



Orange Sky Golden Harvest Entertainment (Holdings) Limited

(Incorporated in Bermuda with limited liability) (Stock Code: 1132)



Second Interim Report 2008/09



Coming Soon 陰容院在



Look For A Star 游龍戲鳳



Vengeance 復仇



Tactical Unit-Comrades In Arms
機動部隊-同袍



Orange Sky Golden Harvest

Entertainment (Holdings) Limited

Second Interim Report 2008/09

CONTENTS

2	Corporate Information
3	Management Discussion and Analysis
9	Review Report to the Board of Directors
10	Consolidated Income Statement
12	Consolidated Balance Sheet
14	Consolidated Statement of Changes in Equity
16	Condensed Consolidated Cash Flow Statement
17	Notes to the Unaudited Interim Financial Report
33	Special Dividend
33	Interim Dividend
33	Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures
35	Share Options
36	Substantial Shareholders
38	Purchase, Sale or Redemption of Listed Shares
38	Review by Audit Committee
39	Code on Corporate Governance Practices
42	Model Code
42	Appreciation

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman & Executive Director

WU Kebo

Executive Directors

Winnie CHAN Suet Yin

Fiona CHOW Sau Fong

WU Keyan

(alternate to WU Kebo)

Non-executive Director

SHEN De Min

(resigned on 20 March 2009)

LI Pei Sen

(appointed on 20 March 2009)

Independent Non-executive Directors

LEUNG Man Kit

George HUANG Shao-Hua

Masahito Tachikawa

(appointed on 20 March 2009)

Company Secretary

CHEUNG Wing Leung

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Place of Business

16th Floor

The Peninsula Office Tower

18 Middle Road

Tsimshatsui

Kowloon

Hong Kong

Principal Banker

The Hongkong and Shanghai Banking
Corporation Limited

Auditors

KPMG

Certified Public Accountants

8th Floor

Prince's Building

10 Charter Road

Central

Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre

11 Bermudiana Road

Pembroke, HM08

Bermuda

Hong Kong Branch Registrar and Transfer Office

Tricor Tengis Limited

26th Floor

Tesbury Centre

28 Queen's Road East

Hong Kong

Website

<http://www.goldenharvest.com>

<http://www.irasia.com/listco/hk/goldenharvest>

Stock Code

1132

MANAGEMENT DISCUSSION AND ANALYSIS

Group Operation and Financial Highlights

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

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

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



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

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

Business Review

Film Exhibition

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

Hong Kong

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



Orange Sky Golden Harvest

Entertainment (Holdings) Limited

Second Interim Report 2008/09

Mainland China

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

Taiwan

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

Singapore

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



Film Distribution

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

Hong Kong

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

Taiwan

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

Singapore

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

Prospects

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

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

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

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

Financial Resources and Liquidity

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

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

As at 30 June 2009, the Group's cash balance was HK\$365 million (30 June 2008: HK\$266 million), representing an increase of 37% as compared with that of June 2008. As at 30 June 2009, our gearing ratio, calculated on the basis of external borrowings over total assets, was further lowered to less than 1% (30 June 2008: 5%). Management will continue to monitor the gearing structure and make adjustments if necessary in light of changes in the Group's development plan and economic conditions.

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

The Group did not have any significant contingent liabilities as of 30 June 2009.

Employees and Remuneration Policies

As at 30 June 2009, the Group had 277 (30 June 2008: 311) permanent employees. The Group remunerates its employees largely based on industry practice. In addition to salaries, commissions and discretionary bonuses, share options are granted to certain employees based on individual merit. The Group also operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance and as at the balance sheet, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

REVIEW REPORT TO THE BOARD OF DIRECTORS



Review report to the Board of Directors of

Orange Sky Golden Harvest Entertainment (Holdings) Limited

(Formerly known as Golden Harvest Entertainment (Holdings) Limited)

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 10 to 32 which comprises the consolidated balance sheet of Orange Sky Golden Harvest Entertainment (Holdings) Limited as of 30 June 2009 and the related consolidated income statement, consolidated statement of changes in equity and condensed consolidated cash flow statement for the twelve-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “*Interim financial reporting*” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “*Review of interim financial information performed by the independent auditor of the entity*” issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2009 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “*Interim financial reporting*”.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building

