



Golden Harvest

40<sup>th</sup> Anniversary

**Orange Sky Golden Harvest  
Entertainment (Holdings) Limited**

**橙天嘉禾娛樂(集團)有限公司\***

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

(Stock Code 股份代號: 1132)

**Annual Report 2009 年度報告**



\*For identification purpose only 僅供識別



## MISSION

### 橙天嘉禾的使命

Responsible	for the maximization of shareholders' value and the betterment of society with the highest principles
Effective	execution of business strategy with consistency
Obedient	to rules and internal compliance with diligence
Committed	to the development of film industry with passion
Innovative	offerings to our customers with continual improvement
Honest	to our business partners with transparency, integrity and faith united teamwork to build success with persistence
United	team work to build success with persistence

對股東投資	實現價值最大
對社會大眾	抱有責任承擔
對執行能力	時刻保持高效
對法規內控	嚴格遵守執行
對電影事業	滿載熱誠理想
對每個製作	法入無窮創意
對每宗交易	謹守公平公開
為達致成功	堅守團隊精神

## STRATEGY

### 橙天嘉禾的策略

In line with the waterfall of revenue split, we adopt a strategy of bottom up approach in our priority of development according to the following order:

1. Enlarge and strengthen our theatrical exhibition network, i.e. the distribution channel
2. Integrate with our distribution business to enhance synergy
3. Participate with minimal risks production which in turn benefits our distribution and exhibition business

按照行業分帳的流程，集團按以下的順序優先發展有利於股東價值的環節

1. 做大做強集團的電影發信管道，也就是電影院的運營
2. 加強整合集團的電影發行業務以獲取更大的協同效應
3. 以最低的風險投資電影製作使集團的放映和發行業務更能受惠

## CONTENTS

### 目錄

- 2 Corporate Information  
公司資料
- 4 Biographical Details of Directors and  
Senior Management  
董事及高級管理層個人履歷
- 9 Chairman's Statement  
主席報告書
- 13 Management Discussion and Analysis  
管理層討論及分析

## FINANCIAL INFORMATION

### 財務資料

- 24 Report of the Directors  
董事會報告書
- 48 Corporate Governance Report  
企業管治報告
- 61 Independent Auditor's Report  
獨立核數師報告
- 63 Consolidated Income Statement  
142 綜合收益表
- 65 Consolidated Balance Sheet  
144 綜合資產負債表
- 67 Balance Sheet  
146 資產負債表
- 68 Consolidated Statement of Changes  
in Equity  
147 綜合權益變動報表
- 70 Consolidated Cash Flow Statement  
149 綜合現金流量表
- 72 Notes to Financial Statements  
151 財務報表附註



## Corporate Information

### 公司資料

#### EXECUTIVE DIRECTORS

##### 執行董事

WU Kebo (*Chairman*)  
伍克波(主席)

CHOW Sau Fong Fiona  
鄒秀芳

LI Pei Sen  
李培森

CHANG Tat Joel  
鄭達祖

WU Keyan  
伍克燕  
(alternate to Wu Kebo)  
(為伍克波之替任董事)

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

##### 獨立非執行董事

LEUNG Man Kit  
梁民傑

HUANG Shao-Hua George  
黃少華

WONG Sze Wing  
黃斯穎

#### CHIEF EXECUTIVE OFFICER

##### 首席執行官

WU King Shiu Kelvin  
胡景邵

#### COMPANY SECRETARY

##### 公司秘書

YUEN Kwok On  
袁國安

## Corporate Information

### 公司資料

#### REGISTERED OFFICE

##### 註冊辦事處

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

#### PRINCIPAL PLACE OF BUSINESS

##### 主要營業地址

16th Floor  
The Peninsula Office Tower  
18 Middle Road  
Tsimshatsui  
Kowloon  
Hong Kong  
香港  
九龍  
尖沙咀  
中間道十八號  
半島寫字樓大廈  
十六樓

#### PRINCIPAL BANKER

##### 主要往來銀行

The Hongkong and Shanghai  
Banking Corporation Limited  
香港上海滙豐銀行有限公司

#### AUDITORS

##### 核數師

KPMG  
Certified Public Accountants  
8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong  
畢馬威會計師事務所  
執業會計師  
香港  
中環  
遮打道十號  
太子大廈  
八樓

#### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

##### 主要股份過戶登記處

Butterfield Fund Services  
(Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke, HM08  
Bermuda

#### HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

##### 股份過戶登記處香港分處

Tricor Tengis Limited  
26th Floor  
Tesbury Centre  
28 Queen's Road East  
Hong Kong  
卓佳登捷時有限公司  
香港  
皇后大道東二十八號  
金鐘匯中心  
二十六樓

#### WEBSITE

##### 網址

<http://www.goldenharvest.com>

#### STOCK CODE

##### 股份代號

1132

## Biographical Details of Directors and Senior Management

### 董事及高級管理層個人履歷

#### CHAIRMAN AND EXECUTIVE DIRECTOR

##### Mr. Wu Kebo (“Mr. Wu”),

Aged 47,

Mr. Wu is the chairman, executive director and a member of the remuneration committee of the Company and currently a director of Orange Sky Entertainment Group (International) Holding Company Limited (“Orange Sky”) and its subsidiaries. Orange Sky, incorporated in the British Virgin Islands with limited liability and a substantial shareholder of the Company, was founded by Mr. Wu in 2004 and is principally engaged in film and television production, music and musical production, artist management and advertising business in the People’s Republic of China (the “PRC”). Since founding Orange Sky in 2004, Mr. Wu has expanded the business of Orange Sky into film and television production, music and musical production, artist management and advertising. Specifically on film, Mr. Wu acted respectively as executive producer of the two well-received blockbuster Chinese films *Red Cliff* and *The Warlords*, as well as producer of other Chinese titles including *Call for Love*, *I am Liu Yuejin* and *Dangerous Games*. In addition, Mr. Wu has been involved in high-technology and communications businesses since the 1990s. Mr. Wu graduated with a Bachelor degree of Business Administration from the SOKA University Japan in 1992. Mr. Wu joined the Group in October 2007 and is the brother of Ms. Wu Keyan, the alternate director to Mr. Wu. Mr. Wu is also the director of certain subsidiaries of the Company.

#### EXECUTIVE DIRECTORS

##### Ms. Chow Sau Fong, Fiona (“Ms. Chow”),

Aged 38,

Ms. Chow joined the Group in October 2007 and is an executive director of the Company. She has extensive experience in financial management and strategic planning in the Greater China region where she served a number of multinational corporations. She has worked in management consultancy and investment projects, specializing in financial services and media industries in both the Asian and U.S. markets. Ms. Chow holds an M.B.A. in Finance and Entrepreneurial Management from the Wharton Business School at the University of Pennsylvania, and a B.A. (Honors) in Business Administration from the Chinese University of Hong Kong.

#### 主席兼執行董事

##### 伍克波先生(「伍先生」)

四十七歲

伍先生為本公司主席、執行董事兼薪酬委員會成員，並為橙天娛樂集團(國際)控股有限公司(「橙天」)及其附屬公司之現任董事。橙天為於英屬處女群島註冊成立之有限公司，為本公司主要股東，並由伍先生於二零零四年創立，主要於中華人民共和國(「中國」)從事電影及電視製作、音樂及音樂劇製作、藝人經理及廣告業務。自二零零四年創立橙天至今，伍先生成功開拓橙天之電影及電視製作、音樂及音樂劇製作、藝人經理及廣告業務。伍先生於電影方面貢獻良多，分別擔任兩齣好評如潮之華語鉅作《赤壁》及《投名狀》之執行監製，以及擔任多齣華語電影之監製，包括《愛情呼叫轉移》、《我叫劉躍進》及《棒子老虎雞》。另外，伍先生自九十年代開始從事高科技及通訊發展業務。伍先生於一九九二年畢業於日本創價大學，取得工商管理學士學位。伍先生於二零零七年十月加盟本集團，為伍克燕女士之兄長，伍克燕女士為伍先生之替任董事。伍先生亦為本公司若干附屬公司之董事。

#### 執行董事

##### 鄒秀芳女士(「鄒女士」)

三十八歲

鄒女士於二零零七年十月加盟本集團，為本公司執行董事。鄒女士擁有豐富財務管理和策略規劃經驗，曾受聘於大中華地區多家跨國公司。鄒女士曾從事管理顧問及投資項目，尤其專注於亞洲及美國市場之金融服務及傳媒行業。鄒女士獲美國賓夕法尼亞州大學之沃頓商學院頒發財務及企業管理工商管理碩士學位，並獲香港中文大學頒發工商管理榮譽學士學位。

## Biographical Details of Directors and Senior Management

### 董事及高級管理層個人履歷

#### Mr. Chang Tat Joel (“Mr. Chang”)

Aged 43

Mr. Chang is an executive director of the Company. Mr. Chang is also the chief financial officer of the Company since September 2009. He has extensive experience in capital market. Mr. Chang co-founded AID Partners Capital Ltd. (“AID Partners”) in 2007 and is currently the managing partner and investment committee member of AID Partners, responsible for its strategic and investment planning and overseeing implementation of its investment plans. Prior to the establishment of AID Partners, Mr. Chang was the Chief Investment Officer of Investec Asia Limited and a managing director of China Everbright Capital Limited. Mr. Chang is also a member of Australian Society of Certified Practising Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Chang obtained a bachelor’s degree in economics from Monash University in 1990.

#### Mr. Li Pei Sen (“Mr. Li”)

Aged 63

Mr. Li joined the Company as a non-executive director in March 2009 and was re-designated as an executive director of the Company in April 2010. He is also the Associate Chairman of Orange Sky Entertainment Group (International) Holding Company Limited (“Orange Sky”). Mr. Li was an associate director of China TV Production Centre in 1994 and the general manager of China Central Television in 1996. In 1997, Mr. Li joined China International Television Corporation (“CITVC”) as the President and involved in corporate structuring of CITVC. During his presidency in CITVC, Mr. Li also led the television programs production, as well as the domestic and global licensing business of Chinese television programs. Prior to joining Orange Sky as the Associate Chairman, Mr. Li served as the director of China TV Production Centre in 2000.

Mr. Li has over 10 years’ experiences in film and television series production and acted as the producer of more than a thousand episodes of television series, including a number of popular and high audience rating titles such as *All Men Are Brothers: Blood of the Leopard*, *Taiping Heavenly Kingdom*, *Vernacular Stories from The End of Western Zhou Dynasty to the Qin Dynasty*, and *The Story of Hongkong* and cartoon series *Journey to the West*.

In addition, Mr. Li is also a committee member of China Federation of Literary and Art Circles, a council member of China TV Workers’ Association, the vice-president of China TV, Film Productions Committee, a member of the censorship expert committee of State Administration of Radio, Film and Television and consultant of CITVC.

#### 鄭達祖先生(「鄭先生」)

四十三歲

鄭先生為本公司執行董事。自二零零九年九月起，鄭先生亦為本公司的首席財務官。彼於資本市場擁有豐富經驗。鄭先生於二零零七年共同創立了AID Partners Capital Ltd. (「AID Partners」)，現為AID Partners的合夥人兼董事總經理及投資委員會成員，負責策略及投資規劃以及監督投資規劃的進程。於創立AID Partners之前，鄭先生曾出任Investec Asia Limited的總投資主任及中國光大控股有限公司的董事總經理。彼亦為澳洲會計師公會及香港會計師公會的會員。彼於一九九零年在澳洲蒙納什大學取得經濟學學士。

#### 李培森先生(「李先生」)

六十三歲

李先生於二零零九年三月加盟本公司，出任非執行董事，並於二零一零年四月調任為本公司執行董事，彼亦為橙天娛樂集團(國際)控股有限公司(「橙天」)聯合董事長。李先生曾於一九九四年擔任中國電視劇製作中心副主任，及於一九九六年擔任中央電視台總經理。李先生於一九九七年加入中國國際電視總公司(「中國國際電視總公司」)出任總裁，並參與中國國際電視總公司之企業改制。在彼擔任中國國際電視總公司總裁期間，李先生亦負責電視節目製作及中國電視節目在國內外之特許授權業務。於出任橙天聯合董事長之前，李先生曾於二零零零年擔任中國電視劇製作中心主任。

李先生在電影及電視連續劇製作方面擁有逾十年經驗，曾負責監製千餘部電視連續劇，當中包括《水滸傳》、《太平天國》、《東周列國》、《香港的故事》及動畫片《西遊記》等多部收視叫好且廣受觀眾喜愛之電視劇作品。

此外，李先生亦為中國文聯委員、中國電視藝術家協會理事、中國電視製片委員會副會長，國家電影局電影審查委員會審委及中國國際電視總公司顧問。

## Biographical Details of Directors and Senior Management

### 董事及高級管理層個人履歷

#### **Ms. Wu Keyan (“Ms. Wu”),**

*Aged 38,*

Ms. Wu has been the alternate director of Mr. Wu Kebo since January 2008. Ms. Wu has served in various corporations in Japan and Hong Kong and is currently the deputy general manager of Holdrich Investment Limited, which specialised in telecommunications, semiconductor and technology-related businesses. Ms. Wu graduated with a Bachelor’s degree in Business Management from the Faculty of Commerce at Takushyoku University in Japan in 1996. Ms. Wu is the sister of Mr. Wu Kebo.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

#### **Mr. Leung Man Kit (“Mr. Leung”),**

*Aged 56,*

Mr. Leung has been an independent non-executive director, a member of the remuneration committee and the audit committee of the Company since February 2008. Mr. Leung obtained a Bachelor’s Degree in Social Science from the University of Hong Kong in 1977. Mr. Leung has over 20 years of experience in project finance and corporate finance. Mr. Leung held senior positions with Peregrine Capital (China) Limited, SG Securities (HK) Limited (previously known as Crosby Securities (Hong Kong) Limited), Swiss Bank Corporation, Hong Kong Branch, and Optima Capital Limited (previously known as Ke Capital (Hong Kong) Limited). Mr. Leung was a director of Emerging Markets Partnership (Hong Kong) Limited which was the principal adviser to the AIG Infrastructure Fund L.P. Mr. Leung is also currently Responsible Officer of North Asia Strategic Advisors which provides advice on corporate finance under type 6 license granted under the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the “SFO”). Mr. Leung is also an independent non-executive director and audit committee member of NetEase, a NASDAQ listed company. Mr. Leung is also an independent non-executive director and audit committee member of Junefield Department Store Group Limited, China Ting Group Holdings Limited and Anhui Expressway Company Limited, all of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Leung is also a member and the chairman of the remuneration committee of Junefield Department Store Group Limited, a member of the nomination committee of China Ting Group Holdings Limited, and the chairman of the audit committee and a member of the Human Resources and Remuneration Committee of Anhui Expressway Company Limited.

#### **伍克燕女士(「伍女士」)**

*三十八歲*

伍女士自二零零八年一月起為伍克波先生之替任董事，伍女士曾於日本及香港多家企業任職，現為康鴻投資有限公司副總經理，專注於電訊、半導體及技術相關業務。伍女士於一九九六年獲日本拓殖大學商學部頒授經營學科學士學位。伍女士為伍克波先生之胞妹。

#### **獨立非執行董事**

#### **梁民傑先生(「梁先生」)**

*五十六歲*

梁先生自二零零八年二月起出任本公司獨立非執行董事、薪酬委員會成員及審核委員會成員。梁先生於一九七七年取得香港大學社會科學學士學位，在項目融資及企業融資方面擁有逾二十年經驗。梁先生曾任百富勤融資(中國)有限公司、法國興業證券(香港)有限公司(前稱香港高誠證券有限公司)、瑞士銀行公司香港分公司及創越融資有限公司(前稱Ke Capital (Hong Kong) Limited)高層成員。梁先生曾任新興市場投資有限公司董事，該公司曾為美國友邦集團亞洲基礎設施投資基金顧問。此外，梁先生亦為North Asia Strategic Advisors之負責人員，該公司根據香港法例第571章證券及期貨條例(「證券及期貨條例」)授出之第6類牌照就企業融資提供意見。梁先生亦為納斯達克上市公司網易之獨立非執行董事及審核委員會成員。梁先生亦為莊勝百貨集團有限公司、華鼎集團控股有限公司及安徽皖通高速公路股份有限公司(上述公司均於香港聯合交易所有限公司上市)之獨立非執行董事及審核委員會成員。梁先生亦為莊勝百貨集團有限公司薪酬委員會成員兼主席；華鼎集團控股有限公司提名委員會成員；及安徽皖通高速公路股份有限公司審核委員會主席及人力資源及薪酬委員會成員。



## Biographical Details of Directors and Senior Management

### 董事及高級管理層個人履歷

#### **Mr. Huang Shao-Hua George (“Mr. Huang”),**

*Aged 60,*

Mr. Huang has been an independent non-executive director and a member of the audit committee of the Company since November 2006. Mr. Huang graduated from the College of Telecommunications Engineering, National Chiao-Tung University in Taiwan, and co-founded the Acer Group in 1976. Mr. Huang has been heavily involved in the development of microprocessor technology applications and services and was the first person in Taiwan to promote and sell microcomputers to international markets in 1979.

Mr. Huang is presently Supervisor of Acer Inc., Motech Co., Ltd, and Les Enphants Co., Ltd., which are all public companies in Taiwan. He was distinguished as an honoured graduate of National Chiao-Tung University in Taiwan and also as an outstanding graduate of Cheng-Uen Junior High School.

#### **Ms. Wong Sze Wing (“Ms. Wong”)**

*Aged 31*

Ms. Wong was appointed as an independent non-executive director and a member of the remuneration committee and the audit committee of the Company with effect from 26 April 2010. Ms. Wong has over nine years of accounting experience in the profession. Ms. Wong is the deputy chief financial officer and joint company secretary of Yingde Gases Group Company Limited which is a company listed on the main board of the Hong Kong Stock Exchange and a constituent stock of Hang Seng Composite Index. Ms. Wong was previously employed as the group chief financial officer of Orange Sky, an investment holding company which is owned as to 80% by Mr. Wu and is a substantial shareholder of the Company, with subsidiaries engaging in media business worldwide. She was also previously employed as the financial controller of Avex China Company Limited, a PRC joint venture company established by Orange Sky and Avex Group Holdings Inc. Avex Group Holdings Inc. is a company listed on the Tokyo Stock Exchange. Ms. Wong ceased to be a group chief financial officer of Orange Sky and financial controller of Avex China Company Limited in January 2008. Ms. Wong was also previously employed as a manager at PricewaterhouseCoopers. Ms. Wong holds a Bachelor of Business Administration from the University of Hong Kong. She is also undertaking an EMBA course at the China Europe International Business School. Ms. Wong became a chartered member of the Hong Kong Institute of Certified Public Accountants in 2003.

#### **黃少華先生(「黃先生」)**

*六十歲*

黃先生自二零零六年十一月起出任本公司獨立非執行董事兼審核委員會成員。黃先生畢業於台灣國立交通大學電訊工程學院，並於一九七六年共同創辦宏碁集團。黃先生一直積極參與微型處理器技術應用及服務之發展工作，於一九七九年成為在台灣推廣及銷售微型電腦之先驅。

黃先生現為台灣上市公司宏碁股份有限公司、Motech Co., Ltd.及麗嬰房股份有限公司之監察人。彼為台灣國立交通大學之榮譽畢業生，亦為成淵中學之傑出畢業生。

#### **黃斯穎女士(「黃女士」)**

*三十一歲*

黃女士自二零一零年四月二十六日起出任本公司獨立非執行董事兼薪酬委員會及審核委員會成員。黃女士擁有超過九年會計經驗。黃女士現擔任盈德氣體集團有限公司的副首席財務官及聯席公司秘書，該公司於香港聯合交易所主板上市及被納入恒生綜合指數成分股。黃女士曾擔任橙天之集團財務總監，該公司為一間投資控股公司(其80%權益由伍先生擁有，並為本公司一名主要股東)，其附屬公司於全球從事媒體業務。彼先前曾於艾迴音樂影像製作(中國)有限公司擔任財務總監，該公司乃由橙天與Avex Group Holdings Inc.成立的中國合營公司。Avex Group Holdings Inc.為一間於東京證券交易所上市的公司。黃女士自二零零八年一月起不再為橙天之集團財務總監及艾迴音樂影像製作(中國)有限公司之財務總監。黃女士先前亦於羅兵咸永道會計師事務所受聘為經理。黃女士持有香港大學工商管理學士學位，並於中歐國際工商學院修讀行政人員工商管理碩士課程。黃女士於二零零三年成為香港會計師公會會員。

## Biographical Details of Directors and Senior Management

### 董事及高級管理層個人履歷

#### CHIEF EXECUTIVE OFFICER

##### Mr. Wu King Shiu, Kelvin ("Mr. Kelvin Wu")

*Aged 40,*

Mr. Kelvin Wu has joined the Company in September 2009 and is currently the CEO of the Company. He graduated from The Chinese University of Hong Kong with a bachelor degree in business administration. He has also obtained a postgraduate research certificate from Osaka University of Foreign Studies. He has over fourteen years of experience in the finance and investment industry during which he worked for a number of international investment banks. In this respect, Mr. Kelvin Wu has extensive experience in lead managing initial public offers and advising on mergers and acquisitions of media and entertainment related companies of which the Board is pleased to leverage on. Mr. Kelvin Wu focuses on strategic planning and assessment of mergers and acquisitions opportunities for the Company.

#### COMPANY SECRETARY

##### Yuen Kwok On ("Mr. Yuen")

*Aged 44,*

Mr. Yuen has joined the Company in October 1996 and is currently also the deputy chief financial officer of the Company. He is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. He holds a MBA Degree from Hong Kong Baptist University.

#### 首席執行官

##### 胡景邵先生(「胡先生」)

*四十歲*

胡景邵先生於二零零九年九月加盟本公司，前為本公司首席執行官。彼畢業於香港中文大學，持有工商管理學士學位。彼取得大阪大學外國研究的研究證書。彼於金融及投資業有超過十四年經驗，並曾於多間國際投資銀行工作。胡景邵先生於牽頭經辦首次公開發售以及就媒體及娛樂相關公司的合併及收購提供意見方面有豐富經驗，而董事會亦樂於借助胡景邵先生之經驗。胡景邵先生專注於本公司之策略規劃及評估合併及收購機會。

#### 公司秘書

##### 袁國安(「袁先生」)

*四十四歲*

袁先生自一九九六年十月起加盟本公司，現亦為本公司之集團副財務官。彼為澳洲會計師公會及香港會計師公會會員。彼持有香港浸會大學工商管理碩士學位。

# Chairman's Statement

## 主席報告書



GH Citywalk in Hong Kong  
香港嘉禾新天地電影城

Due to a change of our financial year end from 30 June to 31 December, this annual report is issued for 18 months from the last one.

I am pleased to report that the Group had firm performance during the 18 months ended 31 December 2009 (the "2008/2009 financial period"). Our 26 cinemas across Hong Kong, Mainland China, Taiwan and Singapore together sold more than 29 million tickets during the 2008/2009 financial period, holding attendances remarkably well despite the ripple effects of the financial crisis lingering and swine flu outbreak, thanks to growth in premium-priced 3D films and the breadth of key films released, eg. *Avatar*, *Harry Potter and the Half-Blood Prince*, *Transformers: Revenge of the Fallen*, *2012*, *The Dark Knight*, *Red Cliff*, *The Founding of a Republic*, *Cape No. 7*, etc. Total revenues were HK\$1,164 million during the 2008/2009 financial period. Net profit for the 2008/2009 financial period was HK\$96 million, including a HK\$62 million gain from disposal of interest in a jointly controlled entity.

由於財政年度結算日由六月三十日改為十二月三十一日，本年報乃自上一份起計18個月後刊發。

本人欣然呈報，本集團於截至二零零九年十二月三十一日止十八個月（「二零零八年／二零零九年財政期間」）表現穩定。於二零零八年／二零零九年財政期間，本集團於香港、中國內地、台灣及新加坡擁有26間影城，儘管面對金融危機持續及爆發豬流感的影響，本集團合共出售超過29,000,000張電影戲票，入場觀眾人數令人滿意，實有賴價格較高的立體電影的發展及多套主要電影上映，例如《阿凡達》、《哈利波特－混血王子的背叛》、《變形金剛：狂派再起》、《2012》、《黑暗騎士》、《赤壁》、《建國大業》、《海角七號》等。二零零八年／二零零九年財政期間收益總額達1,164,000,000港元。二零零八年／二零零九年財政期間的純利為96,000,000港元，當中包括出售一間共同控制公司權益的收益62,000,000港元。



GH Citywalk in Hong Kong  
香港嘉禾荃新天地電影城

The 2008/2009 financial period was a fruitful period for the Group in building a solid platform for exponential growth ahead, in particular, in Mainland China. The Group has strengthened business development and M&A effort to forge ahead in the nascent film industry in Mainland China, and plans to operate over 600 screens nationwide by 2012, thus becoming one of the leading exhibitors in Mainland China. During the 2008/2009 financial period, the Group completed the expansion of the GH-MIXC cinema in Shenzhen in October 2009 to a 12-plex from a 7-plex. The Group also opened a new 9-plex in Suzhou, namely GH Suzhou, in December 2009. In addition, the Group entered into agreement to acquire an exhibitor, which has two cinemas in operation and holds several lease agreements for new cinemas operation, during the 2008/2009 financial period.

In Hong Kong, the Group opened two new cinemas in December 2009, namely the GH Citywalk (a 5-plex) in Tsuen Wan and the GH Whampoa (a 4-plex) in Hung Hom. In Taiwan, the Group debuted its IMAX screening in Ximending of Taipei in April 2009. In December 2009, the Group opened the Vie Show Cinema Taipei Q Square (a 9-plex) adjacent to Taipei Station. In addition, the Group entered into separate agreements during the 2008/2009 financial period with Warner Brothers Pictures International ("WBPI") and Paramount Pictures International ("Paramount"), under which WBPI and Paramount will supply digital feature films directly to DCI-compliant digital projection systems installed by the Group's cinemas in Hong Kong and Taiwan, and make financial contributions towards the Group's recoupment. The Group believes all these new developments will have positive impact to our market share as well as financial performance.

The Group's film distribution division maintained its leading position in the region during the 2008/2009 financial period. Altogether, the Group distributed over 130 film titles in the region during the 2008/2009 financial period, including *Journey to the Centre of the Earth*, *The Storm Warriors*, *Look for a Star*, *Suspect X*, *Detroit Metal City*, *Red Cliff*, *Slumdog Millionaire*, etc.

It is the Group's long term goal to become Asia's leading fully-integrated film entertainment company. To continue the Group's unparalleled run of smash hit box office records, the Group completed the acquisition of the films and television programmes and related business in Mainland China from Orange Sky Entertainment Group (International) Holding Company Limited in October 2009.

二零零八年／二零零九年財政期間，是本集團卓有成效的時期，為未來的增長奠下穩固的平台取得豐碩成果，特別是於中國內地。本集團加強業務發展及購併力度以發展中國內地初步冒起的電影行業，並計劃於二零一二年之前在全國經營超過600個銀幕，從而成為中國內地領先的電影營辦商。二零零八年／二零零九年財政期間內，本集團於二零零九年十月完成嘉禾深圳影城的擴建工程，將7個銀幕增加至12個銀幕。本集團亦於二零零九年十二月在蘇州開辦一間設有9個銀幕的影城，名為嘉禾蘇州影城。此外，本集團於二零零八年／二零零九年財政期間訂約收購一個影城營辦商，該營辦商擁有兩間營運中的影城，並持有多份新影城營運的租賃協議。

於香港，本集團於二零零九年十二月開設兩間新影城，分別位於荃灣的嘉禾荃新天地（設有5個銀幕）及於紅磡的嘉禾黃埔（設有4個銀幕）。於台灣，本集團於二零零九年四月在台北西門町首次引進IMAX影城。於二零零九年十二月，本集團於台北站毗鄰開辦台北威秀影城（設有9個銀幕）。此外，本集團於二零零八年／二零零九年財政期間分別與華納兄弟影業國際（「華納國際」）及派拉蒙影業公司（「派拉蒙」）訂立協議，據此，華納國際及派拉蒙將直接向本集團在香港及台灣影城中已配備符合DCI規格的數碼放映系統的銀幕提供數碼電影，並將在財政上資助本集團回收數碼化的投資。本集團相信該等新發展項目將為本集團的市場佔有率及財務表現帶來正面的影響。

本集團的電影發行業務於二零零八年／二零零九年財政期間繼續保持領導地位。本集團於二零零八年／二零零九年財政期間內合共發行超過130套電影，包括《地心探險記》、《風雲II》、《游龍戲鳳》、《神探伽俐略》、《爆粗BAND友》、《赤壁》及《一百萬零一夜》等。

本集團的長遠目標是成為領導亞洲的全面整合的電影娛樂公司。本集團為繼續刷新票房記錄，已於二零零九年十月完成向橙天娛樂集團（國際）控股有限公司收購於中國內地的電影及電視節目以及相關業務。

## Chairman's Statement

### 主席報告書

The acquisition would help the Group penetrating the films and television programmes market in Mainland China.

The Group is positive about 2010, as the industry will continue benefiting from premium-priced 3D films and rich line-up of film slates such as *Alice in Wonderland*, *How to Train Your Dragon*, *Iron Man 2*, *Shrek Forever After*, *Sex and the City 2*, *Toy Story 3*, *The Twilight Saga: Eclipse*, *Harry Potter and the Deathly Hallows: Part 1*, *Aftershock* (Mainland China's first film in IMAX), *Kung Fu Hustle 2*, etc.

In Mainland China, the State Council promulgated the "Directive on Promoting Prosperous Development of Film Industry" ("國務院辦公廳關於促進電影產業繁榮發展的指導意見") on 21 January 2010, forging a reform of the film industry by 2015 for a prosperous development. In 2009, the box office in Mainland China recorded over 40% increase to RMB6.2 billion from a year ago. The strong line-up, together with the central government's supporting policy, will underpin yet another record year for the country's film industry.

The Group believes its rapid expansion into Mainland China's theatrical exhibition market makes it a major beneficiary of such positive developments. To illustrate, the Group's GH-MIXC in Shenzhen hit RMB10 million box office in just 26 days during 1–26 of January 2010. For the month of January 2010, the cinema reported a box office of RMB11.9 million, an increase of 102% over that of the same period of last year, thanks partly to the aforesaid expansion, and partly to the release of premium-priced 3D movie *Avatar*. During the month, the cinema's average fill rate was 44%.

By the end of 2010, the Group expects to operate 24 cinemas with 183 screens in Mainland China based on lease agreements signed, although the number may vary slightly due to the actual handover date, the progress of internal decoration and application of relevant license. The Group's new cinemas to be opened in 2010 will cover Beijing, Wuhu, Wuxi, Guangzhou, Nanchang, Chongqing, Chengdu, Shenyang, Dongguan, Hefei, Shangrao, Huizhou and Xian.

Looking ahead, the Group will continue soliciting new lease agreements, and cooperating with existing operators to form joint ventures to convert existing old cinemas in prime location to modern multiplexes. The Group will also pursue acquisition opportunities to further expand the Group's screen portfolio network. At the moment, the Group is under negotiation with several cinema operators to acquire their existing cinema operations (comprising about 70 screens).

是項收購有助本集團進軍中國內地的電影及電視節目市場。

本集團對二零一零年前景樂觀，由於行業將繼續受惠於價格較高的立體電影及多套電影陸續上映，例如《愛麗絲夢遊仙境》、《馴龍記》、《鐵甲奇俠2》、《史力加4》、《色慾都市2》、《反斗奇兵3》、《吸血新世紀3》、《哈利波特和死亡聖器(上集)》、《唐山大地震》(中國內地攝製的首部IMAX電影)及《功夫2》等。

於中國內地，國務院於二零一零年一月二十一日頒佈「國務院辦公廳關於促進電影產業繁榮發展的指導意見」，於二零一五年之前為電影業進行改革，以尋求更蓬勃的發展。於二零零九年，中國內地的票房收入較去年增長超過40%至人民幣62億元。強勁的上映陣容加上中央政府的政策支持，將為國家電影業創造另一個新里程。

本集團相信其於中國內地電影放映市場的迅速發展將可大大受惠於此等正面的發展。例如，本集團於深圳的嘉禾深圳影城於二零一零年一月一日至二十六日的短短二十六日期間，票房收入突破人民幣10,000,000元。於二零一零年一月份，該影城錄得票房收入達人民幣11,900,000元，較去年同期增加102%，實有賴前述的擴展策略及上映價格較高的立體電影《阿凡達》所致。月內，該影城的平均上座率為44%。

於二零一零年年底之前，本集團根據已簽訂的租賃協議，期望於中國內地經營24間影城合共183個銀幕，但數目或會視乎實際交接日期、內部裝修及相關執照申請進度而輕微調整。本集團於二零一零年度開設的新影城將遍及北京、蕪湖、無錫、廣州、南昌、重慶、成都、瀋陽、東莞、合肥、上饒、惠州及西安。

展望未來，本集團將繼續物色新的租賃協議，及與現有營辦商合作，成立合資公司，將現有位於黃金地段的舊式影城轉為現代化多廳影城。本集團將尋求收購商機，以進一步擴展本集團的影城組合網絡。現時，本集團正與多名電影營辦商商討收購彼等現有的影城業務(包括約70個銀幕)。

## Chairman's Statement

### 主席報告書

In Singapore, the Group is in negotiation to open a new cinema complex in an affluent, yet under-screened catchment. The Group is very excited about this particular development, as on one hand, our Singapore cinema circuit has not inaugurated any new project since late 2006, and more importantly, this particular location has been on the Group's radar for years.

In Taiwan, the Group has signed lease agreement to open a 9-plex near Banciao Station in Taipei by 2011. In addition, the Group's second digital IMAX auditorium will be opened in April 2010 in Kaohsiung, and the Group plans to open 5 more digital IMAX auditoriums in Taiwan by 2012, thus bringing its total IMAX auditoriums to 7.

Apart from IMAX, the Group will strengthen its relation with other international partners. The Group will continue working hand in hand with major studios to promote digital cinemas in Asia, and will also continue exploring new cooperation opportunities with our international partners.

The Group's film distribution arm started from 2010 with a bang, and distributed popular movies including *14 Blades* and *Nodame Cantabile The Movie I* in February and March 2010, respectively. The Group is confident of maintaining a leading position in the region as an independent distributor in 2010 as well as the years to come. In addition, the Group is preparing to initiate a Chinese-language film project, which will be produced primarily in Mainland China in 2010, and target for a global release in 2011. The Group plans to take a major role from the development stage through to the distribution of the film, and also plans to take up an equity stake in the project.

Through two separate top-up placements in November 2009 and February 2010 respectively, the Group raised altogether HK\$503 million (net proceeds) and significantly expanded the shareholding base. I, together with our management and staff members from different countries, are pleased to gain the support of a group of investors sharing the same vision, i.e. building Asia's largest integrator of the movie entertainment industry. I and our team will continue following our mission, i.e., to inspire and enrich life by bringing our customers to the world beyond imagination through excellent movie experience, while seeking maximization of shareholders' value.

