Interim Report 中期報告 2010

Orange Sky Golden Harvest

Entertainment (Holdings) Limited

橙天嘉禾娛樂（集團）有限公司

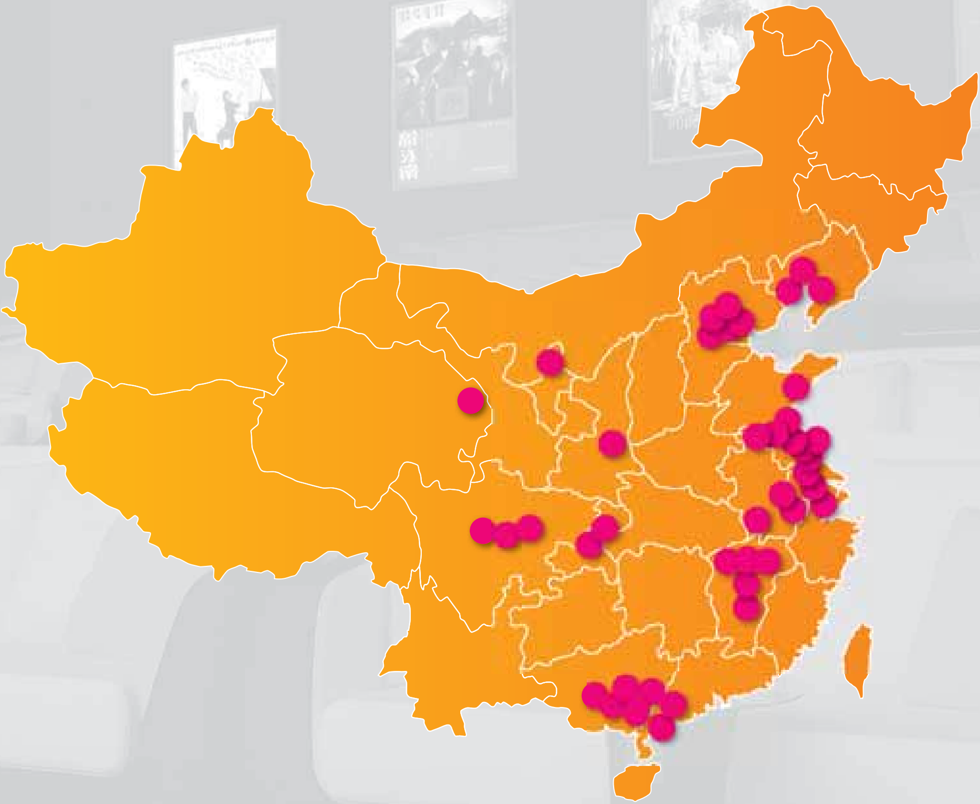
(Incorporated in Bermuda with limited liability) (Stock Code: 1132)

（於百慕達註冊成立之有限公司）（股份代號：1132）

GOLDEN HARVEST CINEMAS IN MAINLAND CHINA

嘉禾影城在中國大陸的分佈

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



CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman & Executive Director

WU Kebo

Executive Directors

LI Pei Sen
CHANG Tat Joel
TAN Boon Pin Simon
(appointed on 23 August 2010)
CHEN Xiaowei
(appointed on 23 August 2010)
WU Keyan
(alternate to WU Kebo)

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

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 profit attributable to shareholders of HK$25.5 million for the 6 months ended 30 June 2010 (30 June 2009: HK$8.5 million). The Group's revenue rose to HK$477 million, representing a growth of 37% over HK$349 million recorded for the same period of last year. Gross profit, with margin maintaining at about 53%, was HK$255 million (30 June 2009: HK$189 million). Operating profit before tax amounted to HK$41.3 million, substantially increased by 189% as compared with HK$14.3 million of the same period of last year. Such improvements were attributable to maiden contribution from new cinemas opened in different regions by the Group, and also to the overwhelming response to premium-priced 3D movies during the reporting period. For the 6 months ended 30 June 2010, the Group spent approximately HK$14 million for expansion and development of cinema projects in Mainland China and such development costs were charged to the income statement during the reporting period. The Group believed such expenses were pre-requisite of positive economic benefits in the coming years. On the other hand, the Group received a sum of settlement of legal dispute on a lease agreement and provision of consultancy service in relation to a cinema site in Beijing and recorded an amount of HK$26.5 million (net of related expense) as other income and corresponding tax expense of HK$5.2 million for the reporting period. In February 2010, the Group completed a top-up placing of 340,000,000 new shares and raised net receipt of approximately HK$314 million, that has strengthened our financial position for our aggressive business expansion plan in Mainland China, including any potential merger and acquisition opportunities.

During the reporting period, major Hollywood blockbuster titles were *Avatar, Alice In Wonderland, Iron Man 2* and *Clash Of The Titans* and major Chinese blockbuster titles were *Ip Man 2, 72 Tenants Of Prosperity* and *Echoes Of The Rainbow*. The Group continues to be a major and leading cinema operator in Asia, operating 29 cinemas with 229 screens across Hong Kong, Mainland China, Taiwan and Singapore. In the months to come, the Group will continue expanding our cinema portfolio in the regions, particularly in Mainland China.

In January 2010, the Group completed the acquisition from independent third parties of two cinemas located in Beijing and Jingdezhen with 11 screens in total, together with several lease agreements signed for new cinemas in Mainland China. The acquisition brings strategic value to the Group for the expansion of exhibition business in Mainland China. In addition, the Group opened a new cinema in Beijing in June 2010.

During the reporting period, the Group celebrated the 40th anniversary with its remarkable achievements in the film industry. In addition, the Group was the first and only cinema operator bringing live 3D World Cup to audiences in Hong Kong.

BUSINESS REVIEW

Film Exhibition

The Group's 29 cinemas served nearly 12 million guests during the 6 months ended June 2010, and gross box office income on a full and aggregated basis, was registered at HK$645 million (30 June 2009: HK$462 million). This was strongly supported by the Group's pioneering commitment in digitalization. Over 35% of the Group's screens are currently installed with digital equipment. Digital conversion not only enables high quality exhibition with non-degradable prints and piracy control, and more importantly, it improves operational efficiency and allows new programming opportunities, such as premium digital 3D films.

OPERATING STATISTICS OF THE GROUP'S CINEMAS

(FOR THE 6 MONTHS ENDED 30 JUNE 2010)

	Mainland China	Hong Kong	Taiwan	Singapore
Number of cinemas#	5	7	8	9
Number of screens#	38	33	85	73
Admissions (million)	1.3	1.4	4.8	4.4
Average ticket price (HK$)	51	62	57	49

as of end June 2010

Hong Kong

For the 6 months ended 30 June 2010, Hong Kong market as a whole recorded a box office receipts of HK$662 million (30 June 2009: HK$553 million). With maiden contribution from two new multiplexes, GH Citywalk and GH Whampoa, which were both opened in December 2009, the Group's cinemas in Hong Kong achieved theatre takings of HK$86 million (30 June 2009: HK$67 million) and maintained a market share of 13% during the reporting period.

