

Orange Sky  
ENTERTAINMENT GROUP



嘉禾



Golden Harvest

# Orange Sky Golden Harvest Entertainment (Holdings) Limited

## 橙天嘉禾娛樂(集團)有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

(Stock Code 股份代號: 1132)

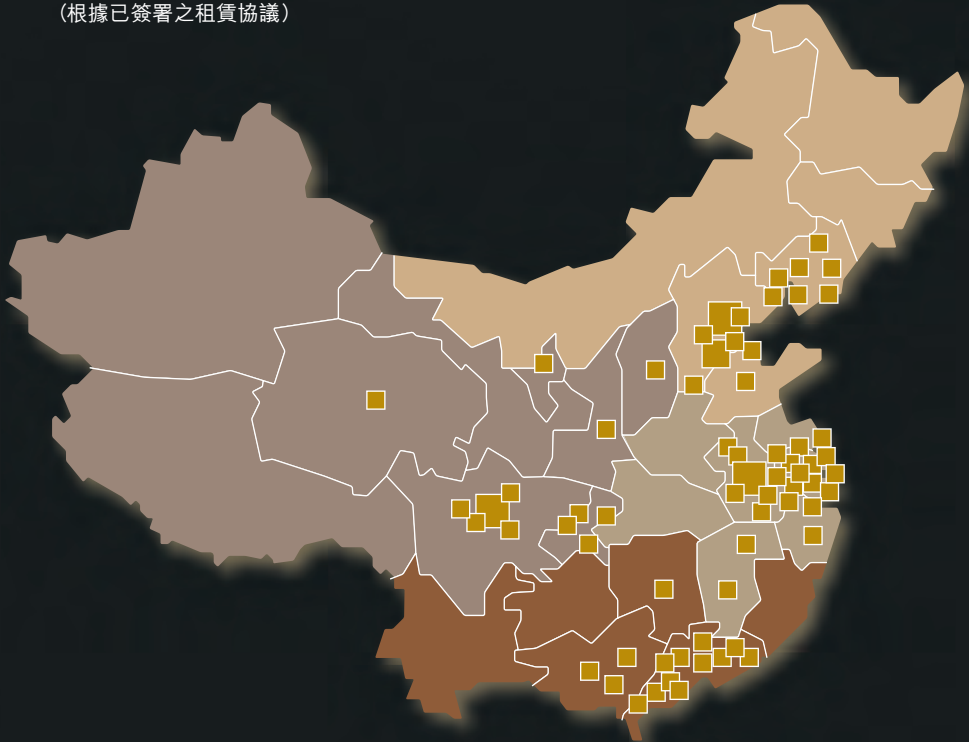


INTERIM REPORT  
中期報告 2011

# OSGH's Cinema Network in Mainland China (Under Plan)

## 橙天嘉禾於中國內地之影城網點(籌備中)

(Based on signed contracts)  
(根據已簽署之租賃協議)



Northern  
China Region  
華北區



Eastern  
China Region  
華東區



Southern  
China Region  
華南區



Central / Western  
China Region  
中西區

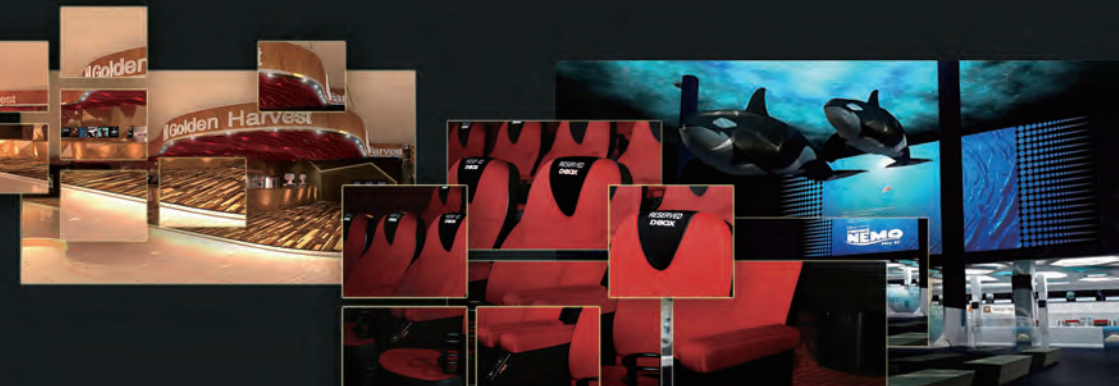


**15** Cinemas / 影城  
**109** Screens / 銀幕

**23** Cinemas / 影城  
**172** Screens / 銀幕

**15** Cinemas / 影城  
**118** Screens / 銀幕

**13** Cinemas / 影城  
**107** Screens / 銀幕



# CONTENTS

- 2 Corporate Information**
- 3 Management Discussion and Analysis**
- 10 Review Report to the Board of Directors**
- 11 Consolidated Income Statement**
- 12 Consolidated Statement of Comprehensive Income**
- 13 Consolidated Statement of Financial Position**
- 15 Consolidated Statement of Changes in Equity**
- 17 Condensed Consolidated Statement of Cash Flows**
- 18 Notes to the Unaudited Interim Financial Report**
- 41 Board Composition**
- 42 Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures**
- 45 Share Options**
- 48 Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares**
- 49 Purchase, Sale or Redemption of Listed Shares**
- 49 Review by Audit Committee**
- 49 Interim Dividend**
- 50 Compliance with Code on Corporate Governance Practices**
- 50 Model Code**
- 50 Appreciation**





## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Chairman & Executive Director

WU Kebo

#### Executive Directors

LI Pei Sen

CHANG Tat Joel

(resigned on 26 May 2011)

Mao Yimin

(appointed on 26 May 2011)

TAN Boon Pin Simon

WU Keyan

#### Independent Non-executive Directors

LEUNG Man Kit

HUANG Shao-Hua George

WONG Sze Wing

#### COMPANY SECRETARY

YUEN Kwok On

#### REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

#### PRINCIPAL PLACE OF BUSINESS

16th Floor

The Peninsula Office Tower

18 Middle Road

Tsimshatsui

Kowloon

Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited

Bank of China (Hong Kong) Limited

Standard Chartered Bank

(Hong Kong) Limited

## AUDITORS

KPMG

Certified Public Accountants

8th Floor

Prince's Building

10 Chater Road

Central

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda)  
Limited

Rosebank Centre

11 Bermudiana Road

Pembroke, HM08

Bermuda

## HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

26th Floor

Tesbury Centre

28 Queen's Road East

Hong Kong

## WEBSITE

<http://www.osgh.com.hk>

## STOCK CODE

1132

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATION AND FINANCIAL REVIEW

For the 6 months ended 30 June 2011, the Group reported a net profit attributable to shareholders of HK\$13.2 million, comparing to a net profit of HK\$25.5 million reported for the same period last year. In last year same period, there was an exceptional gain from settlement of legal dispute on a lease agreement and provision of consultancy service in relation to a cinema site in Beijing amounted to HK\$21.3 million (net of related tax and other expenses). During the reporting period, the Group's revenue and gross profit rose to HK\$561 million and HK\$328 million respectively, representing a growth of 12% and 17% respectively, as compared to the same period last year. The growth was primarily attributable to maiden contribution from new cinemas opened in Mainland China and better performance of our exhibition businesses in Taiwan and Singapore. Gross margin also improved to 58% from 56% last year, mainly attributable to improved profit margin in Mainland China and contributions from our Hong Kong film distribution business.

During the reporting period, the Group has spent around HK\$177 million for the capital expenditure of cinema projects in Mainland China of which 8 new cinema multiplexes with 62 screens had started to commence operation. As of 30 June 2011, the Group operated 40 cinemas with 305 screens, comparing to 29 cinemas with 229 screens a year ago.

The combined box office in the Group's operating territories (including Hong Kong, Mainland China, Taiwan and Singapore) for the period totaled HK\$729 million, representing a moderate 13% growth comparing to same period last year, despite the high base effect with the record-setting performance of 3D blockbusters like *Avatar*, *Alice in the Wonderland* and *Iron Man 2* released in the same period last year. This period the major Hollywood blockbuster titles were *Kung Fu Panda 2*, *Pirates of the Caribbean 4: On Stranger Tides*, *Fast and Furious 5*, *Thor*, *X Men-First Class* and major Chinese blockbuster titles were *Beginning of the Great Revival (Founding of a Party)*, *3D Sex and Zen: Extreme Ecstasy* and *Shaolin*.



## BUSINESS REVIEW

### Film Exhibition

The Group's 40 cinemas served nearly 13 million guests during the 6 months ended 30 June 2011, comparing to approximately 12 million guests for the same period last year. Gross box office income on a full and aggregated basis, was registered at HK\$729 million (30 June 2010: HK\$645 million). Average ticket price increased 3.7% to around HK\$56 for the reporting period, comparing to around HK\$54 for the same period last year. This is largely attributable to more 3D films with higher ticket price released and stronger Singapore and Taiwan currency during the reporting period as comparing to same period last year.

### OPERATING STATISTICS OF THE GROUP'S CINEMAS

(FOR THE 6 MONTHS ENDED 30 JUNE 2011)

|                                | Mainland<br>China | Hong<br>Kong | Taiwan | Singapore |
|--------------------------------|-------------------|--------------|--------|-----------|
| Number of cinemas <sup>#</sup> | 17                | 6            | 8      | 9         |
| Number of screens <sup>#</sup> | 122               | 25           | 85     | 73        |
| Admissions (million)           | 1.93              | 1.37         | 4.98   | 4.66      |
| Average ticket price (HK\$)    | 40.3              | 59.6         | 63.5   | 52.8      |

<sup>#</sup> as of end June 2011

### Hong Kong

For the 6 months ended 30 June 2011, Hong Kong market as a whole recorded a box office receipts of HK\$631 million (30 June 2010: HK\$662 million). The Group's cinemas in Hong Kong achieved theatre takings of HK\$82 million (30 June 2010: HK\$86 million). Although the Group closed GH Hollywood at Diamond Hill upon expiry of lease on 30 March 2011, the Group's joint-promotional campaign with a telecom operator has received overwhelming response as a result, excluding GH Hollywood, both the total box office receipts and admissions of the other six cinemas increased by approximately 6% and 12%, respectively. This has significantly improved the division's operating results. The Group expects to maintain a market share of around 11% after closure of GH Hollywood.