10 Chater Road

Central, Hong Kong

22 September 2009

CONSOLIDATED INCOME STATEMENT

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

Orange Sky Golden Harvest

Entertainment (Holdings) Limited

Second Interim Report 2008/09

CONSOLIDATED INCOME STATEMENT (continued)

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

The notes on pages 17 to 32 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2009 HK\$'000 (Unaudited)	As at 30 June 2008 HK\$'000 (Audited)
Non-current assets			
Fixed assets		322,205	367,395
Amounts due from jointly controlled entities		–	32,285
Prepaid rental		6,117	8,015
Club memberships		3,590	3,590
Rental and other deposits		52,132	54,006
Trademarks		79,421	79,421
Deferred tax assets		1,210	358
Pledged bank deposits		15,447	10,133
		480,122	555,203
Current assets			
Inventories		1,925	2,417
Film rights		32,060	27,503
Trade receivables	8	19,953	27,045
Other receivables, deposits and prepayments		47,653	49,355
Amounts due from jointly controlled entities		42,209	50,277
Deposits and cash		365,229	266,307
		509,029	422,904
Assets of a jointly controlled entity held for sale	7	–	141,037
		509,029	563,941
Current liabilities			
Trade payables	9	62,973	68,609
Other payables and accrued charges		101,138	129,472
Customer deposits		6,144	3,675
Bank loans	10	5,142	12,480
Convertible notes	11(iii)	–	31,066
Loans from joint venture partners		45,542	22,144
Taxation payable		15,047	9,618
		235,986	277,064

Orange Sky Golden Harvest

Entertainment (Holdings) Limited

Second Interim Report 2008/09

CONSOLIDATED BALANCE SHEET (continued)

	Note	As at 30 June 2009 HK\$'000 (Unaudited)	As at 30 June 2008 HK\$'000 (Audited)
Liabilities of a jointly controlled entity held for sale	7	-	101,135
		235,986	378,199
Net current assets		273,043	185,742
Total assets less current liabilities		753,165	740,945
Non-current liabilities			
Bank loans		-	7,800
Loans from joint venture partners		-	42,505
Loans from minority shareholder		386	696
Deposits received		4,771	4,248
Deferred tax liabilities		14,378	16,540
		19,535	71,789
NET ASSETS		733,630	669,156
Capital and reserves			
Share capital	11	183,274	169,638
Reserves		548,702	498,097
Total equity attributable to equity holders of the Company		731,976	667,735
Minority interests		1,654	1,421
TOTAL EQUITY		733,630	669,156

The notes on pages 17 to 32 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months ended 30 June 2009 – unaudited

	Note	Share capital		Share premium	Share option redemption reserve	Capital reserve	Contributed surplus	Convertible notes		Revaluation reserve	*Reserve funds	**Surplus reserve	Exchange reserve	Retained profits	Exchange reserve of a jointly controlled entity held for sales		Minority interests	Total
		Share capital	Share premium					HKS'000	HKS'000						HKS'000	HKS'000		
At 1 July 2008		169,638	179,062	1,548	6,422	80,000	242	4,024	1,866	480	22,196	196,876	4,781	667,735	1,421	669,156		
Exchange difference on translation of financial statements of		-	-	-	-	-	-	-	-	-	(5,514)	-	-	-	-	(5,514)	-	(5,514)
- over seas subsidiaries		-	-	-	-	-	-	-	-	-	(20,109)	-	-	-	-	(20,109)	(107)	(20,216)
- over seas jointly controlled entities		-	-	-	-	-	-	-	-	-	-	-	-	-	(4,781)	-	-	(4,781)
Realisation on disposal of interest in a jointly controlled entity		-	-	-	-	-	-	-	-	-	(25,623)	-	-	-	(4,781)	(80,404)	(107)	(80,511)
Total income and expenses recognised directly in equity		-	-	-	-	-	-	-	-	-	-	-	-	-	(18,327)	-	-	(18,327)
Dividends declared and paid	5	-	-	-	-	-	-	-	-	-	-	-	-	-	81,833	-	340	82,173
Profit for the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total income and expenses for the period		-	-	-	-	-	-	-	-	-	(25,623)	63,506	(4,781)	33,022	233	33,335	-	-
Transfer to retained profits on lapse of share options	11(i)	-	-	(710)	-	-	-	-	-	-	-	710	-	-	-	-	-	-
Conversion of convertible notes	11(ii)	13,636	17,745	-	-	(242)	-	-	-	-	-	-	-	-	-	31,039	-	31,039
Transfer to/(from) reserves		-	-	-	-	-	-	-	680	(480)	-	(210)	-	-	-	-	-	-
At 30 June 2009		183,274	196,807	838	6,422	80,000	-	4,024	2,556	-	(2,827)	260,882	-	751,976	1,654	753,630	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the twelve months ended 30 June 2008 – audited