Mainland China

For the 6 months ended 30 June 2010, box office receipts of urban area totaled RMB4,840 million in Mainland China, reflecting increasing demand for high quality movie experience, for instance, the 3D blockbuster *Avatar*. Admissions of the Group's multiplexes in Mainland China amounted to nearly 1.3 million (30 June 2009: 0.4 million) and gross theatre takings totaled RMB63 million (30 June 2009: RMB22 million). The Group's GH-MIXC cinema in Shenzhen performed surpassingly and recorded a strong 85% growth in box office during the reporting period as compared with the same period of last year. Its box office ranked in top 3 among the cinemas in Mainland China and possessed 17% market share in Shenzhen in the first half year of 2010.

The Group completed the acquisition of Jingdezhen Meilin cinema with 6 screens and Beijing Shangdi Meilin cinema with 5 screens in early January 2010. Separately, the Group opened a new cinema with 6 screens in Beijing, namely, Beijing One Mall cinema, in June 2010. As of end 30 June 2010, the Group operated 5 cinemas with 38 screens in Mainland China. A number of new GH-cinemas are in the pipeline across many other major cities in Mainland China, including Wuhu, Wuxi, Guangzhou, Nanchang, Chongqing, Chengdu, Shenyang, Dongguan, Hefei, Shangrao, Huizhou and Xian, and more will come in the months ahead.

Taiwan

With the opening of the new 9-plex with about 1,800 seats at Taipei Q Square in December 2009, and the addition of one IMAX screen in Kaohsiung in April 2010, the Group's 35.71%-owned Vie Show recorded a significant 30% growth in admission for the 6 months ended 30 June 2010, as compared with the same period of last year, and generated NTD1,129 million in gross theatre takings (30 June 2009: NTD 782 million). In Taipei City, Vie Show increased its market share to 36% for the reporting period from 30% a year ago. The Group's share of net profit for the reporting period from Vie Show rose remarkably to HK$16 million compared with HK$7 million for the same period of last year. This was mainly attributable to continuing excellent performance of 3D movies, which becomes a big hit in Taiwan, and partly to reduction of corporate income tax rate by 3% to 17%.

Singapore

Singapore box office receipts totaled S$89 million for the 6 months ended 30 June 2010. Our 50%-owned "Golden Village" cinema circuit remains the brand of choice for cinema goers in Singapore and has maintained its leading position with a market share of 44% despite intensified competition during the reporting period by reporting a gross theatre takings of S$39 million (30 June 2009: S$34 million). The Group shared a net profit of HK$21 million for the reporting period, significantly up from HK$15 million for the same period of last year. The good results was attributable to a wide variety of titles and blockbusters shown, higher ticket price from 3D titles and higher directory advertising and marketing campaign carried out during the period.

Film Distribution and Production

For the 6 months ended 30 June 2010, the Group's film distribution and production business reported segment revenue of HK$47 million (30 June 2009: HK$44 million). During the period, the Group remained a leader in Hong Kong and Singapore in the distribution and marketing of theatrical films to cinemas, and of follow-on releases to VCD/DVD, pay and free television markets in respective markets, and including some overseas.

Hong Kong

As a distributor for both Chinese and non-Chinese language films in Hong Kong, the Group held a 5% market share in terms of box office receipts. During the period, the Group distributed and marketed 18 films in Hong Kong. As for the Group's film library of approximately 130 Chinese film titles for worldwide distribution, it continued to contribute steady income, which amounted to approximately HK$5.3 million, to the Group.

Mainland China

In October 2009, the Group acquired Beijing Chengtian Zhihong ("Acquired Business"), which is a Chinese-language film and television programme producer and distributor. Although the Acquired Business has yet to generate significant contribution to the Group, it provides indispensable support on the Group's distribution business in Mainland China. Currently, production of several self-produced and invested films and television programmes are in progress. With the release of these new titles, we believe that the Acquired Business would bring fruitful results in the coming years. During the report period, our PRC distribution and production team contributed revenue of HK$6.4 million to the Group.

Taiwan

Despite numbers of competitive distributors in the territory, our Taiwan distribution team performed fairly well and gained a market share of about 4% in terms of box office receipts through distribution of 22 film titles during the period.

Singapore

Having distributed 48 film titles in Singapore during the period, our Singapore distribution team maintained a market share of about 13% in terms of box office receipts and kept generating steady profit to the Group.

PROSPECTS

The Group has focused in strengthening and growing both the exhibition and distribution networks in territories with higher market potential and better returns, especially in Mainland China. As of 23 August 2010, internal decoration is in progress in 10 cinemas with 77 screens. By end of 2013, the Group expects to operate 38 cinemas with 301 screens in Mainland China based on lease agreements signed as of 23 August 2010, although the number may vary due to the actual handover date, the progress of internal decoration and application of relevant license. Looking ahead, the Group will continue soliciting new lease agreements, cooperating with existing operators to form joint ventures to convert existing old cinemas in prime location to modern multiplexes. The Group will also pursue acquisition opportunities to further expand the Group's screen portfolio network. Through organic expansion and acquisition, the Group is confident of attaining its target of over 600 screens in operation by 2012.

Apart from the nascent Mainland China market, the Group is optimistic in respect to the prospects of the whole film industry, as the industry will continue benefiting from premium-priced 3D products, including films and live shows. In Hong Kong, Singapore and Taiwan, the Group will continuously strengthen its digital and 3D capabilities. The Group has signed lease agreement to open a new cinema near Banciao Station in Taipei in 2011, and is in negotiation to open new cinemas in the rest of Taiwan as well as in Singapore.

Currently, the Group has very strong liquidity and low 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. The management will closely monitor and maintain optimal gearing structure to limit the risk.

FINANCIAL RESOURCES AND LIQUIDITY

In February 2010, the Group raised HK$314 million (net proceeds) through placing of 340,000,000 shares of HK$0.10 each at a price of HK$0.97 per share to not less than six professional, institutional and other investors which were third parties independent of and not connected with any connected person of the Company. The closing price of the shares on the last trading day prior to the date of the placing and subscription agreement was HK$1.07 per share. The Directors consider that the placing will provide the Company with an opportunity to raise further capital to strengthen the Company's cash position for expansion of its cinema network in Mainland China, while broadening the shareholder's base of the Company. The Directors intend to use the net proceeds for its business expansion in Mainland China (including potential acquisition of sizeable cinema network and forming of joint venture with respective third parties to convert old cinemas into modern multiplex) and working capital.

As at 30 June 2010, the outstanding bank loans amounted to HK$96 million (31 December 2009: HK$87 million). Details of the bank loans including the terms of the loans, interest rates, currencies and securities are disclosed in note 11 to the interim financial report.

