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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

To coincide with the financial year end date of film exhibition business of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group") in Mainland China, the Company has changed its financial year end date from 30 June to 31 December starting from the financial year 2009. Accordingly, the reporting period for the financial year 2009 covers a period of 18 months from 1 July 2008 to 31 December 2009 ("Financial Year 2009"), whereas the reporting period for the financial year 2010 covers a period of 12 months from 1 January 2010 to 31 December 2010 ("Financial Year 2010" or the "Reporting Period"). Unaudited key financial figures cover a period of 12 months from 1 January 2009 to 31 December 2009 ("Pro-forma 2009 Period") are presented for comparison purpose.

HIGHLIGHTS

	Financial Year 2010 *HK$ million*	Pro-forma 2009 Period *HK$ million* (unaudited)	Financial Year 2009 *HK$ million* (restated)	**Changes between Financial Year 2010 and Pro-forma 2009 Period** *HK$ million*	
Turnover	**1,078**	810	1,231	**+268**	**+33%**
Gross profit	**628**	450	687	**+178**	**+40%**
Profit from operations	**100**	38	56	**+62**	**+163%**
Profit attributable to shareholders	**71**	22	96	**+49**	**+223%**
Basic earnings per share	**2.84 cents**	1.19 cents	5.16 cents		

- Turnover increased by 33% to HK$1,078 million
- Gross profits grew HK$178 million to HK$628 million
- Profit from operations boosted to HK$100 million from HK$38 million
- Cinema admissions we served on a full and aggregated basis was over 23.8 million across cinema networks in Hong Kong, Mainland China, Taiwan and Singapore as a whole
- Cash on hand was HK$458 million

* *For identification purpose only*

MANAGEMENT DISCUSSION & ANALYSIS

OPERATION AND FINANCIAL REVIEW

For Financial Year 2010, the Group's turnover from continuing operations totaled HK$1,078 million, representing a significant 33% increase from HK$810 million recorded for Pro-forma 2009 Period. Such improvements were attributable to maiden contribution from new cinemas opened in different operating regions by the Group, and also reflecting the overwhelming response to premium-priced 3D movies during the Reporting Period.

As a major and leading cinema operator in Asia, the Group operated 33 cinemas with 250 screens across Mainland China, Hong Kong, Taiwan and Singapore as of end 31 December 2010 (comparing to 26 cinemas with 212 screens as of end 31 December 2009). During the Reporting Period, major Hollywood blockbuster titles were *Avatar, Toy Story 3, Alice In Wonderland, Harry Potter and the Deathly Hallows Part 1* and *Inception,* and major Chinese blockbuster titles were *Aftershock, Let the Bullets Fly, Ip Man 2, If You Are the One 2* and *Detective Dee and the Mystery of the Phantom Flame*.

The Group reported a net profit attributable to shareholders of HK$71 million for Financial Year 2010, including 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$21.5 million (net of related expense and relevant taxes). In addition, the Group sold 100% equity interests in two wholly-owned subsidiaries operating cinema screen advertising business together with shareholder's loan for cash consideration of approximately HK$20.6 million in December 2010, and recorded a disposal gain of HK$11.3 million. These exceptional gains were partly offset by impairment provision on certain film rights and assets. Net of the above mentioned exceptional items, the Group's profit from normal operations attributable to shareholders would have been HK$47 million for Financial Year 2010, comparing to HK$22 million for Pro-forma 2009 Period. The Group's EBITD recorded for Financial Year 2010 was HK$165 million, up from HK$83 million of Pro-forma 2009 Period.

In Financial Year 2010, the Group spent approximately HK$29 million of headquarter expenses for expansion and development of cinema projects in Mainland China (HK$12 million for Pro-forma 2009 Period) and such development costs were charged to the income statement during the Reporting Period. The Group also recorded approximately HK$7 million opening and pre-opening expenditures for our new cinemas in Mainland China during Financial Year 2010. The Group believed such expenses were prerequisite to positive economic benefits in the coming years.

The Group completed a top-up placing of 340 million new shares and raised net receipt of approximately HK$314 million in February 2010, the Group's cash balance remained strong at HK$458 million as of end December 2010. The Group believes that such a healthy financial position will help facilitating our aggressive business expansion plan in Mainland China, including any potential merger and acquisition opportunities.

In September 2010, the Group completed the strategic acquisition of approximately 3.33% of Legend Pictures LLC ("Legendary") for a cash consideration of USD25 million. Legendary is an independent production company, and has produced blockbusters, to name a few, including *Inception, Clash of the Titans, The Dark Knight, 300* and *The Hangover*.

