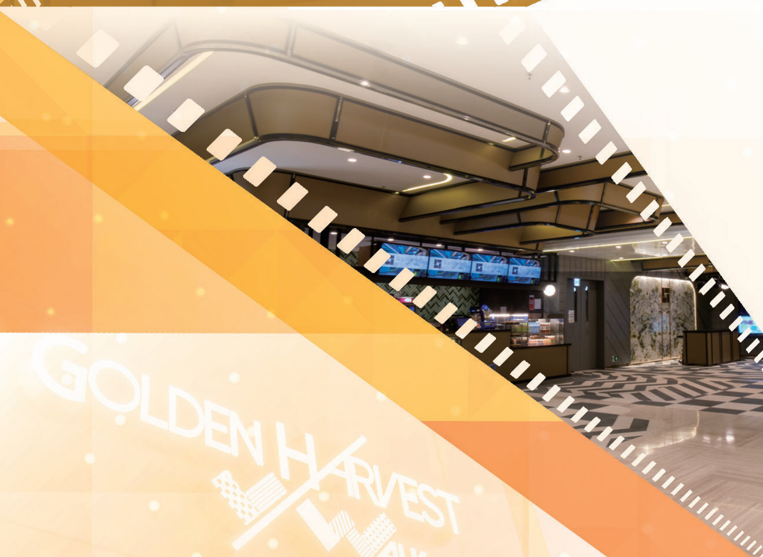
Orange Sky Golden Harvest Entertainment (Holdings) Limited
橙天嘉禾娛樂(集團)有限公司

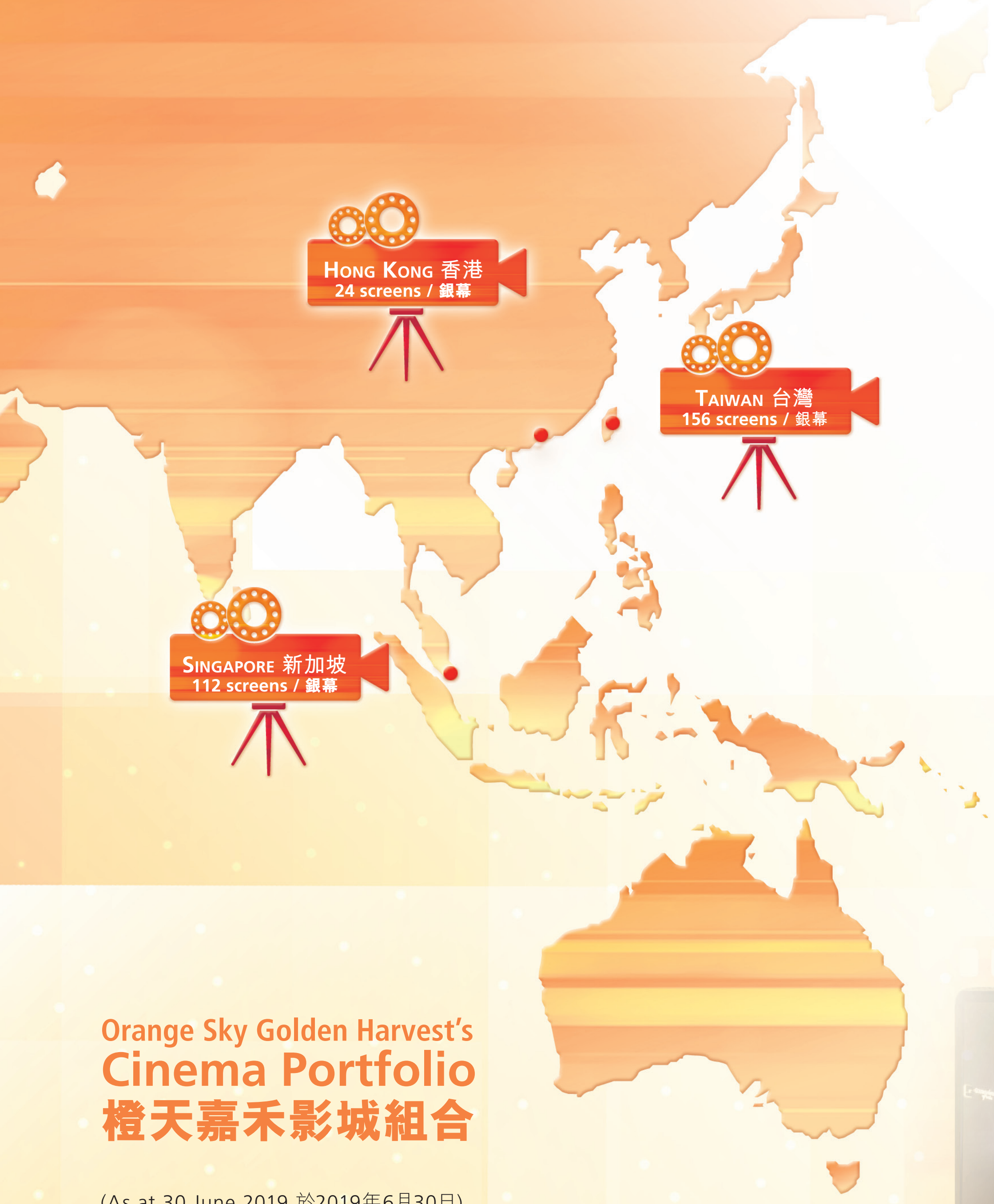
(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