As at 30 June 2010, the Group's cash balance was HK$799 million (31 December 2009: HK$518 million), representing an increase of 54% as compared with that of 31 December 2009. As at 30 June 2010, the Group's gearing ratio, calculated on the basis of external borrowings over total assets, was about 6% (31 December 2009: 7%). 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 except for certain assets and liabilities associated with the investments in Mainland China, Taiwan and Singapore. 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 operations, due to the volatility of the currency market, management decided to maintain higher level of deposits in Hong Kong dollars, the pegged US dollars and 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 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2010, the Group had 621 (31 December 2009: 418) permanent employees in Hong Kong and Mainland China. The Group remunerates its employees largely based on 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 the balance sheet, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

REVIEW REPORT TO THE BOARD OF DIRECTORS

KPMG

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 36 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 2010 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement 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 2010 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

23 August 2010

CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 30 June 2010

	Note	**Six months ended 30 June 2010 HK$'000**	Six months ended 30 June 2009 HK$'000
Turnover	3	**477,392**	348,586
Cost of sales		**(222,421)**	(159,946)
Gross profit		**254,971**	188,640
Other revenue		**32,328**	24,192
Other net income	4(c)	**27,448**	2,447
Selling and distribution costs		**(228,760)**	(172,857)
General and administrative expenses		**(40,687)**	(24,534)
Other operating expenses		**(3,976)**	(3,588)
Profit from operations		**41,324**	14,300
Finance costs	4(a)	**(2,371)**	(46)
Profit before taxation		**38,953**	14,254
Income tax	5	**(12,398)**	(5,547)
Profit for the period	4	**26,555**	8,707
Attributable to:			
Equity holders of the Company		**25,522**	8,463
Non-controlling interests		**1,033**	244
		26,555	8,707
Earnings per share	6		
Basic		**1.05 cents**	0.46 cents
Diluted		**1.02 cents**	0.46 cents

The notes on pages 18 to 36 form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30 June 2010

	Note	Six months ended 30 June 2010 HK$'000	Six months ended 30 June 2009 HK$'000
Profit for the period		**26,555**	8,707
Other comprehensive income for the period:			
Exchange differences on translation of financial statements of:			
– overseas subsidiaries		**17**	(2)
– overseas jointly controlled entities		**(138)**	(2,552)
		(121)	(2,554)
Available-for-sale equity securities: net movement in the investment revaluation reserve	7	**(7,897)**	–
Total comprehensive income for the period		**18,537**	6,153
Total comprehensive income attributable to:			
Equity holders of the Company		**17,504**	5,909
Non-controlling interests		**1,033**	244
Total comprehensive income for the period		**18,537**	6,153

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

The notes on pages 18 to 36 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2010 HK$'000 (Unaudited)	As at 31 December 2009 HK$'000 (Audited)
Non-current assets			
Fixed assets		**435,174**	395,055
Loan to a joint venture partner		**5,357**	5,357
Available-for-sale equity securities	7	**48,800**	1,500
Prepaid rental		**5,062**	5,592
Club memberships		**2,490**	2,490
Rental and other deposits		**56,947**	56,214
Trademarks		**79,421**	79,421
Goodwill	8	**37,432**	28,538
Deferred tax assets		**384**	420
Pledged bank deposits		**15,760**	25,038
		686,827	599,625
Current assets			
Inventories		**2,758**	2,461
Film rights		**73,099**	75,955
Trade receivables	9	**23,810**	36,789
Other receivables, deposits and prepayments		**92,650**	91,844
Amounts due from jointly controlled entities		**1,707**	1,683
Pledged bank deposits		**15,078**	5,425
Deposits and cash		**799,318**	517,803
		1,008,420	731,960
Current liabilities			
Trade payables	10	**81,721**	97,498
Other payables and accrued charges		**77,555**	73,847
Deferred revenue		**75,864**	71,987
Derivative financial liability	7	**8,250**	–
Bank loans	11	**21,241**	24,201
Taxation payable		**33,471**	23,103
		298,102	290,636

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

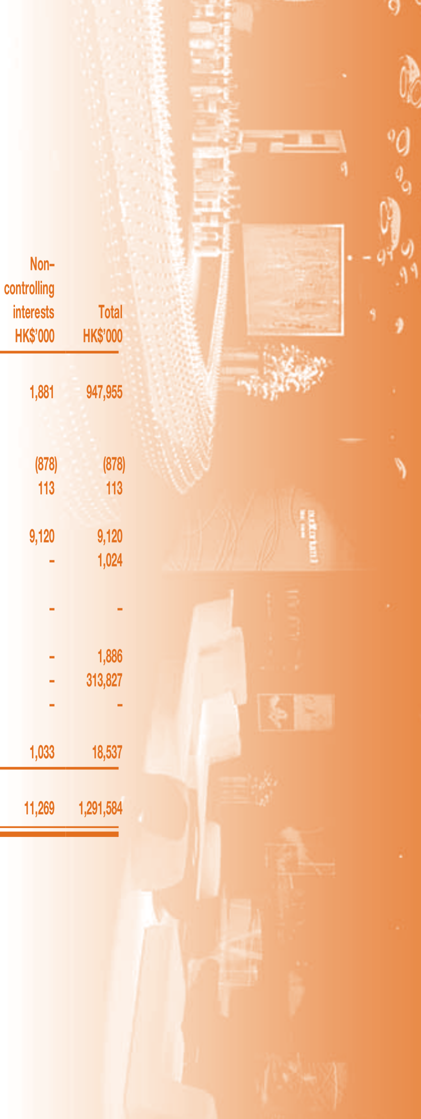
	Note	**As at 30 June 2010 HK$'000 (Unaudited)**	As at 31 December 2009 HK$'000 (Audited)
Net current assets		**710,318**	441,324
Total assets less current liabilities		**1,397,145**	1,040,949
Non-current liabilities			
Bank loans	11	**75,002**	62,732
Convertible note		**6,426**	6,150
Amount due to a jointly controlled entity		**5,357**	5,357
Deposits received		**4,851**	4,887
Deferred tax liabilities		**13,925**	13,868
		105,561	92,994
NET ASSETS		**1,291,584**	947,955
Capital and reserves			
Share capital	12	**254,229**	219,974
Reserves		**1,026,086**	726,100
Total equity attributable to equity holders of the Company		**1,280,315**	946,074
Non-controlling interests		**11,269**	1,881
TOTAL EQUITY		**1,291,584**	947,955

The notes on pages 18 to 36 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2010

	Note	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Equity component of convertible note HK$'000	Revaluation reserve HK$'000	*Reserve funds HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010		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
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	(878)	(878)
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	113	113
Contribution from non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	9,120	9,120
Exercise of share options	12(iii)	255	1,065	(296)	-	-	-	-	-	-	-	-	1,024	-	1,024
Transfer to retained profits on lapse of share options	12(iii)	-	-	(25)	-	-	-	-	-	-	-	25	-	-	-
Equity settled share-based transactions	12(iii)	-	-	1,886	-	-	-	-	-	-	-	-	1,886	-	1,886
Placing of shares	12(i)	34,000	279,827	-	-	-	-	-	-	-	-	-	313,827	-	313,827
Transfer to/(from) reserves		-	-	-	-	-	-	(4,024)	4,860	-	-	(836)	-	-	-
Total comprehensive income for the period		-	-	-	-	-	-	-	-	(7,897)	(121)	25,522	17,504	1,033	18,537
At 30 June 2010		254,229	630,176	4,039	6,422	80,000	2,874	-	7,477	(7,897)	3,638	299,357	1,280,315	11,269	1,291,584



