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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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

HIGHLIGHTS

	2012	2011	Changes	
	HK$ million	*HK$ million*	*HK$ million*	%
The Group				
Turnover	**1,592**	1,370	**+222**	+16%
Gross profit	**948**	793	**+155**	+20%
Profit from operations	**126**	137	**-11**	-8%
Profit attributable to equity holders	**96**	96	**–**	–
Basic earnings per share	**3.58 cents**	3.64 cents		

- Turnover increased by 16% to HK$1,592 million
- Gross profit grew by HK$155 million to HK$948 million
- Profit attributable to equity holders remained at HK$96 million
- Cinema admissions we served on a full and aggregated basis was 34.1 million across cinema networks in Hong Kong, Mainland China, Taiwan and Singapore as a whole
- Cash on hand was HK$729 million

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

It was another fruitful year for the Group in 2012. The Group reported a net profit attributable to equity holders of HK$96 million for the year. The macro operating environment was challenging this year and the market conditions in territories we operated were mixed. Although we are facing increasingly fierce competition in the industry, we manage to achieve our goal and maintain persistent growth through our prudent operation.

In 2012, the Group's turnover rose by 16% to HK$1.59 billion, among which revenue from exhibition business increased by 23%, while income from distribution and production activities declined by 35% as there was no new TV production. During the year 2012, box office receipts of the Group's multiplexes in Mainland China boosted by 67% as compared with last year, box office receipts of Vie Show in Taiwan and Hong Kong's cinemas both recorded a strong growth of 18% and 11% respectively. Box office receipts of Golden Village in Singapore showed a slight increase of 4% despite temporary closure of a cinema for renovation during the year. Gross margin increased to 60% from 58% of 2011. The Group's EBITD for the year amounted to HK$240 million (2011: HK$230 million).

During the year 2012, the Group recorded a net gain of HK$4.0 million (after deductions of related expenses and tax expense) for settlement of legal dispute on a lease agreement in relation to a cinema project in Hangzhou. The Group also disposed of certain equity investments and recorded a gain of HK$7.9 million in 2012. These exceptional gains were partially offset by a provision of HK$5.3 million for expenses in relation to the closure of a Hong Kong Cinema, GH Mongkok, in February 2013.

During the year, the Group raised additional bank borrowings of approximately HK$140 million and spent around HK$290 million on capital expenditures, mainly for new cinema projects in Mainland China, Taiwan and Singapore. As of 31 December 2012, cash on hand of the Group amounted to approximately HK$730 million (2011: HK$710 million). The Group's gearing ratio maintained at a reasonable level of about 23% as at 31 December 2012 (2011: 20%).

BUSINESS REVIEW

Film Exhibition

During the year 2012, the Group opened 17 cinemas with 123 screens in total in Mainland China, Taiwan and Singapore. As of 31 December 2012, the Group is operating 70 cinemas with 528 screens across Mainland China, Hong Kong, Taiwan and Singapore, significantly increased from 53 cinemas with 405 screens a year ago. The Group's cinemas served approximately 34.1 million guests during the year, an increase of 16% as compared to 29.5 million guests last year. Gross box office receipts, on a full and aggregated basis, was registered at HK$1.98 billion, representing a 18% growth from last year.

In 2012, the Group's 70 cinemas generated revenue of HK$1.54 billion, accounting for about 93% of the Group's total revenue. The major Hollywood blockbusters released this year were *The Avengers*, *Men in Black 3*, *Titanic 3D*, *The Amazing Spider-Man*, *The Dark Knight Rises*, *The Hobbit: An Unexpected Journey and Life of Pi*. The major Chinese-language blockbusters were *Lost in Thailand (人再囧途之泰囧)* in Mainland China, *Cold War (寒戰)* in Hong Kong, *Din Tao: Leader of the Parade (陣頭)* in Taiwan and *Ah Boys to Men: Part 1 (新兵正傳I)* in Singapore.