**Wu Kebo**  
Chairman

Hong Kong  
26 April 2010

於新加坡，本集團正就開辦一個富麗堂皇的在建中新影城進行商議。本集團熱切期待此發展項目，原因是本集團的新加坡院線自二零零六年底起並無開展任何新項目，而更重要的是，此特別位置乃本集團多年籌備發展的地方。

於台灣，本集團已簽訂租賃協議，於二零一一年前，在台北市板橋車站附近開辦一間設有9個銀幕的影城。此外，本集團將於二零一零年四月，在高雄市開設第二個數碼IMAX影廳，並計劃於二零一二年於台灣再開設5個數碼IMAX影廳，使其IMAX影廳增至7個。

除IMAX外，本集團將加強其與其他國際夥伴的關係。本集團將繼續與主要電影製片廠合作，於亞洲推廣數碼影城，並繼續與國際夥伴開拓新的合作商機。

本集團的電影發行業務於二零一零年打響頭炮，分別於二零一零年二月及三月發行深受歡迎的電影，包括《錦衣衛》及《交響情人夢最終樂章電影版前編》。本集團深信，於二零一零年及往後日子繼續據獨立發行商的領導地位。此外，本集團正籌備華語電影項目，該等電影將於二零一零年主要在中國內地製作，目標於二零一一年全球上映。本集團計劃積極參與電影製作至發行的過程，亦計劃取得項目的股權。

本集團透過分別於二零零九年十一月及二零一零年二月進行的先舊後新配售，合共籌得503,000,000港元(所得款項淨額)，並大幅拓闊股東基礎。本人及於不同國家的管理團隊十分欣喜，得到與我們抱有相同願景的投資者的支持，本集團矢志成為亞洲最大的電影產業鏈整合者；本人及管理團隊將繼續我們的使命，在股東利益最大化的同時，提供精彩絕倫的電影，讓觀眾遨遊於超乎想像的空間，釋放視野限制，啟發靈感、昇華生活。

主席  
伍克波

香港  
二零一零年四月二十六日

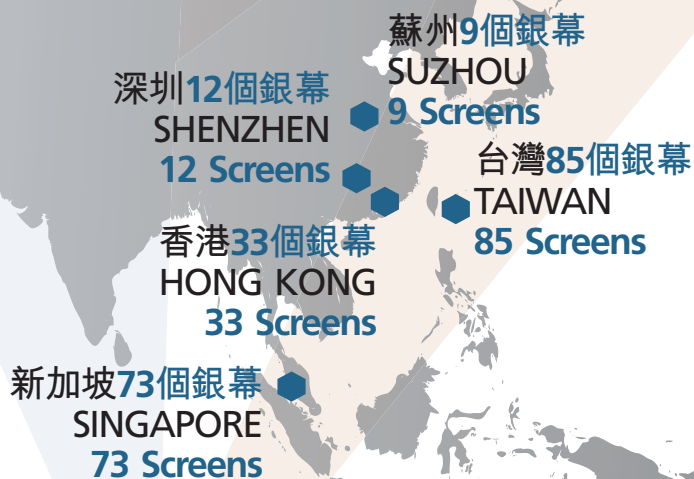
# Management Discussion and Analysis

## 管理層討論及分析



## ORANGE SKY GOLDEN HARVEST'S CINEMA PORTFOLIO

橙天嘉禾戲院組合



### MARKET SHARE OF GROUP'S CINEMAS

(in terms of box office takings)

集團戲院的市場佔有率  
(按票房收入計算)

18 months ended  
31 December 2009

截至二零零九年  
十二月三十一日止十八個月

Hong Kong	13%	香港	13%
Shenzhen	18%	深圳	18%
Taiwan	33%	台灣	33%
Singapore	41%	新加坡	41%

### CHANGE OF FINANCIAL YEAR END DATE

To coincide with the financial year end date of film exhibition business of the Group in Mainland China, the Company has changed its financial year end date from 30 June to 31 December. Accordingly, the financial period under review covers a period of 18 months from 1 July 2008 to 31 December 2009 (the "2008/2009 financial period") (2007/2008: 12 months from 1 July 2007 to 30 June 2008). The difference in duration of the two financial periods should be considered when making year-on-year comparisons.

#### 更改財政年度結算日

為配合本集團於中國內地影城業務的財政年度結算日，本公司已將其財政年度結算日由六月三十日更改為十二月三十一日。因此，回顧財政期間覆蓋二零零八年七月一日起至二零零九年十二月三十一日止十八個月（「二零零八年／二零零九年財政期間」）（二零零七年／二零零八年：由二零零七年七月一日起至二零零八年六月三十日止十二個月）。於進行年度比較時，應考慮兩個財政期間之期限。



## Management Discussion and Analysis

### 管理層討論及分析



The Group reported a net profit of HK\$96 million for the 2008/2009 financial period (2007/2008: HK\$11 million), which includes a one-off gain of approximately HK\$62 million arising from the disposal of the Malaysia cinema circuit. The operating results of the Group for the 2008/2009 financial period were fairly encouraging, Group revenues amounted to HK\$1,164 million (2007/2008: HK\$620 million). Gross profit from continuing operations, with margin maintaining at about 53%, was HK\$620 million (2007/2008: HK\$330 million). Profit from operations amounted to HK\$56 million (2007/2008: HK\$20 million). Aided by a number of strong Hollywood blockbuster titles released during the 2008/2009 financial period, such as *Avatar*, *Transformers: Revenge Of The Fallen* and *2012*, both exhibition and distribution businesses across the territories we operated were strong and continued their upward trend.

本集團於二零零八年／二零零九年財政期間錄得純利96,000,000港元(二零零七年／二零零八年：11,000,000港元)，當中包括出售馬來西亞院線所得的一次性收益約62,000,000港元。本集團於二零零八年／二零零九年財政期間的經營業績令人鼓舞，收益達1,164,000,000港元(二零零七年／二零零八年：620,000,000港元)。持續經營業務的毛利為620,000,000港元(二零零七年／二零零八年：330,000,000港元)，邊際毛利維持約53%，經營業務之溢利為56,000,000港元(二零零七年／二零零八年：20,000,000港元)。於二零零八年／二零零九年財政期間多部荷里活鉅片如《阿凡達》、《變形金剛：狂派再起》及《2012》等上映的帶動下，本集團經營地區的影城經營及電影發行業務表現強勁，並持續上揚。

# Management Discussion and Analysis

## 管理層討論及分析



Acknowledgement 鳴謝  
Universe Entertainment Limited  
寰宇娛樂有限公司

Acknowledgement 鳴謝  
Visualizer Film Production Limited  
天翔製作有限公司



The Group continues to be a major and leading cinema operator in Asia, operating 26 cinemas with 212 screens across Hong Kong, Mainland China, Taiwan and Singapore. Taking the lead in the market and demonstrating great success, during the 2008/2009 financial period, the Group had embarked a series of digitalization. In the months to come, the Group will continue expanding our cinema portfolio in the region, in particular, in Mainland China.

本集團繼續作為亞洲區內主要並具領導地位的影城營辦商，於香港、中國內地、台灣及新加坡經營26間影城，合共212個銀幕。於二零零八年／二零零九年財政期間，本集團亦率先在市場上引入了一系列數碼化設備，並取得空前成功。於未來數月，本集團將繼續於區內擴展其影城組合，特別是中國內地。



In September 2009, the Group entered into an agreement with independent third parties to acquire the equity interest of an exhibitor, which has two cinemas (with 11 screens) already in operation and several lease agreements for new cinemas in Mainland China. The acquisition is in line with the Group's strategy to develop Mainland China market, and it was completed in January 2010.

The acquisition of the films and television programmes and related business in Mainland China from Orange Sky Entertainment Group (International) Holding Company Limited has been completed by the end of October 2009. The acquisition provides an opportunity for the Group to further develop the Group's business network in the PRC, 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.

At the 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.

於二零零九年九月，本集團與獨立第三方訂立協議，收購一個影城營辦商的股權，該營辦商擁有2間營運中的影城（設有11個銀幕），並持有多份位於中國內地新影城的租賃協議。有關收購乃配合本集團發展中國內地市場之策略，並已於二零一零年一月完成。

有關向橙天娛樂集團（國際）控股有限公司收購於中國內地之電影及電視節目以及相關業務，已於二零零九年十月底完成。該收購為本集團提供良機並進一步拓展中國的業務網絡，藉此開拓及發行華語產品市場的同時，亦可從而瞭解當地觀眾的口味，緊貼當地觀眾的需要從而推廣本集團的電影產品系列。

於二零零八年七月底，本集團完成出售其馬來西亞院線TGV Cinemas Sdn. Bhd.，並錄得一次性收益約62,000,000港元。於此項出售後，本集團再無持有馬來西亞的投資，此院線的收益貢獻因而分類為已終止經營業務。

# Management Discussion and Analysis

## 管理層討論及分析

### BUSINESS REVIEW

#### Film Exhibition

The Group's 26 cinemas served over 29 million guests during the 18 months ended 31 December 2009, and box office income on a full and aggregated basis, was registered at HK\$1,455 million (2007/2008: HK\$930 million). This was strongly supported by the Group's pioneering commitment in digitalization. Digital conversion not only enables high quality exhibition with non-degradable prints and piracy control, and more importantly, it improves operational efficiency and allows new programming opportunities, such as premium digital 3D films.

#### 業務回顧

#### 影城業務

於截至二零零九年十二月三十一日止十八個月，本集團的26間影城服務超過29,000,000以上的電影觀眾，本集團票房收入按全數及總額基準計算為1,455,000,000港元(二零零七年／二零零八年：930,000,000港元)，全賴本集團率先推行數碼化。數碼化不但以不易失真的拷貝為觀眾帶來最佳的視聽享受及防止盜版，更重要的是，數碼科技提升運營率並擴展新類型節目編排的可能性，例如優質立體電影。



# Management Discussion and Analysis

## 管理層討論及分析

### OPERATING STATISTICS OF THE GROUP'S CINEMAS (For the 18 months ended 31 December 2009)

	Mainland China	Hong Kong	Taiwan	Singapore
Number of cinemas #	2	7	8	9
Number of screens #	21	33	85	73
Admissions (million)	1.6	3.7	11.7	12.2
Average ticket price (HK\$)	55	60	51	45

# as of end December 2009

#### Hong Kong

For the 18 months ended 31 December 2009, Hong Kong market as a whole recorded a box office receipts of HK\$1,761 million (2007/2008: HK\$1,075 million). In December 2009, the Group opened two new multiplexes, namely GH Citywalk and GH Whampoa with collectively 9 screens, in Hong Kong. Our cinemas in Hong Kong achieved a good result for the period with theatre takings of HK\$224 million (2007/2008: HK\$142 million), and maintained a market share of about 13%.

#### Mainland China

Admissions of our multiplexes in Mainland China amounted to 1.6 million and gross theatre takings totaled RMB82 million for the 2008/2009 financial period (2007/2008: RMB46 million).

Like all other major cities in Mainland China, Shenzhen recorded a strong 30% growth in box office in 2009, comparing to 2008. In October 2009, our flagship cinema, GH-MIXC at the MIXC Mall in City Crossing, completed its expansion and became a multiplex with 12 screens. During the 2008/2009 financial period, the GH-MIXC cinema accounted for 18% of the market share in Shenzhen.

In December 2009, we opened a new cinema with 9 screens in Suzhou, namely, GH Suzhou. A number of new GH-cinemas are in the pipeline across many major cities in Mainland China, including Wuhu, Beijing, Wuxi, Guangzhou, Nanchang, Chongqing, Chengdu, Shenyang, Dongguan, Hefei, Shangrao, Huizhou and Xian, and more will come in the months ahead.

### 本集團戲院的運營數據 (於截至二零零九年十二月三十一日止十八個月)

	中國內地	香港	台灣	新加坡
影城數目#	2	7	8	9
銀幕數目#	21	33	85	73
入場觀眾(百萬)	1.6	3.7	11.7	12.2
平均票價(港元)	55	60	51	45

# 截至二零零九年十二月底

#### 香港

於截至二零零九年十二月三十一日止十八個月，香港整體市場錄得票房收入17.61億港元(二零零七年／二零零八年：10.75億港元)。於二零零九年十二月，本集團於香港開設兩個新多廳影城，分別為嘉禾荃新天地及嘉禾黃埔，合共有9個銀幕。本集團的香港影城於期內成績理想，票房收入達224,000,000港元(二零零七年／二零零八年：142,000,000港元)，並保持約13%的市場佔有率。

#### 中國內地

二零零八年／二零零九年財政期間，我們於中國內地的多廳影城的入場觀眾達1,600,000人次，票房總收入總額為人民幣82,000,000元(二零零七年／二零零八年：人民幣46,000,000元)。

如同中國內地其他各主要城市，深圳的票房收入於二零零九年較二零零八年強勁增長30%。於二零零九年十月，本集團位於深圳華潤中心萬象城的旗艦影城已完成擴展工程，並成為設有12個銀幕的多廳影城。於二零零八年／二零零九年財政期間，萬象城影城佔深圳市場份額的18%。

於二零零九年十二月，本集團於蘇州開設一間設有9個銀幕的新影城，名為嘉禾蘇州影城。遍佈中國內地多個主要城市的多間新嘉禾影城現正籌劃中，包括蕪湖、北京、無錫、廣州、南昌、重慶、成都、瀋陽、東莞、合肥、上饒、惠州及西安，未來將陸續增加。

# Management Discussion and Analysis

## 管理層討論及分析

### Taiwan

The Group has always been devoted to enhancing theatrical experience of our patrons, and our Taiwan operation, Vie Show Cinemas Company Limited (“Vie Show”), 35.71% equity interest owned by the Group, debuted its digital IMAX screening in April 2009 in the popular district Ximending of Taipei, namely Vie Show Cinemas Taipei Sun. Our IMAX initiative achieved a huge success, and with one screen alone, the cinema accounted for an impressive 23% share of *Monsters vs Aliens*'s box office receipts in Taipei city. In December 2009, Vie Show opened a new 9-plex with about 1,800 seats at the highly-anticipated Q Square adjacent to Taipei Station. Vie Show recorded a slight growth in admission and delivered gross theatre takings amounting to NTD2.5 billion. Operationally, without taking into account the effect of currency fluctuation, the Group's share of net profit from Vie Show was maintained steadily at about HK\$30 million.

### Singapore

Singapore's overall market box office received S\$247 million over the 2008/2009 financial period. Our 50% owned –“Golden Village” cinema circuit remains the brand of choice for cinema goers in Singapore and has maintained its leading position with a market share of 41% despite intensified competition during the period. Gross theatre takings for the 2008/2009 financial period amounted to S\$103 million. The Group shared a net profit of HK\$43 million for the period, partly attributable to relief measures adopted by Singapore government and reduction of corporate income tax rate by 1% to 17%.

### Film Distribution

For the 2008/2009 financial period, the Group's film distribution business performed strongly and reported close to HK\$149 million of revenue at Group level (based on proportional accounting). During the period, the Group remained a leader in Hong Kong and Singapore in the distribution and marketing of theatrical films to cinemas, and of follow-on releases to VCD/DVD, pay and free television markets in respective markets, and also in overseas market. In addition, our expansion of distribution business in Taiwan since year 2007 started to bear fruit. 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.

### 台灣

本集團致力為觀眾提升劇場體驗，在台灣業務(威秀影城股份有限公司(「威秀」)，本集團擁有其35.71%股權)方面已於二零零九年四月在台北市熱點地區—西門町首次引入IMAX影城，名為台北日新威秀影城。本集團的IMAX方案取得盛大成功，憑單一銀幕，就佔據《天煞撞正怪怪獸》在台北市票房收入的23%份額。於二零零九年十二月，威秀位於萬眾期待的台北車站時尚廣場，開設一間設有9個銀幕及大約1,800個座位的新影城。威秀錄得觀眾人數輕微增長，帶來票房收入25億新台幣。撇除外匯波動的影響，在營運方面，本集團所佔威秀的純利保持大約30,000,000港元的平穩水平。

### 新加坡

新加坡整體市場於二零零八年／二零零九年財政期間的票房收入為247,000,000新加坡元。本集團擁有50%權益的「Golden Village」院線在新加坡的電影城中仍然是觀眾的首選，儘管期內競爭激烈，仍繼續雄據領導地位，穩佔41%的市場佔有率。於二零零八年／二零零九年財政期間的總票房收入為103,000,000新加坡元。本集團於期內所佔的純利達43,000,000港元，部份原因為新加坡政府採取若干經濟紓緩措施，以及企業所得稅的稅率減低1%至17%所致。

### 電影發行

於二零零八年／二零零九年財政期間，本集團的電影發行業務表現強勁，為本集團收益帶來接近149,000,000港元(根據比例會計計算)。期內，本集團於香港及新加坡的發行業務在影城電影發行及市場推廣、隨後發行VCD/DVD、收費及免費電視市場(當中包括部份海外市場)等方面，繼續成為市場的翹楚。此外，本集團自二零零七年開拓的台灣發行業務亦開始取得豐碩成果。展望未來，有見華語電影在全球各地不斷增長並具有與日俱增的影響力，本集團除了銳意保持其於各地區強大的發行實力外，本集團亦會繼續在香港及中國內地發掘不同的電影融資及版權購買契機。

# Management Discussion and Analysis

## 管理層討論及分析

As a distributor for both Chinese and non-Chinese language films in Hong Kong, the Group held a 9% market share in terms of box office receipts. During the 2008/2009 financial period, the Group distributed and marketed 47 films in Hong Kong, of which *Journey to the Centre of the Earth* registered very impressive box office receipts of HK\$35 million. Besides, other titles such as *The Storm Warriors*, 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 each. As for the Group's film library of approximately 130 Chinese film titles for worldwide distribution, it continued to contribute steady income, which amounted to approximately HK\$19 million to the Group.

While our Singapore distribution team maintained a market share of about 17% in terms of box office receipts in 2009, our Taiwan distribution team doubled its market share to 4% in terms of box office receipts in Taiwan in 2009, comparing to that of 2008.

## PROSPECTS

The Group has focused in growing both the exhibition and distribution networks in Mainland China, one of the world's fastest growing film markets. Through organic expansion and acquisition, the Group is confident of attaining its target of over 600 screens in operation in Mainland China by 2012. In addition, the Group intends to grow our cinema circuit in Hong Kong, Taiwan and Singapore through selective expansion.

The Group has been pioneering commitment in digitalization, and plan to fully digitalize all the cinemas under the Group by 2012. The Group will continue negotiating with major studios for cooperation in promoting digital cinemas in Asia, and through such cooperation, we aim at recouping most of our investment.

The Group held HK\$518 million cash on hand as of end December 2009. Through a top-up placement in February 2010, the Group raised an addition HK\$314 million (net proceeds). In addition, the Group has secured credit facilities for projects in Mainland China. The management will monitor closely that the Group's rapid expansion is supported by a reasonable capital structure with proper risk management. The management will also continue our efforts to enhance corporate expense optimization and strive towards further growth in the forthcoming years.

作為華語及非華語的香港電影發行商，以票房收入計，本集團佔有9%的市場佔有率。二零零八年／二零零九年財政期間內，本集團在香港進行了47部電影的發行及市場推廣，其中《地心探險記》錄得35,000,000港元的驕人票房收入。此外，《風雲2》、劉德華主演的《游龍戲鳳》、《神探伽俐略》及《爆粗Band友》等其他電影亦各自錄得逾10,000,000港元的票房收入。本集團的電影庫中約有130部華語電影可供全球發行，持續為本集團帶來穩定的收入約19,000,000港元。

以票房收入計，新加坡發行團隊於二零零九年的市場佔有率維持於約17%；以票房收入計，台灣發行團隊於二零零九年在台灣的市場佔有率較二零零八年雙倍增長至4%。

## 前景

本集團一直致力於發展中國內地市場的影城經營及電影發行網絡，中國內地是全球發展迅速的電影市場之一。透過業務擴展及收購，本集團深信於二零一二年，能夠達至在中國內地經營超過600個銀幕的目標。此外，本集團計劃選擇性擴張於香港、台灣及新加坡的院線。

本集團是推行數碼化的先鋒，並計劃於二零一二年將集團旗下所有影城全面數碼化。本集團將繼續與主要電影製片廠商討合作，於亞洲推廣數碼電影，本集團旨在透過此項合作回收大部份的投資。

於二零零九年十二月底，本集團持有現金518,000,000港元。透過於二零一零年二月進行的先舊後新配售，本集團籌得額外314,000,000港元(所得款項淨額)。此外，本集團就於中國內地的項目取得有抵押信貸融資。管理層將密切監察，確保本集團在合理的資本架構及合適的風險管理支持下，迅速擴展業務。管理層亦將繼續致力優化企業開支，及於未來一年努力邁向更佳的發展。

# Management Discussion and Analysis

## 管理層討論及分析

### FINANCIAL RESOURCES AND LIQUIDITY

In November 2009, the Group raised HK\$189 million (net proceeds) through placing of 366,000,000 shares of HK\$0.10 each at a price of HK\$0.539 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\$0.67 per share (as adjusted to reflect the effect of the share subdivision). The Directors consider that the placing will provide the Company with an opportunity to raise further capital for the Company while broadening the shareholder's base and the capital base of the Company. The Directors intend to use the net proceeds for its business expansion in Mainland China (in particular, its film exhibition business) and working capital.

Details of the said placing are set out in note 29(a) to the financial statements.

In July and August 2009, convertible notes in aggregate amount of HK\$30 million have been converted into ordinary shares of the Company, creating a total of approximately 136 million new ordinary shares at a conversion price of HK\$0.22 per share (adjusted by subdivision of shares). In November 2009, the Company issued zero coupon convertible notes of an aggregate principal amount of about HK\$9 million, convertible into ordinary shares of the Company at a conversion price of HK\$0.338 per share, to Orange Sky Entertainment Group (International) Holding Company Limited, a substantial shareholder of the Company, as part of the consideration in acquisition of the films and television programmes and related business in Mainland China from Orange Sky Entertainment Group (International) Holding Company Limited.

In addition, with the surplus fund received from the disposal of Malaysia TGV Cinemas Sdn. Bhd., the Group had repaid some of the outstanding bank loans of HK\$20 million during the 2008/2009 financial period. As at 31 December 2009, the outstanding bank loans amounted to HK\$87 million. Details of the bank loans including the terms of the loans, interest rates, currencies and securities are disclosed in note 25 to the financial statements.

### 財務資源及流動資金

於二零零九年十一月，本集團透過向不少於六名專業、機構及其他投資者（為獨立於本公司以及與本公司及本公司任何關連人士概無關連之第三方）按每股0.539港元的價格配售366,000,000股每股面值0.10港元的股份，從而籌得189,000,000港元（所得款項淨額）。股份於配售及認購協議日期前之最後交易日之收市價為每股0.67港元（經調整以反映股份分拆的影響）。董事認為配售將為本公司進一步增加本公司資本以及擴大本公司之股東基礎及資本基礎之良機。董事擬將所得款項淨額用於其在中國內地的業務發展（特別是其影城營運業務）及用作營運資金。

有關上述配售的詳情載於財務報表附註29(a)。

於二零零九年七月及八月，本集團合共30,000,000港元的可換股票據已按每股0.22港元（經股份分拆作出調整）的兌換價轉換成本公司的普通股，因此本集團合共發行約136,000,000股新普通股。於二零零九年十一月，本公司發行本金總額約9,000,000港元的零票息可換股票據（可按兌換價每股0.338港元兌換成本公司普通股）予本公司的主要股東橙天娛樂集團（國際）控股有限公司，作為向橙天娛樂集團（國際）控股有限公司收購於中國內地之電影及電視節目以及相關業務的部份代價。

此外，本集團於二零零八年／二零零九年財務期間利用出售馬來西亞TGV Cinemas Sdn. Bhd.所得的部份資金悉數償還了部份銀行貸款20,000,000港元。於二零零九年十二月三十一日，未償還銀行貸款為87,000,000港元。有關銀行貸款（包括貸款之條款、利率、貨幣及抵押品）之詳情，已於財務報表附註25披露。



# Management Discussion and Analysis

## 管理層討論及分析

As at 31 December 2009, the Group's cash balance was about HK\$518 million (30 June 2008: HK\$266 million), representing an increase of 95% as compared with that of June 2008. As at 31 December 2009, the Group's gearing ratio, calculated on the basis of external borrowings over total assets, was less than 8% (30 June 2008: 5%). Subsequent to the period end, in February 2010, the Group further raised HK\$314 million (net of expenses) through placing. The Directors intend to use the net proceeds for its business expansion in the Greater China Region (including the potential acquisition of sizeable cinema network and forming of joint venture with respective third parties to convert old cinemas into modern multiplex) and as its working capital. 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 31 December 2009.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group had 418 (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 date, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

於二零零九年十二月三十一日，本集團的現金結餘約為518,000,000港元(二零零八年六月三十日：266,000,000港元)，較二零零八年六月增加95%。於二零零九年十二月三十一日，本集團的資產負債比率(即對外借貸除以資產總值)低於8%(二零零八年六月三十日：5%)。於期間結算日後，於二零一零年二月，本集團透過配售進一步集資314,000,000港元(扣除開支)。董事現擬將所得款項淨額用於其在大中華地區的業務發展(包括可能收購大型影城網絡及與個別第三方合組合營公司，以改建舊式影城為現代化多廳影城)及用作營運資金。管理層將繼續監察槓桿比率結構，並會因應集團發展計劃及經濟狀況，於必要時對槓桿比率結構作出調整。

本集團的資產與負債主要以港元計算，惟於中國內地、台灣及新加坡的投資相關的若干資產及負債除外。本集團的海外合營企業以當地貨幣經營業務，本身承受的外匯風險極低。至於香港業務，鑒於外幣市場反覆波動，管理層決定維持大量港元及匯率掛鈎的美元存款，從而降低外匯風險。董事將繼續評估外匯風險，並會考慮採取可行之對沖措施，盡量以合理成本降低風險。

於二零零九年十二月三十一日，本集團並無任何重大或然負債。

## 僱員及薪酬政策

於二零零九年十二月三十一日，本集團有418名(二零零八年六月三十日：311名)全職僱員。本集團主要根據行業慣例釐定僱員薪酬。除薪金、佣金及酌情花紅外，若干僱員可就個人表現獲授購股權。本集團亦根據強制性公積金計劃條例設立定額供款退休福利計劃。於結算日，並無任何僱員脫離退休福利計劃而產生之沒收供款。

# Report of the Directors

## 董事會報告書

The directors of the Company (the "Director(s)") present their report and the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the 18 months ended 31 December 2009.

### Principal Activities

The Company is an investment holding company. The principal activities of the Group consist of worldwide film and video distribution, film exhibition in Hong Kong, Mainland China, Taiwan and Singapore and films and television programmes production, provision of advertising and consulting services in Mainland China.

### Results and Dividends

The Group's results for the 18 months ended 31 December 2009 and the state of affairs of the Company and the Group as at 31 December 2009 are set out in the financial statements on pages 63 to 141.

The Directors declared and paid a special dividend of HK\$0.01 per share of HK\$0.10 each (adjusted by subdivision of shares) in the share capital to the shareholders whose name appeared on the Register of Members of the Company at the close of business on 11 September 2008.

The Directors do not recommend the payment of any final dividend for the 18 months ended 31 December 2009.

### 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 18 months ended 31 December 2009.

本公司董事(「董事」)謹此提呈董事會報告書以及本公司及其附屬公司(統稱「本集團」)截至二零零九年十二月三十一日止十八個月之經審核財務報表。

### 主要業務

本公司為投資控股公司。本集團之主要業務包括全球電影及影碟發行、在香港、中國內地、台灣及新加坡經營影城，以及在中國內地進行電影及電視節目製作並提供廣告及顧問服務。

### 業績及股息

本集團截至二零零九年十二月三十一日止十八個月之業績，以及本公司與本集團於二零零九年十二月三十一日之財政狀況載於第142至第220頁之財務報表內。

董事已就每股面值0.10港元之股份宣派特別股息每股0.01港元(經股份分拆作出調整)，並已經向於二零零八年九月十一日營業時間結束時名列於本公司股東名冊之股東支付有關股息。

董事不建議派付截至二零零九年十二月三十一日止十八個月之末期股息。

### 買賣或贖回本公司上市證券

本公司或其任何附屬公司於截至二零零九年十二月三十一日止十八個月內概無買賣或贖回本公司上市證券。

# Report of the Directors

## 董事會報告書

### Summary Financial Information

### 財務資料摘要

		Eighteen months ended 31 December 截至十二月三十一日止十八個月 2009 二零零九年 HK\$'000 千港元	Year ended 30 June 截至六月三十日止年度			
			2008 二零零八年 HK\$'000 千港元	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
<b>Consolidated income statement</b>	<b>綜合收益表</b>					
Turnover	營業額	<b>1,163,513</b>	619,901	469,511	512,285	276,586
Profit/(loss) before taxation	除稅前溢利/(虧損)	<b>115,394</b>	17,549	87,200	7,952	(10,531)
Income tax	所得稅	<b>(20,484)</b>	(10,391)	414	(2,737)	(2,399)
Profit for the period/year from continuing operations	持續經營業務之本期間/年度溢利	<b>94,910</b>	7,158	87,614	5,215	(12,930)
Profit for the period/year from discontinued operation	已終止經營業務之本期間/年度溢利	<b>1,198</b>	3,911	8,949	–	–
Profit/(loss) for the period/year	本期間/年度溢利/(虧損)	<b>96,108</b>	11,069	96,563	5,215	(12,930)
Attributable to:	以下人士應佔部分：					
– Equity holder of the Company	– 本公司股權持有人	<b>95,542</b>	10,763	96,717	5,215	(12,930)
– Minority interests	– 少數股東權益	<b>566</b>	306	(154)	–	–
		<b>96,108</b>	11,069	96,563	5,215	(12,930)

# Report of the Directors

## 董事會報告書

### Summary Financial Information

### 財務資料摘要

		As at 31 December 於十二月 三十一日止 2009 二零零九年 HK\$'000 千港元	As at 30 June 於六月三十日			
			2008 二零零八年 HK\$'000 千港元	2007 二零零七年 HK\$'000 千港元	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
<b>Consolidated balance sheet</b>	<b>綜合資產負債表</b>					
Fixed assets	固定資產	<b>395,055</b>	367,395	262,189	247,540	236,995
Interest in associates	於聯營公司之權益	–	–	169,369	195,902	159,374
Amounts due from jointly controlled entities	應收共同控制公司款項	–	32,285	26,069	42,775	61,344
Loan to a joint venture partner	給予一名合營夥伴之貸款	<b>5,357</b>	–	–	–	–
Available-for-sale equity security	可供出售股本證券	<b>1,500</b>	–	–	–	–
Prepaid rental	預付租金	<b>5,592</b>	8,015	8,704	11,502	5,190
Club memberships	會籍	<b>2,490</b>	3,590	3,590	3,590	4,380
Rental and other deposits	租務及其他按金	<b>56,214</b>	54,006	51,507	53,130	54,706
Trademarks	商標	<b>79,421</b>	79,421	79,421	79,421	79,421
Goodwill	商譽	<b>28,538</b>	–	–	–	–
Deferred tax assets	遞延稅項資產	<b>420</b>	358	1,503	–	–
Non-current portion of pledged bank deposits	已抵押銀行存款之非即期部分	<b>25,038</b>	10,133	2,049	1,870	1,139
Current assets	流動資產	<b>731,960</b>	422,904	326,012	135,192	167,885
Assets of a jointly controlled entity held for sale	持作待售之共同控制公司資產	–	141,037	–	–	–
<b>Total assets</b>	<b>資產總值</b>	<b>1,331,585</b>	<b>1,119,144</b>	<b>930,413</b>	<b>770,922</b>	<b>770,434</b>
Current liabilities	流動負債	<b>290,636</b>	277,064	204,555	217,866	225,063
Liability of a jointly controlled entity held for sale	持作待售之共同控制公司負債	–	101,135	–	–	–
Non-current portion of bank loans	銀行貸款之非即期部分	<b>62,732</b>	7,800	48,686	57,087	65,325
Non-current portion of convertible notes	可換股票據之非即期部分	<b>6,150</b>	–	100,590	19,618	–
Non-current portion of finance lease payables	融資租賃應付賬款之非即期部分	–	–	799	1,152	298
Amount due to a jointly controlled entity	應付一間共同控制公司款項	<b>5,357</b>	–	–	–	–
Loans from joint venture partners	合營夥伴提供之貸款	–	42,505	26,069	42,775	61,344
Loan from minority shareholder	少數股東提供之貸款	–	696	–	–	–
Deposits received	已收按金	<b>4,887</b>	4,248	3,700	4,284	3,686
Deferred tax liabilities	遞延稅項負債	<b>13,868</b>	16,540	7,999	7,274	5,585
<b>Total liabilities</b>	<b>負債總值</b>	<b>383,630</b>	<b>449,988</b>	<b>392,398</b>	<b>350,056</b>	<b>361,301</b>
Net assets	資產淨值	<b>947,955</b>	669,156	538,015	420,866	409,133
Minority interests	少數股東權益	<b>1,881</b>	1,421	555	–	–

# Report of the Directors

## 董事會報告書

### Fixed Assets

Details of movements in the fixed assets of the Group during the 18 months ended 31 December 2009 are set out in note 14 to the financial statements.

### Share Capital and Convertible Notes

Details of movements in the Company's share capital and convertible notes during the 18 months ended 31 December 2009 are set out in notes 29(a) and 26, respectively, to the financial statements.

### Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws or the company laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

### Reserves

Details of movements in the reserves of the Company and of the Group during the 18 months ended 31 December 2009 are set out in note 29(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

### Distributable Reserves

As at 31 December 2009, the Company's reserve available for cash distribution and/or distribution in specie, representing the retained profits, amounted to HK\$18,745,000 (30 June 2008: HK\$39,096,000). In addition, the Company's share premium account, contributed surplus and capital redemption reserve of HK\$349,284,000, HK\$271,644,000 and HK\$6,422,000, respectively, as at 31 December 2009 may be distributed to shareholders in certain circumstance prescribed by Section 54 of the Companies Act 1981 of Bermuda.

### 固定資產

本集團固定資產於截至二零零九年十二月三十一日止十八個月之變動詳情載於財務報表附註14。

### 股本及可換股票據

本公司股本及可換股票據於截至二零零九年十二月三十一日止十八個月之變動詳情分別載於財務報表附註29(a)及26。

### 優先購買權

本公司之章程細則或百慕達公司法例並無關於優先購買權之規定，以致本公司須向現有股東按比例發售新股。

### 儲備

本公司及本集團於截至二零零九年十二月三十一日止十八個月之儲備變動詳情分別載於財務報表附註29(b)及綜合權益變動報表。

### 可分派儲備

本公司於二零零九年十二月三十一日之可供現金分派及／或實物分派之儲備（指保留溢利）為18,745,000港元（二零零八年六月三十日：39,096,000港元）。此外，本公司於二零零九年十二月三十一日之股份溢價賬結餘、繳入盈餘及資本贖回儲備分別為349,284,000港元、271,644,000港元及6,422,000港元，並可以根據一九八一年百慕達公司法第54條按若干情況向股東分派。

# Report of the Directors

## 董事會報告書

### Directors

The Directors during the 18 months ended 31 December 2009 and up to the date of this report were:

#### Chairman & Executive Director

Wu Kebo (appointed on 26 October 2007)

#### Executive Directors

Chow Sau Fong Fiona (appointed on 30 October 2007)  
Li Pei Sen (appointed as Non-executive Director on 20 March 2009 and re-designated as Executive Director on 26 April 2010)  
Chang Tat Joel (appointed on 26 April 2010)  
Wu Keyan (appointed as alternate to Wu Kebo on 1 January 2008)  
Winnie Chan Suet Yin (appointed on 1 September 2008 and resigned on 21 December 2009)  
Wang Wei (appointed on 26 October 2007 and resigned on 1 January 2009)  
Lau Pak Keung (appointed on 22 November 2004 and resigned on 31 August 2008)

#### Non-executive Directors

Shen De Min (appointed as Executive Director on 26 March 2008, re-designated as Non-executive Director on 1 September 2008 and resigned on 20 March 2009)  
Chow Siu Hong (appointed as Executive Director on 26 October 2007, re-designated as Non-executive Director on 1 September 2008 and resigned on 20 November 2008)  
Takashi Araki (appointed on 29 October 2007 and retired on 20 November 2008)  
Eric Norman Kronfeld (appointed on 7 September 2004 and retired on 20 November 2008)

#### Independent Non-executive Directors

Leung Man Kit (appointed on 11 February 2008)  
Huang Shao-Hua George (appointed on 30 November 2006)  
Wong Sze Wing (appointed on 26 April 2010)  
Masahito Tachikawa (appointed on 20 March 2009 and resigned on 26 April 2010)  
Prince Chatrichalem Yukol (appointed on 18 October 2002 and retired on 20 November 2008)

### 董事

截至二零零九年十二月三十一日止十八個月及截至本報告日期在任之本公司董事為：

#### 主席及執行董事

伍克波 (於二零零七年十月二十六日獲委任)

#### 執行董事

鄒秀芳 (於二零零七年十月三十日獲委任)  
李培森 (於二零零九年三月二十日獲委任為非執行董事並於二零一零年四月二十六日調任為執行董事)  
鄭達祖 (於二零一零年四月二十六日獲委任)  
伍克燕 (於二零零八年一月一日獲委任為伍克波之替任董事)  
陳雪彥 (於二零零八年九月一日獲委任並於二零零九年十二月二十一日辭任)  
王薇 (於二零零七年十月二十六日獲委任並於二零零九年一月一日辭任)  
劉柏強 (於二零零四年十一月二十二日獲委任並於二零零八年八月三十一日辭任)

#### 非執行董事

沈德民 (於二零零八年三月二十六日獲委任為執行董事、於二零零八年九月一日調任為非執行董事並於二零零九年三月二十日辭任)  
鄒小康 (於二零零七年十月二十六日獲委任為執行董事、於二零零八年九月一日調任為非執行董事並於二零零八年十一月二十日辭任)  
荒木隆司 (於二零零七年十月二十九日獲委任並於二零零八年十一月二十日辭任)  
Eric Norman Kronfeld (於二零零四年九月七日獲委任並於二零零八年十一月二十日辭任)

#### 獨立非執行董事

梁民傑 (於二零零八年二月十一日獲委任)  
黃少華 (於二零零六年十一月三十日獲委任)  
黃斯穎 (於二零一零年四月二十六日獲委任)  
立川正人 (於二零零九年三月二十日獲委任並於二零一零年四月二十六日辭任)  
Prince Chatrichalem Yukol (於二零零二年十月十八日獲委任並於二零零八年十一月二十日辭任)

## Report of the Directors

### 董事會報告書

Pursuant to Bye-law 87(1) of the Bye-laws of the Company, at each annual general meeting of the Company, one third of the Directors for the time being shall retire from office by rotation. Pursuant to Bye-law 87(2) of the Bye-laws of the Company, a retiring Director shall be eligible for re-election. Accordingly, each of Mr. Wu Kebo and Ms. Chow Sau Fong Fiona shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the annual general meeting. In addition, Mr. Eric Norman Kronfeld was not re-elected as the non-executive Director in the annual general meeting held on 1 July 2008.

