



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)

Annual Report 2010 年度報告



LOVE LIFE, LIVE LIFE 「熱愛生活 · 享受生活」

MISSION 橙天嘉禾的使命

To inspire and enrich life by bringing our customers to the world beyond imagination through excellent movie experience, while seeking maximization of shareholders' value.

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。

VISION 橙天嘉禾的願景

To become Asia's largest integrator of the movie entertainment industry
成為亞洲最大的電影產業鏈整合者

VALUE 橙天嘉禾的價值

Responsible

for the maximization of shareholders' value and the betterment of society with the highest principles

對股東投資實現價值最大對社會大眾抱有責任承擔

Effective

execution of business strategy with consistency

對執行能力時刻保持高效

Compliant

to rules and internal regulations with diligence

對法規內控嚴格遵守執行

Committed

to the development of film industry with passion

對電影事業滿載熱誠理想

Innovative

offerings to our customers with continual improvement

對每個製作注入無窮創意

Honest

to our business partners with transparency, integrity and faith

對每宗交易謹守公平公開

United

team work to build success with persistence

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:

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. Enlarge and strengthen our theatrical exhibition network, i.e. the distribution channel
做大做強集團的電影發信管道，也就是電影院的運營
2. Integrate with our distribution business to enhance synergy
加強整合集團的電影發行業務以獲取更大的協同效應
3. Participate with minimal risks production which in turn benefits our distribution and exhibition business
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





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CORPORATE INFORMATION

公司資料

EXECUTIVE DIRECTORS

執行董事

WU Kebo (*Chairman*)
伍克波 (主席)

LI Pei Sen
李培森

CHANG Tat Joel
鄭達祖

TAN Boon Pin Simon
陳文彬

WU Keyan
伍克燕

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

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

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

Bank of China (Hong Kong) Limited
中國銀行(香港)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.osgh.com.hk>

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 ("OSEG") and its subsidiaries. OSEG, a company incorporated in the British Virgin Islands with limited liability and being 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 PRC. With regard to film, Mr. Wu acted respectively as executive producer of the two 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 telecommunications businesses since the 1990s. Mr. Wu graduated with a bachelor's degree in business administration from the SOKA University Japan in 1992. Mr. Wu joined the Company in October 2007 and is the brother of Ms. Wu Keyan, an executive director of the Company. Mr. Wu is also a director of certain subsidiaries of the Company.

EXECUTIVE DIRECTORS

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 OSEG. 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 ("TVC") as president and was involved in its corporate structuring. During his presidency in TVC, Mr. Li was also in charge of television production, as well as the domestic and global licensing business of Chinese television programmes. Prior to joining OSEG as the associate chairman, Mr. Li served as the director of China TV Production Centre in 2000. Mr. Li has over 10 years of experience 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 the 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 a consultant to TVC.

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，由伍先生於二零零四年創立，主要於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。有關電影方面，伍先生分別擔任兩齣華語電影《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電訊業務。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公司，為本公司執行董事伍克燕女士之胞兄。伍先生亦為本公司若干附屬公司之董事。

執行董事

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，後於二零一零年四月調任本公司執行董事，亦為橙天聯合董事長。李先生曾於一九九四年擔任中國電視劇製作中心副主任，後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，並參與其企業改制。在彼擔任中國國際電視總公司總裁期間，李先生亦負責電視製作及中國電視節目在國內外之特許授權業務。於加盟橙天出任聯合董事長之前，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具備逾十年經驗，曾負責監製過千部電視連續劇，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

Mr. Chang Tat Joel (“Mr. Chang”),

Aged 43,

Mr. Chang was appointed as an executive director of the Company with effect from 26 April 2010. Mr. Chang has been the chief financial officer of the Company since September 2009. He has extensive experience in capital markets. 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 the Australian Society of Certified Practising Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Chang obtained a bachelor’s degree in economics from Monash University in 1990.

Ms. Wu Keyan (“Ms. Wu”),

Aged 39,

Ms. Wu is an executive director of the Company. She was re-designated as an executive director on 9 September 2010 and prior to that, she had been the alternate director to Mr. Wu since January 2008. Ms. Wu has been a senior manager of the Administration and Human Resources Department of the Group since 1 January 2008 and is responsible for the administrative management of the Company’s head office in Hong Kong and the PRC. Ms. Wu has served in various corporations in Japan and Hong Kong and is currently the deputy general manager of Holdrich Investment Limited, a company specialising 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.

Mr. Tan Boon Pin Simon (“Mr. Tan”),

Aged 42,

Mr. Tan was appointed as an executive director of the Company on 23 August 2010. Mr. Tan is also the senior vice president of the Company and manages the Company’s operations in Taiwan. He is also the general manager of Vie Show Cinemas Co. Ltd., a Taiwan incorporated company which is owned as to 35.71% by the Company, and the general manager of Vie Vision Pictures Co. Ltd., in which the Company has 23.21% indirect interest in Taiwan. He joined the Company in 2001 as general manager, Exhibition. Prior to that, he had worked with Golden Village, a company which is owned as to 50% by the Company, since 1992. Mr. Tan holds a master degree in business administration in Nanyang Technological University’s Nanyang Fellows Program. He graduated from Western Illinois University with a degree in business with majors in finance and economics. Mr. Tan was appointed as senior vice president of the Company on 15 February 2008, and as acting chief operating officer of the Company with effect from 23 August 2010.

鄭達祖先生 (「鄭先生」)

四十三歲

鄭先生於二零一零年四月二十六日獲委任為本公司執行董事。鄭先生自二零零九年九月起擔任本公司首席財務官。彼於資本市場具備豐富經驗。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會員，於一九九零年在澳洲蒙納什大學取得經濟學學士學位。

伍克燕女士 (「伍女士」)

三十九歲

伍女士為本公司執行董事。彼自二零零八年一月起為伍先生之替任董事，直至二零一零九月九日，伍女士調任執行董事。自二零零八年一月一日起，伍女士出任本集團行政及人力資源部門高級經理，負責本公司香港及中國總辦事處之行政管理工作。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，該公司專注於電訊、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。伍女士為伍先生之胞妹。

陳文彬先生 (「陳先生」)

四十二歲

陳先生於二零一零年八月二十三日獲委任為本公司執行董事。陳先生亦為本公司高級副總裁，管理本公司在台灣之業務。彼亦為於台灣註冊成立並由本公司擁有35.71%權益之威秀影城股份有限公司的總經理，及本公司擁有23.21%間接權益的台灣Vie Vision Pictures Co. Ltd.的總經理。彼於二零零一年加盟本公司出任總經理（戲院部）。在此之前，彼自一九九二年起一直於本公司擁有50%權益之Golden Village工作。陳先生持有南洋科技大學Nanyang Fellows Program之工商管理碩士學位。彼畢業於美國伊利諾西大學，持有商務學位（主修財務及經濟）。陳先生於二零零八年二月十五日獲委任為本公司高級副總裁，並由二零一零年八月二十三日起出任本公司署理營運總裁。

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

董事及高級管理層個人履歷

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Man Kit Michael ("Mr. Leung"),

Aged 57,

Mr. Leung has been an independent non-executive director, and 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 and has over 20 years of experience in project finance and corporate finance. He has 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 VC Group which provides advice on corporate finance under the type 6 licence granted under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"). He is also an independent non-executive director and audit committee member of NetEase, a NASDAQ listed company, and 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.

Mr. Huang Shao-Hua George ("Mr. Huang"),

Aged 62,

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. He 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 a 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.

Ms. Wong Sze Wing ("Ms. Wong"),

Aged 32,

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. She is the deputy chief financial officer and joint company secretary of Yingde Gases Group Company Limited which is listed on the main board of The Stock Exchange of Hong Kong Limited and a constituent stock of Hang Seng Composite Index. Ms. Wong was previously employed as the group chief financial officer of OSEG. She was also previously employed as the financial controller of Avex China Company Limited, a PRC joint venture company established by OSEG and Avex Group Holdings Inc., a company listed on the Tokyo Stock Exchange. Ms. Wong ceased to be the group chief financial officer of OSEG and financial controller of Avex China Company Limited in January 2008. She was also previously employed as a manager at PricewaterhouseCoopers. Ms. Wong obtained a bachelor's degree in 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.

獨立非執行董事

梁民傑先生 (「梁先生」)

五十七歲

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具備逾二十年經驗。彼曾任百富勤融資(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之顧問。目前，梁先生亦為匯盈集團之負責人員，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。彼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。

黃少華先生 (「黃先生」)

六十二歲

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，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，於一九七九年成為台灣推廣及銷售微型電腦至國際市場之先驅。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。

黃斯穎女士 (「黃女士」)

三十二歲

黃女士於二零一零年四月二十六日獲委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。黃女士具備超過九年專業會計經驗。彼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有限公司主板上市，並為恒生綜合指數成分股。黃女士曾擔任橙天之集團財務總監，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.成立的中國合營企業公司。Avex Group Holdings Inc.為於東京證券交易所上市的公司。黃女士於二零零八年一月退任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。黃女士過往曾受聘於羅兵咸永道會計師事務所出任經理。黃女士取得香港大學工商管理學士學位，並正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 41,

Mr. Kelvin Wu joined the Company in September 2009 and is currently its chief executive officer. He graduated from The Chinese University of Hong Kong with a bachelor's degree in business administration. He also obtained a postgraduate research certificate from Osaka University of Foreign Studies. He has over 14 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 experience in lead managing initial public offerings and advising on mergers and acquisitions of media and entertainment related companies. Mr. Kelvin Wu focuses on strategic planning and assessment of mergers and acquisitions opportunities for the Company.

首席執行官

胡景邵先生 (「胡先生」)

四十一歲

胡先生於二零零九年九月加盟本公司，現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，亦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，曾於多間國際投資銀行工作。胡先生具備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之經驗。胡先生專注於本公司之策略規劃以及合併及收購機會評估。

COMPANY SECRETARY

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

Aged 45,

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 master degree in business administration from Hong Kong Baptist University.

公司秘書

袁國安先生 (「袁先生」)

四十五歲

袁先生於一九九六年十月加盟本公司，現兼任本公司副財務官。彼為澳洲會計師公會及香港會計師公會會員，持有香港浸會大學工商管理碩士學位。

CHAIRMAN'S 主席報告書 STATEMENT



On behalf of the Board of Directors (the "Board") of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company"), I am delighted to present to our shareholders, the Annual Report of the Company together with its subsidiaries (the "Group" or "OSGH") for the 12 months ended 31 December 2010 ("Financial Year 2010" or the "Reporting Period").

本人謹代表橙天嘉禾娛樂(集團)有限公司(「本公司」)董事會(「董事會」)欣然向股東呈報本公司及其附屬公司(「本集團」或「橙天嘉禾」)截至二零一零年十二月三十一日止十二個月(「二零一零年財政年度」或「報告期間」)之年報。

In 2010, while box office receipts stayed flat in North America, the world's biggest film market, gross box office receipts in Mainland China, Hong Kong, Taiwan and Singapore recorded 64%, 14%, 14% and 1% growth from 2009 in local currency, respectively, thanks to increased supply of films in premium formats like 3D and IMAX®, and the breadth of key films released, eg. *Avatar*, *Inception*, *Iron Man 2*, *Aftershock*, *Ip Man 2*, *Let The Bullets Fly*, *Alice in Wonderland*, *Toy Story 3*, *Shrek IV*, *Harry Potter and the Deathly Hallows Part 1*, etc.

	2010 gross box office receipt	% change comparing to 2009
Mainland China	RMB10.17 billion	64
Hong Kong	HK\$1,339 million	14
Taiwan	NTD6,183 million	14
Singapore	S\$172 million	1

Riding on the favorable market conditions in our operating territories, the Group delivered yet another year of solid performance. During the Reporting Period, the Group added seven cinemas with 38 screens, ending Financial Year 2010 with 33 cinemas and 250 screens across Mainland China, Hong Kong, Taiwan and Singapore. The Group remained the largest cinema operator in Taiwan and Singapore in the Reporting Period, and our flagship cinema in Mainland China, namely, GH-MIXC in Shenzhen, had kept its position as one of the country's top three cinemas since 2006.

During Financial Year 2010, the Group served approximately 23.8 million patrons and generated a total of HK\$952 million turnover, from theatrical exhibition business. In addition, the Group distributed over 95 films on big screens in Mainland China, Hong Kong, Taiwan and Singapore during the Reporting Period. Together with licensing income from the Group's film library, the Group generated a total of HK\$125 million turnover from film distribution business.

於二零一零年，當全球最大電影市場北美之票房收入維持平穩之際，中國內地、香港、台灣及新加坡之票房總收入（以當地貨幣計算）均見突破，分別較二零零九年增長64%、14%、14%及1%，全賴以3D及IMAX®等頂尖技術拍攝之電影數量增加，加上《阿凡達》、《潛行凶間》、《鐵甲奇俠2》、《唐山大地震》、《葉問2》、《讓子彈飛》、《愛麗絲夢遊仙境》、《反斗奇兵3》、《史力加IV》及《哈利波特一死神的聖物1》等眾多鉅片連環上映。

	二零一零年票房總收入	與二零零九年相比之百分比變動 %
中國內地	人民幣 101.7 億元	64
香港	13.39 億港元	14
台灣	61.83 億新台幣	14
新加坡	1.72 億新加坡元	1

於營運地區之利好市況帶動下，本集團繼續經歷豐盛一年。於報告期間，本集團增設七家影城共38個銀幕，截至二零一零年財政年度，於中國內地、香港、台灣及新加坡共設有33家影城250個銀幕。於報告期間，本集團穩守台灣及新加坡最大影城營辦商之地位，而本集團於中國深圳之旗艦影城嘉禾深圳影城自二零零六年以來一直名列全國三大影城之一。

於二零一零年財政年度，本集團影城為接近23.8百萬位觀眾提供服務，總營業額達9.52億港元。此外，於報告期間，本集團發行超過95部電影供中國內地、香港、台灣及新加坡各地公映。連同本集團電影庫之版權收入，本集團之電影發行業務錄得營業額合共125百萬港元。

CHAIRMAN'S 主席報告書

STATEMENT

The Group's net profit attributable to shareholders for Financial Year 2010 was HK\$71 million, including approximately HK\$24 million of certain exceptional items including gains and losses primarily from settlement of legal dispute, disposal of two wholly-owned subsidiaries operating cinema screen advertising business and impairment provision on certain film right and assets. Net of the above mentioned exceptional items, the Group's profit from normal operations would have been HK\$47 million for Financial Year 2010, up from HK\$22 million for the same period a year ago.

Looking ahead, the 2011 line-up is rich, including *Pirates of the Caribbean: On Stranger Tides*, *The Hangover 2*, *Kung Fu Panda 2*, *Cars 2*, *X-Men: First Class*, *Transformers: Dark of the Moon*, *Harry Potter and the Deathly Hallows: Part 2*, *Captain America: The First Avenger*, *The Founding of a Party*, *The Xinhai Revolution*, *Women of Jinling*, etc.

Furthermore, we are optimistic with a sustainable demand for quality film entertainment in the region in years ahead, in particular Mainland China, because of the increasing numbers of high quality Chinese films, the significant potential for higher penetration, supportive regulatory environment, resilience through economic cycles, and most importantly, movie-going as a convenient and affordable out-of-home entertainment is gaining popularity amongst the general Chinese public. According to EntGroup Inc., the gross box office receipts for urban area in Mainland China will increase to RMB21 billion by 2012.

In January 2010, the State Council of the People's Republic of China 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》), which is a directive on the guidance to drive the growth of the film industry. In the Twelfth Five-Year Plan released in March 2011, culture industry will be promoted as a pillar industry for the country's economic development in the 2011-2015 period. The Group believes its rapid expansion into Mainland China's theatrical exhibition market makes it a major beneficiary of such positive developments.

於二零一零年財政年度，本集團股東應佔純利為71百萬港元，其中包括若干特別事項約24百萬港元，主要源自有關法律訴訟和解、出售兩間經營影城銀幕廣告業務之全資擁有附屬公司及若干電影版權與資產之減值撥備所產生盈虧。撇除上述特別事項後，本集團於二零一零年財政年度之日常業務溢利應為47百萬港元，較去年同期22百萬港元有所增加。

展望未來，二零一一年猛片如雲，包括《加勒比海盜：魔盜狂潮》、《醉爆伴郎團2》、《功夫熊貓2》、《反斗車王2》、《變種特攻：異能第一戰》、《變形金剛3》、《哈利波特—死神的聖物2》、《復仇者先鋒：美國隊長》、《建黨偉業》、《辛亥革命》及《金陵十三釵》等。

此外，本集團樂觀地認為未來數年區內對優質電影娛樂之需求將會持續，特別是中國內地，原因為中國高質素電影數目日增、滲透潛力龐大、獲監管當局推出政策支持配合及電影娛樂不受經濟週期威脅，最重要的是觀賞電影已成為既方便又經濟之外出消遣活動，日漸受中國普羅大眾歡迎。根據藝恩諮詢之資料，中國內地全國城市地區電影票房總收入將於二零一二年增至人民幣210億元。

於二零一零年一月，中華人民共和國國務院頒佈《國務院辦公廳關於促進電影產業繁榮發展的指導意見》，作為推進電影產業發展之方向指引。於二零一一年三月頒佈之十二五規劃中，文化產業將於二零一一年至二零一五年間被推動成為國家經濟發展支柱產業。本集團相信其將業務迅速擴展至中國內地電影放映市場，將可大大受惠於此等正面推動力。

The Group's long term goal to become one of the leading exhibitors in Mainland China remains intact, although we see plenty of challenges ahead. The Group has strengthened execution, business development and merger and acquisition effort to combat all such challenges, and to forge ahead in the nascent film industry in Mainland China.

During the Reporting Period, the Group added seven cinemas with 39 screens in Mainland China's cities of Beijing, Wujiang, Jingdezhen, Chongqing, and Hefei, including "Orange Cinema" at PCCW Centre in Beijing, which is an innovative membership movie theater with a sophisticated club ambiance. Since beginning of 2011, the Group had opened another two cinemas with 17 screens in Dongguan and Wuxi, making the Group's cinema portfolio in operation with 11 cinemas and 77 screens in Mainland China as of 31 March 2011.

Up to 31 March 2011, the Group has signed lease agreements to open another 42 new cinemas with 342 screens in Mainland China by 2013, although the number may vary due to the actual handover date, the progress of internal decoration and fit-out, and application of relevant license. As of 31 March 2011, 18 cinemas with 141 screens were in various stages of internal decoration, fitting out and license application. The Group will continue soliciting new lease agreements, and seek cooperation with existing operators to form joint ventures to convert existing old cinemas in prime location to modern multiplexes.

In September 2010, the Group completed the strategic acquisition of approximately 3.33% of Legend Pictures LLC. ("Legendary"), which is an independent production company founded in 2004 to create, develop, co-produce and co-finance major motion pictures, to further expand the Group's film production and distribution business. Legendary's productions to date, to name a few, include *Inception*, *Clash of the Titans*, *The Dark Knight*, *300* and *The Hangover*.

儘管預期前路荊棘滿途，本集團成為其中一間中國內地領先影城營辦商之長遠目標仍未動搖。為克服所有該等挑戰，本集團已加強執行、業務發展及併購力度，務求於崛起之中國內地電影行業穩步向前。

於報告期間，本集團於北京、吳江、景德鎮、重慶及合肥等中國城市增建七家影城共39個銀幕，當中包括位於北京盈科中心之「橙影城」。「橙影城」乃嶄新會員制影城，環境高雅猶如置身俱樂部中。自二零一一年初以來，本集團已於東莞及無錫另設兩家影城共17個銀幕，令本集團截至二零一一年三月三十一日止之中國內地營運影城組合增至11家影城共77個銀幕。

截至二零一一年三月三十一日止，本集團已簽訂租賃協議，於二零一三年前在中國內地增設42家新影城共342個銀幕，惟有關數字或因實際接場日期、內部佈置及裝修工程以及相關牌照申請進度而有所變動。截至二零一一年三月三十一日，18家影城共141個銀幕已處於內部佈置、裝修及牌照申請等不同階段。本集團將繼續物色新租賃協議，並尋求與現有營運商合作成立合資公司，將現時位於黃金地段之舊式戲院改裝成現代化多廳影城。

於二零一零年九月，本集團完成策略性收購Legend Pictures LLC. (「Legendary」)約3.33%權益，藉以進一步擴大旗下電影製作及發行業務。Legendary為一家在二零零四年創立之獨立製作公司，從事創作、開發、合作監製及合資拍攝大型電影，迄今之作品包括《潛行凶間》、《人•神•魔戰》、《蝙蝠俠—黑夜之神》、《戰狼300》及《醉爆伴郎團》。

CHAIRMAN'S 主席報告書

STATEMENT

Outside of Mainland China, the Group completed renovation of the Vie Show Kaohsiung (with 16 screens) in Taiwan and replaced one traditional auditorium of the cinema with an IMAX® screen in April 2010, thus expanding its IMAX® footprint to two screens. In Hong Kong, the Group became the first and only cinema operator bringing live football matches to patrons in 3D format in July 2010. In Singapore, the Group completed renovation of GV Yishun (with 10 screens) in November 2010.

In 2011, the Group expects to open four new cinemas with a total of 32 screens in Taiwan and Singapore, and close down one cinema with six screens in Hong Kong. The Group also plans to renovate three cinemas with collectively 38 screens in Taiwan. The Board believes the expansion and renovation will further strengthen the Group's leading position in the respective markets.

The Group remains committed to improving movie-going experience for our patrons. As Taiwan's exclusive digital IMAX® operator, the Group plans to add three new digital IMAX® screens in 2011. In Hong Kong, the Group signed an agreement with D-BOX Technologies Inc. to introduce Hong Kong D-BOX motion systems, which generate seat motions that are synchronized with the onscreen motion of the film.

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

於中國內地以外地區，本集團完成台灣高雄威秀影城（設有16個銀幕）之翻新工程，並於二零一零年四月為院內一個傳統影廳更換為IMAX®銀幕，令本集團於台灣共設有兩個IMAX®銀幕。於香港，本集團於二零一零年七月率先以3D形式現場直播足球賽事，令觀眾耳目一新，亦在同業中獨領風騷。於新加坡，本集團於二零一零年十一月完成翻新設有10個銀幕之義順嘉華影城。

於二零一一年，本集團預期於台灣及新加坡增設四家新影城共32個銀幕，以及關閉香港一家設有六個銀幕之影城。本集團亦計劃翻新台灣三家合共設有38個銀幕之影城。董事會相信，擴充及翻新行動將進一步鞏固本集團於相關市場之領導地位。

本集團繼續矢志為觀眾提升影城體驗。作為台灣獨家數碼IMAX®營辦商，本集團計劃於二零一一年添置三個全新數碼IMAX®銀幕。於香港，本集團已與D-BOX Technologies Inc. 簽立協議，將D-BOX動態系統引入香港。此系統能令座椅跟隨銀幕上呈現之動作場面產生同步動作。

有見華語電影需求日益增加，本集團計劃自二零一一年起在香港重新展開製作業務。截至二零一一年三月三十一日止，一個電影項目正處於前期製作階段。本集團亦積極拓展與流動服務供應商之夥伴關係，藉此經流動網絡發行本集團電影庫之電影及電視節目。此外，本集團現正磋商於二零一一年在中國內地發行外語電影。

On behalf of the Board, I take this opportunity to express our appreciation to our shareholders, who share the same vision and commitment to the development of film industry in the region. I also take this opportunity to thank all of my colleagues in different countries for their dedicated efforts and continuing contributions during the year to the Group.

