



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 2011 年度報告



LOVE LIFE, LIVE LIFE

熱愛生活·享受生活

Vision 橙天嘉禾的願景

To become Asia's best-in-class integrator of the movie entertainment industry
成為亞洲最具實力的電影產業鏈整合者

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
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。

Value 橙天嘉禾的價值

Responsible

for the maximization of shareholders' value
對股東投資 實現價值最大

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

teamwork 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，也就是影城的運營
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)

MAO Yimin
毛義民

LI Pei Sen
李培森

TAN Boon Pin Simon
陳文彬

WU Keyan
伍克燕

INDEPENDENT NON-EXECUTIVE DIRECTORS 獨立非執行董事

LEUNG Man Kit
梁民傑

HUANG Shao-Hua George
黃少華

WONG Sze Wing
黃斯穎

CHIEF EXECUTIVE OFFICER 首席執行官

MAO Yimin
毛義民

COMPANY SECRETARY 公司秘書

YUEN Kwok On
袁國安

Corporate Information 公司資料

REGISTERED OFFICE 註冊辦事處

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS 主要營業地址

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

PRINCIPAL BANKERS 主要往來銀行

Bank of China (Hong Kong) Limited
中國銀行(香港)有限公司

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

Standard Chartered Bank (Hong Kong) Limited
渣打銀行(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 Fulcrum Group (Bermuda) Limited
(formerly known as "Butterfield Corporate
Service Limited")
(前稱「Butterfield Corporate Service 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 48,

Mr. Wu is the chairman, executive director and a member of the remuneration committee and the chairman of nomination 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 People’s Republic of China (“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 DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr. Mao Yimin (“Mr. Mao”),

Aged 34,

Mr. Mao is an executive director and has been employed by the Company as the chief financial officer (“CFO”) since 6 May 2011 and has been appointed as the chief executive officer (“CEO”) since 1 August 2011. Mr. Mao ceased to hold the office of the CFO of the Company since 1 January 2012, and remained as the CEO. Before joining the Company, Mr. Mao was a senior manager at KPMG Advisory (China) Limited (“KPMG”), specialised in transaction services and risk management. Mr. Mao has extensive investment advisory and industry-related experience, particularly in manufacturing, retail, media and real estate. Prior to joining KPMG, Mr. Mao served for large Australian Securities Exchange listed companies, where he had built up strong statutory reporting, financial analysis, and risk control and merger and acquisition experience. Mr. Mao graduated from the University of New South Wales in Australia with a master degree of commerce in 2003 and he is also a member of the Australian Society of Certified Practising Accountants.

主席兼執行董事

伍克波先生(「伍先生」)

四十八歲

伍先生為本公司主席、執行董事兼薪酬委員會成員及提名委員會主席，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，主要於中華人民共和國(「中國」)從事電影及電視製作、音樂及音樂劇製作、藝人經理及廣告業務。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。

執行董事兼首席執行官

毛義民先生(「毛先生」)

三十四歲

毛先生為執行董事，自二零一一年五月六日起獲本公司聘任為首席財務官(「首席財務官」)，並自二零一一年八月一日起獲委任為首席執行官(「首席執行官」)。毛先生自二零一二年一月一日起終止出任本公司首席財務官，惟留任首席執行官。於加盟本公司前，毛先生於畢馬威企業諮詢(中國)有限公司(「畢馬威」)擔任高級經理，專責交易服務及風險管理。毛先生於投資顧問以及在製造、零售、傳媒及房地產等行業有豐富經驗。於加入畢馬威前，毛先生曾任職於多間澳大利亞證券交易所大型上市企業，累積豐富的法定報告、財務分析、風險控制及併購經驗。毛先生於二零零三年畢業於澳洲新南威爾士大學，獲得商業碩士學位，彼亦為澳洲會計師公會會員。

Biographical Details of Directors and Senior Management 董事及高級管理層個人履歷

EXECUTIVE DIRECTORS

Mr. Li Pei Sen (“Mr. Li”),

Aged 64,

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.

Ms. Wu Keyan (“Ms. Wu”),

Aged 40,

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 an 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 43,

Mr. Tan was appointed as an executive director and acting chief operations officer of the Company (“Acting COO”) 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 Multiplex Pte Ltd, 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 COO with effect from 23 August 2010.

執行董事

李培森先生(「李先生」)

六十四歲

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，曾負責監製過千集電視連續劇，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。

伍克燕女士(「伍女士」)

四十歲

伍女士為本公司執行董事。彼自二零零八年一月起出任伍先生之替任董事，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」)

四十三歲

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兼署理營運官(「署理營運官」)。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 Multiplex Pte Ltd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，並於二零一零年八月二十三日出任署理營運官。

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 58,

Mr. Leung has been an independent non-executive director, and the chairman of the audit committee and a member of remuneration committee and nomination 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 25 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. Mr. Leung was also a director of Emerging Markets Partnership (Hong Kong) Limited which was the principal adviser to the AIG Infrastructure Fund L.P.

Mr. Leung serves as an independent non-executive director for Netease Inc, a NASDAQ listed company and also independent non-executive director for China Ting Group Holdings Limited and Junefield Department Store Group Limited and as an executive director of Chanceton Financial Group Limited, all of which are companies listed on the Stock Exchange of Hong Kong Limited.

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

Aged 63,

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 33,

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. She has been appointed as the chairman of the remuneration committee of the Company and a member of nomination committee since 26 March 2012. Ms. Wong has over ten 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., which is 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」)

五十八歲

梁先生自二零零八年二月起出任本公司獨立非執行董事、審核委員會主席以及薪酬委員會及提名委員會成員。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二十五年經驗。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)及瑞士銀行公司香港分公司之高層成員。梁先生亦曾任Emerging Markets Partnership (Hong Kong) Limited董事，該公司曾為美國友邦集團亞洲基礎設施基金總顧問。

梁先生為納斯達克上市公司網易之獨立非執行董事，彼亦為華鼎集團控股有限公司及莊勝百貨集團有限公司之獨立非執行董事以及川盟金融集團有限公司之執行董事，上述公司均於香港聯合交易所有限公司上市。

黃少華先生 (「黃先生」)

六十三歲

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」)

三十三歲

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。彼自二零一二年三月二十六日起獲委任為本公司薪酬委員會主席及提名委員會成員。黃女士具備超過十年專業會計經驗。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 FINANCIAL OFFICER AND COMPANY SECRETARY

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

Aged 46,

Mr. Yuen has joined the Company since October 1996 and has in-depth knowledge of operations of the Company and its subsidiaries. In addition, Mr. Yuen has extensive experience in financial analysis, risk control and mergers and acquisitions. Prior to his appointment as the CFO of the Company, Mr. Yuen is the deputy CFO and the company secretary 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 of business administration from Hong Kong Baptist University.

首席財務官兼公司秘書

袁國安先生(「袁先生」)

四十六歲

袁先生自一九九六年十月起加盟本公司，對本公司及其附屬公司之業務有深入了解。此外，袁先生於財務分析、風險控制及併購方面具備豐富經驗。袁先生獲委任為本公司首席財務官前，為本公司副首席財務官兼公司秘書。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。

主席報告書

Chairman's 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") for the year ended 31 December 2011.

The Group achieved expected results in 2011. The net profit attributable to shareholders of the Group in 2011 amounted to HK\$96 million, representing an increase of 35% as compared with 2010. Both the Group's turnover and gross profit for the year rose by 27% and 26% respectively as compared with last year, while gross profit margin remained at 58%. As for the film exhibition business, the Group was operating 53 cinemas with 405 screens across Mainland China, Taiwan, Singapore and Hong Kong as of the end of 2011, and the total number of screens has been increased by 62% as compared with the end of 2010. The Group served over 29 million patrons and generated gross box office of HK\$1.67 billion during the year. The Group continued to maintain its leading position in Singapore and Taiwan with market share of approximately 43% and 38% respectively, and at the same time played a major role in Hong Kong. The Group also rapidly expanded into and became one of the top five fastest growing cinemas in Mainland China in terms of numbers of new cinemas. As for the film distribution and film & TV programmes production business, the Group recorded revenue of approximately HK\$160 million and distributed over 130 films in Asia during 2011. By completing the production of two Chinese TV drama series and participating in the production of two films, the Group has achieved attractive investment returns, which marked a concrete step forward in becoming Asia's best-in-class integrator of the movie entertainment industry.

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」)截至二零一一年十二月三十一日止年度之年報。

二零一一年本集團業績達到了我們預期的目標。集團股東應佔二零一一年度純利9,600萬港元，比二零一零年度增長35%。集團年內營業收入及毛利分別比上年增長近27%及26%，毛利率水準維持於58%。影城經營業務方面，截止二零一一年底，集團於中國大陸、台灣、新加坡及香港地區共擁有影城53家，銀幕405塊，總銀幕數比二零一零年底增長62%。集團年度總觀影人次逾2,900萬，票房總收入達16.7億港元。集團在新加坡和台灣市場佔有率繼續穩居第一，分別約佔43%和38%，香港地區保持市場前幾位份額，中國大陸地區發展迅猛，新增影城數目進入全國前五名。電影發行及影視製作方面，集團二零一一年度實現營業收入約1.6億港元，於亞洲發行超過130部電影，完成兩部華語電視劇製作，參拍兩部電影，均取得不俗投資回報。據此，集團向亞洲地區領先的電影產業整合者又邁出了堅實的一步。



FILM EXHIBITION BUSINESS

Rapid expansion in Mainland China

In 2011, the film market in Mainland China showed strong momentum of growth and the gross box office receipts increased by 29% to RMB13.12 billion as compared with the corresponding period in 2010. With an aim to seize every business opportunities arising from the fast growing Chinese film market and take advantage of the government support in cultural industry, the Group has rapidly and steadily developed its film exhibition business in Mainland China. During 2011, the Group opened 18 new cinemas with 137 screens in cities of Chengdu, Chongqing, Dongguan, Guangzhou, Huizhou, Wuxi and Xian and became one of the most rapidly-developing cinema operators in Mainland China. The construction of another 4 new cinemas has been completed at the end of 2011. The Group is currently applying relevant licenses for these 4 new cinemas which are expected to commence operation in the first quarter of 2012. The gross box office receipts generated by the Group's multiplexes in Mainland China showed a growth of 44% to approximately RMB190 million as compared with last year, with a total of 5.3 million patrons served during the year. The Group has formed strategic alliances with various leading enterprises such as IMAX, SONY China, New World China Land Limited, Synergis Management Services Limited and Mission Hills Group to motivate the development of Chinese market. Capitalizing on our strong management and operation capacity, the Group's flagship cinema in Mainland China, namely OSGH Cinemas Shenzhen, had kept its position as one of the country's top three cinemas in terms of gross box office since 2006.

影城經營業務

中國地區發展迅速

二零一一年，中國大陸地區電影市場發展迅猛，票房總收入同比二零一零年增長29%至人民幣131.2億元。為把握中國電影市場迅猛發展的契機，應合國家大力推動文化產業的政策優勢，集團快速穩健拓展中國大陸地區影城業務。二零一一年內，集團於成都、重慶、東莞、廣州、惠州、無錫、西安等多個城市增設18家影城，137塊銀幕，是中國內地發展最快速的影城營運商之一（另有4家影城於二零一一年底已建成，處於相關證照辦理之中，預計將於二零一二年一季度開業）。內地的多廳影城所產生的票房總收入較去年增長44%至約人民幣1.9億元，總觀影人次達530萬。集團又相繼與IMAX、索尼(中國)、新世界中國地產有限公司、新昌管理服務公司及觀瀾湖集團等多家領先企業締結戰略同盟，携手拓展中國市場。得益於強大的經營管理實力，集團於內地之旗艦影城深圳橙天嘉禾影城自二零零六年以來一直高踞國內票房前三甲位置。

Chairman's Statement 主席報告書

Ranking number one in Taiwan with a market share of 38%

The movie viewing habits and immense development potential of Chinese-language films in Taiwan have provided our Group with stable and sustainable room for development. During the year, Vie Show cinema circuits in Taiwan flourished and the number of patrons served and box office receipts both reached record highs with a growth of approximately 30%. Various local Chinese-language films have achieved excellent performance with box office receipts of NT\$2.9 billion. With the opening of two new cinemas in Taiwan by Vie Show in December 2011, its market share has increased to almost 40% and ranked number one in Taiwan in terms of box office. Vie Show continued to contribute considerable profits for the Group. In addition, the Group also introduced non-film contents such as live broadcast of AKB48 Concert and L'Arc-en-Ciel Concert, which attained admission rate of over 50% despite the ticket price being more than double of normal movie ticket price. Moreover, the Group has contracted for two new cinemas so as to add 18 new screens in the future, amongst while Vie Show Hsin Chu Big City is expected to open in April 2012.

Securing its leading market position in Singapore with a market share of 43%

Similar to Taiwan, people in Singapore showed a keen interest in movie viewing. Following the development of gambling industry and increase in number of tourists, coupled with the influence of our quality brand, Golden Village, towards local market, the Group achieved outstanding performance in 2011. The box office receipts in Singapore reached S\$80 million with a market share of 43%. In addition, the Group opened a new cinema, GV Katong, at the end of 2011 to further consolidate the leading market position of Golden Village.

台灣地區市場佔有率38% 繼續穩居第一

台灣地區濃厚的觀影生活習慣及國語影片的巨大發展潛力，給集團當地業務帶來穩定持續的發展空間。年內，集團台灣威秀影城再放異彩，觀影人次及票房收入均創新高，增長約30%。受惠於當地多部華語電影的驕人成績，票房收入達到新台幣29億元。二零一一年十二月，威秀於台灣增設兩家影城，票房在全台市場佔有率近4成，居全台票房之冠，持續為集團帶來可觀的盈利貢獻。此外，集團也更多的引入非電影內容的播放，例如：AKB48及L'Arc-en-Ciel的演唱會直播，儘管票價較一般電影門票高逾兩倍，但仍然獲得超過50%的上座率。另外已簽約新影城2家，未來將會為集團新增18塊銀幕。其中，新竹巨城影城預計二零一二年四月開業。

新加坡地區市場佔有率43% 繼續領先市場

與台灣地區相似，新加坡地區觀影興趣濃厚，隨著博彩業的發展和遊客數的增加，以及嘉華院線(Golden Village)的優質品牌在當地市場的影響力，集團二零一一年取得卓越成績，票房突破8,000萬新加坡元，市場佔有率達43%。此外，二零一一年底集團又增設嘉華加東影城(GV Katong)，進一步鞏固嘉華院線的市場龍頭地位。



Chairman's Statement 主席報告書

Playing a major role in Hong Kong and continuing steady development

Under the competitive market environment in Hong Kong and escalating trend of rental payment over the past few years, the Group managed to maintain its major role in the market and realize a profit during the year through optimizing its management and operating stably. Furthermore, the Group made an alliance with D-BOX Technologies Inc. becoming the first cinema in Hong Kong equipped with Motion Chair D-BOX providing an unmatched realistic immersive experience through its motions perfectly synchronized with onscreen actions. The Group will spare no efforts in maintaining its persistent position in Hong Kong market.

FILM DISTRIBUTION AND FILM & TV PROGRAMMES PRODUCTION BUSINESS

In 2011, the Group recorded a revenue of approximately HK\$160 million and distributed over 130 films in Asia, of which three foreign films were licensed and distributed in Mainland China with gross box office receipts of over RMB100 million. Moreover, two Chinese TV drama series *諜戰深海* and *黃金密碼* produced by the Group in 2011 have recorded better than expected investment returns, while the co-investments in *Beginning of the Great Revival (Founding of a Party)* (*建黨偉業*) and *Any Other Side* (*夜店詭談*) have also achieved satisfactory returns.

FUTURE DEVELOPMENT AND COMPETITIVE STRENGTHS

Accelerating the pace of development in film exhibition business and refining the strategic layouts across Asia

Looking forward, the Group is optimistic about the future of the film industry and the territories where we are operating. We believe that the growing demand for quality films will sustain in the future, especially in the Chinese film market with great market potential and strong purchasing power. The Group will continue to devote more resources to explore Mainland China market, and plan to open flagship multiplexes in tier-1 cities such as Beijing, Guangzhou, Shanghai and Shenzhen as well as further strengthen and enhance its market position in tier-2 and tier-3 cities, targeting to become one of the leading cinema operators in Mainland China.

香港地區名列前茅 繼續穩步發展

多年以來，香港地區市場競爭壓力較大，租金不斷提高，但集團通過優化管理，穩健經營，常年保持市場前幾位份額，並於本年度實現盈利。此外，集團與D-BOX Technologies Inc. 結盟，成為香港首間配備Motion Chair D-BOX的影城。此系統能令座椅跟隨銀幕呈現之動作場面產生同步動作，令觀眾彷彿親臨其境。我們將加倍努力穩固香港市場。

電影發行及影視製作業務

二零一一年，集團實現營業收入約1.6億港元。集團於亞洲地區發行超過130部電影，其中三部在中國授權及發行的外語片，總票房收入超過1億元人民幣。此外，集團於二零一一年製作的《諜戰深海》及《黃金密碼》兩部華語電視連續劇，投資回報優於預期；投資合拍的《建黨偉業》及《夜店詭談》亦取得不俗的回報。

未來發展及競爭優勢

加快影城拓展 完善全亞洲版圖布局

展望未來，集團對電影產業以及集團營運地區的市場前景感到樂觀。我們相信，未來各區對優質電影的需求將會持續，尤其是市場潛力和消費實力巨大的中國電影市場。集團將繼續投放更多資源發展中國內地市場，未來計畫於北京、廣州、上海及深圳等一線城市開設旗艦多廳影城，同時進一步鞏固並擴大二三線城市的市場份額，力爭成為國內領先的影城營運商之一。

Chairman's Statement 主席報告書

As for Singapore, Taiwan and Hong Kong, the Group will make steady progress in developing its business through market penetration and consolidation of its leading position. In addition to expanding rapidly in Mainland China, our business in these developed markets will safeguard the overall profits of the Group. Furthermore, the Group is also seeking for appropriate merger and acquisition opportunities in Asia so as to accelerate its pace of development in film exhibition business, and in turn uplift its market share and achieve better economies of scale. The Group will dedicate its efforts in formulating strategic plans across Asia and optimizing its development in a prudent manner, which distinguishes the Group from its competitors.

Integrating its competitiveness in the industry chain and expanding steadily to mid-to-up stream

Leveraging on the development of our cinema operations together with integrating the competitive edges of our brand, film library and broadcasting channels, the Group will strive for steady development of our film distribution and production business so as to further consolidate the operating model of the overall industry chain in Asia. In 2012, the Group will initiate its remake project for "Orange Sky Golden Harvest Classic Movie Series" (橙天嘉禾經典電影系列重拍)" and plan to invest in and produce several quality Chinese TV drama series. In addition, with the support of policies encouraging foreign films imported into the Chinese film market, the Group will also actively seek for cooperation opportunities with overseas producers.

Developing new cinema business, enhancing operation through humanism and technology as well as optimizing management and quality of services

The strong operational team of the Group, with years of experience in cinema management across Asia, has been endeavored to improve the quality of services of our cinemas and offer great viewing experience for our patrons. In the future, the Group will continue to introduce more non-film contents in its cinema circuits such as live broadcast of concerts, sports tournaments and corporate events. In addition to traditional products, the Group will also introduce desserts, souvenirs and other retail goods with an aim to provide better and innovative services for the patrons, and in turn foster a new growth point for the Group.

In April 2011, the Group opened the first film club adopting membership system in Mainland China, which not only received attentions and interests from its peers, but also further enhanced the Group's brand awareness. The Group will focus on high-end market in the future and look for other development opportunities of its clubhouses and film clubs.

於新加坡、台灣、香港等地區，集團仍將穩步拓展，滲透市場，鞏固領導地位，在中國大陸快速發展的同時，這些海外成熟市場的業務將給集團整體盈利提供有力的保障。此外，集團亦將謀求在亞洲地區合適的併購機會，以加快影城擴展計畫，從而不斷增長市場份額，形成更大規模經濟效應。集團進入到全面亞洲布局，穩健優化發展階段，領先於同行競爭對手。

整合產業鏈優勢 穩步發展中上游

在大力發展影城業務的同時，集團也將整合品牌優勢，片庫優勢及影城播放渠道優勢，穩步發展發行與製作業務，從而進一步深化鞏固亞洲電影全產業鏈的運作模式。集團於二零一二年啟動「橙天嘉禾經典電影系列重拍」計畫，並計劃投拍多部優質的華語電視劇。此外，隨著中國電影市場對進口電影的政策鼓勵，集團也將積極尋求與海外製片商合作開發項目的機會。

拓展影城新業務 用人文和科技提高經營優化管理及服務質量

集團擁有在亞洲多地區多年的影城經營管理經驗和強大的運營團隊，並一直努力提升影城服務品質，豐富觀影娛樂體驗。未來，集團將繼續引入更多非電影的播放內容至旗下影城，如現場直播演唱會、體育賽事、及企業主題活動。此外，除傳統賣品以外，集團還將引入甜品、紀念品、及其他零售商品，力求給觀眾帶來更多更新更好的服務，同時逐步成為集團業務發展的新增長點。

集團於二零一一年四月開設國內第一家會員制電影會所，引來業界高度重視和興趣，同時也進一步提升了集團的品牌。未來，集團將針對高端市場，尋求更多會所及俱樂部影城項目的拓展機會。

Chairman's Statement 主席報告書

Delivering excellent theatrical experience

Besides our commitment to our network expansion in Asia, the Group aims to deliver high quality audio and video experience and to introduce state-of-the-art technologies for film exhibition so as to provide outstanding theatrical experience for our audiences. In Hong Kong, the Group made an alliance with D-BOX Technologies Inc. becoming the first cinema in Hong Kong equipped with Motion Chair D-BOX. In Taiwan, the Group is the exclusive digital IMAX operator and plans to add a new digital IMAX screen to increase the total number of IMAX screens to 6 in 2012. Meanwhile, the Group signed a cooperative agreement with IMAX to install new digital IMAX theatre systems in the Group's cinemas across Mainland China. The first IMAX theatre system is scheduled to be installed in the Tianjin Galaxy International Shopping Centre in Tianjin in 2012. In addition, the Group entered into a strategic collaboration with SONY China to be the first cinema operator to introduce the SONY 4K Projection System into our Mainland China multiplexes in order to deliver unrivalled viewing experience for our audiences.

Looking ahead, in line with the policies of Mainland China of importing more foreign films (14 titles), the Group will further refine its strategic plans for domestic and international markets, actively seek for merger and acquisition opportunities in Asian market, reinforce its film distribution and production business and strengthen the presence of Orange Sky Golden Harvest as the top Chinese movie brand, and eventually head towards the goal of becoming a leading integrator of the movie entertainment industry across Asia.

打造一流電影體驗

除矢志拓展亞洲放映網路，集團一直追求聲畫質素高境界及先進放映技術，致力於為觀眾提供盡善盡美的電影觀賞體驗。於香港，集團與D-BOX Technologies Inc.結盟，成為香港首間配備Motion Chair D-BOX的影城。於台灣，集團為台灣獨家數碼IMAX營辦商，並計畫於二零一二年增設配置一個數碼IMAX銀幕，令IMAX銀幕總數增加至6個。同時，集團於IMAX簽訂合作協議，將進一步於中國內地影城裝設新數碼IMAX影城系統。預計將於二零一二年於天津銀河國際購物中心打造首個IMAX影廳。此外，本集團也與索尼(中國)形成戰略合作，率先於中國內地多廳影城大規模引進索尼4K投影系統，力求為國內觀眾帶來一流的視覺享受。

展望未來，迎合中國將引進更多外語片(14部)的政策市場，集團將繼續深化國內外影城布局，積極物色亞洲市場併購機會，加強電影製作發行業務，提升橙天嘉禾這一華人電影第一品牌，並力爭成為亞洲領先的電影產業鏈整合者。





管理層討論及分析

Management DISCUSSION & ANALYSIS



橙天嘉禾、索尼(中国) 战略合作发布会



orange Sky Golden Harvest's CINEMA PORTFOLIO

橙天嘉禾影城組合

(as of 31 December 2011 截至二零一一年十二月三十一日)



CHINA 中國
27 CINEMAS / 影城
197 SCREENS / 銀幕

TAIWAN 台灣
10 CINEMAS / 影城
101 SCREENS / 銀幕

HONG KONG 香港
6 CINEMAS / 影城
26 SCREENS / 銀幕

SINGAPORE 新加坡
10 CINEMAS / 影城
81 SCREENS / 銀幕



Management DISCUSSION & ANALYSIS 管理層討論及分析

In 2011, the Group's turnover totaled **\$1,370 million**, increase **27%**
Net profit attributable to shareholders amounted to **\$96 million**, increase **35%**

於二零一一年本集團錄得營業額合共 **1,370 百萬港元**，增加 **百分之二十七**
股東應佔純利為 **96 百萬港元**，增加 **百分之三十五**

OPERATION AND FINANCIAL REVIEW

It was a fruitful year for the Group in 2011. For the year ended 31 December 2011, the Group reported a net profit attributable to equity holders of HK\$96 million for the year, comparing to HK\$71 million reported last year. Riding on the favorable market conditions in our operating territories, the Group achieved solid performance. Contributions from exhibition business across the regions were all improved this year. The distribution and production business also showed a mild improvement due to the success of two TV drama series produced during the year.