Pursuant to Bye-laws 86(2) and 87(2) of the Bye-laws of the Company, any Director appointed as an addition to the Board shall hold office only until the first general meeting of the Company after his or her appointment and shall then be eligible for re-election at that meeting (but shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation). Accordingly, each of Mr. Chang Tat Joel and Ms. Wong Sze Wing, all being the Directors appointed by the Board on 26 April 2010, will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of Mr. Wu Kebo, Ms. Chow Sau Fong Fiona and Mr. Chang Tat Joel has entered into a service contract with the Company which is determinable by the Company by not less than three months' notice.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting of the Company has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

根據本公司之章程細則第87(1)條規定，於各屆本公司股東週年大會上，當時三分之一之董事須輪值退任。根據本公司之章程細則第87(2)條規定，退任董事符合資格膺選連任。因此，伍克波先生及鄒秀芳女士各自將於應屆股東週年大會上退任，並符合資格於股東週年大會上膺選連任。另外，Eric Norman Kronfeld先生於二零零八年七月一日的股東週年大會上不獲重選為非執行董事。

根據本公司之章程細則第86(2)條及第87(2)條規定，任何董事會的新成員僅可任職至獲委任後本公司首屆股東大會結束為止，並符合資格於該大會上膺選連任(但並不計入確定須輪席退任之董事名單或人數)。因此，於二零一零年四月二十六日獲董事會委任為董事之鄭達祖先生及黃斯穎女士，將於應屆股東週年大會上退任，並合資格及願意膺選連任。

伍克波先生、鄒秀芳女士及鄭達祖先生各自與本公司訂立服務合約，本公司可發出不少於三個月通知予以終止。

除上文所披露外，擬於應屆股東週年大會上膺選連任之董事與本公司並無訂立不可由本公司於一年內終止合約而毋須賠償(法定賠償除外)之服務合約。

# Report of the Directors

## 董事會報告書

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

As at 31 December 2009, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(i) **Interests in shares of HK\$0.10 each in the issued share capital of the Company (the "Shares"), underlying Shares and debentures of the Company**

### 董事及主要行政人員於股份、相關股份或債權證之權益及淡倉

於二零零九年十二月三十一日，本公司之董事及主要行政人員於本公司或其任何相聯法團(定義見證券及期貨條例(「證券及期貨條例」)第XV部)之股份、相關股份或債權證中，擁有本公司須根據證券及期貨條例第XV部第352條存置之登記冊所記錄；或根據香港聯合交易所有限公司(「聯交所」)證券上市規則(「上市規則」)所載上市發行人董事進行證券交易的標準守則(「標準守則」)已知會本公司與聯交所之權益及淡倉如下：

(i) 於本公司已發行股本中每股0.10港元之股份(「股份」)、本公司之相關股份及債權證之權益

Name of Director/ Chief Executive 董事/主要行政人員姓名	Capacity 身份	Note 附註	Number of Shares 股份數目	Number of underlying Shares 相關股份數目	Total number of Shares and underlying Shares 股份及相關 股份總數	*Approximate percentage of Shares and underlying Shares in the issued share capital of the Company *股份及相關股份 於本公司發行 股本中所佔 概約百分比
Wu Kebo 伍克波	Interest of controlled corporations	1	1,372,234,720 (L)	26,698,224 (L)	1,398,932,944 (L)	63.60%
	受控法團權益	2	408,715,990 (S)	-	408,715,990 (S)	18.58%
	Beneficial owner 實益擁有人	3	-	60,000,000 (L)	60,000,000 (L)	2.73%
Chow Sau Fong Fiona 鄒秀芳	Beneficial owner 實益擁有人	3	-	700,000 (L)	700,000 (L)	0.03%
Wu Keyan 伍克燕	Beneficial owner 實益擁有人	3	-	700,000 (L)	700,000 (L)	0.03%



# Report of the Directors

## 董事會報告書

Name of Director/ Chief Executive 董事/主要行政人員姓名	Capacity 身份	Note 附註	Number of Shares 股份數目	Number of underlying Shares 相關股份數目	Total number of Shares and underlying Shares 股份及相關 股份總數	*Approximate percentage of Shares and underlying Shares in the issued share capital of the Company *股份及相關股份 於本公司發行 股本中所佔 概約百分比
Li Pei Sen 李培森	Beneficial owner 實益擁有人	3	–	200,000 (L)	200,000 (L)	0.009%
Leung Man Kit 梁民傑	Beneficial owner 實益擁有人	3	–	200,000 (L)	200,000 (L)	0.009%
Huang Shao-Hua George 黃少華	Beneficial owner 實益擁有人	3	–	1,200,000 (L)	1,200,000 (L)	0.05%
Masahito Tachikawa 立川正人	Beneficial owner 實益擁有人	3	–	200,000 (L)	200,000 (L)	0.009%
Wu King Shiu Kelvin <sup>Δ</sup> 胡景邵 <sup>Δ</sup>	Interest of controlled corporations 受控法團權益	4	1,372,634,720	291,056,214 (L)	1,663,690,934 (L)	75.63%
	Beneficial owner 實益擁有人	3	–	21,000,000 (L)	21,000,000 (L)	0.95%
Chang Tat Joel <sup>#</sup> 鄭達祖 <sup>#</sup>	Interest of controlled corporations 實益擁有人	4	1,372,634,720	291,056,214 (L)	1,633,690,934 (L)	75.63%
	Beneficial owner 受控法團權益	3	–	12,000,000 (L)	12,000,000 (L)	0.55%

\* This percentage has been compiled based on the total number of Shares in issue (i.e. 2,199,739,900 Shares) as at 31 December 2009.

\* 此百分比乃根據於二零零九年十二月三十一日已發行股份總數(即2,199,739,900股股份)而計算。

<sup>Δ</sup> Appointed as chief executive officer of the Company with effect from 22 September 2009.

<sup>Δ</sup> 於二零零九年九月二十二日獲委任為本公司首席執行官。

<sup>#</sup> Appointed as executive Director on 26 April 2010.

<sup>#</sup> 於二零一零年四月二十六日獲委任為執行董事。

### Notes:

### 附註:

1. By virtue of the SFO, Mr. Wu Kebo ("Mr. Wu") was deemed to be interested in a total of 1,372,234,720 Shares, of which (i) 377,988,130 Shares were held by Skyera International Limited (a company wholly-owned by Mr. Wu) ("Skyera"); (ii) 408,715,990 Shares were held by Mainway Enterprises Limited (a company wholly-owned by Mr. Wu) ("Mainway"); (iii) 405,530,600 Shares were held by Orange Sky Entertainment Group (International) Holding Company Limited (a company 80% owned by Mr. Wu) ("Orange Sky") and (iv) 180,000,000 Shares were held by Cyber International Limited (a company owned by an associate of Mr. Wu) ("Cyber"). In addition, Mr. Wu was deemed to be interested in 26,698,224 underlying Shares which may be issued upon exercise of the conversion right attaching to the zero coupon convertible note held by Orange Sky issued by the Company in the principal amount of HK\$9,024,000 which is convertible into Shares at an initial conversion price of HK\$0.338 per Share (subject to adjustment) by virtue of the SFO.

1. 根據證券及期貨條例，伍克波先生(「伍先生」)被視為擁有總數為本公司1,372,234,720股股份，當中(i)377,988,130股股份由Skyera International Limited(一間為伍先生全資擁有的公司)(「Skyera」)持有；(ii)408,715,990股股份由Mainway Enterprises Limited(一間為伍先生全資擁有的公司)(「Mainway」)持有；(iii)405,530,600股股份由橙天娛樂集團(國際)控股有限公司(一間為伍先生擁有80%股權的公司)(「橙天」)持有及(iv)180,000,000股股份由Cyber International Limited(一間為伍先生的聯營公司擁有的公司)(「Cyber」)持有。另外，根據證券及期貨條例，伍先生被視為擁有本公司26,698,224股相關股份，該等股份可於本公司所發行持有本金額達9,024,000港元之零息可換股票據所附換股權初步兌換價每股0.338港元(可予調整)獲行使時而發行，並由橙天持有。

# Report of the Directors

## 董事會報告書

- Pursuant to the subscription agreement entered into between Mr. Wu and Mainway with Billion Century Group Limited (“BCG”), BCG had subscribed for and Mainway had issued exchangeable notes convertible into Shares held by Mainway to BCG for the funding arrangement in relation to the mandatory unconditional cash offer made by Somerly Limited on behalf of Skyera and Mainway. As security for the exchangeable notes as mentioned above, 408,715,990 Shares held by Mainway were subject to a first charge in favour of BCG.
- These underlying Shares represented the Shares which may be issued upon the exercise of share options granted by the Company under the share option scheme adopted by the Company on 28 November 2001 (the “2001 Share Option Scheme”).
- Mr. Wu King Shiu Kelvin (“Mr. Kelvin Wu”) and Mr. Chang Tat Joel (“Mr. Joel Chang”) were deemed to be interested in 1,663,290,934 Shares and underlying Shares of which BCG was deemed to be interested by virtue of the SFO since they owned 60% and 40% of the issued share capital in AID Partners Ltd respectively. AID Partners Ltd. was the general partner of AID Partners GP1, L.P. which was in turn the general partner of AID Partners Capital I, L.P.. AID Partners Capital I, L.P. was a private equity fund interested in the entire issued share capital of BCG through AID Partners Asset Management Limited. Of these 1,663,290,934 Shares and underlying Shares, (i) by virtue of the subscription agreement entered into between Mr. Wu and Mainway with BCG pursuant to which BCG had agreed to subscribe for and Mainway had agreed to issue exchangeable notes into Shares held by Mainway to BCG for the funding arrangement in relation to the mandatory unconditional cash offer made by Somerly Limited on behalf of Skyera and Mainway and the related security documents, BCG was deemed to be interested in 1,050,216,954 Shares and underlying Shares of which Mr. Wu was interested, (ii) BCG was deemed to be interested in 408,715,990 Shares under a first charge on Shares held by Mainway in its favour as security for the exchangeable notes as mentioned below; and (iii) as BCG had subscribed for and Mainway had issued exchangeable notes convertible into Shares held by Mainway, BCG was deemed to be interested in 204,357,990 underlying Shares of which BCG could convert under such exchangeable notes by virtue of the SFO.

Besides, Mr. Kelvin Wu and Mr. Joel Chang were deemed to be interested in 400,000 Shares of which AID Partners Holdings Ltd. was interested by virtue of the SFO since they owned 60% and 40% of the issued share capital in AID Partners Holdings Ltd respectively.

- 根據伍先生及Mainway與Billion Century Group Limited(「BCG」)訂立的認購協議，BCG已認購而Mainway已向BCG發行可兌換為由Mainway持有之股份之可換股票據，作為新百利有限公司代表Skyera及Mainway提出強制性無條件現金收購建議之資金安排。作為上述可換股票據之保證，408,715,990股由Mainway持有的股份以第一押記形式抵押予BCG。
- 該等相關股份乃指本公司根據本公司於二零零一年十一月二十八日採納之購股權計劃(「二零零一年購股權計劃」)授出之購股權獲行使後將予發行之股份。
- 根據證券及期貨條例，因胡景邵先生(「胡先生」)及鄭達祖先生(「鄭先生」)分別擁有AID Partners Ltd. (AID Partners Ltd. 為AID Partners GP1, L.P.的普通合夥人，而AID Partners GP1, L.P.則為AID Partners Capital I, L.P.的普通合夥人。AID Partners Capital I, L.P.為透過AID Partners Asset Management Limited擁有BCG全部已發行股本之權益的私人股本基金)已發行股本60%及40%之權益，故被視為擁有BCG於1,663,290,934股股份之權益。於此等1,663,290,934股股份及相關股份當中，(i)根據伍先生及Mainway與BCG訂立之認購協議，BCG已同意認購而Mainway已同意向BCG發行可兌換為由Mainway持有之股份之可換股票據，作為新百利有限公司代表Skyera及Mainway提出強制性無條件現金收購建議及相關抵押文件之資金安排，BCG被視為擁有伍先生於1,050,216,954股股份及相關股份之權益；(ii) BCG被視為擁有408,715,990股由Mainway持有，且以第一押記形式抵押予BCG作為下述可換股票據之保證的股份之權益；及(iii)根據證券及期貨條例，因BCG已認購而Mainway已發行可兌換為由Mainway持有之股份之可換股票據(BCG可按此換取相關股份)，BCG被視為擁有204,357,990股相關股份之權益。

另外，根據證券及期貨條例，因胡景邵先生及鄭達祖先生分別擁有AID Partners Holdings Ltd.已發行股本60%及40%之權益，故被視為擁有AID Partners Holdings Ltd.擁有權益之400,000股股份之權益。

### Abbreviations:

- “L” stands for long position  
“S” stands for short position

### 縮略詞：

- 「L」指 好倉  
「S」指 淡倉

# Report of the Directors

## 董事會報告書

### (ii) Interests in shares of associated corporations

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

In addition to the above, Mr. Wu had non-beneficial equity interests in certain subsidiaries of the Company which were held for the benefit of the Group.

Save as disclosed above and save for the disclosure referred to under "Share Option Schemes" set out in note 29(a)(iv) to the financial statements on page 122 of this annual report, as at 31 December 2009, none of the Directors and chief executive of the Company had any interests or short positions in Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the headings "Directors' and Chief Executive's interests and short positions in shares, underlying shares or debentures" above and "Share Option Schemes" and "Connected Transactions" below, at no time during the 18 months ended 31 December 2009 was the Company or any of its subsidiaries a party to any arrangements to enable the Company's Directors, their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### (ii) 相聯法團之股份

伍先生亦為Golden Harvest Film Enterprises Inc.全部已發行股本之實益擁有人，而該公司實益持有本公司全資附屬公司橙天嘉禾娛樂有限公司114,000,000股無投票權遞延股份。

除上述者外，伍先生就本集團利益持有本公司之若干附屬公司非實益股本權益。

除上文披露者及本年報第201頁財務報表附註29(a)(iv)所載「購股權計劃」一節之披露事項外，於二零零九年十二月三十一日，本公司各董事及主要行政人員於本公司或其任何相聯法團（定義見證券及期貨條例第XV部）之股份、相關股份或債權證中並無擁有任何本公司須根據證券及期貨條例第XV部第352條存置之登記冊所記錄；或根據標準守則已知會本公司與聯交所之權益或淡倉。

### 董事購買股份或債權證之權利

除上文「董事及主要行政人員於股份、相關股份或債權證之權益及淡倉」一節及下文「購股權計劃」及「關連交易」披露者外，本公司或其任何附屬公司於截至二零零九年十二月三十一日止十八個月任何時間概無參與任何安排，致使本公司董事、彼等各自之配偶或未滿18歲子女可藉收購本公司或任何其他法人團體之股份或債權證而獲益。

# Report of the Directors

## 董事會報告書

### Share Option Schemes

#### (i) 2001 Share Option Scheme

The Company adopted the 2001 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations, which became effective on 30 November 2001. Eligible participants of the 2001 Share Option Scheme include the Directors and other employees of the Group, shareholders of the Company, suppliers of goods or services to the Group and customers of the Group.

Each grant of the share options to the Director, chief executive or substantial shareholder of the Company, or any of their associates, must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the share option). In addition, any grant of share options to a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates which would result in the Shares issued or to be issued upon exercise of options already granted and to be granted under the 2001 Share Option Scheme and any other share option schemes of the Company (if any) (including options exercised, cancelled and outstanding) to such person representing in aggregate over 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at each date of grant) in excess of HK\$5,000,000, within any 12-month period up to and including the date of the grant, shall be subject to approval of the shareholders of the Company in general meeting with voting to be taken by way of a poll.

The offer in relation to a grant of share options under the 2001 Share Option Scheme must be accepted within 30 days inclusive of, and from the date of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period of the share options granted is determinable by the Directors, which may not exceed 10 years commencing on such date on or after the date of grant as the Directors may determine in granting the share options (which in any event must be prior to the close of business on 30 October 2011) and ending on such date as the Directors may determine in granting the share options. Save as determined by the Directors and provided in the offer of the grant of the relevant share option, there is no general requirement that a share option must be held for any minimum period before it can be exercised.

### 購股權計劃

#### (i) 二零零一年購股權計劃

本公司採納二零零一年購股權計劃，作為給予為本集團業務成功所作出貢獻之合資格參與者之獎勵及回饋，自二零零一年十一月三十日起生效。二零零一年購股權計劃之合資格參與者包括董事及本集團其他僱員、本公司股東、本集團貨品或服務供應商及本集團客戶。

每次向本公司董事、行政總裁或主要股東、或任何彼等之聯繫人授出購股權，須先獲獨立非執行董事(身為購股權承授人之獨立非執行董事除外)之批准。此外，於截至授出購股權當日任何12個月期間向本公司主要股東或獨立非執行董事、或任何彼等各自之聯繫人授出之任何購股權，如將導致根據二零零一年購股權計劃及本公司任何其他購股權計劃(如有)已授出或將授出予該等人士之購股權(包括已行使、註銷及未行使之購股權)行使後已發行或將發行之股份多於本公司之已發行股份0.1%或總值(根據授出當日本公司股份之收市價計算)多於5,000,000港元，須事先獲本公司股東於股東大會上按投票表決方式批准。

按二零零一年購股權計劃授出購股權之建議必須於建議日期(包括該日)起計30日內由承授人接納，並須支付象徵式代價1港元。所授出購股權之行使期乃由董事釐定，惟由本公司董事於授出購股權時決定之授出購股權當日或之後之日期(無論如何不得遲於二零一一年十月三十日辦公時間結束時)起至本公司董事於授出購股權時可能決定之結束日期不得超過10年。除本公司董事另行決定及授出有關購股權之建議另有規定外，並無一般規定限制購股權必須於持有若干最短期限後方可行使。

## Report of the Directors

### 董事會報告書

The exercise price of the share options is determinable by the Directors, provided always that it shall be at least the higher of (i) the closing price of the Shares on the date of the offer; and (ii) the average closing price of the Shares for the five trading days immediately preceding the date of the offer, provided that the price shall in no event be less than the nominal amount of one Share.

The maximum number of Shares issuable upon exercise of all share options to be granted under the 2001 Share Option Scheme and any other share option schemes of the Company (if any) must not in aggregate exceed 10% of the Shares in issue as at 28 November 2001. This limit was refreshed by the shareholders of the Company in the annual general meeting of the Company held on 10 December 2007 in accordance with the provisions of the Listing Rules. In addition, the maximum number of Shares issued and to be issued upon exercise of the share options granted to each eligible participant under the 2001 Share Option Scheme and any other share option schemes of the Company (if any) (including both exercised and outstanding options) within any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of share options in excess of such limit (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant of such share option shall be separately approved by the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

As at the date of this report, options entitling the holders thereof to subscribe for an aggregate of 104,450,000 Shares (representing approximately 4.1% of Shares in issue as at the date of this report) remain outstanding under the 2001 Share Option Scheme. The 2001 Share Option Scheme was terminated with effect from 11 November 2009 when the share options scheme adopted by the Company on 11 November 2009 (the "2009 Share Option Scheme") became unconditional. Notwithstanding the termination of the 2001 Share Option Scheme, the outstanding options granted under the 2001 Share Option Scheme will remain in full force and effect in accordance with the terms and conditions of the grant thereof.

Share options granted under the 2001 Share Option Scheme do not confer rights on the holders to dividends or to vote at the shareholders' meetings.

購股權之行使價乃由董事釐定，惟不得低於(i)本公司股份於建議當日之收市價；及(ii)本公司股份於緊接建議當日前五個交易日在聯交所之平均收市價(以較高者為準)，及不得低於每股股份面值。

因行使根據二零零一年購股權計劃及本公司任何其他購股權計劃(如有)將授出之所有購股權而可予發行之最高股數，不得超過本公司於二零零一年十一月二十八日之已發行股份之10%。本公司股東已於二零零七年十二月十日按照上市規則之條文在股東週年大會上重新釐定該上限。此外，根據二零零一年購股權計劃及本公司任何其他購股權計劃(如有)(包括已行使及未行使購股權)於任何12個月期間內向個別合資格參與者授出之購股權而已發行及將予發行之最高股數，不得超過本公司已發行股份之1%。倘於該等購股權授出日前12個月任何期間(包括授出當日)內額外授出超逾該上限之購股權(包括已行使、註銷及未行使之購股權)，則須個別在股東大會上獲得本公司股東批准，而該等參與者及其聯繫人須放棄投票。

於本報告日，根據二零零一年購股權計劃賦予其持有人權利可認購本公司合共104,450,000股股份(於本報告日約佔發行股份的4.1%)之購股權尚未行使。本公司於二零零九年十一月十一日終止二零零一年購股權計劃，而本公司於二零零九年十一月十一日採納之購股權計劃(「二零零九年購股權計劃」)成為無條件。根據授出購股權之條款及條件，儘管二零零一年購股權計劃終止，根據二零零一年購股權計劃授出尚未行使之購股權將繼續根據其授出條件及條款具十足效力及作用。

根據二零零一年購股權計劃授出之購股權並無賦予持有人獲派股息或在股東大會上投票之權利。

# Report of the Directors

## 董事會報告書

### (ii) 2009 Share Option Scheme

The Company has adopted the 2009 Share Option Scheme for the purpose to enable the Company to grant options to eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants. Eligible participants of the 2009 Share Option Scheme include the Directors and other employees of the Group, consultant or adviser, distributor, contractor, supplier, service provider, agent customer and business partner of the Group. The 2009 Share Option Scheme became effective on 11 November 2009 and, unless otherwise cancelled or amended, will remain in force for a period of 10 years from that date.

Each grant of the share options to a connected person of the Company, or any of their associates, must be approved by all of the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the option). In addition, any grant of the share options to a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates which would result in the Shares issued or to be issued upon exercise of options already granted and to be granted (including options exercised, cancelled and outstanding) to such person representing in aggregate over 0.1% of the Shares in issue on the date of the offer and with an aggregate value (based on the closing price of the Shares at the date of each grant) in excess of HK\$5,000,000, within any 12-month period up to and including the date of the grant, shall be subject to approval of the shareholders of the Company in general meeting with voting to be taken by way of a poll.

The offer in relation to a grant of share options under the 2009 Share Option Scheme shall remain open for acceptance by the eligible participant concerned for such period as determined by the Board, which period shall not be more than 30 days from the day of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period of the share options granted is determinable by the Directors, the expiry date of such period not to exceed 10 years from the date of the offer. Save as determined by the Directors and provided in the offer of the grant of the relevant share option, there is no general requirement that a share option must be held for any minimum period before it can be exercised.

### (ii) 二零零九年購股權計劃

本公司採納二零零九年購股權計劃，旨在使本公司可向合資格參與者授出購股權，作為彼等對本集團發展作出貢獻之鼓勵或獎賞，並讓本集團更具彈性地向合資格參與者提供獎勵、報酬、補償及／或提供福利。二零零九年購股權計劃之合資格參與者包括董事及本集團其他僱員、顧問或諮詢者、分銷商、承包商、供應商、服務供應商、代理、客戶及商業夥伴。二零零九年購股權計劃自二零零九年十一月十一日生效，計劃如非被取消或更改，將於該日期起計十年內具有十足效力。

每次向本公司關連人士或任何彼等之聯繫人授出購股權，須先獲獨立非執行董事（身為購股權承授人之獨立非執行董事除外）之批准。此外，於截至授出購股權當日止任何12個月期間向本公司主要股東或獨立非執行董事、或任何彼等各自之聯繫人授出之任何購股權，如將導致已授出或將授出予該等人士之購股權（包括已行使、註銷及未行使之購股權）行使後已發行或將發行之股份多於本公司之已發行股份0.1%或總值（根據授出當日本公司股份之收市價計算）多於5,000,000港元，須事先獲本公司股東於股東大會上按投票表決方式批准。

按二零零九年購股權計劃授出購股權之建議必須於董事所釐訂之期間供合資格者接納。有關期間不得超過建議日期起計30日，而承授人並須支付象徵式代價1港元。所授出購股權之行使期乃由董事釐定，惟該行使期之結束日不得超過由授出購股權當日起計10年。除本公司董事另行決定及授出有關購股權之建議另有規定外，並無一般規定限制購股權必須於持有若干最短期限後方可行使。

# Report of the Directors

## 董事會報告書

The price per Share at which a grantee may subscribe for Shares on the exercise of a share option is determinable by the Directors, provided always that it shall be at least the higher of (i) the closing price per Share as stated in the daily quotation sheet of the Stock Exchange on the date of offer of grant of the share option; (ii) the average closing price per Share as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a Share.

The maximum number of Shares issuable upon exercise of all share options to be granted under the 2009 Share Option Scheme and any other share option schemes of the Company (if any) must not in aggregate exceed 10% of the Shares in issue as at 11 November 2009, being 183,273,990 Shares. In addition, the maximum number of Shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options under the 2009 Share Option Scheme) in any 12-month period shall not exceed 1% of the Shares in issue. Any further grant of share options in excess of such limit (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant of such share option shall be separately approved by the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

As at the date of this report, options entitling the holders thereof to subscribe for an aggregate of 1,200,000 Shares (representing approximately 0.05% of Shares in issue as at the date of this report) remain outstanding under the 2009 Share Option Scheme. Options entitling the holders to subscribe for an aggregate of 182,073,990 Shares (representing approximately 7.16% of Shares in issue as at the date of this report) are available for issue under the 2009 Share Option Scheme.

Share options granted or to be granted under the 2009 Share Option Scheme do not confer rights on the holders to dividends or to vote at the shareholders' meetings.

承授人於行使購股權以認購股份之每股作價乃由董事釐定，惟不得低於(i)於建議授出購股權當日在聯交所每日報價表所示之每股收市價；(ii)於緊接建議當日前五個交易日在聯交所每日報價表所示之每股平均收市價(以較高者為準)；及(iii)每股股份面值(以較高者為準)。

因行使根據二零零九年購股權計劃及本公司任何其他購股權計劃(如有)將授出之所有購股權而可予發行之本公司最高股數，不得超過本公司於二零零九年十一月十一日之已發行股份之10%(即183,273,990股股份)。此外，於任何12個月期間內向個別合資格參與者授出之購股權(包括二零零九年購股權計劃下已行使及未行使之購股權)而已發行及將予發行之最高股數，不得超過本公司已發行股份之1%。倘於該等購股權授出日前任何12個月任何期間(包括授出當日)內額外授出超逾該上限之購股權(包括已行使、註銷及未行使之購股權)，則須個別在股東大會上獲得股東批准，而該等參與者及其聯繫人須放棄投票。

於本報告日，根據二零零九年購股權計劃賦予其持有人權利可認購本公司合共1,200,000股股份(於本報告日約佔發行股份的0.05%)之購股權尚未行使。根據二零零九年購股權計劃，賦予其持有人權利可認購本公司合共182,073,990股股份(於本報告日約佔發行股份的7.16%)之購股權可供發行。

根據二零零九年購股權計劃授出或將授出之購股權並無賦予持有人獲派股息或在股東大會上投票之權利。

# Report of the Directors

## 董事會報告書

*Share options granted and lapsed during the 18 months ended 31 December 2009*

During the 18 months ended 31 December 2009, options entitling the holders thereof to subscribe for an aggregate of 100,450,000 Shares were granted to the Directors and other employees of the Group under the 2001 Share Option Scheme and the 2009 Share Option Scheme, while share options entitling the holders thereof to subscribe for 7,800,000 Shares have lapsed (details of which are set out in the following table).

During the 18 months ended 31 December 2009, share options entitling the holders thereof to subscribe for a total of 1,000,000 Shares were exercised at the exercise price of HK\$0.393 and no share options were cancelled under the 2001 Share Option Scheme and the 2009 Share Option Scheme (details of which are set out in the following table).

The movements of share options during the 18 months ended 31 December 2009 and the outstanding share options held by the Directors, chief executive and other employees of the Group as at 31 December 2009 (as adjusted to reflect the effect of the share subdivision which became effective on 12 November 2009) are set out in the following table:

*截至二零零九年十二月三十一日止十八個月授出及失效之購股權*

截至二零零九年十二月三十一日止十八個月，根據二零零一年購股權計劃及二零零九年購股權計劃下，賦予其持有人權利可認購本公司合共100,450,000股股份之購股權，已授予本公司董事及本集團其他僱員，而賦予其持有人權利可認購7,800,000股股份之購股權則告失效(詳情載於下表)。

截至二零零九年十二月三十一日止十八個月，賦予其持有人權利可認購合共1,000,000股股份之購股權已行使，行使價為每股0.393港元，概無購股權根據二零零一年購股權計劃及二零零九年購股權計劃註銷(詳情載於下表)。

購股權於截至二零零九年十二月三十一日止十八個月變動以及董事、行政總裁及本集團其他僱員於二零零九年十二月三十一日所持尚未行使購股權(已調整以反映二零零九年十一月十二日生效之股份分拆之影響)載於下表：

Name or category of participant 參與者姓名或類別	Date of grant of share option 購股權授出日期	Exercise price per Share 每行使價	Exercise period 行使期	Number of share options outstanding as at 1 July 2008 於二零零八年七月一日之尚未行使購股權數目	Granted during the 18 months period ended 31 December 2009	Exercised during the 18 months period ended 31 December 2009	Lapsed during the 18 months period ended 31 December 2009	Closing price per Share immediately before the date of grant of share option	Closing price per Share immediately before the date of exercise of the share option	Number of share options outstanding as at 31 December 2009
					截至二零零九年十二月三十一日止十八個月期間授出	截至二零零九年十二月三十一日止十八個月期間行使	截至二零零九年十二月三十一日止十八個月期間失效	每股收市價	每股收市價	於二零零九年十二月三十一日之尚未行使購股權數目
		HK\$ 港元						(Note b) 附註b) HK\$ 港元	(Note b) 附註b) HK\$ 港元	
<i>Director</i> <i>董事</i>										
Lau Pak Keung 劉柏強	12 April 2007 二零零七年四月十二日	0.393	1 July 2007 to 30 October 2011 二零零七年七月一日至二零零一年十月三十日	2,000,000	-	-	(2,000,000) (Note a) (附註a)	0.34	-	-
Eric Norman Kronfeld	31 March 2005 二零零五年三月三十一日	0.260	31 March 2005 to 30 October 2011 二零零五年三月三十一日至二零零一年十月三十日	350,000	-	-	(350,000) (Note a) (附註a)	0.255	-	-
	12 April 2007 二零零七年四月十二日	0.393	1 July 2007 to 30 October 2011 二零零七年七月一日至二零零一年十月三十日	1,500,000	-	-	(1,500,000) (Note a) (附註a)	0.34	-	-



# Report of the Directors

## 董事會報告書

Name or category of participant 參與者姓名或類別	Date of grant of share option 購股權授出日期	Exercise price per Share 每股行使價	Exercise period 行使期	Number of share options outstanding as at 1 July 2008 於二零零八年七月一日之尚未行使購股權數目	Granted during the 18 months ended 31 December 2009	Exercised during the 18 months ended 31 December 2009	Lapsed during the 18 months ended 31 December 2009	Closing price per Share immediately before the date of grant of share option 緊接購股權授出日之前之每股收市價 (Note b) (附註b) HK\$ 港元	Closing price per Share immediately before the date of exercise of the share option 緊接購股權行使日之前之每股收市價 (Note b) (附註b) HK\$ 港元	Number of share options outstanding as at 31 December 2009 於二零零九年十二月三十一日之尚未行使購股權數目
					截至二零零九年十二月三十一日止十八個月授出	截至二零零九年十二月三十一日止十八個月行使	截至二零零九年十二月三十一日止十八個月失效			
Prince Chatrichalerm Yukol	31 March 2005 二零零五年三月三十一日	0.260	31 March 2005 to 30 October 2011 二零零五年三月三十一日至二零零一年十月三十日	350,000	-	-	(350,000) (Note a) (附註a)	0.255	-	-
	12 April 2007 二零零七年四月十二日	0.393	1 July 2007 to 30 October 2011 二零零七年七月一日至二零零一年十月三十日	1,000,000	-	-	(1,000,000) (Note a) (附註a)	0.34	-	-
Huang Shao-Hua George 黃少華	12 April 2007 二零零七年四月十二日	0.393	1 July 2007 to 30 October 2011 二零零七年七月一日至二零零一年十月三十日	1,000,000	-	-	-	0.34	-	1,000,000
	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零零一四年九月二十二日	-	200,000	-	-	0.451	-	200,000
Wu Kebo 伍克波	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零零一四年九月二十二日	-	60,000,000	-	-	0.451	-	60,000,000
Chow Sau Fong Fiona 鄒秀芳	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零零一四年九月二十二日	-	700,000	-	-	0.451	-	700,000
Wu Keyan 伍克燕	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零零一四年九月二十二日	-	700,000	-	-	0.451	-	700,000
Li Pei Sen 李培森	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零零一四年九月二十二日	-	200,000	-	-	0.451	-	200,000
Chang Tat Joel (Note c) 鄭達祖(附註c)	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零零一四年九月二十二日	-	12,000,000	-	-	0.451	-	12,000,000
Leung Man Kit 梁民傑	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零零一四年九月二十二日	-	200,000	-	-	0.451	-	200,000
Masahito Tachikawa 立川正人	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零零一四年九月二十二日	-	200,000	-	-	0.451	-	200,000

# Report of the Directors

## 董事會報告書

Name or category of participant 參與者姓名或類別	Date of grant of share option 購股權授出日期	Exercise price per Share 每股行使價	Exercise period 行使期	Number of share options outstanding as at 1 July 2008 於二零零八年七月一日之尚未行使購股權數目	Granted during the 18 months ended 31 December 2009	Exercised during the 18 months ended 31 December 2009	Lapsed during the 18 months ended 31 December 2009	Closing price per Share immediately before the date of grant of share option	Closing price per Share immediately before the date of exercise of the share option	Number of share options outstanding as at 31 December 2009
					截至二零零九年十二月三十一日止十八個月授出	截至二零零九年十二月三十一日止十八個月行使	截至二零零九年十二月三十一日止十八個月失效	每股收市價 (Note b) (附註b) HK\$ 港元	每股收市價 (Note b) (附註b) HK\$ 港元	於二零零九年十二月三十一日之尚未行使購股權數目
<i>Chief executive officer</i> 首席執行官										
Wu King Shiu Kelvin 胡景邵	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零一四年九月二十二日	-	21,000,000	-	-	0.451	-	21,000,000
<i>Other participants</i> 其他參與者										
In aggregate 總計	12 April 2007 二零零七年四月十二日	0.393	1 July 2007 to 30 October 2011 二零零七年七月一日至二零一一年十月三十日	7,800,000	-	(1,000,000)	(2,600,000)	0.34	-	4,200,000
	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零一四年九月二十二日	-	4,050,000	-	-	0.451	-	4,050,000
	13 November 2009 二零零九年十一月十三日	0.73	13 November 2009 to 12 November 2014 二零零九年十一月十三日至二零一四年十一月十二日	-	1,200,000	-	-	0.67	-	1,200,000
					<u>14,000,000</u>	<u>100,450,000</u>	<u>(1,000,000)</u>	<u>7,800,000</u>		<u>105,650,000</u>

### Notes:

- (a) The share options lapsed due to the resignation or retirement of the relevant Director.
- (b) Being the weighted average closing price of the Shares immediately before the dates on which the share options were granted or exercised, as applicable.
- (c) Mr. Chang Tat Joel was appointed as executive Director on 26 April 2010.