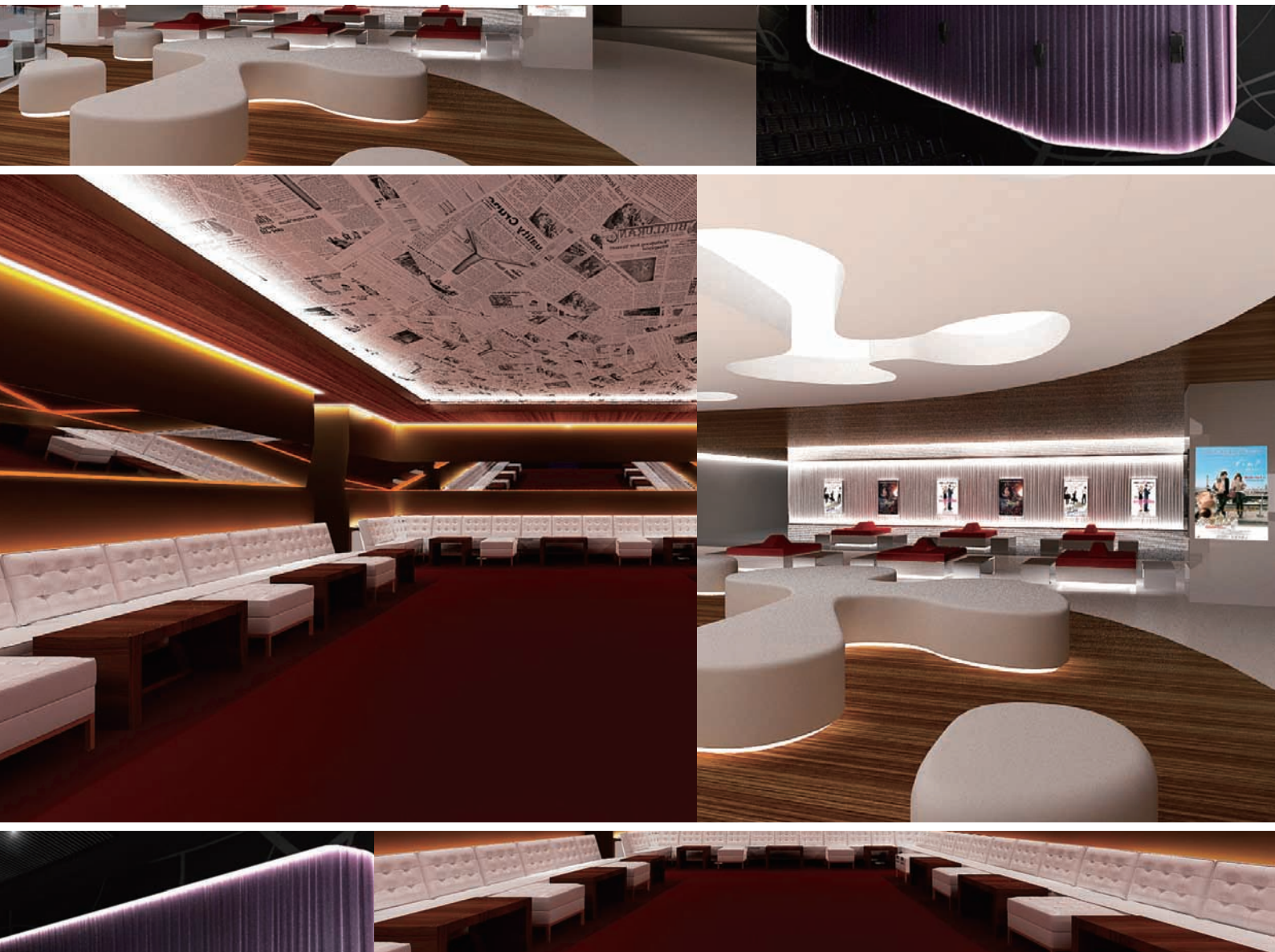
Wu Kebo
Chairman

Hong Kong, 31 March 2011

本人藉此代表董事會向與本集團抱有同一理念及使命致力發展區內電影產業之股東致謝。本人亦藉此機會鳴謝各地同僚年內為本集團作出之不懈努力及寶貴貢獻。

主席
伍克波

香港，二零一一年三月三十一日



MANAGEMENT DISCUSSION & ANALYSIS

管理層討論及分析

OSGH'S CINEMA PORTFOLIO

橙天嘉禾戲院組合

(as of 31 December 2010)

(截至二零一零年十二月三十一日)



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 starting from the financial year 2009. Accordingly, the reporting period for the financial year 2009 covers a period of 18 months from 1 July 2008 to 31 December 2009 ("Financial Year 2009"), whereas the reporting period for the financial year 2010 covers a period of 12 months from 1 January 2010 to 31 December 2010 ("Financial Year 2010" or the "Reporting Period"). Unaudited key financial figures cover a period of 12 months from 1 January 2009 to 31 December 2009 ("Pro-forma 2009 Period") are presented for comparison purpose. The difference in duration of the different 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院營運業務之財政年度結算日，本公司自二零零九年財政年度起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，二零零九年財政年度之報告期間涵蓋二零零八年七月一日至二零零九年十二月三十一日止十八個月（「二零零九年財政年度」），而二零一零年財政年度之報告期間則涵蓋二零一零年一月一日至二零一零年十二月三十一日止十二個月（「二零一零年財政年度」或「報告期間」）。涵蓋二零零九年一月一日至二零零九年十二月三十一日止十二個月（「二零零九年備考期間」）之未經審核主要財務數據就比較用途而呈列。於進行年度比較時，應考慮該兩段財政期間長短不一。



OPERATION AND FINANCIAL REVIEW

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

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

業務及財務回顧

於二零一零年財政年度，本集團自持續經營業務錄得營業額合共1,078百萬港元，較二零零九年備考期間所錄得之810百萬港元大幅增加33%。報告期間營業額增加，乃由於本集團在不同營運地區開設之新影城首次帶來收入，加上觀眾對高票價3D電影反應熱烈所致。

作為亞洲區主要及領先影城營辦商，本集團於截至二零一零年十二月三十一日止在中國內地、香港、台灣及新加坡經營33家影城共250個銀幕（截至二零零九年十二月三十一日止：26家影城共212個銀幕）。於報告期間公映之主要荷里活鉅片包括《阿凡達》、《反斗奇兵3》、《愛麗絲夢遊仙境》、《哈利波特—死神的聖物1》及《潛行凶間》；而主要華語鉅片則包括《唐山大地震》、《讓子彈飛》、《葉問2》、《非誠勿擾2》及《狄仁傑之通天帝國》。





MANAGEMENT DISCUSSION

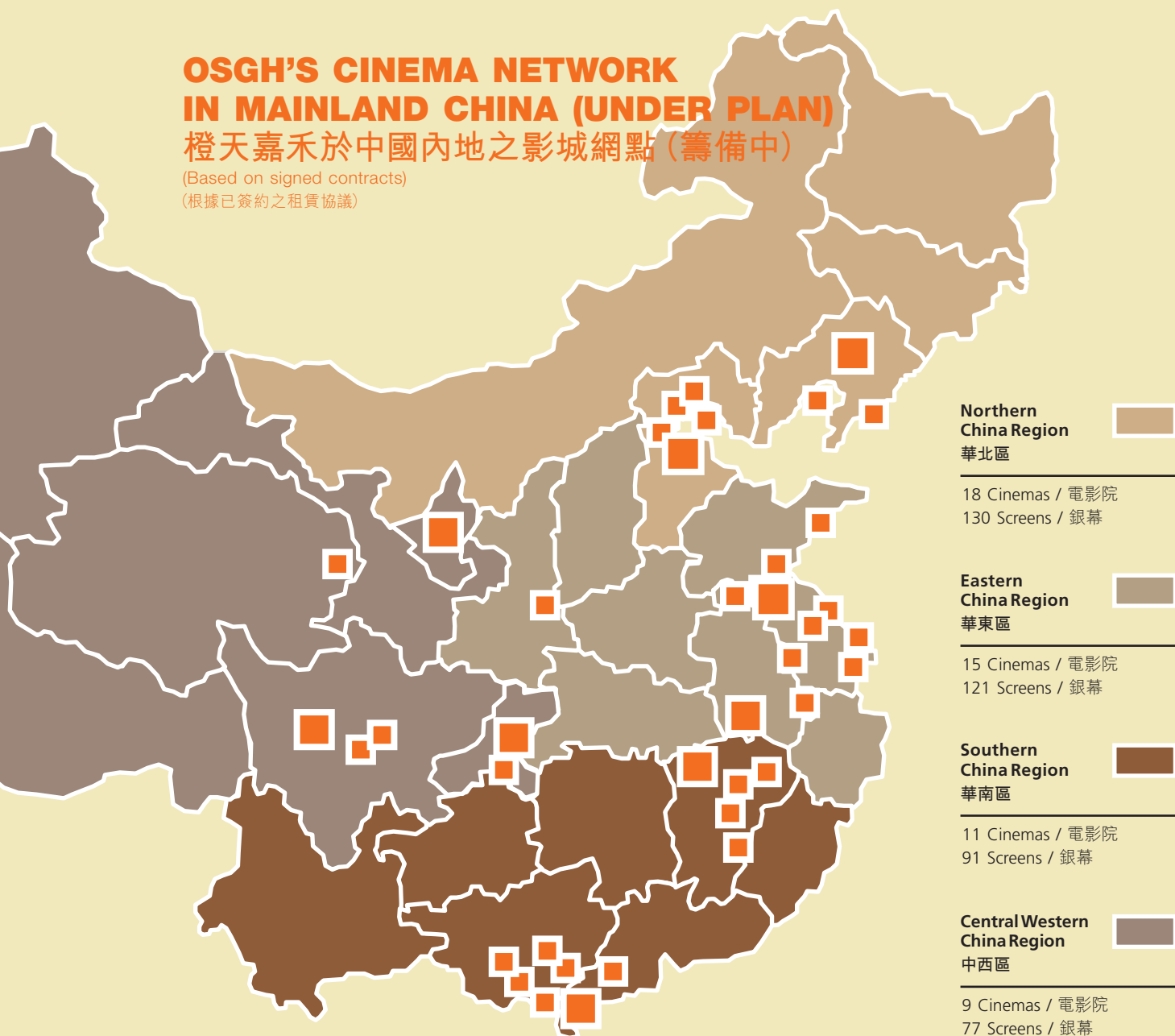
管理層討論及分析 & ANALYSIS

OSGH'S CINEMA NETWORK IN MAINLAND CHINA (UNDER PLAN)

橙天嘉禾於中國內地之影城網點(籌備中)

(Based on signed contracts)

(根據已簽約之租賃協議)





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

於二零一零年財政年度，本集團錄得股東應佔純利71百萬港元，包括就調解北京一家影城之租賃協議所引致的法律糾紛及就此提供之顧問服務錄得特別收益21.5百萬港元（扣除相關開支及相關稅項）。此外，本集團於二零一零年十二月以現金代價約20.6百萬港元出售兩間經營影城銀幕廣告業務之全資擁有附屬公司全部股權連同股東貸款，因而錄得出售收益11.3百萬港元。此等特別收益其中部分已由若干電影版權及資產之減值撥備所抵銷。撇除上文所述特別事項後，股東應佔本集團之二零一零年財政年度日常業務溢利應為47百萬港元，而二零零九年備考期間則為22百萬港元。本集團於二零一零年財政年度錄得未計利息、所得稅及折舊前盈利165百萬港元，較二零零九年備考期間的83百萬港元有所增加。

MANAGEMENT DISCUSSION & ANALYSIS 管理層討論及分析

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

於二零一零年財政年度，本集團耗資約29百萬港元（二零零九年備考期間：12百萬港元）總部費用於中國內地擴充及發展影城項目，該等開發成本已於報告期間計入收益表。於二零一零年財政年度，本集團亦已就其於中國內地之新影城錄得籌備開支約7百萬港元。本集團相信有關開支對於未來數年帶來經濟利益是必需的。



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

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

本集團於二零一零年二月完成以先舊後新方式配售340百萬股新股份，籌得款項淨額約314百萬港元。截至二零一零年十二月底，本集團維持雄厚現金結餘458百萬港元。本集團相信，該穩健財務狀況將有助促進本集團於中國內地積極推行業務拓展計劃，包括把握任何潛在併購機遇。

於二零一零年九月，本集團完成以現金代價25百萬美元策略性收購Legend Pictures LLC（「Legendary」）約3.33%權益。Legendary為獨立製作公司，曾製作《潛行凶間》、《人神魔戰》、《蝙蝠俠—黑夜之神》、《戰狼300》及《醉爆伴郎團》等一系列鉅片。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

BUSINESS REVIEW

Theatrical Exhibition

OPERATING STATISTICS OF THE GROUP'S CINEMAS

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

* end of period

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

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

業務回顧

影城業務

本集團各地影城之營運數據

	中國內地	香港	台灣	新加坡
影城數目*	9	7	8	9
銀幕數目*	60	32	85	73
入場觀眾(百萬人次)	3.0	2.9	9.3	8.6
平均淨票價(港元)	47	63	59	50

* 期末

於二零一零年財政年度，本集團旗下33家影城為本集團帶來營業額952百萬港元，佔本集團總營業額88%。於報告期間，本集團旗下影城為近23.8百萬名觀眾提供服務，按全數及總額基準計算之票房總收入達13.12億港元。

此等驕人成績全賴本集團矢志成為採用頂尖放映格式及提供超凡影院體驗之行業先驅。目前，本集團超過50%銀幕已安裝數碼投影設備，另超過35%銀幕支援3D放映。於二零一零年七月，本集團率先於香港播放3D足球賽事，令觀眾耳目一新，亦在同業中獨領風騷。此外，本集團亦完成翻新新加坡義順嘉華影城，令其搖身一變成為亞洲首家環保影城。本集團亦完成台灣高雄威秀影城之翻新工程，並為院內一個傳統影廳更換IMAX®銀幕，令本集團旗下IMAX®銀幕總數增至兩個。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

Mainland China

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

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN MAINLAND CHINA

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

* end of period

before deduction of government taxes and charges

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

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

中國內地

於二零一零年，中國內地城市地區錄得票房總收入人民幣101.7億元，較二零零九年大幅上升64%，其中單是3D鉅獻《阿凡達》一片便於二零一零年帶來人民幣13.8億元之總票房收入貢獻，功不可沒，此外，觀賞電影作為既方便又經濟之外出消遣活動已日漸受大眾歡迎，亦成為推動票房收入增加之部分原因。本地電影亦於二零一零年繼續錄得可觀增長，其中《唐山大地震》錄得票房總收入人民幣6.73億元，相對二零零九年票房冠軍《建國大業》錄得人民幣4.15億元。

本集團中國內地影城之營運數據

	截至 二零一零年 十二月三十一日 止十二個月	截至 二零零九年 十二月三十一日 止十二個月
影城數目*	9	2
銀幕數目*	60	21
入場觀眾(百萬人次)	3.0	1.1
平均淨票價(人民幣)	41	48
票房總收入 (人民幣百萬元)#	131	56

* 期末

扣除政府稅項及徵費前

於二零一零年財政年度，本集團於中國內地之多廳影城錄得約3百萬入場人次，票房總收入達人民幣131百萬元，分別較去年同期增長177%及134%，歸功於上映鉅片如雲、強勁市場需求及本集團之快速拓展步伐。

於報告期間，本集團完成收購設有六個銀幕之景德鎮美麟影城及設有五個銀幕之北京上地美麟影城。此外，本集團於北京、重慶、合肥及吳江增設五家新影城共28個銀幕。截至二零一零年十二月三十一日止，本集團於中國內地經營九家影城共60個銀幕，較去年兩家影城共21個銀幕有所增加。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

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

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

Hong Kong

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

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN HONG KONG

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

* end of period

With maiden contribution from two new multiplexes, GH Citywalk and GH Whampoa, which were both opened in December 2009, the Group's cinemas in Hong Kong recorded box office receipts of HK\$183 million in Financial Year 2010, up from HK\$146 million during the same period a year ago, and market share increased from 13% to 14%. In 2010, the Group also became the first and only cinema operator bringing live football matches in 3D format in Hong Kong.

報告期間之平均淨票價由去年同期人民幣48元下降至人民幣41元。儘管於報告期間因推出更多高票價3D電影以致按同店基準計算之票價有所增加，有關增幅遠低於本集團拓展至大眾市場及為旗下新影城提供推廣折扣所產生之開支。

於報告期間，本集團設於深圳之旗艦影城嘉禾深圳影城表現超卓，錄得總票房收入人民幣76百萬元，較去年同期大幅增長36%，以票房收入計算，在中國內地近2,000家影城中排名第三。以二零一零年票房收入計算，單是嘉禾深圳影城便佔深圳之16%市場佔有率。

香港

於二零一零年，香港市場整體錄得票房收入1,339百萬港元，較去年增長14%。

本集團香港影城之營運數據

	截至 二零一零年 十二月三十一日 止十二個月	截至 二零零九年 十二月三十一日 止十二個月
影城數目*	7	7
銀幕數目*	32	33
入場觀眾(百萬人次)	2.9	2.4
平均淨票價(港元)	63	61
票房收入(百萬港元)	183	146

* 期末

隨著於二零零九年十二月開業之兩家全新多廳影城——嘉禾荃新天地及嘉禾黃埔帶來首次貢獻，本集團香港影城於二零一零年財政年度錄得票房收入183百萬港元，較去年同期146百萬港元有所增加，而市場佔有率亦由13%上升至14%。於二零一零年，本集團亦成為唯一於香港率先引入現場直播3D足球賽事之影城營辦商。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

Taiwan

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

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN TAIWAN

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

* end of period

With the opening of the new 9-plex at Taipei Q Square in December 2009, and the addition of one IMAX® screen in Kaohsiung in April 2010, the Group's 35.71%-owned Vie Show Cinema Company Limited ("Vie Show") recorded box office receipts of NTD2.2 billion for Financial Year 2010, up 22% from NTD1.8 billion for Pro-forma 2009 Period. In Taipei City, Vie Show increased its market share to 36% in 2010 from 30% a year ago. The Group's share of net profit for the Reporting Period from Vie Show was HK\$25 million, comparing to HK\$18 million for Pro-forma 2009 Period. The Financial Year 2010 results also reflected a reduction of corporate income tax rate by 3% to 17%.

台灣

於二零一零年，台北市整體錄得票房收入31億新台幣，較去年增長14%，主要由於3D電影持續在台灣叫好賣座，成為城中熱話。

本集團台灣影城之營運數據

	截至 二零一零年 十二月三十一日 止十二個月	截至 二零零九年 十二月三十一日 止十二個月
影城數目 *	8	8
銀幕數目 *	85	85
入場觀眾(百萬人次)	9.3	8.2
平均淨票價(新台幣)	236	217
票房收入 (十億新台幣)	2.2	1.8

* 期末

於台北京站設有9個銀幕之新影城於二零零九年十二月開業，以及於二零一零年四月在高雄市增設一個IMAX®銀幕後，本集團旗下威秀影城股份有限公司(「威秀」)(本集團擁有其35.71%權益)之票房收入由二零零九年備考期間之18億新台幣增加22%至二零一零年財政年度之22億新台幣。於二零一零年，威秀於台北市之市場佔有率由去年30%上升至36%。於報告期間，本集團應佔威秀之純利由二零零九年備考期間之18百萬港元增加至25百萬港元。二零一零年財政年度之業績亦反映了調低企業所得稅率3%至17%之影響。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

Singapore

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN SINGAPORE

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

* end of period

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

Film Distribution and Production

SEGMENTAL FINANCIAL HIGHLIGHTS

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

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

新加坡

本集團新加坡影城之營運數據

	截至 二零一零年 十二月三十一日 止十二個月	截至 二零零九年 十二月三十一日 止十二個月
影城數目 *	9	9
銀幕數目 *	73	73
入場觀眾(百萬人次)	8.6	8.3
平均淨票價(新加坡元)	8.8	8.4
票房收入(百萬新加坡元)	76	70

* 期末

新加坡票房收入由二零零九年之171百萬新加坡元微升至二零一零年之172百萬新加坡元。本集團擁有50%權益之「Golden Village」院線仍為新加坡觀眾之首選影城。於二零一零年財政年度，其領導地位未有動搖，票房收入較去年同期增加8%至76百萬新加坡元，市場佔有率達44%。本集團於報告期間分佔純利35百萬港元，較去年同期31百萬港元有所增加。

電影發行及製作

分部財務摘要

	截至 二零一零年 十二月三十一日 止十二個月	截至 二零零九年 十二月三十一日 止十二個月
已發行電影 分部營業額 (百萬港元)	超過95部 125	超過65部 93

於二零一零年財政年度，本集團電影發行及製作業務錄得營業額125百萬港元，而二零零九年備考期間則為93百萬港元。於報告期間，本集團於中國內地、香港、新加坡及台灣各地發行超過95部電影(二零零九年備考期間：超過65部)。本集團電影庫收藏超過140部擁有永久性發行權之電影及電視節目，於二零一零年財政年度為本集團帶來穩定版權收入貢獻。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

PROSPECTS

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

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

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

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

前景

本集團一直致力於中國內地強化及發展一條龍電影娛樂業務。截至二零一一年三月三十一日止，本集團於中國內地經營11家影城共77個銀幕，較二零一零年底之九家影城共60個銀幕有所增長。截至二零一一年三月三十一日止，本集團已簽訂租賃協議，於二零一三年前增設42家新影城共342個銀幕，惟有關數字或因實際接場日期、內部佈置及裝修工程以及相關牌照申請進度而有所變動。

截至二零一一年三月三十一日，成都、重慶、大連、東莞、廣州、惠州、南京、上饒、瀋陽、蕪湖、無錫、西安、西寧、陽泉、銀川及營口等地18家影城共141個銀幕已處於內部佈置、裝修及牌照申請等不同階段，現正籌劃開業事宜，未來數月將有更多影城陸續登場。

本集團將繼續物色新租賃協議，並尋求與現有營運商合作成立合資公司，將現時位於黃金地段之舊式戲院改裝成現代化多廳影城。本集團亦已積極尋求與中國內地及荷里活其他工作室就共同製作及發行電影方面展開合作。

於中國內地以外地區，本集團預期於二零一一年在台灣開設三家影城，包括一家位於新北市板橋車站附近設有9個銀幕之影城、一家位於台中市設有7個銀幕之影城及一家位於新竹市設有8個銀幕之影城。上述三家影城將分別設有一個IMAX®銀幕，故於二零一一年底前，本集團於台灣運作之IMAX®銀幕總數將增至五個。本集團亦計劃於二零一一年翻新三家現有影城共38個銀幕。展望未來，本集團計劃於二零一四年前進一步擴大其IMAX®銀幕總數至七個。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

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

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

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

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

於新加坡，本集團於二零一一年就開設一家設有八個銀幕之影城簽訂租賃協議。於香港，儘管本集團於二零一一年三月隨相關租賃協議屆滿而關閉位於鑽石山設有六個銀幕之嘉禾荷里活，本集團仍矢志為香港觀眾帶來嶄新影院體驗，並與D-BOX Technologies Inc. 簽訂協議，將D-BOX動態系統引入香港。此系統能令座椅跟隨銀幕上呈現之動作場面產生同步動作。

本集團亦一直專注發展數碼化，並計劃於二零一二年將旗下影城全面數碼化，並將本集團支援3D技術之銀幕數目維持於約40%之水平。

有見華語電影需求日益增加，本集團計劃自二零一一年起在香港重新展開製作業務。於二零一一年三月三十一日，一個電影項目正處於前期製作階段。本集團亦積極拓展與流動服務供應商之夥伴關係，藉此經流動網絡發行本集團電影庫之電影及電視節目。此外，本集團現正磋商於二零一一年在中國內地發行外語電影。

目前，本集團具備十分充裕的流動資金及偏低的財務槓桿比率。為配合快速增長，本集團將動用備用銀行貸款信貸額度為中國內地之影城項目提供資金。管理層將密切監察及維持理想的槓桿比率結構，藉以限制風險。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

FINANCIAL RESOURCES AND LIQUIDITY

In February 2010, the Group raised HK\$314 million (net proceeds) through placing of 340 million shares of the Company of HK\$0.10 each (the "Share") at a price of HK\$0.97 per Share to not less than six professional, institutional and other investors which were third parties independent of and not connected with any connected person of the Company. The closing price of the Shares on the last trading day prior to the date of the placing and subscription agreement was HK\$1.07 per Share. In September 2010, the Group completed the strategic acquisition of approximately 3.33% of the Common Units of Legendary for a cash consideration of USD25 million.