### ***Mainland China***

For the 6 months ended 30 June 2011, market box office receipts of urban area totaled RMB5.7 billion in Mainland China (30 June 2010: RMB4.8 billion). Admissions of the Group's multiplexes in Mainland China amounted to over 1.9 million (30 June 2010: 1.3 million). During the six months ended 30 June 2011, the Group opened 8 new cinemas with altogether 62 screens in Chengdu, Chongqin, Dongguan, Shangrao, Wuhu, Wuxi and Yingkou. As of end 30 June 2011, the Group operated 17 cinemas with 122 screens in Mainland China. The strong growth in admissions, however, was more than offset by decline in average ticket price, and as a result, gross theatre takings grew only moderately to RMB71 million (30 June 2010: RMB62 million). The decline in average ticket price is partly attributable to promotional discount offered by new cinemas, and partly attributable to the nationwide expansion of the Group's portfolio to cover non-tier-1 cities. In addition, the Group incurred additional operating costs for the newly opened cinemas, which were yet to be offset by additional revenue generated during the start-up period. Nonetheless the Group believed such expansion will bring positive economic benefits in the coming years.

A number of new GH-cinemas are in the pipeline across many other major cities in Mainland China, including Beijing, Changzhou, Chengdu, Dalian, Dongguan, Guangzhou, Heyuan, Huizhou, Maanshan, Nanjing, Nanning, Shenyang, Wuxi, Xian, Xi'ning, Yangquan, Yinchuan, and Zhongshan.

### ***Taiwan***

Taipei City as a whole recorded a box office receipts of NTD1.64 billion for the 6 months ended 30 June 2011 (30 June 2010: NTD1.59 billion). The Group's 35.71%-owned Vie Show Cinema Company Limited ("Vie Show") recorded 4.5% growth in admission for the 6 months ended 30 June 2011 to approximately 5.0 million, as compared with the same period of last year, and generated NTD1.17 billion in gross theatre takings (30 June 2010: NTD1.13 billion). In Taipei City, Vie Show slightly decreased its market share to 35% for the reporting period from 36% a year ago. The Group's share of net profit for the reporting period from Vie Show was stable at approximately HK\$16 million for the same period of both years. The positive effect of the appreciation of Taiwan dollar to the share of profits was offset by additional tax expenses provided on unremitted earnings of Vie Show during the reporting period.



## **Singapore**

Singapore market box office receipts totaled S\$92.1 million for the 6 months ended 30 June 2011 (30 June 2010: S\$88.7 million). The Group's 50%-owned "Golden Village" cinema circuit has maintained its leading position with a market share of 43% (30 June 2010: 44%) by reporting a gross theatre takings of S\$40 million (30 June 2010: S\$39 million). The Group shared a net profit of HK\$25 million for the reporting period, representing a growth of 19% comparing to HK\$21 million for the same period of last year. This was mainly attributable to stronger appreciation of Singapore dollar and strong lineups like *Transformers: Dark of the Moon*, *Kung Fu Panda 2* and *X-Men First Class* during the reporting period.

## **Film & TV Programmes Distribution and Production**

For the 6 months ended 30 June 2011, the Group's film distribution and production business recorded a revenue of HK\$40 million (30 June 2010: HK\$47 million). The Group has fine tuned its film distribution strategy to focus on releasing high quality selected non-Chinese language films and this, together with higher sales income from our Chinese film library, has contributed better results for the period. The Group's film library of more than 140 films and TV titles with perpetual distribution rights contributed steady licensing income to the Group.

Since last year the Group has decided to produce two Chinese TV drama series with total production cost of approximately HK\$44 million. One of them has been completed during the period and the other one is at final stage of production. The pre-sale of the completed TV drama series is satisfactory and the Group expects these two TV drama series will contribute a decent profit to the Group in the second half of 2011.



## PROSPECTS

In the second half of 2011, more films will be presented in premium 3D format, and the lineup features a good mix of franchise films with built-in audiences, for instance, *Transformers: Dark of the Moon (3D)*, *Harry Potter and the Deathly Hallows Part 2 (3D)*, *Cars 2 (3D)*, *Captain America: the First Avenger (3D)*, *Happy Feet 2 (3D)*, *Mission: Impossible — Ghost Protocol*, *Sherlock Holmes 2*, etc. The Group remains optimistic about the film market.

The Group has focused in strengthening and growing both the exhibition and distribution networks in territories with higher market potential and better returns. As of 30 August 2011, internal decoration is in progress in 13 cinemas with 96 screens. By end of 2013, the Group expects to operate 62 cinemas with 473 screens in Mainland China based on lease agreements signed as of 30 August 2011, although the number may vary due to the actual handover date, the progress of internal decoration and application of relevant license.

In Hong Kong, the Group made an alliance with D-BOX Technologies Inc. (“D-BOX”) to become the first HK’s cinema equipped with Motion Chair D-BOX in providing exhilarating theatrical experience to its patrons. 19 Motion Chairs D-BOX have been installed at GH Mongkok in June 2011 and more is under plan. In Taiwan, Vie Show plans to open three new cinemas, namely Vie Show Banciao Far Eastern in New Taipei City with 9 screens, Vie Show Taichung Far Eastern with 7 screens and Vie Show Hsin Chu Big City with 8 screens, in the second half of 2011. In addition, Vie Show will increase the number of IMAX screens to 6 by end of 2011 from 2 as of end June 2011. In Singapore, the Group will open a new cinema with 8 screens at Katong Mall in the fourth quarter this year.

The Group is optimistic in respect to the prospects of the film industry and in the territories we operated, especially in Mainland China market. The industry will continue to be benefited from premium priced 3D products, including films and live shows. Currently, the Group has very strong liquidity and reasonable financial leverage. In order to cope with the rapid expansion, the Group will utilize the available bank loan facility to finance the cinema projects in Mainland China and other expansion investment opportunities. The management will closely monitor and maintain optimal gearing structure to limit the risk.



## FINANCIAL RESOURCES AND LIQUIDITY

In May 2011, the Company issued the second tranche zero coupon convertible note of principal amount of about HK\$45 million, convertible into ordinary shares of the Company at a conversion price of HK\$0.338 per share, to Orange Sky Entertainment Group (International) Holding Company Limited, a substantial shareholder of the Company, as part of the consideration in acquisition of a subsidiary and the business relating to Chinese-Language films and television programmes, production, investment, marketing and advertising and/or distribution from Orange Sky Entertainment Group (International) Holding Company Limited. In June 2011, convertible notes in aggregate amount of HK\$54 million have been converted into ordinary shares of the Company, creating a total of approximately 160 million new ordinary shares at a conversion price of HK\$0.338 per share.

As of 30 June 2011, the Group maintained a rich liquid fund with cash balance of HK\$512 million (31 December 2010: HK\$458 million) and had net current assets of HK\$540 million (31 December 2010: HK\$280 million). The Group's outstanding bank loans totaled HK\$333 million (31 December 2010: HK\$104 million). The significant increase in bank loans is to finance the cinema projects in Mainland China. For the 6 months ended 30 June 2011, the Group spent about HK\$205 million for fixed assets investment of which, approximately HK\$177 million was for the capital expenditure of the cinema projects in Mainland China. Details of the bank loans including the terms of the loans, interest rates, currencies and securities are disclosed in note 12 to the interim financial report.

As of 30 June 2011, the Group's gearing ratio, calculated on the basis of external borrowings over total assets, was about 15% (31 December 2010: 6%). Management will continue to monitor the gearing structure and make adjustments if necessary in light of changes in the Group's development plan and economic conditions.

The Group's assets and liabilities are principally denominated in Hong Kong dollar and Renminbi except for certain assets and liabilities associated with the investments in Singapore and Taiwan. The overseas joint ventures of the Group are operating in their local currencies and subjected to minimal exchange risk on their own. While for Hong Kong and Mainland China operations, due to the volatility of the currency market, management decided to maintain higher level of deposits in Renminbi, thus lowering the exposure to exchange risk. The directors will continue to assess the exchange risk exposure, and will consider possible hedging measures in order to minimize the risk at reasonable cost. The Group did not have any significant contingent liabilities as of 30 June 2011.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2011, the Group had 1,471 (31 December 2010: 1,045) permanent employees. The Group remunerates its employees largely by reference to industry practice. In addition to salaries, commissions and discretionary bonuses, share options are granted to certain employees based on individual merit. The Group also operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance and as at 30 June 2011, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.