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

For the six months ended 30 June 2010

	Note	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Revaluation reserve HK$'000	*Reserve funds HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009		183,274	196,807	838	6,422	80,000	4,024	2,427	(273)	252,548	726,067	1,410	727,477
Transfer to/(from) reserves		-	-	-	-	-	-	129	-	(129)	-	-	-
Total comprehensive income for the period		-	-	-	-	-	-	-	(2,554)	8,463	5,909	244	6,153
At 30 June 2009		183,274	196,807	838	6,422	80,000	4,024	2,556	(2,827)	260,882	731,976	1,654	733,630

* In accordance with the relevant regulations in the People's Republic of China ("PRC"), the Company's subsidiaries established therein are required to transfer a certain percentage of their profits after tax to the reserve funds. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiaries' articles of association, 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 36 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the six months ended 30 June 2010

	Six months ended 30 June 2010 HK$'000	Six months ended 30 June 2009 HK$'000
Net cash generated from operating activities	**72,500**	23,685
Net cash used in investing activities	**(116,308)**	(11,837)
Net cash generated from financing activities	**324,615**	5,057
Net increase in cash and cash equivalents	**280,807**	16,905
Cash and cash equivalents at 1 January	**517,803**	349,868
Effect of foreign exchange rates changes	**708**	(1,544)
Cash and cash equivalents at 30 June	**799,318**	365,229
Analysis of balances of cash and cash equivalents		
Non-pledged short term bank deposits	**423,400**	133,556
Non-pledged cash and bank balances	**375,918**	231,673
Cash and cash equivalents at 30 June	**799,318**	365,229

The notes on pages 18 to 36 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

Pursuant to a resolution of the Board of Directors dated 6 January 2009, the Company's financial year end date was changed from 30 June to 31 December in order to be co-terminus with its subsidiaries in Mainland China. Accordingly, the 2009 audited financial statements covered the eighteen month period from 1 July 2008 to 31 December 2009. In the prior period, the Group issued a first interim report which covered the six month period from 1 July 2008 to 31 December 2008 and a second interim report which covered the twelve month period from 1 July 2008 to 30 June 2009. The comparative figures of this 2010 interim financial report presented for the consolidated income statement, consolidated statement of changes in equity and condensed consolidated cash flow statement and related notes cover the financial period from 1 January 2009 to 30 June 2009.

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 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 audited financial statements of the Group for the eighteen months ended 31 December 2009, except for the accounting policy changes that are expected to be reflected in the audited financial statements for the year ending 31 December 2010 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 the Group since the audited financial statements of the Group for the eighteen months ended 31 December 2009. 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").

1 **Basis of preparation** *(continued)*

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.

The financial information relating to the eighteen months ended 31 December 2009 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 period but is derived from those financial statements. Statutory financial statements for the eighteen months ended 31 December 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 April 2010.

2 **Changes in accounting policies**

The HKICPA has issued the following new and revised HKFRSs, a number of amendments to HKFRSs and new Interpretations 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:

HKAS 1 (Revised)	*Presentation of financial statements*
HKFRS 3 (Revised)	*Business combinations*
HKFRS 7 (Amendment)	*Improving disclosures about financial instrument*
HKFRS 8	*Operating segments*
Amendments to HKAS 27	*Consolidated and separate financial statements*
Improvements to HKFRSs (2009)	

2 Changes in accounting policies *(continued)*

The impact of the above developments on these condensed interim financial statements is as follows.

(a) **HKAS 1 (Revised) – *Presentation of financial statements***

As a result of the adoption of HKAS 1 (Revised), details of changes in equity during the period arising from transactions with equity holders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to current period's presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any of the periods presented.

(b) **HKFRS 3 (Revised) – *Business combinations* and Amendments to HKAS 27 – *Consolidated and separate financial statements***

As a result of the adoption of HKFRS 3 (Revised), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (Revised).

As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

2 **Changes in accounting policies** *(continued)*

(c) **HKFRS 7 (Amendment) – *Improving disclosures about financial instruments***

As a result of the adoption of the amendments to HKFRS 7, the 2010 annual financial statements will include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

(d) **HKFRS 8 – *Operating segments***

HKFRS 8 requires segment disclosure to be based on the way the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior periods which was based on a disaggregation of the Group's financial statements into segments based on related activities and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's senior executive management. Corresponding amounts have been provided on a basis consistent with the revised segment information.

The Group has assessed the impact of the adoption of the new/revised HKFRSs and the amendments and considered that there was no significant impact to the Group's results and financial position.

3 Segment reporting

The Group manages its businesses by geography. Upon its first time adoption of HKFRS 8, "*Operating segments*" and 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 segment 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)*

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	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Revenue from external customers										
– Exhibition	**101,162**	77,542	**85,765**	31,815	**139,594**	105,324	**151,498**	127,808	**478,019**	342,489
– Distribution and production	**32,027**	32,934	**6,366**	1,124	**2,697**	4,078	**5,766**	5,823	**46,856**	43,959
Reportable segment revenue	**133,189**	110,476	**92,131**	32,939	**142,291**	109,402	**157,264**	133,631	**524,875**	386,448
Reportable segment (loss)/profit	**(5,547)**	1,504	**(3,488)**	(1,504)	**15,771**	6,929	**21,644**	15,902	**28,380**	22,831

	2010	2009
Reconciliation – Revenue		
Reportable segment revenue	**524,875**	386,448
Elimination of intra-segment revenue	**(8,068)**	(4,818)
Other income	**(39,293)**	(30,253)
Others	**(122)**	(2,791)
	477,392	348,586
Reconciliation – Profit before taxation		
Reportable profit from external customers	**28,380**	22,831
Unallocated operating expenses, net	**(2,858)**	(14,368)
Non-controlling interests	**1,033**	244
Income tax	**12,398**	5,547
Profit before taxation	**38,953**	14,254

4 Profit for the period

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

	Six months ended 30 June 2010 HK$'000 (Unaudited)	Six months ended 30 June 2009 HK$'000 (Unaudited)
(a) Finance costs		
Interest on bank loans		
– wholly repayable within five years	**1,808**	40
– wholly repayable after five years	**287**	–
Interest on convertible note	**276**	–
Interest on loans from joint venture partners	**–**	6
	2,371	46
(b) Other items		
Cost of inventories	**14,625**	10,441
Cost of services provided	**189,872**	127,273
Depreciation	**32,224**	22,792
Amortisation of prepaid land lease payments	**388**	376
Amortisation of film rights	**17,924**	22,232
Reversal of impairment loss on trade and other receivables	**(154)**	(170)
Loss on disposal of property, plant and equipment	**1,892**	674
Exchange (gain)/loss, net	**(906)**	2,447
Interest income from bank deposits	**(1,063)**	(1,595)

4 **Profit for the period** *(continued)*

(c) Other net income

Included in the other net income of HK$27,448,000 for the six months ended 30 June 2010, there was a gain on settlement of a claim and provision of consultancy service of HK$26,542,000 as set out below.