As of 31 December 2010, the Group's cash balance was HK\$458 million (31 December 2009: HK\$518 million), and outstanding bank loans totaled HK\$104 million (31 December 2009: HK\$87 million). As of 31 December 2010, the Group's gearing ratio, calculated on the basis of external borrowings over total assets, was about 6% (31 December 2009: 7%). Management will continue to monitor the gearing structure and make adjustments if necessary in light of changes in the Group's development plan and economic conditions.

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

The Group did not have any significant contingent liabilities as of 31 December 2010.

財務資源及流動資金

於二零一零年二月，本集團透過向不少於六名專業、機構及其他投資者（全部均為獨立第三方以及與本公司任何關連人士概無關連）按每股0.97港元之價格配售340百萬股每股面值0.10港元之本公司股份（「股份」），籌得所得款項淨額314百萬港元。股份於配售及認購協議日期前最後交易日之收市價為每股1.07港元。於二零一零年九月，本集團完成以現金代價25百萬美元策略性收購Legendary普通單位約3.33%權益。

於二零一零年十二月三十一日，本集團之現金結餘為458百萬港元（二零零九年十二月三十一日：518百萬港元），另有未償還銀行貸款合共104百萬港元（二零零九年十二月三十一日：87百萬港元）。於二零一零年十二月三十一日，本集團按外部借貸除以資產總值計算之資產負債比率約為6%（二零零九年十二月三十一日：7%）。管理層將繼續監察槓桿比率結構，並會因應本集團發展計劃及經濟狀況之轉變，於必要時作出調整。

本集團之資產與負債主要以港元計值，惟與中國內地、台灣及新加坡之投資相關之若干資產及負債除外。本集團海外合營企業以當地貨幣經營業務，所承受之外匯風險極低。鑑於貨幣市場反覆波動，加上未來資本承擔主要以人民幣計值，管理層決定維持大量人民幣存款，從而降低外匯風險。本公司董事（「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。

於二零一零年十二月三十一日，本集團概無任何重大或然負債。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, the Group had 1,045 (31 December 2009: 418) permanent employees. The Group remunerates its employees largely by reference to industry practice. In addition to salaries, commissions and discretionary bonuses, share options are granted to certain employees based on individual merit. The Group also operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance and as at the end of Reporting Period date, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

僱員及薪酬政策

於二零一零年十二月三十一日，本集團有1,045名（二零零九年十二月三十一日：418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，若干僱員可因應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。於報告期間結算日，並無任何因僱員脫離退休福利計劃而產生之沒收供款。



MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

EMPLOYEE ENGAGEMENT

OSGH appreciates the important role of its employees play in the Group's continued success. The Group is dedicated to develop and sustain a healthy culture in which our employees contribute to their utmost to the success of the business as well as their own career.

We believe in work-life balance and have been fostering employee engagement in every possible way, Christmas parties, annual dinners and spring dinners are always great times when we share fun and joyfulness, not to mention about the year of 2010 that marked the 40th anniversary of OSGH, when our employees and stakeholders gathered to celebrate this memorable event on May 8, 2010.

The Group is also playing its part in promoting and supporting the community causes. OSGH has been engaging in sponsorship of various charitable organizations. One of the highlights is our participation to the Sedan Chair Race and Bazaar 2010 in October, 2010.

In 2011 and beyond, the Group will continue to enhance our employee engagement and corporate social responsibility.

員工投入程度

橙天嘉禾深明員工於本集團成功路上扮演重要角色。本集團致力發展及維持優良文化風氣，令員工可發揮最大努力推動業務及其自身事業取得成功。

本集團深信工作與生活必須取得平衡，故一直致力從各可行方向鼓勵員工積極參與，如舉辦聖誕派對、週年聚餐及春茗晚宴，與員工歡度快樂時光。適逢二零一零年為橙天嘉禾40週年慶典，各員工及股東於二零一零年五月八日聚首一堂歡慶此難忘時刻。

本集團亦大力推廣及支持社區活動。橙天嘉禾一直贊助部分慈善團體，更於二零一零年十月參與2010年度抬轎比賽。

於二零一一年及往後年度，本集團將繼續提高員工投入程度及加強企業社會責任。



REPORT OF THE DIRECTORS

董事會報告書

The directors of the Company (the “Director(s)”) have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company which is a leading integrated film entertainment company in the markets where 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 year ended 31 December 2010 and the state of affairs of the Company and the Group as at 31 December 2010 are set out in the financial statements on pages 65 to 140.

The Directors did not declare any dividend in year 2010.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2010.

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

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

ISSUE OF EQUITY SECURITIES

On 10 February 2010, the Company entered into a placing and subscription agreement (the “Agreement”) with Skyera International Limited (“Skyera”), a company incorporated in the British Virgin Islands and wholly-owned by Mr. Wu, a Director, and independent third parties, pursuant to which, amongst others, (a) Skyera agreed to sell, or procure the sale of 340,000,000 shares of HK0.10 each in the share capital of the Company (the “Shares”) through the Placing Agents (as defined in the announcement of the Company dated 10 February 2010) to the Placees (as defined in the announcement of the Company dated 10 February 2010) (the “Placing”); and (b) upon completion of, amongst others, the Placing, Skyera agreed to subscribe for 340,000,000 Shares (the “Subscription Shares”) at a price of HK\$0.97 per Share (the “Subscription”, together with the Placing, the “Placing and Subscription”). The subscription price of HK\$0.97 per Share represented a discount of approximately 9.35% to the closing price of HK\$1.07 per Share immediately before the suspension of trading of Shares at 2:30 p.m. on 10 February 2010, being the date of the Agreement. The Subscription Shares represented approximately 15.44% of the then existing issued share capital of the Company at the date of the Agreement and approximately 13.38% of the then issued share capital of the Company enlarged by the Subscription Shares. The Placing and Subscription was completed on 23 February 2010. The difference of HK\$279,827,000 between the net proceeds of HK\$313,827,000 of the Subscription, after deduction of relevant expenses and the par value of the Shares issued of HK\$34,000,000, has been credited to the share premium account of the Company.

本公司董事(「董事」)欣然呈呈董事會報告書以及本公司及其附屬公司(統稱「本集團」)截至二零一零年十二月三十一日止年度之經審核財務報表。

主要業務

本公司為投資控股公司，且為市場中主要綜合電影娛樂公司，其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與提供廣告及顧問服務。

業績及股息

本集團截至二零一零年十二月三十一日止年度之業績，以及本公司與本集團於二零一零年十二月三十一日之財政狀況載於第141至216頁之財務報表內。

董事於二零一零年並無宣派任何股息。

董事不建議派付截至二零一零年十二月三十一日止年度之末期股息。

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二零一零年十二月三十一日止年度概無買賣或贖回本公司上市證券。

發行股本證券

於二零一零年二月十日，本公司與Skyera International Limited(「Skyera」，於英屬處女群島註冊成立之公司，由董事伍先生全資擁有)及獨立第三方訂立配售及認購協議，據此(其中包括)(a)Skyera同意經配售代理(定義見本公司日期為二零一零年二月十日之公佈)向承配人(定義見本公司日期為二零一零年二月十日之公佈)出售或促成出售本公司股本中每股0.10港元面值之股份(「股份」)340,000,000股(「配售事項」)；及(b)完成(其中包括)配售事項後，Skyera同意按每股股份0.97港元認購340,000,000股股份(「認購股份」)(「認購事項」，連同配售事項，合稱「配售及認購事項」)。每股股份0.97港元之認購價較緊接股份於協議日期(即二零一零年二月十日)下午二時三十分暫停買賣前之收市價每股1.07港元折讓約9.35%。認購股份佔於該協議日期本公司當時現有已發行股本約15.44%，以及經認購股份擴大後本公司當時已發行股本約13.38%。配售及認購事項於二零一零年二月二十三日完成。認購事項經扣除相關開支所得款項淨額313,827,000港元與已發行股份面值34,000,000港元之差額279,827,000港元已計入本公司股份溢價賬。

REPORT OF THE DIRECTORS

董事會報告書

The Directors considered that the Placing and the Subscription provided the Company with an opportunity to raise further capital to strengthen the Company's cash position for expansion of its cinema network in the Greater China Region, while broadening the shareholder's base of the Company. The Directors intended to use the net proceeds of the Subscription for its business expansion in the Greater China Region (including potential acquisition of sizeable cinema network and forming of joint venture with respective third parties to convert old cinemas into modern multiplex) and working capital.

董事認為配售及認購事項可讓本公司借此良機，進一步增加資本以加強本公司之現金狀況，從而擴展其於大中華地區之影院網絡，並擴大本公司之股東基礎。董事擬將所得款項淨額用於其在大中華地區之業務擴展（包括可能收購大型影院網絡及與各別第三方合組合營企業，以改建舊式影院為現代化多廳影院）及用作營運資金。

SUMMARY FINANCIAL INFORMATION

財務資料摘要

	Year ended 31 December 截至十二月三十一日止年度	*Twelve months ended 31 December 截至十二月止十二個月	Eighteen months ended 31 December 截至十二月止十八個月	Year ended 30 June 截至六月三十日止年度		
				2008 二零零八年	2007 二零零七年	2006 二零零六年
	2010 二零一零年	2009 二零零九年	2009 二零零九年	2008 二零零八年	2007 二零零七年	2006 二零零六年
	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
	(Audited) (經審核)	(Unaudited) (未經審核)	(Audited) (經審核)	(Audited) (經審核)	(Audited) (經審核)	(Audited) (經審核)
			(restated) (經重列)	(restated) (經重列)	(restated) (經重列)	(restated) (經重列)
Consolidated income statement	綜合收益表					
Turnover	營業額	1,077,533	809,975	1,230,904	654,770	542,375
Profit before taxation	除稅前溢利	94,898	36,228	115,394	17,549	7,952
Income tax	所得稅	(22,511)	(13,586)	(20,484)	(10,391)	414
Profit for the period/year from continuing operations	持續經營業務之本期間／年度溢利	72,387	22,642	94,910	7,158	87,614
Profit for the period/year from discontinued operation	已終止經營業務之本期間／年度溢利	—	—	1,198	3,911	8,949
Profit for the period/year	本期間／年度溢利	72,387	22,642	96,108	11,069	96,563
Attributable to:	以下人士應佔：					
— Equity holders of the Company	— 本公司股權持有人	70,823	22,172	95,542	10,763	96,717
— Non-controlling interests	— 非控股權益	1,564	470	566	306	(154)
		72,387	22,642	96,108	11,069	96,563

These figures are presented for comparison purpose.

該等數字乃就比較用途而呈列。

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		As at 30 June 於六月三十日		
		2010 二零一零年 HK\$'000 千港元 (Audited) (經審核)	2009 二零零九年 HK\$'000 千港元 (Audited) (經審核)	2008 二零零八年 HK\$'000 千港元 (Audited) (經審核)	2007 二零零七年 HK\$'000 千港元 (Audited) (經審核)	2006 二零零六年 HK\$'000 千港元 (Audited) (經審核)
Consolidated statement of financial position	綜合財務狀況表					
Fixed assets	固定資產	681,465	395,055	367,395	262,189	247,540
Interest in associates	於聯營公司之權益	—	—	—	169,369	195,902
Amounts due from jointly controlled entities	應收共同控制公司款項	—	—	32,285	26,069	42,775
Loan to a joint venture partner	給予一名合營夥伴之貸款	—	5,357	—	—	—
Available-for-sale equity securities	可供出售股本證券	246,083	1,500	—	—	—
Prepaid rental	預付租金	30,435	5,592	8,015	8,704	11,502
Club memberships	會籍	2,490	2,490	3,590	3,590	3,590
Rental and other deposits	租務及其他按金	63,809	56,214	54,006	51,507	53,130
Trademarks	商標	79,785	79,421	79,421	79,421	79,421
Goodwill	商譽	73,658	28,538	—	—	—
Deferred tax assets	遞延稅項資產	3,095	420	358	1,503	—
Non-current portion of pledged bank deposits	已抵押銀行存款之非即期部分	29,476	25,038	10,133	2,049	1,870
Current assets	流動資產	667,558	731,960	422,904	326,012	135,192
Assets of a jointly controlled entity held for sale	持作待售之共同控制公司資產	—	—	141,037	—	—
Total assets	資產總值	1,877,854	1,331,585	1,119,144	930,413	770,922
Current liabilities	流動負債	388,049	290,636	277,064	204,555	217,866
Liabilities 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	82,400	62,732	7,800	48,686	57,087
Non-current portion of convertible notes	可換股票據之非即期部分	6,662	6,150	—	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
Amount due to a jointly controlled entity	應付一間共同控制公司款項	—	5,357	—	—	—
Loans from joint venture partners	合營夥伴提供之貸款	—	—	42,505	26,069	42,775
Loan from non-controlling shareholder	非控股股東提供之貸款	—	—	696	—	—
Deposits received	已收按金	5,318	4,887	4,248	3,700	4,284
Deferred tax liabilities	遞延稅項負債	19,623	13,868	16,540	7,999	7,274
Total liabilities	負債總額	502,052	383,630	449,988	392,398	350,056
Net assets	資產淨值	1,375,802	947,955	669,156	538,015	420,866
Non-controlling interests	非控股權益	11,554	1,881	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 year ended 31 December 2010 are set out in note 14 to the financial statements.

SHARE CAPITAL AND CONVERTIBLE NOTE

Details of movements in the Company's share capital and convertible note during the year ended 31 December 2010 are set out in notes 29(a) and 26, respectively, to the financial statements.

Save for the share options as set out below and the outstanding convertible note as set out in notes 29(a)(v) and 26 to the financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2010.

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 year ended 31 December 2010 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 2010, the Company's reserve available for cash distribution and/or distribution in specie, representing the retained profits, amounted to HK\$16,468,000 (31 December 2009: HK\$18,745,000). In addition, the Company's share premium account, contributed surplus and capital redemption reserve of HK\$630,856,000, HK\$271,644,000 and HK\$6,422,000, respectively, as at 31 December 2010 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二零一零年十二月三十一日止年度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二零一零年十二月三十一日止年度之變動詳情分別載於財務報表附註29(a)及26。

除下文載列之購股權及於財務報表附註29(a)(v)及26載列之未行使可換股票據外，本公司於二零一零年十二月三十一日並無未行使可換股證券、購股權、認股權證或其他相若權利。

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，致使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二零一零年十二月三十一日止年度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

本公司於二零一零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16,468,000港元（二零零九年十二月三十一日：18,745,000港元）。此外，本公司於二零一零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630,856,000港元、271,644,000港元及6,422,000港元，並根據一九八一年百慕達公司法第54條按若干情況可向股東分派。

REPORT OF THE DIRECTORS

董事會報告書

DIRECTORS

The Directors during the year ended 31 December 2010 and up to the date of this report were:

Chairman & Executive Director

Wu Kebo

Executive Directors

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)

Tan Boon Pin Simon (appointed on 23 August 2010)

Wu Keyan (redesignated as Executive Director on 9 September 2010)

Chen Xiaowei (appointed on 23 August 2010 and resigned on 9 September 2010)

Chow Sau Fong Fiona (resigned on 23 August 2010)

Independent Non-executive Directors

Leung Man Kit

Huang Shao-Hua George

Wong Sze Wing (appointed on 26 April 2010)

Masahito Tachikawa (resigned on 26 April 2010)

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. Li Pei Sen, Mr. Huang Shao-Hua George and Mr. Leung Man Kit shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the annual general meeting.

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. Tan Boon Pin Simon and Ms. Wu Keyan being the Directors appointed by the Board on 23 August 2010 and 9 September 2010 respectively, shall retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of Mr. Li Pei Sen, Mr. Tan Boon Pin Simon and Ms. Wu Keyan 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.

董事

截至二零一零年十二月三十一日止年度及截至本報告日期在任董事為：

主席及執行董事

伍克波

執行董事

李培森 (於二零零九年三月二十日獲委任為非執行董事，後於二零一零年四月二十六日調任執行董事)

鄭達祖 (於二零一零年四月二十六日獲委任)

陳文彬 (於二零一零年八月二十三日獲委任)

伍克燕 (於二零一零年九月九日調任執行董事)

陳曉薇 (於二零一零年八月二十三日獲委任，後於二零一零年九月九日辭任)

鄒秀芳 (於二零一零年八月二十三日辭任)

獨立非執行董事

梁民傑

黃少華

黃斯穎 (於二零一零年四月二十六日獲委任)

立川正人 (於二零一零年四月二十六日辭任)

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，當時三分一董事須輪值退任。根據本公司之章程細則第87(2)條規定，退任董事符合資格應選連任。因此，李培森先生、黃少華先生及梁民傑先生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應選連任。

根據本公司之章程細則第86(2)條及第87(2)條規定，任何董事會新成員任期至獲委任後本公司首屆股東大會，並符合資格於該大會應選連任(但並不計入確定須輪席退任之董事名單或人數)。因此，分別於二零一零年八月二十三日及二零一零年九月九日獲董事會委任為董事之陳文彬先生及伍克燕女士，將於應屆股東週年大會上退任，並合資格及願意應選連任。

李培森先生、陳文彬先生及伍克燕女士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應選連任之董事與本公司並無訂立不可由本公司於一年內毋須支付法定賠償以外賠償終止之服務合約。

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 2010, 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

於二零一零年十二月三十一日，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，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 股數	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 已發行股本中 所佔概約百分比
Wu Kebo 伍克波	Interest of controlled corporations	1	1,383,704,720 (L)	26,698,224 (L)	1,410,402,944 (L)	55.45%
	受控法團權益	2	408,715,990 (S)	—	408,715,990 (S)	16.07%
	Beneficial owner 實益擁有人	3	—	60,000,000 (L)	60,000,000 (L)	2.36%
Wu Keyan 伍克燕	Beneficial owner 實益擁有人	3	—	700,000 (L)	700,000 (L)	0.03%
Li Pei Sen 李培森	Beneficial owner 實益擁有人	3	—	200,000 (L)	200,000 (L)	0.008%
Leung Man Kit 梁民傑	Beneficial owner 實益擁有人	3	—	200,000 (L)	200,000 (L)	0.008%
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%

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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 股數	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 已發行股本中 所佔概約百分比
Tan Boon Pin Simon ^(a) 陳文彬 ^(a)	Beneficial owner 實益擁有人	3	—	3,200,000 (L)	3,200,000 (L)	0.13%
Wu King Shiu Kelvin 胡景邵	Interest of controlled corporations 受控法團權益	4	1,387,104,720	291,056,214 (L)	1,678,160,934 (L)	65.97%
	Beneficial owner 實益擁有人	3	—	21,000,000 (L)	21,000,000 (L)	0.83%
Chang Tat Joel ^(b) 鄭達祖 ^(b)	Interest of controlled corporations 受控法團權益	4	1,387,104,720	291,056,214 (L)	1,678,160,934 (L)	65.97%
	Beneficial owner 實益擁有人	3	—	12,000,000 (L)	12,000,000 (L)	0.47%
Chow Sau Fong Fiona ^(c) 鄧秀芳 ^(c)	Beneficial owner 實益擁有人		—	—	—	—
Masahito Tachikawa ^(d) 立川正人 ^(d)	Beneficial owner 實益擁有人		—	—	—	—

* This percentage has been computed based on the total number of Shares in issue (i.e. 2,543,739,900 Shares) as at 31 December 2010.

* 此百分比乃根據於二零一零年十二月三十一日已發行股份總數(即2,543,739,900股股份)而計算。

^(a) Appointed as executive Director on 23 August 2010.

^(a) 於二零一零年八月二十三日獲委任為執行董事。

^(b) Appointed as executive Director on 26 April 2010.

^(b) 於二零一零年四月二十六日獲委任為執行董事。

^(c) Resigned as executive Director on 23 August 2010.

^(c) 於二零一零年八月二十三日辭任執行董事。

^(d) Resigned as independent non-executive Director on 26 April 2010.

^(d) 於二零一零年四月二十六日辭任獨立非執行董事。

REPORT OF THE DIRECTORS

董事會報告書

Notes:

1. By virtue of the SFO, Mr. Wu Kebo ("Mr. Wu") was deemed to be interested in a total of 1,383,704,720 Shares, of which (i) 389,458,130 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 which is 80% owned by Mr. Wu) ("OSEG") 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 also deemed to be interested in 26,698,224 underlying Shares which may be issued upon full exercise of the conversion right attaching to the zero coupon convertible note held by OSEG issued by the Company in the principal amount of HK\$9,024,000 (equivalent to RMB8,000,000) which is convertible into Shares at an initial conversion price of HK\$0.338 per Share (subject to adjustment) by virtue of the SFO.
2. 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 a 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. 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") and 11 November 2009 (the "2009 Share Option Scheme").
4. Mr. Wu King Shiu Kelvin ("Mr. Kelvin Wu") and Mr. Chang Tat Joel ("Mr. Joel Chang") were deemed to be interested in 1,674,760,934 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 1,674,760,934 Shares and underlying Shares in which BCG was deemed to be interested, (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 1,061,686,954 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.

