

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)



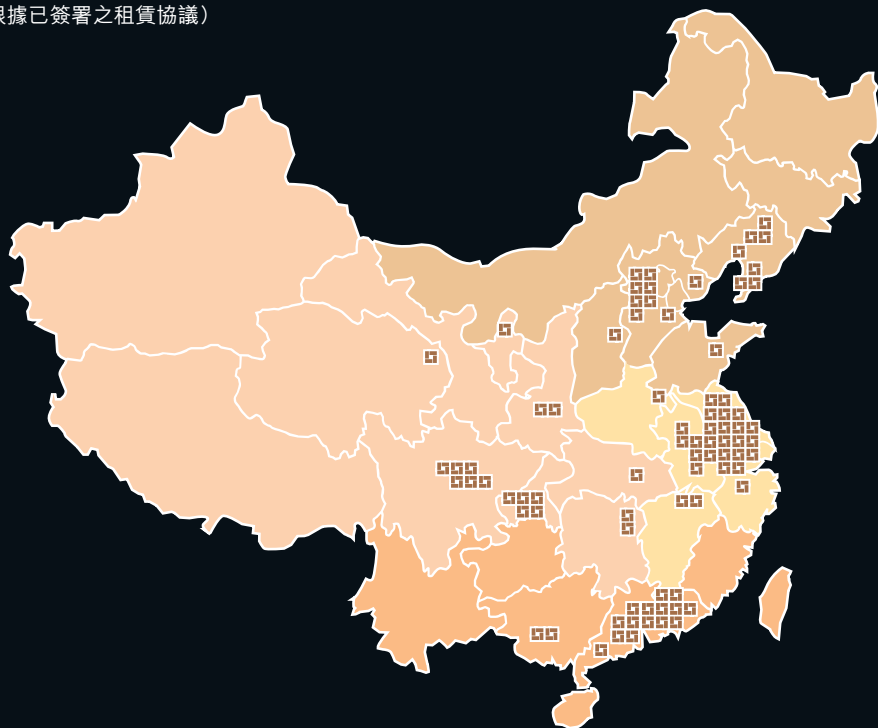
Interim Report 2012  
中期報告

# 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

**18** Cinemas / 電影院  
**125** Screens / 銀幕

Eastern  
China Region  
華東區

**28** Cinemas / 電影院  
**198** Screens / 銀幕

Southern  
China Region  
華南區

**17** Cinemas / 電影院  
**126** Screens / 銀幕

Central / Western  
China Region  
中西區

**18** Cinemas / 電影院  
**142** Screens / 銀幕



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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

WU Kebo (*Chairman*)  
MAO Yimin  
LI Pei Sen  
TAN Boon Pin Simon  
WU Keyan

### INDEPENDENT NON-EXECUTIVE DIRECTORS

LEUNG Man Kit  
HUANG Shao-Hua George  
WONG Sze Wing

### CHIEF EXECUTIVE OFFICER

MAO Yimin

### 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

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai  
Banking Corporation 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

The Group reported a net profit attributable to equity holders of HK\$40 million for the six months ended 30 June 2012, remarkably increased from HK\$13 million reported for the corresponding period a year ago by 208%. Riding on the favourable market conditions in the Group's operating territories and more 3D blockbusters released during the period, as well as contributions from new cinemas in Mainland China and Taiwan, the Group showed significant growth in the first half of 2012. Contributions from exhibition business across the regions were all improved this period even though the Group is facing keen competition in the industry.

The Group's turnover rose by 32% to HK\$741 million this period. During the period, box office receipts from the Group's multiplexes in Mainland China doubled, Vie Show in Taiwan recorded a substantial growth of 40% and Hong Kong's cinemas, excluding GH Hollywood closed in March 2011, also showed a 27% growth. On the other hand, box office receipts of Golden Village in Singapore recorded a slight decline due to temporary closure of a cinema for renovation during the period. However, the effect was compensated by settlement of a tax dispute and reversal of tax provisions made in prior years. Gross margin was maintained at about 58%. The Group's EBITD for the period amounted to HK\$105 million, representing an increase of HK\$42 million from the same period last year.

During the period, the Group recorded a net gain of HK\$4.6 million (after deductions of related expenses and tax expense) for settlement of a legal dispute in respect of a lease agreement in relation to a cinema site in Hangzhou. The Group also disposed of certain equity securities and recorded a gain of HK\$7.9 million during the period.

As of 30 June 2012, cash on hand of the Group amounted to HK\$795 million (31 December 2011: HK\$706 million). The Group's gearing ratio increased to about 23.1% as at 30 June 2012 (31 December 2011: 19.6%). It was mainly due to the increase in bank borrowings for the Group's development of cinema networks in the Group's operating territories. The Group spent around HK\$115 million for fixed assets additions during the period.



## BUSINESS REVIEW

### Film Exhibition

During the six months ended 30 June 2012, the Group opened 6 cinemas with 46 screens in Mainland China and Taiwan. As of 30 June 2012, the Group operated 59 cinemas with 451 screens across Mainland China, Hong Kong, Taiwan and Singapore, significantly increased from 40 cinemas with 305 screens a year ago. The Group's cinemas served 16 million guests during the period, compared to 13 million guests for the same period last year. Gross box office receipts, on a full and aggregated basis, was registered at HK\$934 million, representing an impressive growth of 28% from the same period last year. The major Hollywood blockbusters released this period were *Journey 2: The Mysterious Island*, *The Hunger Games*, *The Avengers*, *Men in Black 3*, *Titanic 3D* and *The Amazing Spider-Man*. The major Chinese-language blockbusters were *Love In The Buff* (春嬌與志明), *A Simple Life* (桃姐) and *Love* (愛).