Both the Group's turnover and gross profit rose by 27% and 26% to HK\$1,370 million and HK\$793 million respectively this year. This was primarily attributable to contribution from 18 new cinemas opened in Mainland China and strong performance of our exhibition business in Taiwan and Singapore. Gross margin remained at 58%. The Group's EBITD for the year 2011 was HK\$230 million, up from HK\$165 million last year.

業務及財務回顧

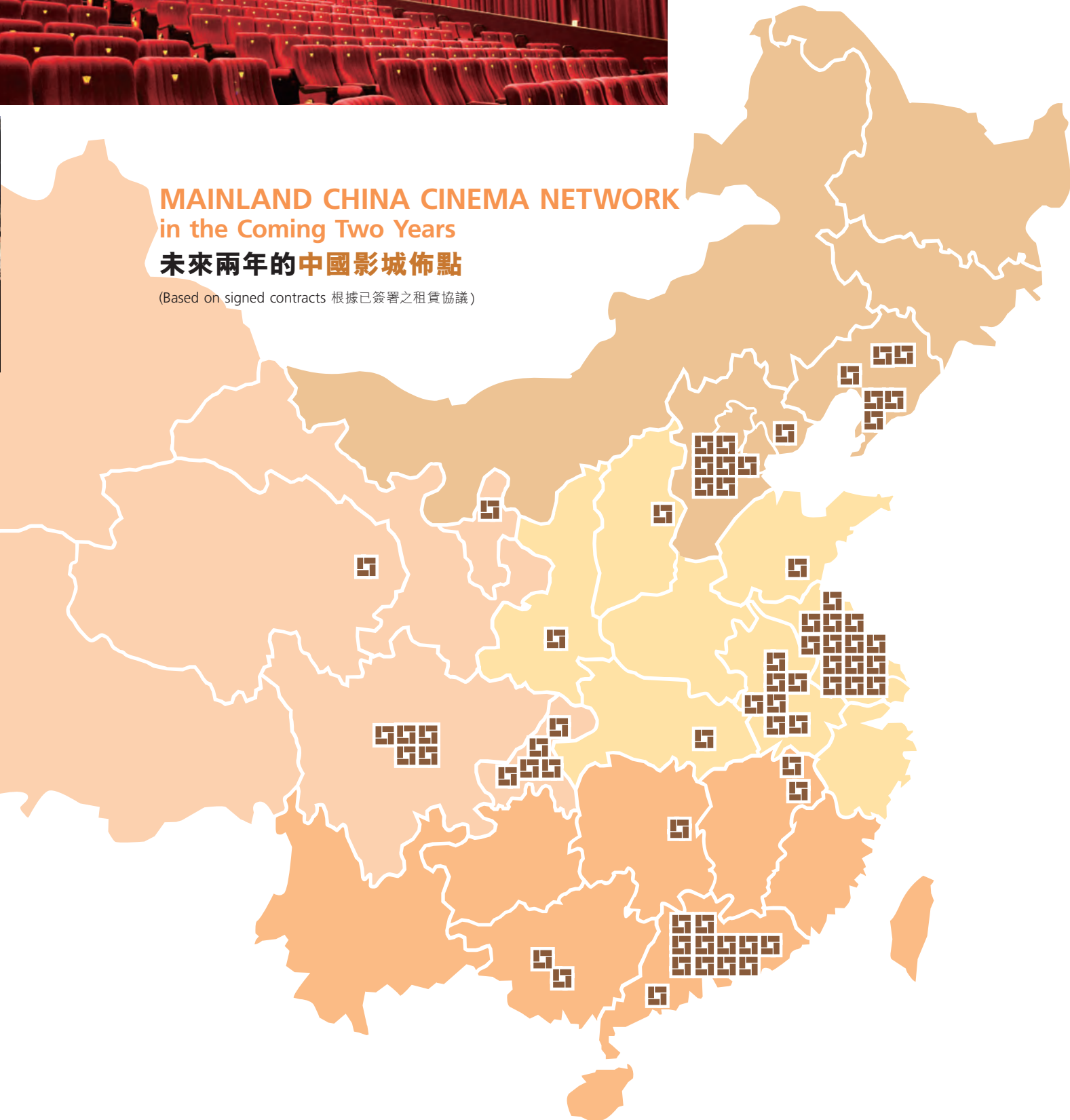
二零一一年本集團取得豐碩成果。截至二零一一年十二月三十一日止年度，本集團錄得本年度股權持有人應佔純利96百萬港元，去年則為71百萬港元。於營運地區利好市況帶動下，本集團再度創下驕人佳績。年內各地之影城業務貢獻均有所提升，發行及製作業務則在年內製作的兩部電視連續劇獲得良好銷售成果下錄得溫和增長。

本集團年內營業額及毛利分別上升27%及26%至1,370百萬港元及793百萬港元，主要由於在中國內地開設之18家新影城作出貢獻，加上台灣及新加坡之影城業務表現理想。毛利維持於58%水平。本集團二零一一年除利息、稅項及折舊前盈利為230百萬港元，較去年165百萬港元有所增長。



MAINLAND CHINA CINEMA NETWORK in the Coming Two Years 未來兩年的中國影城佈點

(Based on signed contracts 根據已簽署之租賃協議)



<p>Northern China Region 華北區</p>		<p>15 Cinemas / 影城 104 Screens / 銀幕</p>	<p>Southern China Region 華南區</p>		<p>17 Cinemas / 影城 126 Screens / 銀幕</p>
<p>Eastern China Region 華東區</p>		<p>23 Cinemas / 影城 169 Screens / 銀幕</p>	<p>Central Western China Region 中西區</p>		<p>13 Cinemas / 影城 103 Screens / 銀幕</p>

Management Discussion & Analysis 管理層討論及分析

In August 2011, the Group entered into a settlement agreement with Legend Pictures, LLC ("Legendary") and received a sum of US\$30 million to transfer the Group's equity interest in Legendary back to Legendary and to terminate a non-binding Memorandum of Understanding dated 23 September 2010 entered into between the Company and Legendary. The Group recorded a gain of HK\$29.4 million (net of related expenses) during the year. Since the year 2009, the Group has also held some other equity securities for strategic purpose. Owing to the prolonged decline in share price and investment value, the Group recorded an impairment provision and a loss on disposal of investment in aggregate of HK\$21.4 million this year.

Net of the above mentioned exceptional gain and loss, the Group's profit from normal operations attributable to equity holders would have been HK\$88 million for the year 2011, remarkably rose by 87% from HK\$47 million last year.

During the year, the Group raised additional bank borrowings of approximately HK\$400 million and spent around HK\$613 million capital expenditures, mainly for new cinema projects in Mainland China, Taiwan and Singapore. As of 31 December 2011, the cash on hand of the Group amounted to HK\$706 million (2010: HK\$458 million) and the Group maintained its gearing ratio at a reasonable level of about 20% (2010: 6%).

BUSINESS REVIEW

Film Exhibition

As of 31 December 2011, the Group is operating 53 cinemas with 405 screens across Mainland China, Hong Kong, Taiwan and Singapore, significantly increased from 33 cinemas with 250 screens a year ago. The total number of screens increased by 62% with seating capacity jumped by 43%, and most of these newly opened cinemas were commenced operations in second half of 2011. The Group's cinemas served approximately 29.5 million guests during the year, comparing to 23.8 million guests for the same period last year. Gross box office receipts, on a full and aggregated basis, was registered at HK\$1,672 million, representing a remarkable 27% growth from last year.

In 2011, the Group's 53 cinemas generated HK\$1,248 million of turnover to the Group, accounting for about 88% of the Group's total revenue. The major Hollywood blockbusters released this year were *Transformers: Dark Of The Moon*, *Harry Potter And Deathly Hallows Part 2*, *Mission Impossible — Ghost Protocol*, *Pirates of the Caribbean 4: On Stranger Tides*, *X-Men First Class*, *Kung Fu Panda 2* and *Fast And Furious 5*. The major Chinese-language blockbusters were *Beginning of the Great Revival (Founding of a Party)* (建黨偉業) and *Love Is Not Blind* (失戀33天) and *You Are The Apple Of My Eye* (那些年，我們一起追的女孩).

於二零一一年八月，本集團與 Legend Pictures, LLC (「Legendary」) 訂立和解協議，並就將本集團於 Legendary 之股本權益轉回 Legendary 及終止本公司與 Legendary 所訂立日期為二零一零年九月二十三日之無約束力諒解備忘錄收取 30 百萬美元。本集團於年內錄得收益 29.4 百萬港元 (扣除相關開支)。本集團自二零零九年起基於策略目的亦持有若干其他股本證券，而由於股價及投資價值持續下降，本集團於年內錄得減值撥備及出售投資虧損合共 21.4 百萬港元。

扣除上述特殊盈虧，本集團於二零一一年度之股權持有人應佔日常業務溢利應為 88 百萬港元，較去年 47 百萬港元大幅上升 87%。

年內，本集團取得新增銀行借貸約 400 百萬港元，花費資本支出約 613 百萬港元，主要用於中國內地、台灣及新加坡的新影城項目。截至二零一一年十二月三十一日，本集團手頭現金達 706 百萬港元 (二零一零年：458 百萬港元)，本集團資產負債比率約維持於 20% (二零一零年：6%) 合理水平。

業務回顧

影城業務

截至二零一一年十二月三十一日，本集團在中國內地、香港、台灣及新加坡營運 53 家影城共 405 個銀幕，較去年 33 家影城共 250 個銀幕大幅增加。銀幕總數增加 62%，座位數目亦躍升 43%，大部分新影城於二零一一年下半年度開業。本集團影城於年內的觀眾約達 29.5 百萬人次，去年同期則為 23.8 百萬人次。按全數及總額基準計算之票房總收入達 1,672 百萬港元，較去年飆升 27%。

於二零一一年，本集團旗下 53 家影城為本集團帶來營業額 1,248 百萬港元，佔本集團總收益約 88%。本年度上畫的荷里活猛片主要包括《變形金剛：黑夜降臨》、《哈利波特 — 死神的聖物 2》、《職業特工隊：鬼影約章》、《加勒比海盜 4：魔盜狂潮》、《變種特攻：異能第一戰》、《功夫熊貓 2》及《狂野時速 5》。華語大片則包括《建黨偉業》、《失戀 33 天》及《那些年，我們一起追的女孩》。

Management Discussion & Analysis 管理層討論及分析

OPERATING STATISTICS OF THE GROUP'S CINEMAS

	Mainland China	Hong Kong	Taiwan	Singapore
Number of cinemas*	27 ^(Note)	6	10	10
Number of screens*	197	26	101	81
Admissions (million)	5.3	2.8	12.1	9.3
Net average ticket price (HK\$)	39	61	64	54

* as of 31 December 2011

Note: 4 more cinemas in Mainland China have completed construction and are applying for licenses, which are all expected to be opened within the first quarter of 2012.

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*	27 ^(附註)	6	10	10
銀幕數目*	197	26	101	81
入場觀眾(百萬人次)	5.3	2.8	12.1	9.3
平均淨票價(港元)	39	61	64	54

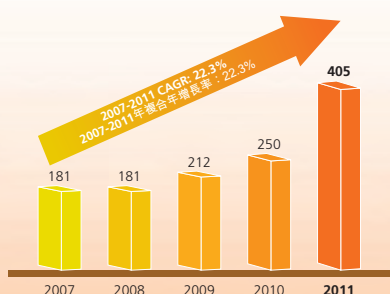
* 截至二零一一年十二月三十一日

附註：中國內地另外4家影城已完工，現正申請有關牌照，預期於二零一二年第一季開業。

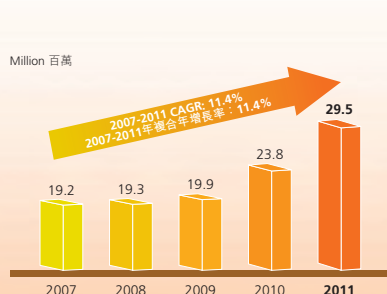
The Group is committed to pursuing visual and audio effect perfection to improve movie-going experience for our audience. Currently, all screens in Mainland China, Hong Kong and Taiwan have been fully installed digital equipment and over 40% of the Group's screens are 3D compatible. Singapore will complete the digitalization of its projection equipment within 2012. In Hong Kong, the Group made an alliance with D-BOX Technologies Inc. ("D-BOX") to become the first Hong Kong's cinema equipped with Motion Chair D-BOX providing an unmatched realistic immersive experience through its motions perfectly synchronized with onscreen actions. In Taiwan, the Group is the exclusive digital IMAX® operator and has added three new digital IMAX® screens in 2011. The Group also entered into a strategic collaboration with SONY China to introduce the unprecedented SONY 4K Projection System into our Mainland China multiplexes. Currently, we have installed 84 sets of SONY 4K Projection System in our Mainland China multiplexes and we believe these unrivalled visual effects would take the viewing experience to the next level.

本集團不斷追求聲畫質素最高境界，務求為觀眾提供盡善盡美的電影觀賞體驗。目前，本集團於中國內地、香港及台灣的銀幕均已全部安裝數碼投影設備，另超過40%銀幕支援3D放映，而新加坡的數碼投影設備安裝工程將於二零一二年完成。於香港，本集團與D-BOX Technologies Inc. (「D-BOX」)結盟，成為香港首家配備Motion Chair D-BOX的影城。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，令觀眾仿如親歷其境。於台灣，本集團為獨家數碼IMAX®營辦商，並已於二零一一年添置三個全新數碼IMAX®銀幕。本集團另與索尼(中國)訂立策略聯盟，於中國內地影城推出嶄新索尼4K投影系統。我們現已於中國內地多廳影城安裝84組索尼4K投影系統，相信可提供無可比擬的視覺效果，帶來前所未有的觀賞體驗。

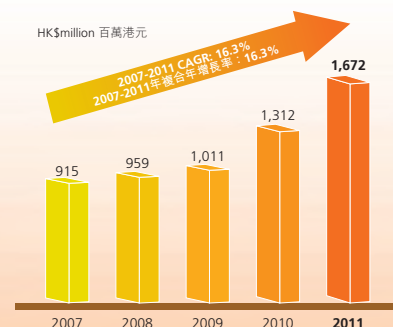
OSGH CINEMAS TOTAL SCREENS NUMBERS 橙天嘉禾銀幕總數



OSGH CINEMAS TOTAL ADMISSIONS 橙天嘉禾總觀影人次



OSGH CINEMAS TOTAL BOX OFFICE RECEIPTS 橙天嘉禾總票房收入



Management Discussion & Analysis 管理層討論及分析

Mainland China

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN MAINLAND CHINA

中國內地

本集團中國內地影城之營運數據

	2011	2010		二零一一年	二零一零年
Number of cinemas*	27	9	影城數目*	27	9
Number of screens*	197	60	銀幕數目*	197	60
Admissions (million)	5.3	3.0	入場觀眾(百萬人次)	5.3	3.0
Net average ticket price (RMB)	33	41	平均淨票價(人民幣)	33	41
Gross box office receipts (RMB million)#	189	131	票房總收入(人民幣百萬元)#	189	131

* as of 31 December (most new cinemas in 2011 were opened in the second half of the year)

before deduction of government taxes and charges

* 截至十二月三十一日(大部分新影城於二零一一年下半年開業)

扣除政府稅項及徵費前

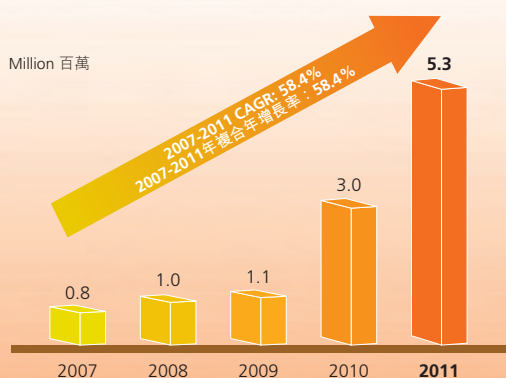
In 2011, the market gross box office receipts of urban area in Mainland China increased to RMB13.12 billion by 29% while the gross box office receipts generated by the Group's multiplexes in Mainland China showed a growth of 44% as compared with last year. During the year, the Group opened 18 new cinemas with 137 screens in cities of Chengdu, Chongqing, Dongguan, Guangzhou, Heyuan, Huizhou, Shangrao, Shenyang, Wuhu, Wuxi, Xian, Yangquan, Yinchuan and Yingkou. Thanks to rich film line-up, continuing strong market demand and the Group's rapid expansion, the Group's multiplexes in Mainland China served approximately 5.3 million patrons during the year, representing 77% growth from last year. However, the strong growth in admissions was partly offset by decline in average ticket price, and as a result, gross box office takings grew by 44% to RMB189 million. The decline in average ticket price is attributable partly to promotional discount offered by new cinemas, and partly to the nationwide expansion of the Group's portfolio to cover emerging non-tier-1 cities.

於二零一一年，中國內地城市地區的票房總收入上升29%至人民幣131.2億元，本集團在中國內地的多廳影城所產生票房總收入較去年增長44%。年內，本集團於成都、重慶、東莞、廣州、河源、惠州、上饒、瀋陽、蕪湖、無錫、西安、陽泉、銀川及營口等中國城市增設18家影城共137個銀幕。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，本集團於中國內地的多廳影城於年內服務觀眾約5.3百萬人次，較去年大增77%。然而，入場人數大幅增長仍無法彌補平均票價的跌幅，因此，票房總收入僅上升44%至人民幣189百萬元。平均票價下降之部分原因乃由於新影城提供推廣折扣優惠，另一方面乃由於本集團在全國各地擴展，以覆蓋非一線城市。

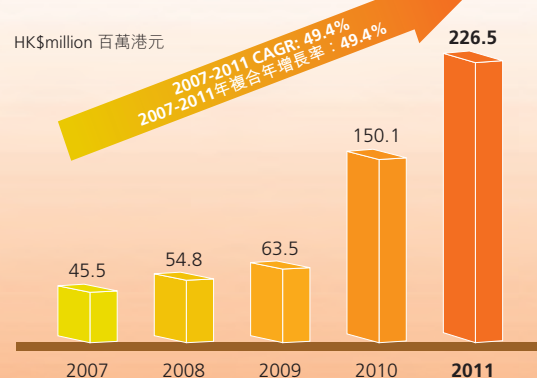
In December 2011, the Group granted cinema management and operational rights of a cinema located at PCCW Centre in Beijing, namely Orange Cinemas (Beijing), adopting membership system which is different from the traditional cinema operation, to a PRC company wholly owned by Mr. Wu Kebo, a director and substantial shareholder of the Company, with fair and reasonable terms. As the film exhibition industry in Mainland China will become increasingly competitive, continuing improving the management and services delivery by the Group's cinemas is of the utmost importance. The directors considered that the grant of rights would enable the Group to centralize the management and operation of other cinemas managed and operated by the Group.

於二零一一年十二月，本集團按公平合理條款，向本公司董事兼主要股東伍克波先生全資擁有的中國公司授出管理及經營一家位於北京盈科中心的影城，橙Cinemas(北京)之權利。該影城一直推行會員制度，有別於傳統影城的營運。中國電影放映行業所面對競爭將日益激烈，故持續提升本集團旗下影城之管理及服務攸關重要，董事認為授出權利將讓本集團集中管理及經營其他由本集團管理及經營的影城。

OSGH PRC CINEMAS ADMISSIONS 橙天嘉禾中國觀影人次



OSGH PRC CINEMAS BOX OFFICE RECEIPTS 橙天嘉禾中國票房



Management Discussion & Analysis 管理層討論及分析

Hong Kong

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN HONG KONG

香港

本集團香港影城之營運數據

	2011	2010		二零一一年	二零一零年
Number of cinemas*	6	7	影城數目*	6	7
Number of screens*	26	32	銀幕數目*	26	32
Admissions (million)	2.8	2.9	入場觀眾(百萬人次)	2.8	2.9
Net average ticket price (HK\$)	61	63	平均淨票價(港元)	61	63
Box office receipts (HK\$ million)	173	183	票房收入(百萬港元)	173	183

* as of 31 December

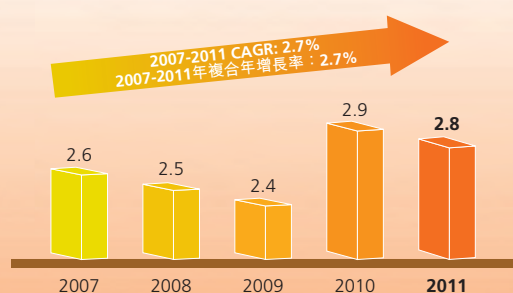
* 截至十二月三十一日

During the year, Hong Kong market as a whole recorded a box office receipts of HK\$1,387 million, slightly up by 4% from HK\$1,339 million last year. The Group's cinemas in Hong Kong recorded lower box office takings of HK\$173 million this year (2010: HK\$183 million) due to the closure of GH Hollywood at Diamond Hill upon expiry of lease on 30 March 2011. However, the Group's joint-promotional campaign "3Screen" with a telecom operator received an overwhelming response. In June 2011, GH Mongkok became the first Hong Kong cinema equipped with Motion Chair D-BOX which presents authentic motion effects synchronized with onscreen actions to perfectly deliver extraordinary theatrical experience to audience. The well-received of Motion Chair D-Box and the success of "3Screen" promotion had significantly improved the cinema operating results. Excluding GH Hollywood, both the total box office receipts and admissions of the other six cinemas increased by approximately 13% and 18%, respectively. The Group expects to maintain a market share of around 12% after the closure of GH Hollywood.