### 附註:

- (a) 該等購股權因相關董事辭任或退任而失效。
- (b) 即緊接該等購股權獲授出或行使(如適用)日期前之股份加權平均收市價。
- (c) 鄭達祖先生於二零一零年四月二十六日獲委任為執行董事。

Apart from the above, at no time during the 18 months ended 31 December 2009 was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

除上述者外，於截至二零零九年十二月三十一日止十八個月，本公司或其任何附屬公司概無訂立任何安排致使本公司董事、彼等各自之配偶或未滿18歲子女透過認購本公司或其他任何法團之股份或債權證而獲益。

# Report of the Directors

## 董事會報告書

As at 31 December 2009, the Company had total share options outstanding entitling the holders thereof to subscribe for 105,650,000 Shares under the 2001 Share Option Scheme and the 2009 Share Option Scheme. The exercise in full of these outstanding share options would, under the present capital structure of the Company, result in the issue of 105,650,000 additional Shares, representing approximately 4.8% of the Shares in issue as at 31 December 2009, and additional share capital of HK\$10,565,000 and share premium account of approximately HK\$37,314,850 (before issue expenses).

於二零零九年十二月三十一日，本公司有賦予其持有人權利可認購本公司合共105,650,000股股份之購股權尚未根據二零零一年購股權計劃及二零零九年購股權計劃行使。根據本公司之現有資本架構，全面行使餘下之購股權可能導致本公司額外發行105,650,000股股份（佔本公司於二零零九年十二月三十一日已發行股份約4.8%），並額外產生股本10,565,000港元及股份溢價賬約37,314,850港元（未計發行費用前）。

### Directors' Interests in Contracts

Except for the disclosure under the heading "Connected Transactions" below and save as detailed in note 33 to the financial statements on page 133 of this annual report, none of the Directors had any material interests, either directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries was a party during or at the end of the 18 months ended 31 December 2009.

### 董事於合約之權益

除下文「關連交易」一節所披露者及本年報第212頁的財務報表附註33所詳述者外，各董事概無在截至二零零九年十二月三十一日止十八個月末於本公司或其任何附屬公司參與訂立任何重大合約中直接或間接擁有重大權益。

### Major Customers and Suppliers

During the 18 months ended 31 December 2009, the Group's purchases from its largest supplier and its five largest suppliers accounted for 7 and 27 percent of the Group's purchases, respectively.

### 主要客戶及供應商

截至二零零九年十二月三十一日止十八個月，本集團向其最大供應商及五大供應商採購之購貨額分別佔本集團購貨額之7%及27%。

The Group's sales to its largest customer and its five largest customers accounted for 1 and 3 percent of the Group's sales, respectively.

本集團向其最大客戶及五大客戶售出之銷售額則分別佔本集團銷售額之1%及3%。

None of the Directors, or any of its associates, or any of the shareholders of the Company (which to the best knowledge of the Directors own more than 5 percent of the Company's issued share capital) had any interest in the Group's five largest customers and/or suppliers.

本公司各董事或彼等任何聯繫人士或就董事所深知擁有本公司已發行股本5%以上之股東並無擁有本集團五大客戶及／或供應商任何權益。

# Report of the Directors

## 董事會報告書

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

So far as is known to the Directors, as at 31 December 2009, the following persons, other than a Director or chief executive of the Company, had the following interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

### 主要股東及其他人士於股份及相關股份之權益及淡倉

就董事所知，於二零零九年十二月三十一日，按本公司根據證券及期貨條例第XV部第336條存置之登記冊所記錄，下列人士(本公司董事或主要行政人員以外)於本公司股份或相關股份中持有以下權益或淡倉：

Name of shareholder 股東姓名／名稱	Capacity 身份	Note 附註	Number of Shares 股份數目	Number of underlying Shares 相關股份數目	Total number of Shares and underlying Shares 股份及相關 股份總數	*Approximate percentage of Shares and underlying Shares in the issued share capital of the Company *股份及相關股份 於本公司 發行股本中所佔 概約百分比
Skyera International Limited ("Skyera")	Beneficial owner 實益擁有人	1	377,988,130 (L)	–	377,988,130 (L)	17.19%
Mainway Enterprises Limited ("Mainway")	Beneficial owner 實益擁有人	2	408,715,990 (L)	–	408,715,990 (L)	18.58%
			408,715,990 (S)	–	408,715,990 (S)	18.58%
Orange Sky Entertainment Group (International) Holding Company Limited ("Orange Sky") 橙天娛樂集團(國際)控股 有限公司(「橙天」)	Beneficial owner 實益擁有人	3	405,530,600 (L)	26,698,224	432,228,824 (L)	19.65%
Cyber International Limited ("Cyber")	Beneficial owner 實益擁有人	4	180,000,000 (L)	–	180,000,000 (L)	8.18%
AID Partners Ltd.	Interest of controlled corporations 受控法團權益	5	1,372,234,720 (L)	291,056,214 (L)	1,663,290,934 (L)	75.61%
AID Partners GP1, L.P.	Interest of controlled corporations 受控法團權益	5	1,372,234,720 (L)	291,056,214 (L)	1,663,290,934 (L)	75.61%

# Report of the Directors

## 董事會報告書

Name of shareholder 股東姓名/名稱	Capacity 身份	Note 附註	Number of Shares 股份數目	Number of underlying Shares 相關股份數目	Total number of Shares and underlying Shares 股份及相關 股份總數	*Approximate percentage of Shares and underlying Shares in the issued share capital of the Company *股份及相關股份 於本公司 發行股本中所佔 概約百分比
AID Partners Capital I, L.P.	Interest of controlled corporations 受控法團權益	5	1,372,234,720 (L)	291,056,214 (L)	1,663,290,934 (L)	75.61%
AID Partners Asset Management Ltd.	Interest of controlled corporations 受控法團權益	5	1,372,234,720 (L)	291,056,214 (L)	1,663,290,934 (L)	75.61%
Billion Century Group Limited ("BCG")	Interest of party to an agreement under sections 317 and 318 of the SFO 根據證券及期貨條例第317及318條之協議訂約方之權益	5	963,518,730 (L)	86,698,224 (L)	1,050,216,954 (L)	47.74%
	Security interest 證券權益	5	408,715,990 (L)	–	408,715,990 (L)	18.58%
	Beneficial interest 實益權益	5	–	204,357,990 (L)	204,357,990 (L)	9.29%
Chang Tat Joel# 鄭達祖先生#	Interest of controlled corporations 受控法團權益	5	1,372,634,720	291,056,214 (L)	1,663,690,934 (L)	75.63%
	Beneficial owner 實益擁有人	6	–	12,000,000 (L)	12,000,000 (L)	0.55%

\* This percentage has been compiled based on the total number of Shares in issue (i.e. 2,199,739,900 ordinary Shares) as at 31 December 2009.

\* 該百分比乃根據本公司於二零零九年十二月三十一日已發行股份總數(即2,199,739,900股普通股)計算。

# Appointed as executive Director on 26 April 2010

# 於二零一零年四月二十六日獲委任為執行董事。

# Report of the Directors

## 董事會報告書

### Notes:

1. Skyera is a company wholly-owned by Mr. Wu Kebo ("Mr. Wu"), who is also a director of Skyera.
2. Mainway is a company wholly-owned by Mr. Wu, who is also a director of Mainway. Pursuant to the subscription agreement entered into between Mr. Wu and Mainway with BCG, BCG had subscribed for and Mainway had issued exchangeable notes convertible into Shares held by Mainway to BCG for the funding arrangement in relation to the mandatory unconditional cash offer made by Somerly Limited on behalf of Skyera and Mainway. As security for the exchangeable notes as mentioned above, 408,715,990 Shares held by Mainway were subject to a first charge in favour of BCG.
3. Orange Sky (a company 80% owned by Mr. Wu) is interested in (i) 405,530,600 Shares and (ii) 26,698,224 underlying Shares which may be issued upon exercise of the conversion rights attaching to the zero coupon convertible notes held by Orange Sky issued by the Company in the principal amount of HK\$9,024,000 which were convertible into Shares at an initial conversion price of HK\$0.338 per Share (subject to adjustment). Mr. Wu is a director of Orange Sky and Mr. Li Pei Sen is the associate chairman of Orange Sky.
4. Cyber is a company owned by an associate of Mr. Wu.
5. Mr. Chang Tat Joel ("Mr. Joel Chang") was deemed to be interested in 1,372,234,720 Shares and 291,056,214 underlying Shares of which BCG was deemed to be interested by virtue of the SFO since he owned 40% of the issued share capital in AID Partners Ltd. AID Partners Ltd. was the general partner of AID Partners GP1, L.P. which was in turn the general partner of AID Partners Capital I, L.P.. AID Partners Capital I, L.P. was a private equity fund interested in the entire issued share capital of BCG through AID Partners Asset Management Limited. Of these 1,663,290,934 Shares and underlying Shares, (i) by virtue of the subscription agreement entered into between Mr. Wu and Mainway with BCG pursuant to which BCG had agreed to subscribe for and Mainway had agreed to issue exchangeable notes into Shares held by Mainway to BCG for the funding arrangement in relation to the mandatory unconditional cash offer made by Somerly Limited on behalf of Skyera and Mainway and the related security documents, BCG was deemed to be interested in 1,050,216,954 Shares and underlying Shares of which Mr. Wu was interested, (ii) BCG was deemed to be interested in 408,715,990 Shares under a first charge on Shares held by Mainway in its favour as security for the exchangeable notes as mentioned below; and (iii) as BCG had subscribed for and Mainway had issued exchangeable notes convertible into Shares held by Mainway, BCG was deemed to be interested in 204,357,990 underlying Shares of which BCG could convert under such exchangeable notes by virtue of the SFO.

Besides, Mr. Joel Chang was deemed to be interested in 400,000 Shares of which AID Partners Holdings Ltd. was interested by virtue of the SFO since he owned 40% of the issued share capital in AID Partners Holdings Ltd.

Both Mr. Wu King Shiu Kelvin and Mr. Joel Chang are the directors of BCG, AID Partners Asset Management Limited, AID Partners Ltd., AID Partners Holdings Ltd, AID Partners Capital I, L.P., and AID Partners GP1, L.P..

6. These underlying Shares represented the Shares which may be issued upon the exercise of share options granted by the Company to Mr. Joel Chang under the 2001 Share Option Scheme.

### Abbreviations:

"L" stands for long position  
"S" stands for short position

### 附註:

1. Skyera為伍克波先生(「伍先生」)全資擁有的公司，彼為Skyera董事。
2. Mainway為伍先生全資擁有的公司，彼為Mainway董事。根據伍先生及Mainway與BCG訂立的認購協議，BCG已認購而Mainway已向BCG發行可兌換為由Mainway持有之股份之可換股票據，作為新百利有限公司代表Skyera及Mainway提出強制性無條件現金收購建議之資金安排。作為上述可換股票據之保證，408,715,990股由Mainway持有的股份以第一押記形式抵押予BCG。
3. 橙天(一間為伍先生擁有80%股權的公司)擁有(i) 405,530,600股股份及(ii) 26,698,224股由橙天持有的本金額達9,024,000港元，初步兌換價每股0.338港元(可予調整)不附帶利息可換股票據所附換股權獲行使時可發行的相關股份。伍先生為橙天的董事，而李培森先生為橙天副聯合主席。
4. Cyber為由伍先生的聯營公司擁有的公司。
5. 根據證券及期貨條例，因鄭達君先生(「鄭先生」)擁有AID Partners Ltd(AID Partners Ltd.為AID Partners GP1, L.P.的普通合夥人，而AID Partners GP1, LP為AID Partners Capital I, L.P.的普通合夥人。AID Partners Capital I, L.P.為透過AID Partners Asset Management Limited擁有BCG全部已發行股本之權益的私人股本基金)已發行股本40%之權益，故被視為分別擁有BCG於1,372,234,720股291,056,214股相關股份之權益。於此等1,663,290,934股股份及相關股份當中，(i)根據伍先生及Mainway與BCG訂立之認購協議，BCG已同意認購而Mainway已同意向BCG發行可兌換為由Mainway持有之股份之可換股票據，作為新百利有限公司代表Skyera及Mainway提出強制性無條件現金收購建議及相關抵押文件之資金安排，BCG被視為擁有伍先生於1,050,216,954股股份及相關股份之權益，(ii) BCG被視為擁有408,715,990股由Mainway持有，且以第一押記形式抵押予BCG作為下述可換股票據之保證的股份之權益；及(iii)根據證券及期貨條例，因BCG已認購而Mainway已發行可兌換為由Mainway持有之股份之可換股票據(BCG可按此換取相關股份)，BCG被視為擁有204,357,990股相關股份之權益。

另外，根據證券及期貨條例，因鄭先生擁有AID Partners Holdings Ltd.已發行股本40%之權益，故被視為擁有AID Partners Holdings Ltd.擁有權益之400,000股股份之權益。

胡景邵先生及鄭先生均為BCG、AID Partners Asset Management Limited、AID Partners Ltd、AID Partners Holdings Ltd.、AID Partners Capital I, L.P.及AID Partners GP1, L.P.之董事。

6. 該等相關股份乃指本公司根據二零零一年購股權計劃授予鄭先生之購股權獲行使後將予發行之股份。

### 縮略詞:

[L] 指 好倉  
[S] 指 淡倉

# Report of the Directors

## 董事會報告書

### Connected Transactions

Acquisition of a subsidiary and related business, and issue of convertible note.

During the 18 months financial period ended 31 December 2009, the Group acquired the entire equity interests in 北京橙天智鴻影視制作有限公司 (Beijing Chengtian Zhihong Film & TV Production Company Limited (“Beijing Chengtian Zhihong”)) and the business relating to Chinese-language films and television programmes, production, investment, marketing and advertising from Orange Sky Entertainment Group (International) Holding Company Limited (“Orange Sky”) pursuant to an agreement dated 15 June 2009 between Orange Sky Golden Harvest Motion Pictures Company Limited (a wholly owned subsidiary of the Company) as purchaser and Orange Sky, Mr. Wu and Ms. Wu as vendors (the “Acquisition”). Orange Sky is owned as to 80% by Mr. Wu Kebo, controlling shareholder and a Director of the Company. The Acquisition was completed on 30 October 2009. Before completion of the Acquisition, Orange Sky was the beneficial owner of the entire equity interest in Beijing Chengtian Zhihong whereas Mr. Wu Kebo and Ms. Wu Keyan were the legal holders of 95% and 5% of the equity interest in Beijing Chengtian Zhihong. After completion of the Acquisition, Beijing Chengtian Zhihong remains to be wholly held by Mr. Wu Kebo and Ms. Wu Keyan and the Group’s effective management, control and beneficial interest in Beijing Chengtian Zhihong are protected through certain contractual arrangements as disclosed in the circular of the Company dated 25 June 2009. Pursuant to the terms of the agreement, the Company issued a zero coupon convertible note with a principal amount of HK\$9,024,000 to Orange Sky and paid a sum of RMB32 million (equivalent to approximately HK\$36.1 million) in cash to Orange Sky as part of the consideration of the Acquisition during the financial period. The remaining consideration of up to RMB40 million (equivalent to approximately HK\$45.1 million) will be satisfied by the issue of the second tranche zero coupon convertible notes by the Company to Orange Sky in accordance with the deferred consideration arrangement set out below:

(i) in the event that the audited consolidated profit after taxation and minority interests (but excluding any event or transaction that is outside the ordinary course of business) of and derived from the Transferred Assets (as defined in the circular of the Company dated 25 June 2009) in aggregate for the two years ending 31 December for 2009 and 2010 (“Aggregate Net Profits”) are equal to or more than the guaranteed profit of RMB20 million, a sum of RMB40 million (equivalent to approximately HK\$45.1 million) shall be payable to Orange Sky by the issuance of convertible notes of an equivalent principal amount within 15 business days from 30 April 2011;

### 關連交易

收購附屬公司及相關業務以及發行可換股票據

截至二零零九年十二月三十一日止十八個月財政期間，根據由橙天嘉禾電影製作有限公司(本公司之全資附屬公司)作為買方及橙天娛樂集團(國際)控股有限公司(「橙天」)、伍先生及伍女士作為賣方於二零零九年六月十五日訂立之一份協議，本集團從本公司控股股東兼董事伍克波先生擁有80%權益之橙天購入北京橙天智鴻影視制作有限公司(「北京橙天智鴻」)全部權益以及有關華語電影及電視節目製作、投資、營銷及廣告之業務(「收購事項」)。收購事項已於二零零九年十月三十日完成。於收購事項完成前，橙天為北京橙天智鴻全部股本權益之實益擁有人，而伍克波先生及伍克燕女士分別為北京橙天智鴻95%及5%股本權益之法定持有人。於收購事項完成後，北京橙天智鴻依然由伍克波先生及伍克燕女士全資持有，而本集團於北京橙天智鴻之實際管理、控制及實益權益則透過本公司於二零零九年六月二十五日刊發之通函中所披露之若干合約安排而受到保障。根據協議之條款，本公司於財政期間向橙天發行本金額9,024,000港元之零票息可換股票據，並向橙天支付合共人民幣32,000,000元(相當於約36,100,000港元)現金以作為收購事項之部分代價。餘下代價達人民幣40,000,000元(相當於約45,100,000港元)，本公司將根據下列遞延代價安排，透過向橙天發行第二批零票息可換股票據支付：

(i) 倘截至二零零九年及二零一零年十二月三十一日止兩年之合共經審核綜合溢利(經扣除稅項及少數股東權益(但不包括日常業務過程以外之任何事件或交易)後)之已轉讓資產(定義見本公司日期為二零零九年六月二十五日之通函)產生之盈利(「純利總額」)等於或超過人民幣20,000,000元之保證溢利，則須透過於二零一一年四月三十日後十五個營業日內按相當於本金額向橙天支付人民幣40,000,000元(相當於約45,100,000港元)之可換股票據；

# Report of the Directors

## 董事會報告書

(ii) In the event that the Aggregate Net Profits for 2009 and 2010 are positive but less than the guaranteed profit of RMB20 million, a sum equal to the Aggregate Net Profits multiplied by a factor of two shall be payable to Orange Sky by the issuance of convertible notes of an equivalent principal amount within 15 business days from 30 April 2011.

No amount of the remaining consideration shall be payable to Orange Sky where the Aggregate Net Profits are equal to or less than zero.

The Acquisition constituted a major and connected transaction of the Company under the Listing Rules and was subject to the reporting, announcement and independent shareholders' approval. Further details of the Acquisition are set out in the circular of the Company dated 25 June 2009 and notes 26(b) and 34 to the financial statements.

Save as disclosed above, details of the other connected transactions for the 18 months ended 31 December 2009 are set out in note 33 to the financial statements. These other connected transactions constituted de minimis transactions as defined in the Listing Rules and were exempt from the reporting, announcement and independent shareholders' approval requirements. The independent non-executive Directors have also reviewed and confirmed that these other connected transactions were conducted in the ordinary and usual course of the business of the Group, on normal commercial terms or on terms no less favorable to the Group than terms to or from independent third parties, and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## Independence Confirmation

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

(ii) 倘二零零九年及二零一零年之純利總額為正數但低於人民幣20,000,000元之保證溢利，則須透過於二零一一年四月三十日後十五個營業日內發行相當於本金額之可換股票據，向橙天支付一筆等於純利總額乘以系數2之款項。

倘純利總額等於或低於零，則毋須向橙天支付任何餘下代價。

收購事項構成本公司根據上市規則之關連交易，須遵守申報、公告及獨立股東批准之規定。收購事項詳情載於本公司日期為二零零九年六月二十五日之通函及財務報表附註26(b)及34。

除上文所披露者外，截至二零零九年十二月三十一日止十八個月之其他關連交易詳情，載於財務報表附註33。該等其他關連交易構成上市規則所界定之低額交易，獲豁免遵守申報、公告及獨立股東批准之規定。獨立非執行董事已審閱並確認該等其他關連交易乃在本集團日常業務過程中，以一般商業條款或不遜於獨立第三方提供予本集團或本集團提供予獨立第三方之條款，並根據規管該等交易之有關協議而進行，而該等協議之條款屬公平合理，符合本公司股東整體利益。

## 獨立性之確認

本公司已接獲各獨立非執行董事按照上市規則第3.13條發出其每年之獨立性確認書，並認為全體獨立非執行董事均具獨立性。



# Report of the Directors

## 董事會報告書

### Emolument Policy

Remuneration of the employees of the Group is made/determined by reference to the market, individual performance and their respective contribution to the Group. As a long-term incentive, the 2009 Share Option Scheme is in place and the details of which are set out above and in note 29(a)(iv) to the financial statements on page 122 of this annual report.

Directors' emoluments are subject to the recommendations of the remuneration committee of the Company and the Board's approval. Other emoluments including discretionary bonus and share option, are determined by the Board with reference to Directors' duties, abilities, reputation and performance.

### Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of the Company's issued share capital as of the date of this report.

### Auditors

Messrs. Ernst & Young ("E&Y"), who had acted as the auditors of the Company in the preceding years, resigned as auditors of the Company with effect from 12 June 2008 and Messrs. KPMG ("KPMG") were appointed as auditors of the Company, following the resignation of E&Y as auditors of the Company.

The financial statements for the 18 months ended 31 December 2009 have been audited by KPMG who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be submitted to the forthcoming annual general meeting to re-appoint KPMG as auditors of the Company.

ON BEHALF OF THE BOARD

**Wu Kebo**  
Chairman

Hong Kong

26 April 2010

### 薪酬政策

本集團僱員之薪酬乃經參照市場、個人表現及彼等各自對本集團的貢獻釐定。本集團已設立二零零九年購股權計劃作為長期獎勵計劃，詳情載於本年報第201頁之財務報表附註29(a)(iv)。

董事酬金須獲本公司薪酬委員會建議及獲董事會批准。其他薪酬(包括酌情花紅及購股權)經由董事會參考各董事之職務、能力、聲望及表現而釐定。

### 足夠公眾持股量

於本報告刊發日期，按照本公司可公開獲取之資料及據董事所知，本公司具有足夠公眾持股量。

### 核數師

於過去多年擔任本公司核數師之安永會計師事務所(「安永」)已辭任本公司核數師，並自二零零八年六月十二日起生效，而畢馬威會計師事務所(「畢馬威」)於安永辭任本公司核數師後已獲委任為本公司核數師。

截至二零零九年十二月三十一日止十八個月之財務報表已經由畢馬威審核，而畢馬威將會退任，惟符合資格於本公司應屆股東週年大會上獲重新委任。於應屆股東週年大會上將提呈一項決議案以重新委任畢馬威為本公司核數師。

代表董事會

主席  
**伍克波**

香港

二零一零年四月二十六日

# Corporate Governance Report

## 企業管治報告

### Code on Corporate Governance Practices

The Board of Directors (the “Board”) recognises the importance of good corporate governance to maintain the Group’s competitiveness and lead to its healthy growth. The Company has taken steps not only to comply with code 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 18 months ended 31 December 2009, the Company has complied with the code provisions of the CG Code except for deviations from note 1 to principle A.3 and code provisions A.2.1, A.4.1 and B.1.1 of the CG Code as summarized below:

- (a) Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer (“CEO”) should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. Mr. Wu Kebo, the chairman and executive Director, was appointed as the acting managing Director of the Company since 21 December 2007. The Board has been continuously seeking a suitable individual with appropriate qualifications to act as the CEO of the Company. Subsequently, Mr. Wu King Shiu Kelvin was appointed by the Board as the CEO of the Company with effect from 22 September 2009 such that the requirement under code provision A.2.1 of the CG Code as to the separate roles of chairman and CEO was fulfilled.
- (b) Pursuant to note 1 to code provision A.3 of the CG Code and as required under Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least 3 independent non-executive directors. Due to the resignation of Prince Chatrichalerm Yukol as an independent non-executive Director on 20 November 2008, the total number of independent non-executive Directors fell below the minimum number as required under Rule 3.10(1) of the Listing Rules. Subsequently, Mr. Masahito Tachikawa was appointed by the Board as an independent non-executive Director with effect from 20 March 2009 such that the requirement as to the minimum number of independent non-executive Directors as required under note 1 to principle A.3 of the CG Code and Rule 3.10(1) of the Listing Rules was fulfilled.

### 企業管治常規守則

董事會(「董事會」)深明良好企業管治對維持本集團競爭力及推動業務穩健增長之重要性。本公司已採取措施，既遵守上市規則附錄14所載企業管治常規守則(「企業管治守則」)所載之守則條文，亦旨在改善本集團之整體企業管治常規。

除偏離企業管治守則第A.3條附註1及第A.2.1條、第A.4.1條及第B.1.1條守則條文之規定外，於截至二零零九年十二月三十一日止十八個月，本公司一直遵守企業管治守則之守則條文規定。現概述如下：

- (a) 根據企業管治守則第A.2.1條守則條文，主席與行政總裁(「行政總裁」)之角色應有區分，不應由一人同時兼任。主席與行政總裁之職責分工應清楚界定並以書面列明。主席兼執行董事伍克波先生自二零零七年十二月二十一日起獲委任為本公司署理董事總經理。董事會已一直物色具合適資格之適當個別人士擔任本公司之行政總裁。其後，胡景邵先生獲董事會委任為本公司行政總裁，自二零零九年九月二十二日起生效，本公司得以符合企業管治守則第A.2.1條守則條文下，主席與行政總裁之角色區分的規定。
- (b) 根據企業管治守則第A.3條守則條文附註1以及上市規則第3.10(1)條之規定，上市發行人之董事會至少需有三名獨立非執行董事。由於Prince Chatrichalerm Yukol於二零零八年十一月二十日辭任獨立非執行董事，獨立非執行董事總數因而未能符合上市規則第3.10(1)條規定之數目下限。隨後，立川正人先生已獲董事會委任為獨立非執行董事，自二零零九年三月二十日起生效，本公司得以符合根據企業管治守則第A.3條守則條文附註1以及上市規則第3.10(1)條項下獨立非執行董事之最低人數規定。

# Corporate Governance Report

## 企業管治報告

- (c) Pursuant to code provision A.4.1 of the CG Code, non-executive Directors of a listed issuer should be appointed for a specific term, subject to re-election. All non-executive Directors were not appointed for a specific term but are subject to the requirement of retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws, accomplishing the same purpose as being appointed for a specific term.
- (d) Pursuant to code provision B.1.1 of the CG Code, a majority of the members of the remuneration committee of a listed issuer should be independent non-executive Directors. As (i) Mr. Eric Norman Kronfeld was not re-elected as Director at the annual general meeting of the Company held on 20 November 2008 and (ii) Prince Chatrichalem Yukol resigned as Director on 20 November 2008, the remuneration committee of the Company comprised one executive Director and one independent non-executive Director during the period between 20 November 2008 and 19 March 2009 (both dates inclusive) and therefore, the requirement in relation to the composition of the remuneration committee under code provision B.1.1 of the CG Code had not been fulfilled during that period. Subsequently, Mr. Masahito Tachikawa was appointed by the Board as an independent non-executive Director and a member of the remuneration committee with effect from 20 March 2009 such that the remuneration committee comprised one executive Director and two independent non-executive Directors and the requirement in relation to the composition of the remuneration committee under code provision B.1.1 of the CG Code was fulfilled thereafter.
- (c) 根據企業管治守則第A.4.1條守則條文，上市發行人之非執行董事之委任須有指定任期，並須遵守重選規定。全體非執行董事並無指定任期，惟須按本公司之公司細則之相關規定，最少每三年於本公司之股東週年大會上輪值退任一次，並重選連任，此舉目的與指定委任任期相同。
- (d) 根據企業管治守則第B.1.1條守則條文，上市發行人之薪酬委員會之大多數成員須為獨立非執行董事。由於(i) Eric Norman Kronfeld先生未能於本公司二零零八年十一月二十日的股東週年大會上獲重選連任董事及(ii) Prince Chatrichalem Yukol先生於二零零八年十一月二十日辭任董事，故於二零零八年十一月二十日至二零零九年三月十九日期間(包括首尾兩日)，本公司薪酬委員會由一名執行董事及一名獨立非執行董事組成，而未能於該段期間符合企業管治守則第B.1.1條守則條文項下有關薪酬委員會之組成規定。其後，立川正人先生獲董事會委任為獨立非執行董事及薪酬委員會成員，自二零零九年三月二十日起生效，薪酬委員會由一名執行董事及兩名獨立非執行董事組成，本公司亦得以於該日後符合根據企業管治守則第B.1.1條守則條文項下有關薪酬委員會之組成規定。

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.

因此，本公司認為已採取充分措施，確保本公司之企業管治常規並不比企業管治守則之守則條文所規定者寬鬆。

## Directors' Securities Transactions

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 18 months ended 31 December 2009.

## 董事進行證券交易

本公司已採納條款與上市規則附錄十所載上市發行人董事進行證券交易的標準守則(「標準守則」)同樣嚴格之守則。本公司已向全體董事作出具體查詢，彼等均確認，於截至二零零九年十二月三十一日止十八個月一直遵守標準守則及本公司守則所載規定。

# Corporate Governance Report

## 企業管治報告

### Board of Directors

As at the date of this annual report, the Board comprises five executive Directors (including the Chairman of the Board and one alternate Director) and three independent non-executive Directors, whose biographical details are set out in the “Biographical Details of Directors and Senior Management” on pages 4 to 8 of this annual report.

The Board is collectively responsible for overseeing the management of the business and affairs of the Group. The Board meets regularly throughout the period to discuss the overall strategies as well as operation and financial performances of the Group. Matters relating to (i) the formulation of the Group’s overall strategy and directions; (ii) any material conflict of interest of substantial shareholders of the Company or Directors; (iii) approval of the Group’s annual results, annual budgets, interim results and other significant operational and financial transactions; (iv) changes to the Company’s capital structure; and (v) major appointments to the Board are reserved for decisions by the Board. The Board has delegated the day-to-day management, administration and operation of the Group and implementation and execution of Board policies and strategies to the executive Directors and management of the Company.

All Directors have been given sufficient time and effort to the affairs of the Group and they have full and timely access to all relevant information regarding the Group’s affairs and have unrestricted access to the advice and services of the company secretary. The Directors may seek independent professional advice at the Company’s expenses in carrying out their duties and responsibilities.

Appropriate and sufficient insurance coverage has been effected by the Company in respect of Director’s liabilities arising from the legal action that may be taken against the Directors in relation to corporate activities.

### 董事會

於本年報日期，董事會成員包括五名執行董事(包括董事會主席及一名替任董事)及三名獨立非執行董事。彼等之履歷詳情載於本年報第4至第8頁「董事及高級管理層個人履歷」內。

董事會共同負責監督本集團業務及事務之管理工作。董事會於期間內定期會面，以討論整體策略以及本集團之營運與財務表現。有關(i)制定本集團整體策略及方向；(ii)本公司主要股東或董事之任何重大利益衝突；(iii)批准本集團年度業績、年度預算、中期業績及其他重大營運與財務交易；(iv)更改本公司之股本結構；及(v)就董事會作出重大委任之事項均由董事會決定。董事會已授權本公司執行董事及管理層負責管理本集團之日常管理、行政及營運，以及實施及執行董事會政策及策略。

所有董事已付出足夠時間及精力處理本集團之事務，彼等擁有及時接觸有關本集團事務之所有相關資料之一切權力，能夠獲得公司秘書之建議及服務而不受任何限制。董事在履行職責及責任時可尋求獨立專業意見，費用由本公司承擔。

本公司已就董事進行公司活動而可能面對法律訴訟所產生之責任購買合適及充分之保險。

# Corporate Governance Report

## 企業管治報告

During the 18 months ended 31 December 2009, Board meetings were held and the composition of the Board and the attendance of the Directors at the Board meetings are as follows:

於截至二零零九年十二月三十一日止十八個月曾舉行董事會會議，董事會的組成及董事出席該會會議的情況如下：

Members 成員		Meetings Attended/ Eligible to Attend 曾出席／合資格出席會議
<i>Executive Directors</i>		
Wu Kebo (Chairman) (appointed on 26 October 2007)	執行董事 伍克波(主席) (於二零零七年十月二十六日獲委任)	6/6
Chow Sau Fong Fiona (appointed on 30 October 2007)	鄒秀芳 (於二零零七年十月三十日獲委任)	6/6
Chan Suet Yin Winnie (appointed on 1 September 2008 and resigned on 21 December 2009)	陳雪彥 (於二零零八年九月一日獲委任並於 二零零九年十二月二十一日辭任)	5/6
Wang Wei (appointed on 26 October 2007 and resigned on 1 January 2009)	王薇 (於二零零七年十月二十六日獲委任 並於二零零九年一月一日辭任)	2/2
Lau Pak Keung (appointed on 22 November 2004 and resigned on 31 August 2008)	劉柏強 (於二零零四年十一月二十二日獲委任並於 二零零八年八月三十一日辭任)	0/2
Wu Keyan (Note 1) (appointed as alternate to Wu Kebo on 1 January 2008)	伍克燕(附註1) (於二零零八年一月一日獲委任為 伍克波之替任董事)	–
Chang Tat Joel (Note 5) (appointed on 26 April 2010)	鄭達祖(附註5) (於二零一零年四月二十六日獲委任)	0/0
<i>Non-executive Directors</i>		
Li Pei Sen (Notes 2 and 3) (appointed on 20 March 2009)	非執行董事 李培森(附註2及3) (於二零零九年三月二十日獲委任)	3/4
Eric Norman Kronfeld (appointed on 7 September 2004 and retired on 20 November 2008)	Eric Norman Kronfeld (於二零零四年九月七日獲委任並於 二零零八年十一月二十日退任)	2/2
Chow Siu Hong (appointed as executive Director on 26 October 2007, re-designated as non-executive Director on 1 September 2008 and resigned on 20 November 2008)	鄒小康 (於二零零七年十月二十六日獲委任 為執行董事、於二零零八年九月一日 調任為非執行董事並於二零零八年 十一月二十日辭任)	2/2
Takashi Araki (appointed on 29 October 2007 and retired on 20 November 2008)	荒木隆司 (於二零零七年十月二十九日獲委任 並於二零零八年十一月二十日退任)	0/2
Shen De Min (appointed as executive Director on 26 March 2008, re-designated as non-executive Director on 1 September 2008 and resigned on 20 March 2009)	沈德民 (於二零零八年三月二十六日獲委任 為執行董事、於二零零八年九月一日 調任為非執行董事並於二零零九年 三月二十日辭任)	2/3

# Corporate Governance Report

## 企業管治報告

Members 成員		Meetings Attended/ Eligible to Attend 曾出席／合資格出席會議
<i>Independent non-executive Directors</i>	<i>獨立非執行董事</i>	
Huang Shao-Hua George (appointed on 30 November 2006)	黃少華 (於二零零六年十一月三十日獲委任)	6/6
Leung Man Kit (appointed on 11 February 2008)	梁民傑 (於二零零八年二月十一日獲委任)	6/6
Masahito Tachikawa (appointed on 20 March 2009 and resigned on 26 April 2010) (Notes 2 and 4)	立川正人 (於二零零九年三月二十日獲委任並 於二零一零年四月二十六日辭任) (附註2及4)	0/4
Wong Sze Wing (Note 5) (appointed on 26 April 2010)	黃斯穎(附註5) (於二零一零年四月二十六日獲委任)	0/0
Prince Chatrichalem Yukol (appointed on 18 October 2002 and retired on 20 November 2008)	Prince Chatrichalem Yukol (於二零零二年十月十八日獲委任並於 二零零八年十一月二十日退任)	0/2

### Notes:

- Ms. Wu Keyan is the sister of Mr. Wu Kebo.
- Both Mr. Li Pei Sen and Mr. Masahito Tachikawa were appointed as Directors on 20 March 2009 and therefore have not attended any meeting of the Board held prior to that date.
- Mr. Li Pei Sen was re-designated as executive Director with effect from 26 April 2010.
- Mr. Masahito Tachikawa has resigned as an independent non-executive Director and a member of the remuneration committee of the Company with effect from 26 April 2010.
- Mr. Chang Tat Joel and Ms. Wong Sze Wing were appointed as Directors on 26 April 2010, and therefore have not attended any meeting of the Board held prior to that date.

