



2014 Interim Report

Orange Sky
ENTERTAINMENT GROUP



Golden Harvest

Orange Sky Golden Harvest
Entertainment (Holdings) Limited

橙天嘉禾娛樂(集團)有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

(Stock Code 股份代號: 1132)

OSGH's Cinema Network in

Mainland China by the end of 2015

橙天嘉禾於二零一五年年底在中國內地之影城網點

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



**Northern
China Region**
華北區

18 Cinemas / 影城

120 Screens / 銀幕

**Eastern
China Region**
華東區

21 Cinemas / 影城

151 Screens / 銀幕

**Southern
China Region**
華南區

16 Cinemas / 影城

115 Screens / 銀幕

**Central / Western
China Region**
中西區

16 Cinemas / 影城

122 Screens / 銀幕

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Corporate Information

EXECUTIVE DIRECTORS

WU Kebo (*Chairman*)
MAO Yimin
LI Pei Sen
WU Keyan

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEUNG Man Kit
HUANG Shao-Hua George
WONG Sze Wing

CHIEF EXECUTIVE OFFICER

MAO Yimin

COMPANY SECRETARY

WONG Kwan Lai

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

24th Floor
AXA Centre
151 Gloucester Road
Wan Chai
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai
Banking Corporation Limited
Standard Chartered Bank (Hong Kong)
Limited
Industrial and Commercial Bank of
China Limited

AUDITORS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
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Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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WEBSITE

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

STOCK CODE

1132

Management Discussion and Analysis

OPERATION AND FINANCIAL REVIEW

During the period under review, the Group recorded turnover of HK\$514 million, representing an increase of 13% from HK\$456 million in the corresponding period last year. Net profit attributable to equity holders was HK\$12.1 million, representing a decrease of 76% from HK\$50.2 million compared to the corresponding period last year.

The increase in turnover in the first half of the year was attributed to the new cinema “the sky” in Hong Kong which was opened last December as well as 7 new multiplexes with 47 screens in Mainland China. The majority of our cinemas operating in both Hong Kong and Mainland China recorded steady growth compared to the same period last year. However, due to Renminbi depreciation during the period, the Group suffered from an exchange loss of HK\$5.7 million for the first six months, as compared to an exchange gain of HK\$12.6 million for the corresponding period last year. Coupled with fewer audience drawing films distributed in Hong Kong and Mainland China during the reporting period and decreased TV drama sales business contributed to a drop in net profit during the reporting period.

As of 30 June 2014, the cash and cash equivalents of the Group amounted to HK\$337 million (31 December 2013: HK\$535 million). The Group’s gearing ratio decreased to 27% as at 30 June 2014 (31 December 2013: 30%). It was mainly due to the repayment of bank borrowings by the Group during the period.

BUSINESS REVIEW

Film Exhibition

During the six months ended 30 June 2014, the Group operated 80 cinemas with 592 screens across Mainland China, Hong Kong, Taiwan and Singapore, an increase of 11% and 10% respectively from 72 cinemas with 539 screens from the corresponding period last year. The Group's cinemas served over 20 million guests during the period, representing an increase of 3% as compared to the corresponding period last year. Gross box office receipts on a full and aggregated basis registered at HK\$1,147 million, representing growth of 4% from the corresponding period last year. The major Hollywood blockbusters released during this period were *Captain America: The Winter Soldier*, *The Amazing Spider-Man 2: Rise of Electro*, *X-Men: Days of Future Past*, *The Wolf of Wall Street* and *Transformers: Age of Extinction*. The major Chinese language blockbusters were *From Vegas to Macau* (賭城風雲) and *The Monkey King* (西遊記之大鬧天宮) as well as *Dad, Where Are We Going?* (爸爸去哪兒) and *The Breakup Guru* (分手大師) in Mainland China, *KANO* in Taiwan and *Filial Party* (我是孝子) in Singapore.

OPERATING STATISTICS OF THE GROUP'S CINEMAS

(For the six months ended 30 June 2014)

	Mainland China	Hong Kong	Taiwan	Singapore
Number of cinemas*	52	6	11	11
Number of screens*	372	24	109	87
Admissions (million)	7.6	1.2	7.0	4.6
Net average ticket price (HK\$)	41	73	63	61

* as of 30 June 2014

The Group is committed to pursue visual and audio effect perfection to bring in a new movie-going experience for our audiences. Currently, all screens in Mainland China, Hong Kong, Taiwan and Singapore have been fully installed with digital projection equipment and the majority of the Group's screens are 3D compatible. Apart from digital IMAX® screens and ultra-high resolution Sony 4K Projection Systems, the Group will install our very first 4DX™ theatre equipped with motion chairs by renovating one of our cinemas in Southern China in the second half of 2014. In Hong Kong, the Group opened "the sky" cinema in December last year and introduced a giant screen at Grand Ocean. Both cinemas are equipped with the most advanced panorama Dolby Atmos sound systems and D-Box Motion Chairs. Most of our cinemas in Hong Kong are equipped with D-BOX Motion Chairs and the number has substantially increased from 93 for the corresponding period last year to 204 by June 2014. In Taiwan, the Group is the exclusive digital IMAX® operator with 6 digital IMAX® screens installed. During the period, one newly converted 4DX™ theatre was introduced in Taiwan. In addition, a new business-class multiplex served by a dedicated catering team was also introduced. In Singapore, the Group continues to operate 6 Gold Class multiplexes with private lounges and plush electronic recliner seats are installed to accommodate our VIPs and members.