年內，香港市場整體錄得票房收入1,387百萬港元，較去年1,339百萬港元略增4%。本集團年內的香港影城票房收入173百萬港元(二零一零年：183百萬港元)略低於去年，原因是位於鑽石山之嘉禾荷里活電影城於二零一一年三月三十日租期屆滿後結束。然而，本集團與一家電訊營辦商進行之合作推廣計劃「3Screen」反應熱烈。於二零一一年六月，嘉禾旺角電影城成為香港首家配備Motion Chair D-BOX的影城。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，令觀眾仿如親歷其境，得到前所未有的感觀體驗。鑑於Motion Chair D-Box大受歡迎，加上「3Screen」推廣成效卓著，影城的經營業績大大改善。因此，不計入嘉禾荷里活電影城，其他六家影城之票房總收入及入場觀眾分別增加約13%及18%。本集團預期於嘉禾荷里活電影城結業後維持約12%之市場佔有率。

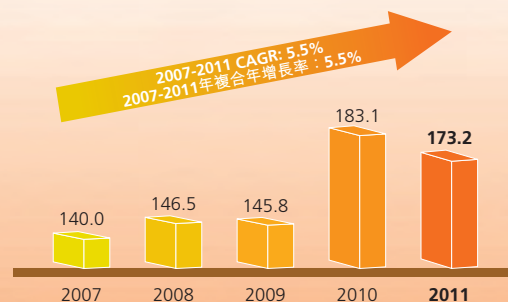
OSGH HONG KONG CINEMAS ADMISSIONS 橙天嘉禾香港觀影人次

Million 百萬



OSGH HONG KONG CINEMAS BOX OFFICE RECEIPTS 橙天嘉禾香港票房

HK\$million 百萬港元



Management Discussion & Analysis 管理層討論及分析

Taiwan

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN TAIWAN

	2011	2010
Number of cinemas*	10	8
Number of screens*	101	85
Admissions (million)	12.1	9.3
Net average ticket price (NTD)	237	236
Box office receipts (NTD billion)	2.9	2.2

* as of 31 December

In 2011, Taipei City as a whole recorded market box office receipts of NTD3.8 billion, comparing to NTD3.1 billion last year. The Group's 35.71%-owned Vie Show Cinema Company Limited ("Vie Show") recorded about 30% growth in both box office receipts and admissions as compared with last year. This was mainly due to overwhelming success of several local Chinese-language films which achieved remarkable box office receipts in Taiwan, namely *Seediq Bale 1 and 2* (賽德克·巴萊) and *You Are The Apple Of My Eye* (那些年，我們一起追的女孩). During the year, Vie Show introduced alternative contents in Taiwan cinema circuits such as live broadcast of AKB48 Concert and L'Arc-en-Ciel Concert, which were well-received by customers with occupancy rate over 50% despite the ticket price were more than double of normal movie ticket price. In December 2011, Vie Show opened its third cinema in Taichung with 7 screens at Top City and its first premier cinema in New Taipei City with 9 screens at Banciao Mega City. With the opening of these two new cinemas, the market share of Vie Show has been increased to about 38% now. Vie Show is the exclusive digital IMAX® operator and has added three new digital IMAX® screens up to five in 2011. The Group's share of net profit for the year from Vie Show increased to HK\$37 million, up by 48% from last year's HK\$25 million.

台灣

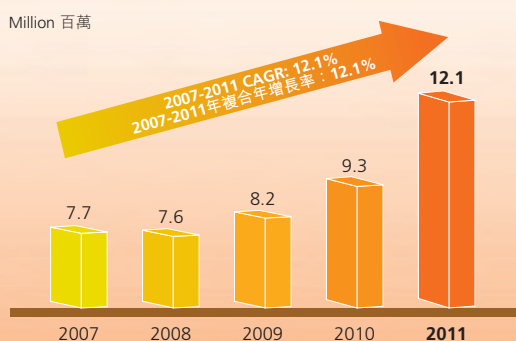
本集團台灣影城之營運數據

	二零一一年	二零一零年
影城數目*	10	8
銀幕數目*	101	85
入場觀眾(百萬人次)	12.1	9.3
平均淨票價(新台幣)	237	236
票房收入(十億新台幣)	2.9	2.2

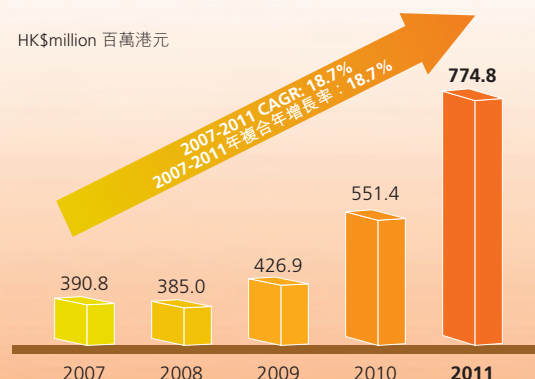
* 截至十二月三十一日

於二零一一年，台北市整體錄得票房收入38億新台幣，去年則為31億新台幣。本集團擁有35.71%權益的威秀影城股份有限公司(「威秀」)的票房收入及入場人次均較去年增長約30%，主要受到當地多部華語片的驕人票房帶動，包括《賽德克·巴萊》及《那些年，我們一起追的女孩》。年內，威秀於台灣旗下影城引入另類內容，例如現場直播AKB48演唱會及L'Arc-en-Ciel演唱會。儘管票價較一般電影門票高逾兩倍，觀眾仍非常受落，入座率超過50%。於二零一一年十二月，威秀於台中大遠百開設第三家配備7個銀幕的影城，另於新台北市板橋大遠百開設首家配備9個銀幕的頂級影城。該兩家新影城相繼開幕後，威秀的市場佔有率現已增至約38%。威秀為獨家數碼IMAX®營辦商，並已於二零一一年添置三個全新數碼IMAX®銀幕，數碼IMAX®銀幕現已增至五個。年內，本集團分佔威秀之純利由去年之25百萬港元增加48%至37百萬港元。

OSGH TAIWAN CINEMAS ADMISSIONS 橙天嘉禾台灣觀影人次



OSGH TAIWAN CINEMAS BOX OFFICE RECEIPTS 橙天嘉禾台灣票房



Management Discussion & Analysis 管理層討論及分析

Singapore

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN SINGAPORE

	2011	2010
Number of cinemas*	10	9
Number of screens*	81	73
Admissions (million)	9.3	8.6
Net average ticket price (S\$)	8.6	8.8
Box office receipts (S\$ million)	80	76

* as of 31 December

Singapore box office receipts totaled S\$188 million in 2011, up 9% from S\$172 million in 2010. The Group's 50%-owned "Golden Village" cinema circuit maintained its leading position with a market share of 43% (2010: 44%) by reporting a box office receipts of S\$80 million for the year (2010: S\$76 million). The Group shared a net profit of HK\$48 million for the year, representing a growth of 37% comparing to HK\$35 million last year. This was mainly attributable to strong performance of Hollywood blockbusters like *Transformers: Dark of the Moon*, *Kung Fu Panda 2* and *Harry Potter And Deathly Hallows Part 2* and appreciation of Singapore dollar during the year. The splendid results were also driven by good performance of the three surpassing Gold Class cinemas, which offered luxury movie viewing with exclusive lounge, plush electronic recliner seats comparable to First Class airline seats equipped with call buttons for faster and more discreet service, and super wide screens and digital sound systems. The average occupancy rate of Gold Class cinemas is over 50% and it generates high food and beverage sales income by serving various foods and wines, in addition to traditional candy bar items.

新加坡

本集團新加坡影城之營運數據

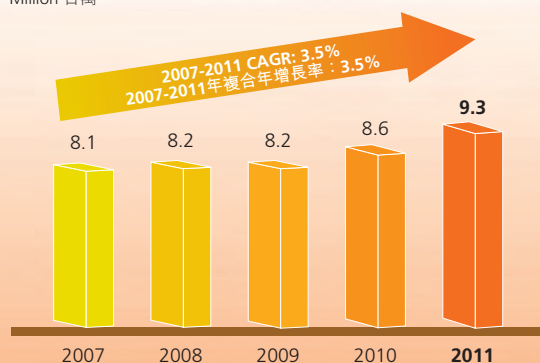
	二零一一年	二零一零年
影城數目*	10	9
銀幕數目*	81	73
入場觀眾(百萬人次)	9.3	8.6
平均淨票價(新加坡元)	8.6	8.8
票房收入(百萬新加坡元)	80	76

* 於十二月三十一日

新加坡票房收入由二零一零年之172百萬新加坡元上升9%至二零一一年之188百萬新加坡元。本集團擁有50%權益之「Golden Village」院線之領導地位未有動搖，市場佔有率達43%（二零一零年：44%），年內票房收入達80百萬新加坡元（二零一零年：76百萬新加坡元）。本集團分佔年內純利48百萬港元，較去年35百萬港元增加37%，主要受到荷里活賣座電影《變形金剛：黑夜降臨》、《功夫熊貓2》及《哈利波特—死神的聖物2》以及新加坡元年內升值帶動。驕人業績來自三間貴賓廳，當中配備專屬候映室、媲美頭等機艙的高級電子活動躺椅、為觀眾提供更快捷周到服務的召喚按鈕、超闊銀幕及數碼音響系統等豪華電影觀賞設備。貴賓廳的平均入座率超過50%。除傳統小賣部外，還供應不同類型食品及酒精飲品令食品及飲品銷售收入有所增長。

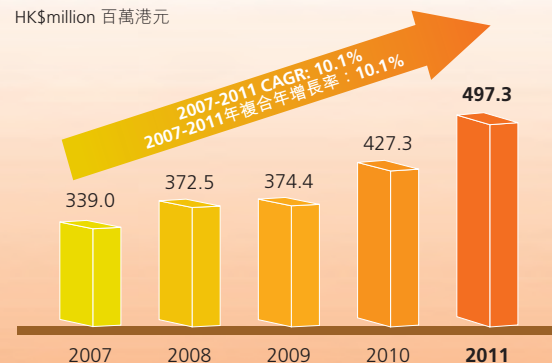
OSGH SINGAPORE CINEMAS ADMISSIONS 橙天嘉禾新加坡觀影人次

Million 百萬



OSGH SINGAPORE CINEMAS BOX OFFICE RECEIPTS 橙天嘉禾新加坡票房

HK\$million 百萬港元



Management Discussion & Analysis 管理層討論及分析

Film & TV Programmes Distribution and Production

In 2011, the Group's film distribution and production business recorded revenue of HK\$162 million (2010: HK\$128 million). The Group distributed over 130 films in Mainland China, Hong Kong, Taiwan and Singapore (over 95 films in 2010). The Group has fine tuned its film distribution strategy to focus on releasing high quality selected non-Chinese language films and this, together with higher sales income from our Chinese-language film library, have contributed better results for the year. The Group's film library of more than 140 films and TV titles with perpetual distribution rights continued contributing steady licensing income to the Group. In addition, the Group had a small investment in two films *Beginning of the Great Revival (Founding of a Party)* (建黨偉業) and *Any Other Side (夜店詭談)*, and completed production of two Chinese TV drama series 黃金密碼 and 諜戰深海 which contributed totaled sales income of HK\$70 million during the year.

PROSPECTS

Looking forward, the Group is optimistic in the film industry and in the territories we operated, especially in the fast-growing market, Mainland China. 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. Coupled with the government support in cultural industry, the success of 3D presentations, and the growing demand of high quality of entertainment experience in Mainland China, the Group will continue to put more resources in our development in Mainland China. The Group will also pursue acquisition opportunities to further expand the Group's cinema portfolio in Asia Pacific region.

As of 26 March 2012, the Group operated 31 cinemas with 225 screens in Mainland China and 9 cinemas with 60 screens were in various stages of interior decoration and are in the pipeline for openings. By end of 2013, the Group expects to operate 68 cinemas with 502 screens in Beijing, Changshu, Changzhou, Chengdu, Chongqing, Dalian, Dongguan, Fushun, Guangzhou, Heifei, Huizhou, Jiashan, Jicai, Linyi, Maanshan, Nanjing, Nanning, Nantong, Shanghai, Suzhou, Tangshan, Tianjin, Wuhan, Xuyu, Yancheng, Yangjiang, Zhongshan and Zhuzhou based on lease agreements signed as of 26 March 2012, although the number may vary due to the actual handover date, the progress of interior decoration, application of relevant license and additional new lease agreements to be entered into during the period. The Group plans to open flagship multiplexes in tier-1 cities such as Beijing, Guangzhou, Shanghai and Shenzhen. The Group's cinema circuit brand "OSGH" in Mainland China is being well-positioned to succeed and to become one of the leading theatrical operators in the foreseeable future.

In Hong Kong, the Group has installed 38 Motion Chairs D-BOX in 2 screens at GH Mongkok and plans to install another 74 Motion Chairs D-BOX at GH Citywalk and Golden Gateway in 2012.

In Taiwan, Vie Show plans to open a new cinema, namely Vie Show Hsin Chu Big City with 8 screens, in the first half of 2012. In Singapore, the Group will open a new cinema with 6 screens at City Square Mall in late 2012. The Group also plans to renovate 3 existing cinemas with a total of 27 screens in these regions in 2012.

電影及電視節目發行及製作

於二零一一年，本集團電影發行及製作業務錄得營業額 162 百萬港元(二零一零年：128 百萬港元)。本集團於中國內地、香港、台灣及新加坡各地發行超過 130 部電影(二零一零年：超過 95 部)。本集團已調整其電影發行策略，集中發行經精挑細選的高質素非華語電影，加上華語電影庫的銷售收入增加，帶動年內錄得更佳業績。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，為本集團帶來穩定版權收入貢獻。此外，本集團年內於《建黨偉業》及《夜店詭談》等兩齣電影作出小額投資以及完成兩部華語電視連續劇《黃金密碼》及《諜戰深海》，貢獻總銷售收入 70 百萬港元。

前景

展望將來，本集團對電影業及本集團營運地區的前景感到樂觀，尤其是快速增長的中國內地市場。本集團致力提升及發展有市場潛力及回報俱佳地區之放映及發行網絡，加上政府支持文化產業、3D 效果成功及中國內地對高質素娛樂體驗之需求上升，本集團將繼續投放更多資源發展中國內地市場。本集團亦會抓緊收購機會，進一步拓展本集團於亞太地區的影城版圖。

於二零一二年三月二十六日，本集團在中國內地經營 31 家影城共 225 個銀幕，另有在 9 家影城共 60 個銀幕進行不同階段的內部佈置，並正籌劃開業事宜。本集團根據截至二零一二年三月二十六日已簽訂之租賃協議，預期於二零一三年底在北京、常熟、常州、成都、重慶、大連、東莞、撫順、廣州、合肥、惠州、嘉善、吉彩、臨沂、馬鞍山、南京、南寧、南通、上海、蘇州、唐山、天津、武漢、盱眙、鹽城、陽江、中山及株洲等地經營 68 家影城共 502 個銀幕，惟有關數字或因實際接場日期、內部佈置、相關牌照申請進度及期內額外簽訂的新租約而有所變動。本集團計劃於北京、廣州、上海及深圳等一線城市開設旗艦多廳影城。本集團旗下影城品牌「橙天嘉禾」已於中國內地打好基礎，相信於可見將來會成為首屈一指的影城營運商之一。

在香港，本集團已於嘉禾旺角電影城共 2 個銀幕裝設 38 張 Motion Chairs D-BOX，並計劃於二零一二年於嘉禾荃新天地電影城及嘉禾港威電影城安裝合共 74 張 Motion Chairs D-Box。

在台灣，威秀計劃於二零一二年上半年開設新影城，即配備 8 個銀幕的新竹巨城威秀影城。在新加坡，本集團將於二零一二年底在 City Square Mall 開設配備 6 個銀幕的新影城。本集團亦計劃於二零一二年翻新該等地區現有 3 家影城共 27 個銀幕。

Management Discussion & Analysis 管理層討論及分析

Besides our commitment to our network expansion in Asia, the Group aims to deliver premium and awe-inspiring theatrical experience to our audience through introducing state-of-the-art technology such as IMAX® Screens, SONY 4K Projection System, Dolby Surround 11.1 and Motion Chair D-Box into our multiplexes. In Taiwan, Vie Show will add one more IMAX® screen to increase the total number of IMAX® screens to 6 by end of 2012.

In view of the growing demand for Chinese-language films, the Group will continue to expand its distribution and production business. The Group plans to produce two Chinese TV drama series and re-produce *Fly Me to Polaris* in the coming year. As required by World Trade Organization, the Chinese film market in 2011 begins to be further open to the imported films. The Group is under negotiation to distribute several foreign films on big screens in Mainland China in 2012. The Group is also actively expanding partnership to distribute the films and TV titles in the Group's film library through different channels and platforms.

In December 2011, the Group has entered into a strategic alliance agreement with T-JOY Group ("T-JOY"), under which the Group will broadcast the digital content provided by T-JOY and the Group will provide its production for broadcasting at T-JOY's 19 multiplexes in Japan. The Group will continue to seize different kinds of cooperation opportunities and strategic alliance with various business partners to accelerate our expansion plan and strengthen our market position in this fast-moving film exhibition market.

Currently, the Group has very strong liquidity and reasonable 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 and other expansion investment opportunities. The management will closely monitor and maintain optimal gearing structure to limit the risk.

FINANCIAL RESOURCES AND LIQUIDITY

In May 2011, the Company issued the second tranche zero coupon convertible note of principal amount of about HK\$45 million, convertible into ordinary shares of the Company at a conversion price of HK\$0.338 per share, to Orange Sky Entertainment Group (International) Holding Company Limited, a substantial shareholder of the Company, as part of the consideration in acquisition of its subsidiary and business relating to Chinese-Language films and television programmes, production, investment, marketing and advertising and/or distribution. In June 2011, the convertible notes in aggregate amount of about HK\$54 million have been converted into ordinary shares of the Company, creating a total of approximately 160 million new ordinary shares at a conversion price of HK\$0.338 per share.

As of 31 December 2011, the Group maintained a rich liquid fund with cash balance of HK\$706 million (2010: HK\$458 million) and had net current assets of HK\$382 million (2010: HK\$280 million). The Group's outstanding bank loans totaled HK\$504 million (2010: HK\$104 million). The significant increase in bank loans is to finance the cinema projects in Mainland China. In 2011, the Group spent about HK\$613 million for fixed assets investment of which, approximately HK\$496 million was for the capital expenditure of the cinema projects in Mainland China. Details of bank loans including the terms of the loans, interest rate, currencies and securities are disclosed in note 22 to the financial statement.

除矢志拓展亞洲區網絡外，本集團致力將IMAX®銀幕、索尼4K投影系統、杜比環迴立體聲11.1及Motion Chair D-BOX等先進技術引入多廳影城，為觀眾帶來極級震撼的電影體驗。在台灣，威秀計劃將於二零一二年底增設設備一個IMAX®銀幕，令IMAX®銀幕總數增加至6個。

有見華語電影需求日增，本集團繼續拓展其發行及製作業務，本集團計劃來年製作兩部華語電視連續劇及重新製作《星願》。應世界貿易組織要求，中國電影市場於二零一一年開始對外語電影進一步開放。本集團現正磋商於二零一二年於中國內地公映數部外語電影。本集團亦積極拓展夥伴關係，透過不同渠道及平台發行本集團電影庫的電影及電視節目。

於二零一一年十二月，本集團與T-JOY集團(「T-JOY」)訂立策略聯盟協議，據此，本集團將播放由T-JOY提供的數碼化內容，而本集團將提供其製作，以供T-JOY在日本19家多廳影城播放。本集團將繼續抓緊與多個業務夥伴不同種類的合作機會及策略聯盟，以加快拓展計劃及鞏固在節奏急速的電影放映市場的地位。

目前，本集團的流動資金十分充裕，財務槓桿比率合理。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及其他拓展投資機會提供資金。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。

財務資源及流動資金

於二零一一年五月，本公司向本公司主要股東橙天娛樂集團(國際)控股有限公司發行本金金額約為45百萬港元之第二批零息可換股票據，可按每股0.338港元之兌換價兌換為本公司之普通股，作為收購其附屬公司及有關華語電影及電視節目、製作、投資、推廣及宣傳及/或發行業務之部分代價。於二零一一年六月，總金額約為54百萬港元之可換股票據已按每股0.338港元之兌換價兌換為本公司普通股，產生合共約160百萬股新普通股。

於二零一一年十二月三十一日，本集團具備充足流動資金，現金結餘為706百萬港元(二零一零年：458百萬港元)，流動資產淨值則為382百萬港元(二零一零年：280百萬港元)。本集團之未償還銀行貸款合共為504百萬港元(二零一零年：104百萬港元)。銀行貸款大幅增加乃為撥付中國內地的影城項目。於二零一一年，本集團已耗資約613百萬港元作固定資產投資，當中約496百萬港元為中國內地影城項目的資本開支。有關銀行貸款(包括貸款之條款、利率、貨幣及抵押)之詳情，於財務報表附註22披露。

Management Discussion & Analysis 管理層討論及分析

As of 31 December 2011, the Group's gearing ratio, calculated on the basis of external borrowings over total assets, was about 20% (2010: 6%). 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 dollar and Renminbi except for certain assets and liabilities associated with the investments in Singapore and Taiwan. The overseas joint ventures of the Group are operating in their local currencies and subjected to minimal exchange risk on their own. While for Hong Kong and Mainland China operations, due to the volatility of the currency market, management decided to maintain higher level of deposits in Renminbi, thus lowering the exposure to exchange risk. The directors will continue to assess the exchange risk exposure, and will consider possible hedging measures in order to minimize the risk at reasonable cost. The Group did not have any significant contingent liabilities as of 31 December 2011.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group had 1,565 (2010: 1,045) 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 31 December 2011, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

EMPLOYEE ENGAGEMENT

The Group appreciates the important role of its employees play in the Group's business development and continued success. The Group is dedicated to develop and sustain a healthy culture in which our employees contribute to their utmost towards a win-win situation of business achievements as well as their own career advancement. 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, joyfulness and togetherness.

As a good corporate citizen, the Group has been playing its part in supporting the community. The Group has been engaging in sponsorship of various charitable organizations in order to exercise and fulfill its corporate social responsibility. Highlight of activities in 2011 include: free-movie offerings (July 2011) for The Lok Sin Tong Benevolent Society Kowloon, with more than 700 primary and secondary school students enjoyed 3D *Kung Fu Panda* at GH Whampoa, Hong Kong; participation in ORBIS Moonwalkers (December 2011); World Sight Day (October 2011) when donation were collected in making efforts to fight against global blindness as well as participation to the "Hong Kong Smoke-free Leading Company Awards" Campaign which helped in promoting a smoke-free culture in the workplace. The Group subsequently received the "Certificate of Merit" award. Out of the above participations, we have fulfilled our corporate social responsibility as well as enhanced team building and employee engagement.

In 2012 and beyond, the Group will continue its efforts to strengthen our employee engagement and corporate social responsibility.

於二零一一年十二月三十一日，本集團按外部借貸除資產總值計算之資產負債比率約為20%（二零一零年：6%）。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及人民幣計值，惟與新加坡及台灣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。就香港及中國內地業務而言，鑑於貨幣市場反覆波動，故管理層決定維持大量人民幣存款，從而降低外匯風險。董事將繼續評估外匯風險，並會考慮採取可行之對沖措施，盡量以合理成本降低風險。於二零一一年十二月三十一日，本集團並無任何重大或然負債。

僱員及薪酬政策

於二零一一年十二月三十一日，本集團聘有1,565名（二零一零年：1,045名）全職僱員。本集團主要根據行業慣例釐定僱員薪酬。除薪金、佣金及酌情花紅外，若干僱員可就個人表現獲授購股權。本集團亦根據強制性公積金計劃條例設立定額供款退休福利計劃。於二零一一年十二月三十一日，並無因任何僱員脫離退休福利計劃而產生沒收供款。

員工投入程度

本集團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。

作為良好企業公民，本集團大力支持社區活動。本集團一直贊助多個慈善團體，履行企業社會責任。於二零一一年參與的主要活動包括：招待九龍樂善堂700多名中小學生於香港嘉禾黃埔電影城免費觀賞3D《功夫熊貓》（二零一一年七月）、參加「奧比斯盲俠行」(ORBIS Moonwalkers)（二零一一年十二月）、「世界視覺日」（二零一一年十月），籌得善款用於推動全球救盲行動，另參加「香港無煙領先企業大獎」，宣揚工作間無煙文化，獲頒優異獎。參加上述活動不單為履行企業社會責任，亦有助提升同事的投入感及歸屬感。

於二零一二年及往後年度，本集團將繼續提升員工投入程度及恪守企業社會責任。

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 consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011.

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 2011 and the state of affairs of the Company and the Group as at 31 December 2011 are set out in the financial statements on pages 63 to 127.

The Directors did not declare any dividend in year 2011.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2011.

ISSUE OF EQUITY SECURITIES

On 15 June 2009, the Group acquired the entire equity interests in 北京橙天嘉禾影視製作有限公司 (Orange Sky Golden Harvest (Beijing) TV & Film Production Company Limited) from Orange Sky Entertainment Group (International) Holding Company Limited ("OSEG") ("Acquisition"), a company which is owned as to 80% by Mr. Wu Kebo. Pursuant to the terms of the agreements, the Company issued a zero coupon convertible note ("Convertible Note") with a principal amount of HK\$9,024,000 to OSEG and paid a sum of RMB32 million (equivalent to approximately HK\$36.1 million) in cash to OSEG as part of the consideration of the Acquisition in 2009.