OPERATING STATISTICS OF THE GROUP'S CINEMAS

	Mainland China	**Hong Kong**	**Taiwan**	**Singapore**
Number of cinemas*	42	6	11	11
Number of screens*	306	26	109	87
Admissions *(million)*	8.3	2.9	13.9	9.1
Net average ticket price *(HK$)*	43	66	64	57

* *as of 31 December 2012*

The Group is committed to pursuing visual and audio effect perfection to improve movie-going experience for our audiences. Currently, all screens in Mainland China, Hong Kong, Taiwan and Singapore have been fully installed with digital equipment and over 50% of the Group's screens are 3D compatible. In Hong Kong, two additional cinemas have been equipped with Motion Chair D-BOX delivering extraordinary theatrical experience to audiences through its authentic motion effects synchronised with onscreen actions. In Taiwan, the Group is the exclusive digital IMAX® operator and has added one new digital IMAX® screen during the year. Currently, the Group has installed over 100 sets of unprecedented SONY 4K Projection System in our Mainland China multiplexes and about 120 sets of projectors to support the high frame rate (HFR) movies. *The Hobbit: An Unexpected Journey* was the first movie made at a high frame rate of 48 frames per second and was widely released in December 2012. We believe these unrivalled visual effects will deliver premium and awe-inspiring theatrical experience to our audiences.

Mainland China

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN MAINLAND CHINA

	2012	2011
Number of cinemas*	**42**	27
Number of screens*	**306**	197
Admissions *(million)*	**8.3**	5.3
Net average ticket price *(RMB)*	**35**	33
Gross box office receipts *(RMB million)*#	**315**	189

* *as of 31 December*

\# *before deduction of government taxes and charges*

In 2012, the market gross box office receipts of urban area in Mainland China increased to RMB17.1 billion by 30% while the gross box office receipts generated by the Group's multiplexes in Mainland China boosted by 67% as compared with last year. During the year, the Group opened 15 new cinemas with 109 screens in cities of Beijing, Changzhou, Chengdu, Chongqing, Dalian, Nanning, Shanghai, Suzhou, Tianjin, Xining and Zhongshan. Thanks to rich film line-up, growing demand of high quality of entertainment experience and persisting support to the film industry from the Chinese government, the Group's multiplexes in Mainland China served approximately 8.3 million patrons during the year, representing 56% growth from last year. The Group has slightly increased the average ticket price to maintain stronger competitiveness in the market. The Mainland China's cinema industry environment experienced severe competition in 2012. The contribution from the exhibition business in Mainland China to the Group is limited due to the pressure we face in the early stage of operation.

Hong Kong

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN HONG KONG

	2012	2011
Number of cinemas*	**6**	6
Number of screens*	**26**	26
Admissions *(million)*	**2.9**	2.8
Net average ticket price *(HK$)*	**66**	61
Gross box office receipts *(HK$ million)*	**193**	173

* *as of 31 December*

During the year, Hong Kong as a whole recorded market box office receipts of HK$1.56 billion, up by 12% from HK$1.39 billion last year. The Group's cinemas in Hong Kong showed continuous improvements and recorded higher box office takings of HK$190 million this year (2011: HK$170 million) despite the closure of GH Hollywood at Diamond Hill in 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 the well-received Motion Chair D-Box introduced in GH Mongkok last year, the Group further installed 74 D-Box Motion Chairs in GH Citywalk and Golden Gateway in 2012. Excluding GH Hollywood, both the total box office receipts and admissions of the other six cinemas increased by approximately 18% and 8%, respectively.

Taiwan

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN TAIWAN

	2012	2011
Number of cinemas*	**11**	10
Number of screens*	**109**	101
Admissions *(million)*	**13.9**	12.1
Net average ticket price *(NTD)*	**244**	237
Gross box office receipts *(NTD billion)*	**3.4**	2.9

* *as of 31 December*

Due to the lack of strong local films in 2012, Taipei City's market box office receipts dropped by 6% from NTD3.84 billion last year to NTD3.62 billion this year. However, the Group's 35.71%-owned Vie Show cinema circuit recorded about 18% and 15% growth in box office receipts and admissions as compared with last year. This was mainly due to the good performance of two new cinemas opened in late 2011 and another one in April 2012. With the opening of these new cinemas, the market share of Vie Show has increased to about 42% (2011: 38%). Vie Show is the exclusive digital IMAX® operator and has added one new digital IMAX® screen with total of six screens as at 31 December 2012. During the year, the Group's share of net profit for the year from Vie Show increased to HK$46 million by 24% from last year's HK$37 million.