Mainland China

Operating Statistics of the Group's Cinemas in Mainland China

During the six months ended 30 June 2014, the market gross box office receipts of urban areas in Mainland China increased by 26% to RMB13.6 billion while the Group's gross box office receipts generated by multiplexes in Mainland China increased by 28% compared to the corresponding period last year. During the period under review, the Group opened 3 new cinemas with 18 screens in the cities of Shenyang and Chengdu. Thanks to strong Hollywood blockbusters' and Chinese films' lineup during the period, national box office receipts recorded a historic high during the Chinese New Year holidays in 2014 which shows growing demand for a high quality entertainment experience from the general public. In addition to favourable policies implemented by the PRC government, the Group's multiplexes in Mainland China served 7.6 million patrons, representing a growth of 24% from the corresponding period last year. Advertising income also recorded a remarkable growth compared to last year. Earnings before interest, tax and depreciation of our exhibition business increased RMB27 million compared to same period of last year, representing growth of 66%. More and more of our cinemas secured a steady flow of audiences and loyal members helps contribute to steady growth of box office income.

The average ticket price slightly increased from RMB31.5 to RMB32.1, representing an increase of 2% as compared to the corresponding period last year. In order to attract and retain our valuable audiences, the Group shall further refine and upgrade our cinema service by offering a better value for money experience to drive the growth of the average ticket price and provide more special promotion activities to retain our members and VIPs.

Hong Kong

Operating Statistics of the Group's Cinemas in Hong Kong

During the period under review, the Hong Kong market as a whole recorded box office receipts of HK\$862 million, up by 13% from HK\$764 million for the corresponding period last year. The Group's cinemas in Hong Kong recorded box office receipts of HK\$89 million (30 June 2013: HK\$67 million), representing a substantial increase of 33% which was partially due to the opening of "the sky" cinema at Olympian City by the end of last year. In addition to box office receipts, concession sales receipts also recorded a 36% growth. Earnings before interest, tax and depreciation of our exhibition business increased by HK\$2.2 million compared to the same period last year, representing growth of 23%. To bring an enjoyable entertainment experience for our audiences, our flagship "the sky" cinema not only provides the best visual and audio experience to our audiences but also offers excellent catering choices. A brand new high quality coffee corner with the cooperation of "WHY n.o.T." was opened in July at "the sky". Due to high rentals in Hong Kong and the incubation period of the newly opened cinema, the contribution from the exhibition business in Hong Kong is slightly under pressure.

Taiwan

Operating Statistics of the Group's Cinemas in Taiwan

During the six months ended 30 June 2014, Taipei City as a whole recorded box office receipts of NTD1.79 billion (30 June 2013: NTD1.92 billion), a decrease of 7% compared to the first six months last year. The Group's 35.71%-owned Vie Show cinema circuit recorded total box office receipts of NTD1,695 million, representing an 8% decrease compared to the same period last year. The market share of Vie Show maintained at about 41%. The decrease in box office receipts was mainly due to the closure of 2 theatres in Hsinchu for renovation to Gold Class theatres while 1 theatre has been closed for conversion to a 4DX™ theatre. In addition, fewer 3D films were released and discount coupons were offered to banks for joint promotion campaigns and thus certain pressures were exerted on box office receipts. The Group's share of net profit from Vie Show declined to HK\$12.2 million from HK\$24.3 million for the corresponding period last year. Apart from the decrease in box office income, the decrease in share of net profit was also due to an increase in film rentals, rise in theatre rentals and staff costs during the period. Management of Vie Show has been adjusting the number of employees and negotiating with landlords to reduce rental costs. With an aim to increase box office receipts, Vie Show will continue to focus on driving income through popular blockbusters including *Step Up Five All In* in August, romantic movies such as *Café. Waiting. Love* (等一個人咖啡) and *A Choo* (打噴嚏) produced by Mr. Giddens and *The Crossing* (太平輪) directed by Mr. John Woo in the second half of 2014. In addition, the four titles above are also sub-distributed by Vie Vision in the Taiwan region. It is expected that such blockbusters will generate considerable box office receipts and distribution income for the Vie Show Group.

For non-box office receipts, the business-class multiplex served by a dedicated catering team was introduced and management expect that such concept can be expanded to other multiplexes and become future driver of non-box office income in the region. In addition, Vie Show Taipei QSquare recently introduced special popcorn "UNICORN" in July, which has been well received by the market. Different flavours of special handmade popcorn will be offered from time to time bringing unprecedented texture and taste to the customers. Other than cash sales, Vie Show also plans to sell "UNICORN" online and offers special seasonal gift sets of branded "UNICORN" as a trendy gift product.

Singapore

Operating Statistics of the Group's Cinemas in Singapore

During the six months ended 30 June 2014, the Singapore market's box office receipts totalled S\$106 million, mildly up from S\$103 million for the corresponding period last year. The Group's 50%-owned Golden Village cinema circuit maintained its leading position with a market share of 43% by reporting box office receipts of S\$46 million for the period, which was approximately the same as the corresponding period last year. During the reporting period, the Group's share of net profit increased by 7% from HK\$26.4 million for the corresponding period last year to HK\$28.2 million. This was mainly attributable to the major blockbusters, including *Captain America: The Winter Soldier*, *X-Men: Days of Future Past* and *Transformers: Age of Extinction*, released by Golden Village during the period.