On 24 May 2011, the Group issued the second tranche Convertible Note in the principle amount of HK\$45,120,000 to OSEG as it had satisfied the prescribed target of the aggregate net profits according to the terms of the said agreement. Pursuant to the Convertible Notes, the Convertible Notes are convertible at the option of the note holder into ordinary shares of the Company on or before 31 December 2015 at a price of HK\$0.338 per shares of HK\$0.1 each.

On 3 June 2011, OSEG exercised the Convertible Note and converted into a total of 160,189,348 new ordinary shares at a conversion price of HK\$0.338 per share of HK\$0.1 each.

本公司董事(「董事」)欣然提呈董事會報告書以及本公司及其附屬公司(統稱「本集團」)截至二零一一年十二月三十一日止年度之經審核綜合財務報表。

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

本集團截至二零一一年十二月三十一日止年度之業績，以及本公司與本集團於二零一一年十二月三十一日之財政狀況載於第128至192頁之財務報表內。

董事於二零一一年並無宣派任何股息。

董事不建議派付截至二零一一年十二月三十一日止年度之末期股息。

發行股本證券

於二零零九年六月十五日，本集團向伍克波先生擁有80%權益之橙天娛樂集團(國際)控股有限公司(「橙天」)收購北京橙天嘉禾影視製作有限公司全部股本權益(「收購」)。根據該等協議條款，本公司於二零零九年向橙天發行本金額為9,024,000港元之零息可換股票據(「可換股票據」)及支付現金人民幣32,000,000元(約相當於36,100,000港元)，作為部分收購代價。

於二零一一年五月二十四日，本集團向橙天發行第二批本金額為45,120,000港元之可換股票據，因其已符合上述協議條款所訂保證純利總額。根據可換股票據，可換股票據持有人可選擇於二零一五年十二月三十一日或之前，按每股0.338港元之價格，轉換可換股票據為本公司每股0.1港元之普通股。

於二零一一年六月三日，橙天行使可換股票據，按轉換價每股0.338港元轉換合共160,189,348股每股0.1港元之新普通股。

Report of the Directors 董事會報告書

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 2011 二零一一年 HK\$'000 千港元 (Audited) (經審核)	Year ended 31 December 截至十二月 三十一日 止年度 2010 二零一零年 HK\$'000 千港元 (Audited) (經審核)	*Twelve months ended 31 December 截至十二月 三十一日 止十二個月 2009 二零零九年 HK\$'000 千港元 (Unaudited) (未經審核)	Eighteen months ended 31 December 截至十二月 三十一日 止十八個月 2009 二零零九年 HK\$'000 千港元 (Audited) (經審核) (restated) (經重列)	Year ended 30 June 截至六月三十日止年度 2008 二零零八年 HK\$'000 千港元 (Audited) (經審核) (restated) (經重列)		2007 二零零七年 HK\$'000 千港元 (Audited) (經審核) (restated) (經重列)
Consolidated income statement	綜合收益表						
Turnover	營業額	1,369,562	1,077,533	809,975	1,230,904	654,770	501,483
Profit before taxation	除稅前溢利	117,434	94,898	36,228	115,394	17,549	87,200
Income tax	所得稅	(22,563)	(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	94,871	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	94,871	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	95,943	70,823	22,172	95,542	10,763	96,717
— Non-controlling interests	— 非控股權益	(1,072)	1,564	470	566	306	(154)
		94,871	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	
		2011 二零一一年 HK\$'000 千港元 (Audited) (經審核)	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)
Consolidated statement of financial position	綜合財務狀況表					
Fixed assets	固定資產	1,206,446	681,465	395,055	367,395	262,189
Interests in associates	於聯營公司之權益	—	—	—	—	169,369
Amounts due from jointly controlled entities	應收共同控制公司款項	—	—	—	32,285	26,069
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	149	246,083	1,500	—	—
Prepaid rental	預付租金	28,472	30,435	5,592	8,015	8,704
Club memberships	會籍	2,490	2,490	2,490	3,590	3,590
Rental and other deposits	租務及其他按金	106,631	63,809	56,214	54,006	51,507
Trademark	商標	79,785	79,785	79,421	79,421	79,421
Goodwill	商譽	73,658	73,658	28,538	—	—
Deferred tax assets	遞延稅項資產	7,335	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	48,010	29,476	25,038	10,133	2,049
Current assets	流動資產	1,017,910	667,558	731,960	422,904	326,012
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	2,570,886	1,877,854	1,331,585	1,119,144	930,413
Current liabilities	流動負債	636,354	388,049	290,636	277,064	204,555
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	376,345	82,400	62,732	7,800	48,686
Non-current portion of convertible notes	可換股票據之非即期部分	—	6,662	6,150	—	100,590
Non-current portion of finance lease payables	融資租賃應付賬款之非即期部分	—	—	—	—	799
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
Loan from non-controlling shareholder	非控股股東提供之貸款	—	—	—	696	—
Deposits received	已收按金	9,891	5,318	4,887	4,248	3,700
Deferred tax liabilities	遞延稅項負債	24,713	19,623	13,868	16,540	7,999
Total liabilities	負債總額	1,047,303	502,052	383,630	449,988	392,398
Net assets	資產淨值	1,523,583	1,375,802	947,955	669,156	538,015
Non-controlling interests	非控股權益	9,739	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 2011 are set out in note 12 to the financial statements.

SHARE CAPITAL AND CONVERTIBLE NOTE

Details of the convertible notes converted during the year ended 31 December 2011 are set out in the section headed "Issue of Equity Securities".

Details of movements in the Company's share capital and convertible note during the year ended 31 December 2011 are set out in notes 26(a) and 24, respectively, to the financial statements.

Save for the share options as set out below and as set out in note 26(a)(iii) to the financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2011.

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 2011 are set out in note 26(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company's reserves available for cash distribution and/or distribution in specie, representing the retained profits, amounted to HK\$230,939,000 (2010: HK\$16,468,000). In addition, the Company's share premium account, contributed surplus and capital redemption reserve of HK\$665,625,000, HK\$271,644,000 and HK\$8,396,000, respectively, as at 31 December 2011 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二零一一年十二月三十一日止年度之變動詳情載於財務報表附註12。

股本及可換股票據

截至二零一一年十二月三十一日止年度轉換之可換股票據詳情載於「發行股本證券」一節。

本公司股本及可換股票據於截至二零一一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26(a)及24。

除下文及財務報表附註26(a)(iii)載列之購股權外，本公司於二零一一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二零一一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26(b)及綜合權益變動報表。

可分派儲備

本公司於二零一一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230,939,000港元(二零一零年:16,468,000港元)。此外，本公司於二零一一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665,625,000港元、271,644,000港元及8,396,000港元，根據百慕達一九八一年公司法第54條可於若干情況下向股東分派。

Report of the Directors 董事會報告書

DIRECTORS

The Directors during the year ended 31 December 2011 and up to the date of this report were:

Chairman & Executive Director

Wu Kebo

Executive Directors

Li Pei Sen

Mao Yimin (appointed on 26 May 2011)

Chang Tat Joel (resigned on 26 May 2011)

Tan Boon Pin Simon

Wu Keyan

Independent Non-executive Directors

Leung Man Kit

Huang Shao-Hua George

Wong Sze Wing

Pursuant to Bye-law 87(1) of the Bye-laws of the Company, at each annual general meeting of the Company, one third of the Directors for the time being shall retire from office by rotation. Pursuant to Bye-law 87(2) of the Bye-laws of the Company, a retiring Director shall be eligible for re-election. Accordingly, each of Mr. Wu Kebo, Mr. Tan Boon Pin Simon and Ms. Wong Sze Wing 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, Mr. Mao Yimin, being the Director appointed by the Board on 26 May 2011, shall retire and being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Each of Mr. Wu Kebo, Mr. Tan Boon Pin Simon and Mr. Mao Yimin 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

截至二零一一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

毛義民 (於二零一一年五月二十六日獲委任)

鄭達祖 (於二零一一年五月二十六日辭任)

陳文彬

伍克燕

獨立非執行董事

梁民傑

黃少華

黃斯穎

根據本公司之章程細則第87(1)條規定，於每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，退任董事符合資格重選連任。因此，伍克波先生、陳文彬先生及黃斯穎女士各自將於應屆股東週年大會退任，並符合資格於股東週年大會重選連任。

根據本公司之章程細則第86(2)條及第87(2)條規定，任何董事會新增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重選連任(但並不計入確定須輪席退任之董事名單或人數)。因此，於二零一一年五月二十六日獲董事會委任為董事之毛義民先生，將於應屆股東週年大會退任，並合資格及願意重選連任。

伍克波先生、陳文彬先生及毛義民先生已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，擬於本公司應屆股東週年大會上重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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

買賣及贖回上市證券

During the year and up to the date of this report, the Company repurchased certain of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Directors consider that the share repurchases are beneficial to shareholders of the Company who retain their investments in the Company. Details of the share repurchases are set out below:

年內及截至本報告日期，本公司於香港聯合交易所有限公司（「聯交所」）購回其若干股份。董事認為購回股份對保留本公司投資的本公司股東有利。購回股份之詳情如下：

Month/Year 月份／年份	Number of shares repurchased 購回股份數目	Highest price per share 每股最高價格 HK\$ 港元	Lowest price per share 每股最低價格 HK\$ 港元	Aggregated consideration (excluding transaction costs) 總代價（不包括交易成本） HK\$'000 千港元
September 2011 二零一一年九月	2,375,000	0.280	0.270	662
October 2011 二零一一年十月	365,000	0.295	0.290	107
November 2011 二零一一年十一月	—	—	—	—
December 2011 二零一一年十二月	16,995,000	0.330	0.285	5,178
January 2012 二零一二年一月	2,990,000	0.280	0.260	821
	<u>22,725,000</u>			

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 2011, 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 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

於二零一一年十二月三十一日，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	* 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			
			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	
Wu Kebo 伍克波	Interest of controlled corporations 受控法團權益	1	1,594,227,401 (L)	—	1,594,227,401 (L)	59.39%
		2	180,000,000 (S)	—	180,000,000 (S)	6.71%
	Beneficial owner 實益擁有人	1	18,305,000 (L)	—	18,305,000 (L)	0.68%
Wu Keyan 伍克燕	Beneficial owner 實益擁有人	4	—	60,000,000 (L)	60,000,000 (L)	2.24%
		4	—	700,000 (L)	700,000 (L)	0.026%
Li Pei Sen 李培森	Beneficial owner 實益擁有人	4	—	200,000 (L)	200,000 (L)	0.007%
		4	—	200,000 (L)	200,000 (L)	0.007%
Leung Man Kit 梁民傑	Beneficial owner 實益擁有人	4	—	200,000 (L)	200,000 (L)	0.007%
		4	—	200,000 (L)	200,000 (L)	0.007%
Huang Shao-Hua George 黃少華	Beneficial owner 實益擁有人	4	—	200,000 (L)	200,000 (L)	0.007%
Tan Boon Pin Simon 陳文彬	Beneficial owner 實益擁有人	4	—	1,200,000 (L)	1,200,000 (L)	0.045%

Report of the Directors

董事會報告書

Name of Director/ Chief Executive 董事/主要行政人員 姓名			Capacity 身份	Note 附註	Number of Shares 股數	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
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Wu King Shiu Kelvin ^(a) 胡景邵 ^(a)	Beneficial owner 實益擁有人	3	3,400,000 (L)	—	—	0.127%
Chang Tat Joel ^(b) 鄭達祖 ^(b)	Beneficial owner 實益擁有人	3	3,400,000 (L)	—	—	0.127%

* These percentages have been computed based on the total number of Shares in issue (i.e. 2,684,194,248 Shares) as at 31 December 2011.

* 該等百分比乃根據於二零一一年十二月三十一日已發行股份總數(即2,684,194,248股股份)而計算。

As at the date of this report, the total number of shares in issue is 2,681,204,248 shares.

於本報告日期，已發行股份總數為2,681,204,248股股份。

^(a) Resigned as chief executive officer on 1 August 2011.

^(a) 於二零一一年八月一日辭任首席執行官。

^(b) Resigned as executive Director on 26 May 2011.

^(b) 於二零一一年五月二十六日辭任執行董事。

Notes:

附註：

1. By virtue of the SFO, Mr. Wu Kebo ("Mr. Wu") was deemed to have interest in a total of 1,594,227,401 Shares, of which (i) 439,791,463 Shares were held by Skyera International Limited ("Skyera") (a company wholly-owned by Mr. Wu); (ii) 408,715,990 Shares were held by Mainway Enterprises Limited (a company wholly owned by Mr. Wu); (iii) 565,719,948 Shares were held by Orange Sky Entertainment Group (International) Holding Company Limited (a company which is 80% owned by Mr. Wu) and (iv) 180,000,000 Shares were held by Cyber International Limited (a company owned by an associate of Mr. Wu).

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1,594,227,401股股份，當中(i)439,791,463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持有；(iii)565,719,948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持有。

In addition, Mr. Wu was interest in 18,305,000 Shares as at 31 December 2011 and 18,705,000 Shares as at the date of this report which were beneficially held in his own name.

另外，伍先生亦以本身名義於二零一一年十二月三十一日實益擁有18,305,000股股份權益及於本報告日期實益擁有18,705,000股股份權益。

2. Skyera granted NEC Corporation the right to acquire 180,000,000 Shares subject to the terms and conditions agreed by Skyera and NEC Corporation.

2. Skyera向NEC Corporation授出收購180,000,000股股份的權利，惟須受Skyera與NEC Corporation協定之條款及條件所規限。

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

3. 根據證券及期貨條例，胡景邵先生及鄭達祖先生因擁有AID Partners Holdings Ltd.已發行股本60%及40%權益而被視為於AID Partners Holdings Ltd.擁有權益之3,400,000股股份擁有權益。

4. These underlying Shares represented the Shares which may be issued upon the exercise of share option 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") respectively.

4. 該等相關股份乃指本公司根據本公司於二零一一年十一月二十八日採納之購股權計劃(「二零一一年購股權計劃」)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。

Abbreviations:

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

縮略詞：

「L」指好倉
「S」指淡倉

Report of the Directors 董事會報告書

(ii) Interests in shares of associated corporations

Mr. Wu was also the beneficial owner of the entire issued share capital of Golden Harvest Film Enterprises Inc., which beneficially held 114 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 below and in note (26)(a)(iii) to the financial statements on page 110 of this annual report, as at 31 December 2011, 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 2011 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.

(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。

除上文披露者以及下文及本年報第175頁財務報表附註26(a)(iii)有關「購股權計劃」之披露事項外，於二零一一年十二月三十一日，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」以及下文「購股權計劃」及「關連交易」各節披露者外，本公司或其任何附屬公司於截至二零一一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。

Report of the Directors 董事會報告書

SHARE OPTION SCHEMES

(i) 2001 Share Option Scheme

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

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

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

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。

Report of the Directors 董事會報告書

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 63,550,000 Shares (representing approximately 2.37% 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逾該上限之購股權(包括已行使、註銷及未行使之購股權),則須個別在股東大會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63,550,000股股份(於本年報日期佔已發行股份約2.37%)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」)已成為無條件。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款及條件具十足效力及作用。

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。

Report of the Directors 董事會報告書

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。

Report of the Directors 董事會報告書

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 25 April 2010, being the date of adoption of the 2009 Share Option Scheme. This limit was last refreshed by the shareholders of the Company in the annual general meeting of the Company held on 25 May 2011 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 254,373,990 Shares, being 10% of the Shares in issue as at the date of passing the relevant resolution on 25 May 2011. 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 254,373,990 Shares (representing approximately 9.49% of Shares in issue as at the date of this annual report) (i.e. 2,681,204,248, Shares) as at the date of this annual report) are available for issue under the 2009 Share Option Scheme.

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,合共不得超過於二零一零年四月二十五日(即二零零九年購股權獲採納日期)之已發行股份10%。本公司股東最後於二零一一年五月二十五日舉行之本公司股東週年大會上按照上市規則之條文更新該上限,以使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全部購股權獲行使而可發行之最高股數,不得超過254,373,990股股份,即於二零一一年五月二十五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逾該上限之購股權(包括已行使、註銷及未行使之購股權),則須個別在股東大會上獲得本公司股東批准,而該等參與者及其聯繫人須放棄投票。

於本年報日期,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254,373,990股股份(於本年報日期約佔已發行股份2,681,204,248股股份9.49%)之購股權可供發行。

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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.

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 (Note e) (附註 e)	Number of share options outstanding as at 1 January 2011 於二零零一年一月一日尚未行使之購股權數目	Granted during the year ended 31 December 2011 截至二零零一年十二月三十一日止年度授出	Exercised during the year ended 31 December 2011 截至二零零一年十二月三十一日止年度行使	Cancelled during the year ended 31 December 2011 截至二零零一年十二月三十一日止年度註銷	Lapsed during the year ended 31 December 2011 截至二零零一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	Closing price per Share immediately before the date of exercise of the share option	Number of share options outstanding as at 31 December 2011 於二零零一年十二月三十一日尚未行使之購股權數目
									(Note b) (附註 b)	(Note b) (附註 b)	
				HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
				港元	港元	港元	港元	港元	港元	港元	
Director 董事											
Huang Shao-Hua George 黃少華	12 April 2007 二零零七年四月十二日	0.393	1 July 2007 to 30 October 2011 二零零七年七月一日至二零零一年十月三十日	1,000,000	—	—	—	(1,000,000)	0.34	—	—
	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
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 (Notes (a) & (c)) 鄭達祖 (附註(a)及(c))	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零一四年九月二十二日	12,000,000	—	—	—	(12,000,000)	0.451	—	—
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 陳文彬	12 April 2007 二零零七年四月十二日	0.393	1 July 2007 to 30 October 2011 二零零七年七月一日至二零零一年十月三十日	2,000,000	—	—	—	(2,000,000)	0.34	—	—
	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 (Note e) (附註e)	Number of share options outstanding as at 1 January 2011	Granted during the year ended 31 December 2011	Exercised during the year ended 31 December 2011	Cancelled during the year ended 31 December 2011	Lapsed during the year ended 31 December 2011	Closing price per Share immediately before the date of grant of share option	Closing price per Share immediately before the date of exercise of the share option	Number of share options outstanding as at 31 December 2011
				於二零一一年一月一日	截至二零一一年十二月三十一日	截至二零一一年十二月三十一日	截至二零一一年十二月三十一日	截至二零一一年十二月三十一日	截至二零一一年十二月三十一日	緊接購股權授出日期之每股收市價	緊接購股權行使日期之每股收市價
		HK\$ 港元							HK\$ 港元	HK\$ 港元	
Chief executive officer 首席執行官											
Wu King Shiu Kelvin (Note (a) & (d)) 胡景鄴 (附註(a)及(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	21,000,000	—	—	—	(21,000,000)	0.451	—	—
Other participants 其他參與者											
In aggregate 總計	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	1,050,000	—	—	—	—	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	700,000	—	—	—	(700,000)	0.67	—	—
				100,250,000	—	—	—	(36,700,000)			63,550,000

Notes:

- (a) The share options lapsed due to the resignation or retirement of the relevant Director and chief executive (as the case may be).
- (b) Being the weighted average closing price of the Shares immediately before the dates on which the share options were granted or exercised, as applicable.
- (c) Resigned as an executive Director with effect from 26 May 2011.
- (d) Resigned as chief executive officer with effect from 1 August 2011.
- (e) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

附註:

- (a) 該等購股權因相關董事及主要行政人員(視適用情況而定)辭任或退任而失效。
- (b) 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。
- (c) 於二零一一年五月二十六日辭任執行董事。
- (d) 於二零一一年八月一日辭任首席執行官。
- (e) 購股權之歸屬期由購股權授出當日起計至行使期開始。

As at 31 December 2011, the Company had total share options outstanding entitling the holders thereof to subscribe for 63,550,000 Shares under the 2001 Share Option Scheme and nil 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 63,550,000 additional Shares, representing approximately 2.37% of the Shares in issue as at 31 December 2011, and additional share capital of HK\$6,355,000 and share premium account of approximately HK\$22,433,000 (before issue expenses).

於二零一一年十二月三十一日，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63,550,000股股份及根據二零零九年購股權計劃認購零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63,550,000股股份(佔於二零一一年十二月三十一日已發行股份約2.37%)，並額外產生股本6,355,000港元及股份溢價賬約22,433,000港元(未計發行費用前)。

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DIRECTORS' INTERESTS IN CONTRACTS

Except for the disclosure under the heading "Connected Transactions" below and save as detailed in note 30 to the financial statements on page 123 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 2011.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2011, the Group's purchases from its largest supplier and its five largest suppliers accounted for approximately 8 and 29 percent of the Group's purchases, respectively.

The Group's sales to its largest customer and its five largest customers accounted for approximately 3 and 8 percent of the Group's sales, respectively.

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.

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188頁的財務報表附註30所詳述者外，各董事概無在截至二零一一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。

主要客戶及供應商

截至二零一一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8%及29%。

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3%及8%。

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。

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SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

主要股東及其他人士於股份及相關股份之權益及淡倉

So far as is known to the Directors, as at 31 December 2011, 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:

就董事所知，於二零一一年十二月三十一日，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	*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	
					Total number of Shares and underlying Shares 股份及相關 股份總數	
Wu Kebo 伍克波	Interest of controlled corporations 受控法團權益	1	1,594,227,401 (L)	—	1,594,227,401 (L)	59.39%
		7	180,000,000 (S)	—	180,000,000 (S)	6.71%
	Beneficial owner 實益擁有人	1	18,305,000 (L)	—	18,305,000 (L)	0.68%
Skyera International Limited ("Skyera")	Beneficial owner 實益擁有人	2	180,000,000 (S)	60,000,000 (L)	60,000,000 (L)	2.24%
			439,791,463 (L)	—	439,791,463 (L)	16.38%
Mainway Enterprises Limited ("Mainway")	Beneficial owner 實益擁有人	3	408,715,990 (L)	—	408,715,990 (L)	15.23%
Cyber International Limited ("Cyber")	Beneficial owner 實益擁有人	4	180,000,000 (L)	—	180,000,000 (L)	6.71%
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	5	565,719,948 (L)	—	565,719,948 (L)	21.08%
NEC Corporation	Beneficial owner 實益擁有人		360,000,000 (L)	—	360,000,000 (L)	13.41%

* These percentages have been computed based on the total number of Shares in issue (i.e. 2,684,194,248 ordinary Shares) as at 31 December 2011.

As at the date of this report, the total number of Shares in issue is 2,681,204,248 Shares.

* 該等百分比乃根據本公司於二零一一年十二月三十一日已發行股份總數(即2,684,194,248股普通股)計算。

於本報告日期，已發行股份總數為2,681,204,248股股份。

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Notes:

- (1) By virtue of the SFO, Mr. Wu was deemed to have interest in a total of 1,594,227,401 Shares, of which (i) 439,791,463 Shares were held by Skyera; (ii) 408,715,990 Shares were held by Mainway; (iii) 565,719,948 Shares were held by OSEG (a company 80% owned by Mr. Wu) and (iv) 180,000,000 Shares were held by Cyber.

In addition, Mr. Wu was interest in 18,305,000 Shares as at 31 December 2011 and 18,705,000 Shares as at the date of this report which were beneficially held in his own name.

- (2) Skyera is a company wholly owned by Mr. Wu, who is also a director of Skyera.
- (3) Mainway is a company wholly owned by Mr. Wu, who is also a director of Mainway.
- (4) Cyber is a company owned by an associate of Mr. Wu.
- (5) OSEG (a company 80% owned by Mr. Wu) was interested in 565,719,948 Shares, amongst which 160,189,348 Shares were issued upon exercise of the right of the convertible notes by OSEG on 3 June 2011. Mr. Wu is a director of OSEG and Mr. Li Pei Sen is the associate Chairman of OSEG.
- (6) These underlying Shares represented the Shares which may be issued upon the exercise of share option granted by the Company under the 2001 Share Option Scheme and 2009 Share Option Scheme respectively.
- (7) Skyera granted NEC Corporation the right to acquire 180,000,000 Shares subject to the terms and conditions agreed by Skyera and NEC Corporation.