### OPERATING STATISTICS OF THE GROUP'S CINEMAS

(For the six months ended 30 June 2012)

	Mainland China	Hong Kong	Taiwan	Singapore
Number of cinemas*	32 (note)	6	11	10
Number of screens*	235	26	109	81
Admissions (million)	3.7	1.4	6.7	4.3
Net average ticket price (HK\$)	44	66	64	56

\* as of 30 June 2012

Note: 2 more cinemas in Mainland China are opened subsequent to 30 June 2012



The Group is committed to pursuing visual and audio effect perfection to improve the movie-going experience for the Group's audiences. Currently, all screens in Mainland China, Hong Kong, Taiwan and Singapore have been fully installed digital equipment and over 50% of the Group's screens are 3D compatible. In Hong Kong, two more cinemas have been equipped Motion Chair D-BOX delivering extraordinary theatrical experience to audiences through its authentic motion effects synchronized with onscreen actions. In Taiwan, the Group is the exclusive digital IMAX<sup>®</sup> operator and has added one new digital IMAX<sup>®</sup> screen during the period. Currently, the Group has installed 100 sets of unprecedented SONY 4K Projection System in the Group's Mainland China multiplexes and the Group believes these unrivalled visual effects will take the viewing experience to the next level.

### Mainland China

#### Operating Statistics of the Group's Cinemas in Mainland China

For the six months ended 30 June 2012, the market gross box office receipts from the urban areas in Mainland China increased by 42% to RMB8.1 billion while the Group's gross box office receipts generated by multiplexes in Mainland China doubled compared with same period a year ago. During the period, the Group opened 5 new cinemas with 38 screens in Beijing, Changzhou, Chengdu, Dalian and Xining. Thanks to the rich film line-up, growing demand for a high-quality entertainment experience and the Chinese government's favourable policies implemented, the Group's multiplexes in Mainland China served approximately 3.7 million patrons during the period, representing 90% growth from the same period last year. The Group has slightly increased the average ticket price to make it competitive in the market. The Mainland China's cinema industry environment experienced severe competition in the first half of 2012. The contribution from the exhibition business in Mainland China to the Group is still under pressure in the early stage of operation.



## Hong Kong

### Operating Statistics of the Group's Cinemas in Hong Kong

During the period, Hong Kong market as a whole recorded box office receipts of HK\$754 million, up by 19% from HK\$633 million for the same period last year. The Group's cinemas in Hong Kong showed continuous improvement and recorded higher box office takings of HK\$93 million this period (30 June 2011: HK\$82 million) despite the closure of GH Hollywood at Diamond Hill on 30 March 2011. The Group is the first Hong Kong cinema to install Motion Chair D-Box. With the growing demand on theatrical exhibition technology and well-received Motion Chair D-Box introduced in GH Mongkok last year, the Group has further installed 74 D-Box Motion Chairs in GH Citywalk and Golden Gateway during the period. Excluding GH Hollywood, both the total box office receipts and admissions of the other six cinemas increased by approximately 27% and 17%, respectively. The Group expects to maintain a market share of around 12%.

## Taiwan

### Operating Statistics of the Group's Cinemas in Taiwan

Taipei City as a whole recorded market box office receipts of NTD1.76 billion for the six months ended 30 June 2012 (30 June 2011: NTD1.64 billion). The Group's 35.71%-owned Vie Show cinema circuit recorded 40% growth in both box office receipts and admissions as compared with the same period last year. This was mainly due to the overwhelming success of several local Chinese-language films which achieved remarkable box office receipts in Taiwan, namely *Din Tao: Leader of the Parade* (陣頭) and *Love* (愛) and the good performance of two new cinemas opened last year. In April 2012, Vie Show opened its second cinema in Hsinchu with 8 screens at Big City. With the opening of this new cinema, the market share of Vie Show in Taiwan has increased to about 43% now. Vie Show is the exclusive digital IMAX® operator in Taiwan and has added one new digital IMAX® screen giving a total of six screens as at 30 June 2012. The Group's share of net profit for the period from Vie Show increased to HK\$21 million, up by 35% from last period's HK\$16 million.





## Singapore

### Operating Statistics of the Group's Cinemas in Singapore

Singapore market box office receipts totalled S\$95 million for the six months ended 30 June 2012, slightly up from S\$92 million for the same period last year. The Group's 50%-owned Golden Village cinema circuit maintained its leading position with a market share of 41% by reporting box office receipts of S\$39 million for the period (30 June 2011: S\$40 million). GV Jurong Point was closed down for renovation from February to April 2012 and it has affected the profit contribution to Group. However, GV Katong opened in December 2011 has performed well and partially offset the negative impact of the temporary closure of GV Jurong Point. Having taking into the consideration of tax credit resulted from settlement of a tax dispute and reversal of tax provisions made in prior years, the Group shared a net profit of HK\$25 million same as the same period last year.

### Film & TV Programmes Distribution and Production

For the six months ended 30 June 2012, the Group's film distribution and production business recorded revenue of HK\$46 million (30 June 2011: HK\$40 million). The Group distributed over 70 films in Mainland China, Hong Kong, Singapore and Taiwan (30 June 2011: over 70 films). The Group has fine-tuned its film distribution strategy to focus on releasing high quality selected non-Chinese language films and Chinese language films and TV drama series investment and co-production. The Group's film library of more than 140 films and TV titles with perpetual distribution rights continued contributing steady licensing income to the Group.

## PROSPECTS

Looking ahead, the Group is optimistic that the market demand for high quality films will register sustained growth within emerging markets such as Mainland China. In addition to keeping up a fast pace of cinema openings in the Mainland China market and pursuing acquisition opportunities to further expand the Group's cinema portfolio in the Asia Pacific region, the Group will continue to solidify the business integration of its comprehensive film business and fine-tuning the overall business model. The Group has dedicated its efforts in strengthening and growing both the exhibition and distribution networks in territories with higher market potential and better returns, and eventually becoming a leading integrator of the movie entertainment industry across Asia.



