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 2010

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

HIGHLIGHTS

	2010	2009	**Changes**	
	HK$ million	*HK$ million*	***HK$ million***	**%**
The Group				
Turnover	**477**	349	128	37
Gross profit	**255**	189	66	35
Profit from operations	**41**	14	27	193
Profit attributable to shareholders	**26**	8	18	225
Basic earnings per share	**1.05 cents**	0.46 cents		

- Turnover increased by 37% to HK$477 million
- Gross profit grew HK$66 million to HK$255 million
- Profit from operations boosted to HK$41 million from HK$14 million
- Cinema admissions we served on a full and aggregated basis was close to 12 million across cinema networks in Hong Kong, Mainland China, Taiwan and Singapore as a whole
- Cash on hand increase to HK$799 million by HK$281 million

* *For identification purposes 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 2010 together with the comparative figures for the preceding six months ended 30 June 2009. The consolidated results have been reviewed by the auditor and the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

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

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 audited financial statements of the Group for the eighteen months ended 31 December 2009, except for the accounting policy changes that are expected to be reflected in the audited financial statements for the year ending 31 December 2010 set out in note 2.

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

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the audited financial statements of the Group for the eighteen months ended 31 December 2009. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

2. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

(b) HKFRS 3 (Revised) – *Business combinations* and Amendments to HKAS27 – *Consolidated and separate financial statements*

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

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

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

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

(d) HKFRS 8 – *Operating segments*

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

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

3 SEGMENT REPORTING

The Group manages its businesses by geography. Upon its first time adoption of HKFRS 8, *Operating segments* and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the reportable segments, which are as follows:

– Hong Kong

– Mainland China

– Taiwan

– Singapore

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

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

Segment revenue and results

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

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

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

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

	Six months ended 30 June (unaudited)									
	Hong Kong		Mainland China		Taiwan		Singapore		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Revenue from external customers										
– Exhibition	**101,162**	77,542	**85,765**	31,815	**139,594**	105,324	**151,498**	127,808	**478,019**	342,489
– Distribution and production	**32,027**	32,934	**6,366**	1,124	**2,697**	4,078	**5,766**	5,823	**46,856**	43,959
Reportable segment revenue	**133,189**	110,476	**92,131**	32,939	**142,291**	109,402	**157,264**	133,631	**524,875**	386,448
Reportable segment (loss)/profit	**(5,547)**	1,504	**(3,488)**	(1,504)	**15,771**	6,929	**21,644**	15,902	**28,380**	22,831

Reconciliation – Revenue

	2010	2009
Reportable segment revenue	**524,875**	386,448
Elimination of intra-segment revenue	**(8,068)**	(4,818)
Other income	**(39,293)**	(30,253)
Others	**(122)**	(2,791)
	477,392	348,586

Reconciliation – Profit before taxation

	2010	2009
Reportable profit from external customers	**28,380**	22,831
Unallocated operating expenses, net	**(2,858)**	(14,368)
Non-controlling interests	**1,033**	244
Income tax	**12,398**	5,547
Profit before taxation	**38,953**	14,254

4 PROFIT FOR THE PERIOD

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

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

(c) Other net income

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

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

5 INCOME TAX

Taxation in the consolidated income statement represents:

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

The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the period.

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

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$25,522,000 (2009: HK$8,463,000) and the weighted average number of 2,440,460,204 ordinary shares (2009: 1,832,739,900 ordinary shares after adjusting for the subdivision of shares in November 2009) in issue during the period.

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

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

Notes:

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

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

(c) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of HK$25,798,000 (2009: HK$8,463,000) and the weighted average number of 2,522,717,433 ordinary shares (2009: 1,832,739,900 ordinary shares after adjusting for the subdivision of shares in November 2009), calculate as follows:

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

7 TRADE RECEIVABLES

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

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

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

8 TRADE PAYABLES

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

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION AND FINANCIAL REVIEW

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

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

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

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

BUSINESS REVIEW

Film Exhibition

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

OPERATING STATISTICS OF THE GROUP'S CINEMAS
(FOR THE 6 MONTHS ENDED 30 JUNE 2010)

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

as of end June 2010

Hong Kong

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

Mainland China

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

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

Taiwan

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

Singapore

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

Film Distribution and Production

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

Hong Kong

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

Mainland China

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

Taiwan

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

Singapore

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

PROSPECTS

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

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

Currently, the Group has very strong liquidity and low financial leverage. In order to cope with the rapid expansion, the Group will utilize the available bank loan facility to finance the cinema projects in Mainland China. The management will closely monitor and maintain optimal gearing structure to limit the risk.

FINANCIAL RESOURCES AND LIQUIDITY

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

As at 30 June 2010, the outstanding bank loans amounted to HK$96 million (31 December 2009: HK$87 million).

As at 30 June 2010, the Group's cash balance was HK$799 million (31 December 2009: HK$518 million), representing an increase of 54% as compared with that of 31 December 2009. As at 30 June 2010, the Group's gearing ratio, calculated on the basis of external borrowings over total assets, was about 6% (31 December 2009: 7%). Management will continue to monitor the gearing structure and make adjustments if necessary in light of changes in the Group's development plan and economic conditions.

The Group's assets and liabilities are principally denominated in Hong Kong dollars except for certain assets and liabilities associated with the investments in Mainland China, Taiwan and Singapore. The overseas joint ventures of the Group are operating in their local currencies and subjected to minimal exchange risk on their own. While for Hong Kong operations, due to the volatility of the currency market, management decided to maintain higher level of deposits in Hong Kong dollars, the pegged US dollars and Renminbi, thus lowering the exposure to exchange risk. The directors will continue to assess the exchange risk exposure, and will consider possible hedging measures in order to minimize the risk at reasonable cost.

The Group did not have any significant contingent liabilities as of 30 June 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2010, the Group had 621 (31 December 2009: 418) permanent employees in Hong Kong and Mainland China. The Group remunerates its employees largely based on industry practice. In addition to salaries, commissions and discretionary bonuses, share options are granted to certain employees based on individual merit. The Group also operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance and as at the balance sheet, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

REVIEW BY AUDIT COMMITTEE

The audit committee has reviewed with the management of the Company, 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 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

(a) Pursuant to code provision A.4.1.of the CG Code, non-executive Directors of a listed issuer should be appointed for a specific term, subject to re-election.

    All non-executive Directors of the Company were not appointed for a specific term but subject to the requirement of retirement by rotation and reelection at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws, accomplishing the same purpose as being appointed for a specific term.

(b) Pursuant to code provision A.3 & A.3.2 of the CG Code (and as required by Rule 3.10 of Listing Rules).

    The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should ensure that changes to its composition can be managed without undue disruption. The board should include a balanced composition of executive and non-executive directors (including independent nonexecutive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

    Mr. Masahito Tachikawa resigned as an independent non-executivive Director with effect from 26 April 2010 and Ms. Wong Sze Wing appointed at the same date due to his resignation.

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

MODEL CODE

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

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 2010 required by the Listing Rules will be published on the website of the Stock Exchange in due course. An interim report for the six months ended 30 June 2010 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 website 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.

On behalf of the Board
Wu Kebo
Chairman

Hong Kong, 23 August 2010

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

Chairman and Executive Director:
Mr. Wu Kebo

Executive Directors:
Mr. Chang Tat Joel
Ms. Chow Sau Fong Fiona
Mr. Li Pei Sen
Ms. Wu Keyan (alternate to Mr. Wu Kebo)

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