Film & TV Programme Distribution and Production

During the six months ended 30 June 2014, the Group's film distribution and production business recorded revenue of HK\$32 million (30 June 2013: HK\$78 million). The distribution revenue for the corresponding period last year was mainly contributed from Chinese TV drama series and distribution income of overseas films in Mainland China. However, no contribution from sales of new TV dramas was recorded by the Group in the first half of the year. Apart from distribution revenue from *From Vegas to Macau* (賭城風雲) and a few local releases, an unexpected unfavourable distribution performance was recorded. By adjusting the Group's film distribution strategies to focus on high quality films, together with the Group's film library of more than 140 films and TV titles with perpetual distribution rights, it is expected that steady income can be generated in second half of 2014. As the Group will officially prepare and shoot *Fly me to Venus* (星語心願), which is expected to be released either in Christmas 2014 or in the first quarter of 2015, management anticipates that this movie will contribute positive returns to the Group.

PROSPECTS

Looking ahead, the Group will keep expanding its cinema networks by organic growth and acquisition, both at home and abroad. The Group will identify merger and acquisition opportunities in Mainland China and other Asian markets, strengthen the movie production and distribution business, enhance the brand awareness of Orange Sky Golden Harvest as a premier Chinese movie brand and eventually achieve the goal of becoming a leading integrator of the movie entertainment industry across Asia.

As at 28 August 2014, the Group operated 52 cinemas with 372 screens in Mainland China and 7 cinemas with 50 screens are in various stages of internal renovation and are in the pipeline for opening. By the end of 2015, the Group expects to operate 71 cinemas with 508 screens in various cities in Mainland China based on lease agreements signed as at 28 August 2014. In Taiwan, the Vie Show Group plans to open one new cinema at Dream Mall in Tainan in the second half of the year; and renovate a cinema at Shang Shun Plaza in Miaoli City in September, which is scheduled to commence operation in February 2015. The figures stated above may vary due to the actual handover date, the progress of internal renovation, application for relevant licences and the signing of new lease agreements during the period.

In view of the growing demand for Chinese-language films, the Group will continue to expand its distribution and production business through seeking opportunities in different platforms to co-operate with film and TV series production houses and looking for good scripts for Chinese language film and TV drama series co-production. In the second half of the year, the Group will officially shoot the *Fly me to Venus* (星語心願), with a new production crew using pioneer Sony 4K digital filming techniques. It is expected that this movie will be released either at Christmas 2014 or in the first quarter of 2015.

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 investment opportunities.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a stable financial position throughout the period. It financed its operations from internal funding, bank borrowings and accumulated retained earnings. As at 30 June 2014, the Group had cash and cash equivalents amounting to HK\$337 million (31 December 2013: HK\$535 million). The Group's outstanding bank loans totalled HK\$773 million (31 December 2013: HK\$935 million). The decrease in bank loans was mainly due to the repayment of certain bank borrowings during the period. Details of the bank loans including the terms of the loans, interest rates, currencies, and securities are disclosed in note 13 to the interim financial report. As at 30 June 2014, the Group's gearing ratio calculated on the basis of external borrowings over total assets stood at approximately 27% (31 December 2013: 30%). As at 30 June 2014, the Group has pledged HK\$47 million of its cash balances to secure banking facilities. Management will continue to monitor the gearing structure and make necessary adjustments in light of changes in the Group's development plans and economic conditions to minimise the potential risk. The Group believes that its current cash holding and available banking facilities will be sufficient to fund its working capital requirement and its financial position remains sound for continuous expansion.

The Group's assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. Due to the volatility of the currency markets, management decided to maintain a 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 or off-balance sheet obligations as of 30 June 2014 (31 December 2013: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, the Group employed 1,536 (31 December 2013: 1,426) permanent employees. The Group remunerates its employees mainly by reference to industry practice. In addition to salaries, commissions and discretionary bonuses, incentive share options may be granted to certain employees subject to individual performance. The Group also operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance and as at 30 June 2014, there were no forfeited contributions arising from employees leaving the retirement benefit scheme.

Review Report to the Board of Directors



Review report to the Board of Directors of Orange Sky Golden Harvest Entertainment (Holdings) Limited

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 12 to 35 which comprises the consolidated statement of financial position of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group") as of 30 June 2014 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months 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 ("HKSRE 2410"), *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

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

28 August 2014

Consolidated Income Statement

For the six months ended 30 June 2014 — Unaudited

	Note	Six months ended 30 June 2014 HK\$'000	Six months ended 30 June 2013 HK\$'000
Turnover	3	514,495	455,592
Cost of sales		(206,320)	(187,787)
Gross profit		308,175	267,805
Other revenue		35,132	19,062
Other net (loss)/income	5(c)	(201)	12,604
Selling and distribution costs		(290,506)	(238,748)
General and administrative expenses		(49,274)	(50,103)
Other operating expenses		(180)	(1,319)
Profit from operations		3,146	9,301
Finance costs	5(a)	(23,541)	(22,323)
Share of profits of joint ventures		41,845	55,472
Share of profits/(losses) of associates		592	(928)
Profit before taxation	5	22,042	41,522
Income tax	6	(8,847)	9,311
Profit for the period		13,195	50,833
Attributable to:			
Equity holders of the Company		12,139	50,202
Non-controlling interests		1,056	631
		13,195	50,833
Earnings per share	7		
Basic		0.45 cents	1.87 cents
Diluted		0.45 cents	1.87 cents

The notes on pages 19 to 35 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014 — Unaudited

	Six months ended 30 June 2014 HK\$'000	Six months ended 30 June 2013 HK\$'000
Profit for the period	13,195	50,833
Other comprehensive income for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
— overseas subsidiaries	(6,319)	11,128
— overseas joint ventures	2,214	(13,803)
— overseas associates	(109)	116
	(4,214)	(2,559)
Total comprehensive income for the period	8,981	48,274
Total comprehensive income attributable to:		
Equity holders of the Company	8,007	47,506
Non-controlling interests	974	768
Total comprehensive income for the period	8,981	48,274