BUSINESS REVIEW

Theatrical Exhibition

OPERATING STATISTICS OF THE GROUP'S CINEMAS

	Mainland China	**Hong Kong**	**Taiwan**	**Singapore**
Number of cinemas*	9	7	8	9
Number of screens*	60	32	85	73
Admissions (million)	3.0	2.9	9.3	8.6
Net average ticket price (HK$)	47	63	59	50

* end of period

In Financial Year 2010, the Group's 33 cinemas generated HK$952 million of turnover to the Group, accounting for 88% of the Group's total turnover. The Group's cinemas served approximately 23.8 million patrons during the Reporting Period, and gross box office receipts on a full and aggregated basis, were registered at HK$1,312 million.

This was strongly supported by the Group's pioneering commitment in premium exhibition formats and movie-going experience. Over 50% of the Group's screens are currently installed with digital equipment, and over 35% of the Group's screens are 3D compatible. The Group also became the first and only cinema operator to bring 3D-live football matches to patrons in Hong Kong in July 2010. The Group also completed the renovation of GV Yishun in Singapore, and made it Asia's first eco-friendly cinema. In addition, the Group completed renovation and replaced a traditional screen with an IMAX® screen at Vie Show Kaohsiung in Taiwan, thus increasing the Group's total number of IMAX® screens to two.

Mainland China

In 2010, box office receipts of urban area in Mainland China totaled RMB10.17 billion, representing a remarkable 64% increase from 2009, partly attributable to the 3D blockbuster *Avatar*, which alone contributed RMB1.38 billion of gross box office receipts in 2010, and partly attributable to the increasing popularity of movie-going as a convenient and affordable out-of-home entertainment. Local films also delivered yet another year of promising growth in 2010, with *Aftershock* grossed RMB673 million in box office receipts (comparing to RMB415 million of the top grossing film *The Founding of a Republic* in 2009).

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN MAINLAND CHINA

	12 months ended 31 December 2010	**12 months ended 31 December 2009**
Number of cinemas*	9	2
Number of screens*	60	21
Admissions (million)	3.0	1.1
Net average ticket price (RMB)	41	48
Gross box office receipt (RMB million)#	131	56

* end of period

\# before deduction of government taxes and charges

In Financial Year 2010, admissions of the Group's multiplexes in Mainland China amounted to approximately 3.0 million and gross box office receipts totaled RMB131 million, representing 177% and 134% growth from the same period last year, respectively, thanks to rich film line-up, strong market demand and the Group's rapid expansion.

During the Reporting Period, the Group completed the acquisition of Jingdezhen Meilin cinema with six screens, Beijing Shangdi Meilin cinema with five screens. In addition, the Group opened five new cinemas with collectively 28 screens in Beijing, Chongqing, Hefei and Wujiang. As of end 31 December 2010, the Group operated nine cinemas with 60 screens in Mainland China, up from two cinemas and 21 screens a year ago.

Net average ticket price was RMB41 during the Reporting Period, however, down from RMB48 during the same period a year ago. Although ticket price increased on a same-store-basis with release of more premium-priced 3D films during the Reporting Period, such increase was more than offset by the Group's expansion into the mass market and promotional discount offered by the Group's new cinemas.

The Group's flagship GH-MIXC cinema in Shenzhen performed surpassingly and recorded RMB76 million in gross box office receipts during the Reporting Period, representing a strong 36% growth as compared with the same period a year ago, and ranked the third largest amongst around 2,000 cinemas in Mainland China by box office receipts. The GH-MIXC cinema alone possessed 16% market share in Shenzhen by box office receipts in 2010.

Hong Kong

Hong Kong market as a whole recorded a box office receipts of HK$1,339 million in 2010, representing an increase of 14% from a year ago.

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN HONG KONG

	12 months ended 31 December 2010	12 months ended 31 December 2009
Number of cinemas*	7	7
Number of screens*	32	33
Admissions (million)	2.9	2.4
Net average ticket price (HK$)	63	61
Box office receipt (HK$ million)	183	146

* end of period

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 recorded box office receipts of HK$183 million in Financial Year 2010, up from HK$146 million during the same period a year ago, and market share increased from 13% to 14%. In 2010, the Group also became the first and only cinema operator bringing live football matches in 3D format in Hong Kong.

Taiwan

Taipei City as a whole recorded a box office receipts of NTD3.1 billion in 2010, representing an increase of 14% from a year ago. This was mainly attributable to continuing excellent performance of 3D movies, which becomes a big hit in Taiwan.

