ORANGE SKY GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED
橙天嘉禾娛樂(集團)有限公司*
(Incorporated in Bermuda with limited liability)
(Stock code: 1132)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

HIGHLIGHTS

	2011	2010	**Changes**	
	HK$ million	*HK$ million* (restated)	***HK$ million***	**%**
The Group				
Turnover	**561**	503	**+58**	**+12%**
Gross profit	**328**	281	**+47**	**+17%**
Profit from operations#	**22**	41	**–19**	**–46%**
Profit attributable to shareholders#	**13**	26	**–13**	**–50%**
Basic earnings per share	**0.51 cents**	1.05 cents		

For the six months ended 30 June 2010, there was an exceptional gain from settlement of legal dispute on a lease agreement and provision of consultancy service amounted to HK$26 million (net of related expenses) and corresponding tax expense of HK$5 million were recorded

- Turnover increased by 12% to HK$561 million
- Gross profit grew HK$47 million to HK$328 million
- Profit from operations was HK$22 million
- Cinema admissions we served on a full and aggregated basis was close to 13 million across cinema networks in Hong Kong, Mainland China, Taiwan and Singapore as a whole
- Cash on hand was HK$512 million

* *For identification purpose only*

INTERIM RESULTS

The Board of directors (the "Board") of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011 together with the comparative figures for the preceding six months ended 30 June 2010. The consolidated results have been reviewed by the auditor and the audit committee of the Company (the "Audit Committee").

CONSOLIDATED INCOME STATEMENT

	Note	**Six months ended 30 June 2011** *HK$'000* **(Unaudited)**	Six months ended 30 June 2010 *HK$'000* (Unaudited) (restated)
Turnover	*3*	**561,038**	503,454
Cost of sales		**(233,435)**	(222,421)
Gross profit		**327,603**	281,033
Other revenue		**8,971**	6,266
Other net income		**7,739**	27,448
Selling and distribution costs		**(267,269)**	(228,760)
General and administrative expenses		**(50,372)**	(40,687)
Other operating expenses		**(4,272)**	(3,976)
Profit from operations		**22,400**	41,324
Finance costs	*4(a)*	**(4,448)**	(2,371)
Profit before taxation		**17,952**	38,953
Income tax	*5*	**(5,580)**	(12,398)
Profit for the period	*4*	**12,372**	26,555
Attributable to:			
Equity holders of the Company		**13,180**	25,522
Non-controlling interests		**(808)**	1,033
		12,372	26,555
Earnings per share	*6*		
Basic		**0.51 cents**	1.05 cents
Diluted		**0.51 cents**	1.02 cents

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Six months ended 30 June 2011** *HK$'000* **(Unaudited)**	Six months ended 30 June 2010 *HK$'000* (Unaudited)
Profit for the period		**12,372**	26,555
Other comprehensive income for the period:			
Exchange differences on translation of financial statements of			
— overseas subsidiaries		**4,979**	17
— overseas jointly controlled entities		**6,206**	(138)
		11,185	(121)
Available-for-sale equity securities:			
— net movement in the investment revaluation reserve		**1,968**	(7,897)
Total comprehensive income for the period		**25,525**	18,537
Total comprehensive income attributable to:			
Equity holders of the Company		**26,150**	17,504
Non-controlling interests		**(625)**	1,033
Total comprehensive income for the period		**25,525**	18,537

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 30 June 2011** ***HK$'000*** **(Unaudited)**	As at 31 December 2010 *HK$'000* (Audited)
Non-current assets			
Fixed assets		**860,166**	681,465
Available-for-sale equity securities	*8*	**45,560**	246,083
Prepaid rental		**29,526**	30,435
Club memberships		**2,490**	2,490
Rental and other deposits		**95,559**	63,809
Trademarks		**79,785**	79,785
Goodwill		**73,658**	73,658
Deferred tax assets		**7,230**	3,095
Pledged bank deposits		**38,434**	29,476
		1,232,408	1,210,296
Current assets			
Inventories		**4,603**	3,480
Film rights		**108,300**	85,870
Trade receivables	*7*	**25,534**	32,996
Other receivables, deposits and prepayments		**106,405**	86,016
Amounts due from jointly controlled entities		**592**	1,273
Deposits and cash		**512,354**	457,677
Derivative financial asset		**—**	246
		757,788	667,558
Equity security held for sale	*8*	**201,631**	—
		959,419	667,558
Current liabilities			
Bank loans		**40,260**	21,363
Trade payables	*9*	**101,034**	86,264
Other payables and accrued charges		**132,834**	148,627
Deferred revenue		**113,686**	96,911
Derivative financial liability		**1,417**	—
Taxation payable		**30,176**	34,884
		419,407	388,049