As of 28 August 2012, the Group operated 34 cinemas with 248 screens in Mainland China and 11 cinemas with 77 screens were in various stages of internal decoration and are in the pipeline for opening. By the end of 2013, the Group expects to operate 71 cinemas with 523 screens in Beijing, Changsha, Changzhou, Chengdu, Chongqing, Dalian, Dongguan, Fushun, Guangzhou, Hefei, Huizhou, Jiashan, Linyi, Maanshan, Nanning, Nantong, Shanghai, Suzhou, Tangshan, Tianjin, Wuhan, Wuxi, Xian, Xuyu, Yancheng, Yangjiang and Zhuzhou based on lease agreements signed as of 28 August 2012, although the number may vary due to the actual handover date, the progress of internal decoration, application of relevant licenses and new lease agreements to be entered into during the period. In Singapore, the Group will open one new cinema with 6 screens at City Square Mall in the second half of 2012.

In view of the growing demand for Chinese-language films, the Group will continue to expand its distribution and production business. The Group will re-produce the classic film *Fly Me to Polaris* in the second half of 2012. This new *Fly Me to Polaris* will be directed by the original director, Mr Jingle Ma, and will adopt the Sony super high resolution 4K digital filming techniques, a pioneering attempt in Mainland China. The Group will also seek for opportunities to co-operate with Hollywood studios in film production activities and look for good scripts for Chinese language film and TV drama series co-production.

Currently, the Group has very strong liquidity and reasonable financial leverage. In order to cope with the rapid expansion, the Group will utilise the available bank loan facility to finance the cinema projects in Mainland China and other expansion investment opportunities. Management will closely monitor and maintain optimal gearing structure to limit the risk.



## FINANCIAL RESOURCES AND LIQUIDITY

As of 30 June 2012, the Group maintained a rich liquid fund with cash balance of HK\$795 million (31 December 2011: HK\$706 million) and had net current assets of HK\$408 million (31 December 2011: HK\$382 million). The Group's outstanding bank loans totalled HK\$625 million (31 December 2011: HK\$504 million). The significant increase in bank loans is to finance the cinema projects in Mainland China. During the six months ended 30 June 2012, the Group spent about HK\$115 million for fixed assets investment of which, approximately HK\$82 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 2012, the Group's gearing ratio, calculated on the basis of external borrowings over total assets, was about 23.1% (31 December 2011: 19.6%). 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 dollars 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 subject 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 minimise the risk at reasonable cost. The Group did not have any significant contingent liabilities as of 30 June 2012.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2012, the Group had 1,362 (31 December 2011: 1,565) 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 2012, 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 38 which comprises the consolidated statement of financial position of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the “Company”) and its subsidiaries (collectively, the “Group”) as of 30 June 2012 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 months 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 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 (“HKSRE 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 2012 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

28 August 2012

**CONSOLIDATED INCOME STATEMENT – UNAUDITED**

For the six months ended 30 June 2012

	Note	Six months ended 30 June 2012 HK\$'000	Six months ended 30 June 2011 HK\$'000
<b>Turnover</b>	3	<b>740,836</b>	561,038
Cost of sales		<b>(304,645)</b>	(233,435)
<b>Gross profit</b>		<b>436,191</b>	327,603
Other revenue		<b>18,731</b>	8,971
Other net income	4(c)	<b>8,150</b>	7,739
Selling and distribution costs		<b>(359,318)</b>	(267,269)
General and administrative expenses		<b>(50,195)</b>	(50,372)
Other operating expenses		<b>(2,275)</b>	(4,272)
<b>Profit from operations</b>		<b>51,284</b>	22,400
Finance costs	4(a)	<b>(12,520)</b>	(4,448)
<b>Profit before taxation</b>	4	<b>38,764</b>	17,952
Income tax	5	<b>1,584</b>	(5,580)
<b>Profit for the period</b>		<b>40,348</b>	12,372
<b>Attributable to:</b>			
Equity holders of the Company		<b>40,095</b>	13,180
Non-controlling interests		<b>253</b>	(808)
		<b>40,348</b>	12,372
<b>Earnings per share</b>	6		
Basic		<b>1.50 cents</b>	0.51 cents
Diluted		<b>1.50 cents</b>	0.51 cents

The notes on pages 18 to 38 form part of this interim financial report.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

For the six months ended 30 June 2012

	<b>Six months ended 30 June 2012 HK\$'000</b>	Six months ended 30 June 2011 HK\$'000
<b>Profit for the period</b>	<b>40,348</b>	12,372
<b>Other comprehensive income for the period:</b>		
Exchange differences on translation of financial statements of:		
— overseas subsidiaries	<b>(3,730)</b>	4,979
— overseas jointly controlled entities	<b>2,856</b>	6,206
	<b>(874)</b>	11,185
Available-for-sale equity securities:		
— net movement in the fair value reserve	—	1,968
<b>Total comprehensive income for the period</b>	<b>39,474</b>	25,525
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b>39,274</b>	26,150
Non-controlling interests	<b>200</b>	(625)
<b>Total comprehensive income for the period</b>	<b>39,474</b>	25,525

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

The notes on pages 18 to 38 form part of this interim financial report.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2012

	Note	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
<b>Non-current assets</b>			
Fixed assets	7	1,225,020	1,206,446
Available-for-sale equity securities	8	—	149
Prepaid rental		26,950	28,472
Club memberships		2,490	2,490
Rental and other deposits		112,958	106,631
Trademark		79,785	79,785
Goodwill		73,658	73,658
Deferred tax assets		16,682	7,335
Pledged bank deposits	11	73,288	48,010
		<b>1,610,831</b>	1,552,976
<b>Current assets</b>			
Inventories		6,013	6,137
Available-for-sale equity securities	8	—	20,000
Film rights	9	66,383	68,640
Trade receivables	10	76,315	84,226
Other receivables, deposits and prepayments		158,504	133,043
Amounts due from jointly controlled entities		1,469	200
Deposits and cash	11	794,958	705,664
		<b>1,103,642</b>	1,017,910
<b>Current liabilities</b>			
Bank loans	12	202,280	127,252
Trade payables	13	117,678	120,205
Other payables and accrued charges		190,788	205,920
Obligations under finance lease		725	—
Deferred revenue		156,771	153,199
Taxation payable		27,063	29,778
		<b>695,305</b>	636,354