## REVIEW REPORT TO THE BOARD OF DIRECTORS



### Review report to the Board of Directors of Orange Sky Golden Harvest Entertainment (Holdings) Limited (Incorporated in Bermuda with limited liability)

#### Introduction

We have reviewed the interim financial report set out on pages 11 to 40 which comprises the consolidated statement of financial position of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company") and its subsidiaries (the "Group") as of 30 June 2011 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

#### KPMG

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

30 August 2011

**CONSOLIDATED INCOME STATEMENT — UNAUDITED**

For the six months ended 30 June 2011

|  | Note | Six months<br>ended<br>30 June 2011<br>HK\$'000 | Six months<br>ended<br>30 June 2010<br>HK\$'000<br>(restated) |
|--|------|---|---|
| <b>Turnover</b>                        | 3    | <b>561,038</b>                                  | 503,454   |
| Cost of sales                          |      | <b>(233,435)</b>                                | (222,421)   |
| <b>Gross profit</b>                    |      | <b>327,603</b>                                  | 281,033   |
| Other revenue                          |      | <b>8,971</b>                                    | 6,266   |
| Other net income                       | 4(c) | <b>7,739</b>                                    | 27,448  |
| Selling and distribution costs         |      | <b>(267,269)</b>                                | (228,760)   |
| General and administrative<br>expenses |      | <b>(50,372)</b>                                 | (40,687)  |
| Other operating expenses               |      | <b>(4,272)</b>                                  | (3,976)   |
| <b>Profit from operations</b>          |      | <b>22,400</b>                                   | 41,324  |
| Finance costs                          | 4(a) | <b>(4,448)</b>                                  | (2,371)   |
| <b>Profit before taxation</b>          |      | <b>17,952</b>                                   | 38,953  |
| Income tax                             | 5    | <b>(5,580)</b>                                  | (12,398)  |
| <b>Profit for the period</b>           | 4    | <b>12,372</b>                                   | 26,555  |
| <b>Attributable to:</b>                |      |   |   |
| Equity holders of the Company          |      | <b>13,180</b>                                   | 25,522  |
| Non-controlling interests              |      | <b>(808)</b>                                    | 1,033   |
|  |      | <b>12,372</b>                                   | 26,555  |
| <b>Earnings per share</b>              | 6    |   |   |
| Basic                                  |      | <b>0.51 cents</b>                               | 1.05 cents  |
| Diluted                                |      | <b>0.51 cents</b>                               | 1.02 cents  |

The notes on pages 18 to 40 form part of this interim financial report.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

For the six months ended 30 June 2011

|  | <b>Six months<br/>ended<br/>30 June 2011<br/>HK\$'000</b> | Six months<br>ended<br>30 June 2010<br>HK\$'000 |
|--|---|---|
| <b>Profit for the period</b>   | <b>12,372</b>   | 26,555  |
| <b>Other comprehensive income<br/>for the period:</b>  |   |   |
| Exchange differences on translation<br>of financial statements of:                               |   |   |
| — overseas subsidiaries  | <b>4,979</b>  | 17  |
| — overseas jointly controlled entities   | <b>6,206</b>  | (138)   |
|  | <b>11,185</b>   | (121)   |
| Available-for-sale equity securities:<br>— net movement in the investment<br>revaluation reserve | <b>1,968</b>  | (7,897)   |
| <b>Total comprehensive income<br/>for the period</b>   | <b>25,525</b>   | 18,537  |
| <b>Total comprehensive income<br/>attributable to:</b>   |   |   |
| Equity holders of the Company  | <b>26,150</b>   | 17,504  |
| Non-controlling interests  | <b>(625)</b>  | 1,033   |
| <b>Total comprehensive income<br/>for the period</b>   | <b>25,525</b>   | 18,537  |

Note: There is no tax effect relating to the above components of the comprehensive income.

The notes on pages 18 to 40 form part of this interim financial report.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2011

|  | Note | As at<br>30 June<br>2011<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2010<br>HK\$'000<br>(Audited) |
|--|------|---|---|
| <b>Non-current assets</b>                    |      |   |   |
| Fixed assets                                 | 7    | 860,166   | 681,465   |
| Available-for-sale equity securities         | 8    | 45,560  | 246,083   |
| Prepaid rental                               |      | 29,526  | 30,435  |
| Club memberships                             |      | 2,490   | 2,490   |
| Rental and other deposits                    |      | 95,559  | 63,809  |
| Trademarks                                   |      | 79,785  | 79,785  |
| Goodwill                                     |      | 73,658  | 73,658  |
| Deferred tax assets                          |      | 7,230   | 3,095   |
| Pledged bank deposits                        | 11   | 38,434  | 29,476  |
|  |      | <b>1,232,408</b>                                    | 1,210,296   |
| <b>Current assets</b>                        |      |   |   |
| Inventories                                  |      | 4,603   | 3,480   |
| Film rights                                  | 9    | 108,300   | 85,870  |
| Trade receivables                            | 10   | 25,534  | 32,996  |
| Other receivables, deposits and prepayments  |      | 106,405   | 86,016  |
| Amounts due from jointly controlled entities |      | 592   | 1,273   |
| Deposits and cash                            | 11   | 512,354   | 457,677   |
| Derivative financial asset                   | 8(a) | —   | 246   |
|  |      | <b>757,788</b>                                      | 667,558   |
| Equity security held for sale                | 8(b) | 201,631   | —   |
|  |      | <b>959,419</b>                                      | 667,558   |
| <b>Current liabilities</b>                   |      |   |   |
| Bank loans                                   | 12   | 40,260  | 21,363  |
| Trade payables                               | 13   | 101,034   | 86,264  |
| Other payables and accrued charges           |      | 132,834   | 148,627   |
| Deferred revenue                             |      | 113,686   | 96,911  |
| Derivative financial liability               | 8(a) | 1,417   | —   |
| Taxation payable                             |      | 30,176  | 34,884  |
|  |      | <b>419,407</b>                                      | 388,049   |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (CONTINUED)

As at 30 June 2011

|   | Note | As at<br>30 June<br>2011<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2010<br>HK\$'000<br>(Audited) |
|---|------|---|---|
| <b>Net current assets</b>   |      | <b>540,012</b>                                      | 279,509   |
| <b>Total assets less current liabilities</b>                      |      | <b>1,772,420</b>                                    | 1,489,805   |
| <b>Non-current liabilities</b>                                    |      |   |   |
| Bank loans  | 12   | 292,440   | 82,400  |
| Convertible notes   | 14   | —   | 6,662   |
| Deposits received   |      | 5,652   | 5,318   |
| Deferred tax liabilities  |      | 20,931  | 19,623  |
|   |      | <b>319,023</b>                                      | 114,003   |
| <b>NET ASSETS</b>   |      | <b>1,453,397</b>                                    | 1,375,802   |
| <b>Capital and reserves</b>                                       |      |   |   |
| Share capital   | 15   | 270,393   | 254,374   |
| Reserves  |      | 1,173,063   | 1,109,874   |
| <b>Total equity attributable to equity holders of the Company</b> |      | <b>1,443,456</b>                                    | 1,364,248   |
| <b>Non-controlling interests</b>                                  |      | <b>9,941</b>  | 11,554  |
| <b>TOTAL EQUITY</b>   |      | <b>1,453,397</b>                                    | 1,375,802   |

The notes on pages 18 to 40 form part of this interim financial report.



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED**

For the six months ended 30 June 2011

| Note  | Share capital | Share premium | Share option reserve | Capital redemption reserve | Contributed surplus | Equity component of convertible notes | *Reserve funds | Investment revaluation reserve | Exchange reserve | Retained profits | Total interests | Total     |
|---|---------------|---------------|----------------------|----------------------------|---------------------|---------------------------------------|----------------|--------------------------------|------------------|------------------|-----------------|-----------|
|   | HK\$'000      | HK\$'000      | HK\$'000             | HK\$'000                   | HK\$'000            | HK\$'000                              | HK\$'000       | HK\$'000                       | HK\$'000         | HK\$'000         | HK\$'000        | HK\$'000  |
| At 1 January 2011                           | 254,374       | 630,856       | 5,515                | 6,422                      | 80,000              | 2,874                                 | 7,454          | —                              | 31,830           | 344,923          | 1,364,248       | 1,375,802 |
| <b>Changes in equity for 2011:</b>          |               |               |                      |                            |                     |                                       |                |                                |                  |                  |                 |           |
| Profit/(loss) for the period                | —             | —             | —                    | —                          | —                   | —                                     | —              | —                              | —                | 13,180           | 13,180          | 12,372    |
| Other comprehensive income                  | —             | —             | —                    | —                          | —                   | —                                     | —              | 19,68                          | 11,002           | —                | 12,970          | 13,153    |
| Total comprehensive income                  | —             | —             | —                    | —                          | —                   | —                                     | —              | 19,68                          | 11,002           | 13,180           | 26,150          | 25,525    |
| Dividends paid to non-controlling interests | —             | —             | —                    | —                          | —                   | —                                     | —              | —                              | —                | —                | —               | (988)     |
| Lapse of non-vesting share options          | 150           | —             | (745)                | —                          | —                   | —                                     | —              | —                              | —                | —                | (745)           | (745)     |
| Equity-settled share-based transactions     | 150           | —             | 1,886                | —                          | —                   | —                                     | —              | —                              | —                | —                | 1,886           | 1,886     |
| Issuance of convertible note                | 14            | —             | —                    | —                          | —                   | 8,120                                 | —              | —                              | —                | —                | 8,120           | 8,120     |
| Conversion of convertible notes             | 150           | 16,019        | 38,792               | —                          | —                   | (10,994)                              | —              | —                              | —                | —                | 43,817          | 43,817    |
| Transfer to/(from) reserves                 | —             | —             | —                    | —                          | —                   | —                                     | 947            | —                              | —                | (947)            | —               | —         |
| At 30 June 2011                             | 270,393       | 669,648       | 6,636                | 6,422                      | 80,000              | —                                     | 8,401          | 19,68                          | 42,832           | 357,156          | 1,443,456       | 1,453,397 |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED (CONTINUED)**