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

The notes on pages 19 to 35 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Non-current assets			
Fixed assets	8		
— Investment properties		148,401	149,264
— Property, plant and equipment		1,356,250	1,345,280
		1,504,651	1,494,544
Interests in joint ventures	9	307,988	344,619
Interests in associates		11,749	13,713
Other receivables, deposits and prepayments		232,530	210,662
Club memberships		2,490	2,490
Trademark		79,785	79,785
Goodwill		73,658	73,658
Deferred tax assets		29,075	29,512
Pledged bank deposits	12	46,890	46,905
		2,288,816	2,295,888
Current assets			
Inventories		6,096	4,977
Film rights	10	50,510	46,741
Trade receivables	11	99,637	126,586
Other receivables, deposits and prepayments		192,953	160,532
Deposits and cash	12	336,738	534,536
		685,934	873,372
Current liabilities			
Bank loans	13	222,024	323,581
Trade payables	14	92,498	101,137
Other payables and accrued charges		128,445	155,634
Deferred revenue		150,244	162,758
Obligations under finance leases		4,860	8,988
Taxation payable		10,676	9,871
		608,747	761,969

Consolidated Statement of Financial Position

(continued)

As at 30 June 2014

	Note	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Net current assets		77,187	111,403
Total assets less current liabilities		2,366,003	2,407,291
Non-current liabilities			
Bank loans	13	550,814	611,576
Obligations under finance leases		26,736	18,045
Deferred tax liabilities		14,140	12,338
		591,690	641,959
NET ASSETS		1,774,313	1,765,332
Capital and reserves			
Share capital	15	267,982	267,982
Reserves		1,494,696	1,486,689
Total equity attributable to equity holders of the Company		1,762,678	1,754,671
Non-controlling interests		11,635	10,661
TOTAL EQUITY		1,774,313	1,765,332

The notes on pages 19 to 35 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 — Unaudited

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Share redemption reserve HK\$'000	Contributed surplus HK\$'000	*Reserve funds HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2014	267,982	664,835	7,719	8,833	80,000	10,973	67,988	646,341	1,754,671	10,661	1,765,332
Changes in equity for the six months ended 30 June 2014:											
Profit for the period	-	-	-	-	-	-	-	12,139	12,139	1,056	13,195
Other comprehensive income	-	-	-	-	-	-	(4,132)	-	(4,132)	(82)	(4,214)
Total comprehensive income	-	-	-	-	-	-	(4,132)	12,139	8,007	974	8,981
Transfer to/(from) reserves	-	-	-	-	-	3,137	-	(3,137)	-	-	-
Balance at 30 June 2014	267,982	664,835	7,719	8,833	80,000	14,110	63,856	655,343	1,762,678	11,635	1,774,313

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2014 — Unaudited

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	*Reserve funds HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2013	267,982	664,835	7,771	8,833	80,000	8,863	62,396	533,423	1,634,093	7,147	1,641,240
Changes in equity for the six months ended 30 June 2013:											
Profit for the period	-	-	-	-	-	-	-	50,202	50,202	631	50,833
Other comprehensive income	-	-	-	-	-	-	(2,696)	-	(2,696)	137	(2,559)
Total comprehensive income	-	-	-	-	-	-	(2,696)	50,202	47,506	768	48,274
Transfer to retained profits on lapse of share options	-	-	(52)	-	-	-	-	52	-	-	-
Transfer to/(from) reserves	-	-	-	-	-	2	-	(2)	-	-	-
Balance at 30 June 2013	267,982	664,835	7,719	8,833	80,000	8,865	59,700	583,675	1,681,599	7,915	1,689,514

* In accordance with the relevant regulations in Mainland China, the Company's subsidiaries established therein are required to transfer a certain percentage of their profits after taxation to the reserve funds until the balances reach 50% of the registered capital. Subject to certain restrictions set out in the relevant Mainland China regulations, the reserve funds may be used either to offset losses, or for capitalisation by way of paid-up capital.

The notes on pages 19 to 35 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014 — Unaudited

	Six months ended 30 June 2014 HK\$'000	Six months ended 30 June 2013 HK\$'000
Operating activities		
Finance costs paid	(27,511)	(24,472)
Other cash flows arising from operating activities	(12,447)	(10,089)
Net cash used in operating activities	(39,958)	(34,561)
Investing activities		
Payment for the purchase of property, plant and equipment	(71,403)	(222,755)
Dividends received	80,690	37,183
Other cash flows arising from investing activities	(982)	(36,854)
Net cash generated from/(used in) investing activities	8,305	(222,426)
Financing activities		
Draw down of bank loans	24,003	357,971
Repayment of bank loans	(182,924)	(97,731)
Other cash flows arising from financing activities	(4,763)	(2,532)
Net cash (used in)/generated from financing activities	(163,684)	257,708
Net (decrease)/increase in cash and cash equivalents	(195,337)	721
Cash and cash equivalents at 1 January	534,536	575,031
Effect of foreign exchange rates changes	(2,461)	8,622
Cash and cash equivalents at 30 June	336,738	584,374
Analysis of balances of cash and cash equivalents		
Non-pledged short term bank deposits	148,880	373,317
Non-pledged cash and bank balances	187,858	211,057
Cash and cash equivalents at 30 June	336,738	584,374

The notes on pages 19 to 35 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 28 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policies changes that are expected to be reflected in the 2014 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for the full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 11.

