Orange Sky Golden Harvest Entertainment (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 1132)

INTERIM RESULTS ANNOUNCEMENT FOR THE TWELVE MONTHS ENDED 30 JUNE 2009

RESULTS FOR THE TWELVE MONTHS ENDED 30 JUNE 2009

HIGHLIGHTS

	2009	2008	**Changes**	
	HK$ millions	*HK$ millions*	***HK$ millions***	**%**
The Group				
Turnover	**747**	620	**+127**	**+20%**
Gross profit	**403**	330	**+73**	**+22%**
Profit from operations	**32**	20	**+12**	**+60%**
Profit attributable to shareholders	**82**	11	**+71**	**+645%**
Basic earnings per share	**45.0 cents**	8.2 cents		

- Turnover increased by 20% to HK$747 million
- Gross profits grew HK$73 million to HK$403 million
- Profit from operations boosted to HK$32 million from HK$20 million
- Cinema admissions we served on a full and aggregated basis was close to 20 million across cinema networks in Hong Kong, Mainland China, Taiwan and Singapore as a whole
- Cash on hand increased to HK$365 million by HK$99 million

INTERIM RESULTS

The Board of Directors (the "Board") of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company") herein announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the twelve months ended 30 June 2009 together with the comparative figures for the corresponding twelve months ended 30 June 2008. This second interim report is presented as a result of the change in the Company's financial year end date from 30 June to 31 December in order to have a co-terminus financial year end date with the subsidiaries in the People's Republic of China. The consolidated results have been reviewed by the auditor and the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

	Note	**Twelve months ended 30 June 2009** *HK$'000* **(Unaudited)**	Twelve months ended 30 June 2008 *HK$'000* (Audited)
Continuing operations			
Turnover	*2*	**746,511**	619,901
Cost of sales		**(343,789)**	(289,552)
Gross profit		**402,722**	330,349
Other income		**44,156**	67,723
Selling and distribution costs		**(355,709)**	(301,739)
General and administrative expenses		**(51,173)**	(61,498)
Other operating expenses		**(7,829)**	(14,979)
Profit from operations		**32,167**	19,856
Finance costs	*3(a)*	**(599)**	(11,970)
Share of profits less losses of associates		**–**	9,663
Gain on disposal of interest in a jointly controlled entity		**61,852**	–
Profit before taxation		**93,420**	17,549
Income tax	*4*	**(12,445)**	(10,391)
Profit for the period from continuing operations		**80,975**	7,158
Discontinued operation			
Profit for the period from discontinued operation		**1,198**	3,911
Total profit for the period	*3*	**82,173**	11,069

	Note	Twelve months ended 30 June 2009 HK$'000 (Unaudited)	Twelve months ended 30 June 2008 HK$'000 (Audited)
Attributable to:			
Equity holders of the Company		**81,833**	10,763
Minority interests		**340**	306
		82,173	11,069
Dividends attributable to equity holders of the Company	*5*	**18,327**	–
Earnings per share	*6*		
Basic:			
– Continuing operations		**44.3 cents**	5.2 cents
– Discontinued operation		**0.7 cents**	3.0 cents
		45.0 cents	8.2 cents
Diluted:			
– Continuing operations		**44.1 cents**	5.2 cents
– Discontinued operation		**0.7 cents**	3.0 cents
		44.8 cents	8.2 cents

CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2009 HK$'000 (Unaudited)	As at 30 June 2008 HK$'000 (Audited)
Non-current assets			
Fixed assets		**322,205**	367,395
Amounts due from jointly controlled entities		**–**	32,285
Prepaid rental		**6,117**	8,015
Club memberships		**3,590**	3,590
Rental and other deposits		**52,132**	54,006
Trademarks		**79,421**	79,421
Deferred tax assets		**1,210**	358
Pledged bank deposits		**15,447**	10,133
		480,122	555,203
Current assets			
Inventories		**1,925**	2,417
Film rights		**32,060**	27,503
Trade receivables	*7*	**19,953**	27,045
Other receivables, deposits and prepayments		**47,653**	49,355
Amounts due from jointly controlled entities		**42,209**	50,277
Deposits and cash		**365,229**	266,307
		509,029	422,904
Assets of a jointly controlled entity held for sale		**–**	141,037
		509,029	563,941
Current liabilities			
Trade payables	*8*	**62,973**	68,609
Other payables and accrued charges		**101,138**	129,472
Customer deposits		**6,144**	3,675
Bank loans		**5,142**	12,480
Convertible notes		**–**	31,066
Loans from joint venture partners		**45,542**	22,144
Taxation payable		**15,047**	9,618
		235,986	277,064
Liabilities of a jointly controlled entity held for sale		**–**	101,135
		235,986	378,199
Net current assets		**273,043**	185,742