Abbreviations:

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

CONNECTED TRANSACTIONS

During the year ended 31 December 2011, the Group has entered into the following transactions and arrangements with connected person (as defined in the Listing Rules) of the Company:

Transfer the rights and obligations under some lease agreements

On 18 April 2011, 橙天嘉禾影城(中國)有限公司(Orange Sky Golden Harvest Cinemas (China) Co. Ltd.) ("OSGH (China)"), an indirect wholly-owned subsidiary of the Company, and 北京橙天影院投資管理有限公司(Beijing Orange Sky Cinema Investment Management Company Limited) ("Beijing Orange Sky") entered into a transfer agreement in relation to six sites in the PRC (the "Six Sites") and conditionally agreed to transfer the rights and obligations of Beijing Orange Sky under the lease agreements and other contracts in relation to the Six Sites entered into with independent third parties (as more particularly described in the announcement of the Company dated 18 April 2011) to OSGH (China) ("Transfer Agreement").

The particulars of the Six Sites are set out below:

- (i) shops at 3/F & 4/F West, Huada Victory City, Heyuan, the PRC;
- (ii) houses at No. 22 Yuhai Yuan No. 5, Haidian District, Beijing, the PRC;
- (iii) shops at 2/F-5/F Shopping Centre, No. 32 Ban Dong Xing Road Huizhou, the PRC;

附註:

- (1) 根據證券及期貨條例，伍先生被視為擁有本公司共1,594,227,401股股份，當中(i) 439,791,463股股份由Skyera持有；(ii) 408,715,990股股份由Mainway持有；(iii) 565,719,948股股份由伍先生擁有80%股權的公司橙天持有及(iv) 180,000,000股股份由Cyber持有。

另外，伍先生亦以本身名義於二零一一年十二月三十一日實益擁有18,305,000股股份權益及於本報告日期實益擁有18,705,000股股份權益。

- (2) Skyera為伍先生全資擁有的公司，彼為Skyera董事。
- (3) Mainway為伍先生全資擁有的公司，彼為Mainway董事。
- (4) Cyber為由伍先生的聯營公司擁有的公司。
- (5) 伍先生擁有80%股權的公司橙天擁有565,719,948股股份，其中160,189,348股股份已於二零一一年六月三日行使橙天之可換股票據權利時發行。伍先生為橙天董事，而李培森先生為橙天聯合董事長。
- (6) 此等相關股份即行使本公司根據二零零一年購股權計劃及二零零九年購股權計劃所授出購股權而可能發行之股份。
- (7) Skyera向NEC Corporation授出收購180,000,000股股份的權利，惟須受Skyera與NEC Corporation協定之條款及條件所規限。

縮略詞:

[L] 指好倉
[S] 指淡倉

關連交易

截至二零一一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:

轉讓若干租賃協議項下權利及責任

於二零一一年四月十八日，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)」)與北京橙天影院投資管理有限公司(「北京橙天」)就中國六個地段(「六個地段」)訂立轉讓協議，北京橙天有條件同意就六個地段向橙天嘉禾影城(中國)轉讓其與獨立第三方訂立之租賃協議及其他合約項下權利及責任(「轉讓協議」)，相關詳情載於本公司日期為二零一一年四月十八日之公佈。

六個地段之詳情載列如下:

- (i) 中國河源市華達·凱旋廣場三及四層西之商舖;
- (ii) 中國北京市海澱區玉海園五里22號配套商業樓;
- (iii) 中國惠州市辦東星路32號購物中心2-5層之商舖;

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- (iv) shops at 5/F, Northeast Shopping Centre at Haozhou, the PRC;
 - (v) shops at 2/F & 3/F of the shopping centre at No. 558 Waihuanlu, Nantong, the PRC; and
 - (vi) shops at Bohai New World Shopping Centre, Tangshan, the PRC.
- (iv) 中國亳州市東北角購物中心5層之商舖；
 - (v) 中國南通市外環路558號購物中心3號副樓2層及3層之商舖；及
 - (vi) 中國唐山市渤海新世界商業廣場影城之商舖。

By the Transfer Agreement, Beijing Orange Sky agreed to procure the relevant contracting parties to the relevant lease agreements to enter into the transfer or novation agreements with Beijing Orange Sky and OSGH (China) or the new lease agreements with OSGH (China) and facilitate the transfer in relation to the Sites including, amongst the other things, the handover of financial information. The total consideration payable by OSGH (China) was RMB8,790,282.68 (equivalent to approximately HK\$10,460,436.39) in aggregate based on the exchange rate of RMB1 to HK\$1.19 payable in cash to Beijing Orange Sky. The Board believes that the entering into of the Transfer Agreement provides the Group with an opportunity to further expand its exhibition business in the PRC.

透過轉讓協議，北京橙天同意促使相關租賃協議之相關訂約方與北京橙天及橙天嘉禾影城(中國)訂立轉讓或約務更替協議，或與橙天嘉禾影城(中國)訂立新租賃協議，並協助轉讓該等地段，包括(其中包括)移交財務資料。橙天嘉禾影城(中國)合共應付總代價為人民幣8,790,282.68元(約相當於10,460,436.39港元)，按匯率人民幣1元兌1.19港元以現金向北京橙天支付。董事會相信，訂立轉讓協議可為本集團提供機會進一步擴展其在中國之影城業務。

Mr. Wu is a Director and a substantial shareholder of the Company as at 18 April 2011. Beijing Orange Sky, which is wholly-owned by Mr. Wu, is an associate of Mr. Wu and therefore a connected person of the Company under the Listing Rules.

於二零一一年四月十八日，伍先生為本公司董事兼主要股東。北京橙天由伍先生全資擁有，故根據上市規則，北京橙天為伍先生之聯繫人及本公司關連人士。

CONTINUING CONNECTED TRANSACTIONS

持續關連交易

(a) Cinema in-foyer advertising sales agency service

On 1 September 2011, OSGH (China), and 泛亞華影廣告(深圳)有限公司(Panasia Cinema Advertising (Shenzhen) Co., Ltd.) ("Panasia Advertising"), an indirect wholly-owned subsidiary of OSEG, entered into a cinema advertising sales agency agreement (the "Cinema Advertising Sales Agency Agreement") for a term from 1 September 2011 to 31 December 2013 for the provision of in-foyer advertising sales agency services on an exclusive basis by Panasia Advertising to OSGH (China) at all cinemas operated or to be operated by OSGH (China) in the PRC (other than the Golden Harvest Shenzhen Cinema (嘉禾深圳影城) and the cinema in Sanlitun, Beijing (北京三里屯橙Cinema影城)) (the "Cinemas"). The advertising fees payable by the customers for the in-foyer advertising at the Cinemas shall be shared between OSGH (China) (as to 60%) and Panasia Advertising (as to 40%). Further, under the Cinema Advertising Sales Agency Agreement, Panasia Advertising agreed to provide an annual profit guarantee in favour of OSGH (China) which was calculated by multiplying the aggregate box office income of each of those Cinemas before tax for that year by 2%, subject to adjustments (as more particularly described in the announcement of the Company dated 1 September 2011).

(a) 影城大堂廣告銷售代理服務

於二零一一年九月一日，橙天嘉禾影城(中國)與橙天間接全資附屬公司泛亞華影廣告(深圳)有限公司(「泛亞廣告」)訂立影城廣告銷售代理協議(「影城廣告銷售代理協議」)，自二零一一年九月一日起至二零一三年十二月三十一日止，泛亞廣告就所有現時或將由橙天嘉禾影城(中國)於中國營運之影城(嘉禾深圳影城及北京三里屯橙Cinema影城除外，「影城」)獨家向橙天嘉禾影城(中國)提供影城大堂廣告銷售代理服務。客戶就影城大堂廣告應付之廣告費，將由橙天嘉禾影城(中國)及泛亞廣告分佔60%及40%。此外，根據影城廣告銷售代理協議，泛亞廣告同意向橙天嘉禾影城(中國)提供年度溢利保證，年度溢利保證須按該影城該年度除稅前總票房收入乘以2%之方式計算(可予調整)，相關詳情載於本公司日期為二零一一年九月一日之公佈。

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The annual caps in respect of the transactions contemplated under the Cinema Advertising Sales Agency Agreement for the three financial years ended 31 December 2013 shall be RMB2,000,000 (equivalent to approximately HK\$2,400,000), RMB10,000,000 (equivalent to approximately HK\$12,000,000) and RMB17,000,000 (equivalent to approximately HK\$20,400,000), respectively. The Board considers that the engagement of Panasia Advertising to provide cinema advertising sales agency services to the Group will facilitate the Group to concentrate its resources on the management and operation of the Cinemas, meanwhile, enable the Group to enhance its revenue from the provision of cinema in-foyer advertising space for rental.

Under the Listing Rule, Mr. Wu and his associate are connected persons of the Company. OSEG is 80% beneficially owned by Mr. Wu. Panasia Advertising, which is a wholly-owned subsidiary of OSEG, is an associate of Mr. Wu and therefore, is a connected person of the Company.

(b) Cinema Management Agreement on OSGH Sanlitun

On 15 December 2011, 北京橙天嘉禾三里屯影城管理有限公司 (Orange Sky Golden Harvest Sanlitun (Beijing) Cinema Management Co., Limited) (“OSGH Sanlitun”), an indirect wholly-owned subsidiary of the Company, OSGH (China) and Beijing Orange Sky entered into a cinema management agreement in respect of the management and operations of the cinema which is located at Suite 403-2, 4/F, No. 2, Worker Stadium Beilu, Chaoyang District, Beijing (the “Relevant Cinema”) for a term from 1 December 2011 to 31 December 2013 (the “Cinema Management Agreement”).

Under the Cinema Management Agreement, OSGH Sanlitun has agreed to grant Beijing Orange Sky the rights to manage and operate the Relevant Cinema (the “Grant”) and procure OSGH (China) to grant the lease of certain key facilities at the Relevant Cinema to Beijing Orange Sky to facilitate Beijing Orange Sky in performing its respective obligations to manage and operate the Relevant Cinema under the Grant. The total consideration of the transaction comprises a fixed fee in the aggregate sum of RMB6,200,000, which is payable by Beijing Orange Sky in two instalments, and an amount representing 10% of the Net Profits (as defined in the announcement of the Company dated 15 December 2011) derived from the operation of the Relevant Cinema under the Grant.

影城廣告銷售代理協議項下擬進行之交易於截至二零一三年十二月三十一日止三個財政年度之年度限額分別應為人民幣2,000,000元(約相當於2,400,000港元)、人民幣10,000,000元(約相當於12,000,000港元)及人民幣17,000,000元(約相當於20,400,000港元)。董事會認為，委聘泛亞廣告向本集團提供影城廣告銷售代理服務，將有助本集團集中投放其資源於影城管理及營運，同時，讓本集團自提供出租影城大堂廣告空間增加收益。

根據上市規則，伍先生及彼之聯繫人為本公司關連人士。橙天由伍先生實益擁有80%權益，泛亞廣告為橙天之全資附屬公司，故泛亞廣告為伍先生之聯繫人及本公司關連人士。

(b) 橙天嘉禾三里屯影城管理協議

於二零一一年十二月十五日，本公司間接全資附屬公司北京橙天嘉禾三里屯影城管理有限公司(「橙天嘉禾三里屯」)、橙天嘉禾影城(中國)及北京橙天就管理及經營位於北京市朝陽區工人體育場北路甲2號裙房4層403-2單元之影城(「相關影城」)訂立影城管理協議(「影城管理協議」)。

根據影城管理協議，橙天嘉禾三里屯已同意向北京橙天授予影城管理及經營權(「授權」)並促使橙天嘉禾影城(中國)向北京橙天授出若干重要設施之租約，以便北京橙天履行其於授權項下有關管理及經營影城之各項責任。交易總代價包括由北京橙天分兩期支付之固定費用合共人民幣6,200,000元及相當於根據授權經營相關影城產生之純利(定義見本公司日期為二零一一年十二月十五之公佈)10%之金額。

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The annual caps in respect of the Cinema Management Agreement for the three financial years ended 31 December 2013 shall be RMB6,400,000 (equivalent to approximately HK\$7,808,000), RMB2,300,000 (equivalent to approximately HK\$2,806,000) and RMB2,300,000 (equivalent to approximately HK\$2,806,000) respectively. The Directors are of the view that the Cinema Management Agreement would enable the Group to centralise the management and operation of other cinemas managed and operated by the Group and to continue to provide seamless cinema services and enhance the operational efficiency of the Relevant Cinema to our customers' satisfaction. In addition, the leasing of facilities at the Relevant Cinema to Beijing Orange Sky under the lease would be essential for the operations of the Relevant Cinema by Beijing Orange Sky and could further efficiently utilise the Group's resources.

As the entire equity interest of Beijing Orange Sky is owned by Mr. Wu, Beijing Orange Sky is an associate of Mr. Wu and a connected person of the Company.

(c) Sub-leases of office premises

Reference is made to the announcements of the Company, dated 13 January 2011 and 1 April 2011, in relation to the sub-leasing to OSGH (China) of the office premises at Part of First Floor and Second Floor of House No. 3 at No. 1 Anjialou, Xiaoliangmaqiao Ave, Chaoyang District, Beijing, the PRC (the "Property"). A sub-lease agreement dated 13 January 2011 was entered into between Beijing Orange Sky (the "Sub-lessor"), as sub-lessor, and 北京橙天嘉禾影視製作有限公司 (Orange Sky Golden Harvest (Beijing) TV & Film Production Co., Ltd.) ("Beijing OSGH"), as sub-lessee, in relation to the sub-leasing of the office premises with a total floor area of approximately 166.49 square metres at the Property (the "First Sub-Lease"). On 13 January 2011, a sub-lease agreement was entered into between the Sub-lessor, as sub-lessor, and OSGH (China), as sub-lessee, in relation to the sub-leasing of the office premises with a total floor area of approximately 1,354.95 square metres at the Property ("Second Sub-Lease"). The First Sub-Lease and the Second Sub-Lease (as supplemented and amended) were expired on 30 June 2011.

On 5 September 2011, the First Sub-Lease was renewed under the renewal agreement dated 5 September 2011 entered into between the Sub-lessor and Beijing OSGH (the "First Sub-Leases Renewal Agreement") for a term of two year commencing on 1 July 2011 and expiring on 30 June 2013 (both days inclusive) at the rent of RMB5.20 per square metre per day equivalent to an approximate amount of RMB315,998.02 (equivalent to approximately HK\$379,197.62) per annum with the management fee of RMB0.61 per square metre per day, equivalent to an approximate amount of RMB37,069.00 (equivalent to approximately HK\$44,482.80) per annum.

影城管理協議於截至二零一三年十二月三十一日止三個財政年度之年度限額分別應為人民幣6,400,000元(約相當於7,808,000港元)、人民幣2,300,000元(約相當於2,806,000港元)及人民幣2,300,000元(約相當於2,806,000港元)。董事認為，影城管理協議將讓本集團集中管理及經營其他由本集團管理及經營的影城以及繼續提供完善影城服務及促進相關影城經營效率以滿足客戶。此外，根據租約向北京橙天出租設施對北京橙天經營相關影城而言實屬必要，並可更有效運用本集團資源。

由於伍先生擁有北京橙天全部股本權益，故北京橙天為伍先生之聯繫人及本公司關連人士。

(c) 分租辦公室物業

茲提述本公司日期為二零一一年一月十三日及二零一一年四月一日之公佈，內容有關向橙天嘉禾影城(中國)分租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之辦公室物業(「該物業」)。北京橙天作為分出租人(「分出租人」)與北京橙天嘉禾影視製作有限公司(「北京橙天嘉禾」)作為分承租人訂立日期為二零一一年一月十三日之分租協議，內容有關分租該物業總樓面面積約166.49平方米之辦公室物業(「第一份分租租約」)。於二零一一年一月十三日，分出租人作為分出租人與橙天嘉禾影城(中國)作為分承租人訂立分租協議，內容有關分租該物業總樓面面積約1,354.95平方米之辦公室物業(「第二份分租租約」)。第一份分租租約及第二份分租租約(經補充及修訂)已於二零一一年六月三十日屆滿。

於二零一一年九月五日，第一份分租租約根據分出租人與北京橙天嘉禾所訂立日期為二零一一年九月五日之重續協議獲重續(「第一份分租租約重續協議」)，由二零一一年七月一日起至二零一三年六月三十日(包括首尾兩日)止為期兩年，租金為每日每平方米人民幣5.20元，約相當於每年人民幣315,998.02元(約相當於379,197.62港元)，連同管理費每日每平方米人民幣0.61元，約相當於每年人民幣37,069.00元(約相當於44,482.80港元)。

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On the same day, the Second Sub-Lease (as supplemented and amended) was renewed and an additional area at Part of Third of House No. 3 at No. 1 Anjialou, Xiaoliangmaqiao Ave, Chaoyang District, Beijing, the PRC with a total floor area of approximately 70 square metres was sub-leased under the renewal agreement dated 5 September 2011 entered into between the Sub-lessor and Beijing OSGH (the "Second Sub-Leases Renewal Agreement") for a term of two year commencing on 1 July 2011 and expiring on 30 June 2013 (both days inclusive) at the rent of RMB5.20 per square metre per day equivalent to an approximate amount of RMB2,704,555.10 (equivalent to approximately HK\$3,245,466.12) per annum with the management fee of RMB0.61 per square metre per day, equivalent to an approximate amount of RMB317,265.12 (equivalent to approximately HK\$380,718.14) per annum (the First Sub-Leases Renewal Agreement and the Second Sub-Leases Renewal Agreement, together, the "Sub-Leases Renewal Agreements").

The annual caps in respect of the Sub-Leases Renewal Agreements for the three years ended 31 December 2013 shall be approximately RMB3,050,000 (from 1 January 2011 to 31 December 2011), RMB3,500,000 (from 1 January 2012 to 31 December 2012) and RMB1,750,000 (from 1 January 2013 to 30 June 2013), respectively. The Board considers that due to the growth and expansion of the Group's operation in the PRC, an office of larger floor area is required to cope with such growth and expansion. In addition, the Sub-Leases Renewal Agreements, will continue to allow the Group to maintain the present office at the same premises without the hassle of relocation of the office which is conducive to maintaining operating efficiency and minimizing time wastage.

Under Listing Rule, Mr. Wu and his associate are connected persons of the Company. As the entire equity interest of the Sub-lessor is owned by Mr. Wu, the Sub-lessor is an associate of Mr. Wu and accordingly, a connected person of the Company.

The above transactions constituted connected transactions and continuing connected transactions of the Company under the Listing Rules and was subject to reporting, announcement and annual review requirements. Further details of the transaction are set out in the note 30 to the financial statements.

Confirmation from Directors

The Directors, including the non-executive Directors, have reviewed the continuing connected transactions mentioned under paragraphs (a) to (c) 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.

同日，第二份分租租約(經補充及修訂)獲重續，而中國北京市朝陽區小亮馬橋路安家樓1號院3號樓三層部分(總樓面面積約70平方米)根據分出租人與北京橙天嘉禾所訂立日期為二零一一年九月五日之重續協議獲分租「第二份分租租約重續協議」，由二零一一年七月一日起至二零一三年六月三十日(包括首尾兩日)止為期兩年，租金為每日每平方米人民幣5.20元，約相當於每年人民幣2,704,555.10元(約相當於3,245,466.12港元)，連同管理費每日每平方米人民幣0.61元，約相當於每年人民幣317,265.12元(約相當於380,718.14港元)(第一份分租租約重續協議及第二份分租租約重續協議統稱「分租租約重續協議」)。

分租租約重續協議於截至二零一三年十二月三十一日止三個年度之年度限額分別應為人民幣3,050,000元(自二零一一年一月一日起至二零一一年十二月三十一日止)、人民幣3,500,000元(自二零一二年一月一日起至二零一二年十二月三十一日止)及人民幣1,750,000元(自二零一三年一月一日起至二零一三年六月三十日止)。董事會認為，有見本集團中國業務日漸增長及擴大，董事會認為需要樓面面積較大之辦公室應付有關增長及擴充。此外，分租租約重續協議可讓本集團於同一物業保留辦公室，毋須為搬遷辦公室而大費周章，有助維持營運效率及減少時間浪費。

根據上市規則，伍先生及彼之聯繫人為本公司關連人士。由於伍先生擁有分出租人全部股本權益，故分出租人為伍先生之聯繫人及本公司關連人士。

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、公告及年度審閱規定。有關交易進一步詳情載於財務報表附註30。

董事確認

董事(包括非執行董事)已審閱上文第(a)至(c)段所述持續關連交易，並確認該等交易乃於本集團一般日常業務中，按一般商業條款或不遜於獨立第三方獲或向本集團提供之條款，並根據規管該等交易之有關協議進行，且條款均屬公平合理，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 in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services;
- (c) have not been entered into in all material respects, in accordance with the terms of the relevant agreement governing the transactions; and
- (d) 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 2011.

Save as disclosed above, details of the other connected transactions and/or continuing connected transactions for the year ended 31 December 2011 are set out in note 30 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.

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.

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) 涉及提供商品或服務之交易於各重大方面並未按照本集團定價政策；
- (c) 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
- (d) 超出本公司相關公佈所披露截至二零一一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，於截至二零一一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30。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中，按一般商業條款或不遜於獨立第三方獲或向本集團提供之條款，並根據規管該等交易之有關協議進行，且條款均屬公平合理，符合本公司股東整體利益。

獨立性之確認

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

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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 26(a)(iii) to the financial statements on page 110 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 2011, the Group has made charitable and other donations in Hong Kong totaling HK\$69,000.

AUDITORS

The financial statements for the year ended 31 December 2011 have been audited by Messrs. KPMG ("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
26 March 2012

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175頁之財務報表附註26(a)(iii)。

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

截至二零一一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69,000港元。

核數師

截至二零一一年十二月三十一日止年度之財務報表已經由畢馬威會計師事務所(「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
二零一二年三月二十六日

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") under Appendix 14 to the Listing Rules but also to aim at enhancing corporate governance practices of the Group as a whole.

For the year ended 31 December 2011, 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 of the Company 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 of the Company ("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 2011.

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 項下之企業管治常規守則(「企業管治守則」)所載守則條文，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，於截至二零一一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。本公司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。本公司已向本公司全體董事(「董事」)作出具體查詢，彼等均確認，於截至二零一一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，董事會成員由五名執行董事(包括董事會主席)及三名獨立非執行董事組成。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 2011, Board meetings and general meeting of the Company were held and the composition of the Board and the attendance of the Directors at these meetings are as follows:

全體董事已付出足夠時間及精力處理本集團事務，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產生之責任購買合適及充足之保險。

於截至二零一一年十二月三十一日止年度曾舉行董事會會議及本公司股東大會，董事會的組成及董事出席該等會議的情況如下：

Members 成員		Board Meetings Attended/Eligible to Attend 曾出席／合資格 出席董事會會議	General Meeting Attended/Eligible to Attend 曾出席／合資格 出席股東大會
<i>Executive Directors</i>	執行董事		
Wu Kebo (<i>Chairman</i>)	伍克波 (<i>主席</i>)	10/10	0/0
Wu Keyan (<i>Note 1</i>)	伍克燕 (<i>附註 1</i>)	10/10	0/0
Mao Yimin (<i>Note 2</i>) (appointed on 26 May 2011)	毛義民 (<i>附註 2</i>) (於二零一一年五月二十六日獲委任)	8/8	1/1
Chang Tat Joel (<i>Note 3</i>) (resigned on 26 May 2011)	鄭達祖 (<i>附註 3</i>) (於二零一一年五月二十六日辭任)	2/2	1/1
Li Pei Sen	李培森	10/10	0/0
Tan Boon Pin Simon	陳文彬	10/10	1/1
<i>Independent non-executive Directors</i>	獨立非執行董事		
Leung Man Kit	梁民傑	10/10	1/1
Huang Shao-Hua George	黃少華	9/10	0/0
Wong Sze Wing	黃斯穎	10/10	0/0

Notes:

- Ms. Wu Keyan is the sister of Mr. Wu Kebo.
- Mr. Mao Yimin was appointed as a Director with effect from 26 May 2011, therefore, had not attended any meeting of the Board and general meeting of the Company held prior to that date.
- Mr. Chang Tat Joel resigned as a Director with effect from 26 May 2011, and therefore, had not attended any meeting of the Board held after that date.