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN TAIWAN

	12 months ended 31 December 2010	12 months ended 31 December 2009
Number of cinemas*	8	8
Number of screens*	85	85
Admissions (million)	9.3	8.2
Net average ticket price (NTD)	236	217
Box office receipt (NTD billion)	2.2	1.8

* end of period

With the opening of the new 9-plex 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 Cinema Company Limited ("Vie Show") recorded box office receipts of NTD2.2 billion for Financial Year 2010, up 22% from NTD1.8 billion for Pro-forma 2009 Period. In Taipei City, Vie Show increased its market share to 36% in 2010 from 30% a year ago. The Group's share of net profit for the Reporting Period from Vie Show was HK$25 million, comparing to HK$18 million for Pro-forma 2009 Period. The Financial Year 2010 results also reflected a reduction of corporate income tax rate by 3% to 17%.

Singapore

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN SINGAPORE

	12 months ended 31 December 2010	12 months ended 31 December 2009
Number of cinemas*	9	9
Number of screens*	73	73
Admissions (million)	8.6	8.3
Net average ticket price (S$)	8.8	8.4
Box office receipt (S$ million)	76	70

* end of period

Singapore box office receipts totaled S$172 million in 2010, up slightly from S$171 million in 2009. The Group's 50%-owned "Golden Village" cinema circuit remains the brand of choice for cinema goers in Singapore and maintained its leading position in Financial Year 2010 with a market share of 44% by reporting a box office receipts of S$76 million, which was 8% higher than that of the same period a year ago. The Group shared a net profit of HK$35 million for the Reporting Period, up from HK$31 million for the same period a year ago.

Film Distribution and Production

SEGMENTAL FINANCIAL HIGHLIGHTS

	12 months ended 31 December 2010	12 months ended 31 December 2009
Films distributed	Over 95	Over 65
Segment turnover (HK$ million)	125	93

The Group's film distribution and production business recorded turnover of HK$125 million in Financial Year 2010, comparing to HK$93 million for Pro-forma 2009 Period. During the Reporting Period, the Group distributed over 95 films in Mainland China, Hong Kong, Singapore and Taiwan (over 65 films for Pro-forma 2009 Period). The Group's film library of more than 140 films and TV titles with perpetual distribution rights contributed steady licensing income in Financial Year 2010 to the Group.

PROSPECTS

The Group has focused on strengthening and growing a fully integrated film entertainment business in Mainland China. As of 31 March 2011, the Group operated 11 cinemas with 77 screens in Mainland China, up from nine cinemas and 60 screens at end of 2010. Up to 31 March 2011, the Group had signed lease agreements to open another 42 new cinemas with 342 screens by 2013, although the number may vary due to the actual handover date, the progress of internal decoration and fit-out, and application of relevant license.

As of 31 March 2011, 18 cinemas with 141 screens in Chengdu, Chongqing, Dalian, Dongguan, Guangzhou, Huizhou, Nanjing, Shangrao, Shenyang, Wuhu, Wuxi, Xian, Xining, Yangquan, Yinchuan and Yingkou were in various stages of internal decoration, fitting out and license application, and are in the pipeline for openings, and more will come in the months ahead.

The Group will continue soliciting new lease agreements, and seek cooperation with existing operators to form joint ventures to convert existing old cinemas in prime location to modern multiplexes. The Group has also been actively pursuing cooperation with other studios, both in Mainland China and Hollywood, for film co-production and distribution.

Outside of Mainland China, the Group expects to open three cinemas in Taiwan, including a 9-plex near Banciao Station in New Taipei City, a 7-plex in Taichung, and an 8-plex in Hsin Chu, in 2011. Each of the three cinemas will carry one IMAX® screen, and will therefore bring the Group's total number of IMAX® screens in operation to five by end of 2011 in Taiwan. The Group also plans to renovate three existing cinemas with a total of 38 screens in 2011. Looking ahead, the Group plans to further expand its IMAX® footprint to a total of seven by 2014.

In Singapore, the Group signed a lease agreement to open one new cinema with eight screens in 2011. In Hong Kong, although the Group closed down GH Hollywood in Diamond Hill with six screens in March 2011 following expiry of the relevant lease agreement, the Group remains committed to provide pioneering movie-going experience to patrons in Hong Kong, and signed an agreement with D-BOX Technologies Inc. to introduce Hong Kong D-BOX motion systems, which generate seat motions that are synchronized with the onscreen motion of the film.

The Group has also been focusing on digitalization, and plans to become a fully digital cinema operator by 2012 and to maintain about 40% of the Group's screens to be 3D compatible.

In view of the growing demand for Chinese-language films, the Group plans to recommence production business in Hong Kong starting from 2011. As of 31 March 2011, one film project is in pre-production stage. The Group is also actively expanding partnership with mobile service providers to roll out mobile distribution of films and TV titles in the Group's film library. In addition, the Group is under negotiation to distribute foreign film(s) on big screens in Mainland China in 2011.