(Stock Code 股份代號: 1132)



Interim Report 中期報告

2019



Orange Sky Golden Harvest's Cinema Portfolio
橙天嘉禾影城組合

(As at 30 June 2019 於2019年6月30日)

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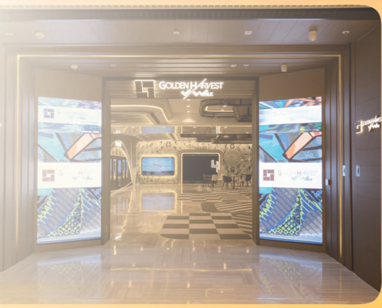

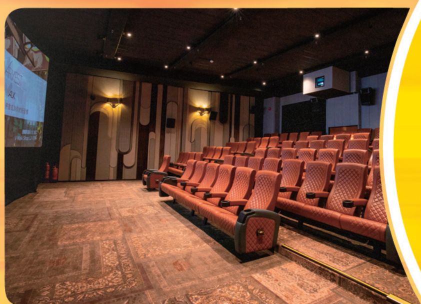

Corporate Information

As at the date of this interim report, the Company's corporate information is set out below:

EXECUTIVE DIRECTORS

WU Kebo *(Chairman)*
MAO Yimin
LI Pei Sen
WU Keyan
CHOW Sau Fong, Fiona

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEUNG Man Kit
WONG Sze Wing
FUNG Chi Man, Henry

CHIEF EXECUTIVE OFFICER

MAO Yimin

COMPANY SECRETARY

CHEUNG Hei Ming

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

24/F, Capital Centre
151 Gloucester Road
Wan Chai
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th floor, North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

http://www.osgh.com.hk

STOCK CODE

1132

Management Discussion and Analysis

BUSINESS REVIEW

Founded for almost half a century, the Group has become a world-class premier Chinese language film entertainment company primarily engaged in film exhibition, film and TV programme production and distribution businesses. Since its inception, the Group has produced and financed over 600 movies, plays an important role in distribution of Chinese language movies. To date, the Group owns a movie library of more than 140 films for distribution.

In addition, the Group has recently expanded into the arenas of live show performances and club house businesses, and entertainment centre business, in order to capitalise our branding equity and goodwill, leverage our resources, creativity and our management expertise in the entertainment industry, and commercialise our intelligent property rights.

Film Exhibition

During the six months ended 30 June 2019, we opened a cinema with 7 screens in Singapore and opened a cinema with 9 screens in Taiwan. At 30 June 2019, we operated 36 cinemas with 292 screens in total across Hong Kong, Taiwan and Singapore. Our cinemas served over 12.5 million guests as compared to 13.1 million guests in the same period last year. The major Hollywood blockbusters released in this period were *Alita: Battle Angel (銃夢: 戰鬥天使)*, *Captain Marvel (Marvel隊長)*, *Avengers: Endgame (復仇者聯盟4: 終局之戰)*, *Aladdin (阿拉丁)*, *Spider-Man: Far From Home (蜘蛛俠：決戰千里)*, *POKÉMON Detective Pikachu (POKÉMON 神探 Pikachu)* and *How To Train Your Dragon: The Hidden World (馴龍記3)*. The major Chinese language blockbusters for the period were *Integrity (廉政風雲 煙幕)*, *The New King Of Comedy (新喜劇之王)* and *P Storm (P風暴)* in Hong Kong; *Killer Not Stupid (殺手不笨)* in Singapore; and *Mayday LiFE (五月天人生無限公司)* in Taiwan.