### 附註：

- 伍克燕女士為伍克波先生之胞妹。
- 李培森先生及立川正人先生均於二零零九年三月二十日獲委任為董事，因此並無出席於該日期前之董事會會議。
- 李培森先生調任為執行董事，自二零一零年四月二十六日起生效。
- 立川正人先生將辭任獨立非執行董事及本公司薪酬委員會成員，自二零一零年四月二十六日起生效。
- 鄭達祖先生及黃斯穎女士於二零一零年四月二十六日獲委任為董事，因此並無出席於該日期前之董事會會議。

At least 14 days' prior notice to the date of the meeting of the Board was given to all Directors and an agenda together with Board papers and materials were sent to all Directors no less than three days before the date of the Board meeting. All Directors were given opportunity to include in the agenda any other matters that they would like to discuss in the meeting. The Board committees also adopted and followed the foregoing procedures for the Board committee meetings. All Directors and Board committee members were urged to attend the Board meeting and the Board committee meeting in person. If any Director or Board committee member was unable to attend any such meeting in person, participation through electronic means had been arranged and made available to such Director and Board committee member.

If a Director has a potential conflict of interest in a matter being considered in the Board meeting, the Director having such potential interest in the matter shall abstain from voting. Independent non-executive Directors with no conflict of interest was present at such meeting to deal with such conflict of interest issues.

董事會會議於董事會會議日期前給予各董事最少十四日事前通知，亦於董事會會議日期前最少三日向各董事派發議程連同會議文件及資料。全體董事均可於議程內加入其有意於會議上討論之任何事項。董事委員會亦採用及沿用董事委員會會議前述之程序。各董事及董事委員會成員須親身出席董事會及董事委員會會議，任何董事或董事委員會成員若未能親身出席該等會議，該等董事或董事會成員可透過已安排之電子方式參與會議。

倘董事與董事會會議上討論之事項有潛在之利益衝突，則於事項有潛在利益之董事須放棄投票。由並無利益衝突之獨立非執行董事已出席會議，處理該等利益衝突事項。

# Corporate Governance Report

## 企業管治報告

The company secretary or the staff of the company secretarial department and the chief financial officer of the Company (after the resignation of Mr. Cheung Wing Leung as company secretary with effect from 12 October 2009 and before the appointment of Mr. Yuen Kwok On as company secretary on 26 April 2010) prepared and kept detailed minutes of each Board meeting and Board committee meeting and, within a reasonable time after each meeting, the draft minutes were circulated to all Directors for comment and the final and approved version of the minutes was sent to all Directors for their records. The Board committees had also adopted and followed the same practices and procedures as used in the Board meetings.

During the 18 months ended 31 December 2009, due to the resignation of Prince Chatrichalerm Yukol as an independent non-executive Director on 20 November 2008, the total number of independent non-executive Directors fell below the minimum number as required under Rule 3.10(1) of the Listing Rules. Subsequently, Mr. Masahito Tachikawa was appointed by the Board as an independent non-executive Director with effect from 20 March 2009 such that the requirement as to the minimum number of independent non-executive Directors as required under note 1 to code provision A.3 of the CG Code and Rule 3.10(1) of the Listing Rules had been fulfilled.

The Board has received from each independent non-executive Director a written confirmation of his independence and the Board considers all of them to be independent pursuant to Rule 3.13 of the Listing Rules.

To the best knowledge of the Company, except for (i) Ms. Wu Keyan who is the sister of Mr. Wu Kebo; (ii) Mr. Li Pei Sen who is the associate chairman of Orange Sky Entertainment Group (International) Holding Company Limited (a company 80% owned by Mr. Wu Kebo); (iii) the interests of Mr. Chang Tat Joel in the shares of which Mr. Wu Kebo is interested as set out in the paragraphs headed "Directors and Chief Executives' interests and short positions in shares, underlying shares and debentures" and "Substantial Shareholders" and Other Persons' Interests and Short Positions in Shares and Underlying Shares" in the section "Report of the Directors" in this annual report, there is no financial, business, family or other material/ relevant relationship among members of the Board.

公司秘書或本公司秘書部員工及本公司財務總監(在張永良先生於二零零九年十月十二日辭任公司秘書後及在袁國安先生於二零一零年四月二十六日獲委任為公司秘書前)負責編製及備存每次董事會會議及董事委員會會議之詳細會議記錄，並於每次會議後之合理時間內向全體董事傳閱會議記錄初稿，以供董事提供意見，而會議記錄最終獲批准之版本已發給所有董事作記錄。董事委員會亦已採用及沿用董事會會議採用之相同常規及程序。

於截至二零零九年十二月三十一日止十八個月，由於Prince Chatrichalerm Yukol於二零零八年十一月二十日辭任本公司獨立非執行董事，獨立非執行董事總數因而未能符合上市規則第3.10(1)條規定之數目下限。隨後，立川正人先生已獲董事會委任為獨立非執行董事，自二零零九年三月二十日起生效，本公司得以符合根據企業管治守則第A.3條守則條文附註1以及上市規則第3.10(1)條項下獨立非執行董事之最低人數規定。

董事會已接獲各獨立非執行董事就彼等之獨立身份之書面確認，董事會認為，根據上市規則第3.13條，全體獨立非執行董事均屬獨立人士。

據本公司所深知，除(i)伍克燕女士為伍克波先生之胞妹；(ii)李培森先生為橙天嘉禾娛樂(集團)有限公司(一間伍克波先生擁有80%權益的公司)之聯合董事長；(iii)本年報「董事會報告」部份「董事及主要行政人員於股份、相關股份及債券之權益及淡倉」及「主要股東及其他人士於股份及相關股份之權益及淡倉」各段所列載，鄭達祖先生於伍克波先生擁有權益的股份中的權益外，董事會成員間並無任何財務、業務、家族或其他重大／關連關係。

# Corporate Governance Report

## 企業管治報告

### Chairman and Chief Executive Officer

The Chairman of the Board, Mr. Wu Kebo, is responsible for providing leadership of the Board and ensuring all Directors are properly briefed on issues arising at the Board meeting. In addition, he is charged with the duty to ensure that Directors receive in timely manner adequate, complete and reliable information in relation to the Group's affairs. The Chairman also encourages Directors to actively participate in and to make a full contribution to the Board so that the Board functions effectively and acts in the best interest of the Company.

Mr. Wu Kebo, the Chairman and executive Director, acted as the acting managing Director with effect from 21 December 2007 until 21 September 2009. The Board was pleased to announce that Mr. Wu King Shiu Kelvin was appointed by the Board as the CEO of the Company with effect from 22 September 2009. He was focusing on strategic planning and assessment of mergers and acquisitions opportunities for the Company. Following the appointment of Mr. Wu King Shiu Kelvin as the CEO of the Company, the requirement under code provision A.2.1 of the CG Code as to the separate roles of Chairman and CEO was fulfilled.

Save for the interests of Mr. Wu King Shiu Kelvin in the shares of which Mr. Wu Kebo is interested as set out in the paragraph headed "Directors' and Chief Executive's interests and short positions in shares, underlying shares or debentures" in the section "Report of the Directors" in this annual report, there is no financial, business, family or other material/relevant relationship between the Chairman and the CEO of the Company.

### Non-Executive Directors

All non-executive Directors were not appointed for a specific term but 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 being appointed for a specific term. In the Board meeting and Board committee meeting in which constructive views and comments of the non-executive Directors are given, the non-executive Directors provides independent judgment on the issues relating to the strategy, performance, conflict of interest and management process.

### 主席及行政總裁

董事會主席伍克波先生負責領導董事會，並確保所有董事已適當知悉董事會上之事宜。此外，彼負責確保董事及時收到有關本集團事宜之充分、完整及可靠資料。主席亦鼓勵董事積極參與董事會，為董事會全力作出貢獻，以使董事會有效運作，並能按本公司之最佳利益行事。

主席兼執行董事伍克波先生出任署理董事總經理，自二零零七年十二月二十一日起生效，並擔任至二零零九年九月二十一日。董事會欣然宣佈胡景邵先生獲委任為本公司行政總裁，自二零零九年九月二十二日起生效。彼專責策略謀劃及評估本公司的合併與收購機會。胡景邵先生獲委任為本公司行政總裁後，本公司得以符合企業管治守則第A.2.1條守則條文下，主席與行政總裁之角色區分的規定。

除本年報「董事會報告」部份「董事及主要行政人員於股份、相關股份或債權證之權益及淡倉」一段所列載，鄭達祖先生於伍克波先生擁有權益的股份中的權益外，本公司主席與行政總裁之間並無任何財務、業務、家族或其他重大／關連關係。

### 非執行董事

全體非執行董事並無指定任期，惟須按本公司之公司細則之相關規定，最少每三年於本公司之股東週年大會上輪值退任一次，並重選連任，此舉目的與指定委任任期相同。在董事會會議以及董事委員會會議上，非執行董事會提供建設性意見及建議，及為有關策略、業績、利益衝突及管理過程之事宜作出獨立判斷。



# Corporate Governance Report

## 企業管治報告

### Remuneration of Directors

The Company has established a remuneration committee of the Company (the "Remuneration Committee") on 8 October 2004 and has formulated its written terms of reference in accordance with code provision B.1.3 of the CG Code. The Remuneration Committee currently comprises one executive Director, being Mr. Wu Kebo, and two independent non-executive Directors, being Mr. Leung Man Kit and Ms. Wong Sze Wing. The principal responsibilities of the Remuneration Committee include making recommendation to the Board on the Company's policy and structure for the remuneration packages of all the Directors and senior management of the Company according to its terms of reference, including benefits in kind, pension rights and compensation payments, including any compensation payable for the loss or termination of their office or appointment. The remuneration of the Directors and senior management of the Company is determined by reference to factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, employment conditions elsewhere in the Group and desirability of performance based remuneration.

The Remuneration Committee is required to consult the Chairman of the Board regarding the remuneration of the executive Directors and members of the Remuneration Committee have access to professional advice on remuneration of executive Directors if considered necessary.

### 董事酬金

本公司已於二零零四年十月八日成立本公司之薪酬委員會(「薪酬委員會」)，並根據企業管治守則守則條文第B.1.3條書面訂明其職權範圍。薪酬委員會現任成員包括一名執行董事伍克波先生及兩名獨立非執行董事梁民傑先生及黃斯穎女士。薪酬委員會之主要職責包括根據其職權範圍，向董事會就本公司全體董事及高級管理人員之薪酬組合政策及架構作出推薦意見，其中包括實物利益、退休金權利及賠償費用(包括就離職或終止職務或委任而應付之任何賠償)。本公司董事及高級管理人員之薪酬乃參照可與比較公司支付之薪金、董事及高級管理人員付出之時間及職責、本集團各地區之僱傭條件及與表現掛鈎薪酬方案之適用程度等因素而釐定。

薪酬委員會須就執行董事及薪酬委員會成員之薪酬徵詢董事會主席之意見以及(如有必要)就執行董事之薪酬徵求專業意見。

# Corporate Governance Report

## 企業管治報告

The Remuneration Committee held two meetings during the 18 months ended 31 December 2009 to review and make recommendation to the Board on the Directors' fees of all the existing non-executive Directors and to review the remuneration package of all existing executive Directors and senior management of the Company. The Remuneration Committee also reviewed and approved the terms of service contracts of the executive Directors, and the granting of share options to the executive Directors and senior management of the Company pursuant to the share option scheme of the Company. The composition of the Remuneration Committee during the 18 months ended 31 December 2009 and the attendance of the members of the Remuneration Committee to the meetings of the Remuneration Committee are as follows:

### Members

#### 成員

		Meetings Attended/ Eligible to Attend
		曾出席/合資格出席會議
Wu Kebo	伍克波	2/2
Leung Man Kit	梁民傑	2/2
Masahito Tachikawa (Note)	立川正人 (附註)	0/1
Prince Chatrichalerm Yukol (resigned on 20 November 2008)	Prince Chatrichalerm Yukol (於二零零八年十一月二十日辭任)	0/1
Eric Norman Kronfeld (retired on 20 November 2008)	Eric Norman Kronfeld (於二零零八年十一月二十日退任)	1/1

Note: Mr. Masahito Tachikawa was appointed as an independent non-executive Director and a member of the Remuneration Committee on 20 March 2009 and therefore has not attended any meeting of the Remuneration Committee held prior to that date. Mr. Masahito Tachikawa has resigned as an independent non-executive Director and a member of the Remuneration Committee with effect from 26 April 2010 and Ms. Wong Sze Wing has been appointed to such positions with effect from 26 April 2010.

薪酬委員會於截至二零零九年十二月三十一日止十八個月曾舉行兩次會議，以檢討全體現任非執行董事之董事袍金，以及檢討本公司全體現任執行董事及高級管理人員之薪酬待遇並就此向董事會作出推薦建議。薪酬委員會亦已檢討及批准執行董事之服務合約條款以及根據本公司購股權計劃向本公司執行董事及高級管理人員授出購股權。於截至二零零九年十二月三十一日止十八個月薪酬委員會之組成及薪酬委員會成員出席該會會議之情況如下：

附註：立川正人先生於二零零九年三月二十日獲委任為獨立非執行董事及薪酬委員會成員，並無出席於該日期前之薪酬委員會會議。立川正人先生已辭任獨立非執行董事及薪酬委員會成員，自二零一零年四月二十六日起生效。黃斯穎女士已獲委任接替該等職務，自二零一零年四月二十六日起生效。

Details of emoluments of each Director are set out in note 10(a) to the financial statements on page 101 of this annual report.

各董事之酬金詳情載於本年報第180頁財務報表附註10(a)。

### Nomination of Directors

The Board is empowered under the Company's Bye-laws to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the members at the general meeting, as an additional member of the Board. The selection criteria are mainly based on the professional qualifications and experience of the candidate. Pursuant to Bye-law 86(2) of the Bye-laws of the Company, any Director who has been appointed by the Board must retire and be subject to re-election at the first general meeting after his/her appointment. A retiring Director shall be eligible for re-election. The Board reviews regularly its composition to ensure a balance of skills and experience appropriate for the requirements of the business of the Company. During the 18 months ended 31 December 2009, the Board reviewed the qualification and experience requirement of the candidate so as to cope with the Company's development and business expansion.

### 董事提名

根據本公司之公司細則，董事會獲授權委任任何人士出任董事，以填補董事會臨時空缺或在股東於股東大會授權之規限下，作為董事會之新增成員。甄選條件主要按候選人之專業資格及經驗為基準。根據本公司之公司細則第86(2)條規定，任何獲董事會委任之董事必須於獲委任後首個股東大會退任及重選連任。退任董事將合資格重選連任。董事會定期檢討其成員組合，以確保成員之技能與經驗能取得平衡，能夠符合本公司業務需要。截至二零零九年十二月三十一日止十八個月，董事會已審閱候選人之專業資格及經驗，以配合本公司之發展及業務擴展。

# Corporate Governance Report

## 企業管治報告

### Auditors' Remuneration

For the 18 months ended 31 December 2009, the fees paid/payable to the Group's auditors, Messrs. KPMG, are set out as follows:

#### Services Rendered

所提供服務

Audit Services	審核服務
Non-audit services	非審核服務

### 核數師酬金

截至二零零九年十二月三十一日止十八個月，已付／應付本集團核數師畢馬威會計師事務所之費用載列如下：

#### Fee Paid/Payable

已付／應付費用

HK\$'000

千港元

2,098

1,199

### Audit Committee and Accountability

The Board is responsible for preparing the financial statements that give a true and fair view of the financial position of the Group on a going concern basis. It is also responsible for presenting a balanced, clear and understandable assessment in annual/interim reports, price-sensitive announcements and other financial disclosures. Management of the Company provides all relevant information and records so as to enable the Board to discharge its responsibilities.

The Board established an audit committee of the Company (the "Audit Committee") on 9 October 1998 and formulated written terms of reference in accordance with the requirements of the Listing Rules. As at 31 December 2009, the Audit Committee's members comprised two independent non-executive Directors and one non-executive Director, being Mr. Leung Man Kit (who also acts as the chairman), Mr. Huang Shao-Hua George and Mr. Li Pei Sen.

Since the re-designation of Mr. Li Pei Sen as executive Director with effect from 26 April 2010, Ms. Wong Sze Wing, who was appointed as an independent non-executive Director on 26 April 2010, was appointed as a member of the audit committee in place of Mr. Li Pei Sen with effect from 26 April 2010.

### 審核委員會及問責

董事會有責任以持續經營之基準編制本集團之財務報表，以提供真確及公正之財政狀況。其亦有責任對本集團之年報／中期報告、股價敏感資料之通告及其他財務披露作出平衡，作清晰及合理之評核。本公司之管理層會向董事會提供一切有關資料及記錄，以便董事會履行其職責。

董事會於一九九八年十月九日成立本公司之審核委員會（「審核委員會」），並根據上市規則書面訂明其職權範圍。於二零零九年十二月三十一日審核委員會現任成員包括兩名獨立非執行董事及一名非執行董事，即梁民傑先生（彼亦擔任主席）、黃少華先生及李培森先生。

由於李培森先生於二零一零年四月二十六日起調任為執行董事，黃斯穎女士於二零一零年四月二十六日獲委任為獨立非執行董事，並於二零一零年四月二十六日獲委任為審核委員會成員取代李培森先生。

# Corporate Governance Report

## 企業管治報告

During the 18 months ended 31 December 2009, three Audit Committee meetings were convened and the individual attendance of the members of the Audit Committee is set out as follows:

截至二零零九年十二月三十一日止十八個月曾召開三次審核委員會會議，審核委員會個別成員之出席情況如下：

Members 成員		Meetings Attended/ Eligible to Attend 曾出席／合資格出席會議
Leung Man Kit ( <i>Chairman</i> )	梁民傑(主席)	2/3
Huang Shao-Hua George	黃少華	3/3
Li Pei Sen (appointed on 20 March 2009)	李培森 (於二零零九年三月二十日獲委任)	1/3
Prince Chatrichalerm Yukol (resigned on 20 November 2008)	Prince Chatrichalerm Yukol (於二零零八年十一月二十日辭任)	0/1

The principal duties of the Audit Committee include monitoring the integrity of the financial statements of the Company, reviewing the effectiveness of Company's internal control (including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget) and risk management as delegated by the Board and making recommendation to the Board on the appointment and engagement of the external auditors for the audit and non-audit services. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

審核委員會之主要職務包括監控本公司財務報表是否完整全面、按董事會授權檢討本公司之內部監控(包括資源充足性、本公司會計及財務申報職能員工之資歷及經驗以及其培訓計劃及預算)及風險管理事宜，以及就委聘外聘核數師進行審核及非審核服務向董事會作出推薦意見。審核委員會獲提供充足資源以履行其職責。

During the 18 months ended 31 December 2009, the Audit Committee reviewed the accounting principles and policies adopted by the Group and discussed and reviewed financial reporting matters including the interim and audited financial statements. In addition, the Audit Committee also reviewed the engagement of the external auditors and the adequacy and effectiveness of the Company's internal control and risk management systems and made recommendations to the Board. There was no disagreement between the Board and the Audit Committee on the selection, appointment or resignation of the external auditors.

截至二零零九年十二月三十一日止十八個月，審核委員會已審閱本集團採納之會計原則及政策，並討論及審閱財務申報事宜，包括中期及經審核財務報表。此外，審核委員會亦審閱外聘核數師之委聘、本公司內部監控及風險管理制度是否足夠及有效，並向董事會作出推薦意見。董事會與審核委員會就甄選、委任或罷免外聘核數師並無意見分歧。

Pursuant to Rule 3.21 of the Listing Rules, the audit committee of an issuer must comprise a minimum of three members and at least one of whom is an independent non-executive director with appropriate qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

根據上市規則第3.21條，發行人之審核委員會須包括最少三名成員，當中最少一名為具上市規則第3.10(2)條規定之合適資格或會計或相關財務管理專長之獨立非執行董事。

# Corporate Governance Report

## 企業管治報告

The resignation of Prince Chatrichalerm Yukol as an independent non-executive Director and member of the Audit Committee on 20 November 2008 resulted in the total number of members of the Audit Committee falling below the minimum number as required under Rule 3.21 of the Listing Rules and the Company failing to meet the requirement regarding qualifications of the member of the Audit Committee under Rule 3.21 of the Listing Rules. The Board appointed Mr. Li Pei Sen as a non-executive Director and a member of the Audit Committee on 20 March 2009 such that the requirements as to the minimum number of members of the Audit Committee and the qualification of the member of the Audit Committee as required under Rule 3.21 of the Listing Rules had been fulfilled. Due to the re-designation of Mr. Li Pei Sen as executive Director with effect from 26 April 2010, Ms. Wong Sze Wing, who was appointed as an independent non-executive Director on 26 April 2010, was appointed as a member of the Audit Committee in place of Mr. Li Pei Sen with effect from 26 April 2010.

### Responsibilities to Financial Statements

The Directors acknowledge their responsibilities to prepare the financial statements in each financial year with supports from the finance department of the Company and to ensure that the relevant accounting policies are observed and the accounting standards issued by the Hong Kong Institute of Certified Public Accountants are complied with in the preparation of such financial statements and to report the financial affairs of the Company in a true and fair manner.

The statement by the auditors of the Company regarding their responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 61 to 62 of this annual report.

### Going Concern

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Prince Chatrichalerm Yukol於二零零八年十一月二十日辭任獨立非執行董事及審核委員會成員，令審核委員會之總成員人數跌至低上市規則第3.21條所規定之最低人數，而本公司未能遵守上市規則第3.21條有關審核委員會資格之規定。董事會於二零零九年三月二十日委任李培森先生為非執行董事及審核委員會成員，令本公司得以遵守上市規則第3.21條所規定審核委員會最低成員人數以及審核委員會成員資格之規定。由於李培森先生於二零一零年四月二十六日辭任執行董事，黃斯穎女士於二零一零年四月二十六日獲委任為獨立非執行董事，並於二零一零年四月二十六日獲委任為審核委員會成員取代李培森先生。

### 對財務報表之責任

董事瞭解彼等之責任為於本公司財務部門支援下，編製每個財政年度之財務報表、確保遵照有關會計政策及香港會計師公會頒佈之會計準則編製有關財務報表，以及真實公平地呈報本公司之財務狀況。

本公司核數師就其對本集團財務報表之責任之聲明載於本年報第61至62頁之獨立核數師報告書內。

### 持續經營基準

董事確認，據彼等經作出一切合理查詢後所深知、全悉及確信，彼等並不知悉有任何可能對本公司持續經營能力構成重大疑問之任何重大不明朗事項或情況。

# Corporate Governance Report

## 企業管治報告

### Internal Controls

The Board has overall responsibilities for maintaining a sound and effective internal control system with the aim at (i) safeguarding the Group's assets against unauthorised use or disposition; (ii) maintaining proper accounting records and (iii) ensuring compliance with relevant legislation and regulations. The internal control system of the Group comprises a well-established organisation structure and comprehensive policies and standards. The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls and risk management function for the 18 months ended 31 December 2009, where some findings have been identified and reported to the Board. There are no material internal control deficiencies that may affect the shareholders of the Company have come to the attention of the Audit Committee or the Board. The Directors are of the opinion that the Company has complied with code provision C.2.1 on internal controls as set out in the CG Code contained in Appendix 14 of the Listing Rules.

### Shareholder Relations

The Company has adopted a policy of disclosing clear and relevant information to the shareholders of the Company in timely manner. The general meeting(s) of the Company provides a forum for communication between shareholders of the Company and Directors.

Review of the General Meeting proceedings had been carried out by the Board from time to time so as to ensure that the Company had followed the best corporate governance practices. Notice of the General Meeting together with the circular setting out details of each of the proposed resolutions (including procedures for demanding a poll where required under the CG code), voting procedures and other relevant information were delivered to all the shareholders of the Company with sufficient notice as required under the Listing Rules and the Bye-laws of the Company before the date appointed for the General Meeting. At the commencement of the General Meeting, procedures for demanding where required and conducting a poll were explained by the chairman of the meeting to the shareholders of the Company and the votes cast were properly counted and recorded by the scrutineer appointed by the Company. Poll results of the General Meeting were posted on the website of the Company and the Stock Exchange on the day of the General Meeting.

### 內部監控

董事會有整體責任維持穩健兼有效之內部監控制度，旨在(i)保障本集團資產不會在無經授權下遭使用或處置；(ii)維持妥善會計記錄及(iii)確保遵從有關法例及規例。本集團之內部監控系統包括完善之組織結構及周全政策與準則。董事會於截至二零零九年十二月三十一日止十八個月已透過審核委員會審閱本集團內部監控制度之效益，涉及財務、營運及守規監控與風險管理職能等所有重大監控事宜，而當中發現已向董事會匯報。審核委員會或董事會概不知悉內部監控有任何可能影響本公司股東之重大不足之處。董事認為，本公司一直遵守上市規則附錄14內企業管治守則項下有關內部監控之第C.2.1條守則條文規定。

### 與股東之關係

本公司已採納一套可及時向本公司股東清晰披露有關資料之政策。本公司之股東大會為本公司股東與董事提供溝通平台。

股東大會之議程已由董事會不時檢討，以確保本公司奉行最佳之企業管治常規。股東大會通告連同載有各項提呈之決議案、投票程序(包括根據企業管治守則在需要下，要求及進行投票表決之程序)及其他相關資料之詳情之通函於股東大會指定舉行日期前按上市規則及本公司細則規定之充足通知期限下派送予本公司股東。於大會開始時，股東大會主席會向本公司股東解釋就於有需要下要求及進行投票表決之程序，且所有票數均會由本公司委任之監票員適當點算及記錄在案。股東大會之投票結果於股東大會同日在本公司網站及聯交所公佈。

# Independent Auditor's Report

## 獨立核數師報告



### Independent auditor's report to the shareholders of Orange Sky Golden Harvest Entertainment (Holdings) Limited

(Formerly known as Golden Harvest Entertainment  
(Holdings) Limited)  
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company") set out on pages 63 to 141, which comprise the consolidated and Company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the eighteen months ended 31 December 2009, and a summary of significant accounting policies and other explanatory notes.

### Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

致橙天嘉禾娛樂(集團)有限公司  
(前稱為嘉禾娛樂事業(集團)有限公司)  
(於百慕達註冊成立之有限公司)  
全體股東之  
獨立核數師報告

本核數師已審核刊於第142頁至第220頁橙天嘉禾娛樂(集團)有限公司(「貴公司」)之綜合財務報表，當中包括於二零零九年十二月三十一日的綜合及公司資產負債表、截至二零零九年十二月三十一日止十八個月的綜合收益表、綜合權益變動報表和綜合現金流量表以及主要會計政策概要和其他附註解釋。

### 董事就財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈的香港財務報告準則及香港公司條例的披露規定，編製及真實公平地列報該等財務報表。這責任包括設計、實施及維護與編製及真實公平地列報財務報表相關的內部控制，以確使財務報表不存在因欺詐或錯誤而導致的重大錯誤陳述；選擇並應用適當的會計政策；及按情況作出合理的會計估計。

### 核數師的責任

我們的責任是根據我們的審核對此等財務報表發表意見，並按照百慕達一九八一年《公司法》第90條僅向全體股東報告。除此之外，本報告別無其他目的。本核數師不會就本報告內容向任何其他人士負責或承擔任何責任。

我們已根據香港會計師公會頒佈的香港審計準則進行審核。這些準則要求我們遵守道德規範，並規劃及執行審核，以合理確定此等財務報表是否不存有任何重大錯誤陳述。

# Independent Auditor's Report

## 獨立核數師報告

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the eighteen months ended 31 December 2009 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### KPMG

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

26 April 2010

審核涉及執程序以獲取有關財務報表所載金額及披露資料的審核憑證。所選定程序取決於核數師的判斷，包括評估由於欺詐或錯誤而導致財務報表存有重大錯誤陳述的風險。在評估該等風險時，核數師考慮與該公司編製及真實公平地列報財務報表相關的內部控制，以設計適當的審核程序，但並非為對公司的內部控制的效能發表意見。審核亦包括評價董事所採用的會計政策的適當性及所作出的會計估計的合理性，以及評價財務報表的整體列報方式。

我們相信，我們所獲得的審核憑證充足和適當地為我們的審核意見提供基礎。

### 意見

我們認為，該等綜合財務報表已根據香港財務報告準則真實而公平地反映 貴公司及 貴集團於二零零九年十二月三十一日的財政狀況，及 貴集團截至二零零九年十二月三十一日止十八個月的溢利及現金流量，並已按照香港公司條例的披露規定妥為編製。

#### 畢馬威會計師事務所

執業會計師  
香港  
中環  
遮打道10號  
太子大廈8樓

二零一零年四月二十六日



# Consolidated Income Statement

for the eighteen months ended 31 December 2009

	Note	Eighteen months ended 31 December 2009 HK\$'000	Year ended 30 June 2008 HK\$'000
<b>Continuing operations</b>			
<b>Turnover</b>	4 & 5	<b>1,163,513</b>	619,901
Cost of sales		<b>(543,662)</b>	(289,552)
<b>Gross profit</b>		<b>619,851</b>	330,349
Other revenue and other net income	6	<b>74,187</b>	67,723
Selling and distribution costs		<b>(547,358)</b>	(301,739)
General and administrative expenses		<b>(83,406)</b>	(61,498)
Other operating expenses		<b>(7,227)</b>	(14,979)
<b>Profit from operations</b>		<b>56,047</b>	19,856
Finance costs	7(a)	<b>(2,505)</b>	(11,970)
Share of profits less losses of associates		–	9,663
Gain on disposal of interest in a jointly controlled entity	9	<b>61,852</b>	–
<b>Profit before taxation</b>		<b>115,394</b>	17,549
Income tax	8(a)	<b>(20,484)</b>	(10,391)
<b>Profit for the period/year from continuing operations</b>		<b>94,910</b>	7,158
<b>Discontinued operation – jointly controlled entity held for sale</b>	9		
<b>Profit for the period/year from discontinued operation</b>		<b>1,198</b>	3,911
<b>Total profit for the period/year</b>		<b>96,108</b>	11,069

# Consolidated Income Statement

for the eighteen months ended 31 December 2009

	Note	<b>Eighteen months ended 31 December 2009 HK\$'000</b>	Year ended 30 June 2008 HK\$'000
<b>Attributable to:</b>			
Equity holders of the Company	11	<b>95,542</b>	10,763
Minority interests		<b>566</b>	306
		<hr/>	<hr/>
<b>Profit for the period/year</b>	7	<b>96,108</b>	11,069
		<hr/>	<hr/>
<b>Dividends attributable to equity holders of the Company</b>	12	<b>18,327</b>	–
		<hr/>	<hr/>
<b>Earnings per share</b>	13		
Basic			
– Continuing operations		<b>5.10 cents</b>	0.52 cents
– Discontinued operation		<b>0.06 cents</b>	0.30 cents
		<hr/>	<hr/>
		<b>5.16 cents</b>	0.82 cents
		<hr/>	<hr/>
Diluted			
– Continuing operations		<b>5.09 cents</b>	0.52 cents
– Discontinued operation		<b>0.06 cents</b>	0.30 cents
		<hr/>	<hr/>
		<b>5.15 cents</b>	0.82 cents
		<hr/>	<hr/>

The notes on pages 72 to 141 form part of these financial statements.

# Consolidated Balance Sheet

at 31 December 2009

	Note	As at 31 December 2009 HK\$'000	As at 30 June 2008 HK\$'000
<b>Non-current assets</b>			
Fixed assets	14	395,055	367,395
Amounts due from jointly controlled entities	16(a)	–	32,285
Loan to a joint venture partner	16(b)	5,357	–
Available-for-sale equity security	17	1,500	–
Prepaid rental		5,592	8,015
Club memberships		2,490	3,590
Rental and other deposits		56,214	54,006
Trademarks	18	79,421	79,421
Goodwill	19	28,538	–
Deferred tax assets	28(b)	420	358
Pledged bank deposits	23	25,038	10,133
		<u>599,625</u>	<u>555,203</u>
<b>Current assets</b>			
Inventories	20	2,461	2,417
Film rights	21	75,955	27,503
Trade receivables	22	36,789	27,045
Other receivables, deposits and prepayments	22(d)	91,844	49,355
Amounts due from jointly controlled entities	16(a)	1,683	50,277
Pledged bank deposit	23	5,425	–
Deposits and cash	23	517,803	266,307
		<u>731,960</u>	<u>422,904</u>
Assets of a jointly controlled entity held for sale	9	–	141,037
		<u>731,960</u>	<u>563,941</u>
<b>Current liabilities</b>			
Trade payables	24(a)	97,498	68,609
Other payables and accrued charges	24(b)	73,847	71,076
Deferred revenue	24(c)	63,859	58,396
Customer deposits		8,128	3,675
Bank loans	25	24,201	12,480
Convertible notes	26	–	31,066
Loans from joint venture partners	27(b)	–	22,144
Taxation payable	28(a)	23,103	9,618
		<u>290,636</u>	<u>277,064</u>
Liabilities of a jointly controlled entity held for sale	9	–	101,135
		<u>290,636</u>	<u>378,199</u>

# Consolidated Balance Sheet

at 31 December 2009

	Note	As at 31 December 2009 HK\$'000	As at 30 June 2008 HK\$'000
<b>Net current assets</b>		<b>441,324</b>	185,742
<b>Total assets less current liabilities</b>		<b>1,040,949</b>	740,945
<b>Non-current liabilities</b>			
Bank loans	25	62,732	7,800
Convertible note	26	6,150	–
Amount due to a jointly controlled entity	27(a)	5,357	–
Loans from joint venture partners	27(b)	–	42,505
Loan from minority shareholder	27(c)	–	696
Deposits received		4,887	4,248
Deferred tax liabilities	28(b)	13,868	16,540
		<b>92,994</b>	71,789
<b>NET ASSETS</b>		<b>947,955</b>	669,156
<b>Capital and reserves</b>	29		
Share capital		219,974	169,638
Reserves		726,100	498,097
<b>Total equity attributable to equity holders of the Company</b>		<b>946,074</b>	667,735
<b>Minority interests</b>		<b>1,881</b>	1,421
<b>TOTAL EQUITY</b>		<b>947,955</b>	669,156

Approved and authorised for issue by the board of directors on 26 April 2010

**Wu Kebo**  
Director

**Chow Sau Fong Fiona**  
Director

The notes on pages 72 to 141 form part of these financial statements.