Note	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Share redemption reserve HK\$'000	Capital contribution surplus HK\$'000	Convertible notes HK\$'000	Revaluation reserve HK\$'000	Reserve funds HK\$'000	Surplus reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Exchange reserve of a jointly controlled entity held for sales HK\$'000	Minority interests		Total HK\$'000		
													HK\$'000	HK\$'000			
At 1 July 2007	128,957	125,733	5,085	4,819	80,000	880	3,974	1,139	480	1,208	185,785	-	537,460	555	538,015		
Exchange difference on translation of financial statements of - overseas subsidiaries - overseas associates - overseas jointly controlled entities	-	-	-	-	-	-	-	-	-	(2,641)	-	-	(2,641)	-	(2,641)		
Deferred tax credited to equity	-	-	-	-	-	-	50	-	-	20,173	-	-	20,173	108	20,279		
Total income and expenses recognised directly in equity Profit for the period	-	-	-	-	-	-	50	-	-	26,369	-	-	26,419	108	26,525		
Total income and expenses for the period	-	-	-	-	-	-	50	-	-	26,369	10,763	-	10,763	308	11,069		
Reurchases of shares Exercise of share options Transfer to retained profits on lapse of share options Conversion of convertible notes Capital injection from a minority shareholder Transfer to/(from) reserves	11(i) 11(ii) 11(iii) 11(iii) 11(iii) 11(iii)	(1,603) 1,975 - - 40,909 -	(3,530) 4,097 (879) - 52,822 -	- 1,603 - - (2,638) -	- - - - - -	- - - - - -	- - - - - -	- - - - - -	- - - - - -	- - - - - -	- - - - - -	- - - - - -	- - - - - -	- - - - - -	- - - - - -	- - - - - -	- - - - - -
At 30 June 2008	169,638	719,062	1,548	6,422	80,000	242	4,024	1,866	480	22,736	196,576	4,781	667,735	1,421	669,156		

* In accordance with the relevant regulations in the People's Republic of China ("PRC"), the Company's subsidiaries established therein are required to transfer a certain percentage of their profits after tax to the reserve funds. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiaries' articles of association, the reserve funds may be used either to offset losses, or for capitalisation by way of paid-up capital.

** The surplus reserve represents an amount transferred from retained profits in accordance with statutory requirements and the articles of association of an associate in Taiwan. The surplus reserve may only be applied to make up any losses and for capitalisation by way of fully paid bonus issues of the shares of the associate in Taiwan.

The notes on pages 17 to 32 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Twelve months ended 30 June 2009 HK\$'000 (Unaudited)	Twelve months ended 30 June 2008 HK\$'000 (Audited)
Net cash generated from operating activities	58,419	83,070
Net cash generated from investing activities	83,485	2,243
Net cash used in financing activities	(33,775)	(24,405)
Net increase in cash and cash equivalents	108,129	60,908
Cash and cash equivalents at 1 July	266,307	209,131
Effect of foreign exchange rates changes	(9,207)	7,109
Cash and cash equivalents at 30 June	365,229	277,148
Analysis of balances of cash and cash equivalents		
Non-pledged short term bank deposits	133,556	158,157
Non-pledged cash and bank balances	231,673	118,991
Cash and cash equivalents at 30 June*	365,229	277,148

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

The notes on pages 17 to 32 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1 Basis of preparation

Pursuant to a resolution of the Board of Directors dated 6 January 2009, the Company's financial year end date has been changed from 30 June to 31 December. Accordingly, the current financial period will cover a period of eighteen months from 1 July 2008 to 31 December 2009. The first interim report which was issued on 20 March 2009 has covered the six-month period from 1 July 2008 to 31 December 2008. This second interim report covers the twelve-month period from 1 July 2008 to 30 June 2009. The comparative figures presented for the consolidated income statement, consolidated statement of changes in equity and condensed consolidated cash flow statement and related notes cover the financial year from 1 July 2007 to 30 June 2008, as extracted from the audited financial statements for the year ended 30 June 2008.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "*Interim financial reporting*", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*", issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 9.