During the eighteen months ended 31 December 2009, a subsidiary of the Group was engaged in litigation for breach of lease agreement and claim for damages against the landlord (the “Landlord”) in Mainland China. On 14 January 2010, the Group reached an agreement with the Landlord and received a sum of RMB28,800,000 (approximately HK$32,832,000) in February 2010 (before deducting incidental expenses) in respect of the settlement and the provision of consultancy service. The net sum of approximately HK$26,542,000 and corresponding tax expense of approximately HK$5,200,000 have been credited and charged to the consolidated income statement for the six months ended 30 June 2010 respectively. The obligations of both the Group and the Landlord in respect of the lease were discharged and the legal claim against the Landlord was dismissed accordingly.

5 Income tax

Taxation in the consolidated income statement represents:

	Six months ended 30 June 2010 HK$'000 (Unaudited)	Six months ended 30 June 2009 HK$'000 (Unaudited)
Group		
Current income tax		
Provision for overseas tax	**6,098**	197
(Over)/under-provision in respect of prior periods	**(20)**	49
	6,078	246
Jointly controlled entities		
Current income tax		
Provision for overseas tax	**9,730**	5,707
Over-provision in respect of prior periods	**(3,507)**	–
	6,223	5,707
Deferred tax – overseas		
Origination and reversal of temporary differences	**97**	(406)
	6,320	5,301
	12,398	5,547

The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 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 countries.

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$25,522,000 (2009: HK$8,463,000) and the weighted average number of 2,440,460,204 ordinary shares (2009: 1,832,739,900 ordinary shares after adjusting for the subdivision of shares in November 2009) in issue during the period.

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

	2010 Number of shares	2009 Number of shares
Shares		
Issued ordinary shares as at 1 January	**2,199,739,900**	1,832,739,900
Effect of shares placed	**238,563,536**	–
Effect of share options exercised	**2,156,768**	–
Weighted average number of ordinary shares (basic) at 30 June	**2,440,460,204**	1,832,739,900
Effect of dilution – weighted average number of ordinary shares:		
Effect of deemed issue of shares under the Company's share option scheme (note (1))	**55,559,005**	–
Effect of conversion of convertible note (note (2))	**26,698,224**	–
Weighted average number of ordinary shares (diluted) at 30 June	**2,522,717,433**	1,832,739,900

6 **Earnings per share** *(continued)*

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

Notes:

(1) The share options had no diluting effect on the basic earnings per share for the prior period as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's ordinary shares.

(2) There was no convertible note outstanding for the prior period.

(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$25,798,000 (2009: HK$8,463,000) and the weighted average number of 2,522,717,433 ordinary shares (2009: 1,832,739,900 ordinary shares after adjusting for the subdivision of shares in November 2009), calculate as follows:

	Six months ended 30 June 2010 HK$'000 (Unaudited)	Six months ended 30 June 2009 HK$'000 (Unaudited)
Profit attributable to equity holders	**25,522**	8,463
After tax effect of effective interest on the liability component of convertible note	**276**	–
Profit attributable to equity holders (diluted)	**25,798**	8,463

7 Available-for-sale equity securities and derivative financial liability

	As at 30 June 2010 HK$'000 (Unaudited)	As at 31 December 2009 HK$'000 (Audited)
Listed investment in Hong Kong	**47,300**	–
Unlisted investment	**1,500**	1,500
	48,800	1,500
Market value of listed investment	**47,300**	–

In June 2010, the Group acquired 11,000,000 shares at HK$5 per share through a public placing of Overseas Chinese Town (Asia) Holdings Limited, a company listed in Hong Kong. During the period under review, the Group recorded a deficit on revaluation of HK$7,897,000 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 Town (Asia) Holdings Limited (the "OCT shares") held by the Group as referred in note 7. 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 OCT 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 OCT 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 exercised by their expiry dates ("Profit-sharing Option"). The Group received HK$8,250,000 from the Counterparty as the consideration for entering into the Option Agreement. The Group recognised the Option Agreement as single derivative instrument and recorded the transaction price of entering into the Option Agreement as a derivative financial liability. There was no material change in the fair value of this derivative financial liability as at 30 June 2010.

8 **Goodwill**

In January 2010, the Group acquired equity interests in certain companies, which engaged in cinema operations in Mainland China (the "Acquisition"). Additions to goodwill of HK$8,894,000 represented the provisional amount of goodwill arising from the Acquisition. The purchase price allocation in respect of the Acquisition will be finalised upon the assessment of fair value of identifiable assets acquired and recognition of intangible assets in accordance with the Group's accounting policy.

9 **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 at the end of the reporting date:

	As at 30 June 2010 HK$'000 (Unaudited)	As at 31 December 2009 HK$'000 (Audited)
Current to 3 months	**21,704**	34,906
Within 4 to 6 months	**886**	1,716
Within 7 to 12 months	**1,220**	167
	23,810	36,789

10 **Trade payables**

The ageing analysis of trade payables as at the end of the reporting date:

	As at 30 June 2010 HK$'000 (Unaudited)	As at 31 December 2009 HK$'000 (Audited)
Current to 3 months	**67,895**	83,832
Within 4 to 6 months	**582**	8,735
Within 7 to 12 months	**8,315**	821
Over 1 year	**4,929**	4,110
	81,721	97,498

11 Bank loans

(a) The bank loans were repayable as follows:

	As at 30 June 2010 HK$'000 (Unaudited)	As at 31 December 2009 HK$'000 (Audited)
Within 1 year or on demand	**21,241**	24,201
After 1 year but within 2 years	**17,357**	17,357
After 2 years but within 5 years	**50,463**	45,375
After 5 years	**7,182**	–
	75,002	62,732
	96,243	86,933

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

(b) At 30 June 2010, the Group's bank loans of HK$75,267,000 (31 December 2009: HK$81,803,000) were secured by:

(i) the property, plant and equipment of a jointly controlled entity; and

(ii) the time deposits of jointly controlled entities of HK$10,311,000.

During the six months ended 30 June 2010, the Group repaid secured bank loan of HK$5,130,000 which was previously secured by a time deposit of a related company of HK$5,700,000. This security was released during the six months ended 30 June 2010.

(c) The bank loans of the Group were denominated in the following currencies:

	As at 30 June 2010 '000 (Unaudited)	As at 31 December 2009 '000 (Audited)
Singapore dollars	**12,750**	14,250
New Taiwan dollars	**21,426**	14,284
Renminbi	**18,400**	4,500

12 Share capital

	Note	As at 30 June 2010 No. of shares	As at 30 June 2010 Amount HK$'000	As at 31 December 2009 No. of shares	As at 31 December 2009 Amount HK$'000
Authorised:					
At 1 January 2010/ 1 July 2008		**6,000,000,000**	**600,000**	600,000,000	600,000
Subdivision of shares	(i)	**–**	**–**	5,400,000,000	–
At 30 June 2010/ 31 December 2009		**6,000,000,000**	**600,000**	6,000,000,000	600,000
Ordinary shares, issued and fully paid:					
At 1 January 2010/ 1 July 2008		**2,199,739,900**	**219,974**	169,637,627	169,638
Conversion of convertible notes	(i)	**–**	**–**	13,636,363	13,636
Subdivision of shares	(i)	**–**	**–**	1,649,465,910	–
Placing of shares	(i) & (ii)	**340,000,000**	**34,000**	366,000,000	36,600
Share options exercised	(i) & (iii)	**2,550,000**	**255**	1,000,000	100
At 30 June 2010/ 31 December 2009		**2,542,289,900**	**254,229**	2,199,739,900	219,974

12 **Share capital** *(continued)*

Notes:

(i) Details of the conversion of convertible notes, subdivision of shares, placing of shares and exercise of share options during the eighteen months ended 31 December 2009 are set out in note 29 (a) of the annual report.