附註：

- 伍克燕女士為伍克波先生之胞妹。
- 毛義民先生於二零一一年五月二十六日獲委任為董事，因此並無出席本公司於該日期前舉行之董事會會議及本股東大會。
- 鄭達祖先生於二零一一年五月二十六日辭任董事，因此並無出席該日期後舉行之董事會會議。

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 of the Company 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 2011, the total number of independent non-executive Directors met the minimum number as required under 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) 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 "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，並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。

本公司之公司秘書或公司秘書部員工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。

於截至二零一一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。

董事會已接獲各獨立非執行董事有關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，除本報「董事會報告」內「董事及主要行政人員於股份、相關股份及債權證之權益及淡倉」及「主要股東及其他人士於股份及相關股份之權益及淡倉」各段所列載(i)伍克燕女士為伍克波先生之胞妹；(ii)李培森先生為伍克波先生擁有80%股權的公司橙天嘉禾娛樂(集團)有限公司之聯合董事長外，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 resigned as the chief executive officer ("CEO") of the Company with effect from 1 August 2011 and Mr. Mao Yimin ("Mr. Mao") was appointed by the Board as CEO of the Company with effect from 1 August 2011. Mr. Mao has been focusing on strategic planning and assessment of mergers and acquisitions opportunities for the Company. Following the appointment of Mr. Mao 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 has been fulfilled.

Save for the interests of Mr. Mao as set out in the paragraph headed "Directors' and Chief Executive's interests and short positions in shares, underlying shares or debentures" in the "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 provide independent judgment on the issues relating to the strategy, performance, conflict of interest and management process.

COMPANY SECRETARY

Mr. Yuen Kwok On ("Mr. Yuen") is appointed as the company secretary ("Company Secretary") of the Company on 26 April 2010. The Company Secretary needs to support the Board by ensuring good information flow within the Board and that Board's policy and procedures are followed. The Company Secretary should report to the Board chairman or the chief executive on all related matters.

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。

胡景邵先生於二零一一年八月一日辭任本公司首席執行官（「首席執行官」），而毛義民先生（「毛先生」）於二零一一年八月一日獲董事會委任為本公司首席執行官。毛先生專責策略謀劃及評估本公司的合併與收購機會。毛先生獲委任為本公司首席執行官後，本公司已符合企業管治守則第A.2.1條守則條文有關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」內「董事及主要行政人員於股份、相關股份或債權證之權益及淡倉」一段所列載，毛先生的權益外，本公司主席與首席執行官之間並無任何財務、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。

公司秘書

袁國安先生（「袁先生」）於二零一零年四月二十六日獲委任為本公司之公司秘書（「公司秘書」）。公司秘書須確保董事會成員之間資訊交流良好以及董事會政策及程序得到遵循以支援董事會。公司秘書應向董事會主席或主要行政人員匯報所有相關事宜。

Corporate Governance Report 企業管治報告

REMUNERATION OF DIRECTORS

The Company has established a remuneration committee of the Company (the "Remuneration Committee") on 8 October 2004 and has formulated its written terms of reference in accordance with code provision B.1.3 of the CG Code, which have been uploaded on the website of the Hong Kong Exchanges and Clearing Limited. 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 (who also acts as the chairman of the Remuneration Committee). The principal responsibilities of the Remuneration Committee include making recommendation to the Board on the Company's policy and structure for the remuneration packages of all the Directors and senior management of the Company according to its terms of reference, including benefits in kind, pension rights and compensation payments, including any compensation payable for the loss or termination of their office or appointment. The remuneration of the Directors and senior management of the Company is determined by reference to factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, employment conditions elsewhere in the Group and desirability of performance based remuneration.

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

The Remuneration Committee held two meetings during the year ended 31 December 2011 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. The composition of the Remuneration Committee during the year ended 31 December 2011 and the attendance of the members of the Remuneration Committee to the meetings of the Remuneration Committee are as follows:

Members 成員		Meetings Attended/ Eligible to Attend 曾出席/合資格 出席會議
Wu Kebo	伍克波	2/2
Leung Man Kit	梁民傑	2/2
Wong Sze Wing	黃斯穎	2/2

Details of emoluments of each Director and members of senior management are set out in note 8 to the financial statements on page 93 of this annual report.

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，職權範圍已於香港聯合交易所有限公司網站登載。薪酬委員會現時成員包括一名執行董事伍克波先生以及兩名獨立非執行董事梁民傑先生及擔任薪酬委員會主席之黃斯穎女士。薪酬委員會之主要職責包括根據其職權範圍，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向董事會作出建議，其中包括實物利益、退休金權利及賠償費用(包括就離職或終止職務或委任而應付之任何賠償)。本公司董事及高級管理人員之薪酬乃參照可資比較公司支付之薪金、董事及高級管理人員投入之時間及職責、本集團各地區之僱傭條件及與表現掛鈎薪酬是否適用等因素而釐定。

薪酬委員會須就執行董事之薪酬徵詢董事會主席之意見，如有需要，薪酬委員會成員可就執行董事之薪酬徵求專業意見。

薪酬委員會於截至二零一一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。於截至二零一一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：

董事及高級管理人員各自之酬金詳情，載於本年報第158頁財務報表附註8。

Corporate Governance Report 企業管治報告

NOMINATION OF DIRECTORS

The Company established a nomination committee of the Company (the "Nomination Committee") on 26 March 2012 and has formulated its written terms of reference in accordance with the CG code, which have been uploaded on the website of Hong Kong Exchanges and Clearing Limited. The Nomination Committee currently comprises one executive Director, being Mr. Wu Kebo (who also acts as the chairman of the Nomination Committee) and two independent non-executive Director, being Ms. Wong Sze Wing and Mr. Leung Man Kit. The principal responsibilities of the Nomination Committee include identifying individuals qualified to become board members and selecting or making recommendations to the Board on the selection, appointment or re-appointment of individuals nominated for directorships and the chief executive. The Nomination Committee, in making such selection and recommendation, will take into account factors such as professional qualification, experience, academic background, etc.

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

There was no meeting of the Nomination Committee held during the year ended 31 December 2011.

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 2011, the Board reviewed the qualification and experience requirement of the candidate so as to cope with the Company's development and business expansion.

董事提名

本公司於二零一二年三月二十六日成立本公司之提名委員會(「提名委員會」)，並根據企業管治守則書面訂明其職權範圍，職權範圍已於香港聯合交易所有限公司網站登載。提名委員會現時成員包括一名擔任提名委員會主席之執行董事伍克波先生以及兩名獨立非執行董事黃斯穎女士及梁民傑先生。提名委員會之主要職責包括物色合資格作為董事會成員之人選，並就董事人選作出甄選或向董事會作出建議，另就有關委任或重新委任董事及主要行政人員相關事宜向董事會作出建議。提名委員會將考慮專業資格、經驗、學歷等因素作出該等甄選及建議。

提名委員會須就執行董事之提名徵詢董事會主席之意見，如有需要，提名薪酬委員會成員可就執行董事之提名徵求獨立專業意見。

截至二零一一年十二月三十一日止年度並無舉行提名委員會會議。

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，符合本公司業務需要。截至二零一一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。

Corporate Governance Report 企業管治報告

AUDITORS' REMUNERATION

For the year ended 31 December 2011, the fees paid/payable to the Group's auditors, Messrs. KPMG, are set out as follows:

Services Rendered 所提供服務		Fee Paid/Payable 已付/應付費用 HK\$'000 千港元
Audit Services	審核服務	3,000
Non-audit services	非審核服務	1,251

核數師酬金

截至二零一一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：

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, which have been uploaded on the website of the Hong Kong Exchanges and Clearing Limited. As at 31 December 2011, the Audit Committee's members comprised three independent non-executive Directors, being Mr. Leung Man Kit (who also acts as the chairman of the Audit Committee), Mr. Huang Shao-Hua George and Ms. Wong Sze Wing.

During the year ended 31 December 2011, two Audit Committee meetings were held and the individual attendance of the members of the Audit Committee is set out as follows:

審核委員會及問責

董事會有責任以持續經營之基準編製財務報表，以真確及公正反映本集團財政狀況。其亦有責任對本集團之年報/中期報告、股價敏感資料公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，職權範圍已於香港交易及結算所有限公司網站登載。於二零一一年十二月三十一日，審核委員會成員包括三名獨立非執行董事，即擔任審核委員會主席之梁民傑先生、黃少華先生及黃斯穎女士。

截至二零一一年十二月三十一日止年度曾舉行兩次審核委員會會議，審核委員會個別成員之出席情況如下：

Members 成員		Meetings Attended/ Eligible to Attend 曾出席/合資格 出席會議
Leung Man Kit (Chairman)	梁民傑(主席)	2/2
Huang Shao-Hua George	黃少華	2/2
Wong Sze Wing	黃斯穎	2/2

Corporate Governance Report 企業管治報告

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 recommendations 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.

During the year ended 31 December 2011, 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.

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.

RESPONSIBILITIES TO FINANCIAL STATEMENTS

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

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

審核委員會之主要職務包括監督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。

截至二零一一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，並向董事會作出建議。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。

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，而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。

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，並真實公平呈報本公司之財務狀況。

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

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 2011, 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 to the Listing Rules.

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。董事會於截至二零一一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，包括涉及財務、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。

Corporate Governance Report 企業管治報告

SHAREHOLDER RELATIONS

The Company has adopted a policy of disclosing clear and relevant information to the shareholders of the Company in a 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 is carried out by the Board from time to time so as to ensure that the Company has 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 are explained by the chairman of the meeting to the shareholders of the Company and the votes cast are properly counted and recorded by the scrutineer appointed by the Company. Poll results of the general meeting are posted on the website of the Company and the Stock Exchange on the day of the general meeting.

During the year ended 31 December 2011, there is no material change in the Company's memorandum and Bye-laws. The updated and consolidated version of the Company's memorandum and Bye-laws are available on the Company's website (<http://www.osgh.com.hk>) and the Stock Exchange's website.

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規定要求進行投票表決之程序)及其他相關資料詳情之通函，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。

截至二零一一年十二月三十一日止年度，本公司組織章程大綱及公司細則並無重大變動。本公司組織章程大綱及公司細則之更新及整合版本現載於本公司網站(<http://www.osgh.com.hk>)及聯交所網站。

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 63 to 127, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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)有限公司股東
(於百慕達註冊成立的有限公司)

本核數師(以下簡稱「我們」)已審計列載於第128頁至192頁橙天嘉禾娛樂(集團)有限公司(以下簡稱「貴公司」)及其附屬公司(以下統稱「貴集團」)的綜合財務報表，此綜合財務報表包括於二零一一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附註解釋資料。

董事就綜合財務報表須承擔的責任

貴公司的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》的披露要求編製綜合財務報表，以令綜合財務報表作出真實而公平的反映及落實其認為編製綜合財務報表所必要的內部控制，以使綜合財務報表不存在由於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計對該等綜合財務報表作出意見。我們是按照百慕達一九八一年《公司法》第90條的規定，僅向整體股東報告。除此以外，我們的報告不可用作其他用途。我們概不就本報告的內容，對任何其他人士負責或承擔法律責任。

我們已根據香港會計師公會頒佈的《香港審計準則》進行審計。該等準則要求我們遵守道德規範，並規劃及執行審計，以合理確定綜合財務報表是否不存在任何重大錯誤陳述。

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 2011 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

26 March 2012

審計涉及執程序以獲取有關綜合財務報表所載金額及披露資料的審計憑證。所選定的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綜合財務報表以作出真實而公平的反映相關的內部控制，以設計適當的審計程序，但目的並非對公司內部控制的有效性發表意見。審計亦包括評價董事所採用會計政策的合適性及所作出會計估計的合理性，以及評價綜合財務報表的整體列報方式。

我們相信，我們所獲得的審計憑證能充足和適當地為我們的審計意見提供基礎。

意見

我們認為，該等綜合財務報表已根據《香港財務報告準則》真實而公平地反映 貴公司及 貴集團於二零一一年十二月三十一日的事務狀況及 貴集團截至該日止年度的利潤及現金流量，並已按照香港《公司條例》的披露要求妥為編製。

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

二零一二年三月二十六日

Consolidated Income Statement

for the year ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Turnover	3 & 4	1,369,562	1,077,533
Cost of sales		(576,287)	(449,345)
Gross profit		793,275	628,188
Other revenue	5(a)	26,137	15,538
Other net income	5(b)	58,936	48,776
Selling and distribution costs		(612,002)	(474,383)
General and administrative expenses		(103,162)	(101,838)
Other operating expenses		(26,624)	(16,386)
Profit from operations		136,560	99,895
Finance costs	6(a)	(19,126)	(4,997)
Profit before taxation	6	117,434	94,898
Income tax	7(a)	(22,563)	(22,511)
Profit for the year		94,871	72,387
Attributable to:			
Equity holders of the Company		95,943	70,823
Non-controlling interests		(1,072)	1,564
Profit for the year		94,871	72,387
Earnings per share	11		
Basic		3.64 cents	2.84 cents
Diluted		3.63 cents	2.78 cents

The notes on pages 71 to 127 form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Profit for the year		94,871	72,387
Other comprehensive income for the year:			
Exchange differences on translation of financial statements of:			
Overseas subsidiaries		14,703	6,715
Overseas jointly controlled entities		(7,544)	22,913
		7,159	29,628
Realisation of exchange reserve on disposal of an overseas subsidiary		—	(1,062)
Available-for-sale equity securities:			
Deficit on revaluation		(20,526)	(13,727)
Impairment losses recognised	15	20,526	13,727
Net movement in the fair value reserve		—	—
Total comprehensive income for the year		102,030	100,953
Total comprehensive income attributable to:			
Equity holders of the Company		102,857	98,894
Non-controlling interests		(827)	2,059
Total comprehensive income for the year		102,030	100,953

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

The notes on pages 71 to 127 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Non-current assets			
Fixed assets	12	1,206,446	681,465
Available-for-sale equity securities	15	149	246,083
Prepaid rental		28,472	30,435
Club memberships		2,490	2,490
Rental and other deposits		106,631	63,809
Trademark	16	79,785	79,785
Goodwill	17	73,658	73,658
Deferred tax assets	25(b)	7,335	3,095
Pledged bank deposits	21	48,010	29,476
		1,552,976	1,210,296
Current assets			
Inventories	18	6,137	3,480
Available-for-sale equity security	15	20,000	—
Film rights	19	68,640	85,870
Trade receivables	20(a)	84,226	32,996
Other receivables, deposits and prepayments	20(b)	133,043	86,016
Amounts due from jointly controlled entities	14(a)	200	1,273
Deposits and cash	21	705,664	457,677
Derivative financial asset	15(a)	—	246
		1,017,910	667,558
Current liabilities			
Bank loans	22	127,252	21,363
Trade payables	23(a)	120,205	86,264
Other payables and accrued charges	23(b)	205,920	148,627
Deferred revenue	23(c)	153,199	96,911
Taxation payable	25(a)	29,778	34,884
		636,354	388,049
Net current assets		381,556	279,509
Total assets less current liabilities		1,934,532	1,489,805

Consolidated Statement of Financial Position

at 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Non-current liabilities			
Bank loans	22	376,345	82,400
Convertible notes	24	—	6,662
Deposits received		9,891	5,318
Deferred tax liabilities	25(b)	24,713	19,623
		410,949	114,003
NET ASSETS			
		1,523,583	1,375,802
CAPITAL AND RESERVES			
	26		
Share capital		268,419	254,374
Reserves		1,245,425	1,109,874
Total equity attributable to equity holders of the Company		1,513,844	1,364,248
Non-controlling interests		9,739	11,554
TOTAL EQUITY		1,523,583	1,375,802

Approved and authorised for issue by the Board of Directors on 26 March 2012

Wu Kebo
Director

Mao Yimin
Director

The notes on pages 71 to 127 form part of these financial statements.

Statement of Financial Position

at 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Non-current asset			
Interests in subsidiaries	13	1,447,497	1,192,993
Current assets			
Amount due from a subsidiary	13	1,560	1,560
Prepayments		448	439
Deposits and cash	21	2,056	258
		4,064	2,257
Current liabilities			
Payables and accrued charges		604	435
Net current assets			
		3,460	1,822
Total assets less current liabilities			
		1,450,957	1,194,815
Non-current liability			
Convertible notes	24	—	6,662
NET ASSETS			
		1,450,957	1,188,153
CAPITAL AND RESERVES			
	26		
Share capital		268,419	254,374
Reserves		1,182,538	933,779
TOTAL EQUITY			
		1,450,957	1,188,153

Approved and authorised for issue by the Board of Directors on 26 March 2012

Wu Kebo
Director

Mao Yimin
Director

The notes on pages 71 to 127 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

Note	Equity											Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Equity component of convertible notes HK\$'000	Reserve funds HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2011	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
Profit for the year	—	—	—	—	—	—	—	—	95,943	95,943	(1,072)	94,871
Other comprehensive income	—	—	—	—	—	—	—	6,914	—	6,914	245	7,159
Total comprehensive income	—	—	—	—	—	—	—	6,914	95,943	102,857	(827)	102,030
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(988)	(988)
Transfer to retained profits on lapse of share options	26(a)(iii)	—	(380)	—	—	—	—	—	380	—	—	—
Lapse of non-vesting share options	26(a)(iii)	—	(2,384)	—	—	—	—	—	—	(2,384)	—	(2,384)
Equity-settled share-based transactions	26(a)(iii)	—	—	3,183	—	—	—	—	—	3,183	—	3,183
Issuance of convertible note	24	—	—	—	—	8,120	—	—	—	8,120	—	8,120
Conversion of convertible notes	26(a)(i)	16,019	38,792	—	—	(10,994)	—	—	—	43,817	—	43,817
Shares repurchased	26(a)(iv)	(1,974)	(4,023)	—	1,974	—	—	—	(1,974)	(5,997)	—	(5,997)
Transfer to/(from) reserves	—	—	—	—	—	—	5,976	—	(5,976)	—	—	—
At 31 December 2011	268,419	665,625	5,934	8,396	80,000	—	13,430	38,744	433,296	1,513,844	9,739	1,523,583

Note	Equity											Total equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Equity component of convertible note HK\$'000	Revaluation reserve HK\$'000	Reserve funds HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		Non-controlling interests 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
Profit for the year	—	—	—	—	—	—	—	—	—	70,823	70,823	1,564	72,387
Other comprehensive income	—	—	—	—	—	—	—	—	28,071	—	28,071	495	28,566
Total comprehensive income	—	—	—	—	—	—	—	—	28,071	70,823	98,894	2,059	100,953
Dividends 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	26(a)(iii)	400	1,745	(465)	—	—	—	—	—	1,680	—	—	1,680
Transfer to retained profits on lapse of share options	26(a)(iii)	—	—	(267)	—	—	—	—	—	267	—	—	—
Equity-settled share-based transactions	26(a)(iii)	—	—	3,773	—	—	—	—	—	—	3,773	—	3,773
Placing of shares	26(a)(ii)	34,000	279,827	—	—	—	—	—	—	—	313,827	—	313,827
Transfer to/(from) reserves	—	—	—	—	—	—	(4,024)	4,837	—	(813)	—	—	—
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

The notes on pages 71 to 127 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Operating activities			
Profit before taxation		117,434	94,898
Adjustments for:			
Interest income	5(a)	(3,650)	(2,733)
Finance costs	6(a)	19,126	4,997
Depreciation of fixed assets	12	96,798	68,188
Loss on disposals of property, plant and equipment	6(c)	3,749	2,789
Gain on disposals of subsidiaries	6(c)	—	(11,317)
Gain on disposals of available-for-sale equity securities	5(b)	(28,484)	—
Fair value loss/(gain) on a financial derivative instrument	15(a)	246	(8,496)
Impairment losses on available-for-sale equity securities	15	20,526	13,727
Impairment losses on film rights	19	—	4,056
Equity-settled share-based payment expenses		799	3,773
Exchange gain, net		(5,110)	(789)
Operating profit before changes in working capital		221,434	169,093
Increase in inventories		(2,641)	(878)
Decrease/(increase) in film rights		18,364	(13,971)
(Increase)/decrease in trade receivables		(50,991)	2,525
(Increase)/decrease in other receivables, deposits and prepayments		(44,272)	613
Increase/(decrease) in trade payables		33,539	(13,525)
Increase in other payables and accrued charges		100,282	27,742
Increase in deferred revenue		56,032	23,775
Decrease in prepaid rental		1,819	1,109
Increase in rental and other deposits		(44,140)	(7,432)
Cash generated from operations		289,426	189,051
Interest received		3,361	3,051
Finance costs paid		(18,257)	(4,527)
Overseas tax paid		(27,122)	(15,125)
Overseas tax refunded		—	4,581
Net cash generated from operating activities		247,408	177,031

Consolidated Statement of Cash Flows

for the year ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Investing activities			
Payment for the purchase of property, plant and equipment	12	(613,289)	(307,606)
Payment for trademark		—	(364)
Payment for purchase of:			
— available-for-sale equity securities		—	(256,828)
— convertible note		—	(1,719)
Proceeds from entering option agreement	15(a)	—	8,250
Proceeds from disposals of property, plant and equipment		124	347
Proceeds from disposals of available-for-sale equity securities		233,885	—
Net cash inflow from disposals of subsidiaries		—	18,618
Acquisition of subsidiaries		—	(36,960)
Advance from/(payment to) jointly controlled entities		1,008	(4,947)
Repayment from joint venture partners		—	5,357
Increase in deposits received		4,770	431
(Increase)/decrease in pledged bank deposits		(19,089)	987
Net cash used in investing activities		(392,591)	(574,434)
Financing activities			
Advance of new bank loans		449,762	38,909
Repayment of bank loans		(51,382)	(29,297)
Proceeds from placing of shares	26(a)(ii)	—	313,827
Proceeds from issue of ordinary shares under share option scheme		—	1,680
Payment for shares repurchased	26(a)(iv)	(5,997)	—
Dividends paid to non-controlling interests		(988)	(878)
Net cash generated from financing activities		391,395	324,241
Net increase/(decrease) in cash and cash equivalents		246,212	(73,162)
Cash and cash equivalents at 1 January		457,677	517,803
Effect of foreign exchange rate changes		1,775	13,036
Cash and cash equivalents at 31 December	21	705,664	457,677

Major non-cash transaction

On 3 June 2011, the convertible notes of HK\$54,144,000 (equivalent to RMB48,000,000) were converted into the Company's ordinary shares, creating a total of 160,189,348 new ordinary shares at a conversion price of HK\$0.338 per share. Details are set out in note 24 to the financial statements.

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

The notes on pages 71 to 127 form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2011

1 CORPORATE INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of the 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 33(a) to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(ii) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation 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 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)
- HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*
- Amendments to HK(IFRIC) 14, HKAS 19 — *The limit on a defined benefit asset, minimum funding requirements and their interaction — Prepayments of a minimum funding requirement*

The amendments to HK(IFRIC) 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction.

The impacts of other developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in note 27 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

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.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 32).

Notes to the Financial Statements

for the year ended 31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 2011. 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 values as explained in the accounting policies set out below:
 - financial instruments classified as available-for-sale (see note 2(g)); and
 - derivative financial instruments (see note 2(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 major sources of estimation uncertainty are discussed in note 31.

(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 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 holders 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 holders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(r), (s) or (t) depending on the nature of the liability.

Notes to the Financial Statements

for the year ended 31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and non-controlling interests (continued)

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 as 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 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (note 2(m)).

(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:

- (i) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company (note 2(c));
- (ii) 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 2(e));
- (iii) 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; or
- (iv) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

(e) Jointly controlled entities

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

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the proportionate consolidation method. 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.

Notes to the Financial Statements

for the year ended 31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Jointly controlled entities (continued)

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 2(g)) or, when appropriate, the cost on initial recognition of an investment in an 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.