	Note	As at 30 June 2011 HK$'000 (Unaudited)	As at 31 December 2010 HK$'000 (Audited)
Net current assets		**540,012**	279,509
Total assets less current liabilities		**1,772,420**	1,489,805
Non-current liabilities			
Bank loans		**292,440**	82,400
Convertible notes		**—**	6,662
Deposits received		**5,652**	5,318
Deferred tax liabilities		**20,931**	19,623
		319,023	114,003
NET ASSETS		**1,453,397**	1,375,802
Capital and reserves			
Share capital		**270,393**	254,374
Reserves		**1,173,063**	1,109,874
Total equity attributable to equity holders of the Company		**1,443,456**	1,364,248
Non-controlling interests		**9,941**	11,554
TOTAL EQUITY		**1,453,397**	1,375,802

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

This interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of the interim financial statements in conformity with HKAS 34 require 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 statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial statements as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2011.

2 CHANGES IN ACCOUNTING POLICIES

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

— Improvements to HKFRSs (2010)

— HKAS 24 (revised 2009), *Related party disclosures*

The Improvements to HKFRSs (2010) consists of amendments to existing standards, including an amendment to HKAS 34, *Interim financial reporting*. HKAS 34 (amendment) provides for further disclosures in interim financial statements. It has had no financial impact on the Group’s interim financial statements.

The other developments related primarily to clarification of certain disclosure requirements applicable to the Group’s financial statements. These developments have had no material impact on the contents of this interim financial statements.

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

3 SEGMENT REPORTING

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

— Hong Kong

— Mainland China

— Taiwan

— Singapore

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

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

Segment revenue and results

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

The measure used for reporting segment profit is operating profit after 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:

	Six months ended 30 June (Unaudited)									
	Hong Kong		Mainland China		Taiwan		Singapore		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (restated)
Segment revenue:										
Revenue from external customers										
— Exhibition	**94,749**	101,162	**106,646**	86,208	**152,693**	131,215	**173,148**	151,498	**527,236**	470,083
— Distribution and production	**20,828**	32,027	**9,437**	6,366	**1,059**	2,697	**8,705**	5,766	**40,029**	46,856
— Corporate	**1,374**	1,223	**—**	—	**—**	—	**—**	—	**1,374**	1,223
Reportable segment revenue	**116,951**	134,412	**116,083**	92,574	**153,752**	133,912	**181,853**	157,264	**568,639**	518,162
Reportable segment profit/(loss)	**3,073**	(5,547)	**(12,470)**	(3,488)	**15,424**	15,771	**27,160**	21,644	**33,187**	28,380
Reconciliation — Revenue										
Reportable segment revenue									**568,639**	518,162
Elimination of intra-segment revenue									**(7,777)**	(8,068)
Other revenue									**(7,992)**	(7,530)
Others									**8,168**	890
									561,038	503,454
Reconciliation — Profit before taxation										
Reportable profit from external customers									**33,187**	28,380
Unallocated operating expenses, net									**(20,007)**	(2,858)
Non-controlling interests									**(808)**	1,033
Income tax									**5,580**	12,398
Profit before taxation									**17,952**	38,953

4 PROFIT FOR THE PERIOD

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

	Six months ended 30 June 2011 *HK$'000* **(Unaudited)**	Six months ended 30 June 2010 *HK$'000* (Unaudited)
(a) Finance costs		
Interest on bank loans wholly repayable		
— within five years	**1,662**	1,808
— after five years	**2,631**	287
Interest on convertible notes	**155**	276
	4,448	2,371
(b) Other items		
Cost of inventories	**17,939**	14,625
Cost of services provided	**205,141**	189,872
Depreciation of fixed assets	**41,889**	32,612
Amortisation of film rights	**10,355**	17,924
Impairment losses/(reversal of impairment losses)		
— an available-for-sale equity security	**614**	—
— trade and other receivables	**—**	(154)
Fair value loss on a derivative financial instrument	**1,663**	—
Loss on disposals of property, plant and equipment	**1,154**	1,892
Exchange gain, net	**(4,715)**	(906)
Interest income from bank deposits	**(1,158)**	(1,063)
Dividend income from a listed investment	**(330)**	—

(c) Other net income

Included in other net income for the six months ended 30 June 2010 was the amount of HK$26,542,000 in respect of the settlement sum received by the Group in respect of claim for damages against and provision of consultancy service to a landlord in Mainland China.