For the six months ended 30 June 2011

|   | Note | Share capital<br>HK\$'000 | Share premium<br>HK\$'000 | Share option<br>reserve<br>HK\$'000 | Share<br>redemption<br>reserve<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Equity<br>component of<br>convertible<br>note<br>HK\$'000 | Revaluation<br>reserve<br>HK\$'000 | *Reserve<br>funds<br>HK\$'000 | Investment<br>revaluation<br>reserve<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 | Non-<br>controlling<br>interests<br>HK\$'000 | Total<br>HK\$'000 |
|---|------|---------------------------|---------------------------|-------------------------------------|--|--|------------------------------------|---|------------------------------------|-------------------------------|--|---------------------------------|---------------------------------|-------------------|--|-------------------|
| <b>At 1 January 2010</b>  |      | 219,974                   | 349,284                   | 2,474                               | 6,422                                      | 80,000                                       | 2,874                              | 4,024   | 2,617                              | —                             | —  | 3,759                           | 274,646                         | 946,074           | 1,881  | 947,955           |
| <b>Changes in equity for 2010:</b>                                      |      |                           |                           |                                     |  |  |                                    |   |                                    |                               |  |                                 |                                 |                   |  |                   |
| Profit for the period   |      | —                         | —                         | —                                   | —  | —  | —                                  | —   | —                                  | —                             | —  | —                               | 25,522                          | 25,522            | 1,033  | 26,555            |
| Other comprehensive income  |      | —                         | —                         | —                                   | —  | —  | —                                  | —   | —                                  | (7,897)                       | (7,897)  | (121)                           | —                               | (8,018)           | —  | (8,018)           |
| <b>Total comprehensive income</b>                                       |      | —                         | —                         | —                                   | —  | —  | —                                  | —   | —                                  | (7,897)                       | (7,897)  | (121)                           | 25,522                          | 17,504            | 1,033  | 18,537            |
| Dividends paid to non-controlling interests                             |      | —                         | —                         | —                                   | —  | —  | —                                  | —   | —                                  | —                             | —  | —                               | —                               | —                 | (878)  | (878)             |
| Acquisition of a subsidiary Contribution from non-controlling interests |      | —                         | —                         | —                                   | —  | —  | —                                  | —   | —                                  | —                             | —  | —                               | —                               | —                 | 113  | 113               |
| Exercise of share options   | 150  | 255                       | 1,065                     | (298)                               | —  | —  | —                                  | —   | —                                  | —                             | —  | —                               | —                               | 9,120             | 9,120  | 1,024             |
| Transfer to retained profits upon lapse of share options                | 150  | —                         | —                         | (25)                                | —  | —  | —                                  | —   | —                                  | —                             | —  | —                               | 25                              | —                 | —  | —                 |
| Equity-settled share-based transactions                                 | 150  | —                         | —                         | 1,886                               | —  | —  | —                                  | —   | —                                  | —                             | —  | —                               | —                               | 1,886             | —  | 1,886             |
| Purchase of shares  |      | 34,000                    | 279,827                   | —                                   | —  | —  | —                                  | —   | —                                  | —                             | —  | —                               | —                               | 313,827           | —  | 313,827           |
| Transfer to/(from) reserves   |      | —                         | —                         | —                                   | —  | —  | —                                  | (4,024)   | 4,860                              | —                             | —  | —                               | (838)                           | —                 | —  | —                 |
| <b>At 30 June 2010</b>  |      | 254,229                   | 630,176                   | 4,039                               | 6,422                                      | 80,000                                       | 2,874                              | —   | 7,477                              | (7,897)                       | (7,897)  | 3,638                           | 299,357                         | 1,280,315         | 11,269                                       | 1,291,584         |

\* In accordance with the relevant regulations in the People's Republic of China ("PRC") and Taiwan, the Company's subsidiaries and jointly controlled entities established therein are required to transfer a certain percentage of their profits after tax to the reserve funds until the balances reach 50% and 100% of the registered capital, respectively. Subject to certain restrictions set out in the relevant PRC and Taiwan regulations, the reserve funds may be used either to offset losses, or for capitalisation by way of paid-up capital.

The notes on pages 18 to 40 form part of this interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS —  
UNAUDITED**

For the six months ended 30 June 2011

|  | <b>Six months<br/>ended<br/>30 June 2011<br/>HK\$'000</b> | Six months<br>ended<br>30 June 2010<br>HK\$'000 |
|--|---|---|
| <b>Net cash generated from operating activities</b>      | <b>37,036</b>   | 72,500  |
| <b>Net cash used in investing activities</b>             | <b>(212,690)</b>  | (116,308)                                       |
| <b>Net cash generated from financing activities</b>      | <b>223,639</b>  | 324,615   |
| <b>Net increase in cash and cash equivalents</b>         | <b>47,985</b>   | 280,807   |
| <b>Cash and cash equivalents at 1 January</b>            | <b>457,677</b>  | 517,803   |
| <b>Effect of foreign exchange rates changes</b>          | <b>6,692</b>  | 708   |
| <b>Cash and cash equivalents at 30 June</b>              | <b>512,354</b>  | 799,318   |
| <b>Analysis of balances of cash and cash equivalents</b> |   |   |
| Non-pledged short term bank deposits                     | <b>157,326</b>  | 423,400   |
| Non-pledged cash and bank balances                       | <b>355,028</b>  | 375,918   |
| <b>Cash and cash equivalents at 30 June</b>              | <b>512,354</b>  | 799,318   |

The notes on pages 18 to 40 form part of this interim financial report.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of the interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company") and its subsidiaries (the "Group") since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 10.

## 1 Basis of preparation *(continued)*

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2011.

## 2 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Improvements to HKFRSs (2010)
- HKAS 24 (revised 2009), *Related party disclosures*

The Improvements to HKFRSs (2010) consists of amendments to existing standards, including an amendment to HKAS 34, *Interim financial reporting*. HKAS 34 (amendment) provides for further disclosures in interim financial report. It has had no financial impact on the Group's interim financial report.

The other developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.



### 3 Segment reporting

The Group manages its businesses by geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the reportable segments, which are as follows:

- Hong Kong
- Mainland China
- Taiwan
- Singapore

The results of the Group's revenue from external customers for entities located in Hong Kong, Mainland China, Taiwan and Singapore are set out in the table below.

Each of the above reportable segments primarily derive their revenue from film exhibition, film and video distribution, film and television programme production, provision of advertising and consultancy services. For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the revenue and results attributable to each reportable segment on the following bases:

#### **Segment revenue and results**

Revenue is allocated to the reporting segment based on the local entities' location of external customers. Expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those geographical locations or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The measure used for reporting segment profit is operating profit after tax.

In addition to receiving segment information concerning operating profit after tax, management is provided with segment information concerning revenue.

### 3 Segment reporting (continued)

Management evaluates performance primarily based on operating profit including the proportionate consolidated results of jointly controlled entities of each segment. Intra-segment pricing is generally determined at arm's length basis.

Segment information regarding the Group's revenue and results by geographical market is presented below:

|  | Six months ended 30 June (Unaudited) |            |                |            |          |            |           |          |              |            |
|--|--------------------------------------|------------|----------------|------------|----------|------------|-----------|----------|--------------|------------|
|  | Hong Kong                            |            | Mainland China |            | Taiwan   |            | Singapore |          | Consolidated |            |
|  | 2011                                 | 2010       | 2011           | 2010       | 2011     | 2010       | 2011      | 2010     | 2011         | 2010       |
|  | HK\$'000                             | HK\$'000   | HK\$'000       | HK\$'000   | HK\$'000 | HK\$'000   | HK\$'000  | HK\$'000 | HK\$'000     | HK\$'000   |
|  |                                      | (restated) |                | (restated) |          | (restated) |           |          |              | (restated) |
| <b>Segment revenue:</b>                        |                                      |            |                |            |          |            |           |          |              |            |
| Revenue from external customers                |                                      |            |                |            |          |            |           |          |              |            |
| — Exhibition                                   | 94,749                               | 101,162    | 106,646        | 86,208     | 152,693  | 131,215    | 173,148   | 151,498  | 527,236      | 470,083    |
| — Distribution and production                  | 20,828                               | 32,027     | 9,437          | 6,366      | 1,059    | 2,697      | 8,705     | 5,766    | 40,029       | 46,856     |
| — Corporate                                    | 1,374                                | 1,223      | —              | —          | —        | —          | —         | —        | 1,374        | 1,223      |
| Reportable segment revenue                     | 116,951                              | 134,412    | 116,083        | 92,574     | 153,752  | 133,912    | 181,853   | 157,264  | 568,639      | 518,162    |
| Reportable segment profit/(loss)               | 3,073                                | (5,547)    | (12,470)       | (3,488)    | 15,424   | 15,771     | 27,160    | 21,644   | 33,187       | 28,380     |
| <b>Reconciliation — Revenue</b>                |                                      |            |                |            |          |            |           |          |              |            |
| Reportable segment revenue                     |                                      |            |                |            |          |            |           |          | 568,639      | 518,162    |
| Elimination of intra-segment revenue           |                                      |            |                |            |          |            |           |          | (7,777)      | (8,068)    |
| Other revenue                                  |                                      |            |                |            |          |            |           |          | (7,992)      | (7,530)    |
| Others   |                                      |            |                |            |          |            |           |          | 8,168        | 890        |
|  |                                      |            |                |            |          |            |           |          | 561,038      | 503,454    |
| <b>Reconciliation — Profit before taxation</b> |                                      |            |                |            |          |            |           |          |              |            |
| Reportable profit from external customers      |                                      |            |                |            |          |            |           |          | 33,187       | 28,380     |
| Unallocated operating expenses, net            |                                      |            |                |            |          |            |           |          | (20,007)     | (2,858)    |
| Non-controlling interests                      |                                      |            |                |            |          |            |           |          | (808)        | 1,033      |
| Income tax                                     |                                      |            |                |            |          |            |           |          | 5,580        | 12,398     |
| Profit before taxation                         |                                      |            |                |            |          |            |           |          | 17,952       | 38,953     |



#### 4 Profit for the period

Profit for the period is arrived at after charging/(crediting):

|   | <b>Six months<br/>ended<br/>30 June 2011<br/>HK\$'000<br/>(Unaudited)</b> | Six months<br>ended<br>30 June 2010<br>HK\$'000<br>(Unaudited) |
|---|---|--|
| <b>(a) Finance costs</b>                                  |   |  |
| Interest on bank loans wholly repayable                   |   |  |
| — within five years                                       | <b>1,662</b>  | 1,808  |
| — after five years  | <b>2,631</b>  | 287  |
| Interest on convertible notes                             | <b>155</b>  | 276  |
|   | <b>4,448</b>  | 2,371  |
| <b>(b) Other items</b>                                    |   |  |
| Cost of inventories                                       | <b>17,939</b>   | 14,625   |
| Cost of services provided                                 | <b>205,141</b>  | 189,872  |
| Depreciation of fixed assets                              | <b>41,889</b>   | 32,612   |
| Amortisation of film rights                               | <b>10,355</b>   | 17,924   |
| Impairment losses/(reversal of impairment losses)         |   |  |
| — an available-for-sale equity security                   | <b>614</b>  | —  |
| — trade and other receivables                             | —   | (154)  |
| Fair value loss on a derivative financial instrument      | <b>1,663</b>  | —  |
| Gain on disposal of an available-for-sale equity security | <b>(62)</b>   | —  |
| Loss on disposals of property, plant and equipment        | <b>1,154</b>  | 1,892  |
| Exchange gain, net  | <b>(4,715)</b>  | (906)  |
| Interest income from bank deposits                        | <b>(1,158)</b>  | (1,063)  |
| Dividend income from a listed investment                  | <b>(330)</b>  | —  |



**4 Profit for the period** *(continued)***(c) Other net income**

Included in other net income for the six months ended 30 June 2010 was the amount of HK\$26,542,000 in respect of the settlement sum received by the Group in respect of claim for damages against and provision of consultancy service to a landlord in Mainland China.