Singapore

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN SINGAPORE

	2012	2011
Number of cinemas*	**11**	10
Number of screens*	**87**	81
Admissions *(million)*	**9.1**	9.3
Net average ticket price *(S$)*	**9.2**	8.6
Gross box office receipts *(S$ million)*	**83**	80

* *as of 31 December*

Singapore box office receipts totalled S$194 million in 2012, slightly up from S$188 million in 2011. The Group's 50%-owned Golden Village cinema circuit maintained its leading position with a market share of 43% by reporting a box office receipts of S$83 million for the year (2011: S$80 million). The performance of GV Katong opened in December 2011 exceeded expectation with an average occupancy rate of 40%. In November 2012, the Group opened a new 6-plex at City Square Mall with impressive and innovative design reducing our reliance on manpower. GV City Square is the first cinema with auto-gate entrance in Singapore and the first boothless multiplex and 'Couples Cinema' in South East Asia. During the year, Golden Village also spent approximately S$5 million to fully upgrade GV Jurong Point and refurbish GV Plaza Singapura to 1st-tier premium cinema. Both cinemas have been performing very well since re-opening, although a temporary closure of GV Jurong Point for renovation from February to April 2012 had some negative impact on the bottom line in short term. Having taken 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 net profit of HK$51 million for the year, mildly up from HK$48 million last year.

Film & TV Programmes Distribution and Production

In 2012, the Group's film distribution and production business recorded revenue of HK$110 million (2011: HK$160 million). Last year the Group recorded total sales income of HK$70 million contributed from sale of two Chinese TV drama series *黃金密碼* and *諜戰深海* while there was no new production released in current year. The overall results decreased from last year although the distribution business in Hong Kong, Taiwan and Singapore performed well and generated more profit to the Group in 2012 compared with last year. The Group distributed about 120 films in Mainland China, Hong Kong, Taiwan and Singapore (over 130 films in 2011). The Group's film library of more than 140 films and TV titles with perpetual distribution rights continued to contribute steady licensing income to the Group.

PROSPECTS

Looking forward, the Group is optimistic in the film industry of the territories in which we operated, especially in the booming market, Mainland China. In addition to keep forging ahead in establishing cinemas in the Mainland China and pursuing acquisition opportunities to further expand the Group's cinema portfolio in the Asia Pacific region, the Group will continue to streamline and solidify the business operations and stringently control the costs. The Group will use its best endeavours to strengthen and explore both the exhibition and distribution networks in territories with higher market potential and better returns. Coupled with the government encouragement in cultural industry, the success of 3D presentations and the growing demand of high-quality entertainment experience in Mainland China, the Group will focus more on the development of its business in Mainland China.

As of 26 March 2013, the Group operated 42 cinemas with 306 screens in Mainland China and 4 cinemas with 26 screens were in various stages of interior decoration and are in the pipeline for openings. By the end of 2014, the Group expects to operate 78 cinemas with 571 screens in Beijing, Changsha, Changzhou, Chengdu, Chongqing, Dalian, Dongguan, Fushun, Guangzhou, Haining, Hefei, Heyuan, Huizhou, Jiashan, Jinan, Jinhua, Jingdezhen, Linyi, Maanshan, Nanning, Nantong, Shanghai, Shangrao, Shenyang, Shenzhen, Suzhou, Tangshan, Tianjin, Qingdao, Wuhan, Wuhu, Wujiang, Wuxi, Xian, Xining, Xuyi, Yancheng, Yangjiang, Yangquan, Yinchuan, Yingkou and Zhuzhou based on lease agreements signed as of 26 March 2013, although the number may vary due to the actual handover date, the progress of interior decoration, application of relevant licenses and the entering into of new lease agreements during the period.

In Hong Kong, the Group has closed down GH Mongkok in February 2013 upon expiry of the lease, and plans to renovate GH Tsing Yi in the first half year of 2013. The Group will look for new cinema sites in order to maintain its market position of theatre operation in Hong Kong. In Taiwan and Singapore, the Group also plans to renovate 3 existing cinemas with a total of 26 screens in 2013.

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 2013. This new *Fly Me to Polaris* will adopt the Sony super high resolution 4K digital filming techniques, which is a pioneering attempt in Mainland China. The Group will also seek opportunities to co-operate with Hollywood studios in film production activities and look for good scripts for Chinese language films and TV drama series co-production. The Group has one Chinese TV drama series currently under the early stage of production.