附註：

1. 根據證券及期貨條例，伍克波先生（「伍先生」）被視為擁有合共1,383,704,720股股份，當中(i)389,458,130股股份由伍先生全資擁有的公司Skyera International Limited（「Skyera」）持有；(ii)408,715,990股股份由伍先生全資擁有的公司Mainway Enterprises Limited（「Mainway」）持有；(iii)405,530,600股股份由伍先生擁有80%股權的公司橙天娛樂集團（國際）控股有限公司（「橙天」）持有及(iv)180,000,000股股份由伍先生的聯營公司擁有的公司Cyber International Limited（「Cyber」）持有。另外，根據證券及期貨條例，伍先生亦被視為擁有26,698,224股相關股份權益，該等股份可於本公司所發行並由橙天持有本金額為9,024,000港元（相當於人民幣8,000,000元）之零息可換股票據所附換股權按初步兌換價每股股份0.338港元（可予調整）獲悉數行使時發行。
2. 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。
3. 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」）及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」）授出之購股權獲行使後可能發行之股份。
4. 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，故被視為於BCG被視為擁有權益之1,674,760,934股股份及相關股份擁有權益。於此等BCG被視為擁有權益之1,674,760,934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被視為於伍先生擁有權益之1,061,686,954股股份及相關股份擁有權益，(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。

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Besides, Mr. Kelvin Wu and Mr. Joel Chang were deemed to be interested in 3,400,000 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.

Abbreviations:

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

縮略詞：

[L] 指好倉
[S] 指淡倉

(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 million 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)(v) to the financial statements on page 117 of this annual report, as at 31 December 2010, 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 year ended 31 December 2010 was the Company or any of its subsidiaries a party to any arrangements to enable the 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.

另外，根據證券及期貨條例，因胡先生及鄭先生分別擁有AID Partners Holdings Ltd.已發行股本60%及40%權益，故被視為擁有AID Partners Holdings Ltd.擁有權益之3,400,000股股份之權益。

(ii) 相聯法團股份之權益

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114百萬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193頁財務報表附註29(a)(v)所載「購股權計劃」一節之披露事項外，於二零一零年十二月三十一日，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二零一零年十二月三十一日止年度任何時間概無參與任何安排，致使董事、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。

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SHARE OPTION SCHEME

(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.

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.

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，作為獎勵及回饋為本集團業務成功作出貢獻之合資格參與者，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）獲行使已發行或將發行之股份總數多於已發行股份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，惟由授出購股權當日或董事於授出購股權時決定之其後日期（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）董事於授出購股權時可能決定之結束日期不得超過十年。除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。

購股權之行使價乃由董事釐定，惟不得低於(i)股份於建議當日之收市價；及(ii)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。

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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 annual report, options entitling the holders thereof to subscribe for an aggregate of 99,550,000 Shares (representing approximately 3.9% of Shares in issue as at the date of this annual report) remain outstanding under the 2001 Share Option Scheme. The 2001 Share Option Scheme was terminated with effect from 11 November 2009 when the new 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 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.

(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.

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,合共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)於授出日期前任何12個月期間內向個別合資格參與者授出之購股權(包括已行使及未行使購股權)而已發行及將予發行之最高股數,不得超過已發行股份1%。倘於截至該等購股權授出日止任何12個月期間額外授出超過該上限之購股權(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。

於本年報日期,根據二零零一年購股權計劃賦予其持有人權利可認購合共99,550,000股股份(於本年報日期佔已發行股份約3.9%)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新購股權計劃(「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繼續按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。

(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起生效,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。

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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 all 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.

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.

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所有購股權（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，多於授出購股權日期已發行股份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十年。除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。

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；及(iii)每股股份面值。

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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. This limit was refreshed by the shareholders of the Company in the annual general meeting of the Company held on 1 June 2010 in accordance with the provisions of the Listing Rules so that the maximum number of Shares which may be issued upon the exercise of all options to be granted under the 2009 Share Option Scheme and other share option schemes of the Company shall not exceed 254,206,490 Shares, being 10% of the Shares in issue as at the date of passing the relevant resolution on 1 June 2010. 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 annual report, options entitling the holders to subscribe for an aggregate of 254,206,490 Shares (representing approximately 9.99% of Shares in issue as at the date of this annual report) (The total number of shares in issue (i.e. 2,543,739,900 ordinary shares) as at the date of this annual 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.

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最高股數，合共不得超過於二零零九年十一月十一日之已發行股份10%，即183,273,990股股份。本公司股東已於二零一零年六月一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，以根據二零零九年購股權計劃及本公司其他購股權計劃將授出之購股權而可發行之最高股數，不得超過254,206,490股股份，即於二零一零年六月一日通過相關決議案當日已發行股份10%。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項下已行使及未行使購股權)而已發行及將予發行之最高股數，不得超過已發行股份1%。倘於截至該等購股權授出日止任何12個月期間內額外授出超過該上限之購股權(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。

於本年報日期，根據二零零九年購股權計劃，賦予其持有人權利可認購合共254,206,490股股份(於本年報日期約佔已發行股份9.99%) (於本年報日期之已發行股份總數，即2,543,739,900股普通股)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。

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 January 2010 於二零一零年一月一日尚未行使之購股權數目	Granted during the year ended 31 December 2010 截至二零一零年十二月三十一日止年度授出	Exercised during the year ended 31 December 2010 截至二零一零年十二月三十一日止年度行使	Cancelled during the year ended 31 December 2010 截至二零一零年十二月三十一日止年度註銷	Lapsed during the year ended 31 December 2010 截至二零一零年十二月三十一日止年度失效	Closing price per Share immediately before the date of grant of share option 緊接購股權授出日前之每股收市價	Closing price per Share immediately before the date of exercise of the share option 緊接購股權行使日前之每股收市價	Number of share options outstanding as at 31 December 2010 於二零一零年十二月三十一日尚未行使之購股權數目
		(Note e) (附註 e)							(Note b) (附註 b)	(Note b) (附註 b)	
		HK\$ 港元							HK\$ 港元	HK\$ 港元	
Director 董事											
Masahito Tachikawa (Note a) 立川正人(附註 a)	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	200,000	—	—	—	(200,000) (Note a) (附註 a)	0.451	—	—

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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 January 2010 於二零一零年一月一日尚未行使之購股權數目	Granted during the year ended 31 December 2010 截至二零一零年十二月三十一日止年度授出	Exercised during the year ended 31 December 2010 截至二零一零年十二月三十一日止年度行使	Cancelled during the year ended 31 December 2010 截至二零一零年十二月三十一日止年度註銷	Lapsed during the year ended 31 December 2010 截至二零一零年十二月三十一日止年度失效	Closing price per Share immediately before the date of grant of share option 緊接購股權授出日前之每股收市價	Closing price per Share immediately before the date of exercise of the share option 緊接購股權行使日前之每股收市價	Number of share options outstanding as at 31 December 2010 於二零一零年十二月三十一日尚未行使之購股權數目
		HK\$ 港元	(Note e) (附註 e)						(Note b) (附註 b) HK\$ 港元	(Note b) (附註 b) HK\$ 港元	
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二零一一年十月三十日	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二零一四年九月二十二日	60,000,000	—	—	—	—	0.451	—	60,000,000
Chow Sau Fong Fiona (Note d) 鄧秀芳(附註 d)	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	700,000	—	—	—	(700,000)	0.451	—	—
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二零一四年九月二十二日	200,000	—	—	—	—	0.451	—	200,000
Chang Tat Joel 鄭達祖	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	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二零一四年九月二十二日	200,000	—	—	—	—	0.451	—	200,000
Tan Boon Pin Simon (Note c) 陳文彬(附註 c)	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	2,000,000	—	—	—	—	0.34	—	2,000,000
	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二零一四年九月二十二日	1,200,000	—	—	—	—	0.451	—	1,200,000

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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 January 2010 於二零一零年一月一日 尚未行使之購股權數目	Granted during the year ended 31 December 2010 截至二零一零年十二月三十一日止年度授出	Exercised during the year ended 31 December 2010 截至二零一零年十二月三十一日止年度行使	Cancelled during the year ended 31 December 2010 截至二零一零年十二月三十一日止年度註銷	Lapsed during the year ended 31 December 2010 截至二零一零年十二月三十一日止年度失效	Closing price per Share immediately before the date of grant of share option 緊接購股權授出日期前之每股收市價	Closing price per Share immediately before the date of exercise of the share option 緊接購股權行使日期前之每股收市價	Number of share options outstanding as at 31 December 2010 於二零一零年十二月三十一日尚未行使之購股權數目
		(Note e) (附註 e)							(Note b) (附註 b)	(Note b) (附註 b)	
		HK\$ 港元							HK\$ 港元	HK\$ 港元	
Chief executive officer 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
Other participants 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	2,200,000	—	(2,200,000)	—	—	0.34	1.006	—
	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	2,850,000	—	(1,800,000)	—	—	0.451	0.558	1,050,000
	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	—	—	—	(500,000)	0.67	—	700,000
				105,650,000	—	(4,000,000)	—	(1,400,000)			100,250,000

Notes:

- The share options lapsed due to the resignation or retirement of the relevant Director.
- Being the weighted average closing price of the Shares immediately before the dates on which the share options were granted or exercised, as applicable.
- Appointed as executive Director of the Company with effect from 23 August 2010.
- Resigned as executive Director of the Company with effect from 23 August 2010.
- The vesting period of the share options is from the date of grant until the commencement of the exercise period.

附註：

- 該等購股權因相關董事辭任或退任而失效。
- 即緊接該等購股權獲授出或行使(視適用情況而定)日期前之股份加權平均收市價。
- 於二零一零年八月二十三日獲委任為本公司執行董事。
- 於二零一零年八月二十三日辭任為本公司執行董事。
- 購股權之歸屬期由購股權授出當日起計至行使期開始。

Apart from the above, at no time during the year ended 31 December 2010 was the Company or any of its subsidiaries a party to any arrangements to enable the 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，於截至二零一零年十二月三十一日止年度，本公司或其任何附屬公司概無訂立任何安排致使董事、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。

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As at 31 December 2010, the Company had total share options outstanding entitling the holders thereof to subscribe for 99,550,000 Shares under the 2001 Share Option Scheme and 700,000 Shares under 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 100,250,000 additional Shares, representing approximately 3.94% of the Shares in issue as at 31 December 2010, and additional share capital of HK\$10,025,000 and share premium account of approximately HK\$34,083,470 (before issue expenses).

於二零一零年十二月三十一日，本公司有賦予其持有人權利可根據二零零一年購股權計劃認購合共99,550,000股股份及根據二零零九年購股權計劃認購合共700,000股股份之尚未行使購股權。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額外發行100,250,000股股份（佔於二零一零年十二月三十一日已發行股份約3.94%），並額外產生股本10,025,000港元及股份溢價賬約34,083,470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 130 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 year ended 31 December 2010.

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206頁的財務報表附註33所詳述者外，各董事概無在截至二零一零年十二月三十一日止年度內及結算日於本公司或其任何附屬公司參與訂立之任何重大合約中直接或間接擁有重大權益。

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2010, the Group's purchases from its largest supplier and its five largest suppliers accounted for approximately 7 and 27 percent of the Group's purchases, respectively.

主要客戶及供應商

截至二零一零年十二月三十一日止年度，本集團向其最大供應商及五大供應商採購之購貨額分別約佔本集團購貨額之7%及27%。

The Group's sales to its largest customer and its five largest customers accounted for approximately 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約佔本集團銷售額之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

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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 2010, 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，於二零一零年十二月三十一日，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 於本公司已發行 股本中所佔 概約百分比
Wu Kebo 伍克波	Interest of controlled corporations	1	1,383,704,720 (L)	26,698,224 (L)	1,410,402,944 (L)	55.45%
	受控法團權益	3	408,715,990 (S)		408,715,990 (S)	16.07%
	Beneficial owner	7		60,000,000 (L)	60,000,000 (L)	2.36%
Wu King Shiu Kelvin 胡景邵	Interest of controlled corporations	6	1,387,104,720 (L)	291,056,214 (L)	1,678,160,934 (L)	65.97%
	Beneficial owner	7		21,000,000 (L)	21,000,000 (L)	0.83%
Chang Tat Joel 鄭達祖	Interest of controlled corporations	6	1,387,104,720 (L)	291,056,214 (L)	1,678,160,934 (L)	65.97%
	Beneficial owner	7		12,000,000 (L)	12,000,000 (L)	0.47%
Skyera International Limited ("Skyera")	Beneficial owner	2	389,458,130 (L)	—	389,458,130 (L)	15.31%
Mainway Enterprises Limited ("Mainway")	Beneficial owner	3	408,715,990 (L)	—	408,715,990 (L)	16.07%
	實益擁有人		408,715,990 (S)	—	408,715,990 (S)	16.07%

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						*Approximate percentage of Shares and underlying Shares in the issued share capital of the Company
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	* 股份及相關股份於本公司已發行股本中所佔概約百分比
Orange Sky Entertainment Group (International) Holding Company Limited ("OSEG") 橙天娛樂集團(國際)控股有限公司(「橙天」)	Beneficial owner 實益擁有人	4	405,530,600 (L)	26,698,224	432,228,824 (L)	16.99%
Cyber International Limited ("Cyber")	Beneficial owner 實益擁有人	5	180,000,000 (L)	—	180,000,000 (L)	7.08%
AID Partners Ltd.	Interest of controlled corporations 受控法團權益	6	1,383,704,720 (L)	291,056,214 (L)	1,674,760,934 (L)	65.84%
AID Partners GP1, L.P.	Interest of controlled corporations 受控法團權益	6	1,383,704,720 (L)	291,056,214 (L)	1,674,760,934 (L)	65.84%
AID Partners Capital I, L.P.	Interest of controlled corporations 受控法團權益	6	1,383,704,720 (L)	291,056,214 (L)	1,674,760,934 (L)	65.84%
AID Partners Asset Management Ltd.	Interest of controlled corporations 受控法團權益	6	1,383,704,720 (L)	291,056,214 (L)	1,674,760,934 (L)	65.84%
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	6	974,988,730 (L)	86,698,224 (L)	1,061,686,954 (L)	41.74%
	Security interest 抵押權益	6	408,715,990 (L)	—	408,715,990 (L)	16.07%
	Beneficial interest 實益權益	6	—	204,357,990 (L)	204,357,990 (L)	8.03%

* This percentage has been computed based on the total number of Shares in issue (i.e. 2,543,739,900 ordinary Shares) as at 31 December 2010.

* 該百分比乃根據本公司於二零一零年十二月三十一日已發行股份總數(即2,543,739,900股普通股)計算。

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Notes:

- By virtue of the SFO, Mr. Wu Kebo ("Mr. Wu") was deemed to be interested in a total of 1,383,704,720 Shares, of which (i) 389,458,130 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 which is 80% owned by Mr. Wu) ("OSEG") 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 also deemed to be interested in 26,698,224 underlying Shares which may be issued upon full exercise of the conversion right attaching to the zero coupon convertible note held by OSEG issued by the Company in the principal amount of HK\$9,024,000 (equivalent to RMB8,000,000) which is convertible into Shares at an initial conversion price of HK\$0.338 per Share (subject to adjustment) by virtue of the SFO.
- Skyera is a company wholly-owned by Mr. Wu, who is also a director of Skyera.
- 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.
- OSEG (a company which is 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 full exercise of the conversion rights attaching to the zero coupon convertible notes held by OSEG 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 OSEG and Mr. Li Pei Sen is the associate chairman of OSEG.
- Cyber is a company owned by an associate of Mr. Wu.
- Mr. Wu King Shiu Kelvin and Mr. Chang Tat Joel were deemed to have interest in 1,674,760,934 shares and underlying shares of which BCG was deemed to be interested by virtue of the SFO since they owned 60% and 40%, respectively, 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 1,674,760,934 shares and underlying shares in which BCG was deemed to be interested, (i) by virtue of the subscription agreement and supplemental 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 note 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 have interest in 1,061,686,954 shares and underlying shares of which Mr. Wu had interest, (ii) BCG was deemed to have interest in 408,715,990 shares under a first charge on shares held by Mainway in its favour as security for the exchangeable note 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 have interest in 204,357,990 underlying shares of which BCG could convert under such exchangeable notes by virtue of the SFO.

Mr. Wu King Shiu Kelvin and Mr. Chang Tat Joel were deemed to have interest in 3,400,000 shares of which AID Partners Holdings Ltd. had interest by virtue of the SFO since they owned 60% and 40% of the issued share capital in AID Partners Holdings Ltd. respectively.

Both Mr. Wu King Shiu Kelvin and Mr. Chang Tat Joel 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.

附註：

- 根據證券及期貨條例，伍克波先生（「伍先生」）被視為擁有本公司共1,383,704,720股股份，當中(i) 389,458,130股股份由Skyera International Limited（伍先生全資擁有的公司，「Skyera」）持有；(ii) 408,715,990股股份由Mainway Enterprises Limited（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（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（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，伍先生亦被視為擁有本公司26,698,224股相關股份權益，該等股份可於本公司所發行由橙天持有本金額為9,024,000港元（相等於人民幣8,000,000元）之零息可換股票據所附換股權按初步兌換價每股0.338港元（可予調整）獲全面行使時發行。
- Skyera為伍先生全資擁有的公司，彼為Skyera董事。
- 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。
- 伍先生擁有80%股權的公司橙天擁有(i) 405,530,600股股份及(ii) 26,698,224股相關股份，可於由橙天持有本公司發行的本金額為9,024,000港元之零息可換股票據所附換股權按初步兌換價每股0.338港元（可予調整）獲全面行使時發行。伍先生為橙天董事，而李培森先生為橙天副聯合主席。
- Cyber為由伍先生的聯營公司擁有的公司。
- 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 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全部已發行股本權益的私人股本基金）已發行股本60%和40%之權益，故被視為於BCG被視為擁有權益之1,674,760,934股股份及相關股份擁有權益。於此等BCG被視為擁有權益之1,674,760,934股股份及相關股份當中，(i)根據伍先生及Mainway與BCG訂立之認購協議和補充協議，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被視為於伍先生擁有權益之1,061,686,954股股份及相關股份擁有權益；(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。

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%和40%之權益，故被視為於AID Partners Holdings Ltd.擁有權益之3,400,000股股份擁有權益。

胡景邵先生及鄭達祖先生均為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。

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7. These underlying of Shares represented the Shares which may be issued upon the exercise share options granted by the Company under the share option scheme adopted by the Company on 28 November 2001 (2001 Share Option Scheme and 2009 Share Option Scheme).
8. Upon (i) the full conversion of the zero coupon convertible note described in the Note (1) above, (ii) the full exercise of the exchangeable notes described in note (6) above and (iii) the full exercise of the share options described in the note (7) above, the ownership interests of Mr. Wu, Mr. Kelvin Wu and Mr. Joel Chang in the outstanding issued share capital of the company would be 47.41%, 5.45% and 3.56% respectively.

Abbreviations:
“L” stands for long position
“S” stands for short position

7. 該等相關股份乃指本公司根據其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」）及「二零零九年購股權計劃」授出之購股權獲行使後可能發行之股份。
8. 於(i)上文附註(1)所述零息可換股票據獲悉數行使；(ii)上文附註(6)所述可換股票據獲悉數行使；及(iii)上文附註(7)所述購股權獲悉數行使後，伍先生、胡先生及鄭先生於本公司流通已發行股本所擁有權益將分別為47.41%、5.45%及3.56%。

縮略詞：
「L」指好倉
「S」指淡倉

CONNECTED TRANSACTIONS

During the year ended 31 December 2010, the Group has entered into the following transactions and arrangements with connected person (as defined in the Listing Rules) of the Company:

Disposal of subsidiaries and related business.

During the year ended 31 December 2010, the Group disposed 100% equity interest in Panasia Cinemedia (Shenzhen) Co. Ltd. (“Panasia Cinemedia”), an indirect wholly-owned subsidiary of the Company (the “First Disposal”) and entire issued share capital and shareholder’s loan of Panasia Cinema Advertising Limited (“Panasia Cinema”), an indirect wholly-owned subsidiary of the Company (the “Second Disposal”). Pursuant to an agreement dated 8 December 2010 between Panasia Films Limited (“Panasia Films”), an indirect wholly-owned subsidiary of the Company as vendor and 北京橙天博鴻廣告有限公司 (“PRC Purchaser”), an indirect wholly-owned subsidiary of Orange Sky Entertainment Group (International) Holding Company Limited (“OSEG”) as purchaser in relation to the First Disposal, Panasia Films agreed to sell and transfer 100% equity interest in Panasia Cinemedia to the PRC Purchaser at a consideration of RMB16 million (equivalent to approximately HK\$18,800,000) based on the then exchange rate of RMB1 to HK\$1.175 payable in cash by the PRC Purchaser. The First Disposal was completed on 31 December 2010.

Further, pursuant to an agreement dated 8 December 2010 between Panasia Films as vendor and Orange Sky Entertainment International Holding Limited (“HK Purchaser”), an indirect wholly-owned subsidiary of OSEG as purchaser in relation to the Second Disposal, the entire issued share capital of, and shareholder’s loan owing to Panasia Films by, Panasia Cinema, would be transferred and assigned (in the case of the shareholder’s loan) by Panasia Films to the HK Purchaser at a consideration of HK\$1.8 million payable in cash by the HK Purchaser. The Second Disposal was completed on 31 December 2010.

Both the PRC Purchaser and the HK Purchaser are indirect wholly-owned subsidiaries of OSEG, being a substantial shareholder of the Company as at 8 December 2010. Under the Listing Rules, OSEG and its associates (including without limitation, the PRC Purchaser and the HK Purchaser) are connected persons of the Company.

關連交易

於截至二零一零年十二月三十一日止年度，本集團曾與本公司關連人士（定義見上市規則）訂立以下交易及安排：

出售附屬公司及相關業務。

截至二零一零年十二月三十一日止年度，本集團出售本公司間接全資附屬公司泛亞華影廣告(深圳)有限公司（「泛亞華影」）全部股權（「首項出售」），以及本公司間接全資附屬公司泛亞影院廣告有限公司（「泛亞影院」）全部已發行股本及股東貸款（「次項出售」）。根據本公司間接全資附屬公司泛亞影業有限公司（「泛亞影業」，作為賣方）與橙天娛樂集團(國際)控股有限公司（「橙天」）之間接全資附屬公司北京橙天博鴻廣告有限公司（「中國買方」，作為買方）就首項出售所訂立日期為二零一零年十二月八日之協議，泛亞影業同意向中國買方出售及轉讓泛亞華影全部股權，代價人民幣16,000,000元（按當時匯率人民幣1元兌1.175港元計算，約相當於18,800,000港元）由中國買方以現金支付。首項出售已於二零一零年十二月三十一日完成。

此外，根據泛亞影業（作為賣方）與橙天之間接全資附屬公司橙天娛樂國際集團有限公司（「香港買方」，作為買方）就次項出售所訂立日期為二零一零年十二月八日之協議，泛亞影業將向香港買方轉讓及出讓（就股東貸款而言）全部已發行股本及泛亞影院結欠泛亞影業之股東貸款，代價1,800,000港元由香港買方以現金支付。次項出售已於二零一零年十二月三十一日完成。

於二零一零年十二月八日，中國買方及香港買方均為本公司主要股東橙天之間接全資附屬公司。根據上市規則，橙天及其聯繫人士（包括但不限於中國買方及香港買方）均為本公司之關連人士。

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CONTINUING CONNECTED TRANSACTIONS

(A) Procurement of screen advertising and in-foyer advertising

During the year ended 31 December 2010, Orange Sky Golden Harvest Cinemas (China) Co. Ltd. ("OSGH (China)"), an indirect wholly-owned subsidiary of the Company, and Panasia Cinemedia entered into a screen advertising agreement dated 30 March 2010 and a supplemental agreement dated 31 December 2010 whereby certain rights have been granted by OSGH (China) to Panasia Cinemedia for procurement of the screen advertising and in-foyer advertising at the Golden Harvest Shenzhen Cinemas ("GHS Cinemas") operated by OSGH (China) for a term from 1 April 2010 to 31 December 2013 at the annual fees for the first two years commencing from 1 April 2010 of RMB2,200,000 and RMB2,400,000 respectively and the annual fees for the periods commencing from 1 April 2012 and ending on 31 December 2013 to be subject to an increment of 10%.