OPERATING STATISTICS OF THE GROUP'S CINEMAS

(For the six months ended 30 June 2019)

	Hong Kong	Singapore	Taiwan
Number of cinemas*	7	14	15
Number of screens*	24	112	156
Admissions *(million)*	1.1	4.1	7.3
Net average ticket price *(HK$)*	87	62	61

* at 30 June 2019

The Group is dedicated to provide high quality and versatile video and audio experience for its audiences. All screens of the Group have been equipped with advanced digital equipment. There were 7 IMAX® screens in total for the Group in Taiwan as at 30 June 2019. The Group has also been enhancing the experience for our audiences by equipping 3D systems, 4DX™, D-Box Motion Chairs, Advanced Panorama Dolby Atoms and DTSX sound systems in our cinemas in different regions.

Hong Kong

Operating Statistics of the Group's Cinemas in Hong Kong

(For the six months ended 30 June 2019)

	2019	2018
Number of cinemas*	**7**	5
Number of screens*	**24**	18
Admissions *(million)*	**1.1**	0.9
Net average ticket price *(HK$)*	**87**	90
Box office receipts *(HK$ million)*	**96**	81

* at 30 June 2019

During the period under review, the Hong Kong market as a whole recorded box office receipts of HK$1,050 million, an increase of 6.2% from HK$988 million in the same period last year. The Group's cinemas in Hong Kong recorded box office receipts of HK$96 million in this period (30 June 2018: HK$81 million), representing an increase of 19.2%. The increase was primarily attributable to the 2 new cinemas opened during the second half of 2018. Net average ticket price of the Group slightly decrease to HK$87 during the period in Hong Kong since the newly opened cinemas are having a lower ticket price in order to attract more audiences.

To enable our cinemas becoming entertainment hubs of greater scope, we showed 52 alternative contents in the first half of 2019. It was encouraging that we developed a competent team in organising the alternative contents and a strong base of alternative content fans. It was proven by our successful alternative content shows such as the Live Broadcast of "*LOVELIVE! SUNSHINE!!*" and "*iDOLM@STER*", which respectively, reached a remarkable 61% and 59% fill rates and the two broadcasts recorded an average ticket price of HK$330. Apart from this, the Live Broadcast of "*2019 Wanna One Concert [Therefore] Live Viewing*" was extremely successful with a fill rate of 99.8%.

Screen Advertising was also a profit driver to our Hong Kong region as we have already contracted with 24 cinemas as at 30 June 2019, we expected steady growth in revenue and profit in coming years.

Singapore

Operating Statistics of the Group's Cinemas in Singapore

(For the six months ended 30 June 2019)

	2019	2018
Number of cinemas*	**14**	13
Number of screens*	**112**	105
Admissions *(million)*	**4.1**	4.4
Net average ticket price *(S$)*	**10.8**	10.6
Net box office receipts *(S$ million)*	**44**	46

* at 30 June 2019

During the period, the Singapore market net box office receipts dropped by 1.1% to S$96.6 million (30 June 2018: S$97.7 million). Golden Village cinemas reported net box office receipts of S$43.6 million (30 June 2018: S$46.1 million), representing a decrease in net box office receipts of 5.3% compared to same period last year. Nevertheless, the Group continued to be the market leader with a market share of 45.2% (47.2% in 30 June 2018). Golden Village cinemas' automated ticketing machines and auto-gates give patrons an easy, fast and efficient cinematic experience like none of the other competitors in Singapore.

Hollywood blockbusters are always popular in Singapore and bring a stable profit contribution to the Group. Hollywood blockbusters released during the period included *Alita: Battle Angel (銃夢：戰鬥天使)*, *Captain Marvel (Marvel隊長)*, *Avengers: Endgame (復仇者聯盟4：終局之戰)*, *POKÉMON Detective Pikachu (POKÉMON 神探 Pikachu)* and *How To Train Your Dragon: The Hidden World (馴龍記3)*. The major Chinese language blockbuster in Singapore was *Killer Not Stupid (殺手不笨)*.