5 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June 2011 *HK$'000* **(Unaudited)**	Six months ended 30 June 2010 *HK$'000* (Unaudited)
Group		
Current income tax		
Provision for overseas tax	**1,784**	6,098
Under/(over)-provision in respect of prior periods	**80**	(20)
	1,864	6,078
Deferred tax — overseas		
Origination and reversal of temporary differences	**(3,093)**	—
	(1,229)	6,078
Jointly controlled entities		
Current income tax		
Provision for overseas tax	**7,964**	9,730
Over-provision in respect of prior periods	**(704)**	(3,507)
	7,260	6,223
Deferred tax — overseas		
Origination and reversal of temporary differences	**(451)**	97
	6,809	6,320
	5,580	12,398

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the period.

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

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$13,180,000 (2010: HK$25,522,000) and the weighted average number of 2,568,520,573 ordinary shares (2010: 2,440,460,204 ordinary shares) in issue during the period.

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

	2011	2010
	Number of shares	*Number of shares*
Shares		
Issued ordinary shares as at 1 January	**2,543,739,900**	2,199,739,900
Effect of shares placed	**—**	238,563,536
Effect of share options exercised	**—**	2,156,768
Effect of convertible notes converted	**24,780,673**	—
Weighted average number of ordinary shares (basic) at 30 June	**2,568,520,573**	2,440,460,204
Effect of dilution — weighted average number of ordinary shares:		
Effect of deemed issue of shares under the Company's share option scheme	**1,225,914**	55,559,005
Effect of conversion of convertible notes	**29,943,312**	26,698,224
Weighted average number of ordinary shares (diluted) at 30 June	**2,599,689,799**	2,522,717,433

(c) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of HK$13,335,000 (2010: HK$25,798,000) and the weighted average number of 2,599,689,799 ordinary shares (2010: 2,522,717,433 ordinary shares), calculate as follows:

	Six months ended 30 June 2011	Six months ended 30 June 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit attributable to equity holders	**13,180**	25,522
After tax effect of effective interest on the liability component of convertible notes	**155**	276
Profit attributable to equity holders (diluted)	**13,335**	25,798

7 TRADE RECEIVABLES

The Group usually grants credit periods ranging from one to three months. Each customer has a credit limit and overdue balances are regularly reviewed by management.

The ageing analysis of trade receivables (net of allowance for doubtful debts by transaction date) as of the end of the reporting period:

	As at 30 June 2011 *HK$'000* (Unaudited)	As at 31 December 2010 *HK$'000* (Audited)
Current to 3 months	**23,283**	28,942
Within 4 to 6 months	**1,679**	3,588
Over 6 months	**572**	466
	25,534	32,996

At 30 June 2011, trade receivables of the Group included the amounts of HK$1,697,000 due from related companies which were unsecured, interest-free and recoverable within one year.

8 AVAILABLE-FOR-SALE EQUITY SECURITIES AND EQUITY SECURITY HELD FOR SALE

At 31 December 2010, an investment in an unlisted company with carrying value amounted to HK$201,631,000 which constituted more than 10% of the Group's total assets included in the available-for-sale equity securities. Details of the unlisted investment are shown as follows:

Name of company	Place of incorporation	Percentage of total common units held
Legend Pictures, LLC ("Legendary")	Delaware, United States of America	3.33%

At 30 June 2011, the investment has been classified as "equity security held for sale" included in current assets as the Group intends to dispose the investment within 12 months of the end of the reporting period. On 26 August 2011, the Group entered into a settlement agreement, among the other things, to transfer all of its interest in Legendary to Legendary, to terminate a non-binding Memorandum of Understanding dated 23 September 2010 entered into between the Company and Legendary and to discharge the claims and obligations of the Group and Legendary at a total consideration of US$30,000,000 (equivalent to approximately HK$233,400,000) (the "Proposed Settlement"). The Proposed Settlement is expected to complete on or before 9 September 2011. Details of the Proposed Settlement were set out in the Company's announcement dated 26 August 2011.