(ii) On 10 February 2010, the Company entered into a placing and subscription agreement with Skyera International Limited ("Skyera"), a company incorporated in the British Virgin Islands and wholly-owned by Mr Wu Kebo, a director of the Company, and independent third parties, pursuant to which Skyera subscribed for 340,000,000 subscription shares at a price of HK$0.97 per share. The subscription shares represented approximately 15.44% of the existing issued share capital of the Company at the date of the placing and subscription agreement and approximately 13.38% of the issued share capital of the Company enlarged by the subscription shares. The difference of HK$279,827,000 between the net proceeds of HK$313,827,000 of the share subscription, after deduction of relevant expenses and the par value of the shares issued of HK$34,000,000, has been credited to the share premium account of the Company.

(iii) 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 annual report for the eighteen months ended 31 December 2009.

(iv) Dividends

No dividends were declared and distributed during the six months ended 30 June 2010 and 2009.

13 Capital commitments

	As at 30 June 2010 HK$'000 (Unaudited)	As at 31 December 2009 HK$'000 (Audited)
Capital commitments in respect of the acquisition of fixed assets:		
Contracted for	**39,306**	20,004
Authorised but not contracted for	**803,183**	455,580
	842,489	475,584

14 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 2010.

15 Material related party transactions

(a) Key Management personnel remuneration

	Six months ended 30 June 2010 HK$'000 (Unaudited)	Six months ended 30 June 2009 HK$'000 (Unaudited)
Short-term employee benefits	**1,512**	2,221
Post-employment benefits	**12**	18
Equity-settled share-based payments	**1,886**	–
	3,410	2,239

(b) Other related party transactions

During the six months ended 30 June 2010, the Group entered into transactions amounting to HK$443,000 with a related company (six months ended 30 June 2009: HK$440,000 with a related company) as defined in the Listing Rules. The connected transactions were either properly approved by the independent shareholders or constituted the de minimis transactions as defined in the Listing Rules.

There were no other material related party transactions during the six months ended 30 June 2010, other than in the nature of those as disclosed in note 33 of the annual report for the eighteen months ended 31 December 2009.

16 Comparative figures

As a result of the application of HKAS 1 (Revised), "*Presentation of financial statements*" and HKFRS 8, "*Operating segments*", certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time during the six months ended 30 June 2010. Further details of these developments are disclosed in note 2.

17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 June 2010

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 2010 and which have not been adopted in the interim financial report.

Amendments to HKFRS 1[(1)]	*First-time adoption of Hong Kong Financial Reporting Standards – Limited exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HK(IFRIC) 19[(1)]	*Extinguishing financial liabilities with equity instruments*
HKFRSs (Amendments)[(2)]	*Improvements to HKFRSs 2010*
Revised HKAS 24[(3)]	*Related party disclosures*
Amendments to HK(IFRIC) 14[(3)]	*HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*
HKFRS 9[(4)]	*Financial instruments*

(1) Effective for annual periods beginning on or after 1 July 2010.

(2) Effective for annual periods beginning on or after 1 January 2011 except the amendments to revised HKFRS 3 (2008), "*Business combinations*" and amended HKAS 27 (2008), "*Consolidated and separate financial statements*", which are effective for annual periods beginning 1 July 2010.

(3) Effective for annual periods beginning on or after 1 January 2011.

(4) 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. So far, it has concluded that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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
Chow Sau Fong Fiona
(resigned on 23 August 2010)
Tan Boon Pin Simon
(appointed on 23 August 2010)
Chen Xiaowei
(appointed on 23 August 2010)
Wu Keyan (alternate to Wu Kebo)

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. Li Pei Sen was redesignated as an Executive Director with effect from 26 April 2010.
- Mr. Masahito Tachikawa resigned as an Independent Non-executive Director with effect from 26 April 2010.
- Ms. Wong Sze Wing was appointed as an Independent Non-executive Director with effect from 26 April 2010.
- Mr. Chang Tat Joel was appointed as an Executive Director with effect from 26 April 2010.
- Mr. Tan Boon Pin Simon was appointed as Executive Director with effect from 23 August 2010.
- Dr. Chen Xiaowei was appointed as Executive Director with effect from 23 August 2010.
- Ms. Chow Sau Fong Fiona resigned as Executive Director with effect from 23 August 2010.

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

As at 30 June 2010, 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 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") and underlying Shares 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	1,372,234,720 (L)	26,698,224 (L)	1,398,932,944 (L)	55.02%
		2	408,715,990 (S)	–	408,715,990 (S)	16.08%
	Beneficial owner	3	–	60,000,000 (L)	60,000,000 (L)	2.36%
Chow Sau Fong[Δ] Fiona	Beneficial owner	3	–	700,000 (L)	700,000 (L)	0.03%
Wu Keyan	Beneficial owner	3	–	700,000 (L)	700,000 (L)	0.03%
Li Pei Sen	Beneficial owner	3	–	200,000 (L)	200,000 (L)	0.008%
Leung Man Kit	Beneficial owner	3	–	200,000 (L)	200,000 (L)	0.008%
Huang Shao-Hua George	Beneficial owner	3	–	1,200,000 (L)	1,200,000 (L)	0.05%
Masahito Tachikawa[#]	Beneficial owner	3	–	200,000 (L)	200,000 (L)	0.008%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES *(continued)*

(i) Interests in shares of HK$0.10 each in the issued share capital of the Company (the "Shares") and underlying Shares of the Company *(continued)*

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
Chang Tat Joel°	Interest of controlled corporations	4	1,372,634,720	291,056,214 (L)	1,663,690,934 (L)	65.44%
	Beneficial owner	3	–	12,000,000 (L)	12,000,000 (L)	0.47%
Tan Boon Pin ❑ Simon	Beneficial owner	3	–	2,000,000 (L)	2,000,000 (L)	0.08%
	Beneficial owner	3	–	1,200,000 (L)	1,200,000 (L)	0.05%
Wu King Shiu Kelvin	Interest of controlled corporations	4	1,372,634,720	291,056,214 (L)	1,663,690,934 (L)	65.44%
	Beneficial owner	3	–	21,000,000 (L)	21,000,000 (L)	0.83%

* This percentage has been compiled based on the total number of Shares in issue (i.e. 2,542,289,900) as at 30 June 2010.

Δ Resigned as executive Director of the Company with effect from 23 August 2010.

\# Resigned as Independent Non-executive Director of the Company with effect from 26 April 2010.

° Appointed as executive Director of the Company with effect from 26 April 2010.