1 BASIS OF PREPARATION *(continued)*

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 14 August 2014.

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The developments relate primarily to clarification and modification of certain disclosure requirements applicable to the Group's financial statements. The developments have had no material impact on the contents of the interim financial report.

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

3 TURNOVER

Turnover represents the income from the sale of film, video and television rights, film and TV drama distribution, theatre operation, promotion and advertising fee income, agency and consultancy fee income, and proceeds from the sale of audio visual products.

4 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 derives its revenue from film exhibition, film and video distribution, film and television programme production, provision of advertising and consultancy services. The reportable segments, Taiwan and Singapore, represent the performance of the joint ventures operating in Taiwan and Singapore, respectively. 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 share of results of joint ventures of each segment. Intra-segment pricing is generally determined on an arm's length basis.

4 SEGMENT REPORTING *(continued)*

Segment revenue and results *(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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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	105,284	79,391	405,646	319,900	217,908	234,213	202,083	200,069	930,921	833,573
— Distribution and production	17,661	49,931	6,678	22,713	2,909	1,099	4,710	4,628	31,958	78,371
— Corporate	690	1,022	-	-	-	-	-	-	690	1,022
Reportable segment revenue	123,635	130,344	412,324	342,613	220,817	235,312	206,793	204,697	963,569	912,966
Reportable segment (loss)/profit										
after taxation	3,518	19,496	(3,799)	1,638	12,321	24,232	28,702	27,797	40,742	73,163
<i>Reconciliation — Revenue</i>										
Reportable segment revenue									963,569	912,966
Share of revenue from joint ventures in Taiwan and Singapore									(427,610)	(440,009)
Elimination of intra-segment revenue									(668)	(5,950)
Others									(20,796)	(11,415)
									514,495	455,592
<i>Reconciliation — Profit before taxation</i>										
Reportable profit after taxation from external customers									40,742	73,163
Unallocated operating expenses, net									(28,603)	(22,961)
Non-controlling interests									1,056	631
Income tax									8,847	(9,311)
Profit before taxation									22,042	41,522

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June 2014 HK\$'000 (Unaudited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)
(a) Finance costs		
Interest on bank loans wholly repayable		
— within five years	8,610	8,377
— after five years	15,351	13,425
Finance charges on obligations under finance leases	1,417	901
Other ancillary borrowing costs	3,363	2,820
Total finance costs on financial liabilities not at fair value through profit or loss	28,741	25,523
Less: finance costs capitalised into leasehold improvements *	(5,200)	(3,200)
	23,541	22,323
* The finance costs have been capitalised at rates ranging from 3.44% to 8.19% per annum (six months ended 30 June 2013: 6.53% to 8.46%).		
(b) Other items		
Cost of inventories	13,641	12,386
Cost of services provided	188,441	162,292
Depreciation of fixed assets	66,275	49,911
Amortisation of film rights	4,238	13,109
Gain on disposal of an available- for-sale equity security	—	(150)
(Gain)/loss on disposals of property, plant and equipment	(181)	1,189
Exchange loss/(gain), net	5,684	(12,578)
Interest income from bank deposits	(5,636)	(5,880)
Other interest income (note)	(13,230)	—

5 PROFIT BEFORE TAXATION (continued)

(b) Other items (continued)

Note: The Group has a lease agreement with a related party in respect of a property in Mainland China. Upon the failure of the related party to deliver the property on time, the Group entered into a memorandum with the related party to extend the delivery date of the leased property and to charge interest at a rate of 7.5% per annum on the amount of the prepaid rental. During the period ended 30 June 2014, an amount of HK\$13,230,000 representing the interest on the prepaid rental for delay in the property handover was recorded as other revenue. Details are set out in the Company's announcement published on the website of The Stock Exchange of Hong Kong Limited on 25 June 2014.

(c) Other net (loss)/income

Included in other net (loss)/income for the six months ended 30 June 2014 was an amount of HK\$3,594,000 (six months ended 30 June 2013: HK\$Nil) representing compensation from a contractor for delays in construction progress on opening together with punitive damages relating to certain new cinemas in Mainland China.

6 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June 2014 HK\$'000 (Unaudited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)
Group		
<i>Current income tax</i>		
Provision for overseas tax	7,572	9,557
Over provision in respect of prior periods*	(751)	(6,017)
	6,821	3,540
<i>Deferred tax — overseas</i>		
Origination and reversal of temporary differences	2,026	(12,851)
	8,847	(9,311)

* The tax credit for the six months ended 30 June 2013 principally related to the reversal of a provision made in prior periods by a subsidiary in Mainland China upon the finalisation of the related tax computation.

6 INCOME TAX *(continued)*

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the period.

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

7 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\$12,139,000 (six months ended 30 June 2013: HK\$50,202,000) and the weighted average number of ordinary shares of 2,679,819,248 (2013: 2,679,819,248 shares) in issue during the period.

Weighted average number of ordinary shares

	2014	2013
	Number of	Number of
	shares	shares
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares and issued ordinary shares as at 1 January and 30 June	2,679,819,248	2,679,819,248

7 EARNINGS PER SHARE *(continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity holders of the Company of HK\$12,139,000 (six months ended 30 June 2013: HK\$50,202,000) and the weighted average number of 2,685,806,266 ordinary shares (six months ended 30 June 2013: 2,679,819,248 shares), after adjusting for the effect of the potential dilution from ordinary shares issuable under the Company's share option schemes, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2014	2013
	Number of	Number of
	shares	shares
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares at 30 June	2,679,819,248	2,679,819,248
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	5,987,018	–
Weighted average number of ordinary shares (diluted) at 30 June	2,685,806,266	2,679,819,248

8 FIXED ASSETS

During the six months ended 30 June 2014, the Group acquired fixed assets in the aggregate amount of HK\$86,131,000, which mainly comprised payments for construction in progress, leasehold improvements and machinery and equipment.