9 TRADE PAYABLES

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

	As at 30 June 2011 *HK$'000* (Unaudited)	As at 31 December 2010 *HK$'000* (Audited)
Current to 3 months	**83,794**	69,462
Within 4 to 6 months	**6,036**	6,606
Within 7 to 12 months	**938**	279
Over 1 year	**10,266**	9,917
	101,034	86,264

10 COMPARATIVE FIGURES

Certain comparative figures including turnover and other revenue have been adjusted to conform to current period's presentation which the directors of the Company ("Directors" and each of them "Director") considered more appropriate to reflect the operating results of the Group and to provide comparative amounts in respect of items disclosed for the first time during the six months ended 30 June 2011.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION AND FINANCIAL REVIEW

For the 6 months ended 30 June 2011, the Group reported a net profit attributable to shareholders of HK$13.2 million, comparing to a net profit of HK$25.5 million reported for the same period last year. In last year same period, there was an exceptional gain from settlement of legal dispute on a lease agreement and provision of consultancy service in relation to a cinema site in Beijing amounted to HK$21.3 million (net of related tax and other expenses). During the reporting period, the Group's revenue and gross profit rose to HK$561 million and HK$328 million respectively, representing a growth of 12% and 17% respectively, as compared to the same period last year. The growth was primarily attributable to maiden contribution from new cinemas opened in Mainland China and better performance of our exhibition businesses in Taiwan and Singapore. Gross margin also improved to 58% from 56% last year, mainly attributable to improved profit margin in Mainland China and contributions from our Hong Kong film distribution business.

During the reporting period, the Group has spent around HK$177 million for the capital expenditure of cinema projects in Mainland China of which 8 new cinema multiplexes with 62 screens had started to commence operation. As of 30 June 2011, the Group operated 40 cinemas with 305 screens, comparing to 29 cinemas with 229 screens a year ago.

The combined box office in the Group's operating territories (including Hong Kong, Mainland China, Taiwan and Singapore) for the period totaled HK$729 million, representing a moderate 13% growth comparing to same period last year, despite the high base effect with the record-setting performance of 3D blockbusters like *Avatar*, *Alice in the Wonderland* and *Iron Man 2* released in the same period last year. This period the major Hollywood blockbuster titles were *Kung Fu Panda 2*, *Pirates of the Caribbean 4*: *On Stranger Tides*, *Fast and Furious 5*, *Thor*, *X Men-First Class* and major Chinese blockbuster titles were *Beginning of the Great Revival (Founding of a Party), 3D Sex and Zen: Extreme Ecstasy* and *Shaolin*.

BUSINESS REVIEW

Film Exhibition

The Group's 40 cinemas served nearly 13 million guests during the 6 months ended 30 June 2011, comparing to approximately 12 million guests for the same period last year. Gross box office income on a full and aggregated basis, was registered at HK$729 million (30 June 2010: HK$645 million). Average ticket price increased 3.7% to around HK$56 for the reporting period, comparing to around HK$54 for the same period last year. This is largely attributable to more 3D films with higher ticket price released and stronger Singapore and Taiwan currency during the reporting period as comparing to same period last year.

OPERATING STATISTICS OF THE GROUP'S CINEMAS

(FOR THE 6 MONTHS ENDED 30 JUNE 2011)

	Mainland China	Hong Kong	Taiwan	Singapore
Number of cinemas#	17	6	8	9
Number of screens#	122	25	85	73
Admissions *(million)*	1.93	1.37	4.98	4.66
Average ticket price *(HK$)*	40.3	59.6	63.5	52.8

as of end June 2011

Hong Kong

For the 6 months ended 30 June 2011, Hong Kong market as a whole recorded a box office receipts of HK$631 million (30 June 2010: HK$662 million). The Group's cinemas in Hong Kong achieved theatre takings of HK$82 million (30 June 2010: HK$86 million). Although the Group closed GH Hollywood at Diamond Hill upon expiry of lease on 30 March 2011, the Group's joint-promotional campaign with a telecom operator has received overwhelming response as a result, excluding GH Hollywood, both the total box office receipts and admissions of the other six cinemas increased by approximately 6% and 12%, respectively. This has significantly improved the division's operating results. The Group expects to maintain a market share of around 11% after closure of GH Hollywood.