❑ Appointed as executive Director of the Company with effect from 23 August 2010.

Notes:

1. By virtue of the SFO, Mr. Wu Kebo ("Mr. Wu") was deemed to be interested in a total of 1,372,234,720 Shares, of which (i) 377,988,130 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) 405,530,600 Shares were held by Orange Sky Entertainment Group (International) Holding Company Limited (a company 80% owned by Mr. Wu) ("Orange Sky") 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 deemed to be interested in 26,698,224 underlying Shares which may be issued upon exercise of the conversion right attaching to the zero coupon convertible note held by Orange Sky issued by the Company in the principal amount of HK$9,024,000 which is convertible into Shares at an initial conversion price of HK$0.338 per Share (subject to adjustment) by virtue of the SFO.

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

(continued)

(i) Interests in shares of HK$0.10 each in the issued share capital of the Company (the "Shares") and underlying Shares of the Company *(continued)*

Notes:

2. Pursuant to the subscription agreement entered into between Mr. Wu and Mainway with Billion Century Group Limited ("BCG"), BCG had subscribed for and Mainway had issued exchangeable notes convertible into Shares held by Mainway to BCG for the funding arrangement in relation to the mandatory unconditional cash offer made by Somerly Limited on behalf of Skyera and Mainway. As security for the exchangeable notes as mentioned above, 408,715,990 Shares held by Mainway were subject to a first charge in favour of BCG.

3. 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").

4. Mr. Wu King Shiu Kelvin ("Mr. Kelvin Wu") and Mr. Chang Tat Joel ("Mr. Joel Chang") were deemed to be interested in 1,663,290,934 Shares and underlying Shares of which BCG was deemed to be interested by virtue of the SFO since they owned 60% and 40% of the issued share capital in AID Partners Ltd respectively. AID Partners Ltd. was the general partner of AID Partners GP1, L.P. which was in turn the general partner of AID Partners Capital I. L.P.. AID Partners Capital I, L.P. was a private equity fund interested in the entire issued share capital of BCG through AID Partners Asset Management Limited. Of these 1,663,290,934 Shares and underlying Shares, (i) by virtue of the subscription agreement entered into between Mr. Wu and Mainway with BCG pursuant to which BCG had agreed to subscribe for and Mainway had agreed to issue exchangeable notes into Shares held by Mainway to BCG for the funding arrangement in relation to the mandatory unconditional cash offer made by Somerly Limited on behalf of Skyera and Mainway and the related security documents, BCG was deemed to be interested in 1,050,216,954 Shares and underlying Shares of which Mr. Wu was interested, (ii) BCG was deemed to be interested in 408,715,990 Shares under a first charge on Shares held by Mainway in its favour as security for the exchangeable notes as mentioned below; and (iii) as BCG had subscribed for and Mainway had issued exchangeable notes convertible into Shares held by Mainway, BCG was deemed to be interested in 204,357,990 underlying Shares of which BCG could convert under such exchangeable notes by virtue of the SFO.

   Besides, Mr. Kelvin Wu and Mr. Joel Chang were deemed to be interested in 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

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

(continued)

(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 2010, 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 has adopted the 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 2010

During the six months ended 30 June 2010, 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 2010, share options entitling the holders thereof to subscribe for a total of 2,550,000 shares were exercised, of which 350,000 Shares were exercised at the exercise price of HK$0.453, and 2,200,000 Shares were exercised at the exercise price of HK$0.393. Further, 200,000 Shares were cancelled under the 2001 Share Option Scheme due to the resignation of Mr. Masahito Tachikawa (details of which are set out in the following table).

SHARE OPTIONS *(continued)*

The movements of share options during the six months ended 30 June 2010 and the outstanding share options held by the Directors, chief executive and other employees of the Group as at 30 June 2010 set out in the following table:

Name or category of participant	Date of grant of share option	Exercise price per Share HK$	Exercise period	Number of share options outstanding as at 1 January 2010	Granted during the six months ended 30 June 2010	Exercised during the six months ended 30 June 2010	Lapsed during the six months ended 30 June 2010	Closing price per Share immediately before the date of grant of share option (Note b) HK$	Closing price per Share immediately before the date of exercise of the share option (Note b) HK$	Number of share options outstanding as at 30 June 2010
Director										
Masahito Tachikawa (Note a)	23 September 2009	0.453	23 September 2009 to 22 September 2014	200,000	–	–	(200,000) (Note a)	0.451	–	–
Huang Shao-Hua George	12 April 2007	0.393	1 July 2007 to 30 October 2011	1,000,000	–	–	–	0.34	–	1,000,000
	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
Chow Sau Fong Fiona	23 September 2009	0.453	23 September 2009 to 22 September 2014	700,000	–	–	–	0.451	–	700,000
Wu Keyan	23 September 2009	0.453	23 September 2009 to 22 September 2014	700,000	–	–	–	0.451	–	700,000
Li Pei Sen	23 September 2009	0.453	23 September 2009 to 22 September 2014	200,000	–	–	–	0.451	–	200,000
Chang Tat Joel	23 September 2009	0.453	23 September 2009 to 22 September 2014	12,000,000	–	–	–	0.451	–	12,000,000
Leung Man Kit	23 September 2009	0.453	23 September 2009 to 22 September 2014	200,000	–	–	–	0.451	–	200,000

SHARE OPTIONS *(continued)*

Name or category of participant	Date of grant of share option	Exercise price per Share HK$	Exercise period	Number of share options outstanding as at 1 January 2010	Granted during the six months ended 30 June 2010	Exercised during the six months ended 30 June 2010	Lapsed during the six months ended 30 June 2010	Closing price per Share immediately before the date of grant of share option (Note b) HK$	Closing price per Share immediately before the date of exercise of the share option (Note b) HK$	Number of share options outstanding as at 30 June 2010
Tan Boon Pin Simon (Note c)	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
Chief executive officer										
Wu King Shiu Kelvin	23 September 2009	0.453	23 September 2009 to 22 September 2014	21,000,000	–	–	–	0.451	–	21,000,000
Other participants										
In aggregate	12 April 2007	0.393	1 July 2007 to 30 October 2011	2,200,000	–	(2,200,000)	–	0.34	1.116	–
	23 September 2009	0.453	23 September 2009 to 22 September 2014	2,850,000	–	(350,000)	–	0.451	1.171	2,500,000
	13 November 2009	0.73	13 November 2009 to 12 November 2014	1,200,000	–	–	–	0.67	–	1,200,000
				105,650,000	–	(2,550,000)	(200,000)			102,900,000

Note:

(a) The share options lapsed due to the resignation or retirement 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) Appointed as executive Director of the Company with effect from 23 August 2010.