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



1 Basis of preparation *(continued)*

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

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

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

The Group has not early applied the new and revised standards, amendments and interpretations that have been issued but are not yet effective (note 16).

Orange Sky Golden Harvest Entertainment (Holdings) Limited

Second Interim Report 2008/09

2 Segment information

(a) Business segments

Twelve months ended 30 June

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

2 Segment information (continued)

(a) Business segments (continued)

Twelve months ended 30 June

	Film and video distribution		Film exhibition		Others		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000 (unaudited)	HK\$'000 (audited)	HK\$'000 (unaudited)	HK\$'000 (audited)	HK\$'000 (unaudited)	HK\$'000 (audited)	HK\$'000 (unaudited)	HK\$'000 (audited)	HK\$'000 (unaudited)	HK\$'000 (audited)
Discontinued operation										
Segment revenue:										
Sales to external customers	-	-	13,674	119,828	-	-	-	-	13,674	119,828
Other income	-	-	284	1,992	-	-	-	-	284	1,992
Total	-	-	13,958	121,820	-	-	-	-	13,958	121,820
Segment results	-	-	1,913	8,524	-	-	-	-	1,913	8,524
Interest income									26	421
Finance costs									(124)	(1,515)
Profit before taxation									1,815	7,430
Income tax									(617)	(3,519)
Profit for the period from discontinued operation									1,198	3,911
Total profit for the period									82,173	11,069

2 Segment information (continued)
 (b) Geographical segments

	Twelve months ended 30 June															
	Hong Kong		Mainland China		Taiwan		Singapore		Malaysia		Elsewhere in Asia		Others		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
Segment revenue:	213,465	209,134	72,119	63,919	197,555	202,688	261,705	140,490	13,674	120,272	1,383	2,439	787	760,185	739,729	
Sales to external customers	-	-	-	-	-	-	-	-	13,674	119,628	-	-	-	-	13,674	119,628
Less: Attributable to discontinued operation	213,465	209,134	72,119	63,919	197,555	202,688	261,705	140,490	-	444	1,383	2,439	787	746,511	619,301	
Sale to external customers from continuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

3 Total profit for the period

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

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

Orange Sky Golden Harvest

Entertainment (Holdings) Limited

Second Interim Report 2008/09

4 Income tax

Taxation in the consolidated income statement represents:

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

4 **Income tax** (continued)

The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the period.

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

5 **Dividends**

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

6 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company from continuing operations and discontinued operation of HK\$80,635,000 and HK\$1,198,000 respectively (2008: HK\$6,852,000 and HK\$3,911,000 respectively) and the weighted average number of 182,140,740 ordinary shares (2008: 131,225,351 ordinary shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company from continuing operations and discontinued operation of HK\$80,807,000 and HK\$1,198,000 respectively (2008: HK\$6,852,000 and HK\$3,911,000 respectively) and the weighted average number of ordinary shares of 183,273,990 shares (2008: 131,642,634 shares), calculate as follows:

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

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

6 Earnings per share (continued)

(b) Diluted earnings per share (continued)

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

	2009	2008
	Number	Number
	of shares	of shares
Shares		
Issued ordinary shares as at 1 July	169,637,627	128,356,537
Effect of convertible notes converted	12,503,113	3,713,363
Effect of share repurchased	–	(1,390,724)
Effect of share option exercised	–	546,175
Weighted average number of ordinary shares in issue during the period used in the calculation of the basic earnings per share	182,140,740	131,225,351
Effect of dilution – weighted average number of ordinary shares:		
Share options (note (1))	–	417,283
Convertible notes (note (2))	1,133,250	–
Weighted average number of ordinary shares (diluted) at 30 June	183,273,990	131,642,634

Notes:

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

7 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 in the current period.