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

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2012, the Group maintained a rich liquid fund with cash balance of approximately HK$730 million (2011: HK$710 million) and had net current assets of HK$160 million (2011: HK$380 million). The Group's outstanding bank loans totalled HK$650 million (2011: HK$500 million). The significant increase in bank loans is to finance the cinema projects in Mainland China. In 2012, the Group spent about HK$320 million for fixed assets investment of which, approximately HK$260 million was for the capital expenditure of the cinema projects in Mainland China. As of 31 December 2012, the Group's gearing ratio, calculated on the basis of external borrowings over total assets, was about 23% (2011: 20%). 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 operate in their local currencies and are 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 a higher level of deposits in Renminbi, thus lowering the exposure to exchange risk. The directors of the Company 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 31 December 2012.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group had 1,395 (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. As at 31 December 2012, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

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 consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2012 together with the comparative figures. These results have been reviewed by the auditors and the audit committee of the Company (the "Audit Committee") and the figures have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	**2012** ***HK$'000***	2011 *HK$'000*
Turnover	*2*	**1,591,971**	1,369,562
Cost of sales		**(643,990)**	(576,287)
Gross profit		**947,981**	793,275
Other revenue		**38,989**	26,137
Other net income	*3(c)*	**25,156**	58,936
Selling and distribution costs		**(762,251)**	(612,002)
General and administrative expenses		**(114,376)**	(103,162)
Other operating expenses		**(9,436)**	(26,624)
Profit from operations		**126,063**	136,560
Finance costs	*3(a)*	**(26,877)**	(19,126)
Share of loss of an associate		**(449)**	–
Profit before taxation	*3*	**98,737**	117,434
Income tax	*4*	**(1,033)**	(22,563)
Profit for the year		**97,704**	94,871
Attributable to:			
Equity holders of the Company		**95,987**	95,943
Non-controlling interests		**1,717**	(1,072)
Profit for the year		**97,704**	94,871
Earnings per share	*5*		
Basic		**3.58 cents**	3.64 cents
Diluted		**3.58 cents**	3.63 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Profit for the year	**97,704**	94,871
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of:		
Overseas subsidiaries	**6,467**	14,703
Overseas jointly controlled entities	**17,328**	(7,544)
	23,795	7,159
Available-for-sale equity securities:		
Deficit on revaluation	**–**	(20,526)
Impairment losses recognised	**–**	20,526
Net movement in the fair value reserve	**–**	–
Total comprehensive income for the year	**121,499**	102,030
Total comprehensive income attributable to:		
Equity holders of the Company	**119,639**	102,857
Non-controlling interests	**1,860**	(827)
Total comprehensive income for the year	**121,499**	102,030

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Fixed assets		**1,413,351**	1,206,446
Interest in an associate		**6,876**	–
Available-for-sale equity securities		**–**	149
Prepaid rental		**74,840**	28,472
Club memberships		**2,490**	2,490
Rental and other deposits		**119,046**	106,631
Trademark		**79,785**	79,785
Goodwill		**73,658**	73,658
Deferred tax assets		**22,547**	7,335
Pledged bank deposits		**69,296**	48,010
		1,861,889	1,552,976
Current assets			
Inventories		**5,789**	6,137
Available-for-sale equity securities		**–**	20,000
Film rights		**59,081**	68,640
Trade receivables	*6*	**111,418**	84,226
Other receivables, deposits and prepayments		**156,159**	133,043
Amounts due from jointly controlled entities		**1,119**	200
Deposits and cash		**729,261**	705,664
		1,062,827	1,017,910
Current liabilities			
Bank loans		**323,204**	127,252
Trade payables	*7*	**165,647**	120,205
Other payables and accrued charges		**211,671**	205,920
Deferred revenue		**178,439**	153,199
Obligations under finance lease		**4,905**	–
Taxation payable		**21,221**	29,778
		905,087	636,354
Net current assets		**157,740**	381,556
Total assets less current liabilities		**2,019,629**	1,934,532

	Note	**2012**	2011
		HK$'000	*HK$'000*
Non-current liabilities			
Bank loans		**325,354**	376,345
Deposits received		**8,830**	9,891
Obligations under finance lease		**12,356**	–
Deferred tax liabilities		**28,478**	24,713
		375,018	410,949
NET ASSETS		**1,644,611**	1,523,583
CAPITAL AND RESERVES			
Share capital		**267,982**	268,419
Reserves		**1,366,111**	1,245,425
Total equity attributable to equity holders of the Company		**1,634,093**	1,513,844
Non-controlling interests		**10,518**	9,739
TOTAL EQUITY		**1,644,611**	1,523,583

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF COMPLIANCE

(i) Basis of preparation

The financial results set out in the announcement do not constitute the Group's statutory financial statements for the year ended 31 December 2012, but are extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(ii) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. None of the amendments are relevant to the financial statements.