**5 Income tax**

Taxation in the consolidated income statement represents:

|   | <b>Six months<br/>ended<br/>30 June 2011<br/>HK\$'000<br/>(Unaudited)</b> | Six months<br>ended<br>30 June 2010<br>HK\$'000<br>(Unaudited) |
|---|---|--|
| <b>Group</b>  |   |  |
| <i>Current income tax</i>                             |   |  |
| Provision for overseas tax                            | <b>1,784</b>  | 6,098  |
| Under/(over)-provision in respect of<br>prior periods | <b>80</b>   | (20)   |
|   | <b>1,864</b>  | 6,078  |
| <i>Deferred tax — overseas</i>                        |   |  |
| Origination and reversal of<br>temporary differences  | <b>(3,093)</b>  | —  |
|   | <b>(1,229)</b>  | 6,078  |



## 5 Income tax (continued)

|   | <b>Six months<br/>ended<br/>30 June 2011<br/>HK\$'000<br/>(Unaudited)</b> | Six months<br>ended<br>30 June 2010<br>HK\$'000<br>(Unaudited) |
|---|---|--|
| <b>Jointly controlled entities</b>                |   |  |
| <i>Current income tax</i>                         |   |  |
| Provision for overseas tax                        | <b>7,964</b>  | 9,730  |
| Over-provision in respect of prior periods        | <b>(704)</b>  | (3,507)  |
|   | <b>7,260</b>  | 6,223  |
| <i>Deferred tax — overseas</i>                    |   |  |
| Origination and reversal of temporary differences | <b>(451)</b>  | 97   |
|   | <b>6,809</b>  | 6,320  |
|   | <b>5,580</b>  | 12,398   |

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the period.

Taxation for overseas subsidiaries and jointly controlled entities is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

**6 Earnings per share****(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$13,180,000 (2010: HK\$25,522,000) and the weighted average number of 2,568,520,573 ordinary shares (2010: 2,440,460,204 ordinary shares) in issue during the period.

**(b) Weighted average number of ordinary shares (basic and diluted)**

|  | <b>2011</b>          | 2010          |
|--|----------------------|---------------|
|  | <b>Number</b>        | Number        |
|  | <b>of shares</b>     | of shares     |
| <b>Shares</b>  |                      |               |
| Issued ordinary shares   |                      |               |
| as at 1 January  | <b>2,543,739,900</b> | 2,199,739,900 |
| Effect of shares placed  | —                    | 238,563,536   |
| Effect of share options exercised  | —                    | 2,156,768     |
| Effect of convertible notes  |                      |               |
| converted  | <b>24,780,673</b>    | —             |
| Weighted average number of ordinary shares (basic) at 30 June            | <b>2,568,520,573</b> | 2,440,460,204 |
| <b>Effect of dilution — weighted average number of ordinary shares:</b>  |                      |               |
| Effect of deemed issue of shares under the Company's share option scheme | <b>1,225,914</b>     | 55,559,005    |
| Effect of conversion of convertible notes                                | <b>29,943,312</b>    | 26,698,224    |
| Weighted average number of ordinary shares (diluted) at 30 June          | <b>2,599,689,799</b> | 2,522,717,433 |



## 6 Earnings per share (continued)

### (c) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of HK\$13,335,000 (2010: HK\$25,798,000) and the weighted average number of 2,599,689,799 ordinary shares (2010: 2,522,717,433 ordinary shares), calculate as follows:

|  | <b>Six months<br/>ended<br/>30 June 2011<br/>HK\$'000<br/>(Unaudited)</b> | Six months<br>ended<br>30 June 2010<br>HK\$'000<br>(Unaudited) |
|--|---|--|
| Profit attributable to equity holders  | <b>13,180</b>   | 25,522   |
| After tax effect of effective interest<br>on the liability component of<br>convertible notes | <b>155</b>  | 276  |
| Profit attributable to<br>equity holders (diluted)   | <b>13,335</b>   | 25,798   |

## 7 Fixed assets

During the six months ended 30 June 2011, the Group acquired fixed assets in aggregate amounts of HK\$205,203,000, which mainly comprised of construction in progress, leasehold improvements and machinery and equipment.

## 8 Available-for-sale equity securities, equity security held for sale, derivative financial asset and derivative financial liability

|   | As at<br>30 June<br>2011<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2010<br>HK\$'000<br>(Audited) |
|---|---|---|
| Available-for-sale equity securities:             |   |   |
| — Listed investment in Hong Kong<br>at fair value | 43,181  | 41,470  |
| — Listed investment in Australia<br>at fair value | 879   | 1,482   |
| — Unlisted investments, at cost                   | 1,500   | 203,131   |
|   | <b>45,560</b>                                       | 246,083   |
| Equity security held for sale                     |   |   |
| — Unlisted investment,<br>at cost (note 8(b))     | 201,631   | —   |
|   | <b>247,191</b>                                      | 246,083   |
| Market value of listed investments                | <b>44,060</b>                                       | 42,952  |



## 8 Available-for-sale equity securities, equity security held for sale, derivative financial asset and derivative financial liability (continued)

### (a) Listed investments, derivative financial asset and derivative financial liability

At 30 June 2011, the Group held 10,932,000 (31 December 2010: 11,000,000) shares in Overseas Chinese Town (Asia) Holdings Limited ("Overseas Chinese"), a company listed in Hong Kong. During the period under review, the Group recorded a surplus on revaluation of HK\$1,968,000 which has been dealt through in the investment revaluation reserve.

In June 2010, the Group entered into an agreement (the "Option Agreement") with an independent third party (the "Counterparty") with respect to the shares of Overseas Chinese (the "Overseas Chinese Shares") held by the Group. Pursuant to the terms of the Option Agreement, one of the following options can be exercised and once the option is exercised, the other options will expire: (a) a right held by the Group to sell the Overseas Chinese Shares to the Counterparty at a fixed price per share at any date until 6 June 2012 ("Put Option"); (b) a right held by the Counterparty to purchase the Overseas Chinese Shares from the Group at a fixed price per share at any date until 6 June 2012 ("Call Option"); and (c) a right held by the Counterparty to share a portion of the gain upon disposal in excess of a fixed price per share if neither the Put Option nor Call Option have not been exercised by their respective expiry dates ("Profit-sharing Option"). The Group received HK\$8,250,000 from the Counterparty as the consideration for entering into the Option Agreement.

At inception, the fair value of the Option Agreement was HK\$1,608,000 estimated by Vigers Appraisal & Consulting Ltd. ("Vigers Appraisal"), a firm of independent professional qualified valuers, based on a valuation technique in which the variables included data from other than observable markets. In accordance with HKAS 39, *Financial instruments: recognition and measurement*, the Group deferred the recognition of the initial gain of HK\$6,642,000 (the "Day One Gain") and recognised the Option Agreement initially as a single derivative instrument and recorded the transaction price of entering into the Option Agreement as a derivative financial liability.

**8 Available-for-sale equity securities, equity security held for sale, derivative financial asset and derivative financial liability (continued)**

**(a) Listed investments, derivative financial asset and derivative financial liability (continued)**

A reconciliation of the carrying amount of the Option Agreement during the period under review, separately showing the amounts of recognised and unrecognised gains and losses, is set out below:

|  | Fair value<br>of Option<br>Agreement<br>as estimated<br>by valuation<br>technique —<br>asset/(liability)<br>HK\$'000 | Unrecognised<br>Day One Gain<br>HK\$'000 | Carrying<br>amount<br>of Option<br>Agreement —<br>asset/(liability)<br>HK\$'000 |
|--|--|--|---|
| Proceed received at inception  | (1,608)  | (6,642)                                  | (8,250)   |
| Change in fair value recognised<br>in profit or loss during the period | 8,496  | —  | 8,496   |
| At 31 December 2010 ( <i>audited</i> )                                 | 6,888  | (6,642)                                  | 246   |
| Change in fair value recognised<br>in profit or loss during the period | (1,663)  | —  | (1,663)   |
| At 30 June 2011 ( <i>unaudited</i> )                                   | 5,225  | (6,642)                                  | (1,417)   |



## 8 Available-for-sale equity securities, equity security held for sale, derivative financial asset and derivative financial liability (continued)

### (a) Listed investments, derivative financial asset and derivative financial liability (continued)

In August 2011, pursuant to the terms of the Option Agreement, the Group notified the Counterparty of its intention to exercise the Put Option on the Overseas Chinese Shares at the fixed price per share (the "Notice"). However, the Counterparty demanded the Group to withdraw the Notice and to discuss other option. In this regard, pending the discussion between the Group and the Counterparty, the outcome is still uncertain. If the Counterparty fails to honour its obligations under the Option Agreement, the maximum additional gain to be recognised by the Group will be HK\$1,417,000 being the excess of the initial premium of HK\$8,250,000 over net gain of HK\$6,833,000 already recognised.