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 million shares of the Company of HK$0.10 each (the "Share") 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. In September 2010, the Group completed the strategic acquisition of approximately 3.33% of the Common Units of Legendary for a cash consideration of USD25 million.

As of 31 December 2010, the Group's cash balance was HK$458 million (31 December 2009: HK$518 million), and outstanding bank loans totaled HK$104 million (31 December 2009: HK$87 million). As of 31 December 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. Due to the volatility of the currency market and future capital commitments mainly denominated in Renminbi, management decided to maintain higher level of deposits in Renminbi, thus lowering the exposure to exchange risk. The directors of the Company (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 31 December 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, the Group had 1,045 (31 December 2009: 418) 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 the balance sheet date, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

RESULTS

The Board of Directors (the "Board") of the Company herein announces the consolidated results of the Group for the year ended 31 December 2010 together with the comparative figures for the preceding 18 months ended 31 December 2009. The difference in duration of the two financial periods should be considered when making year-on-year comparisons. These results have been reviewed by the audit committee of the Company (the "Audit Committee") and the figures of both Financial Year 2010 and Financial Year 2009 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement.

CONSOLIDATED INCOME STATEMENT

	Note	**Year ended 31 December 2010** *HK$'000*	Eighteen months ended 31 December 2009 *HK$'000* (restated)
Continuing operations			
Turnover	*3*	**1,077,533**	1,230,904
Cost of sales		**(449,345)**	(543,662)
Gross profit		**628,188**	687,242
Other revenue		**15,538**	12,629
Other net income/(expenses)	*4(c)*	**48,776**	(5,833)
Selling and distribution costs		**(474,383)**	(547,358)
General and administrative expenses		**(101,838)**	(83,406)
Other operating expenses		**(16,386)**	(7,227)
Profit from operations		**99,895**	56,047
Finance costs	*4(a)*	**(4,997)**	(2,505)
Gain on disposal of interest in a jointly controlled entity		**—**	61,852
Profit before taxation		**94,898**	115,394
Income tax	*5*	**(22,511)**	(20,484)
Profit for the year/period from continuing operations		**72,387**	94,910

	Note	Year ended 31 December 2010 HK$'000	Eighteen months ended 31 December 2009 HK$'000 (restated)
Discontinued operation — jointly controlled entity held for sale			
Profit for the year/period from discontinued operation		**—**	1,198
Total profit for the year/period		**72,387**	96,108
Attributable to:			
Equity holders of the Company		**70,823**	95,542
Non-controlling interests		**1,564**	566
Profit for the year/period	*4*	**72,387**	96,108
Dividends attributable to equity holders of the Company		**—**	18,327
Earnings per share	*6*		
Basic			
— Continuing operations		**2.84 cents**	5.10 cents
— Discontinued operation		**—**	0.06 cents
		2.84 cents	5.16 cents
Diluted			
— Continuing operations		**2.78 cents**	5.09 cents
— Discontinued operation		**—**	0.06 cents
		2.78 cents	5.15 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2010 *HK$'000*	Eighteen months ended 31 December 2009 *HK$'000*
Profit for the year/period	**72,387**	96,108
Other comprehensive income for the year/period:		
Exchange differences on translation of financial statements of:		
Overseas subsidiaries	**6,715**	(4,475)
Overseas jointly controlled entities	**22,913**	(14,668)
	29,628	(19,143)
Realisation of exchange reserve on disposals of:		
An overseas subsidiary	**(1,062)**	—
An overseas jointly controlled entity	**—**	(4,781)
	(1,062)	(4,781)
Available-for-sale equity securities:		
Deficit on revaluation	**(13,727)**	—
Impairment loss recognised	**13,727**	—
Net movement in the investment revaluation reserve	**—**	—
Total comprehensive income for the year/period	**100,953**	72,184
Total comprehensive income attributable to:		
Equity holders of the Company	**98,894**	71,724
Non-controlling interests	**2,059**	460
Total comprehensive income for the year/period	**100,953**	72,184