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

2 SEGMENT REPORTING

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

— Hong Kong

— Mainland China

— Taiwan

— Singapore

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

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

Segment revenue and results

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

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

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

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

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

	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	**223,492**	201,300	**524,773**	328,309	**430,096**	369,114	**362,981**	349,765	**1,541,342**	1,248,488
— Distribution and production	**73,529**	57,681	**6,120**	87,307	**11,801**	4,057	**14,917**	12,848	**106,367**	161,893
— Corporate	**2,314**	2,127	**–**	–	**–**	–	**–**	–	**2,314**	2,127
Reportable segment revenue	**299,335**	261,108	**530,893**	415,616	**441,897**	373,171	**377,898**	362,613	**1,650,023**	1,412,508
Reportable segment profit	**37,482**	14,000	**3,863**	27,832	**46,419**	36,601	**55,140**	50,247	**142,904**	128,680
Reconciliation — Revenue										
Reportable segment revenue									**1,650,023**	1,412,508
Elimination of intra-segmental revenue									**(20,014)**	(13,990)
Others									**(38,038)**	(28,956)
									1,591,971	1,369,562
Reconciliation — Profit before taxation										
Reportable profit from external customers									**142,904**	128,680
Unallocated operating expenses, net									**(46,917)**	(32,737)
Non-controlling interests									**1,717**	(1,072)
Income tax									**1,033**	22,563
Profit before taxation									**98,737**	117,434

3 PROFIT BEFORE TAXATION

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

	2012	2011
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank loans wholly repayable		
— within five years	**19,236**	9,567
— after five years	**15,818**	7,577
	35,054	17,144
Interest on convertible notes	**–**	155
Finance charges on obligations under finance lease	**494**	–
Other ancillary borrowing costs	**4,329**	1,827
Total finance costs on financial liabilities not at fair value through profit or loss	**39,877**	19,126
Less: Finance costs capitalised into fixed assets*	**(13,000)**	–
	26,877	19,126

* The finance costs have been capitalised at rates ranging from 5.25% to 8.46% per annum (2011: Nil).

	2012	2011
	HK$'000	*HK$'000*
(b) Other items		
Cost of inventories	**47,231**	40,606
Cost of services provided	**559,563**	474,014
Depreciation of fixed assets	**126,539**	96,798
Amortisation of film rights	**37,196**	61,667
Auditors' remuneration	**3,455**	4,369
Operating lease charges in respect of land and buildings		
— minimum lease payments	**213,861**	176,902
— contingent rentals	**46,059**	38,329
Impairment losses on available-for-sale equity securities	**–**	20,526
Fair value loss on a financial derivative instrument	**–**	246
Loss on disposals of property, plant and equipment	**3,364**	3,749
Gain on disposals of available-for-sale equity securities, net	**(7,911)**	(28,484)
Rental income less direct outgoings	**(25,824)**	(16,861)
Dividend income from a listed investment	**(566)**	(330)

(c) Other net income

During the year ended 31 December 2012, the Group reached agreement with a contractor in respect of compensation for delay in construction progress together with punitive damages relating to cinemas in Mainland China. In addition to reimbursement of expenses of HK$28,870,000 (2011: HK$46,030,000), an amount of HK$12,491,000 (2011: HK$15,021,000) representing punitive damages was recorded as other net income for the year ended 31 December 2012.

4 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2012	2011
	HK$'000	*HK$'000*
The Group		
Current income tax		
Provision for overseas tax	**3,392**	5,978
Over-provision in respect of prior years	**(1,796)**	(251)
	1,596	5,727
Deferred tax — overseas		
Reversal of temporary differences	**(11,123)**	(171)
	(9,527)	5,556
Jointly controlled entities		
Current income tax		
Provision for overseas tax	**18,772**	16,428
Over-provision in respect of prior years*	**(7,070)**	(707)
	11,702	15,721
Deferred tax — overseas		
Origination and reversal of temporary differences	**(1,142)**	1,286
	10,560	17,007
	1,033	22,563

* During the year ended 31 December 2012, the tax credit principally related 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.

No provision has been made for Hong Kong Profits Tax as the tax losses brought forward from previous years exceed the estimated assessable profits for the year (2011: HK$Nil).