	Note	As at 30 June 2009 HK$'000 (Unaudited)	As at 30 June 2008 HK$'000 (Audited)
Total assets less current liabilities		**753,165**	740,945
Non-current liabilities			
Bank loans		**–**	7,800
Loans from joint venture partners		**–**	42,505
Loan from minority shareholder		**386**	696
Deposits received		**4,771**	4,248
Deferred tax liabilities		**14,378**	16,540
		19,535	71,789
NET ASSETS		**733,630**	669,156
Capital and reserves			
Share capital		**183,274**	169,638
Reserves		**548,702**	498,097
Total equity attributable to equity holders of the Company		**731,976**	667,735
Minority interests		**1,654**	1,421
TOTAL EQUITY		**733,630**	669,156

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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 and Hong Kong Accounting Standard ("HKAS") 34 "*Interim financial reporting*", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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.

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.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the audited financial statements for the year ended 30 June 2008, except for the accounting policy changes that are expected to be reflected in the financial statements for the eighteen months ending 31 December 2009 set out below.

In the current period, the Group has applied, for the first time, the new amendments and interpretations of Hong Kong Financial Reporting Standards and Interpretations (collectively, "HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 July 2008.

Hong Kong (IFRIC) – Interpretation 13 "Customer Loyalty Programmes" ("IFRIC 13") requires that revenue from the initial sales transaction is allocated to free or discounted goods or services offered as awards at their fair value and that this is deferred until the awards are redeemed. The adoption of IFRIC 13 has no significant impact on the Group's results and financial position for the twelve months ended 30 June 2008 and 30 June 2009. These estimates are arrived at after making assumptions on a number of key factors, including but not limited to the estimated fair value of awards and the future redemption demand.

The adoption of other new amendments and interpretations of HKFRSs has no significant impact on the Group's results and financial position.

The Group has not early applied the new and revised standards, amendments and interpretations that have been issued but are not yet effective.

2 SEGMENT INFORMATION

(a) Business segments

	Twelve months ended 30 June									
	Film and video distribution		Film exhibition		Others		Eliminations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
Continuing operations										
Segment revenue:										
Sales to external customers	**86,134**	71,870	**656,728**	536,324	**3,649**	11,707	**–**	–	**746,511**	619,901
Inter-segment sales	**12,610**	6,418	**–**	–	**1,378**	1,837	**(13,988)**	(8,255)	**–**	–
Other income	**1,133**	1,902	**46,288**	36,460	**110**	329	**(387)**	(413)	**47,144**	38,278
Total	**99,877**	80,190	**703,016**	572,784	**5,137**	13,873	**(14,375)**	(8,668)	**793,655**	658,179
Segment results	**13,097**	4,945	**54,519**	38,570	**(99)**	757	**–**	–	**67,517**	44,272
Interest income									**4,631**	5,423
Unallocated operating expenses, net									**(39,981)**	(29,839)
Gain on disposal of interest in a jointly controlled entity									**61,852**	–
Finance costs									**(599)**	(11,970)
Share of profits less losses of associates	**–**	3,897	**–**	5,766	**–**	–	**–**	–	**–**	9,663
Profit before taxation									**93,420**	17,549
Income tax									**(12,445)**	(10,391)
Profit for the period from continuing operations									**80,975**	7,158
Discontinued operation										
Segment revenue:										
Sales to external customers	**–**	–	**13,674**	119,828	**–**	–	**–**	–	**13,674**	119,828
Other income	**–**	–	**284**	1,992	**–**	–	**–**	–	**284**	1,992
Total	**–**	–	**13,958**	121,820	**–**	–	**–**	–	**13,958**	121,820
Segment results	**–**	–	**1,913**	8,524	**–**	–	**–**	–	**1,913**	8,524
Interest income									**26**	421
Finance costs									**(124)**	(1,515)
Profit before taxation									**1,815**	7,430
Income tax									**(617)**	(3,519)
Profit for the period from discontinued operation									**1,198**	3,911
Total profit for the period									**82,173**	11,069