Unrealised profits and losses resulting from transactions between the Group and its 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 interest 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 2(m)).

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.

(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 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 2(m)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(z)(viii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(z)(vii). When these investments are derecognised or impaired in note 2(m), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the group commits to purchase/sell the investments or they expire.

Notes to the Financial Statements

for the year ended 31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Property, plant and equipment

The following items of property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses (note 2(m)):

- buildings held for own use which are situated on leasehold land, classified as held under operating leases (note 2(l)); 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 repair 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.

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.

(j) Club memberships

Club memberships are stated in the statement of financial position at cost less impairment losses (note 2(m)). Cost includes fees and expenses directly related to the acquisition of the club memberships.

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

Notes to the Financial Statements

for the year ended 31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Trademark

Trademark is stated in the statement of financial position at cost less impairment losses (note 2(m)). 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.

(l) Leased assets

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

(i) Classification of assets leased to the Group

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

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

(ii) 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.

(m) 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 2011

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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 and jointly controlled entities (including those recognised using the equity method (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(m)(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 2(m)(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 these financial assets 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 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 2011

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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;
- trademark;
- 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 2011

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (notes 2(m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(n) 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 period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the 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 period in which the reversal occurs.

(o) 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 2(m)).

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 2(m)). 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 2(m)). 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 2(m)).

Notes to the Financial Statements

for the year ended 31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (note 2(m)) 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 2(m)).

(q) 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.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(y)(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.

(s) 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.

(t) 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.

Notes to the Financial Statements

for the year ended 31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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.

(v) 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.

(w) 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. 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).

Notes to the Financial Statements

for the year ended 31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee benefits (continued)

(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 the 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 the 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 the reporting period.

(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.

(x) 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 the reporting period, and any adjustment to tax payable in respect of previous years.

Notes to the Financial Statements

for the year ended 31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Income tax (continued)

- (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 the 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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

- (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 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.

Notes to the Financial Statements

for the year ended 31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) 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 2(y)(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.

(z) 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, 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;

Notes to the Financial Statements

for the year ended 31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Revenue recognition (continued)

- (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.

(aa) 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 the 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.

(bb) 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.

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2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(cc) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(dd) 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 distribute 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.

3 TURNOVER

Turnover represents the income from the sale of film, video and television rights, film and TV drama distribution, theatre operation, promotion and advertising fee income, agency and 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 revenue. Details of concentrations of credit risk arising from customers are set out in note 27(a).

Notes to the Financial Statements

for the year ended 31 December 2011

4 SEGMENT REPORTING

The Group manages its businesses by geography. 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 segments 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 locations 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. Intra-segment pricing is generally determined at arm's length basis.

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4 SEGMENT REPORTING (CONTINUED)

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

	Hong Kong		Mainland China		Taiwan		Singapore		Consolidated	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Segment revenue										
Revenue from external customers										
Exhibition	201,300	216,428	328,309	187,283	369,114	288,901	349,765	298,249	1,248,488	990,861
Distribution and production	57,681	56,378	87,307	54,200	4,057	8,731	12,848	8,608	161,893	127,917
Corporate	2,127	2,236	—	—	—	—	—	—	2,127	2,236
Reportable segment revenue	261,108	275,042	415,616	241,483	373,171	297,632	362,613	306,857	1,412,508	1,121,014
Reportable segment profit/(loss)	14,000	(5,067)	27,832	34,586	36,601	25,076	50,247	36,603	128,680	91,198
Reconciliation — Revenue										
Reportable segment revenue									1,412,508	1,121,014
Elimination of intra-segmental revenue									(13,990)	(21,151)
Others									(28,956)	(22,330)
									1,369,562	1,077,533
Reconciliation — profit before taxation										
Reportable profit from external customers									128,680	91,198
Unallocated operating expenses, net									(32,737)	(20,375)
Non-controlling interests									(1,072)	1,564
Income tax									22,563	22,511
Profit before taxation									117,434	94,898

Notes to the Financial Statements

for the year ended 31 December 2011

5 OTHER REVENUE AND OTHER NET INCOME

(a) Other revenue

	2011 HK\$'000	2010 HK\$'000
Interest income from bank deposits	3,650	2,733
Income from grant of cinema management and operational rights, net (note 30(v))	7,031	—
Miscellaneous income	15,456	12,805
	26,137	15,538

(b) Other net income

	2011 HK\$'000	2010 HK\$'000
Gain on settlements of claims, net (note (i))	763	26,761
Gain on disposals of subsidiaries	—	11,317
Gain on disposals of available-for-sale equity securities, net (note 15)	28,484	—
Compensation income from a contractor on delay in construction progress (note (ii))	15,021	—
Exchange gain, net	14,668	10,698
	58,936	48,776

Notes:

- (i) Included in the other net income for the year ended 31 December 2010 was the amount of HK\$26,761,000 in respect of the settlement sum received by the Group in respect of claim for damages against and provision of consultancy service to a landlord in Mainland China.
- (ii) During the year ended 31 December 2011, the Group reached agreement with a contractor in respect of compensation on delay in construction progress on opening and punitive damages in nature of cinemas in Mainland China. Apart from reimbursement of expenses of HK\$46,030,000 received by the Group, an amount of RMB12,518,000 (equivalent to approximately HK\$15,021,000) of punitive damages in nature was recorded as other net income for the year ended 31 December 2011.

Notes to the Financial Statements

for the year ended 31 December 2011

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2011 HK\$'000	2010 HK\$'000
(a) Finance costs		
Interest on bank loans wholly repayable		
— within five years	9,567	3,494
— after five years	7,577	991
	17,144	4,485
Interest on convertible notes (note 24)	155	512
Other ancillary borrowing costs	1,827	—
	19,126	4,997
(b) Staff costs (excluding directors' emoluments (note 8))		
Salaries, wages and other benefits (note (i))	172,920	133,507
Contributions to defined contribution retirement plans	6,307	5,738
Equity-settled share-based payments	(1,071)	859
	178,156	140,104
(c) Other items		
Cost of inventories	40,606	30,637
Cost of services provided	474,014	385,655
Depreciation of fixed assets	96,798	68,188
Amortisation of film rights (note (ii))	61,667	33,053
Auditors' remuneration	4,369	2,800
Operating lease charges in respect of land and buildings		
— minimum lease payments	176,902	157,772
— contingent rentals	38,329	28,186
Impairment losses		
— available-for-sale equity securities (note 15, note (iii))	20,526	13,727
— film rights (note 19)	—	4,056
Fair value loss/(gain) on a financial derivative instrument (note 15(a), note (iii))	246	(8,496)
Loss on disposals of property, plant and equipment	3,749	2,789
Gain on disposals of subsidiaries	—	(11,317)
Gain on disposals of available-for-sale equity securities, net (note 15)	(28,484)	—
Rental income less direct outgoings	(16,861)	(13,528)
Dividend income from a listed investment	(330)	—

Notes:

- (i) The amount includes provision for long service payments.
- (ii) The amortisation of film rights for the year is included in "Cost of sales" of the consolidated income statement.
- (iii) The impairment losses on available-for-sale equity securities and fair value loss/gain on financial derivative instrument had been included in "Other operating expenses" of the consolidated income statement.

Notes to the Financial Statements

for the year ended 31 December 2011

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2011 HK\$'000	2010 HK\$'000
<i>The Group</i>		
Current income tax		
Provision for overseas tax	5,978	8,594
Over-provision in respect of prior years	(251)	(932)
	5,727	7,662
Deferred tax — overseas (note 25(b))		
Origination and reversal of temporary differences	(171)	1,456
	5,556	9,118
<i>Jointly controlled entities</i>		
Current income tax		
Provision for overseas tax	16,428	16,412
Over-provision in respect of prior years	(707)	(3,584)
	15,721	12,828
Deferred tax — overseas (note 25(b))		
Origination of temporary differences	1,286	565
	17,007	13,393
	22,563	22,511

Notes to the Financial Statements

for the year ended 31 December 2011

7 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 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year.
- (ii) The provision for the PRC Corporate Income Tax of the subsidiaries established in the PRC is calculated at 25% (2010: 25%) of the estimated taxable profits for the year.

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

- (iii) Taxation for overseas subsidiaries and jointly controlled entities is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.
- (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 2011, the Group has not provided for income taxes on accumulated earnings generated by its Mainland China subsidiaries for the year ended 31 December 2010 and year ended 31 December 2011 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 2011, the Group has provided HK\$3,818,000 (2010: HK\$4,184,000) 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:

	2011 HK\$'000	2010 HK\$'000
Profit before taxation	117,434	94,898
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	21,309	16,211
Tax effect of non-deductible expenses	10,886	10,652
Tax effect of non-taxable income	(10,827)	(8,309)
Tax effect of unused tax losses not recognised	8,859	7,864
Tax effect of previously unrecognised prior years' tax losses utilised this year	(10,385)	(3,966)
Tax effect of temporary differences unrecognised, net	(139)	680
Effect on deferred tax balance resulting from a change in tax rate	—	(289)
Provision for Taiwan withholding tax for the year	3,818	4,184
Over-provision in prior years	(958)	(4,516)
Actual tax expense	22,563	22,511

Notes to the Financial Statements

for the year ended 31 December 2011

8 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 v)	2011 Total HK\$'000	2010 Total HK\$'000
Executive directors						
WU, Kebo	—	1,154	—	2,450	3,604	3,319
LI, Pei Sen (Note i)	—	244	—	—	244	233
TAN, Boon Pin Simon (Note i)	—	834	—	—	834	369
WU, Keyan	—	558	12	—	570	548
MAO, Yimin (Note ii)	—	1,415	8	—	1,423	—
CHANG, Tat Joel (Note i & iii)	—	—	—	(580)	(580)	464
CHEN, Xiaowei (Note i & iv)	—	—	—	—	—	70
CHOW, Sau Fong Fiona (Note iv)	—	—	—	—	—	955
Independent non-executive directors						
LEUNG, Man Kit	340	—	—	—	340	323
HUANG, Shao-Hua George	210	—	—	—	210	230
WONG, Sze Wing (Note i)	220	—	—	—	220	166
TACHIKAWA, Masahito (Note iv)	—	—	—	—	—	63
	770	4,205	20	1,870	6,865	6,740

Notes:

- (i) 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 an executive director with effect from 26 April 2010.
- (ii) The director appointed during the year ended 31 December 2011. The amount for the year represents the remuneration of the director from the date of appointment.
- (iii) The director resigned during the year ended 31 December 2011. The amount for the year represents the remuneration of the director up to the date of resignation.
- (iv) The directors resigned during the year ended 31 December 2010. The amounts for the year ended 31 December 2010 represented the remuneration of the directors up to the date of resignation.
- (v) These represent the estimated value of share options granted to the directors under the Group's share option schemes. The value of these share options is measured according to the Group's accounting policies for equity-settled share-based payment transactions as set out in note 2(w)(ii) to the financial statements.

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

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 26(a)(iii) to the financial statements.

Notes to the Financial Statements

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9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, two (2010: one) are directors whose emoluments are disclosed in note 8 to the financial statements. The aggregate of the emoluments in respect of the other three (2010: four) are as follows:

	2011 HK\$'000	2010 HK\$'000
Salaries and other emoluments	3,511	4,954
Retirement scheme contributions	36	36
	3,547	4,990

The emoluments of the three (2010: four) individuals with the highest emoluments are within the following bands:

	2011 Number of individuals	2010 Number of individuals
HK\$Nil — HK\$1,499,999	3	3
HK\$1,500,000 — HK\$2,000,000	—	1

10 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company includes a profit of HK\$216,065,000 (2010: loss of HK\$2,544,000) which has been dealt with in the financial statements of the Company.

11 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 of HK\$95,943,000 (2010: HK\$70,823,000) and the weighted average number of ordinary shares of 2,634,942,987 (2010: 2,492,008,598) shares, in issue during the year, calculated as follows:

Weighted average number of ordinary shares (basic and diluted)

	2011	2010
Issued ordinary shares at 1 January	2,543,739,900	2,199,739,900
Effect of convertible notes converted	93,041,484	—
Effect of new shares placed	—	289,698,630
Effect of share options exercised	—	2,570,068
Effect of shares repurchased	(1,838,397)	—
Weighted average number of ordinary shares (basic) at 31 December	2,634,942,987	2,492,008,598
Effect of conversion of convertible notes	14,848,601	26,698,224
Effect of deemed issue of shares under the Company's share option scheme	16,937	43,514,212
Weighted average number of ordinary shares (diluted) at 31 December	2,649,808,525	2,562,221,034

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11 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of HK\$96,098,000 (2010: HK\$71,335,000) and the weighted average number of ordinary shares of 2,649,808,525 (2010: 2,562,221,034) shares, calculated as follows:

Profit attributable to equity holders of the Company (diluted)

	2011 HK\$'000	2010 HK\$'000
Profit attributable to equity holders	95,943	70,823
After tax effect of effective interest on the liability component of convertible notes	155	512
Profit attributable to equity holders (diluted)	96,098	71,335

The weighted average number of ordinary shares (diluted) at 31 December 2011 and 2010 are set out in note 11(a) to the financial statements.

12 FIXED ASSETS

The Group

	Property, plant and equipment							Total HK\$'000
	Leasehold land HK\$'000	Buildings 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 2011	70,272	72,812	433,271	261,656	45,181	4,062	187,790	1,075,044
Additions	—	—	133,785	148,864	7,155	—	323,485	613,289
Disposals	—	—	(6,974)	(28,915)	(5,881)	—	—	(41,770)
Transfers	—	18,833	155,141	46,731	4,447	—	(225,152)	—
Exchange adjustments	—	—	1,692	1,120	231	161	9,624	12,828
At 31 December 2011	70,272	91,645	716,915	429,456	51,133	4,223	295,747	1,659,391
Representing:								
Cost	70,272	91,645	716,915	429,456	51,133	4,223	295,747	1,659,391
Accumulated depreciation and amortisation:								
At 1 January 2011	2,810	30,785	202,992	131,555	23,682	1,755	—	393,579
Charge for the year	868	2,836	50,609	35,775	6,066	644	—	96,798
Written back on disposals	—	—	(5,800)	(26,680)	(5,417)	—	—	(37,897)
Exchange adjustments	(29)	(42)	(458)	816	66	112	—	465
At 31 December 2011	3,649	33,579	247,343	141,466	24,397	2,511	—	452,945
Net book value:								
At 31 December 2011	66,623	58,066	469,572	287,990	26,736	1,712	295,747	1,206,446

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12 FIXED ASSETS (CONTINUED)

The Group (continued)

	Property, plant and equipment							Total HK\$'000
	Leasehold land HK\$'000	Buildings 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	64,678	66,745	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	5,864	6,067	21,804	13,305	2,043	83	(99)	49,067
At 31 December 2010	70,272	72,812	433,271	261,656	45,181	4,062	187,790	1,075,044
Representing:								
Cost	70,272	72,812	433,271	261,656	45,181	4,062	187,790	1,075,044
Accumulated depreciation and amortisation:								
At 1 January 2010	1,814	26,522	159,348	107,552	18,840	1,081	—	315,157
Charge for the year	792	1,746	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	212	2,517	10,760	7,694	1,079	67	—	22,329
At 31 December 2010	2,810	30,785	202,992	131,555	23,682	1,755	—	393,579
Net book value:								
At 31 December 2010	67,462	42,027	230,279	130,101	21,499	2,307	187,790	681,465

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12 FIXED ASSETS (CONTINUED)

The Group (continued)

(i) Analysis of carrying values of fixed assets:

	2011		2010	
	Leasehold land HK\$'000	Buildings HK\$'000	Leasehold land HK\$'000	Buildings HK\$'000
Outside Hong Kong				
— long-term leases	66,623	40,175	67,462	42,027
— medium-term leases	—	17,891	—	—
	66,623	58,066	67,462	42,027

(ii) At 31 December 2011, certain land and buildings which are situated in Singapore with carrying values of HK\$100,722,000 (2010: HK\$103,815,000) were pledged as security to bank for a bank loan and banking facilities granted to the Group (note 22).

13 INTERESTS IN SUBSIDIARIES

	The Company	
	2011 HK\$'000	2010 HK\$'000
Unlisted shares, at cost	167,654	167,654
Capital contribution in respect of equity-settled share-based payments	9,907	9,108
Amounts due from subsidiaries	1,493,408	1,423,144
	1,670,969	1,599,906
Less: Impairment losses	(221,912)	(405,353)
	1,449,057	1,194,553

	2011	2010
	HK\$'000	HK\$'000
Included in		
— Non-current	1,447,497	1,192,993
— Current	1,560	1,560
	1,449,057	1,194,553

Details of principal subsidiaries of the Group are set out in note 33(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 (2010: HK\$1,560,000) which is expected to be settled within one year and included under current assets.

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

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14 AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

(a) Amounts due from jointly controlled entities

Amounts due from jointly controlled entities of HK\$200,000 at 31 December 2011 (2010: HK\$1,273,000) 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) Details of the jointly controlled entities of the Group are set out in note 33(b) to the financial statements.

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

	2011 HK\$'000	2010 HK\$'000
Non-current assets	431,605	365,992
Current assets	134,123	152,180
Non-current liabilities	(26,602)	(70,257)
Current liabilities	(237,231)	(164,948)
Net assets	301,895	282,967
Income	727,873	583,657
Expenses	(639,332)	(517,190)
Total comprehensive income for the year	88,541	66,467

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

	Note	The Group 2011 HK\$'000	2010 HK\$'000
Available-for-sale equity securities:			
— Listed investment in Hong Kong, at fair value		20,000	41,470
— Listed investment in Australia, at fair value		149	1,482
— Unlisted investments, at cost		—	203,131
		20,149	246,083
Market value of listed investments		20,149	42,952
<i>Representing:</i>			
Non-current		149	246,083
Current		20,000	—
		20,149	246,083
Derivative financial asset	15(a)	—	246

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15 AVAILABLE-FOR-SALE EQUITY SECURITIES AND DERIVATIVE FINANCIAL ASSET *(CONTINUED)*

(a) Listed investments and derivative financial asset

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.

During the year ended 31 December 2011, the Group recorded a net loss of HK\$875,000 on disposal of 1,000,000 shares of Overseas Chinese.

At 31 December 2011, the Group held 10,000,000 (2010: 11,000,000) shares in Overseas Chinese, the fair value of which amounted to HK\$20,000,000 (2010: HK\$41,470,000).

As at 31 December 2011, the Group's investments in listed available-for-sale equity securities were individually determined to be impaired on the basis of a significant and prolonged decline in the fair value below cost. The Group recognised impairment losses of HK\$19,026,000 (2010: HK\$13,727,000) to the consolidated income statement in accordance with the policy set out in note 2(m)(i) to the financial statements for the year ended 31 December 2011.

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 15 to the financial statements. 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 expiry dates ("Profit-sharing Option"). The Group received HK\$8,250,000 from the Counterparty as the consideration for entering into the Option Agreement.

At inception, the fair value of the Option Agreement was HK\$1,608,000 estimated by Vigers Appraisal & Consulting Ltd. ("Vigers Appraisal"), a firm of independent professional qualified valuers, based on a valuation technique in which the variables included data from other than observable markets. In accordance with HKAS 39, *Financial instruments: Recognition and measurement*, the Group deferred the recognition of the initial gain of HK\$6,642,000 (the "Day One Gain") during the year ended 31 December 2010 and recognised the Option Agreement initially as a single derivative instrument and recorded the transaction price of entering into the Option Agreement as a derivative financial liability.

In August 2011, pursuant to the terms of the Option Agreement, the Group notified the Counterparty of its intention to exercise the Put Option on the Overseas Chinese Shares at the fixed price per share (the "Notice"). However, the Counterparty requested the Group to withdraw the Notice and to discuss alternative means of settlement. The Counterparty failed to comply with its obligations under the Option Agreement.

On 14 December 2011, the Group entered into an agreement with another independent third party who has been transferred with the Option Agreement and appointed as agent (the "Agent") for sale of the Overseas Chinese Shares within the next two years. The Agent shares a portion of the gain upon disposal in excess of a fixed price per share. Accordingly the Option Agreement has been derecognised and the available-for-sale equity security of HK\$20,000,000 has been reclassified from non-current assets to current assets at 31 December 2011.

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for the year ended 31 December 2011

15 AVAILABLE-FOR-SALE EQUITY SECURITIES AND DERIVATIVE FINANCIAL ASSET (CONTINUED)

(a) Listed investments and derivative financial asset (continued)

A reconciliation of the carrying amount of the Option Agreement during the year, separately showing the amounts of recognised and unrecognised gains and losses, is set out below:

	Fair value of Option Agreement as estimated by valuation technique — asset/ (liability) HK\$'000	Unrecognised Day One Gain HK\$'000	Carrying amount of Option Agreement — asset/ (liability) HK\$'000
Proceeds received at inception	(1,608)	(6,642)	(8,250)
Change in fair value recognised in profit or loss during the year	8,496	—	8,496
At 31 December 2010	6,888	(6,642)	246
Change in fair value recognised in profit or loss during the year and derecognition of the Option Agreement	(6,888)	6,642	(246)
At 31 December 2011	—	—	—

(b) Unlisted investments

At 31 December 2010, an investment in an unlisted company with the carrying value of HK\$201,631,000 constituted more than 10% of the Group's total assets included in the available-for-sale equity securities. 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%

On 26 August 2011, the Group entered into a settlement agreement, among the other things, to dispose all of its equity interests in Legendary, to terminate a non-binding Memorandum of Understanding dated 23 September 2010 entered into between the Company and Legendary and to discharge the claims and obligations of the Group and Legendary at a total consideration of US\$30,000,000 (equivalent to approximately HK\$233,901,000) (the "Settlement"). The Settlement was completed on 7 September 2011. The Group recorded a gain of HK\$29,359,000 in respect of the Settlement, and incurred transaction costs of HK\$2,911,000, for the year ended 31 December 2011.

As at 31 December 2011, the Group's investment in an unlisted 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\$1,500,000 (2010: HK\$Nil) to the consolidated income statement in accordance with the policy set out in note 2(m)(i) to the financial statements for the year ended 31 December 2011.

Notes to the Financial Statements

for the year ended 31 December 2011

16 TRADEMARK

	The Group	
	2011	2010
	HK\$'000	HK\$'000
Cost and carrying amount		
At 1 January and 31 December	79,785	79,785

Trademark 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 trademark has an indefinite useful life due to the following reasons:

- (i) the trademark, which was acquired by the Group in 2001, has 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 profit or loss when incurred, to maintain and increase the market value of its trademark.

Vigers Appraisal has confirmed, in their valuation of the Group's trademark, that the market value of the trademark exceeded its carrying value as at 31 December 2011. Accordingly, no impairment loss was recorded at 31 December 2011.

17 GOODWILL

	The Group	
	2011	2010
	HK\$'000	HK\$'000
Cost and carrying amount		
At 1 January	73,658	28,538
Addition	—	45,120
At 31 December	73,658	73,658

Impairment test 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 units ("CGU") and determined that such goodwill has not been impaired at 31 December 2011 and 31 December 2010.

Goodwill is allocated to the Group's CGU identified according to the country of operation and business segment as follows:

	2011	2010
	HK\$'000	HK\$'000
Distribution and production — Mainland China	73,658	73,658

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of three years and a pre-tax discount rate at 20% 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 2011

18 INVENTORIES

Inventories are carried at cost of HK\$6,137,000 at 31 December 2011 (2010: HK\$3,480,000) 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\$40,606,000 (2010: HK\$30,637,000).

19 FILM RIGHTS

	The Group	
	2011	2010
	HK\$'000	HK\$'000
Film rights — completed	52,681	40,821
Investment in film production	10,384	20,508
	63,065	61,329
Film production in progress, at cost	5,575	28,597
	68,640	89,926
Less: impairment losses	—	(4,056)
	68,640	85,870

Film rights represent 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 and television programmes under production.

In accordance with note 2(o) to the financial statements of the Group's accounting policy, the Group performed impairment tests at 31 December 2011 and 2010 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.

No impairment loss has been recognised in this respect for the year ended 31 December 2011. 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.

The amount of film production in progress expected to be recovered after one year is HK\$4,624,000 (2010: HK\$17,655,000).