# Balance Sheet

at 31 December 2009

	Note	As at 31 December 2009 HK\$'000	As at 30 June 2008 HK\$'000
<b>Non-current assets</b>			
Interest in subsidiaries	15	876,030	681,091
<b>Current assets</b>			
Amount due from a subsidiary	15	1,560	20,000
Prepayments		560	127
Deposits and cash	23	278	193
		2,398	20,320
<b>Current liabilities</b>			
Payables and accrued charges		861	2,693
Convertible notes	26	–	31,066
		861	33,759
<b>Net current assets/(liabilities)</b>			
		1,537	(13,439)
<b>Total assets less current liabilities</b>			
		877,567	667,652
<b>Non-current liabilities</b>			
Convertible note	26	6,150	–
<b>NET ASSETS</b>			
		871,417	667,652
<b>Capital and reserves</b>			
	29		
Share capital		219,974	169,638
Reserves		651,443	498,014
<b>TOTAL EQUITY</b>			
		871,417	667,652

Approved and authorised for issue by the board of directors on 26 April 2010

**Wu Kebo**  
Director

**Chow Sau Fong Fiona**  
Director

The notes on pages 72 to 141 form part of these financial statements.

# Consolidated Statement of Changes in Equity

for the eighteen months ended 31 December 2009

Note	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Equity component of convertible notes HK\$'000	Revaluation reserve HK\$'000	Reserve funds HK\$'000	Surplus reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Exchange reserve of a jointly controlled entity held for sale HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 July 2008	169,638	179,062	1,548	6,422	80,000	242	4,024	1,866	480	22,796	196,876	4,781	667,735	1,421	669,156
Exchange difference on translation of financial statements of															
– overseas subsidiaries	-	-	-	-	-	-	-	-	-	(4,475)	-	-	(4,475)	-	(4,475)
– overseas jointly controlled entities	-	-	-	-	-	-	-	-	-	(14,562)	-	-	(14,562)	(106)	(14,668)
Realisation on disposal of interest in a jointly controlled entity	-	-	-	-	-	-	-	-	-	-	-	(4,781)	(4,781)	-	(4,781)
Total income and expenses recognised directly in equity	-	-	-	-	-	-	-	-	-	(19,037)	-	(4,781)	(23,818)	(106)	(23,924)
Profit for the period	-	-	-	-	-	-	-	-	-	-	95,542	-	95,542	566	96,108
Total income and expenses for the period	-	-	-	-	-	-	-	-	-	(19,037)	95,542	(4,781)	71,724	460	72,184
Dividends declared and paid	12	-	-	-	-	-	-	-	-	-	(18,327)	-	(18,327)	-	(18,327)
Exercise of share options	29(a)(iv)	100	409	(116)	-	-	-	-	-	-	-	-	393	-	393
Transfer to retained profits on lapse of share options	29(a)(iv)	-	-	(826)	-	-	-	-	-	-	826	-	-	-	-
Equity-settled share-based transactions	29(a)(iv)	-	-	1,868	-	-	-	-	-	-	-	-	1,868	-	1,868
Placing of shares	29(a)(iii)	36,600	152,068	-	-	-	-	-	-	-	-	-	188,668	-	188,668
Conversion of convertible notes	26	13,636	17,745	-	-	(242)	-	-	-	-	-	-	31,139	-	31,139
Issuance of convertible note	26	-	-	-	-	2,874	-	-	-	-	-	-	2,874	-	2,874
Transfer to/(from) reserves	-	-	-	-	-	-	-	751	(480)	-	(271)	-	-	-	-
At 31 December 2009	219,974	349,284	2,474	6,422	80,000	2,874	4,024	2,617	-	3,759	274,646	-	946,074	1,881	947,955

# Consolidated Statement of Changes in Equity

for the eighteen months ended 31 December 2009

Note	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Equity component of convertible notes HK\$'000	Revaluation reserve HK\$'000	Reserve funds HK\$'000	Surplus reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Exchange reserve of a jointly controlled entity held for sale HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 July 2007	128,357	125,733	5,085	4,819	80,000	880	3,974	1,139	480	1,208	185,785	-	537,460	555	538,015
Exchange difference on translation of financial statements of															
- overseas subsidiaries	-	-	-	-	-	-	-	-	-	(2,641)	-	-	(2,641)	-	(2,641)
- overseas associates	-	-	-	-	-	-	-	-	-	8,837	-	-	8,837	-	8,837
- overseas jointly controlled entities	-	-	-	-	-	-	-	-	-	20,173	-	-	20,173	106	20,279
Deferred tax credited to equity 28(b)	-	-	-	-	-	-	50	-	-	-	-	-	50	-	50
Total income and expenses recognised directly in equity	-	-	-	-	-	-	50	-	-	26,369	-	-	26,419	106	26,525
Profit for the year	-	-	-	-	-	-	-	-	-	-	10,763	-	10,763	306	11,069
Total income and expenses for the year	-	-	-	-	-	-	50	-	-	26,369	10,763	-	37,182	412	37,594
Repurchase of shares 29(a)(v)	(1,603)	(3,590)	-	1,603	-	-	-	-	-	-	(1,603)	-	(5,193)	-	(5,193)
Exercise of share options 29(a)(iv)	1,975	4,097	(879)	-	-	-	-	-	-	-	-	-	5,193	-	5,193
Transfer to retained profits on lapse of share options 29(a)(iv)	-	-	(2,658)	-	-	-	-	-	-	-	2,658	-	-	-	-
Conversion of convertible notes 26	40,909	52,822	-	-	-	(638)	-	-	-	-	-	-	93,093	-	93,093
Capital injection from a minority shareholder	-	-	-	-	-	-	-	-	-	-	-	-	-	454	454
Transfer to/(from) reserves	-	-	-	-	-	-	-	727	-	(4,781)	(727)	4,781	-	-	-
At 30 June 2008	169,638	179,062	1,548	6,422	80,000	242	4,024	1,866	480	22,796	196,876	4,781	667,735	1,421	669,156

The notes on pages 72 to 141 form part of these financial statements.

# Consolidated Cash Flow Statement

for the eighteen months ended 31 December 2009

	Note	Eighteen months ended 31 December 2009 HK\$'000	Year ended 30 June 2008 HK\$'000
<b>Operating activities</b>			
Profit before taxation			
– Continuing operations		<b>115,394</b>	17,549
– Discontinued operation	9	<b>1,815</b>	7,430
Adjustments for:			
– Interest income		<b>(5,744)</b>	(5,844)
– Finance costs		<b>2,629</b>	13,485
– Depreciation	14	<b>70,412</b>	50,206
– Amortisation of prepaid land lease payments	14	<b>1,154</b>	340
– Loss on disposal of property, plant and equipment	7(c)	<b>5,743</b>	7,027
– Gain on disposal of investment property	7(c)	<b>(3,317)</b>	–
– Gain on disposal of interest in a jointly controlled entity	9	<b>(61,852)</b>	–
– Gain on disposal of a subsidiary		<b>(334)</b>	–
– Loss on disposal of club memberships		<b>177</b>	–
– Share of profits less losses of associates		–	(9,663)
– Equity-settled share-based payment expenses		<b>1,868</b>	–
– Film royalty income		<b>(1,500)</b>	–
– Impairment losses on trade and other receivables	22(b)	<b>237</b>	1,796
– Exchange loss/(gain), net		<b>1,563</b>	(16,584)
<b>Operating profit before changes in working capital</b>		<b>128,245</b>	65,742
Increase in inventories		<b>(501)</b>	(3,077)
(Increase)/decrease in film rights		<b>(14,115)</b>	8,076
Increase in trade receivables		<b>(7,832)</b>	(3,312)
Increase in other receivables, deposits and prepayments		<b>(37,602)</b>	(12,903)
Increase in trade payables		<b>12,466</b>	11,295
Increase in other payables and accrued charges and deferred revenue		<b>8,468</b>	35,167
Increase/(decrease) in customer deposits		<b>4,532</b>	(1,947)
Decrease in prepaid rental		<b>2,423</b>	689
Decrease in rental and other deposits		<b>(2,260)</b>	(4,618)
<b>Cash generated from operations</b>		<b>93,824</b>	95,112
Interest received		<b>6,050</b>	5,816
Interest and finance charges paid		<b>(2,123)</b>	(11,392)
Overseas tax paid		<b>(14,119)</b>	(7,093)
Overseas tax refunded		<b>–</b>	627
<b>Net cash generated from operating activities</b>		<b>83,632</b>	83,070



# Consolidated Cash Flow Statement

for the eighteen months ended 31 December 2009

	Note	Eighteen months ended 31 December 2009 HK\$'000	Year ended 30 June 2008 HK\$'000
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment	14	(122,815)	(67,915)
Proceeds from disposal of property, plant and equipment		1,228	1,408
Proceeds from disposal of investment property		5,133	–
Proceeds from disposal of club memberships		923	–
Net cash outflow from disposal of a subsidiary		(1,641)	–
Acquisition of a subsidiary	34	(33,739)	–
Net proceeds from disposal of interest in a jointly controlled entity		124,716	–
Transfer to jointly controlled entities		–	64,546
Payment from jointly controlled entities		59,691	19,525
Repayment to joint venture partners		(70,006)	(20,282)
Repayment from associates		–	325
Increase in deposits received		639	548
Increase in pledged bank deposits		(20,330)	(5,943)
Decrease in time deposits with maturity of over three months		–	10,031
<b>Net cash (used in)/generated from investing activities</b>		<b>(56,201)</b>	<b>2,243</b>
<b>Financing activities</b>			
Advance of new bank loans		97,927	3,323
Repayment of bank loans		(36,404)	(26,288)
Repayment of loan from minority shareholder		(696)	(288)
Proceeds from placing of shares	29(a)(iii)	188,668	–
Proceeds from issue of ordinary shares under share option scheme		393	5,193
Payment for repurchase of the shares		–	(5,193)
Repayment of finance lease obligations		–	(1,152)
Dividends paid to equity holders of the Company	12	(18,327)	–
<b>Net cash generated from/(used in) financing activities</b>		<b>231,561</b>	<b>(24,405)</b>
<b>Net increase in cash and cash equivalents</b>		<b>258,992</b>	<b>60,908</b>
<b>Cash and cash equivalents at the beginning of the period/year</b>		<b>266,307</b>	<b>209,131</b>
<b>Effect of foreign exchange rate changes</b>		<b>(7,496)</b>	<b>7,109</b>
<b>Cash and cash equivalents at the end of the period/year</b>	23	<b>517,803</b>	<b>*277,148</b>

\* At 30 June 2008, an amount included cash and cash equivalents of HK\$10,841,000 of a jointly controlled entity was classified as held for sale.

## Major non-cash transaction

The purchase consideration for the acquisition of a subsidiary during the eighteen months ended 31 December 2009 comprised cash and issuance of convertible note as set out in the note 34.

The notes on pages 72 to 141 form part of these financial statements.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 1 CORPORATE INFORMATION

Pursuant to a resolution passed in the special general meeting of the Company on 20 July 2009, the Company changed its name from “Golden Harvest Entertainment (Holdings) Limited” to “Orange Sky Golden Harvest Entertainment (Holdings) Limited” and adopted “橙天嘉禾娛樂(集團)有限公司” as the Chinese name for identification purpose only. The change of the Company’s name was approved by the Registrar of Companies in Bermuda and the Registrar of Companies in Hong Kong on 24 August 2009 and 14 September 2009 respectively.

Orange Sky Golden Harvest Entertainment (Holdings) Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding. The principal activities of the Group consist of worldwide film and video distribution, film exhibition in Hong Kong, Mainland China, Taiwan and Singapore, films and television programmes production, provision of advertising and consultancy services in Mainland China. The other particulars of the subsidiaries are set out in note 38(a) to the financial statements.

## 2 CHANGE IN FINANCIAL YEAR END DATE

Pursuant to a resolution of the Board of Directors dated 6 January 2009, the Company’s financial year end date has been changed from 30 June to 31 December in order to be co-terminus with the subsidiaries in the People’s Republic of China (the “PRC”). Accordingly, the current financial period covers the period of eighteen months from 1 July 2008 to 31 December 2009. The comparative figures presented for the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and related notes, which were prepared for the year ended 30 June 2008, are not comparable with those of the current period.

## 3 SIGNIFICANT ACCOUNTING POLICIES

### (a) 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 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”). A summary of the significant accounting policies adopted by the Group is set out below.
- (ii) The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. In the current period, the Group has applied, for the first time, the new amendments to HKFRSs and Interpretations which are effective for the Group’s financial period beginning on 1 July 2008.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Statement of compliance (continued)

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 year ended 30 June 2008 and the eighteen months ended 31 December 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 (note 37).

### (b) Basis of preparation of the financial statements

- (i) The consolidated financial statements include the financial statements of the Company and its subsidiaries and the Group’s share of the financial statements of the Group’s jointly controlled entities for the eighteen months ended 31 December 2009. The results of subsidiaries and jointly controlled entities are consolidated and proportionately consolidated, respectively, from the date of acquisition, being the date on which the Group obtains control and joint control, and continue to be consolidated and proportionately consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.
- (ii) The measurement basis used in the preparation of the financial statements is the historical cost except for certain buildings, where the Group adopted the transitional provision of paragraph 80A of HKAS 16 “Property, plant and equipment” and which have been measured at 1995 fair value, further details are set out in note 3(j) to the financial statements.
- (iii) The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 36.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries and subsidiaries of jointly controlled entities attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between minority interests and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with note 3(t).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (note 3(n)).

### (d) Joint venture companies

A joint venture company is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Joint venture companies (continued)

A joint venture company is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company (note 3(c));
- (b) a jointly controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company (note 3(e));
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company (note 3(f)); or
- (d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

### (e) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the proportionate consolidation method, unless it is classified as held for sale (note 3(dd)). The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains and losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

### (f) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement included the Group's share of the post-acquisition, post-tax results of the associates for the period.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (note 3(n)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in a jointly controlled entity is recognised immediately in profit or loss.

On disposal of a cash generating unit, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### (h) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and jointly controlled entities, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs. Subsequently, investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (note 3(n)).

### (i) Investment properties

Investment properties are buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at cost less accumulated depreciation and impairment losses (note 3(n)). Any gain or loss arising from the retirement or disposal of an investment property is recognised in profit or loss.

Rental income from investment properties is accounted for as described in note 3(aa)(vi).

Depreciation is calculated to write off the cost of investment properties over their estimated useful lives which are within the unexpired term of lease on a straight-line basis. The useful lives of investment properties are reviewed annually.

### (j) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost or valuation less accumulated depreciation and impairment losses (note 3(n)):

- buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (note 3(m)); and
- other items of plant and equipment, other than construction in progress.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Property, plant and equipment (continued)

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

The transition provision set out in paragraph 80A of HKAS 16, "Property, plant and equipment" issued by the HKICPA has been adopted for certain properties, which are stated at valuation. As a result, those assets stated at revalued amounts based on revaluations which were reflected in the financial statements for the year ended 30 June 1995 have not been revalued by class at 30 June 2008.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings	4%
– Leasehold improvements	Over the remaining terms of leases
– Machinery and equipment	6.50% – 33.33%
– Furniture and fixtures	8.33% – 33.33%
– Motor vehicles	20%
– Air-conditioning systems	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

Construction in progress represents an asset under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### (k) Club memberships

Club memberships are stated in the balance sheet at cost less impairment losses (note 3(n)). Cost includes fees and expenses directly related to the acquisition of the club memberships.

Any gain or loss arising from disposal of club memberships is recognised in profit or loss.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Trademarks

Trademarks are stated in the balance sheet at cost less impairment losses (note 3(n)). Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset.

### (m) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### (i) *Classification of assets leased to the Group*

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

#### (ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(n). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

#### (iii) *Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Prepaid land lease payments under an operating lease is amortised on a straight-line basis over the period of the lease term.



# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Impairment of assets

#### (i) *Impairment of investments in equity securities and trade and other receivables*

Investments in equity securities (other than investments in subsidiaries and jointly controlled entities: see notes 3(c) and 3(e)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment.

Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Impairment of assets (continued)

#### (i) Impairment of investments in equity securities and trade and other receivables (continued)

- Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

#### (ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets;
- trademarks;
- club memberships;
- film rights;
- investments in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale) (note 3(dd)); and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount  
The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).
- Recognition of impairment losses  
An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Impairment of assets (continued)

#### (ii) Impairment of other assets (continued)

##### – Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

### (o) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is determined using a first-in, first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down of loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### (p) Film rights

#### (i) Film rights

Film rights represent films and television drama series and are stated at cost less accumulated amortisation and impairment losses (note 3(n)).

Amortisation of film rights is charged to profit or loss based on the proportion of actual income earned during the period to the total estimated income from the sale of film rights.

#### (ii) Film production in progress

Films production in progress represents films under production and are stated at cost less any impairment losses (note 3(n)). Costs include all direct costs associated with the production of films. Impairment losses are made for costs which are in excess of the expected future revenue generated by these films. Costs are transferred to self-produced programmes upon completion.

#### (iii) Self-produced programmes

Self-produced programmes are stated at cost, comprising direct expenditure and an attributable portion of direct production overheads, less accumulated amortisation and impairment losses (note 3(n)). Amortisation is charged to the profit or loss based on the proportion of actual income and earned during the period to the total estimated income from the sale of the self-produced programmes.

#### (iv) Investments in film/drama production

Investments in film/drama production are stated initially at cost and adjusted thereafter for the net income derived from the investments, and less any accumulated impairment losses (see note 3(n)).

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (note 3(n)) except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (note 3(n)).

### (r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

### (s) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (t) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

### (u) Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component of the convertible note is recognised in a capital reserve within equity until either the note is converted or redeemed.

If the note is converted, the equity component of the convertible note, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the equity component of the convertible note is released directly to retained profits.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### (w) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

### (x) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plans*  
Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Share-based payments*  
The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) Employee benefits (continued)

#### (ii) Share-based payments (continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

#### (iii) Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the period by the employees and carried forward.

#### (iv) Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance (the "Employment Ordinance") in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group to the balance sheet date.

#### (v) Retirement benefit schemes

The Group operates a defined contribution retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions to the Scheme are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the Scheme. The Group's employer contributions are fully and immediately vested with the employees when contributed to the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund.

The employees of the Group's subsidiaries which operate in the PRC are members of the state-sponsored retirement scheme (the "State Scheme") operated by the PRC government. Contributions to the State Scheme are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they became payable in accordance with the rules of the State Scheme.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (y) Income tax

- (i) Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.
- (ii) Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (y) Income tax (continued)

- (iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:
- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
  - in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
    - the same taxable entity; or
    - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### (z) Financial guarantees issued, provisions and contingent liabilities

#### (i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(z)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.



# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (z) Financial guarantees issued, provisions and contingent liabilities (continued)

#### (ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (aa) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

- (i) Income from box office takings is recognised when the services have been rendered to the buyers;
- (ii) Income from film distribution and screen advertising is recognised at the time when the services are provided;
- (iii) Income from promotion, advertising production and agency fee and consultancy service is recognised upon the provision of the services;
- (iv) Income from investments in film/drama production is recognised when the films or television programmes are released for distribution;
- (v) Income from confectionery sales and audio visual sales is recognised, at the point of sales when the confectionery and audio visual products are given to the customers;
- (vi) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned;
- (vii) Interest income is recognised as it accrues using the effective interest method;
- (viii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established;
- (ix) Income from ticket-booking is recognised upon the provision of the services; and
- (x) Income from gift vouchers is recognised when customers exchange them for goods/services or upon expiry.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (bb) Translation of foreign currencies

Foreign currency transactions during the period are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and the financial statements of overseas subsidiaries and jointly controlled entities are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses on foreign currency translation are dealt with in profit or loss, except for those arising from the translation of the financial statements of overseas subsidiaries and jointly controlled entities which are taken directly to the exchange reserve.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

### (cc) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised or being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

### (dd) Non-current assets held for sale and discontinued operations

#### (i) *Non-current assets held for sale*

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 3.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Non-current assets held for sale and discontinued operations (continued)

#### (ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

### (ee) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

### (ff) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (ff) Segment reporting (continued)

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, borrowings, tax balances, corporate and financing expenses.

## 4 TURNOVER

The principal activities of the Group consist of worldwide film and video distribution, film exhibition in Hong Kong, Mainland China, Taiwan and Singapore, films and television programmes production, provision of advertising and consultancy services in Mainland China.

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

## 5 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the film and video distribution segment engages in worldwide distribution of films and audio visual products related to films and television programmes;
- (b) the film exhibition segment engages in film exhibition and screen advertising in Hong Kong, Mainland China, Taiwan, Singapore and Malaysia; and
- (c) the others segment comprises film and television programmes production, provision of advertising and consultancy services in Mainland China.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 5 SEGMENT REPORTING (CONTINUED)

### (a) Business segments

	Eighteen months ended 31 December 2009				
	Film and video distribution HK\$'000	Film exhibition HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>Continuing operations</b>					
Sales to external customers	132,155	1,027,709	3,649	-	1,163,513
Inter-segment sales	14,833	-	1,378	(16,211)	-
Other income	2,454	70,670	175	(602)	72,697
Total revenue from continuing operations	<u>149,442</u>	<u>1,098,379</u>	<u>5,202</u>	<u>(16,813)</u>	<u>1,236,210</u>
Segment results from continuing operations	<u>21,944</u>	<u>80,005</u>	<u>(73)</u>	<u>-</u>	101,876
Interest income					5,718
Unallocated operating expenses, net					*(51,547)
Finance costs					(2,505)
Gain on disposal of interest in a jointly controlled entity	-	61,852	-	-	61,852
Profit before taxation					115,394
Income tax					(20,484)
Profit for the period from continuing operations					<u>94,910</u>
<b>Discontinued operation</b>					
Sales to external customers	-	13,674	-	-	13,674
Other income	-	284	-	-	284
Total revenue from discontinued operation	<u>-</u>	<u>13,958</u>	<u>-</u>	<u>-</u>	<u>13,958</u>
Segment results from discontinued operation	<u>-</u>	<u>1,913</u>	<u>-</u>	<u>-</u>	1,913
Interest income					26
Finance costs					(124)
Profit before taxation					1,815
Income tax					(617)
Profit for the period from discontinued operation					<u>1,198</u>
Total profit for the period					<u>96,108</u>

\* This includes exchange loss of HK\$5,833,000.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 5 SEGMENT REPORTING (CONTINUED)

### (a) Business segments (continued)

	Eighteen months ended 31 December 2009				
	Film and video distribution HK\$'000	Film exhibition HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Depreciation for the period	755	67,967	77	-	68,799
Unallocated					1,613
					<b>70,412</b>
Amortisation of prepaid land lease payments	-	1,131	23	-	1,154
Amortisation of film rights	42,075	-	-	-	42,075
Impairment losses on trade and other receivables, net	237	-	-	-	237
Segment assets	182,400	650,385	938	-	833,723
Available-for-sale equity security					1,500
Trademarks					79,421
Goodwill					28,538
Unallocated assets					388,403
Total assets					<b>1,331,585</b>
Segment liabilities	67,814	198,139	1	-	265,954
Unallocated liabilities					117,676
Total liabilities					<b>383,630</b>
Capital expenditure incurred during the period	1,270	120,556	-	-	121,826
Unallocated					989
					<b>122,815</b>

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 5 SEGMENT REPORTING (CONTINUED)

### (a) Business segments (continued)

	Year ended 30 June 2008				Consolidated HK\$'000
	Film and video distribution HK\$'000	Film exhibition HK\$'000	Others HK\$'000	Elimination HK\$'000	
<b>Continuing operations</b>					
Sales to external customers	71,870	536,324	11,707	–	619,901
Inter-segment sales	6,418	–	1,837	(8,255)	–
Other income	1,902	36,460	329	(413)	38,278
	<u>80,190</u>	<u>572,784</u>	<u>13,873</u>	<u>(8,668)</u>	<u>658,179</u>
Total revenue from continuing operations					
Segment results from continuing operations	<u>4,945</u>	<u>38,570</u>	<u>757</u>	<u>–</u>	44,272
Interest income					5,423
Unallocated operating expenses, net					*(29,839)
Finance costs					(11,970)
Share of profits less losses of associates	3,897	5,766	–	–	9,663
Profit before taxation					17,549
Income tax					(10,391)
Profit for the year from continuing operations					<u>7,158</u>
<b>Discontinued operation</b>					
Sales to external customers	–	119,828	–	–	119,828
Other income	–	1,992	–	–	1,992
	<u>–</u>	<u>121,820</u>	<u>–</u>	<u>–</u>	<u>121,820</u>
Total revenue from discontinued operation					
Segment results from discontinued operation	<u>–</u>	<u>8,524</u>	<u>–</u>	<u>–</u>	8,524
Interest income					421
Finance costs					(1,515)
Profit before taxation					7,430
Income tax					(3,519)
Profit for the year from discontinued operation					<u>3,911</u>
Total profit for the year					<u>11,069</u>

\* This includes exchange gain of HK\$24,154,000.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 5 SEGMENT REPORTING (CONTINUED)

### (a) Business segments (continued)

	Year ended 30 June 2008				
	Film and video distribution HK\$'000	Film exhibition HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Depreciation for the year	537	48,348	230	–	49,115
Unallocated					1,091
					<u>50,206</u>
Amortisation of prepaid land lease payments	–	321	19	–	340
Amortisation of film rights	31,930	–	–	–	31,930
Impairment losses on trade and other receivables, net	1,535	259	2	–	1,796
Segment assets	86,188	655,064	7,563	–	748,815
Assets of a jointly controlled entities held for sale					141,037
Trademarks					79,421
Unallocated assets					149,871
Total assets					<u>1,119,144</u>
Segment liabilities	39,562	214,305	4,782	–	258,649
Liabilities of a jointly controlled entities held for sale					101,135
Unallocated liabilities					90,204
Total liabilities					<u>449,988</u>
Capital expenditure incurred during the year	716	65,417	–	–	66,133
Unallocated					1,782
					<u>67,915</u>



# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 5 SEGMENT REPORTING (CONTINUED)

### (b) Geographical segments

	Eighteen months ended 31 December 2009							Consolidated HK\$'000
	Hong Kong HK\$'000	Mainland China HK\$'000	Singapore HK\$'000	Taiwan HK\$'000	Malaysia HK\$'000	Elsewhere in Asia HK\$'000	Others HK\$'000	
Sales to external customers	322,523	149,233	380,246	309,149	13,674	1,866	496	1,177,187
Less:								
Attributable to discontinued operation	-	-	-	-	13,674	-	-	13,674
Sales to external customers from continuing operations	<u>322,523</u>	<u>149,233</u>	<u>380,246</u>	<u>309,149</u>	<u>-</u>	<u>1,866</u>	<u>496</u>	<u>1,163,513</u>
Other segment information:								
Segment assets	567,650	189,625	271,649	192,909	217	-	76	1,222,126
Available-for-sale equity security								1,500
Trademarks								79,421
Goodwill								28,538
Total assets								<u>1,331,585</u>
Capital expenditure incurred during the period	40,487	50,140	4,594	27,594	-	-	-	<u>122,815</u>

	Year ended 30 June 2008							Consolidated HK\$'000
	Hong Kong HK\$'000	Mainland China HK\$'000	Singapore HK\$'000	Taiwan HK\$'000	Malaysia HK\$'000	Elsewhere in Asia HK\$'000	Others HK\$'000	
Sales to external customers	209,134	63,919	140,490	202,688	120,272	2,439	787	739,729
Less:								
Attributable to discontinued operation	-	-	-	-	119,828	-	-	119,828
Sales to external customers from continuing operations	<u>209,134</u>	<u>63,919</u>	<u>140,490</u>	<u>202,688</u>	<u>444</u>	<u>2,439</u>	<u>787</u>	<u>619,901</u>
Other segment information:								
Segment assets	283,524	83,458	297,679	207,359	167,700	-	3	1,039,723
Trademarks								79,421
Total assets								<u>1,119,144</u>
Capital expenditure incurred during the year	11,400	3,822	8,301	11,122	33,270	-	-	<u>67,915</u>

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 6 OTHER REVENUE AND OTHER NET INCOME

	Eighteen months ended 31 December 2009 HK\$'000	Year ended 30 June 2008 HK\$'000
<b>Continuing operations</b>		
Interest income from bank deposits	5,576	4,800
Interest income on loan to a jointly controlled entity	142	623
Rental income	24,964	12,753
Income from gift vouchers	6,319	2,445
Credit card promotion income	5,112	4,101
Ticket-booking income	8,535	4,487
Exchange (loss)/gain, net	(5,833)	24,154
Miscellaneous income	29,372	14,360
	<b>74,187</b>	67,723
<b>Discontinued operation</b>	<b>310</b>	2,413
	<b>74,497</b>	70,136

## 7 PROFIT FOR THE PERIOD/YEAR

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

	Eighteen months ended 31 December 2009 HK\$'000	Year ended 30 June 2008 HK\$'000
<b>(a) Finance costs</b>		
<b>Continuing operations</b>		
Interest on bank loans wholly repayable within five years	2,105	2,415
Interest on convertible notes (note 26(a))	172	7,790
Interest on loans from joint venture partners (note 27(b))	228	911
Finance charges on obligations under finance leases	–	79
Other borrowing costs	–	775
	<b>2,505</b>	11,970
<b>Discontinued operation</b>		
Interest on bank loans wholly repayable within five years	124	1,515
	<b>2,629</b>	13,485

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 7 PROFIT FOR THE PERIOD/YEAR (CONTINUED)

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

	<b>Eighteen months ended 31 December 2009 HK\$'000</b>	Year ended 30 June 2008 HK\$'000
<b>(b) Staff costs (excluding directors' emoluments (note 10))</b>		
Salaries, wages and other benefits*	<b>143,180</b>	94,878
Contributions to defined contribution retirement plans	<b>3,096</b>	3,039
Equity-settled share-based payment expenses	<b>985</b>	–
	<b>147,261</b>	97,917
<b>(c) Other items</b>		
Cost of inventories	<b>38,517</b>	33,565
Cost of services provided**	<b>463,070</b>	276,344
Depreciation	<b>70,412</b>	50,206
Amortisation of prepaid land lease payments	<b>1,154</b>	340
Amortisation of film rights***	<b>42,075</b>	31,930
Impairment losses on trade and other receivables	<b>237</b>	1,796
Auditor's remuneration	<b>2,875</b>	2,284
Operating lease charges in respect of land and buildings		
– minimum lease payments	<b>193,588</b>	131,754
– contingent rentals	<b>34,490</b>	19,278
Loss on disposal of property, plant and equipment	<b>5,743</b>	7,027
Gain on disposal of investment property	<b>(3,317)</b>	–
Rental income less direct outgoings	<b>(24,964)</b>	(12,753)

\* The amount includes provision for long service payments.

\*\* The cost of services provided includes approximately HK\$931,000 (year ended 30 June 2008: HK\$2,827,000) relating to staff costs which is also included in the amount disclosed above.

\*\*\* The amortisation of film rights for the period/year is included in "Cost of sales" in consolidated income statement.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

### (a) Taxation in the consolidated income statement represents:

	Eighteen months ended 31 December 2009 HK\$'000	Year ended 30 June 2008 HK\$'000
<b>Continuing operations</b>		
<b>The Group</b>		
<i>Current income tax</i>		
Provision for overseas tax	3,284	948
Over-provision in respect of prior years	(59)	(543)
	3,225	405
<b>Jointly controlled entities</b>		
<i>Current income tax</i>		
Provision for overseas tax	19,138	2,583
	19,138	2,583
<i>Deferred tax – overseas (note 28(b))</i>		
Origination and reversal of temporary differences	(1,879)	7,403
	(1,879)	7,403
	17,259	9,986
	20,484	10,391
<b>Discontinued operation</b>		
<i>Current income tax</i>		
Provision for overseas tax	617	2,269
<i>Deferred tax – overseas (note 28(b))</i>		
Origination and reversal of temporary differences	–	1,250
	–	1,250
	617	3,519
	21,101	13,910

Notes:

- (i) The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (year ended 30 June 2008: 16.5%) of the estimated assessable profits for the period/year.
- (ii) The provision for PRC Corporate Income Tax of the subsidiaries established in the PRC is calculated at 25% (2008: 25%) of the estimated taxable profits for the period/year.

The State Council Notice, GuoFa (2007) No. 39 Notice on the Implementation of the Transitional Preferential Corporate Income Tax Policies (國法(2007) 39號《國務院關於實施企業所得稅過渡優惠政策的通知》) (“Circular 39”), provided a five-year transitional period effective from 1 January 2008 for those enterprises which were established before 16 March 2007 and which were entitled to a preferential lower tax rate under the then effective tax laws and regulations. The transitional tax rates are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively. Accordingly, a wholly owned subsidiary of the Group, located in the Shenzhen Special Economic Zone, is subject to income tax at 18% and 20% for 2008 and 2009 respectively.

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

- (iii) Share of associates’ tax for the year ended 30 June 2008 of HK\$3,250,000 is included in the share of profits less losses of associates.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

### (b) Reconciliation between tax expense and profit before taxation at applicable tax rates:

	Eighteen months ended 31 December 2009 HK\$'000	Year ended 30 June 2008 HK\$'000
Profit before taxation (including profit from discontinued operation)	<b>117,209</b>	24,979
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	<b>20,354</b>	7,138
Share of profits less losses of associates	–	(3,251)
Tax effect of non-deductible expenses	<b>6,861</b>	8,627
Tax effect of non-taxable revenue	<b>(10,794)</b>	(7,178)
Tax effect of unused tax losses not recognised	<b>9,417</b>	7,729
Tax effect of previously unrecognised prior years' tax losses utilised this period/year	<b>(2,880)</b>	(294)
Tax effect of temporary differences unrecognised	<b>(1,215)</b>	1,682
Effect on deferred tax balance resulting from a change in tax rate	<b>(583)</b>	–
Over-provision in prior years	<b>(59)</b>	(543)
Actual tax expense	<b>21,101</b>	13,910
Represented by		
– Continuing operations	<b>20,484</b>	10,391
– Discontinued operation	<b>617</b>	3,519
	<b>21,101</b>	13,910

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 9 JOINTLY CONTROLLED ENTITY CLASSIFIED AS HELD FOR SALE AND DISPOSAL OF INTEREST IN JOINTLY CONTROLLED ENTITY

On 13 February 2008, the Group entered into an agreement to dispose of its entire 50% equity interest in TGV Cinemas Sdn Bhd ("TGV") to its then existing shareholder (the "Transaction"). Details of the Transaction were set out in the Company's circular dated 5 March 2008. TGV is principally engaged in theatre operation in Malaysia.

The disposal of TGV was completed on 31 July 2008 and resulted in a net gain of HK\$61,852,000 which was credited to the consolidated income statement for the eighteen months ended 31 December 2009.

The Group's share of results of TGV has been reclassified and presented as discontinued operation in accordance with HKFRS 5, "Non-current assets held for sale and discontinued operations".