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

As at 30 June 2012

	Note	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
<b>Net current assets</b>		<b>408,337</b>	381,556
<b>Total assets less current liabilities</b>		<b>2,019,168</b>	1,934,532
<b>Non-current liabilities</b>			
Bank loans	12	422,834	376,345
Obligations under finance lease		1,648	—
Deposits received		8,689	9,891
Deferred tax liabilities		24,024	24,713
		<b>457,195</b>	410,949
<b>NET ASSETS</b>		<b>1,561,973</b>	1,523,583
<b>Capital and reserves</b>			
Share capital	15	267,982	268,419
Reserves		1,285,133	1,245,425
<b>Total equity attributable to equity holders of the Company</b>		<b>1,553,115</b>	1,513,844
<b>Non-controlling interests</b>		<b>8,858</b>	9,739
<b>TOTAL EQUITY</b>		<b>1,561,973</b>	1,523,583

The notes on pages 18 to 38 form part of this interim financial report.



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

For the six months ended 30 June 2012

	Share capital HK\$'000	Share premium HK\$'000	Share option reserves HK\$'000	Capital redemption reserves HK\$'000	Contributed surplus HK\$'000	*Reserve funds HK\$'000	Exchange reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 January 2012</b>	263,419	666,825	5,834	8,896	80,000	13,600	28,744	433,296	1,513,844	9,739	1,523,583
Profit for the period	-	-	-	-	-	-	-	40,085	40,085	283	40,368
Other comparable income	-	-	-	-	-	-	(821)	-	(821)	(83)	(904)
<b>Total comprehensive income</b>	-	-	-	-	-	-	(821)	40,085	39,274	200	39,474
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,081)	(1,081)
Equity-settled share-based transactions	-	-	1,224	-	-	-	-	-	1,224	-	1,224
Shares repurchased	(49)	(780)	-	437	-	-	-	(497)	(1,227)	-	(1,227)
Transfer to/(from) reserves	-	-	-	-	-	4,547	-	(4,547)	-	-	-
<b>At 30 June 2012</b>	267,992	668,835	7,158	8,833	80,000	17,977	37,923	483,407	1,553,115	8,838	1,561,973

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

For the six months ended 30 June 2012

	Share capital	Share premium	Share option reserve	Capital redemption reserve	Contributed surplus	Equity component of convertible notes	Reserve funds	Fair value reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2011</b>	254,374	600,656	5,515	6,422	80,000	2,874	7,454	–	31,530	344,923	1,364,248	11,554	1,375,802
Profit/loss for the period	–	–	–	–	–	–	–	–	–	13,180	13,180	(808)	12,372
Other comprehensive income	–	–	–	–	–	–	–	1,998	11,002	–	12,970	183	13,153
<b>Total comprehensive income</b>	–	–	–	–	–	–	–	1,998	11,002	13,180	26,150	(625)	25,525
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(888)	(888)
Lapses of non-vesting share options	15)	–	(765)	–	–	–	–	–	–	–	(765)	–	(765)
Equity-settled share-based transactions	15)	–	1,886	–	–	–	–	–	–	–	1,886	–	1,886
Issuance of convertible note	14	–	–	–	–	8,120	–	–	–	–	8,120	–	8,120
Conversion of convertible notes	15)	16,019	38,792	–	–	(10,994)	–	–	–	–	43,817	–	43,817
Transfer to/(from) reserves	–	–	–	–	–	–	947	–	–	(847)	–	–	–
<b>At 30 June 2011</b>	270,393	669,646	6,636	6,422	80,000	–	8,401	1,998	42,532	357,156	1,443,456	9,941	1,453,397

\* In accordance with the relevant regulations in the Mainland China and Taiwan, the Company's subsidiaries and jointly controlled entities established therein are required to transfer a certain percentage of their profits after taxation 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 Mainland China 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 38 form part of this interim financial report.





## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

For the six months ended 30 June 2012

	<b>Six months ended 30 June 2012 HK\$'000</b>	Six months ended 30 June 2011 HK\$'000
<b>Net cash generated from operating activities</b>	<b>50,286</b>	37,036
<b>Net cash used in investing activities</b>	<b>(79,932)</b>	(212,690)
<b>Net cash generated from financing activities</b>	<b>119,263</b>	223,639
<b>Net increase in cash and cash equivalents</b>	<b>89,617</b>	47,985
<b>Cash and cash equivalents at 1 January</b>	<b>705,664</b>	457,677
<b>Effect of foreign exchange rates changes</b>	<b>(323)</b>	6,692
<b>Cash and cash equivalents at 30 June</b>	<b>794,958</b>	512,354
<b>Analysis of balances of cash and cash equivalents</b>		
Non-pledged short term bank deposits	<b>333,638</b>	157,326
Non-pledged cash and bank balances	<b>461,320</b>	355,028
<b>Cash and cash equivalents at 30 June</b>	<b>794,958</b>	512,354

The notes on pages 18 to 38 form part of this interim financial report.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

### 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 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 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 (collectively, the "Group") since the 2011 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 2011 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 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2012.

**2 Changes in accounting policies**

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. None of the developments are relevant to the Group's interim financial statements and 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



### 3 Segment reporting (continued)

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 taxation.

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

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 on an arm's length basis.