### (b) Unlisted investments

At 31 December 2010, an investment in an unlisted company with carrying value amounted to HK\$201,631,000 which constituted more than 10% of the Group's total assets included in the available-for-sale equity securities. Details of the unlisted investment are shown as follows:

| Name of company                       | Place of incorporation                   | Percentage of total common units held |
|---------------------------------------|--|---------------------------------------|
| Legend Pictures, LLC<br>("Legendary") | Delaware,<br>United States<br>of America | 3.33%                                 |

At 30 June 2011, the investment has been classified as "equity security held for sale" included in current assets as the Group intends to dispose the investment within 12 months of the end of the reporting period. Details are set out in note 20 to the interim financial report.



**9 Film rights**

During the period under review, the Group incurred costs on film production of HK\$23,665,000 and amortisation of film rights amounted to HK\$10,355,000.

**10 Trade receivables**

The Group usually grants credit periods ranging from one to three months. Each customer has a credit limit and overdue balances are regularly reviewed by management.

The ageing analysis of trade receivables (net of allowance for doubtful debts by transaction date) as of the end of the reporting period:

|                      | <b>As at<br/>30 June<br/>2011<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2010<br>HK\$'000<br>(Audited) |
|----------------------|--|---|
| Current to 3 months  | <b>23,283</b>  | 28,942  |
| Within 4 to 6 months | <b>1,679</b>   | 3,588   |
| Over 6 months        | <b>572</b>   | 466   |
|                      | <b>25,534</b>  | 32,996  |

At 30 June 2011, trade receivables of the Group included the amounts of HK\$1,697,000 due from related companies which were unsecured, interest-free and recoverable within one year.



## 11 Deposits and cash

|  | <b>As at<br/>30 June<br/>2011<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2010<br>HK\$'000<br>(Audited) |
|--|--|---|
| Deposits at banks  | <b>195,760</b>   | 188,487   |
| Cash at bank and on hand   | <b>355,028</b>   | 298,666   |
|  | <b>550,788</b>   | 487,153   |
| Less: Pledged deposits   |  |   |
| — for bank loans   | <b>(21,800)</b>  | (12,842)  |
| — as guarantees to landlords   | <b>(16,634)</b>  | (16,634)  |
| Deposits and cash in the consolidated<br>statement of financial position | <b>512,354</b>   | 457,677   |

## 12 Bank loans

(a) The bank loans were repayable as follows:

|                                  | <b>As at<br/>30 June<br/>2011<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2010<br>HK\$'000<br>(Audited) |
|----------------------------------|--|---|
| Within 1 year or on demand       | <b>40,260</b>  | 21,363  |
| After 1 year but within 2 years  | <b>112,905</b>   | 52,672  |
| After 2 years but within 5 years | <b>147,157</b>   | 19,740  |
| After 5 years                    | <b>32,378</b>  | 9,988   |
|                                  | <b>292,440</b>   | 82,400  |
|                                  | <b>332,700</b>   | 103,763   |

All bank loans bear interest at floating interest rates which approximate to market rates of interest.

**12 Bank loans** *(continued)*

- (b) At 30 June 2011, the Group's bank loans of HK\$332,700,000 (31 December 2010: HK\$103,763,000) were secured by:
- (i) property, plant and equipment of a jointly controlled entity at carrying value of HK\$107,895,000 (31 December 2010: HK\$103,815,000);
  - (ii) time deposits of subsidiaries and jointly controlled entities of HK\$21,800,000 (31 December 2010: HK\$1,763,000) and HK\$ Nil (31 December 2010: HK\$11,079,000), respectively; and
  - (iii) corporate guarantees from the Company and a related company.
- (c) The bank loans of the Group were denominated in the following currencies:

|                    | <b>As at<br/>30 June<br/>2011<br/>'000<br/>(Unaudited)</b> | As at<br>31 December<br>2010<br>'000<br>(Audited) |
|--------------------|--|---|
| Singapore dollars  | <b>9,750</b>   | 11,250  |
| New Taiwan dollars | —  | 10,713  |
| Renminbi           | <b>108,400</b>   | 28,400  |
| Hong Kong dollars  | <b>141,000</b>   | —   |



### 13 Trade payables

The ageing analysis of trade payables as of the end of the reporting period:

|                       | <b>As at<br/>30 June<br/>2011<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2010<br>HK\$'000<br>(Audited) |
|-----------------------|--|---|
| Current to 3 months   | <b>83,794</b>  | 69,462  |
| Within 4 to 6 months  | <b>6,036</b>   | 6,606   |
| Within 7 to 12 months | <b>938</b>   | 279   |
| Over 1 year           | <b>10,266</b>  | 9,917   |
|                       | <b>101,034</b>   | 86,264  |

### 14 Convertible notes

On 30 November 2009 and 24 May 2011, the Company issued tranches of zero coupon convertible notes ("Convertible Notes") in amounts of HK\$9,024,000 (equivalent to RMB8,000,000) and HK\$45,120,000 (equivalent to RMB40,000,000) to Orange Sky Entertainment Group (International) Holding Company Limited ("Orange Sky"), as part of the consideration for the acquisition of the transferred assets and liabilities of a subsidiary (the "Acquired Business"), respectively. Details are set out in note 34(a) of the 2010 annual financial statements. The Convertible Notes are convertible at the option of the note holder into ordinary shares of the Company on or before 24 December 2015 at a price of HK\$0.338 per share. If the conversion right was not exercised by the note holder, the Convertible Notes not converted would be redeemed on 31 December 2015 at the principal amounts of the notes. The Convertible Notes were unsecured.

Orange Sky is a substantial shareholder of the Company. The acquisition constituted a connected transaction as defined in the Listing Rules. Further details of the issue of the Convertible Notes were set out in the circular of the Company dated 25 June 2009.

**14 Convertible notes** *(continued)*

The fair values of the liability portion of the Convertible Notes were estimated at the issuance date using the Group's prevailing borrowing rate and an equivalent market interest rate for a similar note without a conversion option, and have been ascertained by Vigers Appraisal. The residual amount was assigned as the equity component and included in shareholders' equity.

On 3 June 2011, the Convertible Notes were converted into the Company's ordinary shares, creating a total of 160,189,348 new ordinary shares at a conversion price of HK\$0.338 per share.

The issue of the Convertible Notes were split between the liability and equity components, as follows:

|  | <b>The Group and the Company</b> |                             |              |
|--|----------------------------------|-----------------------------|--------------|
|  | <b>Liability<br/>component</b>   | <b>Equity<br/>component</b> | <b>Total</b> |
|  | HK\$'000                         | HK\$'000                    | HK\$'000     |
| At 1 January 2010 <i>(audited)</i>                                   | 6,150                            | 2,874                       | 9,024        |
| Interest expenses  | 512                              | —                           | 512          |
| At 31 December 2010 and<br>1 January 2011 <i>(audited)</i>           | 6,662                            | 2,874                       | 9,536        |
| Nominal value of convertible<br>note issued, net of<br>issuing costs | 37,000                           | 8,120                       | 45,120       |
| Interest expenses  | 155                              | —                           | 155          |
| Conversion of convertible<br>notes                                   | (43,817)                         | (10,994)                    | (54,811)     |
| At 30 June 2011 <i>(unaudited)</i>                                   | —                                | —                           | —            |



## 15 Share capital

|  | Note | As at<br>30 June 2011 |                    | As at<br>31 December 2010 |                    |
|--|------|-----------------------|--------------------|---------------------------|--------------------|
|  |      | No. of shares         | Amount<br>HK\$'000 | No. of shares             | Amount<br>HK\$'000 |
| <b>Authorised:</b>                                 |      |                       |                    |                           |                    |
| Ordinary shares of<br>HK\$0.10 each                |      | 6,000,000,000         | 600,000            | 6,000,000,000             | 600,000            |
| <b>Ordinary shares, issued<br/>and fully paid:</b> |      |                       |                    |                           |                    |
| At 1 January                                       |      | 2,543,739,900         | 254,374            | 2,199,739,900             | 219,974            |
| Placing of shares                                  |      | —                     | —                  | 340,000,000               | 34,000             |
| Share options exercised                            | (i)  | —                     | —                  | 4,000,000                 | 400                |
| Conversion of convertible<br>notes                 | (ii) | 160,189,348           | 16,019             | —                         | —                  |
| At 30 June 2011/<br>31 December 2010               |      | 2,703,929,248         | 270,393            | 2,543,739,900             | 254,374            |

Notes:

### (i) Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and other employees of the Group, shareholders of the Company, suppliers of goods or services to the Group and customers of the Group. Details of the Scheme are set out in the 2010 annual financial statements.

### (ii) Conversion of convertible notes

On 3 June 2011, the Convertible Notes with principal amounts in aggregate of HK\$54,144,000 were converted into the Company's ordinary shares, creating a total of 160,189,348 new ordinary shares at a conversion price of HK\$0.338 per share (note 14).

### (iii) Dividends

No dividends were declared and distributed during the six months ended 30 June 2011 and 2010.

**16 Capital commitments**

|   | <b>As at<br/>30 June<br/>2011<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2010<br>HK\$'000<br>(Audited) |
|---|--|---|
| <b>Capital commitments in respect of<br/>the acquisition of fixed assets:</b> |  |   |
| Contracted for  | <b>165,889</b>   | 122,925   |
| Authorised but not contracted for   | <b>858,777</b>   | 603,342   |
|   | <b>1,024,666</b>   | 726,267   |

**17 Contingent liabilities**

Certain subsidiaries of the Group are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the directors are of the opinion that even if the claims are found to be valid, there will be no material adverse effect on the financial position of the Group.

The Group did not have any significant contingent liabilities as of 30 June 2011.