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2010 HK$'000	2009 HK$'000
Non-current assets			
Fixed assets		**681,465**	395,055
Loan to a joint venture partner		**—**	5,357
Available-for-sale equity securities	*7*	**246,083**	1,500
Prepaid rental		**30,435**	5,592
Club memberships		**2,490**	2,490
Rental and other deposits		**63,809**	56,214
Trademarks		**79,785**	79,421
Goodwill	*8*	**73,658**	28,538
Deferred tax assets		**3,095**	420
Pledged bank deposits		**29,476**	25,038
		1,210,296	599,625
Current assets			
Inventories		**3,480**	2,461
Film rights		**85,870**	75,955
Trade receivables	*9*	**32,996**	36,789
Other receivables, deposits and prepayments		**86,016**	91,844
Amounts due from jointly controlled entities		**1,273**	1,683
Pledged bank deposits		**—**	5,425
Deposits and cash		**457,677**	517,803
Derivative financial asset	*7*	**246**	—
		667,558	731,960
Current liabilities			
Bank loans		**21,363**	24,201
Trade payables	*10*	**86,264**	97,498
Other payables and accrued charges		**148,627**	73,847
Deferred revenue		**96,911**	71,987
Taxation payable		**34,884**	23,103
		388,049	290,636
Net current assets		**279,509**	441,324
Total assets less current liabilities		**1,489,805**	1,040,949

		As at 31 December	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Non-current liabilities			
Bank loans		**82,400**	62,732
Convertible note		**6,662**	6,150
Amount due to a jointly controlled entity		**—**	5,357
Deposits received		**5,318**	4,887
Deferred tax liabilities		**19,623**	13,868
		114,003	92,994
NET ASSETS		**1,375,802**	947,955
Capital and reserves			
Share capital		**254,374**	219,974
Reserves		**1,109,874**	726,100
Total equity attributable to equity holders of the Company		**1,364,248**	946,074
Non-controlling interests		**11,554**	1,881
TOTAL EQUITY		**1,375,802**	947,955

NOTES TO THE FINANCIAL STATEMENTS

1. CHANGE IN FINANCIAL YEAR END DATE

Pursuant to a resolution of the Board dated 6 January 2009, the Company changed its financial year end date from 30 June to 31 December. The current financial period covers the year ended 31 December 2010 and the comparative figures in these financial statements cover the eighteen months ended 31 December 2009. Accordingly, the comparative figures for the consolidated income statement, the consolidated statement of comprehensive income and related notes are not comparable with those of the current year.

2. STATEMENT OF COMPLIANCE

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

(ii) Changes in accounting policies

The HKICPA has issued 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 instruments*
HKFRS 8	*Operating segments*
Amendment to HKAS 17	*Leases*
Amendments to HKAS 27	*Consolidated and separate financial statements*
HK(Int 5)	*Presentation of financial statements — classification by the borrower of a Term Loan that contains a Repayment on Demand Clause*
Improvements to HKFRSs (2009)	

The impact of the above developments on the 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 consolidated 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 HKAS 27 — *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 interest 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 financial statements 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.

(e) **HKAS 17 — *Leases***

The improvements to HKFRSs 2009 consist of further amendments to existing standards, including amendments to HKAS 17 *Leases*. The amendment to HKAS 17 requires the land element of long-term leases to be classified as a finance lease rather than an operating lease if it transfers substantially all the risks and rewards of ownership. This amendment did not have a significant financial impact to the Group's results and financial position.

(f) **HK(Int 5) — *Presentation of financial statements — classification by the borrower of a Term Loan that contains a Repayment on Demand Clause***

In November 2010 the HKICPA issued HK(Int 5) — *Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause*. This Interpretation is effective immediately on issuance and sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time should be classified as a current liability in accordance with paragraph 69(d) of HKAS 1, *Presentation of financial statements*, irrespective of the probability that the lender will invoke the clause without cause. The issuance of HK(Int 5) have had no material impact on the Group's financial statements as the amendment and the Interpretation's conclusions were consistent with policies already adopted by the Group.

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 for current and prior periods.

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

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 location 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. Inter-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:

	Year ended 31 December 2010/Eighteen months ended 31 December 2009									
	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*
		(restated)		(restated)		(restated)		(restated)		(restated)
Segment revenue										
Revenue from external customers										
Exhibition	**216,428**	263,342	**187,283**	120,666	**288,901**	353,764	**298,249**	386,648	**990,861**	1,124,420
Distribution and production	**56,378**	106,612	**54,200**	37,980	**8,731**	7,953	**8,608**	34,091	**127,917**	186,636
Corporate	**2,236**	2,858	**—**	—	**—**	—	**—**	—	**2,236**	2,858
Reportable segment revenue	**275,042**	372,812	**241,483**	158,646	**297,632**	361,717	**306,857**	420,739	**1,121,014**	1,313,914
Reportable segment profit/(loss)	**(5,067)**	22,235	**34,586**	(2,969)	**25,076**	28,962	**36,603**	45,226	**91,198**	93,454
Reconciliation — Revenue										
Reportable segment revenue									**1,121,014**	1,313,914
Elimination of intersegmental revenue									**(21,151)**	(58,209)
Other revenue									**(5,613)**	(1,775)
Others									**(16,717)**	(23,026)
									1,077,533	1,230,904
Reconciliation — profit before taxation										
Reportable profit from external customers									**91,198**	93,454
Unallocated operating (income)/expenses, net									**(20,375)**	2,022
Non-controlling interests									**1,564**	(566)
Income tax									**22,511**	20,484
Profit before taxation									**94,898**	115,394