	<i>Note</i>	<b>Eighteen months ended 31 December 2009 HK\$'000</b>	Year ended 30 June 2008 HK\$'000
Turnover	5(a)	<b>13,674</b>	119,828
Cost of sales		<b>(6,164)</b>	(52,287)
		<b>7,510</b>	67,541
Other income	6	<b>310</b>	2,413
Selling and distribution costs		<b>(5,537)</b>	(55,924)
General and administrative expenses		<b>(344)</b>	(1,674)
Other operating expenses		<b>–</b>	(3,411)
Profit from operations		<b>1,939</b>	8,945
Finance costs	7(a)	<b>(124)</b>	(1,515)
Profit before taxation		<b>1,815</b>	7,430
Income tax	8(a)	<b>(617)</b>	(3,519)
Profit for the period/year		<b>1,198</b>	3,911

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 10 DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

### (a) Directors' emoluments

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Equity-settled share-based payments HK\$'000 (note)	Eighteen months ended 31 December 2009 Total HK\$'000	Year ended 30 June 2008 HK\$'000
<b>Executive directors</b>						
WU, Kebo	–	1,435	–	613	2,048	593
CHOW, Sau Fong Fiona	–	2,280	18	85	2,383	535
WU, Keyan	–	785	18	85	888	–
CHOW, Siu Hong <sup>#</sup>	–	138	2	–	140	915
CHAN, Suet Yin Winnie <sup>#</sup>	–	1,994	16	–	2,010	–
WANG, Wei <sup>#</sup>	–	500	6	–	506	535
SHEN, De Min <sup>#</sup>	–	155	2	–	157	313
LAU, Pak Keung <sup>#</sup>	–	198	2	–	200	1,639
CHOW, Ting Hsing Raymond <sup>*</sup>	–	–	–	–	–	1,781
CHIN, Chow Chung Hang Roberta <sup>*</sup>	–	–	–	–	–	480
CHAN, Sik Hong David <sup>*</sup>	–	–	–	–	–	1,263
PHOON, Chiong Kit <sup>*</sup>	–	–	–	–	–	5,393
<b>Non-executive directors</b>						
LI, Pei Sen	186	–	–	25	211	–
KRONFELD, Eric Norman <sup>#</sup>	118	–	–	–	118	280
ARAKI, Takashi <sup>#</sup>	78	–	–	–	78	145
<b>Independent non-executive directors</b>						
LEUNG, Man Kit	435	–	–	25	460	106
HUANG, Shao-Hua George	360	–	–	25	385	230
TACHIKAWA, Masahito	156	–	–	25	181	–
PRINCE Chatrichalerm Yukol <sup>#</sup>	78	–	–	–	78	210
LIN, Frank <sup>*</sup>	–	–	–	–	–	98
MA, Ka Woh Paul <sup>*</sup>	–	–	–	–	–	164
	<u>1,411</u>	<u>7,485</u>	<u>64</u>	<u>883</u>	<u>9,843</u>	<u>14,680</u>

\* The directors resigned during the year ended 30 June 2008. The amounts for the year represent the remuneration of the directors up to the date of resignation.

# The director resigned during the period ended 31 December 2009. The amounts for the period represent the remuneration of the directors up to the date of resignation.

There was no arrangement under which a director waived or agreed to waive any remuneration during the period/year.

Note: These represent the estimated value of share options granted to the directors under the Group's share option schemes. The value of these share options is measured according to the Group's accounting policies for equity-settled share-based payment transactions as set out in note 3(x)(ii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 29(a)(iv).

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 10 DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

### (b) Individuals with highest emoluments

Of the five individuals with highest emoluments, three (year ended 30 June 2008: all) are directors whose emoluments are disclosed in note 10(a). The aggregate of the emoluments in respect of the other two (2008: Nil) are as follows:

	Eighteen months ended 31 December 2009 HK\$'000	Year ended 30 June 2008 HK\$'000
Salaries and other emoluments	3,242	–
Equity-settled share-based payment expenses	133	–
Retirement scheme contributions	36	–
	<b>3,411</b>	–

The emoluments of the two (2008: Nil) individuals with the highest emoluments are within the band of HK\$1,500,000 to HK\$2,000,000.

## 11 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company includes a loss of HK\$2,850,000 (year ended 30 June 2008: profit of HK\$36,544,000) which has been dealt with in the financial statements of the Company.

## 12 DIVIDENDS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Eighteen months ended 31 December 2009 HK\$'000	Year ended 30 June 2008 HK\$'000
Special dividend declared and paid during the period of HK\$0.01 per share (year ended 30 June 2008: HK\$Nil), as adjusted for the subdivision of shares in 2009 (note 29(a)(iii))	<b>18,327</b>	–



# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 13 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\$94,344,000 and HK\$1,198,000 respectively (year ended 30 June 2008: HK\$6,852,000 and HK\$3,911,000) and the weighted average of 1,849,886,779 ordinary shares (year ended 30 June 2008: 1,312,253,510 ordinary shares), after adjusting for the subdivision of shares in November 2009, in issue during the period, calculated as follows:

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

	<b>Eighteen months ended 31 December 2009 HK\$'000</b>	Year ended 30 June 2008 HK\$'000
Profit attributable to equity holders		
– Continuing operations	<b>94,344</b>	6,852
– Discontinued operation	<b>1,198</b>	3,911
	<b>95,542</b>	10,763

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

	<b>Eighteen months ended 31 December 2009</b>	Year ended 30 June 2008
Issued ordinary shares at 1 July 2008/2007 (note)	<b>1,696,376,270</b>	1,283,565,370
Effect of convertible notes converted	<b>128,829,270</b>	37,133,630
Effect of new shares placed	<b>24,666,667</b>	–
Effect of share options exercised	<b>14,572</b>	5,461,750
Effect of shares repurchased	<b>–</b>	(13,907,240)
Weighted average number of ordinary shares (basic) at 31 December 2009/30 June 2008	<b>1,849,886,779</b>	1,312,253,510
Effect of conversion of convertible notes	<b>9,041,909</b>	–
Effect of deemed issue of shares under the Company's share option scheme for HK\$Nil consideration	<b>680,663</b>	4,172,830
Weighted average number of ordinary shares (diluted) at 31 December 2009/30 June 2008	<b>1,859,609,351</b>	1,316,426,340

Note: The issued ordinary shares at 1 July 2008 and 1 July 2007 have been adjusted retrospectively to reflect the subdivision of shares (note 29(a)(ii)).

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 13 EARNINGS PER SHARE (CONTINUED)

### (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\$94,516,000 and HK\$1,198,000 respectively (year ended 30 June 2008: HK\$6,852,000 and HK\$3,911,000) and the weighted average number of ordinary shares of 1,859,609,351 shares (year ended 30 June 2008: 1,316,426,340 shares after adjusting for the subdivision of shares in 2009) (note 29(a)(ii)), calculated as follows:

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

	<b>Eighteen months ended 31 December 2009 HK\$'000</b>	Year ended 30 June 2008 HK\$'000
<b>Continuing operations</b>		
Profit attributable to equity holders	<b>94,344</b>	6,852
After tax effect of effective interest on the liability component of convertible notes	<b>172</b>	–
Profit attributable to equity holders (diluted)	<b>94,516</b>	6,852
<b>Discontinued operation</b>		
Profit attributable to equity holders	<b>1,198</b>	3,911

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

The weighted average number of ordinary shares (diluted) at 31 December 2009 and 30 June 2008 are set out in note 13(a)(ii).

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 14 FIXED ASSETS

### The Group

	Property, plant and equipment									
	Buildings HK\$'000	Leasehold improve- ments HK\$'000	Machinery and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Sub-total HK\$'000	Investments property HK\$'000	Prepaid land lease payments HK\$'000	Total HK\$'000
<b>Cost or valuation:</b>										
At 1 July 2008	74,213	291,999	162,216	41,840	2,216	4,770	577,254	-	68,726	645,980
Additions	-	59,070	41,727	6,501	543	14,974	122,815	-	-	122,815
Acquired from a subsidiary	-	-	545	95	509	-	1,149	-	-	1,149
Transfers	(4,556)	4,605	10,389	-	-	(14,994)	(4,556)	4,556	-	-
Disposals	-	(13,637)	(7,319)	(8,978)	(617)	-	(30,551)	(4,556)	(1,226)	(36,333)
Exchange adjustments	(2,912)	(11,332)	(4,730)	(1,418)	37	(222)	(20,577)	-	(2,822)	(23,399)
At 31 December 2009	66,745	330,705	202,828	38,040	2,688	4,528	645,534	-	64,678	710,212
<b>Representing:</b>										
Cost	66,745	330,705	202,828	38,040	2,688	4,528	645,534	-	64,678	710,212
<b>Accumulated depreciation and amortisation:</b>										
At 1 July 2008	27,568	136,003	90,799	22,398	653	-	277,421	-	1,164	278,585
Charge for the period	2,515	35,449	25,432	6,184	665	-	70,245	167	1,154	71,566
Transfers	(2,573)	-	-	-	-	-	(2,573)	2,573	-	-
Written back on disposals	-	(8,228)	(6,425)	(9,371)	(237)	-	(24,261)	(2,740)	(545)	(27,546)
Exchange adjustments	(988)	(3,876)	(2,254)	(371)	-	-	(7,489)	-	41	(7,448)
At 31 December 2009	26,522	159,348	107,552	18,840	1,081	-	313,343	-	1,814	315,157
<b>Net book value:</b>										
At 31 December 2009	40,223	171,357	95,276	19,200	1,607	4,528	332,191	-	62,864	395,055

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 14 FIXED ASSETS (CONTINUED)

### The Group (continued)

	Property, plant and equipment							Sub-total HK\$'000	Prepaid land lease payments HK\$'000	Total HK\$'000
	Buildings HK\$'000	Leasehold improve- ments HK\$'000	Machinery and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Air- conditioning systems HK\$'000	Construction in progress HK\$'000			
<b>Cost or valuation:</b>										
At 1 July 2007	4,556	268,664	118,603	36,869	3,297	535	8,320	440,844	1,226	442,070
Additions	-	34,367	27,733	2,030	988	-	2,797	67,915	-	67,915
Transfer to jointly controlled entities	65,531	88,871	78,345	6,785	-	-	-	239,532	63,502	303,034
Transfers	-	1,037	197	-	-	-	(1,234)	-	-	-
Disposals	-	(13,643)	(8,888)	(8,774)	(2,134)	(535)	-	(33,974)	-	(33,974)
Reclassification to held for sale (note 9)	-	(109,610)	(66,205)	-	-	-	(5,748)	(181,563)	-	(181,563)
Exchange adjustments	4,126	22,313	12,431	4,930	65	-	635	44,500	3,998	48,498
At 30 June 2008	74,213	291,999	162,216	41,840	2,216	-	4,770	577,254	68,726	645,980
<b>Representing:</b>										
Cost	69,657	291,999	162,216	41,840	2,216	-	4,770	572,698	68,726	641,424
Valuation - 1994 (note (iii))	4,556	-	-	-	-	-	-	4,556	-	4,556
	74,213	291,999	162,216	41,840	2,216	-	4,770	577,254	68,726	645,980
<b>Accumulated depreciation and amortisation:</b>										
At 1 July 2007	2,330	101,004	54,557	20,001	951	535	-	179,378	503	179,881
Charge for the year	1,005	26,413	17,877	4,294	617	-	-	50,206	340	50,546
Transfer to jointly controlled entities	22,749	41,735	49,141	4,292	-	-	-	117,917	321	118,238
Written back on disposals	-	(7,325)	(7,874)	(8,862)	(943)	(535)	-	(25,539)	-	(25,539)
Reclassification to held for sale (note 9)	-	(35,131)	(29,831)	-	-	-	-	(64,962)	-	(64,962)
Exchange adjustments	1,484	9,307	6,929	2,673	28	-	-	20,421	-	20,421
At 30 June 2008	27,568	136,003	90,799	22,398	653	-	-	277,421	1,164	278,585
<b>Net book value:</b>										
At 30 June 2008	46,645	155,996	71,417	19,442	1,563	-	4,770	299,833	67,562	367,395

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 14 FIXED ASSETS (CONTINUED)

### The Group (continued)

(i) Analysis of carrying values of fixed assets:

	As at 31 December 2009		As at 30 June 2008	
	Buildings HK\$'000	Prepaid land lease payments HK\$'000	Buildings HK\$'000	Prepaid land lease payments HK\$'000
Long leases				
– in Hong Kong	–	–	2,044	704
– outside Hong Kong	40,223	62,864	44,601	66,858
	<b>40,223</b>	<b>62,864</b>	<b>46,645</b>	<b>67,562</b>

(ii) At 30 June 2008, the buildings in Hong Kong were revalued on 30 September 1994 by C.Y. Leung & Company Limited, an independent firm of valuers, on an open market value basis, assuming sale with vacant possession. The Group took advantage of the transitional provision, as permitted under paragraph 80A of HKAS 16, "Property, plant and equipment", of not making further regular valuations on its revalued assets.

Had the Group's buildings been carried at cost less accumulated depreciation and any impairment losses, the net book values of the buildings would have been HK\$Nil at 30 June 2008. The Group has disposed the buildings during the period ended 31 December 2009.

(iii) At 31 December 2009, certain land and buildings which are situated in Singapore with carrying values of HK\$93,629,000 (30 June 2008: HK\$ Nil) were pledged as security to bank for a bank loan and banking facilities granted to the Group (note 25).

At 30 June 2008, certain property, plant and equipment which were situated in Mainland China with carrying values of HK\$12,971,000 were pledged as security to bank for a banking facility granted to the Group and had been released during the period ended 31 December 2009.

## 15 INTEREST IN SUBSIDIARIES

	The Company	
	As at 31 December 2009 HK\$'000	As at 30 June 2008 HK\$'000
Unlisted shares, at cost	167,654	167,647
Capital contribution in respect of equity-settled share-based payment	5,336	3,566
Amounts due from subsidiaries	1,109,953	935,231
	<b>1,282,943</b>	<b>1,106,444</b>
Less: Impairment losses	(405,353)	(405,353)
	<b>877,590</b>	<b>701,091</b>

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 15 INTEREST IN SUBSIDIARIES (CONTINUED)

	<b>As at 31 December 2009 HK\$'000</b>	As at 30 June 2008 HK\$'000
Included in		
– Non-current	<b>876,030</b>	681,091
– Current	<b>1,560</b>	20,000
	<b>877,590</b>	701,091

Amounts due from subsidiaries are unsecured, interest-free and are not expected to be recovered within one year, except for an amount due from a subsidiary of HK\$1,560,000 (30 June 2008: HK\$20,000,000) which is expected to be settled within one year and included under current assets.

The carrying amount of these amounts due from subsidiaries approximate their fair values.

Details of principal subsidiaries of the Group are set out in note 38(a) to the financial statements.

## 16 AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES/LOAN TO A JOINT VENTURE PARTNER

### (a) Amounts due from jointly controlled entities

	<b>The Group</b>	
	<b>As at 31 December 2009 HK\$'000</b>	As at 30 June 2008 HK\$'000
Amounts due from jointly controlled entities		
– Non-current	–	32,285
– Current	<b>1,683</b>	50,277
	<b>1,683</b>	82,562

Amounts due from jointly controlled entities are unsecured and interest-free, except for an amount of HK\$19,494,000 at 30 June 2008 which was interest-bearing at 3.5% to 4.0% per annum. The carrying amount of these amounts due from jointly controlled entities approximate their fair values.

### (b) Loan to a joint venture partner

Loan to a joint venture partner of HK\$5,357,000 at 31 December 2009 (30 June 2008: HK\$Nil) is unsecured, interest-free and are not expected to be recovered within one year. The carrying amount of the loan to a joint venture partner approximate their fair value.

### (c) Details of the jointly controlled entities of the Group are set out in note 38(b) to the financial statements.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 16 AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES/LOAN TO A JOINT VENTURE PARTNER

(CONTINUED)

(d) Summary financial information on jointly controlled entities – Group's effective interest:

	As at 31 December 2009		
	Continuing operations HK\$'000	Discontinued operation HK\$'000	Total HK\$'000
Non-current assets	339,980	–	339,980
Current assets	128,152	–	128,152
Non-current liabilities	(81,487)	–	(81,487)
Current liabilities	(153,809)	–	(153,809)
Net assets	<u>232,836</u>	<u>–</u>	<u>232,836</u>
Income	702,911	13,984	716,895
Expenses	(660,624)	(12,786)	(673,410)
Profit for the period	<u>42,287</u>	<u>1,198</u>	<u>43,485</u>
	As at 30 June 2008		
	Continuing operations HK\$'000	Discontinued operation HK\$'000	Total HK\$'000
Non-current assets	347,607	121,206	468,813
Current assets	104,281	19,831	124,112
Non-current liabilities	(132,585)	(60,571)	(193,156)
Current liabilities	(114,669)	(40,564)	(155,233)
Net assets	<u>204,634</u>	<u>39,902</u>	<u>244,536</u>
Income	355,906	122,241	478,147
Expenses	(344,259)	(118,330)	(462,589)
Profit for the year	<u>11,647</u>	<u>3,911</u>	<u>15,558</u>

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 17 AVAILABLE-FOR-SALE EQUITY SECURITY

	The Group	
	As at 31 December 2009 HK\$'000	As at 30 June 2008 HK\$'000
Available-for-sale equity security:		
– Unlisted, at cost	1,500	–

## 18 TRADEMARKS

Trademarks represented the perpetual license for the use of the brand name “Golden Harvest” which takes the form of sign, symbol, name, logo, design or any combination thereof.

The directors are of the opinion that the Group’s trademarks have an indefinite useful life due to the following reasons:

- (i) the trademarks, which were acquired by the Group in 2001, have been in use for a considerable number of years and will continue to be used for the long term; and
- (ii) the Group has incurred and intends to continue to incur significant advertising and promotion expenses, which are charged to income statement when incurred, to maintain and increase the market value of its trademarks.

Vigers Appraisal & Consulting Ltd. (“Vigers Appraisal”), a firm of independent professional qualified valuers, has confirmed, in their valuation of the Group’s trademarks, that the market value of the trademarks exceeded their carrying value as at 31 December 2009. Accordingly, no impairment loss was recorded at 31 December 2009.

## 19 GOODWILL

	The Group
	As at 31 December 2009 HK\$'000
<b>Cost</b>	
Arising from acquisition of a subsidiary and the related business	28,538

Goodwill arose from the acquisition of the entire equity interest in a PRC incorporated entity, 北京橙天智鴻影視製作有限公司 (Beijing Chengtian Zhihong Film & TV Production Company Limited) (“Beijing Chengtian Zhihong”) and the related business from Orange Sky Entertainment Group (International) Holding Company Limited (“Orange Sky”). Details of the acquisition are set out in note 34 to the financial statements.



# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 19 GOODWILL (CONTINUED)

### Impairment tests for cash-generating units containing goodwill

In accordance with the Group's accounting policies, the Group has assessed the recoverable amount of goodwill for the cash-generating unit and determined that such goodwill has not been impaired at 31 December 2009.

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to country of operation and business segment as follows:

	<b>As at 31 December 2009 HK\$'000</b>	As at 30 June 2008 HK\$'000
Film and video distributions – Mainland China	<b>28,538</b>	–

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of three years and a pre-tax discount rate of 14% based on the Group's weighted average cost of capital.

The assumptions used are based on management's past experience of the specific market, and reference to external sources of information. The discount rate used is pre-tax and reflect specific risks relating to the segment.

## 20 INVENTORIES

Inventories are carried at cost of HK\$2,461,000 at 31 December 2009 (30 June 2008: HK\$2,417,000) which comprised largely of goods for resale.

The carrying amount of inventories sold and recognised as an expense to the consolidated income statement of the Group was HK\$38,517,000 (year ended 30 June 2008: HK\$33,565,000).

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 21 FILM RIGHTS

	The Group	
	As at 31 December 2009 HK\$'000	As at 30 June 2008 HK\$'000
Film rights – completed	45,260	27,503
Investment in film production	15,299	–
Self-produced programmes	6,095	–
	<b>66,654</b>	27,503
Film production in progress, at cost	9,301	–
	<b>75,955</b>	27,503

Film rights represents films and television drama series and self-produced programmes.

Investments in film/drama production represent funds advanced to licensed production houses for co-financing of the production of films and/or television programmes, which are freely to be exploited by the production houses. The investments are governed by the relevant investment agreements entered into between the Group and the production houses whereby the Group is entitled to benefits generated from the distribution of the related films and/or television programmes. The amounts will be recoverable by the Group from a pre-determined share of the sales proceeds of the respective co-financed films or television programmes, resulting from the distribution to be confirmed by the relevant production houses.

Film production in progress represents films under production.

In accordance with note 3(p) of the Group's accounting policy, the Group performed impairment tests at 31 December 2009 and 30 June 2008 by comparing the attributable carrying amounts of the film rights/self produced programmes with the recoverable amounts. No impairment loss was recorded for the period ended 31 December 2009 and year ended 30 June 2008.

The Group assessed the recoverable amounts of the film production in progress based on the present value of estimated discounted future cash flows from the production in progress. No impairment loss was recorded for the period ended 31 December 2009.

The amount of production in progress expected to be recovered after one year is HK\$8,075,000 (30 June 2008: HK\$Nil).

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 22 TRADE AND OTHER RECEIVABLES

	The Group	
	As at 31 December 2009 HK\$'000	As at 30 June 2008 HK\$'000
Trade receivables	37,026	28,841
Less: Allowance for doubtful debts	(237)	(1,796)
	<b>36,789</b>	<b>27,045</b>

### (a) Ageing analysis

The ageing analysis of trade receivables (net of allowance for doubtful debts) as of the balance sheet date:

	The Group	
	As at 31 December 2009 HK\$'000	As at 30 June 2008 HK\$'000
Current to 3 months	34,906	21,357
Within 4 to 6 months	1,716	3,900
Over 6 months	167	1,788
	<b>36,789</b>	<b>27,045</b>

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. Further details on the Group's credit policy are set out in note 30(a) to the financial statements.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 22 TRADE AND OTHER RECEIVABLES (CONTINUED)

### (b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the period/year, including both specific and collective loss components, is as follows:

	<b>The Group</b>	
	<b>As at 31 December 2009 HK\$'000</b>	As at 30 June 2008 HK\$'000
At 1 July 2008/2007	–	5,483
Impairment loss recognised	<b>237</b>	–
Uncollectible amounts written off	–	(5,483)
At 31 December 2009/30 June 2008	<b>237</b>	–

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	<b>The Group</b>	
	<b>As at 31 December 2009 HK\$'000</b>	As at 30 June 2008 HK\$'000
Neither past due nor impaired	<b>27,461</b>	13,027
Less than one month past due	<b>4,953</b>	5,286
Past due over one month	<b>4,375</b>	8,732
	<b>9,328</b>	14,018
	<b>36,789</b>	27,045

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there were no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(c) Trade receivables of the Group at 31 December 2009 included HK\$965,000 (30 June 2008: HK\$34,000) due from related companies. The balance was unsecured, interest-free and repayable in accordance with normal trading terms.

(d) All of the other receivables, deposits and prepayments are expected to be recoverable within one year.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 23 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	The Group		The Company	
	As at 31 December 2009 HK\$'000	As at 30 June 2008 HK\$'000	As at 31 December 2009 HK\$'000	As at 30 June 2008 HK\$'000
Deposits at banks	274,877	151,203	–	–
Cash at bank and in hand	273,389	125,237	278	193
	<b>548,266</b>	276,440	<b>278</b>	193
Less: Pledged deposits				
– for a banking facility	(5,425)	–	–	–
– for bank loans	(10,311)	–	–	–
– as guarantees to landlords	(14,727)	(10,133)	–	–
Deposits and cash in the consolidated balance sheet	<b>517,803</b>	266,307	<b>278</b>	193
Cash and cash equivalents held by a jointly controlled entity held for sale	–	10,841		
Cash and cash equivalents in the consolidated cash flow statement	<b>517,803</b>	277,148		

Cash at bank earns interest at floating rates based on daily bank deposit rates. Deposits at banks are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate their fair values.

## 24 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

### (a) Trade payables

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

	The Group	
	As at 31 December 2009 HK\$'000	As at 30 June 2008 HK\$'000
Current to 3 months	83,832	63,275
Within 4 to 6 months	8,735	193
Within 7 to 12 months	821	1,509
Over 1 year	4,110	3,632
	<b>97,498</b>	68,609

(b) All of the other payables and accrued charges (including amounts due to related parties) are expected to be settled within one year or are repayable on demand.

(c) All of the deferred revenue are expected to be settled within one year.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 25 BANK LOANS

### (a) The bank loans were repayable as follows:

	The Group	
	As at 31 December 2009 HK\$'000	As at 30 June 2008 HK\$'000
Within 1 year or on demand	24,201	12,480
After 1 year but within 2 years	17,357	7,800
After 2 years but within 5 years	45,375	–
	62,732	7,800
	86,933	20,280

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

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

### (b) At 31 December 2009, the Group's bank loans of HK\$86,933,000 (30 June 2008: HK\$20,280,000) were secured by:

- (i) the property, plant and equipment of a jointly controlled entity (note 14);
- (ii) the time deposits of jointly controlled entities of HK\$10,311,000 (note 23); and
- (iii) the time deposit of a related company of HK\$5,700,000.

The Group's bank loans and a banking facility at 30 June 2008 which were previously secured by its 35.71% equity interest in a jointly controlled entity in Taiwan and the property, plant and equipment of a subsidiary had been released during the period ended 31 December 2009.

### (c) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 30(b). As at 31 December 2009, none of the covenants relating to drawn down facilities had been breached (30 June 2008: None).

### (d) The bank loans of the Group were denominated in the following original currencies:

	The Group	
	As at 31 December 2009 '000	As at 30 June 2008 '000
Singapore dollars	14,250	–
New Taiwan dollars	14,284	–
Renminbi	4,500	–
United States dollars	–	2,600

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 26 CONVERTIBLE NOTES

### (a) Convertible notes issued in May 2006 and August 2006

Details of the convertible notes issued in May 2006 and August 2006 are set out in note 24 of 2008 annual report of the Company.

In July and August 2008, convertible notes in aggregate amounts of HK\$30,000,000 were converted into ordinary shares, creating a total of 13,636,363 new ordinary shares of the Company at a conversion price of HK\$2.20 per share prior to subdivision of shares of the Company.

The net proceeds received from the issuance of the convertible notes have been split between the liability and equity components, as follows:

<b>The Group and the Company</b>			
	<b>Liability component</b>	<b>Equity component</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 July 2007	122,351	880	123,231
Conversion of convertible notes	(93,093)	(638)	(93,731)
Interest expenses ( <i>note 7(a)</i> )	7,790	–	7,790
Interest paid	(5,555)	–	(5,555)
	<u>31,493</u>	<u>242</u>	<u>31,735</u>
At 30 June 2008			
At 1 July 2008	31,493	242	31,735
Conversion of convertible notes	(31,139)	(242)	(31,381)
Interest expenses ( <i>note 7(a)</i> )	172	–	172
Interest paid	(526)	–	(526)
	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2009			
			As at 30 June 2008 <i>HK\$'000</i>

### Liability component analysed for reporting purposes:

Current liabilities	
– other payables and accrued charges	427
– convertible notes	31,066
	<u>31,493</u>

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 26 CONVERTIBLE NOTES (CONTINUED)

### (b) Convertible note issued in November 2009 in respect of acquisition of equity interest in Beijing Chengtian Zhihong and the related business (the "Acquisition")

On 30 November 2009, the Company issued a zero coupon convertible note with a principal amount of HK\$9,024,000 to Orange Sky as part of the consideration for the Acquisition. The note is convertible at the option of the note holder into ordinary shares of the Company on or before 24 December 2015 at a price of HK\$0.338 per share. If the conversion right is not exercised by the note holder, the note not converted will be redeemed on 31 December 2015 at the principal amount of the note. The note is unsecured.

Orange Sky is a substantial shareholder of the Company. The Acquisition constitutes a connected transaction as defined in the Listing Rules. Further details of the issue of the convertible note are set out in the circular of the Company dated 25 June 2009.

The fair value of the liability portion of the convertible note was estimated at the issuance date using the Group's prevailing borrowing rate and an equivalent market interest rate for a similar note without a conversion option, and has been ascertained by Vigers Appraisal. The residual amount was assigned as the equity component and included in shareholders' equity.

The net proceeds received from the issue of the convertible note have been split between the liability and equity components, as follows:

	The Group and the Company		
	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
At 30 November 2009 and 31 December 2009	6,150	2,874	9,024

**As at  
31 December  
2009  
HK\$'000**

#### Liability component analysed for reporting purposes:

Non-current liabilities  
– convertible note

**6,150**



# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 27 LOANS FROM JOINT VENTURE PARTNERS/MINORITY SHAREHOLDER/AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

### (a) Amount due to a jointly controlled entity

Amount due to a jointly controlled entity is unsecured, interest-free and is expected to be settled after one year.

### (b) Loans from joint venture partners

Loans from joint venture partners as at 30 June 2008 were unsecured and interest-free, except for an amount of HK\$18,109,000 which was interest-bearing at a rate from 3.5% to 4.0% per annum. The loans were all settled during the period ended 31 December 2009.

### (c) Loan from minority shareholder

Loan from minority shareholder at 30 June 2008 was unsecured, interest-bearing at a rate from 3.5% to 4.0% per annum and was settled during the period ended 31 December 2009.

## 28 INCOME TAX IN THE BALANCE SHEET

### (a) Taxation in the balance sheet represents:

	<b>The Group</b>	
	<b>As at 31 December 2009 HK\$'000</b>	As at 30 June 2008 HK\$'000
Provision for overseas taxation for the period/year	22,363	6,642
Tax paid for the period/year	(14,119)	(6,466)
Balance of overseas tax provision relating to prior years	9,472	4,656
Acquisition of a subsidiary/transfer to jointly controlled entities	5,387	4,786
	<b>23,103</b>	<b>9,618</b>

### (b) Deferred tax assets and liabilities recognised:

	<b>The Group</b>	
	<b>As at 31 December 2009 HK\$'000</b>	As at 30 June 2008 HK\$'000
Net deferred tax liability recognised on the balance sheet	13,868	16,540
Net deferred tax asset recognised on the balance sheet	(420)	(358)
	<b>13,448</b>	<b>16,182</b>

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 28 INCOME TAX IN THE BALANCE SHEET (CONTINUED)

### (b) Deferred tax assets and liabilities recognised: (continued)

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the period are as follows:

	Depreciation allowance in excess of related depreciation <i>HK\$'000</i>	Tax losses recognised <i>HK\$'000</i>	Revaluation of leasehold buildings <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Deferred tax arising from:</i>					
At 1 July 2007	9,483	(3,612)	371	254	6,496
Exchange adjustments	1,375	(301)	–	647	1,721
Charged/(credited) to profit or loss (note 8(a))	5,207	3,913	–	(467)	8,653
Transfer to jointly controlled entity	9,790	–	–	(792)	8,998
Reclassification to held for sale (note 9)	(9,636)	–	–	–	(9,636)
Credited to equity	–	–	(50)	–	(50)
	<u>16,219</u>	<u>–</u>	<u>321</u>	<u>(358)</u>	<u>16,182</u>
At 30 June 2008	16,219	–	321	(358)	16,182
At 1 July 2008	16,219	–	321	(358)	16,182
Exchange adjustments	(562)	–	–	28	(534)
Credited to profit or loss (note 8(a))	(1,789)	–	–	(90)	(1,879)
Disposal of a subsidiary	–	–	(321)	–	(321)
	<u>–</u>	<u>–</u>	<u>(321)</u>	<u>–</u>	<u>(321)</u>
At 31 December 2009	<u>13,868</u>	<u>–</u>	<u>–</u>	<u>(420)</u>	<u>13,448</u>

### (c) Deferred tax assets not recognised

At 31 December 2009, the Group has not recognised deferred tax assets in respect of accumulative tax losses of approximately HK\$568,393,000 (30 June 2008: HK\$523,739,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation except for the balances of HK\$7,901,000 (30 June 2008: HK\$7,435,000) which can be only carried forward for five years under the relevant jurisdiction.

### (d) Deferred tax liabilities not recognised

At 31 December 2009, there was no significant unrecognised deferred tax liability (30 June 2008: HK\$Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or jointly controlled entities as the Group has no significant liability to additional tax should such amounts be remitted.

At 31 December 2009, the Company does not have any other material deferred taxation assets and liabilities (2008: HK\$Nil).

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 29 SHARE CAPITAL AND RESERVES

### (a) Share capital

	Note	As at 31 December 2009		As at 30 June 2008	
		No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
<b>Authorised:</b>					
At 1 July 2008/2007		600,000,000	600,000	600,000,000	600,000
Subdivision of shares	(ii)	5,400,000,000	—	—	—
At 31 December 2009/30 June 2008		<u>6,000,000,000</u>	<u>600,000</u>	<u>600,000,000</u>	<u>600,000</u>
<b>Ordinary shares, issued and fully paid:</b>					
At 1 July 2008/2007		169,637,627	169,638	128,356,537	128,357
Conversion of convertible notes	(i)	13,636,363	13,636	40,909,090	40,909
Subdivision of shares	(ii)	1,649,465,910	—	—	—
Placing of shares	(iii)	366,000,000	36,600	—	—
Share options exercised	(iv)	1,000,000	100	1,975,000	1,975
Repurchase of shares	(v)	—	—	(1,603,000)	(1,603)
At 31 December 2009/30 June 2008		<u>2,199,739,900</u>	<u>219,974</u>	<u>169,637,627</u>	<u>169,638</u>

Notes:

- (i) Conversion of convertible notes  
In July and August 2008, convertible notes in aggregate amounts of HK\$30,000,000 were converted into ordinary shares, creating a total of 13,636,363 new ordinary shares of the Company at a conversion price of HK\$2.20 per share prior to subdivision of shares.

During the year ended 30 June 2008, the convertible notes in the aggregate amounts of HK\$90,000,000 were converted into ordinary shares, creating a total 40,909,090 new ordinary shares of the Company at a conversion price of HK\$2.20 per share. Note 26 sets out details of the convertible notes.

- (ii) Subdivision of shares  
Pursuant to an ordinary resolution passed on 11 November 2009, the issued and unissued ordinary shares of HK\$1.00 each of the Company were subdivided on the basis of every one share into ten shares of HK\$0.10 each.

The Company's authorised share capital of HK\$600,000,000 divided into 600,000,000 ordinary shares of HK\$1.00 each was subdivided into 6,000,000,000 ordinary shares of HK\$0.10 each. On the same day, the Company's issued and fully paid share capital of HK\$183,273,990 divided into 183,273,990 ordinary shares of HK\$1.00 each was subdivided into 1,832,739,900 ordinary shares of HK\$0.10 each.

- (iii) Placing of shares  
On 12 November 2009, the Company entered into a placing and subscription agreement with Skyera International Limited ("Skyera"), a company incorporated in the British Virgin Islands and wholly-owned by Mr Wu Kebo, a director of the Company, and independent third parties for placing up to a maximum of the 366,000,000 ordinary shares at a price of HK\$0.539 per share (the "Placing").

Pursuant to the placing and subscription agreement, Skyera would subscribe to the same number of shares issued by the Company upon completion of placing the same number of the shares held by Skyera. On 17 November 2009, the Company issued and allotted 366,000,000 shares for net proceeds of HK\$188,668,000. The difference of HK\$152,068,000 between the net proceeds of HK\$188,668,000 and the par value of the shares issued of HK\$36,600,000 has been credited to the share premium account of the Company (note 29(b)(ii)).

The details of the Placing were set out in the Company's announcement dated 12 November 2009.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 29 SHARE CAPITAL AND RESERVES (CONTINUED)

### (a) Share capital (continued)

Notes: (continued)

(iv) Share option scheme

*Equity-settled share-based transactions*

Pursuant to an ordinary resolution of the Company passed on 11 November 2009, the Company terminated the old share option scheme (the "Old Share Option Scheme") and adopted a new share option scheme (the "New Share Option Scheme"). The Old Share Option Scheme was initially valid and effective from 30 November 2001 and expiring on 30 October 2011. The purpose of the Old Share Option Scheme was to provide incentives and rewards to eligible participants who contribute to the success of the Group's operation. The purpose of the New Share Option Scheme is to enable the Company to grant options to eligible participants as incentive or reward for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants. Eligible participants of the share option scheme include the Company's directors, including independent non-executive directors, and other employees of the Group, and shareholders of the Company.