By a master screen advertising agreement dated 25 April 2010 and a supplemental agreement both between OSGH (China) and Panasia Cinemedia, certain rights have been granted by OSGH (China) to Panasia Cinemedia for procurement of the screen advertising at all cinemas (other than GHS Cinema) in the PRC operated or to be operated by OSGH (China) and/or its subsidiaries or affiliates for the term of commencing on 1 May 2010 and expiring on 31 December 2013 at the aggregate annual fees of approximately RMB8,790,000 for the first year, which shall be subject to an increment of 10% (or such other sum as specified in the said master screen advertising agreement) after the first year and an increment of 10% based on the aggregate annual fee of the preceding year after the second year.

On 1 December 2010, City Entertainment Corporation Limited ("City Entertainment"), an indirect wholly-owned subsidiary of the Company, entered into a screen advertising agreement with Panasia Cinema ("HK Advertising Agreement") whereby Panasia Cinema will be appointed as an exclusive agent to procure the screen advertising and in-foyer advertising at the cinemas in Hong Kong operated and managed by City Entertainment for the term of two years commencing on 1 December 2010 and ending on 30 November 2012 at the annual fee calculated in accordance with the revenue sharing ratio of City Entertainment as stipulated in the HK Advertising Agreement.

Under the Listing Rules, OSEG and its associates are connected persons of the Company. Upon completion of the First Disposal and the Second Disposal, Panasia Cinemedia and Panasia Cinema had become indirect wholly-owned subsidiaries of OSEG and thus became connected persons of the Company.

持續關連交易

(A) 採購銀幕廣告及影院大堂廣告

截至二零一零年十二月三十一日止年度，本公司間接全資附屬公司橙天嘉禾影城(中國)有限公司(「橙天嘉禾影城(中國)」)與泛亞華影訂立日期分別為二零一零年三月三十日及二零一零年十二月三十一日之銀幕廣告協議及補充協議，據此，橙天嘉禾影城(中國)向泛亞華影授出若干權利，批准其採購由橙天嘉禾影城(中國)營運之嘉禾深圳影城(「嘉禾深圳影城」)的銀幕廣告及影院大堂廣告，年期由二零一零年四月一日起至二零一三年十二月三十一日止，自二零一零年四月一日起首兩年之年費分別為人民幣2,200,000元及人民幣2,400,000元，其後於二零一二年四月一日起至二零一三年十二月三十一日止期間之年費則可增加10%。

根據橙天嘉禾影城(中國)與泛亞華影所訂立日期為二零一零年四月二十五日之銀幕廣告主協議及補充協議，橙天嘉禾影城(中國)向泛亞華影授出若干權利，批准其採購由橙天嘉禾影城(中國)及／或其附屬公司或聯屬公司現於或將於中國營運之全線影院(嘉禾深圳影城除外)的銀幕廣告，年期由二零一零年五月一日起至二零一三年十二月三十一日止，首年之總年費約為人民幣8,790,000元，有關年費可於首年後增加10%(或上述銀幕廣告主協議所指定之其他金額)，並於第二年後按上一年度之總年費增加10%。

於二零一零年十二月一日，本公司間接全資附屬公司橙天嘉禾影城有限公司(「橙天嘉禾影城」)與泛亞影院訂立銀幕廣告協議(「香港廣告協議」)，據此，泛亞影院將獲委任為獨家代理，可採購由橙天嘉禾影城於香港營運及管理之影院的銀幕廣告及影院大堂廣告，年期由二零一零年十二月一日起至二零一二年十一月三十日止為期兩年，年費乃按香港廣告協議所訂明分佔橙天嘉禾影城之收益比率計算。

根據上市規則，橙天及其聯繫人士均為本公司之關連人士。於首項出售及次項出售完成後，泛亞華影及泛亞影院已成為橙天之間接全資附屬公司，故亦成為本公司之關連人士。

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(B) Sub-leases of office premises

On 13 January 2011, Beijing Orange Sky Cinema Investment Management Company Limited ("Sub-lessor"), a company wholly-owned by Mr. Wu (being the connected person of the Company), entered into a sub-lease with Orange Sky Golden Harvest (Beijing) TV & Film Production Company Limited, an indirectly wholly-owned subsidiary of the Company ("Beijing OSGH") in relation to the sub-leasing of office premises with a total floor area of approximately 166.49 square feet at Part of First Floor and Second Floor of House No. 3 at No. 1 Anjialou, Xiaoliangmaqiao Ave, Chaoyang District, Beijing, the PRC to Beijing OSGH for a term of one year commencing on 1 July 2010 and expiring on 30 June 2011 at rent of RMB4.00 per square metre per day equivalent to an approximate amount of RMB243,075 per annum with the management fee of RMB0.51 per square metre per day, equivalent to an approximate amount of RMB30,992 per annum.

On 13 January 2011, the Sub-lessor entered into a sub-lease with OSGH (China) in relation to the sub-leasing of office premises with a total floor area of approximately 1,248.95 square metres at Part of First Floor and Second Floor of House No. 3 at No. 1 Anjialou, Xiaoliangmaqiao Ave, Chaoyang District, Beijing, the PRC to OSGH (China) for a term of one year commencing on 1 July 2010 and expiring on 30 June 2011 at rent of RMB4.00 per square metre per day equivalent to an approximate amount of RMB1,823,467 per annum with the management fee of RMB0.51 per square metre per day, equivalent to an approximate amount of RMB232,492 per annum (the above sub-leases, collectively, the "Sub-Leases").

The annual caps in respect of the Sub-Leases for the year ended 31 December 2010 (from 1 July 2010 to 31 December 2010) and the year ending 31 December 2011 (from 1 January 2011 to 30 June 2011) are approximately RMB1,200,000 (equivalent to HK\$1,392,000) and RMB1,200,000 (equivalent to HK\$1,392,000) respectively.

The above Transactions constituted a connected transaction and continuing connected transaction of the Company under the Listing Rules and was subject to reporting, announcement. Further details of the transaction are set out in the notes 33 and 34(d) to the financial statement.

Confirmation from Directors

The Directors, including the non-executive Directors, have reviewed the continuing connected transactions mentioned under section (A) and (B) above and confirmed that the transactions were entered into 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.

(B) 分租辦公室物業

於二零一一年一月十三日，本公司關連人士伍先生之全資公司北京橙天影院投資管理有限公司（「分出租人」）與本公司間接全資附屬公司北京橙天嘉禾影視製作有限公司（「北京橙天」）訂立分租租約，將位於中國北京市朝陽區小亮馬橋路安家樓1號院3號樓一層及二層部分總樓面面積約166.49平方呎之辦公室物業分租予北京橙天，年期由二零一零年七月一日起至二零一一年六月三十日止為期一年，租金為每日每平方米人民幣4.00元，即相當於每年約人民幣243,075元；而管理費則為每日每平方米人民幣0.51元，即相當於每年約人民幣30,992元。

於二零一一年一月十三日，分出租人與橙天嘉禾影城（中國）訂立分租租約，將位於中國北京市朝陽區小亮馬橋路安家樓1號院3號樓一層及二層部分總樓面面積約1,248.95平方米之辦公室物業分租予橙天嘉禾影城（中國），年期由二零一零年七月一日起至二零一一年六月三十日止為期一年，租金為每日每平方米人民幣4.00元，即相當於每年約人民幣1,823,467元；而管理費則為每日每平方米人民幣0.51元，即相當於每年約人民幣232,492元（上述分租租約統稱「該等分租租約」）。

該等分租租約就截至二零一零年十二月三十一日止年度（自二零一零年七月一日起至二零一零年十二月三十一日止）及截至二零一一年十二月三十一日止年度之年度上限分別約為人民幣1,200,000元（相當於1,392,000港元）及人民幣1,200,000元（相當於1,392,000港元）。

上述交易構成上市規則項下本公司之關連交易及持續關連交易，須遵守申報及公告規定。有關交易之進一步詳情載於財務報表附註33及34(d)。

董事確認

董事（包括非執行董事）已審閱上文第(A)及(B)節所述持續關連交易，並確認該等交易乃於本集團一般日常業務過程中，按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進行，而該等協議之條款均屬公平合理，且符合本公司股東整體利益。

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The auditors of the Company have advised that nothing has come to their attention that caused them to believe the continuing connected transactions:

- (a) have not been approved by the Board;
- (b) have not been entered into in all material respects, in accordance with the terms of the relevant agreement governing the transactions; and
- (c) the relevant cap amounts disclosed in the relevant announcement(s) of the Company, where applicable, have been exceeded during the financial year ended 31 December 2010.

Save as disclosed above, details of the other connected transactions and/or continuing connected transactions for the year ended 31 December 2010 are set out in note 33 to the financial statements. These other connected transactions and/or continuing connected transactions constituted de minimis transactions as defined in the Listing Rules and were exempt from the reporting, announcement, independent shareholders' approval, and in the case of continuing connected transactions, the annual review requirements. The independent non-executive Directors have also reviewed and confirmed that these other connected transactions and/or continuing connected transactions have been entered into 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.

據本公司核數師所述，概無出現任何事宜致使其相信持續關連交易：

- (a) 未有獲董事會批准；
- (b) 於各重大方面並未根據規管該等交易之相關協議條款進行；及
- (c) 超出本公司相關公佈所披露截至二零一零年十二月三十一日止財政年度之相關金額上限（如適用）。

除上文披露者外，於截至二零一零年十二月三十一日止年度進行之其他關連交易及／或持續關連交易詳情載於財務報表附註33。該等其他關連交易及／或持續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、獨立股東批准及（就持續關連交易而言）年度審閱之規定。獨立非執行董事已審閱並確認該等其他關連交易及／或持續關連交易乃於本集團一般日常業務過程中，按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進行，而該等協議之條款均屬公平合理，且符合本公司股東整體利益。

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.

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)(v) to the financial statements on page 117 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 annual report.

DONATION

During the year ended 31 December 2010, the Group has made charitable and other donations in Hong Kong totaling HK\$33,000.

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 year ended 31 December 2010 have been audited by KPMG who will retire and being eligible, offer themselves for reappointment 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
31 March 2011

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193頁之財務報表附註29(a)(v)。

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

於本年報刊發日期，按照本公司可公開獲取之資料及據董事所知，本公司已發行股本具有足夠公眾持股量。

捐獻

截至二零一零年十二月三十一日止年度，本集團於香港作出之慈善及其他捐款合共33,000港元。

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。

截至二零一零年十二月三十一日止年度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連任。於應屆股東週年大會上將提呈決議案以續聘畢馬威為本公司核數師。

代表董事會

主席
伍克波

香港
二零一一年三月三十一日

CORPORATE GOVERNANCE REPORT

企業管治報告

CODE ON CORPORATE GOVERNANCE PRACTICES

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

For the year ended 31 December 2010, the Company has complied with the code provisions of the CG Code except for deviations from code provisions, A.4.1 of the CG Code as summarized below:

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.

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.

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 year ended 31 December 2010.

BOARD OF DIRECTORS

As at the date of this annual report, the Board comprises five executive Directors (including the Chairman of the Board) 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 7 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.

企業管治常規守則

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.4.1條守則條文之規定外，於截至二零一零年十二月三十一日止年度，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：

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。

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。

董事進行證券交易

本公司已採納條款與上市規則附錄10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，於截至二零一零年十二月三十一日止年度一直遵守標準守則及本公司守則所載規定。

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）及三名獨立非執行董事。彼等之履歷詳情載於本年報第4至7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，並實施及執行董事會政策及策略。

CORPORATE GOVERNANCE REPORT

企業管治報告

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.

During the year ended 31 December 2010, Board meetings were held and the composition of the Board and the attendance of the Directors at the Board meetings are as follows:

全體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。董事在履行職責及職務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足之保險。

於截至二零一零年十二月三十一日止年度曾舉行董事會會議，董事會的組成及董事出席該會會議的情況如下：

Members	Meetings Attended/ Eligible to Attend 曾出席／合資格 出席會議	
成員		
<i>Executive Directors</i>	<i>執行董事</i>	
Wu Kebo (Chairman)	伍克波 (主席)	7/7
Chow Sau Fong Fiona (resigned on 23 August 2010)	鄒秀芳 (於二零一零年八月二十三日辭任)	4/4
Wu Keyan (Note 1) (re-designated as executive director on 9 September 2010)	伍克燕 (附註 1) (於二零一零年九月九日調任 執行董事)	4/4
Chang Tat Joel (Note 4) (appointed on 26 April 2010)	鄭達祖 (附註 4) (於二零一零年四月二十六日獲委任)	7/7
Li Pei Sen (Note 2) (re-designated as executive director on 26 April 2010)	李培森 (附註 2) (於二零一零年四月二十六日調任執行董事)	7/7
Tan Boon Pin Simon (Note 5) (appointed on 23 August 2010)	陳文彬 (附註 5) (於二零一零年八月二十三日獲委任)	4/4
Chen Xiaowei (Note 6) (appointed on 23 August 2010 and resigned on 9 September 2010)	陳曉薇 (附註 6) (於二零一零年八月二十三日獲委任， 後於二零一零年九月九日辭任)	0/0
<i>Independent non-executive Directors</i>	<i>獨立非執行董事</i>	
Huang Shao-Hua George	黃少華	5/7
Leung Man Kit	梁民傑	7/7
Wong Sze Wing (Note 4) (appointed on 26 April 2010)	黃斯穎 (附註 4) (於二零一零年四月二十六日獲委任)	5/5
Masahito Tachikawa (resigned on 26 April 2010) (Note 3)	立川正人 (於二零一零年四月二十六日辭任) (附註 3)	0/0

Notes:

附註：

- | | |
|--|---|
| <p>1. Ms. Wu Keyan is the sister of Mr. Wu Kebo.</p> <p>2. Mr. Li Pei Sen was re-designated as executive Director with effect from 26 April 2010.</p> <p>3. 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.</p> <p>4. Mr. Chang Tat Joel and Ms. Wong Sze Wing were appointed as Directors on 26 April 2010, and therefore had not attended any meeting of the Board held prior to that date.</p> <p>5. Mr. Tan Boon Pin Simon was appointed as Director on 23 August 2010, and therefore had not attended any meeting of the Board held prior the date.</p> <p>6. Dr. Chen Xiaowei was appointed as Director on 23 August 2010 and resigned on 9 September 2010.</p> | <p>1. 伍克燕女士為伍克波先生之胞妹。</p> <p>2. 李培森先生調任執行董事，自二零一零年四月二十六日起生效。</p> <p>3. 立川正人先生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。</p> <p>4. 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。</p> <p>5. 陳文彬先生於二零一零年八月二十三日獲委任為董事，因此並無出席於該日期前之董事會會議。</p> <p>6. 陳曉薇博士於二零一零年八月二十三日獲委任為董事，後於二零一零年九月九日辭任。</p> |
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CORPORATE GOVERNANCE REPORT

企業管治報告

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.

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 year ended 31 December 2010, the total number of independent non-executive Directors met the minimum number as required under Rule 3.10(1) of the Listing Rules. Upon the resignation of Mr. Masahito Tachikawa which took effect on 26 April 2010, the Board appointed Ms. Wong Sze Wing as the independent non-executive Directors on the same day. The Company had been fulfilled 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.

The Board has received from each independent non-executive Director a written confirmation of his/her 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 which is 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 headed "Report of the Directors" in this annual report, there is no other financial, business, family or other material/relevant relationship among members of the Board.

董事會會議於董事會會議日期前給予全體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全體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前述董事委員會會議之程序。全體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，該等董事或董事委員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利益衝突，則於事項有潛在利益之董事須放棄投票，由出席會議而並無利益衝突之獨立非執行董事，處理該等利益衝突事項。

公司秘書或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全體董事作記錄。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。

於截至二零一零年十二月三十一日止年度，獨立非執行董事總數符合上市規則第3.10(1)條規定之數目下限。立川正人先生於二零一零年四月二十六日辭任，本公司於同日委任黃斯穎女士為獨立非執行董事，符合企業管治守則第A.3條守則條文附註1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(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」各段所轉載，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 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.

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

主席及首席執行官

董事會主席伍克波先生負責領導董事會，並確保全體董事已適當知悉董事會上提出之事宜。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。

胡景邵先生獲董事會委任為本公司首席執行官，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首席執行官後，本公司得以符合企業管治守則第A.2.1條守則條文下，主席與首席執行官之角色區分的規定。

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」一段所載，胡景邵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，並為有關策略、業績、利益衝突及管理過程之事宜作出獨立判斷。

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。薪酬委員會現時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

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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.

The Remuneration Committee held two meetings during the year ended 31 December 2010 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 year ended 31 December 2010 and the attendance of the members of the Remuneration Committee to the meetings of the Remuneration Committee are as follows:

Members

成員

Wu Kebo	伍克波
Leung Man Kit	梁民傑
Wong Sze Wing (Note 2)	黃斯穎(附註2)
Masahito Tachikawa (Note 1)	立川正人(附註1)

Notes:

1. 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 therefore had not attended any meeting of the Remuneration Committee after that date.
2. Ms. Wong Sze Wing was appointed to such positions with effect from 26 April 2010 and therefore had not attended any meeting of the Remuneration Committee prior to that date.

Details of emoluments of each Director are set out in note 9 to the financial statements on page 99 of this annual report.

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鉤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。

薪酬委員會於截至二零一零年十二月三十一日止年度曾舉行兩次會議，以檢討本公司全體現任非執行董事之董事袍金，並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。於截至二零一零年十二月三十一日止年度薪酬委員會之組成及薪酬委員會成員出席委員會會議之情況如下：

Meetings Attended/ Eligible to Attend 曾出席／合資格 出席會議

	2/2
	2/2
	2/2
	0/0

附註：

1. 立川正人先生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，因此並無出席於該日期後之薪酬委員會會議。
2. 黃斯穎女士獲委任接替有關職務，自二零一零年四月二十六日起生效，因此並無出席於該日期前之薪酬委員會會議。

各董事之酬金詳情載於本年報第175頁財務報表附註9。

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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 year ended 31 December 2010, the Board reviewed the qualification and experience requirement of the candidate so as to cope with the Company's development and business expansion.

AUDITORS' REMUNERATION

For the year ended 31 December 2010, 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
Non-audit services

審核服務
非審核服務

Fee Paid/Payable 已付／應付費用 HK\$'000 千港元

2,480
417

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 2010, 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 Ms. Wong Sze Wing which is appointed as a member of the Audit Committee.

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。截至二零一零年十二月三十一日止年度，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。

核數師酬金

截至二零一零年十二月三十一日止年度，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：

審核委員會及問責

董事會有責任以持續經營之基準編製本集團之財務報表，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、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。於二零一零年十二月三十一日，審核委員會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）、黃少華先生及黃斯穎女士獲委任為審核委員會成員。

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During the year ended 31 December 2010, three Audit Committee meetings were convened and the individual attendance of the members of the Audit Committee is set out as follows:

截至二零一零年十二月三十一日止年度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

Leung Man Kit (*Chairman*)
Huang Shao-Hua George
Wong Sze Wing

梁民傑 (*主席*)
黃少華
黃斯穎

Meetings Attended/ Eligible to Attend 曾出席／合資格 出席會議

2/2
2/2
2/2

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，並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 year ended 31 December 2010, 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.

截至二零一零年十二月三十一日止年度，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。

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 63 to 64 of this annual report.

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，並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63至64頁之獨立核數師報告書內。

CORPORATE GOVERNANCE REPORT

企業管治報告

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.

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 year ended 31 December 2010, 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.

As disclosed in the announcement of the Company dated 16 August 2010 (the "Announcement"), the Company will, amongst others, appoint professional advisors to conduct a risk assessment and review on the effectiveness of the internal control system and corporate governance of the Group. The Company has appointed professional advisors (being one of the largest international accounting firms), conducting, amongst the others, review of the Group's internal control procedures and corporate governance matters, particularly on the impact of the Proceedings (as defined in the Announcement) on the operation of the Group, and making the relevant recommendations to the Company. The professional advisors has reported to the Committee (as defined in the Announcement) that the Proceedings did not have material impact on the operation of the Group and there were no material internal control deficiencies being revealed that may affect the shareholders of the Company. Besides, the professional advisors has recommended to the Committee certain additional measures that may assist to strengthen and perfect the internal control procedures of the Group. The Board has adopted these recommendations as reported by the Committee. The Company has taken steps in implementing these recommendations.

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。

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未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。董事會於截至二零一零年十二月三十一日止年度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。

誠如本公司日期為二零一零年八月十六日之公佈（「該公佈」）所披露，本公司將（其中包括）委任專業顧問以進行風險評估及審閱本集團內部監控制度及企業管治之有效性。本公司已委任專業顧問（最大規模國際會計師行之一），以（其中包括）審閱本集團內部監控程序及企業管治事宜，特別是法律程序（定義見該公佈）對本集團營運之影響，並向本公司發表推薦意見。專業顧問已向委員會（定義見該公佈）報告，法律程序並無對本集團之營運構成重大影響，亦無發現可能影響本公司股東之重大內部監控缺失。此外，專業顧問建議委員會採取若干額外措施或有助增強及完善本集團之內部監控程序。董事會已採納委員會呈報之該等建議。本公司已採取步驟實施該等建議。

CORPORATE GOVERNANCE REPORT

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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.