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".

	Note	Twelve months ended 30 June 2009 HK\$'000 (Unaudited)	Twelve months ended 30 June 2008 HK\$'000 (Audited)
Turnover	2	13,674	119,828
Cost of sales		(6,164)	(52,287)
		7,510	67,541
Other income		310	2,413
Selling and distribution costs		(5,537)	(55,924)
General and administrative expenses		(344)	(1,674)
Other operating expenses		–	(3,411)
Profit from operations		1,939	8,945
Finance costs	3(a)	(124)	(1,515)
Profit before taxation		1,815	7,430
Income tax	4	(617)	(3,519)
Profit for the period		1,198	3,911

8 Trade receivables

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

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

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

9 Trade payables

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

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

10 Bank loans

Certain of the Group's bank loans at 30 June 2009 were secured by the pledged bank deposits of approximately HK\$514,000.

11 Share capital

	Number of shares	Amount HK\$'000
Ordinary shares, issued and fully paid:		
At 1 July 2007	128,356,537	128,357
Repurchase of shares (note (i))	(1,603,000)	(1,603)
Share options exercised (note (ii))	1,975,000	1,975
Conversion of convertible notes (note (iii))	40,909,090	40,909
At 30 June 2008 (audited)	169,637,627	169,638
Conversion of convertible notes (note (iii))	13,636,363	13,636
At 30 June 2009 (unaudited)	183,273,990	183,274

The total number of authorised ordinary shares is 600,000,000 shares (30 June 2008: 600,000,000 shares) with a par value of HK\$1 per share (30 June 2008: HK\$1 per share).

Notes:

- (i) Repurchase of shares
Details of the repurchase of shares are set out in note 28(ii) of the 2008 annual report.

11 Share capital (continued)

Notes: (continued)

(ii) Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and other employees of the Group, shareholders of the Company, suppliers of goods or services to the Group and customers of the Group. The Scheme became effective on 30 November 2001 and, unless otherwise cancelled or amended, will remain in force for a period of 10 years from that date.

(iii) Conversion of convertible notes

During the period, the convertible notes in aggregate amounts of HK\$30,000,000 have been converted into the Company's ordinary shares, creating a total of 13,636,363 new ordinary shares of the Company at a conversion price of HK\$2.2 per share.

12 Capital commitments

	As at 30 June 2009 HK\$'000 (Unaudited)	As at 30 June 2008 HK\$'000 (Audited)
Capital commitments in respect of the acquisition of fixed assets:		
Contracted for	11,942	12,433
Authorised but not contracted for	395,853	219,846
	407,795	232,279

The above excludes commitment for the transaction as set out in note 15(a).

Capital commitments include HK\$16,437,000 (30 June 2008: HK\$44,309,000) attributable to the jointly controlled entities of the Group.

13 Contingent liabilities

The Group did not have any significant contingent liabilities as of 30 June 2009.

14 Material related party transactions

During the twelve months ended 30 June 2009, the Group entered into transactions amounting to HK\$1,044,000 with two related companies (2008: HK\$3,660,000 with five related companies) and HK\$350,000 (2008: Nil) with one former director which constituted connected transactions as defined in the Listing Rules. The connected transactions were either properly approved by the independent shareholders or constituted the de minimis transactions as defined in the Listing Rules.

There were no other material related party transactions during the twelve months ended 30 June 2009, other than in the nature of those as disclosed in the annual report for the year ended 30 June 2008.

15 Post balance sheet events

- (a) In June 2009, the Group entered into a transaction to acquire the entire equity interests in 北京橙天智鴻影視製作有限公司 (Beijing Chengtian Zhihong Film & TV Production Company Limited) and the business relating to Chinese-language films and television programmes, production, investment, marketing and advertising business from Chengtian Entertainment Group (International) Holding Company Limited (“Chengtian Entertainment”) (the “Acquisition”), commonly controlled by Mr. Wu Kebo, controlling shareholder and a director of the Company. The net assets to be acquired as at 31 December 2008 and maximum consideration for the Acquisition are HK\$43.6 million and RMB80 million respectively, subject to the adjustments set out in the equity transfer agreement dated 15 June 2009. Further details of the Acquisition are set out in the circular of the Company dated 25 June 2009. The Acquisition was approved by shareholders in a special general meeting held on 20 July 2009.
- (b) Pursuant to a resolution passed in the special general meeting of the Company on 20 July 2009, the Company changed its name from “Golden Harvest Entertainment (Holdings) Limited” to “Orange Sky Golden Harvest Entertainment (Holdings) Limited” and adoption of the “橙天嘉禾娛樂(集團)有限公司” as the Chinese name for identification purpose only. The change of the Company’s name was approved by the Registrar of Companies in Bermuda and the Registrar of Companies in Hong Kong on 24 August 2009 and 14 September 2009 respectively.

