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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

HIGHLIGHTS

	2012	2011	**Changes**	
	HK$ million	*HK$ million*	***HK$ million***	*%*
The Group				
Turnover	**741**	561	**+180**	**+32%**
Gross profit	**436**	328	**+108**	**+33%**
Profit from operations	**51**	22	**+29**	**+132%**
Profit attributable to equity holders	**40**	13	**+27**	**+208%**
Basic earnings per share	**1.50 cents**	0.51 cents		

- Turnover increased by 32% to HK$741 million
- Gross profit grew by HK$108 million to HK$436 million
- Profit from operations increased to HK$51 million from HK$22 million
- Cinema admissions we served on a full and aggregated basis was over 16 million across cinema networks in Hong Kong, Mainland China, Taiwan and Singapore as a whole
- Cash on hand was HK$795 million

* *For identification purposes only*

INTERIM RESULTS

The board (the "Board") of directors (the "Directors" and each a "Director") of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2012 together with the comparative figures for the preceding six months ended 30 June 2011. The consolidated results have been reviewed by the auditors and the audit committee of the Company (the "Audit Committee").

CONSOLIDATED INCOME STATEMENT

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 30 June 2012** *HK$'000* **(Unaudited)**	As at 31 December 2011 *HK$'000* (Audited)
Non-current assets			
Fixed assets		**1,225,020**	1,206,446
Available-for-sale equity securities		**—**	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		**73,288**	48,010
		1,610,831	1,552,976
Current assets			
Inventories		**6,013**	6,137
Available-for-sale equity securities		**—**	20,000
Film rights		**66,383**	68,640
Trade receivables	*7*	**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		**794,958**	705,664
		1,103,642	1,017,910
Current liabilities			
Bank loans		**202,280**	127,252
Trade payables	*8*	**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
		695,305	636,354

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

These interim financial statements have 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").

These interim financial statements have 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 these interim financial statements 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.

These interim financial statements contain 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 Company and 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").

These interim financial statements are unaudited, but have 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.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial statements 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

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.

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*
Segment revenue:										
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
	740,836	561,038
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	**38,764**	17,952

4 PROFIT BEFORE TAXATION

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

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

Cost of inventories	**21,574**	17,939
Cost of services provided	**265,551**	205,141
Depreciation of fixed assets	**59,587**	41,889
Amortisation of film rights	**17,520**	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	**(7,911)**	(62)
Loss on disposals of property, plant and equipment	**1,748**	1,154
Exchange loss/(gain), net	**6,305**	(4,715)
Interest income from bank deposits	**(5,503)**	(1,158)
Dividend income from a listed investment	**(566)**	(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:

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

	2012 ***Number of shares*** **(Unaudited)**	2011 *Number of shares* (Unaudited)
Shares		
Issued ordinary shares as at 1 January	**2,684,194,248**	2,543,739,900
Effect of shares repurchased	**(3,263,132)**	—
Effect of convertible notes converted	**—**	24,780,673
Weighted average number of ordinary shares (basic) at 30 June	**2,680,931,116**	2,568,520,573
Effect of dilution — weighted average number of ordinary shares:		
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	**2,680,931,116**	2,599,689,799

(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 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:

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

8 TRADE PAYABLES

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

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

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 our 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 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 authentics motion effects synchronized with onscreen actions. In Taiwan, the Group is the exclusive digital IMAX® operator and has added one new digital IMAX® screen during the period. Currently, the Group has installed 100 sets of unprecedented SONY 4K Projection System in our 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 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 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 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, Heifei, 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. The 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. 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 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.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the period and up to the date of this announcement, 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**	**Lowest price per share**	**Aggregated consideration (excluding transaction costs)**
		HK$	*HK$*	*HK$'000*
January 2012	2,990,000	0.280	0.260	821
May 2012	1,385,000	0.295	0.275	395
	4,375,000			

MODEL CODE

The Company has adopted its own code on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (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.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

All the financial and other related information of the Group for the six months ended 30 June 2012 required by the Listing Rules will be published on the websites of the Stock Exchange of Hong Kong Limited and the Company in due course. An interim report for the six months ended 30 June 2012 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

APPRECIATION

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

By Order of the Board
Orange Sky Golden Harvest
Entertainment (Holdings) Limited
Wu Kebo
Chairman

Hong Kong, 28 August 2012

List of all Directors of the Company as of the time issuing this announcement:

Chairman and Executive Director:
Mr. Wu Kebo

Executive Directors:
Mr. Li Pei Sen
Mr. Mao Yimin
Mr. Tan Boon Pin Simon
Ms. Wu Keyan

Independent Non-executive Directors:
Mr. Leung Man Kit
Mr. Huang Shao-Hua George
Ms. Wong Sze Wing