**3 Segment reporting (continued)**

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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>										
Revenue from external customers										
– Exhibition	106,916	94,749	232,251	106,646	203,955	152,693	168,888	173,148	712,010	527,236
– Distribution and production	33,066	20,828	3,483	9,437	777	1,059	8,336	8,705	45,662	40,029
– Corporate	1,539	1,374	–	–	–	–	–	–	1,539	1,374
Reportable segment revenue	141,521	116,951	235,734	116,083	204,732	153,752	177,224	181,853	759,211	568,639
Reportable segment profit/(loss)	18,188	3,073	(7,411)	(12,470)	21,302	15,424	27,419	27,160	59,498	33,187

**Reconciliation – Revenue**

Reportable segment revenue	759,211	568,639
Elimination of intra-segment revenue	(5,427)	(7,777)
Other revenue	(13,594)	(7,992)
Others	646	8,168
	<b>740,836</b>	<b>561,038</b>

**Reconciliation – Profit before taxation**

Reportable profit from external customers	59,498	33,187
Unallocated operating expenses, net	(19,403)	(20,007)
Non-controlling interests	253	(808)
Income tax	(1,584)	5,580
Profit before taxation	<b>38,764</b>	<b>17,952</b>



#### 4 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	<b>Six months ended 30 June 2012 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2011 HK\$'000 (Unaudited)
<b>(a) Finance costs</b>		
Interest on bank loans wholly repayable		
— within five years	<b>10,207</b>	1,662
— after five years	<b>6,846</b>	2,631
Interest on convertible notes	—	155
Finance charges on obligations under finance lease	<b>94</b>	—
Other ancillary borrowing costs	<b>2,173</b>	—
Total finance costs on financial liabilities not at fair value through profit or loss	<b>19,320</b>	4,448
Less: finance costs capitalised into leasehold improvement*	<b>(6,800)</b>	—
	<b>12,520</b>	4,448

\* The finance costs have been capitalised at rates ranging from 5.25% to 8.46% per annum (six months ended 30 June 2011: Nil).

<b>(b) Other items</b>		
Cost of inventories	<b>21,574</b>	17,939
Cost of services provided	<b>265,551</b>	205,141
Depreciation of fixed assets	<b>59,587</b>	41,889
Amortisation of film rights	<b>17,520</b>	10,355
Impairment losses on available-for-sale equity securities	—	614
Fair value loss on a derivative financial instrument	—	1,663
Gain on disposals of available-for-sale equity securities	<b>(7,911)</b>	(62)
Loss on disposals of property, plant and equipment	<b>1,748</b>	1,154
Exchange loss/(gain), net	<b>6,305</b>	(4,715)
Interest income from bank deposits	<b>(5,503)</b>	(1,158)
Dividend income from a listed investment	<b>(566)</b>	(330)

#### (c) Other net income

Included in other net income for the six months ended 30 June 2012 is an amount of HK\$6,089,000 representing the net settlement sum received by the Group in respect of a claim for damages against a landlord in Mainland China.



**5 Income tax**

Taxation in the consolidated income statement represents:

	<b>Six months ended 30 June 2012 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2011 HK\$'000 (Unaudited)
<b>Group</b>		
<i>Current income tax</i>		
Provision for overseas tax	<b>7,204</b>	1,784
(Over)/under-provision in respect of prior periods	<b>(47)</b>	80
	<b>7,157</b>	1,864
<i>Deferred tax — overseas</i>		
Origination and reversal of temporary differences	<b>(8,912)</b>	(3,093)
	<b>(1,755)</b>	(1,229)
<b>Jointly controlled entities</b>		
<i>Current income tax</i>		
Provision for overseas tax	<b>8,707</b>	7,964
Over-provision in respect of prior periods*	<b>(6,989)</b>	(704)
	<b>1,718</b>	7,260
<i>Deferred tax — overseas</i>		
Origination and reversal of temporary differences	<b>(1,547)</b>	(451)
	<b>171</b>	6,809
	<b>(1,584)</b>	5,580

\* The tax credit principally relates to settlement of a tax dispute and reversal of provisions made in prior periods due to the retrospective application of new tax legislation in Singapore.

The provision for Hong Kong Profits Tax for 2012 is calculated at 16.5% (2011: 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\$40,095,000 (six months ended 30 June 2011: HK\$13,180,000) and the weighted average number of ordinary shares of 2,680,931,116 (2011: 2,568,520,573 shares) in issue during the period.

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

	<b>2012</b>	2011
	<b>Number</b>	Number
	<b>of shares</b>	of shares
	<b>(Unaudited)</b>	(Unaudited)
<b>Shares</b>		
Issued ordinary shares		
as at 1 January	<b>2,684,194,248</b>	2,543,739,900
Effect of shares repurchased	<b>(3,263,132)</b>	—
Effect of convertible notes converted	—	24,780,673
Weighted average number of ordinary shares (basic) at 30 June	<b>2,680,931,116</b>	2,568,520,573
<b>Effect of dilution — weighted average number of ordinary shares:</b>		
Effect of deemed issue of shares under the Company's share option scheme	—	1,225,914
Effect of conversion of convertible notes	—	29,943,312
Weighted average number of ordinary shares (diluted) at 30 June	<b>2,680,931,116</b>	2,599,689,799

**6 Earnings per share** *(continued)**(c) Diluted earnings per share*

There were no diluted potential shares in existence during the six months ended 30 June 2012. The calculation of diluted earnings per share for the six months ended 30 June 2011 was based on the profit attributable to equity holders of the Company of HK\$13,335,000 and the weighted average number of ordinary shares of 2,599,689,799, calculated as follows:

	Six months ended 30 June 2011 HK\$'000 (Unaudited)
Profit attributable to equity holders	13,180
After tax effect of effective interest on the liability component of convertible notes	155
Profit attributable to equity holders (diluted)	13,335

**7 Fixed assets**

During the six months ended 30 June 2012, the Group acquired fixed assets in the aggregate amount of HK\$115,167,000, which mainly comprised payments for construction in progress, leasehold improvements and machinery and equipment.