4. PROFIT FOR THE YEAR/PERIOD

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

	Year ended 31 December 2010 *HK$'000*	Eighteen months ended 31 December 2009 *HK$'000*
(a) Finance costs		
Continuing operations		
Interest on bank loans wholly repayable		
— within five years	**3,494**	2,105
— after five years	**991**	—
Interest on convertible notes	**512**	172
Interest on loans from joint venture partners	**—**	228
	4,997	2,505
Discontinued operation		
Interest on bank loans wholly repayable within five years	**—**	124
	4,997	2,629
(b) Other items		
Cost of inventories	**30,637**	38,517
Cost of services provided	**385,655**	463,070
Depreciation	**68,188**	71,566
Amortisation of film rights	**33,053**	42,075
Auditors' remuneration	**2,800**	2,875
Operating lease charges in respect of land and buildings		
— minimum lease payments	**157,772**	193,588
— contingent rentals	**28,186**	34,490
Impairment losses		
— an available-for-sale equity security	**13,727**	—
— trade receivables	**—**	237
— film rights	**4,056**	—
Loss on disposals of property, plant and equipment	**2,789**	5,743
Fair value gain on financial derivative instrument	**(8,496)**	—
Gain on disposal of investment property	**—**	(3,317)
Gain on disposals of subsidiaries	**(11,317)**	—
Rental income less direct outgoings	**(13,528)**	(16,635)

(c) Other net income/(expenses)

Included in the other net income was a gain on settlement of a claim and provision of consultancy service of HK$26,761,000 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 a landlord (the "Landlord") in Mainland China. On 14 January 2010, the Group reached a settlement agreement with the Landlord and received a sum of RMB28,800,000 (approximately HK$33,120,000) in February 2010 (before deducting incidental expenses) in respect of the settlement and the provision of consultancy service. The net sum of approximately HK$26,761,000 and corresponding tax expense of approximately HK$5,300,000 have been credited and charged to the consolidated income statement for the year ended 31 December 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

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

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

Taxation in the consolidated income statement represents:

	Year ended 31 December 2010 *HK$'000*	Eighteen months ended 31 December 2009 *HK$'000*
Continuing operations		
The Group		
Current income tax		
Provision for overseas tax	**8,594**	3,284
Over-provision in respect of prior years	**(932)**	(59)
	7,662	3,225
Deferred tax — overseas		
Origination of temporary differences	**1,456**	—
	9,118	3,225
Jointly controlled entities		
Current income tax		
Provision for overseas tax	**16,412**	19,138
Over-provision in respect of prior years	**(3,584)**	—
	12,828	19,138
Deferred tax — overseas		
Origination and reversal of temporary differences	**565**	(1,879)
	13,393	17,259
	22,511	20,484
Discontinued operation		
Current income tax		
Provision for overseas tax	**—**	617
	22,511	21,101

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$70,823,000 and HK$Nil respectively (eighteen months ended 31 December 2009: HK$94,344,000 and HK$1,198,000) and the weighted average of 2,492,008,598 ordinary shares (2009: 1,849,886,779 ordinary shares after adjusting for the subdivision of shares in November 2009) in issue during the year, calculated as follows:

(i) Profit attributable to equity holders of the Company

	Year ended 31 December 2010 ***HK$'000***	Eighteen months ended 31 December 2009 *HK$'000*
Profit attributable to equity holders		
— Continuing operations	**70,823**	94,344
— Discontinued operation	**—**	1,198
	70,823	95,542

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

	Year ended 31 December 2010 ***Number of shares***	Eighteen months ended 31 December 2009 *Number of shares*
Issued ordinary shares at 1 January 2010/1 July 2008 *(note)*	**2,199,739,900**	1,696,376,270
Effect of convertible notes converted	**—**	128,829,270
Effect of new shares placed	**289,698,630**	24,666,667
Effect of share options exercised	**2,570,068**	14,572
Weighted average number of ordinary shares (basic) at 31 December	**2,492,008,598**	1,849,886,779
Effect of conversion of convertible notes	**26,698,224**	9,041,909
Effect of deemed issue of shares under the Company's share option scheme	**43,514,212**	680,663
Weighted average number of ordinary shares (diluted) at 31 December	**2,562,221,034**	1,859,609,351

Note: The issued ordinary shares at 1 January 2010 and 1 July 2008 have been adjusted retrospectively to reflect the subdivision of shares.