The Group's investment properties were revalued as at 30 June 2014 by the senior management of the Group using market comparison approach by reference to recent market price of comparable properties using market data which is publicly available.

No gain or loss from change in fair values of the investment properties during the six months ended 30 June 2014 was recognised in profit or loss.

9 INTERESTS IN JOINT VENTURES

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Share of net assets	307,988	344,619

Interests in joint ventures represent the Group's equity interests in the film exhibition and distribution businesses in Taiwan and Singapore.

10 FILM RIGHTS

During the period under review, the Group incurred costs for film production of HK\$8,089,000 (six months ended 30 June 2013: HK\$5,540,000) and amortisation of film rights amounted to HK\$4,238,000 (six months ended 30 June 2013: HK\$13,109,000).

11 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.

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:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Within 1 month	81,187	107,178
1 to 2 months	4,997	4,405
2 to 3 months	6,019	3,559
Over 3 months	7,434	11,444
	99,637	126,586

11 TRADE RECEIVABLES *(continued)*

At 30 June 2014, trade receivables of the Group included amounts totalling HK\$19,464,000 (31 December 2013: HK\$25,464,000) due from related companies and amounts totalling HK\$4,898,000 (31 December 2013: HK\$1,243,000) due from a joint venture, which are unsecured, interest-free and recoverable within one year.

12 DEPOSITS AND CASH

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Deposits at banks	173,880	312,420
Cash at bank and on hand	209,748	269,021
	383,628	581,441
Less: Pledged deposits — for bank loans	(46,890)	(46,905)
Cash and cash equivalents	336,738	534,536

13 BANK LOANS

(a) The bank loans were repayable as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Within 1 year or on demand	222,024	323,581
After 1 year but within 2 years	181,131	172,890
After 2 years but within 5 years	291,682	356,856
After 5 years	78,001	81,830
	550,814	611,576
	772,838	935,157

13 BANK LOANS *(continued)*

(a) The bank loans were repayable as follows: *(continued)*

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

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

(b) At 30 June 2014, the bank loans were secured by:

- (i) an office property of a subsidiary located in Hong Kong;
- (ii) deposits of subsidiaries of HK\$46,890,000 (31 December 2013: HK\$46,905,000); and
- (iii) corporate guarantees from the Company and two subsidiaries.

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the consolidated statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. As at 30 June 2014 and 31 December 2013, none of the covenants relating to drawn down facilities had been breached.

13 BANK LOANS *(continued)*

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

	As at 30 June 2014 '000 (Unaudited)	As at 31 December 2013 '000 (Audited)
Renminbi	316,311	339,749
Hong Kong dollars	374,286	503,676

14 TRADE PAYABLES

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

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Current to 3 months	70,060	75,545
Within 4 to 6 months	3,493	7,599
Within 7 to 12 months	2,782	1,591
Over 1 year	16,163	16,402
	92,498	101,137

As at 30 June 2014, the trade payables of the Group included amounts totalling HK\$26,169,000 (31 December 2013: HK\$16,679,000) due to related companies which are unsecured, interest-free and repayable on demand.

15 SHARE CAPITAL

	As at 30 June 2014 (unaudited)		As at 31 December 2013 (audited)	
	No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	6,000,000,000	600,000	6,000,000,000	600,000
Ordinary shares, issued and fully paid:				
Ordinary shares of HK\$0.10 each	2,679,819,248	267,982	2,679,819,248	267,982

Notes:

(i) Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and other employees of the Group, shareholders of the Company, suppliers of goods or services to the Group and customers of the Group. Details of the Scheme are set out in the 2013 annual report.

(ii) Dividends

No dividends were declared and distributed during the six months ended 30 June 2014 and 2013.

16 CAPITAL COMMITMENTS

At the end of the reporting period, the Group's share of the joint ventures' own capital commitments in respect of acquisition of fixed assets, was as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Contracted for:		
— Singapore	32,897	4,878
— Taiwan	9,543	9,283
	42,440	14,161
Authorised but not contracted for:		
— Singapore	—	44,983
	42,440	59,144

16 CAPITAL COMMITMENTS *(continued)*

In addition to the Group's share of the joint ventures' own capital commitments above, the Group had the following capital commitments in respect of acquisition of fixed assets at the end of the reporting period:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Contracted for:		
— Mainland China	31,994	93,244
Authorised but not contracted for:		
— Hong Kong	—	1,791
— Mainland China	629,566	613,387
	629,566	615,178
	661,560	708,422

17 CONTINGENT LIABILITIES

At 30 June 2014, the Company has issued guarantees to banks in respect of banking facilities granted to certain subsidiaries and a joint venture amounting to HK\$1,123,327,000 (31 December 2013: HK\$1,315,060,000) and HK\$Nil (31 December 2013: HK\$30,600,000) respectively. At 30 June 2014, banking facilities of HK\$777,130,000 (31 December 2013: HK\$942,160,000) had been utilised by the subsidiaries.

At 30 June 2014, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The Company has not recognised any deferred income in respect of bank guarantees as their fair values cannot be reliably measured and no transaction price was incurred.

17 CONTINGENT LIABILITIES (continued)

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.