16 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 June 2009

Up to the date of issue of this interim financial report, HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2009 and which have not been adopted in this interim financial report.

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 significant impact the Group's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1 January 2009
HKAS 1 (Revised 2007)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised 2007)	Borrowing costs	1 January 2009
Improvements to HKFRs (2008)	Improvements to HKFRSs 2008	1 July 2009
Amendments to HKAS 27	Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate	1 July 2009

SPECIAL DIVIDEND

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

INTERIM DIVIDEND

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2009, the interests and short positions of the directors of the Company (the "Director(s)") 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:

Interests in shares of HK\$1 each in the share capital of the Company (the "Share(s)") and underlying Shares

Name of Director	Capacity	Note	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	*Approximate percentage of shareholding in the Company
Wu Kebo	Interest of controlled corporations	1	146,223,472 (L)	-	146,223,472 (L)	79.78%
			40,871,599 (S)	-	40,871,599 (S)	22.30%
George Huang Shao-Hua	Beneficial Owner	2	-	100,000 (L)	100,000 (L)	0.05%

* The percentage figure is calculated by reference to the total number of Shares (i.e. 183,273,990 ordinary Shares) in issue as at 30 June 2009.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

(continued)

Interests in shares of HK\$1 each in the share capital of the Company (the "Share(s)") and underlying Shares (continued)

Notes:

1. Mr. Wu Kebo ("Mr. Wu") was deemed to be interested in long positions of 146,223,472 Shares and short positions of 40,871,599 Shares by virtue of his 100% beneficial holding in each of Skyera International Limited ("Skyera"), Mainway Enterprises Limited ("Mainway"), Cyber International Limited ("Cyber"), and 80% beneficial holding in Chengtian Entertainment Group (International) Company Limited ("Chengtian"). Of these Shares, (a) long positions in 40,553,060 Shares were held by Chengtian; (b) long positions in 46,798,813 Shares were held by Skyera; (c) long positions in 40,871,599 Shares and short positions in 40,871,599 Shares were held by Mainway; and (d) long positions in 18,000,000 Shares were held by Cyber.
2. These underlying Shares represented the Shares which will be issued upon the exercise of the share options granted by the Company under the share option scheme of the Company adopted by the shareholders of the Company at the special general meeting held on 28 November 2001 (the "Share Option Scheme").

Save as disclosed above and save for the disclosure made under the section headed "Share Options", as at 30 June 2009, none of the Directors and chief executive of the Company had any interests or short positions in Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Abbreviations:

"L" stands for long position

"S" stands for short position

SHARE OPTIONS

During the twelve months ended 30 June 2009, 680,000 share options lapsed and no share option granted under the Share Option Scheme were exercised.

Details of the movement of share options of the Company for the twelve months ended 30 June 2009 were as follows:

Name or category of participant	Date of grant of share option	Exercise price HK\$	Exercise period	Number of	Granted	Exercised during the year	Lapsed	Closing price of the Shares immediately before the date of grant of share option (Note 2) HK\$	Number of share options outstanding as at
				share options outstanding as at 1 July 2008	during the 12 months ended 30 June 2009		during the 12 months ended 30 June 2009	30 June 2009	30 June 2009
Director									
Lau Pak Keung	12 April 2007	3.93	1 July 2007 to 30 October 2011 (Note 1)	200,000	-	-	(200,000)	0.34	-
Eric Norman Kronfeld	31 March 2005	2.60	31 March 2005 to 30 October 2011 (Note 1)	35,000	-	-	(35,000)	0.255	-
	12 April 2007	3.93	1 July 2007 to 30 October 2011 (Note 1)	150,000	-	-	(150,000)	0.34	-
George Huang Shao-hua	12 April 2007	3.93	1 July 2007 to 30 October 2011	100,000	-	-	-	0.34	100,000
Prince Chatrichalerm Yukol	31 March 2005	2.60	31 March 2005 to 30 October 2011 (Note 1)	35,000	-	-	(35,000)	0.255	-
	12 April 2007	3.93	1 July 2007 to 30 October 2011 (Note 1)	100,000	-	-	(100,000)	0.34	-
Other participant									
In aggregate	12 April 2007	3.93	1 January 2007 to 30 October 2011	780,000	-	-	(160,000)	-	620,000
				1,400,000	-	-	(680,000)	-	720,000