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規定，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，派送予本公司全體股東。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，而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**
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 65 to 140, which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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 and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

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

本核數師(以下稱為「我們」)已審核刊載於第141頁至第216頁橙天嘉禾娛樂(集團)有限公司(「貴公司」)及其附屬公司(統稱「貴集團」)的綜合財務報表，當中包括於二零一零年十二月三十一日的綜合及公司財務狀況表、截至該日止年度的綜合收益表、綜合全面收益表、綜合權益變動表及綜合現金流量表，以及主要會計政策概要及其他說明資料。

董事就綜合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綜合財務報表，以及落實董事認為對編製綜合財務報表而言屬必要的內部控制，以使綜合財務報表不存在因欺詐或錯誤而導致的重大錯誤陳述。

核數師的責任

我們的責任是根據我們的審核對此等綜合財務報表發表意見，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。我們不會就本報告內容向任何其他人士負上或承擔任何責任。

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，以合理確定綜合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 consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 2010 and of the Group's profit and cash flows for the year then ended 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

31 March 2011

審核工作涉及執行情序以獲取有關綜合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綜合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綜合財務報表相關的內部控制，以設計在此情況下適當的審核程序，但並非為對公司的內部控制效能發表意見。審核工作亦包括評價董事所採用的會計政策是否適當及所作出的會計估計是否合理，以及評價綜合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分及適當地為我們的審核意見提供基礎。

意見

我們認為，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 貴集團於二零一零年十二月三十一日的財政狀況，以及 貴集團截至當日止年度的溢利及現金流量，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

二零一一年三月三十一日

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2010

	Note	Year ended 31 December 2010 HK\$'000	Eighteen months ended 31 December 2009 HK\$'000 (restated)
Continuing operations			
Turnover	4 & 5	1,077,533	1,230,904
Cost of sales		(449,345)	(543,662)
Gross profit		628,188	687,242
Other revenue	6(a)	15,538	12,629
Other net income/(expenses)	6(b)	48,776	(5,833)
Selling and distribution costs		(474,383)	(547,358)
General and administrative expenses		(101,838)	(83,406)
Other operating expenses		(16,386)	(7,227)
Profit from operations		99,895	56,047
Finance costs	7(a)	(4,997)	(2,505)
Gain on disposal of interest in a jointly controlled entity	7(d)	—	61,852
Profit before taxation		94,898	115,394
Income tax	8(a)	(22,511)	(20,484)
Profit for the year/period from continuing operations	7	72,387	94,910
Discontinued operation — jointly controlled entity held for sale			
Profit for the year/period from discontinued operation	7(d)	—	1,198
Total profit for the year/period		72,387	96,108

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2010

	Note	Year ended 31 December 2010 HK\$'000	Eighteen months ended 31 December 2009 HK\$'000 (restated)
Attributable to:			
Equity holders of the Company		70,823	95,542
Non-controlling interests		1,564	566
Profit for the year/period		72,387	96,108
Dividends attributable to equity holders of the Company	12	—	18,327
Earnings per share	13		
Basic			
— Continuing operations		2.84 cents	5.10 cents
— Discontinued operation		—	0.06 cents
		2.84 cents	5.16 cents
Diluted			
— Continuing operations		2.78 cents	5.09 cents
— Discontinued operation		—	0.06 cents
		2.78 cents	5.15 cents

The notes on pages 74 to 140 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

		Year ended 31 December 2010 HK\$'000	Eighteen months ended 31 December 2009 HK\$'000
	Note		
Profit for the year/period		72,387	96,108
Other comprehensive income for the year/period:			
Exchange differences on translation of financial statements of:			
Overseas subsidiaries		6,715	(4,475)
Overseas jointly controlled entities		22,913	(14,668)
		29,628	(19,143)
Realisation of exchange reserve on disposals of:			
An overseas subsidiary		(1,062)	—
An overseas jointly controlled entity		—	(4,781)
		(1,062)	(4,781)
Available-for-sale equity securities:			
Deficit on revaluation		(13,727)	—
Impairment loss recognised	17(a)	13,727	—
Net movement in the investment revaluation reserve		—	—
Total comprehensive income for the year/period		100,953	72,184
Total comprehensive income attributable to:			
Equity holders of the Company		98,894	71,724
Non-controlling interests		2,059	460
Total comprehensive income for the year/period		100,953	72,184

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

The notes on pages 74 to 140 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2010

	Note	2010 HK\$'000	2009 HK\$'000
Non-current assets			
Fixed assets	14	681,465	395,055
Loan to a joint venture partner	16(b)	—	5,357
Available-for-sale equity securities	17	246,083	1,500
Prepaid rental		30,435	5,592
Club memberships		2,490	2,490
Rental and other deposits		63,809	56,214
Trademarks	18	79,785	79,421
Goodwill	19	73,658	28,538
Deferred tax assets	28(b)	3,095	420
Pledged bank deposits	23	29,476	25,038
		1,210,296	599,625
Current assets			
Inventories	20	3,480	2,461
Film rights	21	85,870	75,955
Trade receivables	22(a)	32,996	36,789
Other receivables, deposits and prepayments	22(b)	86,016	91,844
Amounts due from jointly controlled entities	16(a)	1,273	1,683
Pledged bank deposits	23	—	5,425
Deposits and cash	23	457,677	517,803
Derivative financial asset	17(b)	246	—
		667,558	731,960
Current liabilities			
Bank loans	24	21,363	24,201
Trade payables	25(a)	86,264	97,498
Other payables and accrued charges	25(b)	148,627	73,847
Deferred revenue	25(c)	96,911	71,987
Taxation payable	28(a)	34,884	23,103
		388,049	290,636
Net current assets		279,509	441,324
Total assets less current liabilities		1,489,805	1,040,949

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2010

	Note	2010 HK\$'000	2009 HK\$'000
Non-current liabilities			
Bank loans	24	82,400	62,732
Convertible note	26	6,662	6,150
Amount due to a jointly controlled entity	27	—	5,357
Deposits received		5,318	4,887
Deferred tax liabilities	28(b)	19,623	13,868
		114,003	92,994
NET ASSETS		1,375,802	947,955
CAPITAL AND RESERVES	29		
Share capital		254,374	219,974
Reserves		1,109,874	726,100
Total equity attributable to equity holders of the Company		1,364,248	946,074
Non-controlling interests		11,554	1,881
TOTAL EQUITY		1,375,802	947,955

Approved and authorised for issue by the Board of Directors on 31 March 2011

Wu Kebo
Director

Chang Tat Joel
Director

The notes on pages 74 to 140 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

at 31 December 2010

	Note	2010 HK\$'000	2009 HK\$'000
Non-current asset			
Interest in subsidiaries	15	1,192,993	876,030
Current assets			
Amount due from a subsidiary	15	1,560	1,560
Prepayments		439	560
Deposits and cash	23	258	278
		2,257	2,398
Current liabilities			
Payables and accrued charges		435	861
Net current assets		1,822	1,537
Total assets less current liabilities		1,194,815	877,567
Non-current liability			
Convertible note	26	6,662	6,150
NET ASSETS		1,188,153	871,417
CAPITAL AND RESERVES	29		
Share capital		254,374	219,974
Reserves		933,779	651,443
TOTAL EQUITY		1,188,153	871,417

Approved and authorised for issue by the Board of Directors on 31 March 2011

Wu Kebo
Director

Chang Tat Joel
Director

The notes on pages 74 to 140 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

	Note	Equity component of										Non-controlling		Total
		Share capital	Share premium	Share option reserve	Capital redemption reserve	Contributed surplus	convertible note	Revaluation reserve	Reserve funds	Exchange reserve	Retained profits	Total	interests	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010		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
Dividend paid to non-controlling interests		—	—	—	—	—	—	—	—	—	—	—	(878)	(878)
Acquisition of a subsidiary		—	—	—	—	—	—	—	—	—	—	—	113	113
Contribution from non-controlling interests		—	—	—	—	—	—	—	—	—	—	—	8,379	8,379
Exercise of share options	29(a)(iv)	400	1,745	(465)	—	—	—	—	—	—	—	1,680	—	1,680
Transfer to retained profits on lapse of share options	29(a)(iv)	—	—	(267)	—	—	—	—	—	—	267	—	—	—
Equity-settled share-based transactions	29(a)(iv)	—	—	3,773	—	—	—	—	—	—	—	3,773	—	3,773
Placing of shares	29(a)(iv)	34,000	279,827	—	—	—	—	—	—	—	—	313,827	—	313,827
Transfer to/(from) reserves		—	—	—	—	—	—	(4,024)	4,837	—	(813)	—	—	—
Total comprehensive income for the year		—	—	—	—	—	—	—	—	28,071	70,823	98,894	2,059	100,953
At 31 December 2010		254,374	630,856	5,515	6,422	80,000	2,874	—	7,454	31,830	344,923	1,364,248	11,554	1,375,802

	Note	Equity component of										Exchange reserve of a jointly controlled entity held for sale		Non-controlling		Total
		Share capital	Share premium	Share option reserve	Capital redemption reserve	Contributed surplus	convertible notes	Revaluation reserve	Reserve funds	Surplus reserve	Exchange reserve	Retained profits	entity held for sale	Total	interests	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
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		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)	—	—	—	—	—
Total comprehensive income for the period		—	—	—	—	—	—	—	—	—	(19,037)	95,542	(4,781)	71,724	460	72,184
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

The notes on pages 74 to 140 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

		Year ended 31 December 2010 HK\$'000	Eighteen months ended 31 December 2009 HK\$'000
	Note		
Operating activities			
Profit before taxation			
— Continuing operations		94,898	115,394
— Discontinued operation		—	1,815
Adjustments for:			
Interest income		(2,733)	(5,744)
Finance costs	7(a)	4,997	2,629
Depreciation of fixed assets	14	68,188	71,566
Loss on disposals of property, plant and equipment	7(c)	2,789	5,743
Gain on disposal of investment property	7(c)	—	(3,317)
Gain on disposal of interest in a jointly controlled entity	7(d)	—	(61,852)
Gain on disposals of subsidiaries	34(d)	(11,317)	(334)
Loss on disposals of club memberships		—	177
Fair value gain on financial derivative instrument	17(b)	(8,496)	—
Impairment loss on an available-for-sale equity security	17(a)	13,727	—
Impairment losses on film rights	21	4,056	—
Equity-settled share-based payment expenses		3,773	1,868
Film royalty income		—	(1,500)
Impairment losses on trade receivables	22(a)(ii)	—	237
Exchange (gain)/loss, net		(789)	1,563
Operating profit before changes in working capital		169,093	128,245
Increase in inventories		(878)	(501)
Increase in film rights		(13,971)	(14,115)
Decrease/(increase) in trade receivables		2,525	(7,832)
Decrease/(increase) in other receivables, deposits and prepayments		613	(37,602)
(Decrease)/increase in trade payables		(13,525)	12,466
Increase in other payables and accrued charges		27,742	3,005
Increase in deferred revenue		23,775	9,995
Decrease in prepaid rental		1,109	2,423
Decrease in rental and other deposits		(7,432)	(2,260)
Cash generated from operations		189,051	93,824
Interest received		3,051	6,050
Finance costs paid		(4,527)	(2,123)
Overseas tax paid		(15,125)	(14,119)
Overseas tax refunded		4,581	—
Net cash generated from operating activities		177,031	83,632

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

	Note	Year ended 31 December 2010 HK\$'000	Eighteen months ended 31 December 2009 HK\$'000
Investing activities			
Payment for the purchase of property, plant and equipment	14	(307,606)	(122,815)
Payment for trademarks		(364)	—
Payment for purchase of:			
— available-for-sale equity securities		(256,828)	—
— convertible note		(1,719)	—
Proceeds from entering an option agreement	17(b)	8,250	—
Proceeds from disposals of property, plant and equipment		347	1,228
Proceeds from disposal of investment property		—	5,133
Proceeds from disposals of club memberships		—	923
Net cash inflow/(outflow) from disposals of subsidiaries	34(d)	18,618	(1,641)
Acquisition of subsidiaries	34	(36,960)	(33,739)
Net proceeds from disposal of interest in a jointly controlled entity		—	124,716
Payment (to)/from jointly controlled entities		(4,947)	59,691
Repayment from/(to) joint venture partners		5,357	(70,006)
Increase in deposits received		431	639
Decrease/(increase) in pledged bank deposits		987	(20,330)
Net cash used in investing activities		(574,434)	(56,201)
Financing activities			
Advance of new bank loans		38,909	97,927
Repayment of bank loans		(29,297)	(36,404)
Repayment of loan from non-controlling interests		—	(696)
Proceeds from placing of shares	29(a)	313,827	188,668
Proceeds from issue of ordinary shares under share option scheme		1,680	393
Dividends paid to equity holders of the Company	12	—	(18,327)
Dividend paid to non-controlling interests		(878)	—
Net cash generated from financing activities		324,241	231,561
Net (decrease)/increase in cash and cash equivalents		(73,162)	258,992
Cash and cash equivalents at the beginning of the year/period		517,803	266,307
Effect of foreign exchange rate changes		13,036	(7,496)
Cash and cash equivalents at the end of the year/period	23	457,677	517,803

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 note 34(a).

During the year ended 31 December 2010, addition of fixed assets of HK\$9,120,000 was resulted from the capital contribution of non-controlling interests.

The notes on pages 74 to 140 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

1 CORPORATE INFORMATION

Orange Sky Golden Harvest Entertainment (Holdings) Limited (the “Company”) 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 Company and its subsidiaries (together “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 and principal activities of the subsidiaries are set out in note 38(a) to the financial statements.

2 FINANCIAL YEAR END DATE

Pursuant to a resolution of the Board of Directors dated 6 January 2009, the Company changed its financial year end date from 30 June to 31 December. The current financial period covers the year ended 31 December 2010 and the comparative figures in these financial statements cover the eighteen months ended 31 December 2009. Accordingly, the comparative figures for the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes are not comparable with those of the current year. Further details are set out in note 2 to the financial statements of the 2009 annual report.

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 (“HK(Int)s”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). A summary of the significant accounting policies adopted by the Group is set out below.

(ii) Changes in accounting policies

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

HKAS 1 (Revised)	<i>Presentation of financial statements</i>
HKFRS 3 (Revised)	<i>Business combinations</i>
HKFRS 7 (Amendment)	<i>Improving disclosures about financial instruments</i>
HKFRS 8	<i>Operating segments</i>
Amendment to HKAS 17	<i>Leases</i>
Amendments to HKAS 27	<i>Consolidated and separate financial statements</i>
HK(Int 5)	<i>Presentation of financial statements — classification by the borrower of a Term Loan that contains a Repayment on Demand Clause</i>
Improvements to HKFRSs (2009)	

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Statement of compliance (continued)

(ii) Changes in accounting policies (continued)

The impact of the above developments on the financial statements is as follows:

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

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

(b) HKFRS 3 (Revised) — *Business combinations* and Amendments to HKAS 27 — *Consolidated and separate financial statements*

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

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

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

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

(d) HKFRS 8 — *Operating segments*

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Statement of compliance (continued)

(ii) Changes in accounting policies (continued)

(e) HKAS 17 — Leases

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

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

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

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

The Group has not early applied the new and revised standards, amendments and interpretations that have been issued but are not yet effective (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 year ended 31 December 2010. 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 basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as available-for-sale (see note 3(g)); and
- derivative financial instruments (see note 3(h)).

(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 35.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and non-controlling 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.

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, 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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in accordance with notes 3(s), (t) or (u) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 3(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 3(e)).

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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)(i));
- (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(e)(ii)); 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 and associates

- (i) 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.

When the Group ceases to have joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 3(g) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 3(e)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Jointly controlled entities and associates (continued)

- (ii) 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, unless it is classified as held for sale (see note 3(dd)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

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.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

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

(f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (note 3(n)).

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities

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

Investments in debt and 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 debt and 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 statement of financial position at cost less impairment losses (note 3(n)).

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Investment properties

Investment properties are land and/or 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 statement of financial position 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 statement of financial position at cost or valuation less accumulated depreciation and impairment losses (note 3(n)):

- buildings held for own use which are situated on leasehold land, classified as held under operating leases (note 3(m)); and
- other items of plant and equipment, other than construction in progress.

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 realisably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (continued)

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	2.0%–6.7%
— Leasehold improvements	Over the remaining terms of leases
— Machinery and equipment	6.5%–20.0%
— Furniture and fixtures	8.3%–20.0%
— Motor vehicles	20.0%

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 statement of financial position 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.

(l) Trademarks

Trademarks are stated in the statement of financial position 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leased assets (continued)

(ii) 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.

(n) Impairment of assets

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

Investments in equity securities 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 the end of each reporting period 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;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of assets (continued)

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

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

- For investments in subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note 3(e)(iii))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 3(n)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 3(n)(ii).
- 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.

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

- 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period 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; 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 fair value less costs to sell 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 if 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.

— *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 year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 of those inventories is recognised as an expense in the year 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 year 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 year 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 year to the total estimated income from the sale of film rights.

(ii) Film production in progress

Film 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 year 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)).

(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 statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 3(z)(i), 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 until either the note is converted or redeemed.

If the note is converted, the capital reserve, 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 capital reserve is released directly to retained profits.

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 year 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.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year 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 end of reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of reporting period for the expected future cost of such paid leave earned during the year 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 end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Employee benefits (continued)

(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 People’s Republic of China (“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.

(y) Income tax

- (i) Income tax for the year 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 in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, 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 end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period 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 year ended 31 December 2010

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 tickets booking is recognised upon the provision of the services;
- (x) Income from gift vouchers purchases is recognised when customers exchange them for goods/services or upon expiry; and
- (xi) Income from membership fee is recognised in profit or loss in the accounting period covered by the membership terms.

(bb) Translation of foreign currencies

Foreign currency transactions during the year are translated 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 at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Borrowing costs

Borrowing costs that are 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 are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(dd) 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, 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ff) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of operating processes, the type or class of customers, the methods used to distributed the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4 TURNOVER

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.

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenues. Details of concentrations of credit risk arising from customers are set out in note 30(a).

5 SEGMENT REPORTING

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

- Hong Kong
- Mainland China
- Taiwan
- Singapore

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

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

Segment revenue and results

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

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

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

Management evaluates performance primarily based on operating profit including the proportionate consolidated results of jointly controlled entities of each segment. Inter-segment pricing is generally determined at arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

5 SEGMENT REPORTING (CONTINUED)

Segment revenue and results (continued)

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

	Year ended 31 December 2010/Eighteen months ended 31 December 2009									
	Hong Kong		Mainland China		Taiwan		Singapore		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(restated)		(restated)		(restated)		(restated)		(restated)
Segment revenue										
Revenue from external customers										
Exhibition	216,428	263,342	187,283	120,666	288,901	353,764	298,249	386,648	990,861	1,124,420
Distribution and production	56,378	106,612	54,200	37,980	8,731	7,953	8,608	34,091	127,917	186,636
Corporate	2,236	2,858	—	—	—	—	—	—	2,236	2,858
Reportable segment revenue	275,042	372,812	241,483	158,646	297,632	361,717	306,857	420,739	1,121,014	1,313,914
Reportable segment profit/(loss)	(5,067)	22,235	34,586	(2,969)	25,076	28,962	36,603	45,226	91,198	93,454
Reconciliation — Revenue										
Reportable segment revenue									1,121,014	1,313,914
Elimination of intersegmental revenue									(21,151)	(58,209)
Other revenue									(5,613)	(1,775)
Others									(16,717)	(23,026)
									1,077,533	1,230,904
Reconciliation — profit before taxation										
Reportable profit from external customers									91,198	93,454
Unallocated operating (income)/expenses, net									(20,375)	2,022
Non-controlling interests									1,564	(566)
Income tax									22,511	20,484
Profit before taxation									94,898	115,394

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

6 OTHER REVENUE AND OTHER NET INCOME/(EXPENSES)

(a) Other revenue

	Year ended 31 December 2010 HK\$'000	Eighteen months ended 31 December 2009 HK\$'000 (restated)
Continuing operations		
Interest income from bank deposits	2,733	5,576
Interest income on loan to a jointly controlled entity	—	142
Miscellaneous income	12,805	6,911
	15,538	12,629
Discontinued operation	—	310
	15,538	12,939

(b) Other net income/(expenses)

	Year ended 31 December 2010 HK\$'000	Eighteen months ended 31 December 2009 HK\$'000
Gain on settlement of a claim (note)	26,761	—
Gain on disposals of subsidiaries (note 34(d))	11,317	—
Exchange gain/(loss), net	10,698	(5,833)
	48,776	(5,833)

Note:

Included in the other net income was a gain on settlement of a claim and provision of consultancy service of HK\$26,761,000 as set out below.

During the eighteen months ended 31 December 2009, a subsidiary of the Group was engaged in litigation for breach of lease agreement and claim for damages against a landlord (the "Landlord") in Mainland China. On 14 January 2010, the Group reached a settlement agreement with the Landlord and received a sum of RMB28,800,000 (approximately HK\$33,120,000) in February 2010 (before deducting incidental expenses) in respect of the settlement and the provision of consultancy service. The net sum of approximately HK\$26,761,000 and corresponding tax expense of approximately HK\$5,300,000 have been credited and charged to the consolidated income statement for the year ended 31 December 2010 respectively. The obligations of both the Group and the Landlord in respect of the lease were discharged and the legal claim against the Landlord was dismissed accordingly.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

7 PROFIT FOR THE YEAR/PERIOD

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

	Year ended 31 December 2010 HK\$'000	Eighteen months ended 31 December 2009 HK\$'000
(a) Finance costs		
<i>Continuing operations</i>		
Interest on bank loans wholly repayable		
— within five years	3,494	2,105
— after five years	991	—
	4,485	2,105
Interest on convertible notes (note 26)	512	172
Interest on loans from joint venture partners	—	228
	4,997	2,505
<i>Discontinuing operation</i>		
Interest on bank loans wholly repayable within five years	—	124
	4,997	2,629
(b) Staff costs (excluding directors' emoluments (note 9))		
Salaries, wages and other benefits (note (i))	133,507	143,180
Contributions to defined contribution retirement plans	5,738	3,096
Equity-settled share-based payments	859	985
	140,104	147,261
(c) Other items		
Cost of inventories	30,637	38,517
Cost of services provided (note (ii))	385,655	463,070
Depreciation of fixed assets	68,188	71,566
Amortisation of film rights (note (iii))	33,053	42,075
Auditors' remuneration	2,800	2,875
Operating lease charges in respect of land and buildings		
— minimum lease payments	157,772	193,588
— contingent rentals	28,186	34,490
Impairment losses		
— an available-for-sale equity security (note 17(a)) (note (iv))	13,727	—
— trade receivables (note 22(a))	—	237
— film rights (note 21)	4,056	—
Fair value gain on financial derivative instrument (note 17(b)) (note (iv))	(8,496)	—
Loss on disposals of property, plant and equipment	2,789	5,743
Gain on disposal of investment property	—	(3,317)
Gain on disposals of subsidiaries	(11,317)	—
Rental income less direct outgoings	(13,528)	(16,635)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

7 PROFIT FOR THE YEAR/PERIOD (CONTINUED)

Notes:

- (i) The amount includes provision for long service payments.
- (ii) The cost of services provided includes approximately HK\$Nil (eighteen months ended 31 December 2009: HK\$931,000) relating to staff costs which is also included in the amount disclosed above.
- (iii) The amortisation of film rights for the year/period is included in "Cost of sales" in consolidated income statement.
- (iv) The impairment loss on an available-for-sale equity security and fair value gain on financial derivative instrument had been included in the other operating expenses.

(d) 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 interests 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*.

	Eighteen months ended 31 December 2009 HK\$'000
Turnover	13,674
Cost of sales	(6,164)
	7,510
Other revenue	310
Selling and distribution costs	(5,537)
General and administrative expenses	(344)
Other operating expenses	—
Profit from operations	1,939
Finance costs	(124)
Profit before taxation	1,815
Income tax	(617)
Profit for the period	1,198

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	Year ended 31 December 2010 HK\$'000	Eighteen months ended 31 December 2009 HK\$'000
Continuing operations		
<i>The Group</i>		
Current income tax		
Provision for overseas tax	8,594	3,284
Over-provision in respect of prior years	(932)	(59)
	7,662	3,225
Deferred tax — overseas (note 28(b))		
Origination of temporary differences	1,456	—
	9,118	3,225
<i>Jointly controlled entities</i>		
Current income tax		
Provision for overseas tax	16,412	19,138
Over-provision in respect of prior years	(3,584)	—
	12,828	19,138
Deferred tax — overseas (note 28(b))		
Origination and reversal of temporary differences	565	(1,879)
	13,393	17,259
	22,511	20,484
Discontinued operation		
Current income tax		
Provision for overseas tax	—	617
	22,511	21,101

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

Notes:

- (i) The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year/period.
- (ii) The provision for PRC Corporate Income Tax of the subsidiaries established in the PRC is calculated at 25% (2009: 25%) of the estimated taxable profits for the year/period.