## 8 Available-for-sale equity securities and derivative financial instrument

	<b>As at 30 June 2012 HK\$'000 (Unaudited)</b>	As at 31 December 2011 HK\$'000 (Audited)
Available-for-sale equity securities:		
— Listed investment in Hong Kong, at fair value	—	20,000
— Listed investment in Australia, at fair value	—	149
Market value of listed investments	—	20,149
Representing:		
Non-current	—	149
Current	—	20,000
	—	20,149



## 8 Available-for-sale equity securities and derivative financial instrument

(continued)

At 31 December 2011, the Group held 10,000,000 shares in Overseas Chinese Town (Asia) Holdings Limited (“Overseas Chinese”), a company listed in Hong Kong. During the six months ended 30 June 2012, the Group disposed all its shares in Overseas Chinese and recorded a gain of HK\$7,911,000 (six months ended 30 June 2011: HK\$Nil).

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 would have been 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 been exercised by their respective expiry dates (“Profit-sharing Option”). The Group received HK\$8,250,000 from the Counterparty as 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., 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 and derivative financial instrument

*(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 requested the Group to withdraw the Notice and to discuss alternative means of settlement. The Counterparty failed to comply with its obligations under the Option Agreement.

On 14 December 2011, the Group entered into an agreement with another independent third party to whom the Option Agreement had been transferred and appointed an agent (the "Agent") for sale of the Overseas Chinese Shares within the next two years. The Agent shares a portion of the gain upon disposal in excess of a fixed price per share. Accordingly the Option Agreement was derecognised and the available-for-sale equity securities of HK\$20,000,000 were reclassified from non-current assets to current assets at 31 December 2011.

## 9 Film rights

During the period under review, the Group incurred costs for film production of HK\$13,825,000 and amortisation of film rights amounted to HK\$17,520,000.

**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 30 June 2012 HK\$'000 (Unaudited)</b>	As at 31 December 2011 HK\$'000 (Audited)
Current to 3 months	<b>67,116</b>	82,187
Within 4 to 6 months	<b>3,488</b>	1,622
Over 6 months	<b>5,711</b>	417
	<b>76,315</b>	84,226

At 30 June 2012, trade receivables of the Group included amounts in total of HK\$1,799,000 (31 December 2011: HK\$1,601,000) due from related companies which were unsecured, interest-free and recoverable within one year.



## 11 Deposits and cash

	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
Deposits at banks	406,926	333,559
Cash at bank and on hand	461,320	420,115
	<b>868,246</b>	753,674
Less: Pledged deposits		
— for bank loans	(46,830)	(22,216)
— for bank guarantees	(26,458)	(25,794)
Cash and cash equivalents	<b>794,958</b>	705,664

## 12 Bank loans

(a) The bank loans were repayable as follows:

	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
Within 1 year or on demand	202,280	127,252
After 1 year but within 2 years	219,140	164,857
After 2 years but within 5 years	182,466	184,608
After 5 years	21,228	26,880
	<b>422,834</b>	376,345
	<b>625,114</b>	503,597

All of the non-current interest-bearing borrowings are carried at amortised cost.

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



**12 Bank loans** (continued)

- (b) At 30 June 2012, the bank loans were secured by:
- (i) property, plant and equipment of a jointly controlled entity at carrying values of HK\$108,280,000 (31 December 2011: HK\$100,722,000);
  - (ii) time deposits of certain subsidiaries and jointly controlled entities of HK\$46,830,000 (31 December 2011: HK\$21,845,000) and HK\$Nil (31 December 2011: HK\$371,000), respectively; and
  - (iii) corporate guarantees from the Company.
- (c) The bank loans of the Group were denominated in the following currencies:

	<b>As at 30 June 2012 '000 (Unaudited)</b>	As at 31 December 2011 '000 (Audited)
Singapore dollars	<b>6,750</b>	8,250
New Taiwan dollars	<b>53,565</b>	35,710
Renminbi	<b>156,550</b>	129,500
Hong Kong dollars	<b>379,022</b>	285,527



### 13 Trade payables

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

	<b>As at 30 June 2012 HK\$'000 (Unaudited)</b>	As at 31 December 2011 HK\$'000 (Audited)
Current to 3 months	<b>93,032</b>	107,975
Within 4 to 6 months	<b>11,401</b>	1,287
Within 7 to 12 months	<b>2,690</b>	1,049
Over 1 year	<b>10,555</b>	9,894
	<b>117,678</b>	120,205

At 30 June 2012, trade payables of the Group included amounts in total of HK\$1,914,000 (31 December 2011: HK\$2,462,000) due to related companies which were unsecured, interest-free and repayable on demand.

### 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 a substantial shareholder of the Company, Orange Sky Entertainment Group (International) Holding Company Limited, as part of the consideration for the acquisition of the transferred assets and liabilities of a subsidiary, respectively. Details are set out in note 34(a) of the 2010 annual financial statements.

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.

## 15 Share capital

	Note	As at 30 June 2012 (unaudited)		As at 31 December 2011 (audited)	
		No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
<b>Authorised:</b>					
Ordinary shares of HK\$0.10 each		<b>6,000,000,000</b>	<b>600,000</b>	6,000,000,000	600,000
<b>Ordinary shares, issued and fully paid:</b>					
At 1 January		<b>2,684,194,248</b>	<b>268,419</b>	2,543,739,900	254,374
Conversion of convertible notes	(ii)	—	—	160,189,348	16,019
Shares repurchased	(iii)	<b>(4,375,000)</b>	<b>(437)</b>	(19,735,000)	(1,974)
At 30 June 2012/ 31 December 2011		<b>2,679,819,248</b>	<b>267,982</b>	2,684,194,248	268,419



## 15 Share capital (continued)

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 2011 annual financial statements.