Note:

- The share options lapsed by reason of resignation or retirement as Director(s).
- Being the weighted average closing price of the Shares immediately before the dates on which the share options were granted or exercised, as applicable.

SHARE OPTIONS *(continued)*

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.

As at 30 June 2009, the Company had 720,000 shares options outstanding under the Share Option Scheme. The exercise in full of the remaining share option would, under the preset capital structure of the Company, result in the issue of 720,000 additional Shares, representing approximately 0.39% of the Shares in issue as at 30 June 2009, and additional share capital of HK\$720,000 and share premium account of approximately HK\$2,109,600.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director of the Company, as at 30 June 2009, the following persons had the following interests or short positions in Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Name of shareholder	Capacity	Note	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	*Approximate percentage of shareholding in the Company
Wu Kebo	Interest of controlled corporations	1	146,223,472 (L)	-	146,223,472 (L)	79.78%
			40,871,599 (S)	-	40,871,599 (S)	22.30%
Skyera International Limited	Beneficial Owner	1	46,798,813 (L)	-	46,798,813 (L)	25.53%
Mainway Enterprises Limited	Beneficial Owner	1	40,871,599 (L)	-	40,871,599 (L)	22.30%
			40,871,599 (S)	-	40,871,599 (S)	22.30%
Chengtian Entertainment Group (International) Holding Company Limited	Beneficial Owner	1	40,553,060 (L)	-	40,553,060 (L)	22.13%

Orange Sky Golden Harvest

Entertainment (Holdings) Limited

Second Interim Report 2008/09

SUBSTANTIAL SHAREHOLDERS *(continued)*

Name of shareholder	Capacity	Note	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	*Approximate percentage of shareholding in the Company
Wu King Shiu Kelvin	Interest of controlled corporations	2	164,223,472 (L)	20,435,799 (L)	184,659,271 (L)	100.76%
Chang Tat Joel	Interest of controlled corporations	2	164,223,472 (L)	20,435,799 (L)	184,659,271 (L)	100.76%
AID Partners Ltd.	Interest of controlled corporations	2	164,223,472 (L)	20,435,799 (L)	184,659,271 (L)	100.76%
AID Partners GP1, L.P.	Interest of controlled corporations	2	164,223,472 (L)	20,435,799 (L)	184,659,271 (L)	100.76%
AID Partners Capital 1, L.P.	Interest of controlled corporations	2	164,223,472 (L)	20,435,799 (L)	184,659,271 (L)	100.76%
AID Partners Asset Management Ltd.	Interest of controlled corporations	2	164,223,472 (L)	20,435,799 (L)	184,659,271 (L)	100.76%
Billion Century Group Limited ("BCG")	Interest of controlled corporations	2, 3	164,223,472 (L)	20,435,799 (L)	184,659,271 (L)	100.76%
NEC Corporation	Beneficial owner		36,000,000 (L)	–	36,000,000 (L)	19.64%
Cyber International Limited	Beneficial owner	1	18,000,000 (L)	–	18,000,000 (L)	9.82%

* The percentage figure is compiled by reference to the total number of Shares (i.e. 183,273,990 ordinary Shares) in issue as at 30 June 2009.