(b) Geographical segments

	Twelve months ended 30 June															
	Hong Kong		Mainland China		Taiwan		Singapore		Malaysia		Elsewhere in Asia		Others		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
Segment revenue:																
Sales to external customers	**213,485**	209,134	**72,119**	63,919	**197,555**	202,688	**261,705**	140,490	**13,674**	120,272	**1,383**	2,439	**264**	787	**760,185**	739,729
Less: Attributable to discontinued operation	**-**	-	**-**	-	**-**	-	**-**	-	**13,674**	119,828	**-**	-	**-**	-	**13,674**	119,828
Sale to external customers from continuing operations	**213,485**	209,134	**72,119**	63,919	**197,555**	202,688	**261,705**	140,490	**-**	444	**1,383**	2,439	**264**	787	**746,511**	619,901

3 TOTAL PROFIT FOR THE PERIOD

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

	Twelve months ended 30 June 2009	Twelve months ended 30 June 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
(a) Finance costs:		
Continuing operations		
Interest on bank loans wholly repayable within five years	**203**	2,415
Interest on convertible notes	**172**	7,790
Interest on loans from joint venture partners	**224**	911
Finance charges on obligation under finance leases	**–**	79
Other borrowing costs	**–**	775
	599	11,970
Discontinued operation		
Interest on bank loans wholly repayable within five years	**124**	1,515
	723	13,485
(b) Other items (including continuing operations and discontinued operation):		
Cost of inventories	**27,215**	33,565
Cost of services provided	**282,759**	276,344
Depreciation	**47,499**	50,206
Amortisation of prepaid land lease payments	**768**	340
Amortisation of film rights	**39,979**	31,930
Impairment loss on trade and other receivables	**118**	1,796
Loss on disposal of fixed assets	**1,105**	7,027
Exchange loss/(gain), net	**8,607**	(24,154)
Interest income from bank deposits	**(4,515)**	(4,800)
Interest income on loan to a jointly controlled entity	**(142)**	(623)

4 INCOME TAX

Taxation in the consolidated income statement represents:

	Twelve months ended 30 June 2009 *HK$'000* **(Unaudited)**	Twelve months ended 30 June 2008 *HK$'000* (Audited)
Continuing operations		
Group		
Current income tax		
Provision for overseas tax	**1,674**	948
Under/(over)-provision in respect of prior years	**49**	(543)
	1,723	405
Jointly controlled entities		
Current income tax		
Provision for overseas tax	**12,454**	2,583
Deferred tax – overseas		
Origination and reversal of temporary differences	**(1,732)**	7,403
	10,722	9,986
	12,445	10,391
Discontinued operation		
Current income tax		
Provision for overseas tax	**617**	2,269
Deferred tax – overseas		
Origination and reversal of temporary differences	**–**	1,250
	617	3,519
	13,062	13,910

5 DIVIDENDS

	Twelve months ended 30 June 2009 *HK$'000* **(Unaudited)**	Twelve months ended 30 June 2008 *HK$'000* (Audited)
Special dividend declared and paid during the period of HK$0.1 per share (2008: Nil)	**18,327**	–

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 from continuing operations and discontinued operation of HK$80,635,000 and HK$1,198,000 respectively (2008: HK$6,852,000 and HK$3,911,000 respectively) and the weighted average number of 182,140,740 ordinary shares (2008: 131,225,351 ordinary shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company from continuing operations and discontinued operation of HK$80,807,000 and HK$1,198,000 respectively (2008: HK$6,852,000 and HK$3,911,000 respectively) and the weighted average number of ordinary shares of 183,273,989 shares (2008: 131,642,634 shares), calculate as follows:

(i) Profit attributable to equity holders of the Company (diluted)

	Twelve months ended 30 June 2009 *HK$'000* **(Unaudited)**	Twelve months ended 30 June 2008 *HK$'000* (Audited)
Continuing operations		
Profit attributable to equity holders	**80,635**	6,852
After tax effect of effective interest on the liability component of convertible notes	**172**	–
Profit attributable to equity holders (diluted)	**80,807**	6,852
Discontinued operation		
Profit attributable to equity holders	**1,198**	3,911

(ii) *Weighted average number of ordinary shares (diluted)*

	2009 ***Number of shares***	2008 *Number of shares*
Shares		
Issued ordinary shares as at 1 July	**169,637,627**	128,356,537
Effect of convertible notes converted	**12,503,113**	3,713,363
Effect of share repurchased	**–**	(1,390,724)
Effect of share option exercised	**–**	546,175
Weighted average number of ordinary shares in issue during the period used in the calculation of the basic earnings per share	**182,140,740**	131,225,351
Effect of dilution – weighted average number of ordinary shares:		
Share options *(note (1))*	**–**	417,283
Convertible notes *(note (2))*	**1,133,249**	–
Weighted average number of ordinary shares (diluted) at 30 June	**183,273,989**	131,642,634

Notes:

(1) The share options had no diluting effect on the basic earnings per share for current 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 during current period.

(2) The convertible notes had no diluting effect on the basic earnings per share for the prior period.

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) as of the balance sheet date:

	As at 30 June 2009 ***HK$'000*** **(Unaudited)**	As at 30 June 2008 *HK$'000* (Audited)
Current to 3 months	**18,971**	21,357
Within 4 to 6 months	**334**	3,900
Over 6 months	**648**	1,788
	19,953	27,045

8 TRADE PAYABLES

The ageing analysis of trade payables as of the balance sheet date:

	As at 30 June 2009 *HK$'000* **(Unaudited)**	As at 30 June 2008 *HK$'000* (Audited)
Current to 3 months	**55,042**	63,275
Within 4 to 6 months	**2,665**	193
Within 7 to 12 months	**479**	1,509
Over one year	**4,787**	3,632
	62,973	68,609

SPECIAL DIVIDEND

During the twelve months ended 30 June 2009, the Board declared and paid a special dividend of HK$0.1 per share to shareholders whose names appear on the Register of Members of the Company at the close of business on 11 September 2008.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the twelve months ended 30 June 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OPERATION AND FINANCIAL HIGHLIGHTS

The Group continued to benefit from a concentrated focus on innovating offerings and improving operations, and produced a solid profit result for the 12 months ended 30 June 2009. Despite relatively unfavorable economic environment due to the financial tsunami, the Group posted an encouraging result for the period, with revenues exceeding HK$700 million and net profit up by 6 times on the prior year to HK$82 million. Taking the lead in the market and demonstrating great success, the Group has also embarked a series of digitalization which change the way how cinemas entertain customers.

Group revenues amounted to HK$747 million, compared with HK$620 million of the same period of last year. Gross profit from continuing operations, with margin maintaining at about 54%, was HK$403 million versus that of HK$330 million reported last year. Profit from operations amounted to HK$32 million, significantly improved by 60% from last year's HK$20 million. Including a one-off gain of approximately HK$62 million arising from the disposal of the Malaysia cinema circuit, the Group reported a net profit of HK$82 million for the period. Aided by a number of strong Hollywood blockbuster titles released during the period, such as *The Dark Night, Transformers: Revenge Of The Fallen and The Mummy: Tomb Of The Dragon Emperor*, both exhibition and distribution businesses across the territories we operated were strong and continued their upward trend.

The Group continues to be a major and leading cinema operator in Asia, operating 22 cinemas with 186 screens across Hong Kong, Mainland China, Taiwan and Singapore. In the months to come, the Group will see opening of a number of new cinema projects in most of the territories we operate, and Mainland China will be the one expanding most quickly.