### (ii) Conversion of convertible notes

On 3 June 2011, 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) Shares repurchased

During the period, the Company acquired 4,375,000 shares through purchases on the open market. The total amount paid to acquire the shares during the period was HK\$1,227,000.

### (iv) Dividends

No dividends were declared and distributed during the six months ended 30 June 2012 and 2011.

**16 Capital commitments**

	<b>As at 30 June 2012 HK\$'000 (Unaudited)</b>	As at 31 December 2011 HK\$'000 (Audited)
<b>Capital commitments in respect of the acquisition of fixed assets:</b>		
Contracted for:		
— Mainland China	<b>149,018</b>	129,799
— Taiwan	<b>4,233</b>	14,507
— Singapore	<b>3,970</b>	2,565
	<b>157,221</b>	146,871
-----		
Authorised but not contracted for:		
— Mainland China	<b>1,084,138</b>	799,889
— Taiwan	<b>—</b>	5,926
— Singapore	<b>7,649</b>	16,185
	<b>1,091,787</b>	822,000
	<b>1,249,008</b>	968,871
	<b>1,249,008</b>	968,871

**17 Contingent liabilities**

At 30 June 2012, the Company has issued guarantees to banks in respect of banking facilities granted to certain subsidiaries and a jointly controlled entity amounting to HK\$751,960,000 (31 December 2011: HK\$778,921,000) and HK\$30,500,000 (31 December 2011: HK\$30,000,000) respectively. At 30 June 2012, banking facilities of HK\$575,991,000 (31 December 2011: HK\$459,285,000) and HK\$30,500,000 (31 December 2011: HK\$30,000,000) had been utilised by the subsidiaries and a jointly controlled entity respectively.

At 30 June 2012, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The Company has not recognised any deferred income in respect of bank guarantees as their fair values cannot be reliably measured and no transaction price was incurred.



## 18 Material related party transactions

### (a) Key management personnel remuneration

	<b>Six months ended 30 June 2012 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2011 HK\$'000 (Unaudited)
Short-term employee benefits	<b>2,400</b>	1,764
Post-employment benefits	<b>18</b>	6
Equity-settled share-based payments	<b>1,225</b>	1,839
	<b>3,643</b>	3,609

### (b) Material related party transactions

During the six months ended 30 June 2012, the Group received income of HK\$6,358,000 in aggregate for the provision of cinema screen advertising services from two related companies (six months ended 30 June 2011: HK\$2,817,000), received income of HK\$1,033,000 in aggregate for leasing cinema facilities from a related company (six months ended 30 June 2011: HK\$Nil) and paid office rental expenses of HK\$2,117,000 in aggregate to a related company (six months ended 30 June 2011: HK\$1,427,000) which constituted continuing connected transactions as defined in the Listing Rules. The continuing connected transactions were either properly approved by the independent shareholders or were considered to be de minimis transactions as defined in the Listing Rules.

There were no other material related party transactions during the six months ended 30 June 2012, other than in the nature of those as disclosed in note 30 of the 2011 annual financial statements.



**19 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period beginning 1 January 2012**

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 period beginning 1 January 2012 and which have not been adopted in the interim financial report.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1, <i>Presentation of financial statements — Presentation of items of other comprehensive income</i>	1 July 2012
HKFRS 10, <i>Consolidated financial statements</i>	1 January 2013
HKFRS 11, <i>Joint arrangements</i>	1 January 2013
HKFRS 12, <i>Disclosures of interests in other entities</i>	1 January 2013
HKFRS 13, <i>Fair value measurement</i>	1 January 2013
HKAS 27, <i>Separate financial statements</i> (2011)	1 January 2013
HKAS 28, <i>Investments in associates and joint ventures</i>	1 January 2013
Revised HKAS 19, <i>Employee benefits</i>	1 January 2013
HKFRS 9, <i>Financial instruments</i>	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application.



## 19 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period beginning 1 January 2012

*(continued)*

So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position, except for HKFRS 11.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement in which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

Joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting whereas the Group currently accounts for its jointly controlled entities under HKAS 31 using the proportionate consolidation method. The Group's jointly controlled entities that are currently accounted for using the proportionate consolidation method will have to be accounted for using the equity method of accounting if they are considered to be joint ventures under HKFRS 11.



## BOARD COMPOSITION

As at the date of this interim report, the composition of the Board of the Company was as follows:

### Executive Directors

Wu Kebo (*Chairman*)

Li Pei Sen

Mao Yimin

Tan Boon Pin Simon

Wu Keyan

### Independent Non-executive Directors

Leung Man Kit

Huang Shao-Hua George

Wong Sze Wing

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the period and up to the date of this interim report, the Company repurchased certain of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Directors consider that the share repurchases are beneficial to shareholders of the Company who retain their investments in the Company. Details of the share repurchases are set out below:

Month/Year	Number of shares repurchased	Highest price per share HK\$	Lowest price per share HK\$	Aggregated consideration (excluding transaction costs) HK\$'000
January 2012	2,990,000	0.280	0.260	821
May 2012	1,385,000	0.295	0.275	395
	<u>4,375,000</u>			



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

As at 30 June 2012, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to 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/ Chief Executive	Capacity	Note	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	*Approximate percentage of Shares and underlying Shares in the issued share capital of the Company
Wu Kebo	Interest of controlled corporations	1	1,594,227,401 (L)	—	1,594,227,401 (L)	59.49%
	Beneficial owner	1	19,105,000 (L)	—	19,105,000 (L)	0.71%
		2	—	60,000,000 (L)	60,000,000 (L)	2.24%
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%
Leung Man Kit	Beneficial owner	2	—	200,000 (L)	200,000 (L)	0.007%



Name of Director/ Chief Executive	Capacity	Note	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	*Approximate percentage of Shares and underlying Shares in the issued share capital of the Company
Huang Shao-Hua George	Beneficial owner	2	—	200,000 (L)	200,000 (L)	0.007%
Tan Boon Pin Simon	Beneficial owner	2	—	1,200,000 (L)	1,200,000 (L)	0.045%

\* This percentage has been compiled based on the total number of Shares in issue (i.e. 2,679,819,248) as at 30 June 2012.