## 18 Material related party transactions

### (a) Key management personnel remuneration

|                                     | <b>Six months<br/>ended<br/>30 June 2011<br/>HK\$'000<br/>(Unaudited)</b> | Six months<br>ended<br>30 June 2010<br>HK\$'000<br>(Unaudited) |
|-------------------------------------|---|--|
| Short-term employee benefits        | <b>1,764</b>  | 1,512  |
| Post-employment benefits            | <b>6</b>  | 12   |
| Equity-settled share-based payments | <b>1,839</b>  | 1,886  |
|                                     | <b>3,609</b>  | 3,410  |

### (b) Material related party transactions

During the six months ended 30 June 2011, the Group received income of HK\$2,817,000 for the provision of screen advertising services to a related company (six months ended 30 June 2010: HK\$Nil) and paid office rental expenses of HK\$1,427,000 to a related company (six months ended 30 June 2010: HK\$443,000) which constituted connected transactions as defined in the Listing Rules.

On 18 April 2011, the Group entered into an agreement with a related company whereby the related company transferred six lease agreements and other contracts to the Group for a consideration of RMB8,790,000 (approximately HK\$10,460,000) which constituted a connected transaction as defined in the Listing Rules.

Except for the transactions disclosed in note 14 to this interim financial report, there were no other material related party transactions during the six months ended 30 June 2011, other than in the nature of those as disclosed in note 33 of the 2010 annual financial statements.



**19 Comparative figures**

Certain comparative figures including turnover and other revenue have been adjusted to conform to current period's presentation which the directors considered more appropriate to reflect the operating results of the Group and to provide comparative amounts in respect of items disclosed for the first time during the six months ended 30 June 2011.

**20 Non adjusting event after the reporting period**

On 26 August 2011, the Group entered into a settlement agreement, among the other things, to dispose all of its equity interests in Legendary, to terminate a non-binding Memorandum of Understanding dated 23 September 2010 entered into between the Company and Legendary and to discharge the claims and obligations of the Group and Legendary at a total consideration of US\$30,000,000 (equivalent to approximately HK\$233,400,000) (the "Proposed Settlement"). The Proposed Settlement is expected to complete on or before 9 September 2011. Details of the Proposed Settlement were set out in the Company's announcement dated 26 August 2011.

**21 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 June 2011**

Up to the date of issue of the interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ending 31 December 2011 and which have not been adopted in the interim financial report.

|                                      |  |
|--------------------------------------|--|
| Amendments to HKFRS 1 <sup>(1)</sup> | <i>First-time adoption of Hong Kong Financial Reporting Standards — Severe hyperinflation and removal of fixed dates for first-time adopters</i> |
| Amendments to HKFRS 7 <sup>(1)</sup> | <i>Financial instruments: Disclosures — Transfer of financial assets</i>   |
| Amendments to HKAS 1 <sup>(3)</sup>  | <i>Presentation of financial statements — Presentation of items of other comprehensive income</i>  |



## 21 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 June 2011 *(continued)*

|                                      |   |
|--------------------------------------|---|
| Amendments to HKAS 12 <sup>(2)</sup> | <i>Income taxes — Deferred tax:<br/>Recovery of underlying assets</i> |
| HKFRS 9 <sup>(4)</sup>               | <i>Financial instruments</i>  |
| HKFRS 10 <sup>(4)</sup>              | <i>Consolidated financial statements</i>                              |
| HKFRS 11 <sup>(4)</sup>              | <i>Joint arrangements</i>   |
| HKFRS 12 <sup>(4)</sup>              | <i>Disclosure of interests in other entities</i>                      |
| HKFRS 13 <sup>(4)</sup>              | <i>Fair value measurement</i>   |
| HKAS 28 <sup>(4)</sup>               | <i>Investments in associates and<br/>joint venture (2011)</i>         |
| Revised HKAS 19 <sup>(4)</sup>       | <i>Employee benefits</i>  |

<sup>(1)</sup> Effective for annual periods beginning on or after 1 July 2011.

<sup>(2)</sup> Effective for annual periods beginning on or after 1 January 2012.

<sup>(3)</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>(4)</sup> Effective for annual periods beginning on or after 1 January 2013.

The Group is in the process of making an assessment of the expected impact of these amendments, new standards and new interpretations in the period of initial application.

## BOARD COMPOSITION

As at the date of this interim report, the composition of the Board of Orange Sky Golden Harvest Entertainment (Holdings) Limited was as follows:

### Executive Directors

Wu Kebo (*Chairman*)

Li Pei Sen

Chang Tat Joel

(resigned on 26 May 2011)

Mao Yimin

(appointed on 26 May 2011)

Tan Boon Pin Simon

Wu Keyan

### Independent Non-executive Directors

Leung Man Kit

Huang Shao-Hua George

Wong Sze Wing

Up to the date of this interim report, there have been a number of changes to the Board:

- Mr. Chang Tat Joel resigned as an executive Director with effect from 26 May 2011.
- Mr. Mao Yimin was appointed as an executive Director with effect from 26 May 2011.



## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2011, the interests and short positions of the directors of the Company (the "Director(s)") and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV 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 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (i) Interests in shares of HK\$0.10 each in the issued share capital of the Company (the "Shares"), underlying Shares and debentures of the Company

| Name of Director/<br>Chief Executive | Capacity                            | Note | Number of<br>Shares | Number of<br>underlying<br>Shares | Total number<br>of Shares and<br>underlying Shares | *Approximate<br>percentage of<br>Shares and<br>underlying Shares<br>in the issued<br>share capital<br>of the Company |
|--------------------------------------|-------------------------------------|------|---------------------|-----------------------------------|--|--|
| Wu Kebo                              | Interest of controlled corporations | 1    | 1,723,894,068       | —                                 | 1,723,894,068 (L)                                  | 63.76%   |
|                                      |                                     |      | 180,000,000         | —                                 | 180,000,000 (S)                                    | 6.66%  |
|                                      | Beneficial owner                    | 2    | —                   | 60,000,000 (L)                    | 60,000,000 (L)                                     | 2.22%  |
| Wu Keyan                             | Beneficial owner                    | 2    | —                   | 700,000 (L)                       | 700,000 (L)  | 0.026%   |
| Li Pei Sen                           | Beneficial owner                    | 2    | —                   | 200,000 (L)                       | 200,000 (L)  | 0.007%   |

| Name of Director/<br>Chief Executive | Capacity                               | Note | Number of<br>Shares | Number of<br>underlying<br>Shares | Total number<br>of Shares and<br>underlying Shares | *Approximate<br>percentage of<br>Shares and<br>underlying Shares<br>in the issued<br>share capital<br>of the Company |
|--------------------------------------|--|------|---------------------|-----------------------------------|--|--|
| Leung Man Kit                        | Beneficial owner                       | 2    | —                   | 200,000 (L)                       | 200,000 (L)  | 0.007%   |
| Huang Shao-Hua George                | Beneficial owner                       | 2    | —                   | 1,200,000 (L)                     | 1,200,000 (L)                                      | 0.044%   |
| Tan Boon Pin Simon                   | Beneficial owner                       | 2    | —                   | 2,000,000 (L)                     | 2,000,000 (L)                                      | 0.074%   |
|                                      | Beneficial owner                       | 2    | —                   | 1,200,000 (L)                     | 1,200,000 (L)                                      | 0.044%   |
| Chang Tat Joel <sup>#</sup>          | Interest of controlled<br>corporations | 3    | 3,400,000           | —                                 | 3,400,000 (L)                                      | 0.126%   |
| Wu King Shiu Kelvin <sup>Δ</sup>     | Interest of controlled<br>corporations | 3    | 3,400,000           | —                                 | 3,400,000 (L)                                      | 0.126%   |
|                                      | Beneficial owner                       | 2    | —                   | 21,000,000 (L)                    | 21,000,000 (L)                                     | 0.777%   |

\* This percentage has been compiled based on the total number of Shares in issue (i.e. 2,703,929,248) as at 30 June 2011.

# Resigned as an executive Director of the Company with effect from 26 May 2011.

Δ Resigned as chief executive officer of the Company with effect from 1 August 2011.



## Notes:

1. By virtue of the SFO, Mr. Wu Kebo ("Mr. Wu") was deemed to be interested in a total of 1,723,894,068 Shares, of which (i) 569,458,130 Shares were held by Skyera International Limited (a company wholly-owned by Mr. Wu) ("Skyera"); (ii) 408,715,990 Shares were held by Mainway Enterprises Limited (a company wholly-owned by Mr. Wu) ("Mainway"); (iii) 565,719,948 Shares held by Orange Sky Entertainment Group (International) Holding Company Limited ("Orange Sky") (a company 80% owned by Mr. Wu) amongst while 160,189,348 Shares which were issued to Orange Sky on 3 June 2011 pursuant to the Convertible Notes with the principal amount in aggregate of HK\$54,144,000 as stated in note 14 to the interim financial report and (iv) 180,000,000 Shares were held by Cyber International Limited (a company owned by an associate of Mr. Wu) ("Cyber").
2. These underlying Shares represented the Shares which may be issued upon the exercise of share options granted by the Company under the share option scheme adopted by the Company on 28 November 2001 (the "2001 Share Option Scheme") and 11 November 2009 (the "2009 Share Option Scheme").
3. Mr. Kelvin Wu and Mr. Joel Chang were deemed to be interested in 3,400,000 Shares of which AID Partners Holdings Ltd. was interested by virtue of the SFO since they owned 60% and 40% of the issued share capital in AID Partners Holdings Ltd. respectively.

## Abbreviations:

- "L" stands for long position  
"S" stands for short position

**(ii) Interests in shares of associated corporations**

Mr. Wu was also the beneficial owner of the entire issued share capital of Golden Harvest Film Enterprises Inc., which beneficially held 114,000,000 non-voting deferred shares of Orange Sky Golden Harvest Entertainment Company Limited, a wholly-owned subsidiary of the Company.

In addition to the above, Mr. Wu had non-beneficial equity interests in certain subsidiaries of the Company which were held for the benefit of the Group.

