are not included in calculating the diluted earning per share as they had an antidilutive effect on the earning per share.

9. TRADE RECEIVABLES

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

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

Trade receivables from the licensing income are usually received within 180 days from the date of signing of the contracts.

Trade receivable from film investment income are usually received within 90 days after receipt of box office certificate and profit-sharing confirmation.

9. TRADE RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivables presented based on the invoice date, contract date or receipt of box office certificate and profit sharing confirmation, as appropriate, at the end of the reporting period:

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
0 - 30 days	**248,035**	299,793
31 - 90 days	**419,751**	253,538
Over 90 days	**286,193**	207,076
	953,979	760,407

10. TRADE PAYABLES

The aging analysis of the Group's trade payables based on the invoice date at the end of the reporting period is as follows:

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
0 - 30 days	**127,040**	286,567
31 - 60 days	**228,671**	137,027
Over 60 days	**152,447**	81,298
	508,158	504,892

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

11. SHARE CAPITAL

	Number of shares		Amount	
	30 June 2018	31 December 2017	**30 June 2018**	31 December 2017
			HK$'000	HK$'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Authorised:				
At beginning of period/year				
Ordinary shares of HK$0.10 per share	–	20,000,000,000	–	2,000,000,000
Ordinary shares of HK$0.50 per share	**4,000,000,000**	–	**2,000,000,000**	–
Adjustment on share consolidation	–	(16,000,000,000)	–	–
At end of period/year – ordinary shares of HK$0.50 per share	**4,000,000,000**	4,000,000,000	**2,000,000,000**	2,000,000,000
Issued and fully paid:				
At beginning of period/year				
Ordinary shares of HK$0.10 per share	–	13,611,209,583	–	1,361,121
Ordinary shares of HK$0.50 per share	**2,720,041,916**	–	**1,360,021**	–
Share repurchased (Note)	–	(11,000,000)	–	(1,100)
Adjustment on share consolidation	–	(10,880,167,667)	–	–
At end of period/year – ordinary shares of HK$0.50 per share	**2,720,041,916**	2,720,041,916	**1,360,021**	1,360,021

Note: During the period ended 30 June 2018, the Company repurchased a total of 1,280,000 shares of HK$0.50 per share through the Stock Exchange at an aggregate consideration of approximately HK$4,177,000. Those shares repurchased have not been cancelled from share capital at 30 June 2018.

12. SHARE-BASED PAYMENT

Equity-settled share option scheme

A summary of the outstanding options at 30 June 2018 under the share option scheme adopted on 30 September 2009 is as follows:

Type of participants	Date of grant	Exercise period	Exercise price per share HK$	Balance as at 31.12.2017 and 30.6.2018
Directors	12 October 2017	12 October 2017 to 11 October 2018	4.37	15,250,000
	12 October 2017	12 October 2018 to 11 October 2019	4.37	15,250,000
Employees	12 October 2017	12 October 2017 to 11 October 2018	4.37	26,750,000
	12 October 2017	12 October 2018 to 11 October 2019	4.37	26,750,000

There was no movement in share option during the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

13. PLEDGE OF ASSETS

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

(a) The Group's building situated in the PRC amounted to approximately HK$199,297,000 (At 31 December 2017: HK$205,057,000) was pledged to secure for certain bank borrowings granted to the Group.

(b) The Group's pledged bank deposits amounting to HK$134,358,000 (2017: HK$149,262,000) to secure its trust loans.

(c) The Group assigned the box office's receipts and receivables from the movie theatres operated by certain subsidiaries in the PRC to the financial institutions for securing the repayments of the trust loans in the next five years.

(d) The Group pledged its subordinated securities as stipulated in the asset-backed securities arrangement as a collateral for its trust loans.

(e) As at 30 June 2018 and 31 December 2017, all equity interests in a subsidiary and held-for-trading investments were used as contingent collaterals for the margin account facilities granted to the Group as required.

14. RELATED PARTY TRANSACTIONS

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

15. FAIR VALUE MEASUREMENTS

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

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

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

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

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

The Group's investments in financial assets at FVTPL are measured at fair value (Level 3 inputs) at the end of the reporting period.

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

16. CONTINGENT AND COMMITMENTS

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

As at 30 June 2018 and 31 December 2017, the Group did not have any other significant contingent liabilities.