The New Share Option Scheme became effective on 11 November 2009 and will remain in force for 10 years from that date.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their associates, are subject to approval in advance by the independent non-executive directors (excluding independent non-executive director who is the grantee of the option).

The offer of a grant of share options must be accepted within 30 days inclusive of, and from the day of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The vesting period, exercise period and the number of shares subject to each option are determinable by the directors. The exercise period may not exceed 10 years commencing on such date on or after the date of grant as the directors of the Company may determine in granting the share options and ending on such date as the directors of the Company may determine in granting the share options. Save as determined by the directors of the Company and provided in the offer of the grant of the relevant share option, there is no general requirement that a share option must be held for any minimum period before it can be exercised.

The exercise price of the share options is determinable by the directors, provided always that it shall be at least the higher of (i) the closing price of the Company's shares on the Stock Exchange on the date of offer of grant of the share options; (ii) the average Stock Exchange's closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

The maximum number of shares of the Company issuable upon exercise of all share options granted and to be granted under the New Share Option Scheme and any other share option schemes of the Company (if any) is an amount equivalent to 10% of the shares of the Company in issue as at 11 November 2009. This limit can be refreshed by the shareholders of the Company in a general meeting in accordance with the provisions of the Listing Rules. The maximum number of shares issuable under share options granted to each eligible participant under the New Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the shareholders' approval in a general meeting.

Share options do not confer rights on the holders to dividends or to vote at the shareholders' meeting.

*Adjustments to share options and exercise prices*

As a result of the subdivision of shares (note 29(a)(ii)), the number of shares issuable under the share options granted under the Old Share Option Scheme and the exercise prices were adjusted as stated in the table below. All share options under the New Share Option Scheme were granted subsequent to the subdivision of shares.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 29 SHARE CAPITAL AND RESERVES (CONTINUED)

### (a) Share capital (continued)

Notes: (continued)

- (iv) Share option scheme (continued)  
The movements of share options during the period and the outstanding share options held by directors of the Company and other employees of the Group as at 31 December 2009 are shown in the following table:

#### The Old Share Option Scheme

Name or category of participant	Date of grant of share options	Pre-adjusted exercise price HK\$	Post-adjusted exercise price HK\$	Exercise period	Number of share options outstanding as at 1 July 2008	Granted during the period	Lapsed during the period	Adjustment to share options due to subdivision of shares (note 29(a)(ii))	Exercised during the period	Number of share options outstanding as at 31 December 2009
<b>Director</b>										
Lau Pak Keung	12 April 2007	3.93	0.393	1 July 2007 to 30 October 2011	200,000	–	(200,000) (note)	–	–	–
Eric Norman Kronfeld	31 March 2005	2.60	0.260	31 March 2005 to 30 October 2011	35,000	–	(35,000) (note)	–	–	–
	12 April 2007	3.93	0.393	1 July 2007 to 30 October 2011	150,000	–	(150,000) (note)	–	–	–
Huang Shao-Hua George	12 April 2007	3.93	0.393	1 July 2007 to 30 October 2011	100,000	–	–	900,000	–	1,000,000
	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	–	20,000	–	180,000	–	200,000
Prince Chatrichalem Yukol	31 March 2005	2.60	0.260	31 March 2005 to 30 October 2011	35,000	–	(35,000) (note)	–	–	–
	12 April 2007	3.93	0.393	1 July 2007 to 30 October 2011	100,000	–	(100,000) (note)	–	–	–
Wu Kebo	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	–	6,000,000	–	54,000,000	–	60,000,000
Chow Sau Fong Fiona	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	–	70,000	–	630,000	–	700,000
Wu Keyan	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	–	70,000	–	630,000	–	700,000
Li Pei Sen	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	–	20,000	–	180,000	–	200,000
Leung Man Kit	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	–	20,000	–	180,000	–	200,000
Masahito Tachikawa	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	–	20,000	–	180,000	–	200,000
<b>Chief Executive Officer</b>										
Wu King Shiu Kelvin	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	–	2,100,000	–	18,900,000	–	21,000,000
<b>Other participants</b>										
In aggregate	12 April 2007	3.93	0.393	1 July 2007 to 30 October 2011	780,000	–	(260,000) (note)	4,680,000	(1,000,000)	4,200,000
	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	–	1,605,000	–	14,445,000	–	16,050,000
					<u>1,400,000</u>	<u>9,925,000</u>	<u>(780,000)</u>	<u>94,905,000</u>	<u>(1,000,000)</u>	<u>104,450,000</u>

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 29 SHARE CAPITAL AND RESERVES (CONTINUED)

### (a) Share capital (continued)

Notes: (continued)

- (iv) Share option scheme (continued)  
**The New Share Option Scheme**

Name or category of participant	Date of grant of share options	Exercise price HK\$	Exercise period	Number of share options granted during the period	Number of share options outstanding as at 31 December 2009
<b>Other participants</b>					
In aggregate	13 November 2009	0.73	13 November 2009 to 12 November 2014	1,200,000	1,200,000
				1,200,000	1,200,000

Note: The share options lapsed due to the resignation of the director or employee.

Apart from the above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

#### Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes model. The contractual life of the share option is used as an input into this model. The following table lists the inputs to the model used for the period ended 31 December 2009.

	Date of grant		
	23 September 2009 (to directors and chief executive officer)	23 September 2009 (to other participants)	13 November 2009 (to other participants)
Fair value at measurement date*	HK\$0.123	HK\$0.116	HK\$0.16
Share price*	HK\$0.453	HK\$0.453	HK\$0.73
Exercise price*	HK\$0.453	HK\$0.453	HK\$0.73
Expected volatility	50%	50%	42%
Option life	5 years	5 years	5 years
Expected life	2.3 years	2.0 years	2.0 years
Expected dividends	2.8%	2.8%	2.8%
Risk-free interest rate (based on Exchange Fund Notes)	1.766%	1.766%	1.612%

\* adjusted for subdivision of shares.

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

The share options granted to Mr Wu Kebo and Mr Wu King Shiu Kelvin, Chief Executive Officer, and one participant were under a service condition of three years. This condition has not been taken into account in the grant date fair value measurement of the services received. No other feature of the options granted was incorporated into the measurement of fair value.

At the balance sheet date, the Company had 105,650,000 share options outstanding under the Old Share Option Scheme and the New Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 105,650,000 additional ordinary shares of the Company, representing approximately 5% of the Company's shares in issue as at the balance sheet date, and additional share capital of HK\$10,565,000 and share premium account of HK\$37,314,850 (before issue expenses).

- (v) Purchase of own shares  
During the year ended 30 June 2008, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at prices ranging from HK\$2.90 (before subdivision) to HK\$4.00 per share (before subdivision) for HK\$5,155,000 (before transaction expenses). The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the nominal value of these shares of HK\$1,603,000 was transferred from the retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of HK\$3,552,000 and the related costs of HK\$38,000 were charged to the share premium account.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 29 SHARE CAPITAL AND RESERVES (CONTINUED)

### (b) Reserves

#### (i) The Group

Details of the movements in reserves of the Group during the period ended 31 December 2009 and year ended 30 June 2008 are set out in the consolidated statement of changes in equity.

#### (ii) The Company

	Share premium	Share option reserve	Capital redemption reserve	Contributed surplus	Equity component of convertible notes	Retained profits	Total
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2007	125,733	5,085	4,819	271,644	880	1,497	409,658
Profit for the year	-	-	-	-	-	36,544	36,544
Repurchase of shares	29(a)(v) (3,590)	-	1,603	-	-	(1,603)	(3,590)
Reserve realised upon							
– exercise of share options	4,097	(879)	-	-	-	-	3,218
– lapse of share options	-	(2,658)	-	-	-	2,658	-
– conversion of convertible notes	26(a) 52,822	-	-	-	(638)	-	52,184
At 30 June 2008	179,062	1,548	6,422	271,644	242	39,096	498,014
At 1 July 2008	179,062	1,548	6,422	271,644	242	39,096	498,014
Loss for the period	-	-	-	-	-	(2,850)	(2,850)
Equity-settled share-based transactions	-	1,868	-	-	-	-	1,868
Reserve realised upon							
– exercise of share options	409	(116)	-	-	-	-	293
– lapse of share options	-	(826)	-	-	-	826	-
– conversion of convertible notes	26(a) 17,745	-	-	-	(242)	-	17,503
Issuance of convertible note	26(b) -	-	-	-	2,874	-	2,874
Placing of shares	29(a)(iii) 152,068	-	-	-	-	-	152,068
Dividends declared or approved during the period	-	-	-	-	-	(18,327)	(18,327)
At 31 December 2009	349,284	2,474	6,422	271,644	2,874	18,745	651,443

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 29 SHARE CAPITAL AND RESERVES (CONTINUED)

### (c) Nature and purpose of reserves

- (i) *Share premium and capital redemption reserve*  
The application of the share premium account is governed by Sections 40 of the Companies Act 1981 of Bermuda.
- (ii) *Share option reserve*  
The share option reserve represents the fair value of the number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 3(x)(ii).
- (iii) *Contributed surplus*  
The contributed surplus represents (i) the difference between the nominal value of the Company's shares in issue, in exchange for the issued share capital of the subsidiaries, and the aggregate net asset value of the subsidiaries acquired at the date of acquisition; and (ii) the net transfer of HK\$80,000,000 after setting off the accumulated losses from the share premium account pursuant to the Company's capital reorganisation in May 2007. Under the Bermuda Companies Act 1981 (as amended), the contributed surplus of the Company is distributable to shareholders of the Company.
- (iv) *Equity component of convertible notes*  
Equity component of convertible notes represents the value of equity component of the unexercised convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in note 3(u).
- (v) *Surplus reserve*  
The surplus reserve represents an amount transferred from retained profits in accordance with statutory requirements and the articles of association of an associate incorporated in Taiwan. The surplus reserve may only be applied to make up any losses and for the capitalisation by the way of fully paid bonus issue of the shares of the associate in Taiwan.
- (vi) *Reserve funds*  
In accordance with the relevant regulations in the PRC, the Company's subsidiary established in the PRC is required to transfer a certain percentage of its profits after tax to the reserve funds. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiary's articles of association, the reserve funds may be used either to offset losses, or for capitalisation by way of paid-up capital.
- (vii) *Exchange reserve*  
The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and jointly controlled entities. The reserve is dealt with in accordance with the accounting policy set out in note 3(bb).

### (d) Distributability of reserves

At 31 December 2009, the aggregate amount of reserves available for distribution to equity holders of the Company representing the retained profits, amounted to HK\$18,745,000 (30 June 2008: HK\$39,096,000). In addition, the Company's share premium account, contributed surplus and capital redemption reserve in aggregate of HK\$627,350,000 (30 June 2008: HK\$457,128,000), as at 31 December 2009 may be distributed to shareholders in certain circumstance prescribed by Section 54 of the Companies Act 1981 of Bermuda.



# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 29 SHARE CAPITAL AND RESERVES (CONTINUED)

### (e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its gearing structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the gearing structure in light of changes in economic conditions.

The Group monitors its gearing structure calculated on the basis of external borrowings, which includes bank loans and convertible notes over total assets.

The Group's strategy is to maintain the gearing ratio below 35%. In order to maintain or adjust the ratio, the Group may raise new equity financing or sell assets to reduce debt. The gearing ratio at 31 December 2009 and 30 June 2008 are as follows:

	<b>As at 31 December 2009 HK\$'000</b>	As at 30 June 2008 HK\$'000
Bank loans	<b>86,933</b>	20,280
Convertible notes	<b>6,150</b>	31,066
<b>External borrowings</b>	<b>93,083</b>	51,346
<b>Total assets</b>	<b>1,331,585</b>	1,119,144
Gearing ratio	<b>7.0%</b>	4.6%

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, currency and interest rate risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

### (a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The Group has established credit control policies of which credit limits, credit approvals and other monitoring procedures for debts recovery are in place to minimise the credit risk. In addition, management reviews the recoverable amount of each individual receivable regularly to ensure that adequate impairment allowances are made for irrecoverable amounts. With such policies in place, the Group has been able to maintain its bad debts at minimal level.

The Group's trade receivable relate to a large number of diversified customers, the concentration of credit risk is not significant.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay. The carrying amounts of the convertible notes of the Group at 30 June 2008 were not included in the table as all those convertible notes were converted to ordinary shares of the Company in July and August 2008. In addition, as amount due to a jointly controlled entity, loans from joint venture partners, loan from minority shareholder and deposits received do not have fixed repayment terms, the carrying amounts have not been included in the table.

#### The Group

	As at 31 December 2009					
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
Trade payables	97,498	97,498	97,498	-	-	-
Other payables and accrued charges	73,847	73,847	73,847	-	-	-
Customer deposits	8,128	8,128	8,128	-	-	-
Bank loans	86,933	89,371	24,962	18,012	46,397	-
Convertible note	6,150	9,024	-	-	-	9,024
	<b>272,556</b>	<b>277,868</b>	<b>204,435</b>	<b>18,012</b>	<b>46,397</b>	<b>9,024</b>

	As at 30 June 2008					
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
Trade payables	68,609	68,609	68,609	-	-	-
Other payables and accrued charges	71,076	71,076	71,076	-	-	-
Customer deposits	3,675	3,675	3,675	-	-	-
Bank loans	20,280	21,488	13,445	8,043	-	-
	<b>163,640</b>	<b>164,848</b>	<b>156,805</b>	<b>8,043</b>	<b>-</b>	<b>-</b>

#### The Company

Except for the convertible notes with details included in the table above, the earliest settlement dates of the Company's financial liabilities at the balance sheet date are all within one year or on demand and the contractual amounts of the financial liabilities are all equal to their carrying amounts.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (c) Currency risk

The Group has foreign currency monetary assets and liabilities that are denominated in a currency other than the functional currency of the Group. Exchange differences arising on settling or translating these foreign currency monetary items at rates different from those at dates of transactions giving rise to these monetary items are recognised in profit or loss.

The Group enters into transactions denominated in currencies other than its functional currency. Consequently, the Group is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Group's assets or liabilities denominated in currencies other than the Hong Kong dollars. As the Hong Kong dollar is pegged to United States dollar, the Group does not expect any significant movements in the HKD/USD exchange rate. The currency giving rise to foreign currency risk is primarily denominated in Singapore dollars. Management of the Group continuously monitors the Group's exposure to such foreign currency risks to ensure they are at manageable levels.

#### (i) Exposure to currency risk

The following table details the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than functional currency to which they relate.

#### The Group

	<b>As at 31 December 2009 Singapore dollars '000</b>	As at 30 June 2008 Singapore dollars '000
Cash and cash equivalents	<b>150</b>	5,100
Amount due to a jointly controlled entity	<b>(974)</b>	–
Net exposure to currency risk	<b>(824)</b>	5,100

#### (ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. Other components of equity would not be affected by changes in the foreign exchange rates:

	<b>As at 31 December 2009</b>		As at 30 June 2008	
	<b>Increase/ (decrease) in foreign exchange rates</b>	<b>Effect on profit after tax and retained earnings HK\$'000</b>	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings HK\$'000
Singapore dollars	<b>5%</b>	<b>(227)</b>	5%	1,464
	<b>(5)%</b>	<b>227</b>	(5)%	(1,464)

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (c) Currency risk (continued)

#### (ii) Sensitivity analysis (continued)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

Currency risk as defined by HKFRS 7 arises on financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature. Differences resulting from the translation of financial statements of overseas subsidiaries and jointly controlled entities into the Group's presentation currency are therefore not taken into consideration for the purpose of the sensitivity analysis for currency risk.

### (d) Interest rate risk

The Group's exposure to interest rate risk arises primarily to the Group's short and long-term loans. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group manages its interest rate risk exposures in accordance with defined policies through regular review with a focus on reducing the Group's overall cost of funding as well as having regard to the floating/fixed rate mix appropriate to its current business portfolio.

In line with the Group's prevailing strategy, the Group has entered into an interest rate swap to hedge 50% of the term loan from floating to fixed rate. As at 31 December 2009, the notional amount of the interest rate swap SGD7.5 million (undertaken by a jointly controlled entity attributable to the Group) where the Group pays fixed rate interest payments at 2.2% per annum and receives interests at floating rate related to 3-month SGD Swap Offered Rate.

#### (i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the balance sheet date:

	As at 31 December 2009		As at 30 June 2008	
	Effective rate %	HK\$'000	Effective rate %	HK\$'000
Variable rate borrowings:				
Bank loans (note 25)	2.2% – 5.3%	<u>86,933</u>	7.7%	<u>20,280</u>
Loans from joint venture partners (note 27(b))	–	<u>–</u>	3.5% – 4.0%	<u>18,109</u>
Loan from minority shareholder (note 27(c))	–	<u>–</u>	3.5% – 4.0%	<u>696</u>

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (d) Interest rate risk (continued)

#### (ii) Sensitivity analysis

At 31 December 2009, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and total equity by approximately HK\$716,000 (30 June 2008: HK\$391,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk in existence at that date. The 1% increase/decrease represents management's assessment of a reasonable possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

### (e) Fair values

The fair values of receivables, bank balances and other current assets, payables and accrued charges and current borrowings are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2008 and 31 December 2009. Amounts due (to)/from subsidiaries are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

## 31 COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2009 not provided for in the financial statements in respect of the acquisition of fixed assets are as follows:

	<b>As at 31 December 2009 HK\$'000</b>	As at 30 June 2008 HK\$'000
Contracted for	<b>20,004</b>	12,433
Authorised but not contracted for	<b>455,580</b>	219,846
	<b>475,584</b>	232,279

- (b) Capital commitments outstanding at 31 December 2009 in relation to acquisition of subsidiaries are as follows:

	<b>As at 31 December 2009 HK\$'000</b>	As at 30 June 2008 HK\$'000
Contracted for	<b>21,480</b>	–

The above excludes commitment for the transaction as set out in note 34.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 31 COMMITMENTS (CONTINUED)

### (c) Operating lease commitments

#### (i) As lessor

At 31 December 2009, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	<b>As at 31 December 2009 HK\$'000</b>	As at 30 June 2008 HK\$'000
Leases on premises expiring		
– within 1 year	<b>18,817</b>	18,139
– after 1 year but within 5 years	<b>11,653</b>	23,217
	<b>30,470</b>	41,356

The Group leases certain of its buildings under operating leases. The leases typically run for one to five years. None of the leases include contingent rentals.

#### (ii) As lessee

At 31 December 2009, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>As at 31 December 2009 HK\$'000</b>	As at 30 June 2008 HK\$'000
<b>Continuing operations</b>		
Leases on premises expiring		
– within 1 year	<b>150,202</b>	135,940
– after 1 year but within 5 years	<b>379,796</b>	410,506
– after 5 years	<b>265,287</b>	194,213
<b>Discontinued operation</b>	<b>795,285</b>	740,659
	<b>–</b>	287,224
	<b>795,285</b>	1,027,883

The Group is the lessee in respect of a number of office premises and cinemas held under operating leases. The leases typically run for one to twenty years.

Certain non-cancellable operating leases are subject to contingent rent payments, which are charged at 3% to 28% (30 June 2008: 5% to 28%) of their monthly or annual gross box office takings in excess of the base rents as set out in the respective lease agreements. In addition, 10% of the theatre confectionary sales and advertising income are also charged as payments under certain leases.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 32 CONTINGENT LIABILITIES

At 31 December 2009, the Company has issued guarantees to banks in respect of banking facilities granted to certain subsidiaries and a jointly controlled entity amounting to HK\$Nil (30 June 2008: HK\$81,880,000) and HK\$27,500,000 (30 June 2008: HK\$Nil) respectively. At 31 December 2009, banking facilities of HK\$Nil (30 June 2008: HK\$20,280,000) and HK\$78,375,000 (30 June 2008: HK\$Nil) had been utilised by the subsidiaries and a jointly controlled entity respectively.

At 31 December 2009, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The Company has not recognised any deferred income in respect of bank guarantees as their fair value cannot be reliably measured and no transaction price was incurred.

Certain subsidiaries of the Group are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the directors are of the opinion that even if the claims are found to be valid, there will be no material adverse effect on the financial position of the Group.

## 33 MATERIAL RELATED PARTY TRANSACTIONS

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

	Note	Eighteen months ended 31 December 2009 HK\$'000	Year ended 30 June 2008 HK\$'000
Interest costs on convertible notes	(i)	172	3,388
Interest income from a jointly controlled entity	(ii)	263	1,126
Sale of motor vehicle	(iii)	350	–
Office rental paid	(iv)	1,297	–
Service fee income from a jointly controlled entity	(v)	1,249	–
Consultancy fee income from jointly controlled entities	(vi)	1,280	473
Advertising agency fee paid to a jointly controlled entity	(vii)	467	491

Notes:

- (i) The related companies are/were the substantial shareholders of the Company or related to a substantial shareholder of the Company. The interest expenses were charged at an effective interest rate of 7% per annum (30 June 2008: 7% per annum). Details of the terms of the convertible notes are set out in note 26 to the financial statements.
- (ii) The interest income on the shareholder's loan to a jointly-controlled entity was charged at 4% per annum (30 June 2008: 3.5% to 4.0% per annum).
- (iii) The Group sold a motor vehicle to Mr Lau Pak Leung ("Mr Lau"), a former director of the Company, at a sum of HK\$350,000 during the period ended 31 December 2009.
- (iv) This represents office rental expenses and staff quarter expenses paid to Beijing Chengtian Zhihong, a subsidiary of Orange Sky, which is a substantial shareholder of the Group. The office rental were charged at a rate of RMB2,146.76 per day for the period from July 2008 to October 2009 and the staff quarter were charged at a rate of RMB2,000 per month for the period from August 2008 to February 2009. From 30 October 2009, Beijing Chengtian Zhihong become a wholly owned subsidiary of the Group and Beijing Chengtian Zhihong ceased to be a related party of the Group since then.
- (v) This represents service fee for ticketing system maintenance and enhancement received from a jointly controlled entity of the Group. The fees were charged on normal commercial terms.
- (vi) The consultancy fee were received from two jointly controlled entities of the Group charged a rate of SGD8,000 per month for the period from 1 July 2008 to 31 December 2008 and SGD8,520 per month for the period from 1 January 2009 to 31 December 2009, and NT\$200,000 per month for the period from 1 February 2009 to 31 December 2009 (30 June 2008: SGD8,000 and NT\$Nil).
- (vii) The advertising agency fee was charged on normal commercial terms.

The transactions amounted to HK\$1,819,000 (30 June 2008: HK\$3,388,000) shown in notes (i), (iii) and (iv) above with 3 related companies and a person (30 June 2008: 4 related companies) constituted connected transactions as defined in the Listing Rules. The connected transactions were either properly approved by the independent shareholders or constituted the de minimis transactions as defined in the Listing Rules.

None of the other related party transactions set out above constituted connected transactions or continuing connected transactions as defined in the Listing Rules.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 34 ACQUISITION OF A SUBSIDIARY AND RELATED BUSINESS

On 30 October 2009, the Group acquired the entire equity interest in Beijing Chengtian Zhihong and the business relating to Chinese-language films and television programmes, production, investment, marketing and advertising and/or distribution business from Orange Sky (the "Acquired Business"), 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 as follows:

	Carrying amount <i>HK\$'000</i>	Fair value recognised on acquisition <i>HK\$'000</i>
Fixed assets	1,149	1,149
Film rights	34,337	34,337
Trade receivables	3,593	3,593
Other receivables, deposits and prepayments	5,091	5,091
Amounts due from related companies	929	929
Cash and cash equivalents	3,895	3,895
Trade payables	(5,291)	(5,291)
Other payables and accrued charges	(2,433)	(2,433)
Amounts due to related companies	(12,633)	(12,633)
Taxation payable	(5,387)	(5,387)
Secured bank loans	(5,130)	(5,130)
Net assets	<u>18,120</u>	18,120
Goodwill		<u>28,538</u>
<i>Satisfied by:</i>		
Purchase consideration ( <i>note</i> )		
– Cash consideration paid		37,634
– Convertible note issued		<u>9,024</u>
		<u>46,658</u>

Note: The maximum aggregate consideration payable by Orange Sky Golden Harvest Motion Pictures Company Limited, a wholly-owned subsidiary of the Group, 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 notes 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 notes by the Company to Orange Sky in accordance with the provision of the agreement to 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 notes 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 notes 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.



# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 34 ACQUISITION OF A SUBSIDIARY AND RELATED BUSINESS (CONTINUED)

Analysis of the components of purchase consideration as at the date of acquisition:

The initial assessment of the total consideration paid/payable comprised the following components:

	HK\$'000
Initial cash consideration paid during the period	37,634
Convertible notes issued	9,024
Present value of the contingent consideration:	
– Convertible notes to be issued*	–
Total purchase consideration	<u>46,658</u>

\* The principal terms of the convertible notes to be issued are as follows:

Aggregated principal amount	Up to RMB40 million (approximately HK\$45.1 million)
Interest rate per annum	Nil
Conversion price applicable	HK\$0.338 per share
Convertible period	Date of issue to 24 December 2015
Maturity date	31 December 2015
Redemption	Redeemable on the maturity date at the principal amount

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the Acquired Business is as follows:

	HK\$'000
Cash consideration	36,160
Cash paid for costs directly attributable to the acquisition	<u>1,474</u>
	37,634
Cash and cash equivalents acquired	<u>(3,895)</u>
Net outflow of cash and cash equivalents in respect of the acquisition of the Acquired Business	<u>33,739</u>

Following the acquisition, the Acquired Business contributed turnover and profit after taxation of HK\$7,557,000 and HK\$3,337,000 respectively for the period ended 31 December 2009.

The effect to the Group's revenue and loss for the period ended 31 December 2009 was HK\$6,096,000 and HK\$17,392,000 respectively had the above acquisition taken place at 1 January 2009.

## 35 POST BALANCE SHEET EVENTS

On 10 February 2010, Skyera, the Company entered into placing and subscription agreement pursuant to which the independent third parties agreed to place 340,000,000 placing shares at the price of HK\$0.97 per share. In addition, Skyera also agreed to subscribe for and the Company agreed to issue a total of 340,000,000 subscription shares at a price of HK\$0.97 per share. The subscription shares represent approximately 15.44% of the existing issued share capital of the Company at the date of the placing and subscription agreement and approximately 13.38% of the issued share capital of the Company enlarged by the subscription shares. The net proceeds of the share subscription, after deduction of relevant expenses, are HK\$314,000,000.

A subsidiary of the Group was engaged in litigation for breach of a lease agreement and claim for damages against the landlord (the "Landlord") in the PRC during the eighteen months ended 31 December 2009. Subsequent to the balance sheet date, the Group reached an agreement with the Landlord and received a net receipt of approximately HK\$32,800,000 in February 2010 in respect of the settlement and the provision of consultancy service. 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.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 36 ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 30 contains information about the assumptions and their risk factors relating to financial risk management. Other key sources of estimation uncertainty are as follows:

### Key sources of estimation uncertainty

(i) *Estimated useful lives of fixed assets*

The Group estimates the useful lives of fixed assets based on the periods over which the assets are expected to be available for use. The Group reviews annually their estimated useful lives, based on factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of fixed assets would increase depreciation charges and decrease non-current assets.

(ii) *Impairment of assets*

The Group reviews internal and external sources of information at each balance sheet date to identify indications that assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased. The Group estimates the asset's recoverable amount when any such indication exists. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. The preparation of projected future cash flows involves the estimation of future revenue and operating costs which are based on reasonable assumptions supported by information available to the Group. Changes in these estimates would result in additional impairment provisions or reversal of impairment in future years.

(iii) *Impairment of film rights*

The Group reviews film right's ageing analysis at each balance sheet date. The recoverable amount of film rights is assessed with reference to the value-in-use calculation as at the balance sheet date. The key assumptions include the discount rate, budgeted gross margin and estimated turnover based on past practices, experience and expectations in the film distribution industry. Changes in these estimates and assumptions would result in additional impairment provision or reversal of impairment in future years.

(iv) *Deferred tax assets*

The Group reviews the carrying amounts of deferred taxes at each balance sheet date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilised. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred tax assets to be utilised.

(v) *Determination of contingent consideration and fair values of identifiable intangible assets arising from the business combination*

As disclosed in note 34, the Group acquired 100% equity interest in Beijing Chengtian Zhihong during the period. According to the Deferred Consideration Arrangement, the purchase consideration is payable by the Group (referred to hereinafter as "Contingent Consideration") and the amount of each instalments is determined with reference to the audited net profit for the years ended 31 December 2009 and 2010.

In accordance with HKFRS 3 "Business Combination", the directors of the Company are required to make best estimate to determine the present value of Contingent Consideration of the acquisition at the initial acquisition date. Based on the Group's assessment, the total purchase consideration for the acquisition of Beijing Chengtian Zhihong would be approximately HK\$46,658,000, of which the present value of the Contingent Consideration as at the acquisition date amounted to HK\$Nil.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 36 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### Key sources of estimation uncertainty (continued)

- (v) *Determination of contingent consideration and fair values of identifiable intangible assets arising from the business combination (continued)*

In addition, the acquired identifiable assets and liabilities and contingent liabilities assumed had to be measured at their respective fair values as at the date of acquisition. The difference between the cost of acquisition and the fair value of the Group's share of net assets so acquired is recognised as goodwill on the balance sheet date.

In accordance with the above assessment, goodwill of HK\$28,538,000 was determined to be arising from the acquisition at the acquisition date (note 34).

HKFRS 3 requires the Contingent Consideration shall be further assessed based on the results of future events. Based on the 2009 operating results and the profit forecast for the year ended 31 December 2010, the Group re-assessed the present value of Contingent Consideration as at 31 December 2009 and considered that no revision in Contingent Consideration and the related goodwill is necessary.

## 37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 31 December 2009 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 31 DECEMBER 2009 (CONTINUED)

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

	<b>Effective for accounting periods beginning on or after</b>
HKFRS 8, Operating segments	1 January 2009
HKAS 1 (Revised), Presentation of financial statements	1 January 2009
HKAS 23 (Revised), Borrowing costs	1 January 2009
Amendments to HKFRS 2, Share-based payment – Vesting conditions and cancellations	1 January 2009
HKFRS 3 (Revised), Business combinations	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
Amendments to HKAS 27 (Revised), Consolidated and separate financial statements	1 July 2009
Amendments to HKAS 39, Financial instruments: Recognition and measurement — Eligible hedged items	1 July 2009
HK(IFRIC) 17, Distributions of non-cash assets to owners	1 July 2009
Improvements to HKFRSs (2009)	1 July 2009 or 1 January 2010

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 38 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

### (a) Subsidiaries

The following list contains only the particulars of principal subsidiaries which affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 3(c) and have been consolidated into the Group financial statements.

Details of the principal subsidiaries are as follows:

Name of company	Place of incorporation/ operation	Issued equity capital	Group's effective interest	Principal activities
Beijing Chengtian Zhihong Film & TV Production Company Limited ^	PRC	Registered capital RMB3,000,000	100%	Investment, production and distribution of motion pictures and acts as an advertising agent
City Entertainment Corporation Limited	Hong Kong	150,000,000 shares of HK\$1 each	100%	Theatre operation
Gala Film Distribution Limited	Hong Kong	49,990,000 shares of HK\$1 each and 10,000 non-voting deferred shares# of HK\$1 each	100%	Distribution of motion pictures
GH Global Distribution Limited	British Virgin Islands	1 share of US\$1 each	100%	Distribution of motion pictures
GH Pictures (China) Limited	Cayman Islands	354,545 shares of US\$1 each	100%	Holding of film rights
Golden Harvest Cinemas Holding Limited	British Virgin Islands	1 share of US\$1 each	100%	Investment holding
Golden Harvest China Entertainment Properties Company Limited	Hong Kong	16,831,002 shares of HK\$1 each	100%	Theatre operation
Golden Harvest Entertainment International Limited	British Virgin Islands	1,000 shares of US\$1 each	100%	Investment holding
Golden Harvest Films Distribution Holding Limited	British Virgin Islands	1 share of US\$1 each	100%	Investment holding
Golden Harvest (Marks) Limited	British Virgin Islands	1 share of US\$1 each	100%	Holding of trademarks

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 38 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

### (a) Subsidiaries (continued)

Name of company	Place of incorporation/ operation	Issued equity capital	Group's effective interest	Principal activities
Golden Harvest (Shenzhen) Cinemas Company Limited <sup>^^</sup>	PRC	Registered capital RMB50,000,000	100%	Theatre operation
Golden Harvest Treasury Limited	British Virgin Islands	1 share of US\$1	100%	Provision of finance to group companies
Golden Screen Limited	Hong Kong	8,750,000 shares of HK\$1 each	100%	Investment holding
Golden Sky Pacific Limited	Hong Kong	2 shares of HK\$1 each	100%	Investment holding
M Cinemas Company Limited	Hong Kong	3,161,000 shares of HK\$10 each	100%	Theatre operation
Orange Sky Golden Harvest Entertainment Company Limited (formerly known as Golden Harvest Entertainment Company Limited)	Hong Kong	100 shares of HK\$1 each and 114,000,000 non-voting deferred shares <sup>#</sup> of HK\$1 each	100%	Investment holding
Orange Sky Golden Harvest Motion Pictures Company Limited	Hong Kong	2 shares of HK\$1 each	100%	Investment holding
Panasia Films Limited	Hong Kong	2,600 shares of HK\$1,000 each	100%	Distribution of motion pictures and its related audio visual products and acts as an advertising agent
Shanghai Golden Harvest Media Management Company Limited <sup>^^^</sup>	PRC	Registered capital US\$500,000	90%	Distribution of motion pictures
Splendid Ventures Limited	Hong Kong	2 shares of HK\$1 each	100%	Theatre operation

Except Golden Harvest Entertainment International Limited, all of the above subsidiaries are indirectly held by the Company.

<sup>#</sup> For Orange Sky Golden Harvest Entertainment Company Limited, the deferred shares carry no rights to dividends and carry the right to receive on half of the surplus on a return of capital exceeding HK\$1,000,000,000,000,000. Apart from the above, all other deferred share carry rights to dividends for any given financial year of the respective companies when the net profit available for distribution exceeds HK\$1,000,000,000. They also carry rights to receive one half of the surplus on a return of capital of the respective companies exceeding HK\$500,000,000,000. None of the deferred shares carry any rights to vote at general meetings.

<sup>^</sup> The equity interest of the company is held by PRC nationals on behalf of the Group.

<sup>^^</sup> The company is a wholly-foreign owned enterprise under the PRC Law.

<sup>^^^</sup> Shanghai Golden Harvest Media Management Company Limited is a Sino-foreign equity joint venture enterprise under the PRC Law.

# Notes to the Financial Statements

for the eighteen months ended 31 December 2009

## 38 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

### (b) Jointly controlled entities

The following list contains the particulars of jointly controlled entities, all of which are unlisted corporate entities, which affected the results or assets of the Group:

Name of jointly controlled entity	Form of business structure	Place of incorporation/operation	Particulars of issued and paid up capital	Group's effective interest	Principal activity
Dartina Development Limited	Incorporated	Hong Kong	31,200,082 shares of HK\$1 each	50%	Investment holding
Golden Village Entertainment (Singapore) Pte Ltd.	Incorporated	Singapore	11,509,332 shares of S\$1 each	50%	Investment holding
Golden Village Pictures Pte Ltd.	Incorporated	Singapore	2 shares of S\$1 each	50%	Distribution of motion pictures
Golden Village Holding Pte Ltd.	Incorporated	Singapore	15,504,688 shares of S\$1 each	50%	Investment holding
Golden Village Multiplex Pte Ltd.	Incorporated	Singapore	8,000,000 shares of S\$1 each	50%	Theatre operation
Vie Show Cinemas Co., Ltd.	Incorporated	Taiwan	121,200,000 shares of NTD10 each	35.71%	Theatre operation





Orange Sky  
ENTERTAINMENT GROUP



嘉禾



Golden Harvest

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

(Incorporated in Bermuda with limited liability)  
(於百慕達註冊成立之有限公司)

(Stock Code 股份代號: 1132)