In June 2009, the Group entered into agreement to acquire the films and television programmes and related business from Chengtian Entertainment Group (International) Holding Company Limited ("Chengtian"), a major shareholder of the Group. As Chengtian has established a reputation in the films and television programmes industry in Mainland China, we expected the acquisition would help the Group further penetrate the films and television programmes market in Mainland China. The acquisition will provide an opportunity for the Group to further develop the Group's business network and capabilities in Mainland China, which cover not just developing and distributing Chinese-language contents, but also understanding the local customers' tastes and marketing the Group's offering to their needs. We aim to complete the acquisition in early October 2009.

At end of July 2008, the Group completed the disposal of its Malaysia cinema circuit TGV Cinemas Sdn. Bhd. and recorded a one-off gain of approximately HK$62 million. After the disposal, the Group carries no investment in Malaysia and therefore, the contribution of this cinema circuit was classified as discontinued operation.

BUSINESS REVIEW

Film Exhibition

The cinemas within our Group managed to hold attendances remarkably well at an overall level close to 20 million guests over the prior 12 months, despite the worldwide outbreak of financial tsunami in September 2008 and the rapid spread of H1N1 influenza in different countries since April 2009. The box office income across the Group, on a full and aggregated basis, registered at HK$937 million, similar to the same period of last year. This was strongly supported by the Group's pioneering commitment in enabling selected cinemas with digital projectors and 3D stereoscopic equipment, which was one of the strategic moves in capturing a first-mover share of the growing segment.

Hong Kong

Hong Kong market as a whole, recorded a box office receipts of HK$1,137 million, which represented a 6% increase over that of the same period of last year. Apart from strong Hollywood line-up, the Group has also introduced 3D stereoscopic equipment at different cinema sites to deliver more interesting and engaging theatrical experience to the audience. Our cinemas in Hong Kong achieved a good result for the period with theatre takings of HK$145 million, and maintained a market share of about 13%. Moving forward, the Hong Kong exhibition team is eagerly anticipating the opening of a 5-plex in Tsuen Wan in the next few months, and will continue to look for new cinema sites with good potential. The team will work also on innovating the cinema offerings which include new concession items such as BBQ snack recently introduced exclusively in our cinema chain for our customers.

Mainland China

Like all other major cities in China, Shenzhen saw a strong surge of market box office by 31% last year. The Group's 7-screen cinema located at MIXC Mall City Crossing has approximately 19% market share in Shenzhen. Admissions grew by 3% and theatre takings improved by over 5% and grossed RMB49 million for the period. Apart from initiating different festive-based screening events, many new concession items have also been added to the menu to make our customers' visits more enjoyable. The Group has soft opened 5 more screens in the extended part of MIXC Mall City Crossing in July 2009, adding a more modern touch to the existing site with a straight digital theatrical experience. A number of other new cinemas are in the pipeline and more screens are to be opened in different key cities including Beijing, Suzhou and Chengdu in Mainland China in the months to come.

Taiwan

As one key effort of the Group in further enhancing the theatrical experience of our guests, our Taiwan operation has debuted its IMAX screening in April 2009 in the popular district Ximending of Taipei, and achieved a huge success by worldwide standard with *Monsters vs Aliens* at an impressive 23% share of the title's box office receipts in Taipei city with one screen alone. Repeat visitation has also been promoted via the launch of the iShow membership card. Growing at par with the Taiwan exhibition market, our Vie Show team recorded a slight growth in admission and delivered gross theatre takings amounting to NTD1.5 billion. Under part of the expansion plan across the Taiwan territory, Vie Show is planning to open a new 9-plex with over 1,800 seats at the highly-anticipated Taipei Station by the last quarter of 2009. Operationally, without taking into account the effect of currency fluctuation, the Group's share of net profit from Vie Show was maintained steadily at over HK$18 million.

Singapore

Singapore's overall market box office grew by 1.5% to S$153 million over the 12-month period. "Golden Village" remained as the brand of choice for cinema goers in Singapore and GVM has thus maintained its leadership position with a market share of 44% despite intensified competition during the period. Gross theatre takings of GVM for the period amounted to S$67 million, slightly improved from last year's, and were mostly contributed by higher ticket price. The Group shared a net profit of HK$26 million for the period, significantly up from HK$22 million of last year, partly attributable to some relief measures adopted by Singapore government and reduction of corporate income tax rate by 1% to 17%.