Mainland China

For the 6 months ended 30 June 2011, market box office receipts of urban area totaled RMB5.7 billion in Mainland China (30 June 2010: RMB4.8 billion). Admissions of the Group's multiplexes in Mainland China amounted to over 1.9 million (30 June 2010: 1.3 million). During the six months ended 30 June 2011, the Group opened 8 new cinemas with altogether 62 screens in Chengdu, Chongqin, Dongguan, Shangrao, Wuhu, Wuxi and Yingkou. As of end 30 June 2011, the Group operated 17 cinemas with 122 screens in Mainland China. The strong growth in admissions, however, was more than offset by decline in average ticket price, and as a result, gross theatre takings grew only moderately to RMB71 million (30 June 2010: RMB62 million). The decline in average ticket price is partly attributable to promotional discount offered by new cinemas, and partly attributable to the nationwide expansion of the Group's portfolio to cover non-tier-1 cities. In addition, the Group incurred additional operating costs for the newly opened cinemas, which were yet to be offset by additional revenue generated during the start-up period. Nonetheless the Group believed such expansion will bring positive economic benefits in the coming years.

A number of new GH-cinemas are in the pipeline across many other major cities in Mainland China, including Beijing, Changzhou, Chengdu, Dalian, Dongguan, Guangzhou, Heyuan, Huizhou, Maanshan, Nanjing, Nanning, Shenyang, Wuxi, Xian, Xi'ning, Yangquan, Yinchuan, and Zhongshan.

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Taiwan

Taipei City as a whole recorded a box office receipts of NTD1.64 billion for the 6 months ended 30 June 2011 (30 June 2010: NTD1.59 billion). The Group's 35.71%-owned Vie Show Cinema Company Limited ("Vie Show") recorded 4.5% growth in admission for the 6 months ended 30 June 2011 to approximately 5.0 million, as compared with the same period of last year, and generated NTD1.17 billion in gross theatre takings (30 June 2010: NTD1.13 billion). In Taipei City, Vie Show slightly decreased its market share to 35% for the reporting period from 36% a year ago. The Group's share of net profit for the reporting period from Vie Show was stable at approximately HK$16 million for the same period of both years. The positive effect of the appreciation of Taiwan dollar to the share of profits was offset by additional tax expenses provided on unremitted earnings of Vie Show during the reporting period.

Singapore

Singapore market box office receipts totaled S$92.1 million for the 6 months ended 30 June 2011 (30 June 2010: S$88.7 million). The Group's 50%-owned "Golden Village" cinema circuit has maintained its leading position with a market share of 43% (30 June 2010: 44%) by reporting a gross theatre takings of S$40 million (30 June 2010: S$39 million). The Group shared a net profit of HK$25 million for the reporting period, representing a growth of 19% comparing to HK$21 million for the same period of last year. This was mainly attributable to stronger appreciation of Singapore dollar and strong lineups like *Transformers: Dark of the Moon, Kung Fu Panda 2* and *X-Men First Class* during the reporting period.

Film & TV Programmes Distribution and Production

For the 6 months ended 30 June 2011, the Group's film distribution and production business recorded a revenue of HK$40 million (30 June 2010: HK$47 million). The Group has fined tune its film distribution strategy to focus on releasing high quality selected non-Chinese language films and this, together with higher sales income from our Chinese film library, has contributed better results for the period. The Group's film library of more than 140 films and TV titles with perpetual distribution rights contributed steady licensing income to the Group.

Since last year the Group has decided to produce two Chinese TV drama series with total production cost of approximately HK$44 million. One of them has been completed during the period and the other one is at final stage of production. The pre-sale of the completed TV drama series is satisfactory and the Group expects these two TV drama series will contribute a decent profit to the Group in the second half of 2011.

PROSPECTS

In the second half of 2011, more films will be presented in premium 3D format, and the lineup features a good mix of franchise films with built-in audiences, for instance, *Transformers: Dark of the Moon (3D)*, *Harry Potter and the Deathly Hallows Part 2 (3D)*, *Cars 2 (3D)*, *Captain America: the First Avenger (3D)*, *Happy Feet 2 (3D)*, *Mission: Impossible — Ghost Protocol*, *Sherlock Holmes 2*, etc. The Group remains optimistic about the film market.

The Group has focused in strengthening and growing both the exhibition and distribution networks in territories with higher market potential and better returns. As of 30 August 2011, internal decoration is in progress in 13 cinemas with 96 screens. By end of 2013, the Group expects to operate 62 cinemas with 473 screens in Mainland China based on lease agreements signed as of 30 August 2011, although the number may vary due to the actual handover date, the progress of internal decoration and application of relevant license.