Notes to the Financial Statements

for the year ended 31 December 2011

20 RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	The Group	
	2011	2010
	HK\$'000	HK\$'000
Trade receivables	84,343	33,113
Less: Allowance for doubtful debts	(117)	(117)
	84,226	32,996

(i) Ageing analysis

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

	The Group	
	2011	2010
	HK\$'000	HK\$'000
Current to 3 months	82,187	28,942
Within 4 to 6 months	1,622	3,588
Over 6 months	417	466
	84,226	32,996

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 27(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	
	2011	2010
	HK\$'000	HK\$'000
At 1 January	117	237
Uncollectible amounts written off	—	(120)
At 31 December	117	117

Notes to the Financial Statements

for the year ended 31 December 2011

20 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	
	2011 HK\$'000	2010 HK\$'000
Neither past due nor impaired	52,259	20,204
Less than one month past due	26,965	5,614
Past due over one month	5,002	7,178
	31,967	12,792
	84,226	32,996

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 2011, trade receivables of the Group included the amounts of HK\$1,601,000 (2010: HK\$Nil) due from related companies which were unsecured, interest-free and repayable on demand.

(b) All of the other receivables, deposits and prepayments (including amounts due from related companies) are expected to be recoverable within one year.

21 DEPOSITS AND CASH

	The Group		The Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Deposits at banks	333,559	188,487	—	—
Cash at bank and in hand	420,115	298,666	2,056	258
	753,674	487,153	2,056	258
Less: Pledged deposits				
— for bank loans	(22,216)	(12,842)	—	—
— for bank guarantees	(25,794)	(16,634)	—	—
Cash and cash equivalents	705,664	457,677	2,056	258

Notes to the Financial Statements

for the year ended 31 December 2011

21 DEPOSITS AND CASH (CONTINUED)

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 2011 include HK\$193,737,000 (2010: HK\$85,412,000) 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 the PRC.

22 BANK LOANS

(a) At 31 December 2011, the bank loans were repayable as follows:

	The Group	
	2011	2010
	HK\$'000	HK\$'000
Within 1 year or on demand	127,252	21,363
After 1 year but within 2 years	164,857	52,672
After 2 years but within 5 years	184,608	19,740
After 5 years	26,880	9,988
	376,345	82,400
	503,597	103,763

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 2011, the bank loans were secured by:

- (i) the property, plant and equipment of a jointly controlled entity (note 12);
- (ii) the time deposits of jointly controlled entities of HK\$371,000 (2010: HK\$11,079,000);
- (iii) the time deposits of subsidiaries of HK\$21,845,000 (2010: HK\$1,763,000); and
- (iv) corporate guarantees from the Company.

(c) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the consolidated 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 27(b) to the financial statements. As at 31 December 2011, none of the covenants relating to drawn down facilities had been breached (2010: None).

Notes to the Financial Statements

for the year ended 31 December 2011

22 BANK LOANS (CONTINUED)

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

	The Group	
	2011	2010
	'000	'000
Singapore dollars	8,250	11,250
New Taiwan dollars	35,710	10,713
Renminbi	129,500	28,400
Hong Kong dollars	285,527	—

23 TRADE AND OTHER PAYABLES, ACCRUED CHARGES AND DEFERRED REVENUE

(a) Trade payables

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

	The Group	
	2011	2010
	HK\$'000	HK\$'000
Current to 3 months	107,975	69,462
Within 4 to 6 months	1,287	6,606
Within 7 to 12 months	1,049	279
Over 1 year	9,894	9,917
	120,205	86,264

At 31 December 2011, trade payables of the Group included the amounts of HK\$2,462,000 (2010: HK\$4,829,000) due to related companies which were unsecured, interest-free and repayable on demand.

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

Notes to the Financial Statements

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24 CONVERTIBLE NOTES

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

On 30 November 2009 and 24 May 2011, the Company issued tranches of zero coupon convertible notes ("Convertible Notes") in amounts of HK\$9,024,000 (equivalent to RMB8,000,000) and HK\$45,120,000 (equivalent to RMB40,000,000) to Orange Sky Entertainment Group (International) Holding Company Limited ("Orange Sky") as part of the consideration for the acquisition of the Acquired Business, respectively. The Convertible Notes were 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 was not exercised by the note holder, the Convertible Notes not converted would be redeemed on 31 December 2015 at the principal amount of the notes. The Convertible Notes were unsecured.

Orange Sky is a substantial shareholder of the Company. The acquisition constitutes a connected transaction as defined in the Listing Rules.

The fair value of the liability portion of the Convertible Notes were 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.

On 3 June 2011, the Convertible Notes were converted into the Company's ordinary shares, creating a total of 160,189,348 new ordinary shares at a conversion price of HK\$0.338 per share.

The issue of the Convertible Notes were split between the liability and equity components, as follows:

	The Group and the Company		
	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2010	6,150	2,874	9,024
Interest expense (<i>note 6(a)</i>)	512	—	512
At 31 December 2010 and 1 January 2011	6,662	2,874	9,536
Nominal value of convertible note issued, net of issuing costs	37,000	8,120	45,120
Interest expense (<i>note 6(a)</i>)	155	—	155
Conversion of convertible notes	(43,817)	(10,994)	(54,811)
At 31 December 2011	—	—	—

Notes to the Financial Statements

for the year ended 31 December 2011

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2011 HK\$'000	2010 HK\$'000
Provision for overseas taxation for the year	22,406	25,006
Tax paid for the year	(27,122)	(15,125)
Tax refund for the year	—	4,581
Balance of overseas tax provision relating to prior years	34,494	20,497
Disposals of subsidiaries	—	(75)
	29,778	34,884

(b) Deferred tax assets and liabilities recognised:

	2011 HK\$'000	2010 HK\$'000
Net deferred tax liability recognised on the consolidated statement of financial position	24,713	19,623
Net deferred tax asset recognised on the consolidated statement of financial position	(7,335)	(3,095)
	17,378	16,528

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

	Depreciation allowance in excess of related depreciation HK\$'000	Tax losses recognised HK\$'000	Withholding tax on unremitted earnings HK\$'000	Others HK\$'000	Total HK\$'000
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Deferred tax arising from:

At 1 January 2010	13,868	—	—	(420)	13,448
Exchange adjustments	1,105	—	—	(46)	1,059
Charged/(credited) to profit or loss (note 7(a))	466	(2,728)	4,184	99	2,021
At 31 December 2010 and 1 January 2011	15,439	(2,728)	4,184	(367)	16,528
Exchange adjustments	(50)	(230)	—	15	(265)
Charged/(credited) to profit or loss (note 7(a))	1,322	(3,989)	3,818	(36)	1,115
At 31 December 2011	16,711	(6,947)	8,002	(388)	17,378

Notes to the Financial Statements

for the year ended 31 December 2011

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

(c) Deferred tax assets not recognised

At 31 December 2011, the Group has not recognised deferred tax assets in respect of accumulative tax losses of approximately HK\$578,856,000 (2010: HK\$588,801,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation except for the balances of HK\$7,408,000 (2010: HK\$21,250,000) which can be only carried forward for five years under the relevant jurisdiction.

(d) Deferred tax liabilities not recognised

At 31 December 2011, there was no significant unrecognised deferred tax liability (2010: 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 2011, the Company does not have any other material deferred taxation assets and liabilities (2010: HK\$Nil).

26 SHARE CAPITAL AND RESERVES

(a) Share capital

Note	2011		2010	
	No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	6,000,000,000	600,000	6,000,000,000	600,000
Ordinary shares, issued and fully paid:				
At 1 January	2,543,739,900	254,374	2,199,739,900	219,974
Conversion of convertible notes (i)	160,189,348	16,019	—	—
Placing of shares (ii)	—	—	340,000,000	34,000
Share options exercised (iii)	—	—	4,000,000	400
Shares repurchased (iv)	(19,735,000)	(1,974)	—	—
At 31 December	2,684,194,248	268,419	2,543,739,900	254,374

Notes:

(i) Conversion of convertible notes

On 3 June 2011, the Convertible Notes with principal amounts in aggregate of HK\$54,144,000 were converted into the Company's ordinary shares, creating a total of 160,189,348 new ordinary shares at a conversion price of HK\$0.338 per share (note 24).

(ii) Placing of shares in 2010

On 10 February 2010, the Company entered into a placing and subscription agreement with Skyera International Limited, a company wholly-owned by Mr. Wu Kebo, a director of the Company, 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 differences 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, was credited to the share premium account of the Company (note 26(b)(ii)).

Notes to the Financial Statements

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26 SHARE CAPITAL AND RESERVES (CONTINUED)

(a) Share capital (continued)

Notes: (continued)

(iii) 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.

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for the year ended 31 December 2011

26 SHARE CAPITAL AND RESERVES (CONTINUED)

(a) Share capital (continued)

Notes: (continued)

(iii) Share option scheme (continued)

Adjustments to share options and exercise prices

As a result of the subdivision of share in November 2009, 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 in November 2009.

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 2011 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 2011	Granted during the year	Lapsed during the year	Exercised during the year	Number of share options outstanding as at 31 December 2011
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) (note 1)	—	—
	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
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
Tan Boon Pin Simon	12 April 2007	3.93	0.393	1 July 2007 to 30 October 2011	2,000,000	—	(2,000,000) (note 1)	—	—
	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	1,200,000	—	—	—	1,200,000
Former Director									
Chang Tat Joel	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	12,000,000	—	(12,000,000) (note 2)	—	—
Former 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) (note 2)	—	—
Other participants									
In aggregate	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	1,050,000	—	—	—	1,050,000
					99,550,000	—	(36,000,000)	—	63,550,000

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26 SHARE CAPITAL AND RESERVES (CONTINUED)

(a) Share capital (continued)

Notes: (continued)

(iii) 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	Lapsed during the year	Exercised during the year	Number of share options outstanding
				as at 1 January 2011			as at 31 December 2011
Other participants							
In aggregate	13 November 2009	0.73	13 November 2009 to 12 November 2014	700,000	(700,000) (note 2)	—	—
				700,000	(700,000)	—	—

Note 1: The share options lapsed due to the expiry of share options.

Note 2: 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 2009.

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

* adjusted for subdivision of shares in November 2009.

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 (director) and Mr. Chang Tat Joel (former director), and Mr. Wu King Shiu Kelvin (former 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.

Notes to the Financial Statements

for the year ended 31 December 2011

26 SHARE CAPITAL AND RESERVES (CONTINUED)

(a) Share capital (continued)

Notes: (continued)

(iii) Share option scheme (continued)

At the end of the reporting period, the Company had 63,550,000 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 63,550,000 additional ordinary shares of the Company, representing approximately 2.4% of the Company's shares in issue as at the end of the reporting period, and additional share capital of HK\$6,355,000 and share premium account of HK\$22,433,000 (before issue expenses).

(iv) Shares repurchased

During the year, the Company acquired 19,735,000 shares through purchases on the open market. The total amount paid to acquire the shares during the year was HK\$5,997,000.

(b) Reserves

(i) The Group

Details of the movements in reserves of the Group during the year ended 31 December 2011 and 2010 are set out in the consolidated statement of changes in equity.

(ii) The Company

	Note	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Equity component of convertible note HK\$'000	Retained profits HK\$'000	Total HK\$'000
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
Exercise of share options		1,745	(465)	—	—	—	—	1,280
Transfer to retained profits on lapse of share options		—	(267)	—	—	—	267	—
Placing of shares	26(a)(ii)	279,827	—	—	—	—	—	279,827
At 31 December 2010		630,856	5,515	6,422	271,644	2,874	16,468	933,779
At 1 January 2011		630,856	5,515	6,422	271,644	2,874	16,468	933,779
Profit for the year		—	—	—	—	—	216,065	216,065
Transfer to retained profits on lapse of share options		—	(380)	—	—	—	380	—
Equity-settled share-based transactions		—	3,183	—	—	—	—	3,183
Lapse of non-vesting share options		—	(2,384)	—	—	—	—	(2,384)
Issuance of convertible note	24	—	—	—	—	8,120	—	8,120
Conversion of convertible notes	24	38,792	—	—	—	(10,994)	—	27,798
Shares repurchased		(4,023)	—	1,974	—	—	(1,974)	(4,023)
At 31 December 2011		665,625	5,934	8,396	271,644	—	230,939	1,182,538

Notes to the Financial Statements

for the year ended 31 December 2011

26 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 2(w)(ii) to the financial statements.

(iii) Capital redemption reserve

The capital redemption reserve represents the nominal value of the share capital of the Company repurchased and cancelled.

(iv) 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.

(v) 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 2(t) to the financial statements.

(vi) Reserve funds

In accordance with the relevant regulations in the PRC and Taiwan, the Company's subsidiaries and jointly controlled entities established therein are required to transfer a certain percentage of their profits after tax to the reserve funds until the balance reach 50% and 100% of the registered capital, respectively. Subject to certain restrictions set out in the relevant PRC and Taiwan regulations, 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 2(aa) to the financial statements.

Notes to the Financial Statements

for the year ended 31 December 2011

26 SHARE CAPITAL AND RESERVES (CONTINUED)

(d) Distributability of reserves

At 31 December 2011, the aggregate amount of reserves available for distribution to equity holders of the Company representing the retained profits, amounted to HK\$230,939,000 (2010: HK\$16,468,000). In addition, the Company's share premium account, contributed surplus and capital redemption reserve in aggregate of HK\$945,665,000 (2010: HK\$908,922,000), as at 31 December 2011 may be distributed to shareholders in certain circumstance prescribed by Section 54 of the Companies Act 1981 of Bermuda.

(e) Capital management

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

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

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

The Group's strategy is to maintain the gearing ratio below 35%. In order to maintain or adjust the ratio, the Group may raise new equity financing or sell assets to reduce debt. The gearing ratio at 31 December 2011 and 2010 are as follows:

	2011 HK\$'000	2010 HK\$'000
Bank loans	503,597	103,763
Convertible notes	—	6,662
External borrowings	503,597	110,425
Total assets	2,570,886	1,877,854
Gearing ratio	19.6%	5.9%

27 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.

Notes to the Financial Statements

for the year ended 31 December 2011

27 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 the 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 the reporting period) and the earliest date the Group and the Company can be required to pay. In addition, as the deposits received does not have fixed repayment terms, the carrying amount has not been included in the table.

The Group

	As at 31 December 2011					
	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	120,205	120,205	120,205	—	—	—
Other payables and accrued charges	205,920	205,920	205,920	—	—	—
Bank loans	503,597	588,394	155,178	187,929	215,954	29,333
	829,722	914,519	481,303	187,929	215,954	29,333

	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

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 the 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 2011

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Currency risk

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

The Group enters into transactions denominated in currencies other than its functional currency. Consequently, the Group is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Group's assets or liabilities denominated in currencies other than the Hong Kong dollars. As the Hong Kong dollar is pegged to United States dollar, the Group does not expect any significant movements in the HKD/USD exchange rate. The currency giving rise to foreign currency risk is primarily denominated in 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 the 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			
	2011		2010	
	Renminbi '000	Singapore Dollars '000	Renminbi '000	Singapore Dollars '000
Other receivables, deposits and prepayments	59	1,506	3,000	—
Deposits and cash	284,905	6,333	139,131	18
Other payables and accrued charges	(1,279)	—	—	—
Deferred revenue	(5,443)	—	—	—
Net exposure to currency risk	278,242	7,839	142,131	18

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

	2011		2010	
	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)%	17,112 (17,112)	5% (5)%	8,350 (8,350)
Singapore Dollars	5% (5)%	2,352 (2,352)	5% (5)%	5 (5)

Notes to the Financial Statements

for the year ended 31 December 2011

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Currency risk (continued)

(ii) Sensitivity analysis (continued)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of the 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 the reporting period. The analysis is performed on the same basis for 2010.

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 2011, the notional amount of the interest rate swap SGD4.1 million (2010: SGD5.6 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 the reporting period:

	2011		2010	
	Effective rate		Effective rate	
	%	HK\$'000	%	HK\$'000

Variable rate borrowings:

Bank loans (note 22)	1.8–7.4	503,597	2.1–6.5	103,763
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(ii) Sensitivity analysis

At 31 December 2011, 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\$4,067,000 (2010: HK\$838,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the 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 the reporting period. The analysis is performed on the same basis for 2010.

Notes to the Financial Statements

for the year ended 31 December 2011

27 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 15). 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 2011, 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 have increased/decreased the group's other components of consolidated equity by approximately HK\$4,030,000 (2010: HK\$8,590,000).

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.

(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 2010 and 2011. Amounts due from 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 the 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.

Notes to the Financial Statements

for the year ended 31 December 2011

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values (continued)

(ii) Financial instruments carried at fair value (continued)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2011				
Assets				
Available-for-sale investments:				
— Listed	20,149	—	—	20,149
At 31 December 2010				
Assets				
Available-for-sale investments:				
— Listed	42,952	—	—	42,952
Derivative financial instrument:				
— Options (note 15(a))	—	—	246	246

During the year ended 31 December 2011 and year ended 31 December 2010, 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:

	2011 HK\$'000	2010 HK\$'000
Options (note 15(a))		
At 1 January	246	—
Proceeds from writing options	—	(8,250)
Change in fair value recognised in profit or loss during the year	(246)	8,496
At 31 December	—	246

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

The carrying amount of unlisted available-for-sale investment was HK\$Nil, which was stated at cost of HK\$1,500,000 less impairment loss of HK\$1,500,000 at 31 December 2011 (2010: HK\$203,131,000).

Notes to the Financial Statements

for the year ended 31 December 2011

28 COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2011 not provided for in the financial statements in respect of the acquisition of fixed assets are as follows:

	2011 HK\$'000	2010 HK\$'000
Contracted for:		
Mainland China	129,799	112,403
Taiwan	14,507	10,522
Singapore	2,565	—
	146,871	122,925
Authorised but not contracted for:		
Mainland China	799,889	553,749
Taiwan	5,926	22,593
Singapore	16,185	27,000
	822,000	603,342
	968,871	726,267

(b) Operating lease commitments

(i) As lessor

At 31 December 2011, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2011 HK\$'000	2010 HK\$'000
Leases on premises expiring		
— within one year	34,850	14,693
— after one year but within five years	68,783	6,774
	103,633	21,467

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.

Notes to the Financial Statements

for the year ended 31 December 2011

28 COMMITMENTS (CONTINUED)

(b) Operating lease commitments (continued)

(ii) As lessee

At 31 December 2011, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2011 HK\$'000	2010 HK\$'000
Leases on premises expiring		
— within one year	247,068	187,458
— after one year but within five years	770,097	608,458
— after five years	1,130,728	659,141
	2,147,893	1,455,057

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% (2010: 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.

29 CONTINGENT LIABILITIES

At 31 December 2011, the Company has issued guarantees to banks in respect of banking facilities granted to certain subsidiaries and a jointly controlled entity amounting to HK\$778,921,000 (2010: HK\$314,900,000) and HK\$30,000,000 (2010: HK\$30,000,000) respectively. At 31 December 2011, banking facilities of HK\$459,285,000 (2010: HK\$32,900,000) and HK\$30,000,000 (2010: HK\$67,500,000) had been utilised by the subsidiaries and a jointly controlled entity respectively.

At 31 December 2011, 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

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30 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	2011 HK\$'000	2010 HK\$'000
Office rental paid	(i)	3,480	1,798
Service fee income from a jointly controlled entity	(ii)	1,143	603
Consultancy fee income from jointly controlled entities	(iii)	673	1,446
Promotion expenses	(iv)	—	974
Grant of cinema management and operational rights income	(v)	7,440	—
Cinema in-foyer advertising income	(vi)	482	—
Cinema screen advertising fee income	(vii)	7,569	—

Notes:

- (i) This represents office rental expenses for two office areas paid to a related company, which wholly-owned by Mr. Wu Kebo, a director and a substantial shareholder of the Group. The rental expenses were charged on normal commercial terms.
- (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 were received from two jointly controlled entities of the Group charged on normal commercial terms.
- (iv) This represents promotion expenses paid to a subsidiary of Orange Sky, which is a substantial shareholder of the Group. The promotion expenses were charged on normal commercial terms.
- In addition, a subsidiary of Orange Sky, which is a substantial shareholder of the Group, waived the promotion expenses of HK\$757,000 during the year ended 31 December 2010.
- (v) Pursuant to a cinema management agreement dated 15 December 2011 with a company wholly-owned by Mr. Wu Kebo, the Group recorded income of HK\$7,440,000 from grant of cinema management and operational rights in respect of a cinema in Beijing for the year ended 31 December 2011.
- The terms of the cinema management agreement were negotiated on normal commercial terms.
- (vi) This represents PRC cinemas in-foyer advertising income received from a subsidiary of Orange Sky charged on normal commercial terms.
- (vii) This represents cinema screen advertising income received from two subsidiaries of Orange Sky for granting exclusive rights of screen advertising air-time in the Group's Hong Kong and PRC cinemas. The fees were charged on normal commercial terms.

The transactions shown in note (iv) and (v) above with a related company 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.

The transactions shown in note (i), (vi) and (vii) above with the related companies constituted continuing connected transactions as defined in the Listing Rules. The continuing connected transaction 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 as defined in the Listing Rules.

Notes to the Financial Statements

for the year ended 31 December 2011

31 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 27 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 the 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 and production 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

The Group performed impairment test on goodwill on an in accordance with the accounting policy stated in note 2(m) (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 unit 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.

(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 instrument

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

Notes to the Financial Statements

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32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, <i>Financial instruments: Disclosures — Transfers of financial assets</i>	1 July 2011
Amendments to HKAS 12, <i>Income taxes — Deferred tax: Recovery of underlying assets</i>	1 January 2012
Amendments to HKAS 1, <i>Presentation of financial statements — Presentation of items of other comprehensive income</i>	1 July 2012
HKFRS 9, <i>Financial instruments</i>	1 January 2015
HKFRS 10, <i>Consolidated financial statements</i>	1 January 2013
HKFRS 11, <i>Joint arrangements</i>	1 January 2013
HKFRS 12, <i>Disclosure of interests in other entities</i>	1 January 2013
HKFRS 13, <i>Fair value measurement</i>	1 January 2013
HKAS 27, <i>Separate financial statements (2011)</i>	1 January 2013
HKAS 28, <i>Investments in associates and joint ventures</i>	1 January 2013
Revised HKAS 19, <i>Employee benefits</i>	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments 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, except HKFRS 11.

HKFRS 11 replaced HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

Joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting whereas the Group accounted for its jointly controlled entities under HKAS 31 using proportionate consolidation method. The Group's jointly controlled entities that are currently accounted for using proportionate consolidation method will have to be accounted for using the equity method of accounting if they are joint ventures under HKFRS 11.

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33 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 2(c) to the financial statements 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 [^]	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%	Investment Holding
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
Golden Harvest Cinemas Holding Limited	British Virgin Islands	1 share of US\$1 each	100%	Investment holding
Golden Harvest Entertainment International Limited	British Virgin Islands	1,000 shares of US\$1 each	100%	Investment holding
Golden Harvest Films Distribution Holding Limited	British Virgin Islands	1 share of US\$1 each	100%	Investment holding
Golden Harvest (Marks) Limited	British Virgin Islands	1 share of US\$1 each	100%	Holding of trademark
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	7,000,000 shares of HK\$10 each	100%	Theatre operation
Orange Sky Golden Harvest Cinemas (China) Company Limited ^{^*}	PRC	Registered capital RMB350,000,000	100%	Theatre operation and investment holding
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	94,000,000 shares of HK\$1 each	100%	Film production and investment holding

Notes to the Financial Statements

for the year ended 31 December 2011

33 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

(a) Subsidiaries (continued)

Details of the principal subsidiaries are as follows: (continued)

Name of company	Place of incorporation/ operation	Issued equity capital	Group's effective interest	Principal activities
Panasia Films Limited	Hong Kong	23,000 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	100%	Distribution of motion pictures

Except Golden Harvest Entertainment International Limited, all of the above subsidiaries are indirectly held by the Company.

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 shares 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 the PRC nationals on behalf of the Group.

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

^^^ The company 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	11,000,000 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	80,000,000 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)