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 20% and 22% for 2009 and 2010 respectively.

- (iii) Taxation for overseas subsidiaries and jointly controlled entities is charged at the appropriate current rates of taxation ruling in the relevant countries.
- (iv) The China tax law imposes a withholding tax at 10% unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt for such withholding tax. As at 31 December 2010, the Group has not provided for income taxes on accumulated earnings generated by its Mainland China subsidiaries for the eighteen months ended 31 December 2009 and year ended 31 December 2010 since it is probable that they will not be distributed to its immediate holding company outside Mainland China in the foreseeable future. It is not practicable to estimate the amount of additional taxes that might be payable on such undistributed earnings.

As at 31 December 2010, the Group has provided HK\$4,184,000 (2009: HK\$Nil) for income taxes on accumulated earnings generated by its jointly controlled entity in Taiwan which will be distributed to the Group in the foreseeable future.

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

	Year ended 31 December 2010 HK\$'000	Eighteen months ended 31 December 2009 HK\$'000
Profit before taxation (including profit from discontinued operation)	94,898	117,209
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	16,211	20,354
Tax effect of non-deductible expenses	10,652	6,861
Tax effect of non-taxable revenue	(8,309)	(10,794)
Tax effect of unused tax losses not recognised	7,864	9,417
Tax effect of previously unrecognised prior years' tax losses utilised this year/period	(3,966)	(2,880)
Tax effect of temporary differences unrecognised	680	(1,215)
Effect on deferred tax balance resulting from a change in tax rate	(289)	(583)
Provision for Taiwan withholding tax for the year/period	4,184	—
Over-provision in prior years	(4,516)	(59)
Actual tax expense	22,511	21,101
Represented by		
— Continuing operations	22,511	20,484
— Discontinued operation	—	617
	22,511	21,101

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

9 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 5)	Year ended 31 December 2010 HK\$'000	Eighteen months ended 31 December 2009 Total HK\$'000
Executive directors						
WU, Kebo	—	869	—	2,450	3,319	2,048
LI, Pei Sen (Note 1)	63	170	—	—	233	211
CHANG, Tat Joel (Note 1)	—	—	—	464	464	—
TAN, Boon Pin Simon (Note 1)	—	369	—	—	369	—
CHEN, Xiaowei (Notes 1 and 3)	—	70	—	—	70	—
WU, Keyan	—	536	12	—	548	888
CHOW, Sau Fong Fiona (Note 2)	—	947	8	—	955	2,383
CHOW, Siu Hong (Note 4)	—	—	—	—	—	140
CHAN, Suet Yin Winnie (Note 4)	—	—	—	—	—	2,010
WANG, Wei (Note 4)	—	—	—	—	—	506
SHEN, De Min (Note 4)	—	—	—	—	—	157
LAU, Pak Keung (Note 4)	—	—	—	—	—	200
Non-executive directors						
KRONFELD, Eric Norman (Note 4)	—	—	—	—	—	118
ARAKI, Takashi (Note 4)	—	—	—	—	—	78
Independent non-executive directors						
LEUNG, Man Kit	323	—	—	—	323	460
HUANG, Shao-Hua George	230	—	—	—	230	385
WONG, Sze Wing (Note 1)	166	—	—	—	166	—
TACHIKAWA, Masahito (Note 2)	63	—	—	—	63	181
PRINCE Chatrichalerm Yukol (Note 4)	—	—	—	—	—	78
	845	2,961	20	2,914	6,740	9,843

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

9 DIRECTORS' EMOLUMENTS (CONTINUED)

Notes:

- (1) The directors appointed during the year ended 31 December 2010. The amounts for the year represented the remuneration of the directors from the date of appointment. Mr. Li Pei Sen was re-designated as executive director with effect from 26 April 2010.
- (2) The directors resigned during the year ended 31 December 2010. The amounts for the year represented the remuneration of the directors up to the date of resignation.
- (3) Dr. Chen, Xiaowei appointed and resigned during the year ended 31 December 2010. The amounts for the year represented the remuneration of the director up to the date of resignation.
- (4) The directors resigned during the period ended 31 December 2009. The amounts for the period represented the remuneration of the directors up to the date of resignation.
- (5) These represented 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).

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

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

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, one (eighteen months ended 31 December 2009: three) is director whose emolument is disclosed in note 9. The aggregate of the emoluments in respect of the other four (eighteen months ended 31 December 2009: two) are as follows:

	Year ended 31 December 2010 HK\$'000	Eighteen months ended 31 December 2009 HK\$'000
Salaries and other emoluments	4,954	3,242
Equity-settled share-based payments	—	133
Retirement scheme contributions	36	36
	4,990	3,411

The emoluments of the four (eighteen months ended 31 December 2009: two) individuals with the highest emoluments are within the following bands:

	Year ended 31 December 2010 Number of individuals	Eighteen months ended 31 December 2009 Number of individuals
HK\$1,000,001 – HK\$1,500,000	3	—
HK\$1,500,001 – HK\$2,000,000	1	2

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

11 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company includes a loss of HK\$2,544,000 (eighteen months ended 31 December 2009: loss of HK\$2,850,000) which has been dealt with in the financial statements of the Company.

12 DIVIDENDS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Year ended 31 December 2010 HK\$'000	Eighteen months ended 31 December 2009 HK\$'000
Special dividend declared and paid of HK\$Nil cent per share during the year (eighteen months ended 31 December 2009: HK\$0.01 per share, as adjusted for the subdivision of shares in 2009 (note 29(a)(iii)))	—	18,327
Final dividend declared and paid of HK\$Nil per share proposed after the end of reporting date (2009: HK\$Nil per share)	—	—

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

(i) Profit attributable to equity holders of the Company

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

13 EARNINGS PER SHARE (CONTINUED)

(a) Basic earnings per share (continued)

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

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

Note: The issued ordinary shares at 1 January 2010 and 1 July 2008 have been adjusted retrospectively to reflect the subdivision of shares (note 29(a)(ii)).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company from continuing operations and discontinued operation of HK\$71,335,000 and HK\$Nil respectively (eighteen months ended 31 December 2009: HK\$94,516,000 and HK\$1,198,000) and the weighted average number of ordinary shares of 2,562,221,034 shares (2009: 1,859,609,351 shares, after adjusting for the subdivision of shares in November 2009 (note 29(a)(ii))), calculated as follows:

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

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

The weighted average number of ordinary shares (diluted) at 31 December 2010 and 2009 are set out in note 13(a)(ii).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

14 FIXED ASSETS The Group

	Property, plant and equipment							Total HK\$'000
	Buildings HK\$'000	Leasehold land HK\$'000	Leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	
Cost or valuation:								
At 1 January 2010	66,745	64,678	330,705	202,828	38,040	2,688	4,528	710,212
Additions	—	—	69,991	48,484	5,020	1,556	191,675	316,726
Acquired from subsidiaries	—	—	12,294	4,390	1,241	196	—	18,121
Transfers	—	—	2,823	5,275	—	—	(8,098)	—
Disposals	—	(270)	(4,346)	(5,122)	(1,160)	(461)	(216)	(11,575)
Disposals of subsidiaries	—	—	—	(7,504)	(3)	—	—	(7,507)
Exchange adjustments	6,067	5,864	21,804	13,305	2,043	83	(99)	49,067
At 31 December 2010	72,812	70,272	433,271	261,656	45,181	4,062	187,790	1,075,044
Representing:								
Cost	72,812	70,272	433,271	261,656	45,181	4,062	187,790	1,075,044
Accumulated depreciation:								
At 1 January 2010	26,522	1,814	159,348	107,552	18,840	1,081	—	315,157
Charge for the year	1,746	792	35,629	24,280	4,826	915	—	68,188
Written back on disposals	—	(8)	(2,745)	(4,315)	(1,063)	(308)	—	(8,439)
Written back on disposals of subsidiaries	—	—	—	(3,656)	—	—	—	(3,656)
Exchange adjustments	2,517	212	10,760	7,694	1,079	67	—	22,329
At 31 December 2010	30,785	2,810	202,992	131,555	23,682	1,755	—	393,579
Net book value:								
At 31 December 2010	42,027	67,462	230,279	130,101	21,499	2,307	187,790	681,465

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

14 FIXED ASSETS (CONTINUED)

The Group (continued)

	Property, plant and equipment							Sub-total HK\$'000	Investment property HK\$'000	Total HK\$'000
	Buildings HK\$'000	Leasehold land HK\$'000	Leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000			
Cost or valuation:										
At 1 July 2008	74,213	68,726	291,999	162,216	41,840	2,216	4,770	645,980	—	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	—	(1,226)	(13,637)	(7,319)	(8,978)	(617)	—	(31,777)	(4,556)	(36,333)
Exchange adjustments	(2,912)	(2,822)	(11,332)	(4,730)	(1,418)	37	(222)	(23,399)	—	(23,399)
At 31 December 2009	66,745	64,678	330,705	202,828	38,040	2,688	4,528	710,212	—	710,212
Representing:										
Cost	66,745	64,678	330,705	202,828	38,040	2,688	4,528	710,212	—	710,212
Accumulated depreciation:										
At 1 July 2008	27,568	1,164	136,003	90,799	22,398	653	—	278,585	—	278,585
Charge for the period	2,515	1,154	35,449	25,432	6,184	665	—	71,399	167	71,566
Transfers	(2,573)	—	—	—	—	—	—	(2,573)	2,573	—
Written back on disposals	—	(545)	(8,228)	(6,425)	(9,371)	(237)	—	(24,806)	(2,740)	(27,546)
Exchange adjustments	(988)	41	(3,876)	(2,254)	(371)	—	—	(7,448)	—	(7,448)
At 31 December 2009	26,522	1,814	159,348	107,552	18,840	1,081	—	315,157	—	315,157
Net book value:										
At 31 December 2009	40,223	62,864	171,357	95,276	19,200	1,607	4,528	395,055	—	395,055

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

14 FIXED ASSETS (CONTINUED)

The Group (continued)

(i) Analysis of carrying values of fixed assets:

	2010		2009	
	Buildings HK\$'000	Leasehold land HK\$'000	Buildings HK\$'000	Leasehold land HK\$'000
Long leases				
— outside Hong Kong	42,027	67,462	40,223	62,864

(ii) At 31 December 2010, certain land and buildings which are situated in Singapore with carrying values of HK\$103,815,000 (2009: HK\$93,629,000) were pledged as security to bank for a bank loan and banking facilities granted to the Group (note 24).

15 INTEREST IN SUBSIDIARIES

	The Company	
	2010 HK\$'000	2009 HK\$'000
Unlisted shares, at cost	167,654	167,654
Capital contribution in respect of equity-settled share-based payments	9,108	5,336
Amounts due from subsidiaries	1,423,144	1,109,953
	1,599,906	1,282,943
Less: Impairment losses	(405,353)	(405,353)
	1,194,553	877,590
	2010 HK\$'000	2009 HK\$'000
Included in		
— Non-current	1,192,993	876,030
— Current	1,560	1,560
	1,194,553	877,590

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

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 (2009: HK\$1,560,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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

(a) Amounts due from jointly controlled entities

Amounts due from jointly controlled entities of HK\$1,273,000 at 31 December 2010 (2009: HK\$1,683,000) are unsecured, interest-free and have no fixed repayment terms. The carrying amounts of these amounts due from jointly controlled entities approximate their fair values.

(b) Loan to a joint venture partner

At 31 December 2009, loan to a joint venture partner of HK\$5,357,000 was unsecured, interest-free and was not expected to be recovered within one year. The carrying amount of the loan to a joint venture partner approximated its fair value.

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

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

	2010 HK\$'000		
Non-current assets	365,992		
Current assets	152,180		
Non-current liabilities	(70,257)		
Current liabilities	(164,948)		
Net assets	282,967		
Income	583,657		
Expenses	(517,190)		
Total comprehensive income for the year	66,467		

	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	232,836	—	232,836
Income	702,911	13,984	716,895
Expenses	(660,624)	(12,786)	(673,410)
Total comprehensive income for the period	42,287	1,198	43,485

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

17 AVAILABLE-FOR-SALE EQUITY SECURITIES AND DERIVATIVE FINANCIAL ASSET

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

(a) Listed investments

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

As at 31 December 2010, the Group's investment in available-for-sale equity security was individually determined to be impaired on the basis of a significant and prolonged decline in the fair value below cost. The Group recognised an impairment loss of HK\$13,727,000 to the consolidated income statement in accordance with the policy set out in note 3(n)(i).

As at 31 December 2010, the fair value of this investment amounted to HK\$41,470,000 (2009: HK\$Nil).

(b) Derivative financial asset

In June 2010, the Group entered into an agreement (the "Option Agreement") with an independent third party (the "Counterparty") with respect to the shares of Overseas Chinese (the "Overseas Chinese Shares") held by the Group as referred in note 17(a). Pursuant to the terms of the Option Agreement, one of the following options can be exercised and once the option is exercised, the other options will expire: (a) a right held by the Group to sell the Overseas Chinese Shares to the Counterparty at a fixed price per share at any date until 6 June 2012 ("Put Option"); (b) a right held by the Counterparty to purchase the Overseas Chinese Shares from the Group at a fixed price per share at any date until 6 June 2012 ("Call Option"); and (c) a right held by the Counterparty to share a portion of the gain upon disposal in excess of a fixed price per share if neither the Put Option nor Call Option have not exercised by their respective expiry dates ("Profit-sharing Option"). The Group received HK\$8,250,000 from the Counterparty as the consideration for entering into the Option Agreement. The Group recognised the Option Agreement as single derivative instrument and recorded the transaction price of entering into the Option Agreement as a derivative financial liability. For the year ended 31 December 2010, the change in the fair value of this derivative financial instrument as at 31 December 2010 amounted to HK\$8,496,000 which was credited to the consolidated income statement and resulted in a derivative financial asset of HK\$246,000 as at 31 December 2010.

(c) Unlisted investments

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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 2010. Accordingly, no impairment loss was recorded at 31 December 2010.

19 GOODWILL

	The Group 2010 HK\$'000	2009 HK\$'000
Cost and carrying amount		
At 1 January 2010/1 July 2008	28,538	—
Additions		
— Acquisition of a subsidiary and the related business (notes 26 and 34(a))	45,120	28,538
At 31 December	73,658	28,538

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 2010 and 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:

	2010 HK\$'000	2009 HK\$'000
Distribution and production — Mainland China	73,658	28,538

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 five years and a range of pre-tax discount rate from 8% to 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 reflects specific risks relating to the segment.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

20 INVENTORIES

Inventories are carried at cost of HK\$3,480,000 at 31 December 2010 (2009: HK\$2,461,000) 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\$30,637,000 (eighteen months ended 31 December 2009: HK\$38,517,000).

21 FILM RIGHTS

	The Group 2010 HK\$'000	2009 HK\$'000
Film rights — completed	40,821	51,355
Investment in film production	20,508	15,299
	61,329	66,654
Film production in progress, at cost	28,597	9,301
	89,926	75,955
Less: impairment losses	(4,056)	—
	85,870	75,955

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 2010 and 2009 by comparing the attributable carrying amounts of the film rights/self produced programmes with the recoverable amounts.

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 film production in progress.

The Group recognised impairment losses of HK\$1,751,000 and HK\$2,305,000 in respect of the investment in film production and film production in progress for the year ended 31 December 2010 (eighteen months ended 31 December 2009: HK\$Nil).

The amount of film production in progress expected to be recovered after one year is HK\$17,655,000 (2009: HK\$8,075,000).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

22 RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	The Group 2010 HK\$'000	2009 HK\$'000
Trade receivables	33,113	37,026
Less: Allowance for doubtful debts	(117)	(237)
	32,996	36,789

(i) Ageing analysis

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

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

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.

(ii) Impairment losses 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 year, including both specific and collective loss components, is as follows:

	The Group 2010 HK\$'000	2009 HK\$'000
At 1 January 2010/1 July 2008	237	—
Impairment loss recognised	—	237
Uncollectible amounts written off	(120)	—
At 31 December 2010	117	237

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

22 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

(a) Trade receivables (continued)

(ii) Impairment losses of trade receivables (continued)

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

	The Group 2010 HK\$'000	2009 HK\$'000
Neither past due nor impaired	20,204	27,461
Less than one month past due	5,614	4,953
Past due over one month	7,178	4,375
	12,792	9,328
	32,996	36,789

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.

- (iii) At 31 December 2009, trade receivables of the Group included the amounts of HK\$965,000 due from related companies which were unsecured, interest-free and repayable.

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

23 DEPOSITS AND CASH

	The Group 2010 HK\$'000	2009 HK\$'000	The Company 2010 HK\$'000	2009 HK\$'000
Deposits at banks	188,487	274,877	—	—
Cash at bank and in hand	298,666	273,389	258	278
	487,153	548,266	258	278
Less: Pledged deposits				
— for a banking facility	—	(5,425)	—	—
— for bank loans	(12,842)	(10,311)	—	—
— as guarantees to landlords	(16,634)	(14,727)	—	—
Deposits and cash in the consolidated statement of financial position	457,677	517,803	258	278

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.

Deposits and cash as at 31 December 2010 include HK\$85,412,000 (2009: HK\$33,486,000) equivalent placed with banks in Mainland China, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the government of People's Republic of China.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

24 BANK LOANS

(a) At 31 December 2010, the bank loans were repayable as follows:

	The Group 2010 HK\$'000	2009 HK\$'000
Within 1 year or on demand	21,363	24,201
After 1 year but within 2 years	52,672	17,357
After 2 years but within 5 years	19,740	45,375
After 5 years	9,988	—
	82,400	62,732
	103,763	86,933

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 2010, the bank loans 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\$11,079,000 (2009: HK\$10,311,000); and
- (iii) the time deposits of subsidiaries of HK\$1,763,000 (2009: HK\$Nil).

During the year ended 31 December 2010, the Group repaid secured bank loan of HK\$5,130,000 which was previously secured by a time deposit of a related company of HK\$5,700,000. This security was released during the year ended 31 December 2010.

(c) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position 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 2010, none of the covenants relating to drawn down facilities had been breached (2009: None).

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

	The Group 2010 '000	2009 '000
Singapore dollars	11,250	14,250
New Taiwan dollars	10,713	14,284
Renminbi	28,400	4,500

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for the year ended 31 December 2010

25 TRADE AND OTHER PAYABLES, ACCRUED CHARGES AND DEFERRED REVENUE

(a) Trade payables

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

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

- (b) Other payables and accrued charges included the remaining purchase consideration of HK\$45,120,000 in respect of the acquisition of a subsidiary and the related business (note 34(a)).

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.

26 CONVERTIBLE NOTE

Convertible notes issued/to be issued in respect of acquisition of transferred assets and liabilities of a subsidiary (the "Acquired Business")

On 30 November 2009, the Company issued a zero coupon convertible note ("CN 2009") with a principal amount of HK\$9,024,000 (equivalent to RMB8,000,000) to Orange Sky Entertainment Group (International) Holding Company Limited ("OSEG") as part of the consideration for the Acquired Business. The CN 2009 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 CN 2009 not converted will be redeemed on 31 December 2015 at the principal amount of the note. The CN 2009 is unsecured.

OSEG 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

26 CONVERTIBLE NOTE (CONTINUED)

Convertible notes issued/to be issued in respect of acquisition of transferred assets and liabilities of a subsidiary (the "Acquired Business") (continued)

The net proceeds received from the issue of the CN 2009 have been split between the liability and equity components, as follows:

	The Group and the Company		Total HK\$'000
	Liability component HK\$'000	Equity component HK\$'000	
At 30 November 2009 and 31 December 2009	6,150	2,874	9,024
At 1 January 2010	6,150	2,874	9,024
Interest expense (note 7(a))	512	—	512
At 31 December 2010	6,662	2,874	9,536

Subsequent to 31 December 2010, the Company intends to issue a second tranche convertible note up to a maximum amount of HK\$45,120,000 (equivalent to RMB40,000,000) as the Acquired Business achieved the financial target for the two years ended 31 December 2009 and 31 December 2010 in accordance with the relevant provisions of the sale and purchase agreement (note 34(a)).

27 AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

At 31 December 2009, amount due to a jointly controlled entity was unsecured, interest-free and was expected to be settled after one year.

28 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Taxation in the statement of financial position represents:

	The Group 2010 HK\$'000	2009 HK\$'000
Provision for overseas taxation for the year/period	25,006	22,363
Tax paid for the year/period	(15,125)	(14,119)
Tax refund for the year/period	4,581	—
Balance of overseas tax provision relating to prior years/periods	20,497	9,472
Acquisition of a subsidiary	—	5,387
Disposal of subsidiaries	(75)	—
	34,884	23,103

(b) Deferred tax assets and liabilities recognised:

	The Group 2010 HK\$'000	2009 HK\$'000
Net deferred tax liability recognised on the statement of financial position	19,623	13,868
Net deferred tax asset recognised on the statement of financial position	(3,095)	(420)
	16,528	13,448

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

28 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

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

The components of deferred tax liabilities/assets) recognised in the consolidated statement of financial position and the movements during the year/period are as follows:

	Depreciation allowance in excess of related depreciation HK\$'000	Tax losses recognised HK\$'000	Revaluation of leasehold buildings HK\$'000	Withholding tax on unremitted earnings HK\$'000	Others HK\$'000	Total HK\$'000
Deferred tax arising from:						
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)
At 31 December 2009	13,868	—	—	—	(420)	13,448
At 1 January 2010	13,868	—	—	—	(420)	13,448
Exchange adjustments	1,105	—	—	—	(46)	1,059
Charged/(credited) to profit or loss (note 8(a))	466	(2,728)	—	4,184	99	2,021
At 31 December 2010	15,439	(2,728)	—	4,184	(367)	16,528

(c) Deferred tax assets not recognised

At 31 December 2010, the Group has not recognised deferred tax assets in respect of accumulative tax losses of approximately HK\$588,801,000 (2009: HK\$568,393,000) 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\$21,250,000 (2009: HK\$7,901,000) which can be only carried forward for five years under the relevant jurisdiction.

(d) Deferred tax liabilities not recognised

At 31 December 2010, there was no significant unrecognised deferred tax liability (2009: 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 2010, the Company does not have any other material deferred taxation assets and liabilities (2009: HK\$Nil).