Film Distribution

For the past 12 months, the Group's distribution units in both Hong Kong and Singapore continues to be a leader 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. The latest expansion of distribution business in Taiwan since year 2007 has also seen fruit-bearing results this year. With total revenues of close to HK$100 million, the film distribution business has performed strongly throughout the year. Moving ahead, apart from maintaining the strong distribution capabilities in all territories, the Group will explore different film financing and licensing opportunities in Hong Kong and Mainland China, given the growth and increasing influence of Chinese titles all around the world.

Hong Kong

As a distributor for both Chinese and non-Chinese language films, the Group held a 10% market share in terms of box office receipts. During the period, the Group distributed and marketed 24 films in Hong Kong, of which *Journey to the Centre of the Earth* registered a very impressive box office receipts of HK$35 million. Besides, other titles such as Andy Lau's *Look for a Star, Suspect X* and *Detroit Metal City* all on its own also received box office of over HK$10 million. As for the Group's film library of approximately 130 Chinese film titles for worldwide distribution, it continues to generate steady income to the Group, which amounted to HK$12 million as compared to last year's HK$10 million.

Taiwan

After three years of relentless effort since starting, the Taiwan distribution has gradually built its reputation as one of major independent film distributors in the territory and successfully distributed titles such as *Taken* and *Coming Soon* during the period. Furthermore, in April 2009, the team has successfully secured and signed up a distribution arrangement with CMC Movie Corporation, a leading film investor and distributor in Taiwan which involved a good number of film titles each year. With this co-operation, the Taiwan distribution unit has already arranged an impressive line-up of releasing and distributing one new title for each of the weeks ahead until beginning of 2010.

Singapore

Having distributed and marketed over 80 film titles in Singapore over the 12-month period, the Singapore distribution team has maintained a market share of about 25% in terms of box office receipts. The world-famous John Woo's Chinese titles *Red Cliff I & II* together recorded a gross box office of S$5.8 million; and *Yes, Man* as well as the Oscar title *Slumdog Millionaire* each also achieved a good box office receipts of around S$2 million. Besides, Jacky Chan's *Shinjuku Incident* has also been successfully marketed as one of the talk-of-the town events in Singapore.

PROSPECTS

The Group has dedicated its efforts in strengthening and growing both the exhibition and distribution networks in territories with higher market potential and better returns. Given the continued opening of film market in Mainland China as well as growing influence of Chinese language films in the international film industry, we strongly believe that more focus should be placed onto opportunities related to the market of Mainland China.

In addition to the planned opening of more screens in Shenzhen and other principal cities such as Beijing, Suzhou and Chengdu, the Group is also actively looking at possible acquisition opportunities. For instance, the Group has entered into an MOU for acquiring certain interests in a cinema operator run by independent third parties (currently operating 2 cinemas and has signed up also a pipeline of close to 10 cinemas). Moreover, the Group is also working on the expansion of our film production and distribution business in Mainland China. The acquisition of films and television programmes and related business from Chengtian provided an opportunity for the Group to expand our entertainment business in Mainland China and strengthen our presence in Mainland China. Upon completion, the acquisition will further develop the Group's business network and capabilities in Mainland China, which cover not just producing and distributing Chinese-language contents, but also understanding the local customers' tastes and marketing the Group's offerings to their needs.

We are optimistic in respect to the prospects of our industry and in the territories we operated. Riding on the prospered upstream trend of the film industry in Mainland China, the Group will put significant resources in our development in Mainland China. Currently, the Group has very strong liquidity and low financial leverage, and further down the road, the Group will consider seeking external funding such as bank loans to finance some of our expansion investments under a reasonable capital deployment structure. Alongside this, the management will monitor closely the gearing structure to limit the risk.

Hong Kong will continue to be the base of the Group's operations with increased resources put in Mainland China. We will continue to adopt stringent measures to control the general and administrative expenses.

FINANCIAL RESOURCES AND LIQUIDITY

During the period, the remaining convertible notes in aggregate amount of HK$30 million have been converted into the ordinary shares of the Company, creating a total of approximately 13.6 million new ordinary shares at a conversion price of HK$2.2 per share. The Group has no outstanding convertible notes as at 30 June 2009.