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

5 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$95,987,000 (2011: HK$95,943,000) and the weighted average number of ordinary shares of 2,680,372,144 (2011: 2,634,942,987), in issue during the year, calculated as follows:

Weighted average number of ordinary shares (basic and diluted)

	2012	2011
Issued ordinary shares at 1 January	**2,684,194,248**	2,543,739,900
Effect of convertible notes converted	**–**	93,041,484
Effect of shares repurchased	**(3,822,104)**	(1,838,397)
Weighted average number of ordinary shares (basic) at 31 December	**2,680,372,144**	2,634,942,987
Effect of conversion of convertible notes	**–**	14,848,601
Effect of deemed issue of shares under the Company's share option scheme	**–**	16,937
Weighted average number of ordinary shares (diluted) at 31 December	**2,680,372,144**	2,649,808,525

(b) 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$95,987,000 (2011: HK$96,098,000) and the weighted average number of ordinary shares of 2,680,372,144 (2011: 2,649,808,525) shares, calculated as follows:

Profit attributable to equity holders of the Company (diluted)

	2012	2011
	HK$'000	*HK$'000*
Profit attributable to equity holders	**95,987**	95,943
After tax effect of effective interest on the liability component of convertible notes	**–**	155
Profit attributable to equity holders (diluted)	**95,987**	96,098

The weighted average number of ordinary shares (diluted) at 31 December 2012 and 2011 is set out in note 5(a).

6 TRADE RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**46,721**	52,259
1 to 2 months	**51,496**	26,965
2 to 3 months	**3,813**	2,963
Over 3 months	**9,388**	2,039
	111,418	84,226

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.

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, the concentration of credit risk is not considered significant. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate their fair values.

At 31 December 2012, trade receivables of the Group included amounts of HK$5,137,000 (2011: HK$1,601,000) due from related companies which were unsecured, interest-free and expected to be recoverable within one year.

7 TRADE PAYABLES

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

	2012	2011
	HK$'000	*HK$'000*
Current to 3 months	**131,161**	107,975
Within 4 to 6 months	**16,274**	1,287
Within 7 to 12 months	**2,006**	1,049
Over 1 year	**16,206**	9,894
	165,647	120,205

At 31 December 2012, trade payables of the Group included amounts of HK$233,000 (2011: HK$2,462,000) due to related companies which were unsecured, interest-free and repayable on demand.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2012 (2011: Nil).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2012 and up to the date of this announcement, the Company repurchased certain of its shares on The Stock Exchange of Hong Kong Limited. The Directors consider that the share repurchases were beneficial to equity holders of the Company who retain their investments in the Company. Details of the share repurchases are set out below:

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

COMPLIANCE WITH 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 of 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 year ended 31 December 2012.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

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 provisions as set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "CG Code") as set out in Appendix 14 of the Listing Rules but also to aim at enhancing corporate governance practices of the Group as a whole.

For the year ended 31 December 2012, the Company has complied with the code provisions of the 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 and subject to re-election. All non-executive Directors 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.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in accordance with the CG Code. The Audit Committee is delegated by the Board to assess matters related to the financial statements and to perform the duties, including reviewing the Company's financial controls and internal control, financial and accounting policies and practices and the relationship with the external auditor. The Audit Committee comprises three members who are independent non-executive Directors, namely Mr. Leung Man Kit (the chairman), Mr. Huang Shao-Hua, George and Ms. Wong Sze Wing.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established with written terms of reference in accordance with the CG Code. The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for remuneration packages for the Directors. The Remuneration Committee comprises one executive Director, namely, Mr. Wu Kebo, and two independent non-executive Directors, namely Mr. Leung Man Kit and Ms. Wong Sze Wing (the chairman).

NOMINATION COMMITTEE

The Company has established the nomination committee of the Company (the "Nomination Committee") on 26 March 2012 and has formulated its written terms of reference in accordance with the CG code. The principal responsibilities of the Nomination Committee include identifying individuals qualified to become Board members and making recommendations to the Board on the selection, appointment or re-appointment of individuals nominated for directorship and the chief executive. The Nomination Committee currently comprises two independent non-executive Directors, being Ms. Wong Sze Wing and Mr. Leung Man Kit, and an executive Director, Mr. Wu Kebo (the chairman).

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

Hong Kong, 26 March 2013

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

Chairman and Executive Director:
Mr. Wu Kebo

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

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