#### Notes:

- By virtue of the SFO, Mr. Wu Kebo (“Mr. Wu”) was deemed to be interested in a total of 1,594,227,401 Shares, of which (i) 439,791,463 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) and (iv) 180,000,000 Shares were held by Cyber International Limited (a company owned by an associate of Mr. Wu) (“Cyber”).

In addition, Mr. Wu was interest in 19,105,000 Shares as at 30 June 2012 and 23,345,000 Shares as at the date of this report which were beneficially held in his own name.

- 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”).

#### 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 2012, 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 2012**

During the six months ended 30 June 2012, there is no option 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 2012, 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.

The movements of share options during the six months ended 30 June 2012 and the outstanding share options held by the Directors, chief executive and other employees of the Group as at 30 June 2012 set out in the following table:

Name or category of participant	Date of grant of share option	Exercise price per Share		Number of share options outstanding as at 1 January 2012	Granted during the six months ended 30 June 2012	Exercised during the six months ended 30 June 2012	Lapsed during the six months ended 30 June 2012	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 2012
		Share	Exercise period					(Note a) HK\$	(Note a) HK\$	
<b>Director</b>										
Huang Shao-Hua George	23 September 2009	0.453	23 September 2009 to 22 September 2014	200,000	–	–	–	0.451	–	200,000
Wu Kebo	23 September 2009	0.453	23 September 2009 to 22 September 2014	60,000,000	–	–	–	0.451	–	60,000,000
Wu Keyan	23 September 2009	0.453	23 September 2009 to 22 September 2014	700,000	–	–	–	0.451	–	700,000
Li Pei San	23 September 2009	0.453	23 September 2009 to 22 September 2014	200,000	–	–	–	0.451	–	200,000
Leung Man Kit	23 September 2009	0.453	23 September 2009 to 22 September 2014	200,000	–	–	–	0.451	–	200,000

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Name or category of participant	Date of grant of share option	Exercise price per Share		Number of share options outstanding as at 1 January 2012	Granted during the six months ended 30 June 2012	Exercised during the six months ended 30 June 2012	Lapsed during the six months ended 30 June 2012	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 2012
		Share	Exercise period					(Note a) HK\$	(Note a) HK\$	
Tan Boon Pin Simon	23 September 2009	0.453	23 September 2009 to 22 September 2014	1,200,000	–	–	–	0.451	–	1,200,000
<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
				63,550,000	–	–	–			63,550,000

Note:

- (a) Being the weighted average closing price of the Shares immediately before the dates on which the share options were granted or exercised, as applicable.

Apart from the above, at no time during the six months ended 30 June 2012 was the Company or any of its subsidiaries a party to any arrangements to enable the 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 2012, the Company had total share options outstanding entitling the holders thereof to subscribe for 63,550,000 Shares under the 2001 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 63,550,000 additional Shares, representing approximately 2.37% of the Shares in issue as at 30 June 2012, and additional share capital of HK\$6,355,000 and share premium account of approximately HK\$22,433,000 (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 2012, 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
Wu Kebo	Interest of controlled corporations	1	1,594,227,401 (L)	—	1,594,227,401 (L)	59.49%
	Beneficial owner	1	19,105,000 (L)	—	19,105,000 (L)	0.71%
		6		60,000,000 (L)		60,000,000 (L)
Skyera International Limited ("Skyera")	Beneficial owner	2	439,791,463 (L)	—	439,791,463 (L)	16.41%
Mainway Enterprises Limited ("Mainway")	Beneficial owner	3	408,715,990 (L)	—	408,715,990 (L)	15.25%
Orange Sky Entertainment Group (International) Holding Company Limited ("Orange Sky")	Beneficial owner	5	565,719,948 (L)	—	565,719,948 (L)	21.11%
Cyber International Limited ("Cyber")	Beneficial owner	4	180,000,000 (L)	—	180,000,000 (L)	6.72%
NEC Corporation	Beneficial owner		360,000,000 (L)	—	360,000,000 (L)	13.43%

\* These percentages have been compiled based on the total number of Shares in issue (i.e. 2,679,819,248 ordinary Shares) as at 30 June 2012.



## Notes:

1. By virtue of the SFO, Mr. Wu was deemed to have interest in a total of 1,594,227,401 Shares, of which (i) 439,791,463 Shares were held by Skyera; (ii) 408,715,990 Shares were held by Mainway; (iii) 565,719,948 Shares were held by Orange Sky (a company 80% owned by Mr. Wu) and (iv) 180,000,000 Shares were held by Cyber.

In addition, Mr. Wu was interest in 19,105,000 Shares as at 30 June 2012 and 23,345,000 Shares as at the date of this report which were beneficially held in his own name.

2. Skyera is a company wholly owned by Mr. Wu, who is also a director of Skyera.
3. Mainway is a company wholly owned by Mr. Wu, who is also a director of Mainway.
4. Cyber is a company owned by an associate of Mr. Wu.
5. Orange Sky (a company 80% owned by Mr. Wu) was interested in 565,719,948 Shares. Mr. Wu is a director of Orange Sky and Mr. Li Pei Sen is the associate Chairman of Orange Sky.
6. These underlying Shares represented the Shares which may be issued upon the exercise of share option granted by the Company under the 2001 Share Option Scheme and the 2009 Share Option Scheme respectively.

## Abbreviations:

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

Save as disclosed above, as at 30 June 2012, 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.





## 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 2012.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012.

## 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 2012, 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. 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 2012.



## 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, 28 August 2012

Orange Sky Golden Harvest's

# Cinema Portfolio

橙天嘉禾戲院組合

(As at 30 June, 2012 於2012年6月30日)