18 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June 2014 HK\$'000 (Unaudited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)
Short-term employee benefits	3,023	1,537
Post-employment benefits	60	50
	3,083	1,587

(b) Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

	Note	Six months ended 30 June 2014 HK\$'000 (Unaudited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)
Office rental paid	(i)	1,798	2,361
Income from leasing of cinema facilities	(ii)	–	1,042
Cinema screen advertising services income	(iii)	15,282	8,385
Other interest income	(iv)	13,230	–
Rental prepayment for leasing of property	(v)	25,200	50,240
Cinema circuit management service fee income	(vi)	2,693	734

18 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Material related party transactions *(continued)*

Notes:

- (i) This represents office rental expenses for three office areas paid to two related companies.
- (ii) This represents the income received from a related company for leasing certain cinema facilities.
- (iii) This represents cinema screen advertising income received from two related companies.
- (iv) This represents other interest income received from a related company.
- (v) This represents rental prepayment paid to a related company.
- (vi) This represents management service fees paid to a related company for introducing top-class cinema circuit to PRC cinemas.

The transactions shown above with related companies constitute connected transactions as defined in the Listing Rules. The connected transactions were either properly approved by the independent non-executive directors or constituted de minimis transactions as defined in the Listing Rules.

There were no other material related party transactions during the six months ended 30 June 2014, other than in the nature of those as disclosed in note 32 to the 2013 annual financial statements.

Board Composition

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

Executive Directors

Wu Kebo (*Chairman*)

Mao Yimin

Li Pei Sen

Tan Boon Pin Simon

(resigned on 10 May 2014)

Wu Keyan

Independent Non-executive Directors

Leung Man Kit

Huang Shao-Hua George

Wong Sze Wing

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures

As at 30 June 2014, the interests and short positions of the directors of the Company (the "Director(s)") and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

(i) INTERESTS IN SHARES OF HK\$0.10 EACH IN THE ISSUED SHARE CAPITAL OF THE COMPANY (THE "SHARES"), UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

Name of Director/ Chief Executive	Capacity	Note	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	*Approximate percentage of Shares and underlying Shares in the issued share capital of the Company
Wu Kebo	Interest of controlled corporations	1	1,723,894,068 (L)	-	1,723,894,068 (L)	64.33%
	Beneficial owner	1	24,545,000 (L)	-	24,545,000 (L)	0.92%
		2	-	60,000,000 (L)	60,000,000 (L)	2.24%
Wu Keyan	Beneficial owner	2	-	700,000 (L)	700,000 (L)	0.026%
Li Pei Sen	Beneficial owner	2	-	200,000 (L)	200,000 (L)	0.007%
Leung Man Kit	Beneficial owner	2	-	200,000 (L)	200,000 (L)	0.007%
Huang Shao-Hua George	Beneficial owner	2	-	200,000 (L)	200,000 (L)	0.007%

* This percentage has been compiled based on the total number of Shares in issue (i.e. 2,679,819,248) as at 30 June 2014.

Notes:

1. By virtue of the SFO, Mr. Wu Kebo ("Mr. Wu") was deemed to be interested in a total of 1,723,894,068 Shares, of which (i) 439,791,463 Shares were held by Skyera International Limited (a company wholly-owned by Mr. Wu); (ii) 408,715,990 Shares were held by Mainway Enterprises Limited (a company wholly-owned by Mr. Wu); (iii) 129,666,667 Shares were held by Noble Biz International Limited (a company wholly owned by Mr. Wu); (iv) 565,719,948 Shares held by Orange Sky Entertainment Group (International) Holding Company Limited (a company 80% owned by Mr. Wu) and (v) 180,000,000 Shares were held by Cyber International Limited (a company owned by an associate of Mr. Wu).

In addition, Mr. Wu was interest in 24,545,000 Shares as at 30 June 2014 which were beneficially held in his own name.

2. These underlying Shares represented the Shares which may be issued upon the exercise of share options granted by the Company under the share option scheme adopted by the Company on 28 November 2001 (the "2001 Share Option Scheme").

Abbreviations:

"L" stands for long position

(ii) INTERESTS IN SHARES OF ASSOCIATED CORPORATIONS

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

Save as disclosed above and save for the disclosure referred to under "Share Options" as at 30 June 2014, 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 terminated the 2001 Share Option Scheme with effect from 11 November 2009 and adopted the new share option scheme on 11 November 2009 (the “2009 Share Option Scheme”). The 2009 Share Option Scheme enables the Company to grant options to eligible participants as incentives or rewards for their contribution to the growth of the Group and provides the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to eligible the participants.

Notwithstanding the termination of the 2001 Share Option Scheme, the outstanding options granted under the 2001 Share Option Scheme remain in full force and effect in accordance with the terms and conditions of the grant thereof.

SHARE OPTIONS GRANTED AND LAPSED DURING THE SIX MONTHS ENDED 30 JUNE 2014

During the six months ended 30 June 2014, no options were granted to the Directors and other employees of the Group under the 2009 Share Option Scheme.

During the six months ended 30 June 2014, no share options, which entitled the holders thereof to subscribe, under the 2001 Share Option Scheme and 2009 Share Option Scheme were exercised.