In Hong Kong, the Group made an alliance with D-BOX Technologies Inc. ("D-BOX") to become the first HK's cinema equipped with Motion Chair D-BOX in providing exhilarating theatrical experience to its patrons. 19 Motion Chairs D-BOX have been installed at GH Mongkok in June 2011 and more is under plan. In Taiwan, Vie Show plans to open three new cinemas, namely Vie Show Banciao Far Eastern in New Taipei City with 9 screens, Vie Show Taichung Far Eastern with 7 screens and Vie Show Hsin Chu Big City with 8 screens, in the second half of 2011. In addition, Vie Show will increase the number of IMAX screens to 6 by end of 2011 from 2 as of end June 2011. In Singapore, the Group will open a new cinema with 8 screens at Katong Mall in the fourth quarter this year.

The Group is optimistic in respect to the prospects of the film industry and in the territories we operated, especially in Mainland China market. The industry will continue to be benefited from premium priced 3D products, including films and live shows. Currently, the Group has very strong liquidity and reasonable financial leverage. In order to cope with the rapid expansion, the Group will utilize the available bank loan facility to finance the cinema projects in Mainland China and other expansion investment opportunities. The management will closely monitor and maintain optimal gearing structure to limit the risk.

FINANCIAL RESOURCES AND LIQUIDITY

In May 2011, the Company issued the second tranche zero coupon convertible note of principal amount of about HK$45 million, convertible into ordinary shares of the Company at a conversion price of HK$0.338 per share, to Orange Sky Entertainment Group (International) Holding Company Limited, a substantial shareholder of the Company, as part of the consideration in acquisition of a subsidiary and the business relating to Chinese-Language films and television programmes, production, investment, marketing and advertising and/or distribution from Orange Sky Entertainment Group (International) Holding Company Limited. In June 2011, convertible notes in aggregate amount of HK$54 million have been converted into ordinary shares of the Company, creating a total of approximately 160 million new ordinary shares at a conversion price of HK$0.338 per share.

As of 30 June 2011, the Group maintained a rich liquid fund with cash balance of HK$512 million (31 December 2010: HK$458 million) and had net current assets of HK$540 million (31 December 2010: HK$280 million). The Group's outstanding bank loans totaled HK$333 million (31 December 2010: HK$104 million). The significant increase in bank loans is to finance the cinema projects in Mainland China. For the 6 months ended 30 June 2011, the Group spent about HK$205 million for fixed assets investment of which, approximately HK$177 million was for the capital expenditure of the cinema projects in Mainland China. As of 30 June 2011, the Group's gearing ratio, calculated on the basis of external borrowings over total assets, was about 15% (31 December 2010: 6%). Management will continue to monitor the gearing structure and make adjustments if necessary in light of changes in the Group's development plan and economic conditions.

The Group's assets and liabilities are principally denominated in Hong Kong dollar and Renminbi except for certain assets and liabilities associated with the investments in Singapore and Taiwan. The overseas joint ventures of the Group are operating in their local currencies and subjected to minimal exchange risk on their own. While for Hong Kong and Mainland China operations, due to the volatility of the currency market, management decided to maintain higher level of deposits in Renminbi, thus lowering the exposure to exchange risk. The directors will continue to assess the exchange risk exposure, and will consider possible hedging measures in order to minimize the risk at reasonable cost. The Group did not have any significant contingent liabilities as of 30 June 2011.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2011, the Group had 1,471 (31 December 2010: 1,045) permanent employees. The Group remunerates its employees largely by reference to industry practice. In addition to salaries, commissions and discretionary bonuses, share options are granted to certain employees based on individual merit. The Group also operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance and as at 30 June 2011, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the Group's interim financial statements for the six months ended 30 June 2011.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of good corporate governance to maintain the Group's competitiveness and lead to its healthy growth. The Company has taken steps not only to comply with code provision as set out in The Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules but also to aim at enhancing corporate governance practives of the Group as whole.

For the six months ended 30 June 2011, the Company has complied with the code provisions of CG Code except that pursuant to code provision A.4.1.of the CG Code, non-executive directors of a listed issuer should be appointed for a specific term, subject to re-election. All non-executive Directors of the Company were not appointed for a specific term but are subject to the requirement of retirement by rotation and reelection at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws, accomplishing the same purpose as being appointed for a specific term.

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.

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PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 Codes"). 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 2011.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

All the financial and other related information of the Group for the six months ended 30 June 2011 required by the Listing Rules will be published on the websites of the Stock Exchange of Hong Kong Limited and the Company in due course. An interim report for the six months ended 30 June 2011 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

APPRECIATION

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

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

Hong Kong, 30 August 2011

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

Chairman and Executive Director:
Mr. Wu Kebo

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

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