SUBSTANTIAL SHAREHOLDERS *(continued)*

Notes:

1. Mr. Wu was deemed to be interested in long positions of 146,223,472 Shares and short positions of 40,871,599 Shares by virtue of his 100% beneficial holding in Skyera, Mainway, Cyber and 80% beneficial holding in Chengtian. Of these Shares, (a) long positions in 40,553,060 Shares were held by Chengtian; (b) long positions in 46,798,813 Shares were held by Skyera; (c) long positions in 40,871,599 Shares and short positions in 40,871,599 Shares were held by Mainway; and (d) long positions in 18,000,000 Shares were held by Cyber.
2. Each of Mr. Wu King Shiu Kelvin and Mr. Chang Tat Joel were deemed to be interested in these 164,223,472 Shares and 20,435,799 underlying Shares by virtue of their direct or indirect beneficial holdings as to 60% and 40% respectively, in each of AID Partners Ltd., AID Partners GP1, L.P. and AID Partners Capital I, L.P., AID Partners Assets Management Ltd. and BCG.
3. Of these 184,659,241 Shares, BCG was deemed to be interested in 123,351,873 Shares interested by Mr. Wu 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 note into shares of Mainway to BCG for the funding arrangement in relation to the mandatory unconditional cash offer made by Somerley Limited on behalf of Skyera and Mainway for all outstanding convertible notes, share options of the Company and all the Shares (other than those already owned or agreed to be acquired by Skyera and Mainway and parties acting in concert with any of them).

Abbreviations:

"L" stands for long position

"S" stands for short position

Save as disclosed above, as at 30 June 2009, no other person had an interest or a short position in 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the twelve months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management, the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the Group's interim financial report for the twelve months ended 30 June 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

Save and except the following deviations from the code provisions set out in the Code on Corporate Governance Practices (the “CG Practices”) as contained in Appendix 14 to the Listing Rules, the Company had, throughout the twelve months ended 30 June 2009, complied with the CG Practices and the Listing Rules.

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



CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

	Code provision(s) set out in the CG Practices	Deviations and reasons for such deviations
A.3 & A.3.2	<p>The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should ensure that changes to its composition can be managed without undue disruption. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.</p>	<p>Pursuant to note 1 to Code Provision A.3 of the CG Practices (and as required by Rule 3.10 of the Listing Rules), every board of Directors must include at least 3 independent non-executive Directors. Due to the retirement of Prince Chatrichalerm Yukol as an independent non-executive Director on 20 November 2008, the total number of independent non-executive Directors of the Company fell below the minimum number as required under Rule 3.10 of the Listing Rules.</p> <p>Mr. Masahito Tachikawa has been appointed as independent non-executive Director of the Company with effect from 20 March 2009 so that the requirement as to the minimum number of independent non-executive Directors of the Company under note 1 to Code Provisions of A.3 of the CG Practices and Rule 3.10 of the Listing Rules is fulfilled.</p>

CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

	Code provision(s) set out in the CG Practices	Deviations and reasons for such deviations
A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election.	<p>All non-executive Directors of the Company were not appointed for a specific term.</p> <p>All non-executive Directors are subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws, accomplishing the same purpose as a specific term of appointment.</p>
B.1.1	Issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.	<p>The remuneration committee of the Company comprised one executive director and one independent non-executive Director due to the retirement of Prince Chatrichalerm Yukol and Eric Norman Kronfeld as independent non-executive Director and non-executive Director, respectively, the requirement in relation to the composition of the remuneration committee under Code Provision B.1.1 of the CG Practices was not fulfilled.</p> <p>Mr. Masahito Tachikawa has been appointed as independent non-executive Director and a member of remuneration committee of the Company with effect from 20 March 2009 so that the requirement in relation to the composition of the remuneration committee under Code Provision B.1.1 of the CG Practices is fulfilled.</p>



MODEL CODE

The Company has adopted its own code on terms no less exacting than those set out in the Model Code of the Listing Rules. The Company has made specific enquiries with all the directors and no directors have confirmed that they had not complied with the requirements set out in the Model Code and the Company's code for the twelve months ended 30 June 2009.

APPRECIATION

I would like to take this opportunity to thank my fellow directors, as well as the management and all our employees for the contribution they have made towards the Group's continued progress, and to our shareholders, customers and business partners for their support.

On behalf of the Board

WU Kebo

Chairman

Hong Kong, 22 September 2009



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Handsome Suit 衣褲豬胸是王子



Drag Me to Hell
地獄巫門等你來



He's Just Not That Into You 收錯愛情風



20th Century Boy Part II
20世紀少年II