(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$71,335,000 and HK$Nil respectively (eighteen months ended 31 December 2009: HK$94,516,000 and HK$1,198,000) and the weighted average number of ordinary shares of 2,562,221,034 shares (2009: 1,859,609,351 shares after adjusting for the subdivision of shares in November 2009), calculated as follows:

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

	Year ended 31 December 2010 *HK$'000*	Eighteen months ended 31 December 2009 *HK$'000*
Continuing operations		
Profit attributable to equity holders	**70,823**	94,344
After tax effect of effective interest on the liability component of convertible notes	**512**	172
Profit attributable to equity holders (diluted)	**71,335**	94,516
Discontinued operation		
Profit attributable to equity holders	**—**	1,198

7. AVAILABLE-FOR-SALE EQUITY SECURITIES AND DERIVATIVE FINANCIAL ASSET

	2010 *HK$'000*	2009 *HK$'000*
Available-for-sale equity securities:		
— Listed investment in Hong Kong at fair value	**41,470**	—
— Listed investment in Australia at fair value	**1,482**	—
— Unlisted investments, at cost	**203,131**	1,500
	246,083	1,500
Market value of listed investments	**42,952**	—

(a) Listed investments

In June 2010, the Group acquired 11,000,000 shares at HK$5 per share through a public placing of Overseas Chinese Town (Asia) Holdings Limited ("Overseas Chinese"), a company listed in Hong Kong.

As at 31 December 2010, the Group's investment in available-for-sale equity security was individually determined to be impaired on the basis of a significant and prolonged decline in the fair value below cost. The Group recognised an impairment loss of HK$13,727,000 to the consolidated income statement.

(b) Derivative financial asset

In June 2010, the Group entered into an agreement (the "Option Agreement") with an independent third party (the "Counterparty") with respect to the shares of Overseas Chinese (the "Overseas Chinese Shares") held by the Group as referred in note 7(a). Pursuant to the terms of the Option Agreement, one of the following options can be exercised and once the option is exercised, the other options will expire: (a) a right held by the Group to sell the Overseas Chinese Shares to the Counterparty at a fixed price per share at any date until 6 June 2012 ("Put Option"); (b) a right held by the Counterparty to purchase the Overseas Chinese Shares from the Group at a fixed price per share at any date until 6 June 2012 ("Call Option"); and (c) a right held by the Counterparty to share a portion of the gain upon disposal in excess of a fixed price per share if neither the Put Option nor Call Option have not exercised by their respective expiry dates ("Profit-sharing Option"). The Group received HK$8,250,000 from the Counterparty as the consideration for entering into the Option Agreement. The Group recognised the Option Agreement as single derivative instrument and recorded the transaction price of entering into the Option Agreement as a derivative financial liability. For the year ended 31 December 2010, the change in the fair value of this derivative financial liability as at 31 December 2010 amounted to HK$8,496,000 which was credited to the consolidated income statement and resulted in a derivative financial asset of HK$246,000 as at 31 December 2010.

(c) Unlisted investments

Included in the available-for-sale equity securities is an investment in an unlisted company, the carrying value in the amount of HK$201,631,000 which constituted more than 10% of the Group's total assets at 31 December 2010.

8. GOODWILL AND ACQUISITION OF A SUBSIDIARY AND THE RELATED BUSINESS

	2010	2009
	HK$'000	*HK$'000*
Cost and carrying amount		
At 1 January 2010/1 July 2008	**28,538**	—
Additions		
— Acquisition of a subsidiary and the related business	**45,120**	28,538
At 31 December	**73,658**	28,538

On 30 October 2009, the Group acquired the entire equity interests in 北京橙天嘉禾影視制作有限公司 (formerly known as 北京橙天智鴻影視制作有限公司) and the business relating to Chinese-Language films and television programmes, production, investment, marketing and advertising and/or distribution business (the "Acquired Business") from Orange Sky Entertainment Group (International) Holding Company Limited ("Orange Sky"), commonly controlled by the shareholder and a director of the Company, Mr. Wu Kebo.

The combined fair values of the identifiable assets and liabilities of the Acquired Business as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were HK$18,120,000.