SHARE OPTIONS *(continued)*

Apart from the above, at no time during the six months ended 30 June 2010 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 2010, the Company had total share options outstanding entitling the holders thereof to subscribe for 102,900,000 Shares under the 2001 Share Option Scheme and the 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 102,900,000 additional Shares, representing approximately 4.05% of the Shares in issue as at 30 June 2010, and additional share capital of HK$10,290,000 and share premium account of approximately HK$36,476,100 (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 2010, 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	377,988,130 (L)	–	377,988,130 (L)	14.87%
Mainway Enterprises Limited ("Mainway")	Beneficial owner	2	408,715,990 (L)	–	408,715,990 (L)	16.08%
			408,715,990 (S)	–	408,715,990 (S)	16.08%
Orange Sky Entertainment Group (International) Holding Company Limited ("Orange Sky")	Beneficial owner	3	405,530,600 (L)	26,698,224	432,228,824 (L)	17.00%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

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
Cyber International Limited ("Cyber")	Beneficial owner	4	180,000,000 (L)	–	180,000,000 (L)	7.08%
AID Partners Ltd.	Interest of controlled corporations	5	1,372,234,720 (L)	291,056,214 (L)	1,663,290,934 (L)	65.42%
AID Partners GP1, L.P.	Interest of controlled corporations	5	1,372,234,720 (L)	291,056,214 (L)	1,663,290,934 (L)	65.42%
AID Partners Capital I, L.P.	Interest of controlled corporations	5	1,372,234,720 (L)	291,056,214 (L)	1,663,290,934 (L)	65.42%
AID Partners Asset Management Ltd.	Interest of controlled corporations	5	1,372,234,720 (L)	291,056,214 (L)	1,663,290,934 (L)	65.42%
Billion Century Group Limited ("BCG")	Interest of party to an agreement under sections 317 and 318 of the SFO	5	963,518,730 (L)	86,698,224 (L)	1,050,216,954 (L)	41.31%
	Security interest	5	408,715,990 (L)	–	408,715,990 (L)	16.08%
	Beneficial interest	5	–	204,357,990 (L)	204,357,990 (L)	8.04%
Chang Tat Joel#	Interest of controlled corporations	5	1,372,634,720	291,056,214 (L)	1,663,690,934 (L)	65.42%
	Beneficial owner	6	–	12,000,000 (L)	12,000,000 (L)	0.47%

* This percentage has been compiled based on the total number of Shares in issue (i.e. 2,542,289,900 ordinary Shares) as at 30 June 2010.

\# Appointed as executive Director of the Company with effect from 26 April 2010

Notes:

1. Skyera is a company wholly-owned by Mr. Wu Kebo ("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. Pursuant to the subscription agreement entered into between Mr. Wu and Mainway with BCG, BCG had subscribed for and Mainway had issued exchangeable notes convertible into Shares held by Mainway to BCG for the funding arrangement in relation to the mandatory unconditional cash offer made by Somerly Limited on behalf of Skyera and Mainway. As security for the exchangeable notes as mentioned above, 408,715,990 Shares held by Mainway were subject to a first charge in favour of BCG.

3. Orange Sky (a company 80% owned by Mr. Wu) is interested in (i) 405,530,600 Shares and (ii) 26,698,224 underlying Shares which may be issued upon exercise of the conversion rights attaching to the zero coupon convertible notes held by Orange Sky issued by the Company in the principal amount of HK$9,024,000 which were convertible into Shares at an initial conversion price of HK$0.338 per Share (subject to adjustment). 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.

5. Mr. Chang Tat Joel ("Mr. Joel Chang") was deemed to be interested in 1,372,234,720 Shares and 291,056,214 underlying Shares of which BCG was deemed to be interested by virtue of the SFO since he owned 40% of the issued share capital in AID Partners Ltd. AID Partners Ltd. was the general partner of AID Partners GP1, L.P. which was in turn the general partner of AID Partners Capital I. L.P.. AID Partners Capital I, L.P. was a private equity fund interested in the entire issued share capital of BCG through AID Partners Asset Management Limited. Of these 1,663,290,934 Shares and underlying Shares, (i) by virtue of the subscription agreement entered into between Mr. Wu and Mainway with BCG pursuant to which BCG had agreed to subscribe for and Mainway had agreed to issue exchangeable notes into Shares held by Mainway to BCG for the funding arrangement in relation to the mandatory unconditional cash offer made by Somerly Limited on behalf of Skyera and Mainway and the related security documents, BCG was deemed to be interested in 1,050,216,954 Shares and underlying Shares of which Mr. Wu was interested, (ii) BCG was deemed to be interested in 408,715,990 Shares under a first charge on Shares held by Mainway in its favour as security for the exchangeable notes as mentioned below; and (iii) as BCG had subscribed for and Mainway had issued exchangeable notes convertible into Shares held by Mainway, BCG was deemed to be interested in 204,357,990 underlying Shares of which BCG could convert under such exchangeable notes by virtue of the SFO.

   Besides, Mr. Joel Chang was deemed to be interested in 400,000 Shares of which AID Partners Holdings Ltd. was interested by virtue of the SFO since he owned 40% of the issued share capital in AID Partners Holdings Ltd.

   Both Mr. Wu King Shiu Kelvin and Mr. Joel Chang are the directors of BCG, AID Partners Asset Management Limited, AID Partners Ltd., AID Partners Holdings Ltd, AID Partners Capital I. L.P., and AID Partners GP1, L.P..

Notes:

6. These underlying Shares represented the Shares which may be issued upon the exercise of share options granted by the Company to Mr. Joel Chang under the 2001 Share Option Scheme.

Abbreviations:
"L" stands for long position
"S" stands for short position

Save as disclosed above, as at 30 June 2010, 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 2010, 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 of the Company has reviewed with the management, the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the Group's interim financial report for the six months ended 30 June 2010.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors (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 on the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules but also to aim at enhancing corporate governance practives of the Group as whole.

For the six months ended 30 June 2010, the Company has complied with the code provisions of CG Code except A.4.1 of CG Code but there are the changes of the Board, summarized as below:

(a) 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 subject to the requirement of retirement by rotation and reelection 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.

(b) Pursuant to code provision A.3 & A.3.2 of the CG Code (and as required by Rule 3.10 of Listing Rules), the board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should ensure that changes to its composition can be managed without undue disruption. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

Mr. Masahito Tachikawa resigned as an Independent Non-execuitive Director with effect from 26 April 2010 and Ms. Wong Sze Wing appointed on the same date due to his resignation.

CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

(c) Pursuant to code provision B.1.1 of the CG Code, issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.

The remuneration committee of the Company comprised one executive Director and two Independent Non-executive Director recently: Mr. Wu Kebo, Mr. Leung Man Kit and Ms. Wong Sze Wing. Ms. Wong Sze Wing was appointed as Independent Non-executive Director, and the member of remuneration Committee of the Company with effect form 26 April 2010 due to the resignation of Mr. Masahilo Tachikawa. Therefore, the requirement in relation to the composition of the remuneration committee under Code Provision B.1.1 of the CG Practices was fulfilled.

MODEL CODE

The Company has adopted its own code on terms on less exciting than those set out in the Model Code of the Listing Rules. The Company has made specific enquiries with all the Directors and no Directors have confirmed that they had not complied with the requirements set out on the Model Code and the Company's Code for the six months ended 30 June 2010.

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, 23 August 2010

ORANGE SKY GOLDEN HARVEST'S CINEMA PORTFOLIO
橙天嘉禾戲院組合