The movements of share options during the six months ended 30 June 2014 and the outstanding share options held by the Directors, chief executive and other employees of the Group as at 30 June 2014 are 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 2014	Closing price per Share immediately before the date of grant of share option (Note 1) HK\$	Number of share options outstanding as at 30 June 2014
Director						
Huang Shao-Hua George	23 September 2009	0.453	23 September 2009 to 22 September 2014	200,000	0.451	200,000
Wu Kebo	23 September 2009	0.453	23 September 2009 to 22 September 2014	60,000,000	0.451	60,000,000
Wu Keyan	23 September 2009	0.453	23 September 2009 to 22 September 2014	700,000	0.451	700,000
Li Pei Sen	23 September 2009	0.453	23 September 2009 to 22 September 2014	200,000	0.451	200,000
Leung Man Kit	23 September 2009	0.453	23 September 2009 to 22 September 2014	200,000	0.451	200,000
Tan Boon Pin Simon	23 September 2009	0.453	23 September 2009 to 22 September 2014	1,200,000	0.451	– (Note 2)
Other participants						
In aggregate	23 September 2009	0.453	23 September 2009 to 22 September 2014	600,000	0.451	1,800,000 (Note 2)
				63,100,000		63,100,000

Note 1: Being the weighted average closing price of the Shares immediately before the dates on which the share options were granted.

Note 2: Mr. Tan Boon Pin Simon resigned as a Director of the Company with effect from 10 May 2014 and remains as a director of certain subsidiaries of the Company so he is still entitled to exercise the share options granted to him.

Apart from the above, at no time during the six months ended 30 June 2014 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

As at 30 June 2014, the Company had total share options outstanding entitling the holders thereof to subscribe for 63,100,000 Shares under the 2001 Share Option Scheme. The exercise in full of these outstanding share options would, under the present capital structure of the Company, result in the issue of 63,100,000 additional Shares, representing approximately 2.35% of the Shares in issue as at 30 June 2014, and additional share capital of HK\$6,310,000 and share premium account of approximately HK\$22,274,000 (before issue expenses).

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

So far as is known to the Directors, as at 30 June 2014, the following persons, other than a Director or chief executive of the Company, had the following interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Name of shareholder	Capacity	Note	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	*Approximate percentage of shareholding in the Company
Wu Kebo	Interest of controlled corporations	1	1,723,894,068 (L)	-	1,723,894,068 (L)	64.33%
	Beneficial owner	1	24,545,000 (L)	-	24,545,000 (L)	0.92%
		7		60,000,000 (L)	60,000,000 (L)	2.24%
Skyera International Limited ("Skyera")	Beneficial owner	2	439,791,463 (L)	-	439,791,463 (L)	16.41%
Mainway Enterprises Limited ("Mainway")	Beneficial owner	3	408,715,990 (L)	-	408,715,990 (L)	15.25%
Noble Biz International Limited ("Noble Biz")	Beneficial owner	4	129,666,667 (L)	-	129,666,667 (L)	4.84%
Orange Sky Entertainment Group (International) Holding Company Limited ("OSEG")	Beneficial owner	5	565,719,948 (L)	-	565,719,948 (L)	21.11%
Cyber International Limited ("Cyber")	Beneficial owner	6	180,000,000 (L)	-	180,000,000 (L)	6.72%

* These percentages have been compiled based on the total number of Shares in issue (i.e. 2,679,819,248 ordinary Shares) as at 30 June 2014.

Notes:

1. By virtue of the SFO, Mr. Wu was deemed to have interest in a total of 1,723,894,068 Shares, of which (i) 439,791,463 Shares were held by Skyera; (ii) 408,715,990 Shares were held by Mainway; (iii) 129,666,667 Shares were held by Noble Biz; (iv) 565,719,948 Shares were held by OSEG (a company 80% owned by Mr. Wu) and (v) 180,000,000 Shares were held by Cyber.

In addition, Mr. Wu had interest in 24,545,000 Shares as at 30 June 2014 which were beneficially held in his own name.

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

Abbreviations:

“L” stands for long position

Save as disclosed above, as at 30 June 2014, no other person had an interest or a short position in Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

Review by Audit Committee

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the Group's interim financial statements for the six months ended 30 June 2014.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (30 June 2013: Nil).

Compliance with Corporate Governance Code

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 Corporate Governance Code (the "CG Code") under 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 2014, the Company has complied with the code provisions of CG Code, with the exception of code provisions A.4.1, A.6.7 and E.1.2.

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 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.

As required under code provision A.6.7, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Ms. Wong Sze Wing, an independent non-executive Director and the chairman of the remuneration committee of the Company, was unable to attend the annual general meeting of the Company held on 27 June 2014 (the "AGM") owing to another important engagement.

Code provision E.1.2 requires the chairman of the Board to attend the AGM. Mr. Wu Kebo, the Chairman of the Board, was unable to attend the AGM due to other business commitment. Mr. Li Pei Sen, who took the chair of the AGM, together with other members of the Board who attended the AGM were of sufficient calibre and knowledge for answering questions at the AGM.

Model Code

The Company has adopted its own code on terms no less exacting than those set out in the Model Code. The Company has made specific enquiries with all the Directors and all of them have confirmed that they had complied with the requirements set out in the Model Code and the Company's Code for the six months ended 30 June 2014.

Appreciation

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

On behalf of the Board

WU Kebo

Chairman

Hong Kong, 28 August 2014



MAINLAND CHINA 中國內地
372 screens / 銀幕

HONG KONG 香港
24 screens / 銀幕

TAIWAN 台灣
109 screens / 銀幕

SINGAPORE 新加坡
87 screens / 銀幕

Orange Sky Golden Harvest's
Cinema Portfolio
橙天嘉禾影城組合

(As at 30 June 2014 於2014年6月30日)

Orange Sky
ENTERTAINMENT GROUP



嘉禾



Golden Harvest

Orange Sky Golden Harvest
Entertainment (Holdings) Limited
橙天嘉禾娛樂(集團)有限公司

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