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for the year ended 31 December 2010

29 SHARE CAPITAL AND RESERVES

(a) Share capital

Note	2010		2009	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised:				
At 1 January 2010/1 July 2008	6,000,000,000	600,000	600,000,000	600,000
Subdivision of shares (ii)	—	—	5,400,000,000	—
At 31 December	6,000,000,000	600,000	6,000,000,000	600,000
Ordinary shares, issued and fully paid:				
At 1 January 2010/1 July 2008	2,199,739,900	219,974	169,637,627	169,638
Conversion of convertible notes (i)	—	—	13,636,363	13,636
Subdivision of shares (ii)	—	—	1,649,465,910	—
Placing of shares in 2009 (iii)	—	—	366,000,000	36,600
Placing of shares in 2010 (iv)	340,000,000	34,000	—	—
Share options exercised (v)	4,000,000	400	1,000,000	100
At 31 December	2,543,739,900	254,374	2,199,739,900	219,974

Notes:

(i) Conversion of convertible notes

In July and August 2008, the 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.

(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 in 2009

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 366,000,000 ordinary shares at a price of HK\$0.539 per share.

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)).

(iv) Placing of shares in 2010

On 10 February 2010, the Company entered into a placing and subscription agreement with Skyera for a placing up to a maximum of 340,000,000 subscription shares at a price of HK\$0.97 per share.

On 23 February 2010, the Company issued and allotted 340,000,000 shares for net proceeds of HK\$313,827,000. The difference of HK\$279,827,000 between the net proceeds of HK\$313,827,000 for the share subscription, after deduction of relevant expenses and the par value of the shares issued of HK\$34,000,000, has been credited to the share premium account of the Company (note 29(b)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

29 SHARE CAPITAL AND RESERVES (CONTINUED)

(a) Share capital (continued)

Notes: (continued)

(v) 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 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 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, the 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 share (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 share.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

29 SHARE CAPITAL AND RESERVES (CONTINUED)

(a) Share capital (continued)

Notes: (continued)

(v) Share option scheme (continued)

Adjustments to share options and exercise prices (continued)

The movements of share options during the year and the outstanding share options held by directors of the Company and other employees of the Group as at 31 December 2010 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 January 2010	Granted during the year	Lapsed during the year	Exercised during the year	Number of share options outstanding as at 31 December 2010
Director									
Huang Shao-Hua George	12 April 2007	3.93	0.393	1 July 2007 to 30 October 2011	1,000,000	—	—	—	1,000,000
	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	200,000	—	—	—	200,000
Wu Kebo	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	60,000,000	—	—	—	60,000,000
Chow Sau Fong Fiona	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	700,000	—	(700,000) (note)	—	—
Wu Keyan	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	700,000	—	—	—	700,000
Li Pei Sen	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	200,000	—	—	—	200,000
Leung Man Kit	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	200,000	—	—	—	200,000
Masahito Tachikawa	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	200,000	—	(200,000) (note)	—	—
Tan Boon Pin Simon	12 April 2007	3.93	0.393	1 July 2007 to 30 October 2011	2,000,000	—	—	—	2,000,000
	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	1,200,000	—	—	—	1,200,000
Chang Tat Joel	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	12,000,000	—	—	—	12,000,000
Chief Executive Officer									
Wu King Shiu Kelvin	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	21,000,000	—	—	—	21,000,000
Other participants									
In aggregate	12 April 2007	3.93	0.393	1 July 2007 to 30 October 2011	2,200,000	—	—	(2,200,000)	—
	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	2,850,000	—	—	(1,800,000)	1,050,000
					104,450,000	—	(900,000)	(4,000,000)	99,550,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

29 SHARE CAPITAL AND RESERVES (CONTINUED)

(a) Share capital (continued)

Notes: (continued)

(v) Share option scheme (continued)

Adjustments to share options and exercise prices (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 outstanding as at 1 January 2010	Lapsed during the year	Exercised during the year	Number of share options outstanding as at 31 December 2010
Other participants							
In aggregate	13 November 2009	0.73	13 November 2009 to 12 November 2014	1,200,000	(500,000) (note)	—	700,000
				1,200,000	(500,000)	—	700,000

Note: The share options lapsed due to the resignation of the directors or employees.

Apart from the above, at no time during the year 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 year ended 31 December 2010.

	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. Chang Tat Joel, directors, and Mr. Wu King Shiu Kelvin, Chief Executive Officer, 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 end of reporting period, the Company had 100,250,000 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 100,250,000 additional ordinary shares of the Company, representing approximately 4% of the Company's shares in issue as at the end of reporting period, and additional share capital of HK\$10,025,000 and share premium account of HK\$34,083,470 (before issue expenses).

NOTES TO THE FINANCIAL STATEMENTS

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29 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves

(i) The Group

Details of the movements in reserves of the Group during the year/period ended 31 December 2010 and 2009 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 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		17,745	—	—	—	(242)	—	17,503
Issuance of convertible note	26	—	—	—	—	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
At 1 January 2010		349,284	2,474	6,422	271,644	2,874	18,745	651,443
Loss for the year		—	—	—	—	—	(2,544)	(2,544)
Equity-settled share-based transactions		—	3,773	—	—	—	—	3,773
Reserve realised upon								
— exercise of share options		1,745	(465)	—	—	—	—	1,280
— lapse of share options		—	(267)	—	—	—	267	—
Placing of shares	29(a)(iv)	279,827	—	—	—	—	—	279,827
Dividends declared or approved during the year		—	—	—	—	—	—	—
At 31 December 2010		630,856	5,515	6,422	271,644	2,874	16,468	933,779

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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 and 54 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 2010, the aggregate amount of reserves available for distribution to equity holders of the Company representing the retained profits, amounted to HK\$16,468,000 (eighteen months ended 31 December 2009: HK\$18,745,000). In addition, the Company's share premium account, contributed surplus and capital redemption reserve in aggregate of HK\$908,922,000 (eighteen months ended 31 December 2009: HK\$627,350,000), as at 31 December 2010 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 year ended 31 December 2010

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 note 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 2010 and 2009 are as follows:

	2010 HK\$'000	2009 HK\$'000
Bank loans	103,763	86,933
Convertible note	6,662	6,150
External borrowings	110,425	93,083
Total assets	1,877,854	1,331,585
Gearing ratio	5.9%	7.0%

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, currency, interest rate and equity price 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.

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for the year ended 31 December 2010

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 end of reporting period 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 end of reporting period) and the earliest date the Group and the Company can be required to pay. In addition, as amount due to a jointly controlled entity, deferred revenue 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 2010						
	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	86,264	86,264	86,264	—	—	—
Other payables and accrued charges	148,627	148,627	148,627	—	—	—
Bank loans	103,763	116,315	22,124	54,020	23,610	16,561
Convertible note	6,662	9,024	—	—	9,024	—
	345,316	360,230	257,015	54,020	32,634	16,561

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	—	—	—
Bank loans	86,933	89,371	24,962	18,012	46,397	—
Convertible note	6,150	9,024	—	—	—	9,024
	264,428	269,740	196,307	18,012	46,397	9,024

The Company

Except for the convertible note with details included in the table above, the earliest settlement dates of the Company's financial liabilities at the end of reporting period 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 year ended 31 December 2010

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 of the Group. 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 Renminbi and 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 end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than functional currency to which they relate.

The Group

	Exposure to foreign currencies			
	2010		2009	
	Renminbi '000	Singapore Dollars '000	Renminbi '000	Singapore Dollars '000
Other receivables, deposits and prepayments	3,000	—	—	—
Deposits and cash	139,131	18	—	150
Amount due to a jointly controlled entity	—	—	—	(974)
Net exposure to currency risk	142,131	18	—	(824)

(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 end of reporting period. Other components of equity would not be affected by changes in the foreign exchange rates:

	2010		2009	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings HK\$'000
Renminbi	5% (5)%	8,350 (8,350)	5% (5)%	— —
Singapore Dollars	5% (5)%	5 (5)	5% (5)%	(227) 227

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Currency risk (continued)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period 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 end of reporting period. The analysis is performed on the same basis for 2009.

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 2010, the notional amount of the interest rate swap SGD5.6 million (2009: 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 end of reporting period:

	2010		2009	
	Effective rate		Effective rate	
	%	HK\$'000	%	HK\$'000
Variable rate borrowings:				
Bank loans (note 24)	2.1–6.5	103,763	2.2–5.3	86,933

(ii) Sensitivity analysis

At 31 December 2010, 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\$838,000 (2009: HK\$716,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period 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 end of reporting period. The analysis is performed on the same basis for 2009.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities (see note 17). Other than unquoted securities held for strategic purposes, all of these investments are listed.

The Group's listed investments are listed on the Stock Exchange of Hong Kong and the Australian Securities Exchange. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

At 31 December 2010, it is estimated that an increase/(decrease) of 20% in the relevant stock market index (for listed investments), with all other variables held constant, would increase/decrease the group's other components of consolidated equity by approximately HK\$8,590,000 (2009: HK\$Nil).

The sensitivity analysis indicates the instantaneous change in the Group's other components of equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the group's available-for-sale investments would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values

- (i) 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 31 December 2009 and 2010. Amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

(ii) Financial instruments carried at fair value

The following table represents the carrying value of financial instruments measured at fair value at the end of reporting date across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial instruments: Disclosures*, with the fair value of each financial instruments categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2010				
<i>Assets</i>				
Available-for-sale investments:				
— Listed	42,952	—	—	42,952
<i>Derivative financial instruments:</i>				
— Options	—	—	246	246

During the year, there were no significant transfers between instruments in Level 1, Level 2 and Level 3.

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	Year ended 31 December 2010 HK\$'000	Eighteen months ended 31 December 2009 HK\$'000
Options (note 17(b))		
At 1 January	—	—
Proceeds from writing options	(8,250)	—
Changes in fair value recognised in profit or loss during the period	8,496	—
At 31 December	246	—

The remeasurement on financial derivative instrument had been included in the other operating expenses in the consolidated income statement.

The unlisted available-for-sale investments of HK\$203,131,000 were stated at cost at 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

31 COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2010 not provided for in the financial statements in respect of the acquisition of fixed assets are as follows:

	2010 HK\$'000	2009 HK\$'000
Contracted for:		
Mainland China	112,403	5,038
Taiwan	10,522	14,966
	122,925	20,004
Authorised but not contracted for:		
Hong Kong	—	1,262
Mainland China	553,749	454,318
Taiwan	22,593	—
Singapore	27,000	—
	603,342	455,580
	726,267	475,584

- (b) Capital commitments outstanding at 31 December 2010 in relation to acquisition of subsidiaries are as follows:

	2010 HK\$'000	2009 HK\$'000
Contracted for	—	21,480

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

31 COMMITMENTS (CONTINUED)

(c) Operating lease commitments

(i) As lessor

At 31 December 2010, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2010 HK\$'000	2009 HK\$'000
Leases on premises expiring		
— within one year	14,693	18,817
— after one year but within five years	6,774	11,653
	21,467	30,470

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 2010, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2010 HK\$'000	2009 HK\$'000
Leases on premises expiring		
— within one year	187,458	150,202
— after one year but within five years	608,458	379,796
— after five years	659,141	265,287
	1,455,057	795,285

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% (2009: 3% 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.

32 CONTINGENT LIABILITIES

At 31 December 2010, the Company has issued guarantees to banks in respect of banking facilities granted to certain subsidiaries and a jointly controlled entity amounting to HK\$314,900,000 (2009: HK\$Nil) and HK\$30,000,000 (2009: HK\$27,500,000) respectively. At 31 December 2010, banking facilities of HK\$32,900,000 (2009: HK\$Nil) and HK\$67,500,000 (2009: HK\$78,375,000) had been utilised by the subsidiaries and a jointly controlled entity respectively.

At 31 December 2010, 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 values 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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	Year ended 31 December 2010 HK\$'000	Eighteen months ended 31 December 2009 HK\$'000
Office rental paid	(i)	1,798	—
Service fee income from jointly controlled entity	(ii)	603	1,249
Consultancy fee income from jointly controlled entities	(iii)	1,446	1,280
Advertising agency fee paid to jointly controlled entity	(iv)	264	467
Promotion expenses	(v)	974	—

Notes:

- (i) This represents office rental expenses for two office areas paid to a related company, which is wholly-owned by Mr. Wu Kebo, a director and a substantial shareholder of the Group. The office rental was charged at a rate of RMB2,147 per day for the period from January 2010 to June 2010 for one rental area. From July 2010 to June 2011, the office rental is charged at a rate of RMB6,384 per day in aggregate for two rental areas.
- (ii) 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.
- (iii) The consultancy fee was received from two jointly controlled entities of the Group charged on normal commercial terms.
- (iv) The advertising agency fee and the promotion expenses were charged on normal commercial terms.
- (v) This represents promotion expenses paid to a subsidiary of OSEG, which is a substantial shareholder of the Group. The promotion expenses were charged on normal commercial terms.

In addition, a subsidiary of OSEG, which is a substantial shareholder of the Group, waived the promotion expenses of HK\$757,000 (eighteen months ended 31 December 2009: HK\$Nil) during the year.

The transaction amounted to HK\$974,000 (eighteen months ended 31 December 2009: HK\$Nil) shown in note (v) above with a related company (eighteen months ended 31 December 2009: Nil) constituted connected transaction as defined in the Listing Rules. The connected transaction was either properly approved by the independent shareholders or constituted the de minimis transaction as defined in the Listing Rules.

The transactions amounted to HK\$1,798,000 (eighteen months ended 31 December 2009: HK\$Nil) shown in note (i) above with a related company (eighteen months ended 31 December 2009: Nil) constituted continuing connected transactions as defined in the Listing Rules. The continuing 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 year ended 31 December 2010

34 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of a subsidiary and the related businesses

On 30 October 2009, the Group acquired the entire equity interests in 北京橙天嘉禾影視制作有限公司 (formerly known as 北京橙天智鴻影視制作有限公司) (“北京影視”) and the business relating to Chinese-Language films and television programmes, production, investment, marketing and advertising and/or distribution business from OSEG, 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 HK\$'000	Fair value recognised on acquisition HK\$'000
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 accruals	(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	18,120	18,120
Goodwill (note 19)		
— Addition in 2009		28,538
— Addition in 2010		45,120
		73,658
		91,778
Satisfied by:		
Purchase consideration (note)		
— Cash consideration paid		37,634
— Convertible note issued		9,024
— Convertible note to be issued		45,120
		91,778

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

34 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

(a) Acquisition of a subsidiary and the related businesses (continued)

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

- (i) In the event that the audited consolidated profit after taxation and non-controlling 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 OSEG 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 OSEG 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.

(i) Analysis of the components of purchase consideration as at the date of acquisition:

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

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

	HK\$'000
Initial cash consideration paid during the eighteen months ended 31 December 2009	37,634
Convertible notes issued in November 2009 (note 26)	9,024
Present value of the contingent consideration:	
— Convertible notes to be issued *	45,120
Total purchase consideration	91,778

* 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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

34 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

(a) Acquisition of a subsidiary and the related businesses (continued)

- (ii) 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 Acquired Business	1,474
	37,634
Cash and cash equivalents acquired	(3,895)
Net outflow of cash and cash equivalents in respect of the acquisition of the Acquired Business	33,739

(b) Acquisition of Meilin Group

On 12 January 2010, the Group acquired the entire equity interests in 北京華誠美映影院有限公司 and 北京美林華映影院管理有限公司 (collectively as "Meilin Group"), which engaged in cinema operations in Mainland China ("Meilin Acquisition").

The combined fair values of the identifiable assets and liabilities of the Meilin Acquisition as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Carrying amount HK\$'000	Fair value recognised on acquisition HK\$'000
Non-current assets	18,121	27,015
Cash and cash equivalents	5,264	5,264
Current assets	5,352	5,352
Current liabilities	(12,453)	(12,453)
Net assets	16,284	25,178

Satisfied by:

Purchase consideration in cash	25,178
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An analysis of the net outflow of cash and cash equivalents in respect of the Meilin Acquisition is as follows:

	HK\$'000
Cash consideration	25,178
Cash and cash equivalents acquired	(5,264)
Net outflow of cash and cash equivalents in respect of the Meilin Acquisition	19,914

Following the acquisition, the Meilin Group contributed turnover and profit after taxation of HK\$31,861,000 and HK\$1,550,000 respectively for the year ended 31 December 2010.

The effect to the Group's turnover and profit for the year ended 31 December 2010 would not have been materially different from HK\$31,861,000 and HK\$1,550,000 respectively had the above acquisition taken place at 1 January 2010.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

34 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

(c) Acquisition of Yangquan Group

In December 2010, the Group acquired the entire equity interests in 陽泉市香原影院有限公司 and Advance Hero International Limited (collectively as "Yangquan Group"), which engaged in cinema operations in Mainland China ("Yangquan Acquisition").

The combined fair values of the identifiable assets and liabilities of the Yangquan Acquisition 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>
Non-current assets	—	17,058
Cash and cash equivalents	482	482
Current liabilities	(12)	(12)
Net assets	470	17,528

Satisfied by:

Purchase consideration in cash	17,528
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An analysis of the net outflow of cash and cash equivalents in respect of the Yangquan Acquisition is as follows:

	<i>HK\$'000</i>
Cash consideration	17,528
Cash and cash equivalents acquired	(482)
Net outflow of cash and cash equivalents in respect of the Yangquan Acquisition	17,046

The Yangquan Group had not commenced operations at 1 January 2010 and for the year ended 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

34 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

(d) Disposal of subsidiaries

On 8 December 2010, the Group entered into agreement with Orange Sky Entertainment International Holding Limited and 北京橙天博鴻廣告有限公司 as purchasers in connection with the disposals of the Group's entire equity interests in two wholly-owned subsidiaries, Panasia Cinema Advertising Limited and Panasia Cinemedia (Shenzhen) Company Limited.

The purchasers are controlled by the substantial shareholders of the Company. The disposals constitute connected transactions as defined in the Listing Rules.

The disposals were completed on 31 December 2010. The net assets of the subsidiaries at the date of the disposal were as follows:

	HK\$'000
Non-current assets	3,916
Current assets	12,521
Current liabilities	(6,327)
	10,110
Effect of foreign exchange	(1,062)
Net assets	9,048
Total consideration satisfied by:	
— Cash	20,365
Gain on disposals of subsidiaries (note 6(b))	11,317
Net cash inflow arising on disposal:	
— Cash consideration received	20,600
— Cash paid for costs directly attributable to the disposals	(235)
— Bank balances and cash disposed of	(1,747)
	18,618

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

35 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) Assessment of useful economic 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) Assessment of impairment of assets

The Group reviews internal and external sources of information at the end of each reporting period 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) Assessment of impairment of available-for-sale securities

The Group reviews available-for-sale securities at the end of each reporting period to determine whether there is objective evidence of impairment. Judgement is required to determine whether a decline in the fair value of an investment is significant or prolonged. In making this judgement, the Group considers a number of factors including the historical data on market volatility, the price of the specific investment, industry and sector performance, and financial information regarding the issuers of the investment.

(iv) Assessment of impairment of film rights

The Group reviews film rights ageing analysis at the end of each reporting period. The recoverable amount of film rights is assessed with reference to the value-in-use calculation as at the end of reporting period. 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.

(v) Assessment of impairment of goodwill

(a) Goodwill

The Group performed impairment test on goodwill on an in accordance with the accounting policy stated in note 3(n)(ii). For the purposes of impairment testing, goodwill acquired has been allocated to individual cash-generating units which are reviewed for impairment based on forecast operating performance and cash flows. The recoverable amount of an asset or a cash-generating units is determined based on value-in-use calculations. Cash flow projections are prepared on the basis of reasonable assumptions reflective of prevailing and future market conditions, and are discounted appropriately.

(b) Contingent consideration

As disclosed in note 34(a), the Group acquired 100% equity interest in 北京影視 during the eighteen months ended 31 December 2009. 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 instalment is determined with reference to the audited net profit for the years ended 31 December 2009 and 2010.

HKFRS 3 requires the Contingent Consideration shall be further assessed based on the results of future events. As at 31 December 2010, the Group re-assessed the present value of Contingent Consideration and revised the Contingent Consideration and the related goodwill.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

35 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Key sources of estimation uncertainty (continued)

(vi) Deferred tax assets

The Group reviews the carrying amounts of deferred taxes at the end of each reporting period 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.

(vii) Assessment of fair value of derivative financial instruments

The fair value of outstanding derivative financial instruments is based on independent valuations by Vigers Appraisal and is cross checked against fair values obtained from major financial institutions. Judgement is required in determining such valuation. Changes in the underlying assumptions could materially impact profit and loss or equity.

36 COMPARATIVE FIGURES

Certain comparative figures including turnover and other revenue have been adjusted to conform to current period's presentation which the Directors considered more appropriate to reflect the operating results of the Group and to provide comparative amounts in respect of items disclosed for the first time during the year ended 31 December 2010.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

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 year ended 31 December 2010 and which have not been adopted in these financial statements.

Amendments to HKFRS 1 ⁽¹⁾

First-time adoption of Hong Kong Financial Reporting Standards — Limited exemption from Comparative HKFRS 7 Disclosure for First-time Adopters

HK(IFRIC) 19 ⁽¹⁾

Extinguishing financial liabilities with equity instruments

HKFRSs (Amendments) ⁽²⁾

Improvements to HKFRSs 2010

Revised HKAS 24 ⁽³⁾

Related party disclosures

Amendments to HK(IFRIC) 14 ⁽³⁾

HKAS 19 — The limit on a defined benefit assets, minimum funding requirements and their interaction

HKFRS 9 ⁽⁴⁾

Financial instruments

⁽¹⁾ Effective for annual periods beginning on or after 1 July 2010.

⁽²⁾ Effective for annual periods beginning on or after 1 January 2011 except the amendments to revised HKFRS 3 (2008), *Business combinations* and amended HKAS 27 (2008), *Consolidated and separate financial statements*, which are effective for annual periods beginning 1 July 2010.

⁽³⁾ Effective for annual periods beginning on or after 1 January 2011.

⁽⁴⁾ Effective for annual periods beginning on or after 1 January 2013.

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 year ended 31 December 2010

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
北京橙天嘉禾影視制作有限公司 (formerly known as 北京橙天智鴻影視制作有限公司) ^a	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	300,000,000 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	3,545,450 shares of US\$0.1 each	100%	Holding of film rights
Golden Harvest Cinemas Holding Limited	British Virgin Islands	1 share of US\$1 each	100%	Investment holding
Orange Sky Golden Harvest China Entertainment Properties Company Limited (formerly known as 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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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 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
Orange Sky Golden Harvest (China) Cinema Company Limited (formerly known as Golden Harvest (Shenzhen) Cinemas Company Limited) ^{^^}	PRC	Registered capital RMB250,000,000	100%	Theatre operation
Golden Harvest Treasury Limited	British Virgin Islands	1 share of US\$1 each	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	Hong Kong	100 shares of HK\$1 each and 114,000,000 non-voting deferred shares [#] of HK\$1 each	100%	Investment holding
Orange Sky Golden Harvest Motion Pictures Company Limited	Hong Kong	2 shares of HK\$1 each	100%	Film Production
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 ^{^^^}	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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

38 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

(a) Subsidiaries (continued)

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. 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.

^ The equity interest of the entity is held by PRC nationals on behalf of the Group.

^^ The entity is a wholly-foreign owned enterprise under PRC Law.

^^^ Shanghai Golden Harvest Media Management Company Limited is a Sino-foreign equity joint venture enterprise under the PRC Law.

(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	1,100,000 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 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)