In addition, with the surplus fund received from the disposal of Malaysia TGV, the Group had fully repaid some of the outstanding bank loans of HK$20 million during the period. As at 30 June 2009, the outstanding bank loans amounted only to HK$5 million. The loans are repayable within one year and secured by a pledged bank deposit of HK$0.5 million. The bank loans are in Taiwan dollars with interest rates ranging from 2% to 4% per annum.

As at 30 June 2009, the Group's cash balance was HK$365 million (30 June 2008: HK$266 million), representing an increase of 37% as compared with that of June 2008. As at 30 June 2009, our gearing ratio, calculated on the basis of external borrowings over total assets, was further lowered to less than 1% (30 June 2008: 5%). 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 the Hong Kong operations, due to the volatility of the currency market, management decided to maintain higher level of deposits in Hong Kong dollars and the pegged US dollars, 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 2009.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2009, the Group had 277 (30 June 2008: 311) permanent employees. 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 report for the twelve months ended 30 June 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

Save and except the following deviations from the code provisions set out in the Code on Corporate Governance Practices (the "CG Practices") as contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company had, throughout the twelve months ended 30 June 2009, complied with the CG Practices and the Listing Rules.

	Code provision(s) set out in the CG Practices	Deviations and reasons for such deviations
A.2.1	The roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.	Mr. Wu Kebo ("Mr. Wu"), the chairman and executive Director, was appointed as the acting managing director of the Company with effect from 21 December 2007. The Board considers that as Mr. Wu has experience in acting in a leading and managing role in media and entertainment businesses, it is in the interests of the Company for Mr. Wu to act as the acting managing director of the Company pending the appointment of a new managing director to ensure continuity. The Board will in due course appoint an individual with appropriate qualifications to act as the chief executive officer of the Company.

	Code provision(s) set out in the CG Practices	Deviations and reasons for such deviations
A.3 & A.3.2	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 non-executive 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.	Pursuant to note 1 to Code Provision A.3 of the CG Practices (and as required by Rule 3.10 of the Listing Rules), every board of directors must include at least 3 independent non-executive directors. Due to the retirement of Prince Chatrichalerm Yukol as an independent non-executive director on 20 November 2008, the total number of independent non-executive directors of the Company fell below the minimum number as required under Rule 3.10 of the Listing Rules. Mr. Masahito Tachikawa has been appointed as independent non-executive director of the Company with effect from 20 March 2009 so that the requirement as to the minimum number of independent non-executive directors of the Company under note 1 to Code Provisions of A.3 of the CG Practices and Rule 3.10 of the Listing Rules is fulfilled.
A.4.1	Non-executive directors 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. All non-executive directors are subject to 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 a specific term of appointment.

	Code provision(s) set out in the CG Practices	Deviations and reasons for such deviations
B.1.1	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 one independent non-executive director due to the retirement of Prince Chatrichalerm Yukol and Eric Norman Kronfeld as independent non-executive director and non-executive director, respectively, the requirement in relation to the composition of the remuneration committee under Code Provision B.1.1 of the CG Practices was not fulfilled. Mr. Masahito Tachikawa has been appointed as independent non-executive director and a member of remuneration committee of the Company with effect from 20 March 2009 so that the requirement in relation to the composition of the remuneration committee under Code Provision B.1.1 of the CG Practices is 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 twelve months ended 30 June 2009.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

All the financial and other related information of the Group for the twelve months ended 30 June 2009 required by the Listing Rules will be published on the website of the Stock Exchange in due course. An interim report for the twelve months ended 30 June 2009 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, 22 September 2009

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

Chairman and Executive Director:
Mr. Wu Kebo

Executive Directors:
Ms. Winnie Chan Suet Yin
Ms. Fiona Chow Sau Fong
Ms. Wu Keyan
(alternate to Mr. Wu Kebo)

Non-executive Director:
Mr. Li Pei Sen

Independent Non-executive Directors:
Mr. Leung Man Kit
Mr. George Huang Shao-Hua
Mr. Masahito Tachikawa