Save as disclosed above and save for the disclosure referred to under "Share Options" as at 30 June 2011, none of the Directors and chief executive of the Company had any interests or short positions in Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**SHARE OPTIONS**

The Company adopted the 2001 Share Option Scheme and has adopted the 2009 Share Option Scheme for the purpose to enable the Company to grant options to eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward remunerate compensate and/or provide benefits to eligible the participants.



## Share options granted and lapsed during the six months ended 30 June 2011

During the six months ended 30 June 2011, there is no options granted to the Directors and other employees of the Group under 2001 Share Option Scheme and the 2009 Share Option Scheme.

During the six months ended 30 June 2011, there are no shares options, which entitle the holders thereof to subscribe, under the 2001 Share Option Scheme and 2009 Share Option Scheme were exercised. Further 12,000,000 shares options were lapsed under the 2001 Share Option Scheme.

The movements of share options during the six months ended 30 June 2011 and the outstanding share options held by the Directors, chief executive and other employees of the Group as at 30 June 2011 set out in the following table:

| Name or category of participant | Date of grant of share option | Exercise price per Share |                   | Exercise period                           | Number of share options outstanding as at 1 January 2011 | Granted during the six months ended 30 June 2011 | Exercised during the six months ended 30 June 2011 | Lapsed during the six months ended 30 June 2011 | Closing price per Share immediately before the date of grant of share option | Closing price per Share immediately before the date of exercise of the share option | Number of share options outstanding as at 30 June 2011 |
|---------------------------------|-------------------------------|--------------------------|-------------------|---|--|--|--|---|--|---|--|
|                                 |                               | HK\$                     | HK\$              |   |  |  |  |   | (Note b) HK\$  | (Note b) HK\$   |  |
| <b>Director</b>                 |                               |                          |                   |   |  |  |  |   |  |   |  |
| Huang Shao-Hua<br>George        | 12 April 2007                 | 0.393                    | 1 July 2007       | 1 July 2007<br>to 30 October 2011         | 1,000,000  | —  | —  | —   | 0.34   | —   | 1,000,000  |
|                                 | 23 September 2009             | 0.453                    | 23 September 2009 | 23 September 2009<br>to 22 September 2014 | 200,000  | —  | —  | —   | 0.451  | —   | 200,000  |
| Wu Kebo                         | 23 September 2009             | 0.453                    | 23 September 2009 | 23 September 2009<br>to 22 September 2014 | 60,000,000   | —  | —  | —   | 0.451  | —   | 60,000,000   |
| Wu Keyan                        | 23 September 2009             | 0.453                    | 23 September 2009 | 23 September 2009<br>to 22 September 2014 | 700,000  | —  | —  | —   | 0.451  | —   | 700,000  |
| Li Pei Sen                      | 23 September 2009             | 0.453                    | 23 September 2009 | 23 September 2009<br>to 22 September 2014 | 200,000  | —  | —  | —   | 0.451  | —   | 200,000  |



| Name or category of participant | Date of grant of share option | Exercise price per Share |  | Exercise period                        | Number of share options outstanding as at 1 January 2011 | Granted during the six months ended 30 June 2011 | Exercised during the six months ended 30 June 2011 | Lapsed during the six months ended 30 June 2011 | Closing price per Share immediately before the date of grant of share option | Closing price per Share immediately before the date of exercise of the share option | Number of share options outstanding as at 30 June 2011 |
|---------------------------------|-------------------------------|--------------------------|--|--|--|--|--|---|--|---|--|
|                                 |                               | HK\$                     |  |  |  |  |  |   | (Note b) HK\$  | (Note b) HK\$   |  |
| Chang Tat Joel (Note a)         | 23 September 2009             | 0.453                    |  | 23 September 2009 to 22 September 2014 | 12,000,000   | —  | —  | (12,000,000)                                    | 0.451  | —   | —  |
| Leung Man Kit                   | 23 September 2009             | 0.453                    |  | 23 September 2009 to 22 September 2014 | 200,000  | —  | —  | —   | 0.451  | —   | 200,000  |
| Tan Boon Pin Simon              | 12 April 2007                 | 0.393                    |  | 1 July 2007 to 30 October 2011         | 2,000,000  | —  | —  | —   | 0.34   | —   | 2,000,000  |
|                                 | 23 September 2009             | 0.453                    |  | 23 September 2009 to 22 September 2014 | 1,200,000  | —  | —  | —   | 0.451  | —   | 1,200,000  |
| <b>Chief executive officer</b>  |                               |                          |  |  |  |  |  |   |  |   |  |
| Wu King Shiu Kelvin (Note c)    | 23 September 2009             | 0.453                    |  | 23 September 2009 to 22 September 2014 | 21,000,000   | —  | —  | —   | 0.451  | —   | 21,000,000   |
| <b>Other participants</b>       |                               |                          |  |  |  |  |  |   |  |   |  |
| In aggregate                    | 23 September 2009             | 0.453                    |  | 23 September 2009 to 22 September 2014 | 1,050,000  | —  | —  | —   | 0.451  | —   | 1,050,000  |
|                                 | 13 November 2009              | 0.73                     |  | 13 November 2009 to 12 November 2014   | 700,000  | —  | —  | —   | 0.67   | —   | 700,000  |
|                                 |                               |                          |  |  | 100,250,000  | —  | —  | (12,000,000)                                    |  |   | 88,250,000   |

## Note:

- (a) The share options lapsed due to the resignation of the relevant Director.
- (b) Being the weighted average closing price of the Shares immediately before the dates on which the share options were granted or exercised, as applicable.
- (c) Resigned as chief executive officer of the Company with effect from 1 August 2011.



Apart from the above, at no time during the six months ended 30 June 2011 was the Company or any of its subsidiaries a party to any arrangements to enable the Company's Directors, their respective spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

As at 30 June 2011, the Company had total share options outstanding entitling the holders thereof to subscribe for 87,550,000 Shares under the 2001 Share Option Scheme and 700,000 Shares under 2009 Share Option Scheme. The exercise in full of these outstanding share options would, under the present capital structure of the Company, result in the issue of 88,250,000 additional Shares, representing approximately 3.26% of the Shares in issue as at 30 June 2011, and additional share capital of HK\$8,825,000 and share premium account of approximately HK\$31,166,000 (before issue expenses).

### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

So far as is known to the Directors, as at 30 June 2011, the following persons, other than a Director or chief executive of the Company, had the following interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

| Name of shareholder   | Capacity         | Note | Number of Shares | Number of underlying Shares | Total number of Shares and underlying Shares | *Approximate percentage of shareholding in the Company |
|---|------------------|------|------------------|-----------------------------|--|--|
| Skyera International Limited ("Skyera")   | Beneficial owner | 1    | 569,458,130 (L)  | —                           | 569,458,130 (L)                              | 21.06%   |
|   |                  |      | 180,000,000 (S)  | —                           | 180,000,000 (S)                              | 6.66%  |
| Mainway Enterprises Limited ("Mainway")   | Beneficial owner | 2    | 408,715,990 (L)  | —                           | 408,715,990 (L)                              | 15.12%   |
| Orange Sky Entertainment Group (International) Holding Company Limited ("Orange Sky") | Beneficial owner | 3    | 565,719,948 (L)  | —                           | 565,719,948 (L)                              | 20.92%   |
| Cyber International Limited ("Cyber")   | Beneficial owner | 4    | 180,000,000 (L)  | —                           | 180,000,000 (L)                              | 6.66%  |
| NEC Corporation   | Beneficial owner |      | 360,000,000 (L)  | —                           | 360,000,000 (L)                              | 13.32%   |

\* This percentage has been compiled based on the total number of Shares in issue (i.e. 2,703,929,248 ordinary Shares) as at 30 June 2011.

Notes:

1. Skyera is a company wholly-owned by Mr. Wu, who is also a director of Skyera.
2. Mainway is a company wholly-owned by Mr. Wu, who is also a director of Mainway.
3. Orange Sky (a company 80% owned by Mr. Wu) is interested in 565,719,948 Shares, amongst which 160,189,348 Shares were issued upon exercise of the right of the Convertible Notes by Orange Sky on 3 June 2011. Mr. Wu is a director of Orange Sky and Mr. Li Pei Sen is the associate Chairman of Orange Sky.
4. Cyber is a company owned by an associate of Mr. Wu.

Abbreviations:

"L" stands for long position

"S" stands for short position

Save as disclosed above, as at 30 June 2011, no other person had an interest or a short position in Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SHARES**

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **REVIEW BY AUDIT COMMITTEE**

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the Group's interim financial statements for the six months ended 30 June 2011.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011.



## COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of good corporate governance to maintain the Group's competitiveness and lead to its healthy growth. The Company has taken steps not only to comply with code provision as set out in The Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules but also to aim at enhancing corporate governance practices of the Group as whole.

For the six months ended 30 June 2011, the Company has complied with the code provisions of CG Code except that pursuant to code provision A.4.1. of the CG Code, non-executive directors of a listed issuer should be appointed for a specific term, subject to re-election. All non-executive Directors of the Company were not appointed for a specific term but are subject to the requirement of retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws, accomplishing the same purpose as being appointed for a specific term.

As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the code provisions of the CG Code.

## MODEL CODE

The Company has adopted its own code on terms no less exacting than those set out in the Model Code in the Listing Rules. The Company has made specific enquiries with all the Directors and all of them have confirmed that they had complied with the requirements set out in the Model Code and the Company's code for the six months ended 30 June 2011.

## APPRECIATION

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

On behalf of the Board  
**WU Kebo**  
Chairman

Hong Kong, 30 August 2011

# ORANGE SKY GOLDEN HARVEST'S CINEMA PORTFOLIO

## 橙天嘉禾戲院組合

(As at 30 June, 2011 於2011年6月30日)



China 中國

122 Screens / 銀幕

Hong Kong 香港

25 Screens / 銀幕

Taiwan 台灣

85 Screens / 銀幕

Singapore 新加坡

73 Screens / 銀幕