The initial assessment of the total consideration paid/payable as at 31 December 2010 comprised the following components:

	HK$'000
Initial cash consideration paid during the eighteen months ended 31 December 2009	**37,634**
Convertible note issued in November 2009	**9,024**
Present value of the contingent consideration:	
— Convertible note to be issued	**45,120**
Total purchase consideration	**91,778**

Note: The maximum aggregate consideration payable by Orange Sky Golden Harvest Motion Pictures Company Limited, a wholly-owned subsidiary of the Company, as purchaser was up to RMB80 million (equivalent to approximately HK$90.2 million), which would be partly satisfied by cash of RMB32.0 million (equivalent to approximately HK$36.1 million) and by the issue of the first tranche of the convertible note by the Company to Orange Sky of RMB8.0 million (equivalent to approximately HK$9.0 million) upon completion. The remaining up to RMB40 million (equivalent to approximately HK$45.1 million) will be satisfied by the issue of the second tranche convertible note by the Company to Orange Sky in accordance with the relevant provisions of the sale and purchase agreement (the "Deferred Consideration Arrangement") set out below:

(i) In the event that the audited consolidated profit after taxation and minority interests (but excluding any extraordinary or exceptional or non-recurring items that is outside its ordinary course of business) of or derived from the transferred assets ("aggregate net profits") for 2009 and 2010 are equal to or more than RMB20 million, a sum equal to RMB40 million (equivalent to approximately HK$45.1 million) should be payable by Orange Sky Golden Harvest Motion Pictures Company Limited to Orange Sky by procuring the Company to issue the convertible note within 15 business days from 30 April 2011.

(ii) In the event that the aggregate net profits for 2009 and 2010 are positive but less than RMB20 million, a sum of equal to the aggregate net profits multiplied by a factor of two shall be payable by Orange Sky Golden Harvest Motion Pictures Company Limited to Orange Sky by procuring the Company to issue the convertible note within 15 business days from 30 April 2011. No amount shall be payable by the purchaser where the aggregate net profits are equal to or less than zero.

At 31 December 2010, the Group assessed the contingent consideration and on the basis that the Acquired Business recorded aggregate net profits for 2009 and 2010 in excess of RMB20 million, the second tranche of convertible note up to maximum amount of RMB40,000,000 (equivalent to HK$45,120,000) is intended to be issued subject to confirmation of aggregate profits. The Acquired Business recorded estimated aggregate profits in 2009 and 2010 of RMB20,651,000 (equivalent to approximately HK$23,749,000) which included (a) the distribution and licensing of film rights amounting to HK$20,194,000 and (b) launching a promotional campaign in September 2010 (including provision of event promotion, advertising and marketing services) for a well known nation-wide accessories and cosmetics retail network and generated HK$13,890,000 income to the Group.

The remaining purchase consideration of HK$45,120,000 in respect of the acquisition of 北京橙天嘉禾影視制作有限公司 is included in the other payables and accrued charges.

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

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

	2010	2009
	HK$'000	*HK$'000*
Current to 3 months	**28,942**	34,906
Within 4 to 6 months	**3,588**	1,716
Over 6 months	**466**	167
	32,996	36,789

10. TRADE PAYABLES

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

	2010	2009
	HK$'000	*HK$'000*
Current to 3 months	**69,462**	83,832
Within 4 to 6 months	**6,606**	8,735
Within 7 to 12 months	**279**	821
Over 1 year	**9,917**	4,110
	86,264	97,498

COMPARATIVE FIGURES

Certain comparative figures including the turnover and other revenue have been adjusted to conform to current period's presentation while the Directors 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 year ended 31 December 2010.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2010 (eighteen months ended 31 December 2009: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own code on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"). The Company has made specific enquiries with all the Directors and all of them have confirmed that they had complied with the requirements set out in the Model Code and the Company's code for the year ended 31 December 2010.

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 provisions 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 practices of the Group as a whole.

For the year ended 31 December 2010, the Company has complied with the code provisions of the CG Code except that pursuant to code provision A.4.1 of the CG Code, non-executive Directors of a listed issuer should be appointed for a specific term and subject to re-election. All non-executive Directors were not appointed for a specific term but are subject to the requirement of retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws, accomplishing the same purpose as being appointed for a specific term.

As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the code provisions of the CG Code.

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established with written terms of reference in accordance with the code provisions of the CG Code. The principal responsibilities of the Remuneration Committee include formulation and making recommendation of remuneration policy and remuneration package of the Directors and members of senior management to the Board. The Remuneration Committee comprises one executive Director, namely, Mr. Wu Kebo, and two independent non-executive Directors, namely Mr. Leung Man Kit and Ms. Wong Sze Wing.

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

Hong Kong, 31 March 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. Chang Tat Joel
Mr. Tan Boon Pin Simon
Mr. Li Pei Sen
Ms. Wu Keyan

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