Taiwan

Operating Statistics of the Group's Cinemas in Taiwan

(For the six months ended 30 June 2019)

	2019	2018
Number of cinemas*	**15**	13
Number of screens*	**156**	127
Admissions *(million)*	**7.3**	7.9
Net average ticket price *(NTD)*	**244**	239
Net box office receipts *(NTD billion)*	**1.8**	1.9

* at 30 June 2019

During the period, Taiwan's market gross box office receipts amounted to NTD5.1 billion, registering a decrease of 6.5% from NTD5.4 billion in the same period last year. The Group's 35.71% owned Vie Show cinema circuit ("Vie Show") recorded total net box office receipts of NTD1,781 million (30 June 2018: NTD1,883 million), representing a decrease of 5.4% from same period last year as a result of the weaker exhibition market, however, it still outperformed the overall Taiwan market. The share of profits from Vie Show decreased from HK$18.5 million to HK$13.1 million compared to same period last year, representing a 29.3% decline. Vie Show continued to be the largest film exhibitor in Taiwan. Adhering to the Group's comprehensive entertainment hub strategy, Vie Show continues to strengthen its operation in its popular "UNICORN" handmade popcorn business in all its 15 cinemas and introduced the famous Japanese French Toast restaurant (Ivorish) into Taichung Mitsui Outlet Park in December 2018 which is the first store of the brand outside Japan. In addition, Vie Show has successfully launched SNOWTOWN (雪樂地) in Taichung Mitsui Outlet Park in June 2019 attracting overwhelming crowds of customers to visit with tremendous positive reviews from the market.

Film & TV Programme Distribution and Production

On an aggregated basis the Group's film distribution and production business recorded revenue of HK$35.3 million (30 June 2018: HK$30.9 million), representing an increase of 14.1% compared to same period last year. The distribution revenue was mainly generated by distributing releases such as *Padman (M巾英雄) and Chibi Maruko Chan Movie (櫻桃小丸子大電影 — 大野與杉山)* in Hong Kong. The famous releases outside Hong Kong were *John Wick 3 (殺神 John Wick 3)* and *Han Dan (寒單)* in Taiwan and *John Wick 3 (殺神 John Wick 3)* and *Fall In Love At First Kiss (一吻定情)* in Singapore. For the production sector, the Group will continue to invest independently and cooperatively with local and overseas studios to produce movies and TV programmes of high quality and carry out intellectual property redevelopment in the foreseeable future. The Group's film library with perpetual distribution rights kept on bringing steady licensing income to the Group.

FINANCIAL REVIEW

Profit and Loss

During the period, the Group's revenue increased by 2.7% to HK$534.3 million. The Group's gross profit increased by 3.1% to HK$334.6 million and gross profit margin improved slightly by 0.2 percentage point to 62.6%.

Share of profits of a joint venture in the first half of 2019 amounted to HK$13.1 million, a decrease of 29.3%.

Profit attributable to equity holders was HK$5 million, decreased from HK$48 million in the corresponding period last year. It was attributable primarily to i) an additional accounting charge of HK$17 million on the first adoption of Hong Kong Financial Reporting Standard ("HKFRS") 16, *Lease*, ii) the net exchange difference of HK$8 million and iii) the pre-operating expenses of our new businesses of HK$14 million. Total reportable segment profits after taxation of Hong Kong, Singapore and Taiwan regions remained stable at HK$94 million compared with HK$95 million in the same period last year.

Statement of Financial Position

Our financial position remained healthy. The Group's net assets increased by HK$9.7 million, from HK$2,181.1 million as at 31 December 2018 to HK$2,190.9 million as at 30 June 2019. Total assets increased by HK$827.8 million to HK$4,853.9 million. This was mainly due to the application of HKFRS 16 effective from 1 January 2019. Under HKFRS 16, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate and the right-of-use asset recognised when a lease is capitalised which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Therefore, the Group recognised the right-of-use assets for its leases which attributable to the increase in total assets. Cash and cash equivalents of the Group was HK$1,107.4 million (31 December 2018: HK$1,290.1 million). Non-current pledged bank balances were kept at HK$137.0 million, at the same level as last year. Outstanding borrowings amounted to HK$1,179.3 million (31 December 2018: HK$1,299.3 million), which comprised mainly interest-bearing bank loans. The interest-bearing bank loans were secured by pledged cash, corporate guarantees, equity shares and properties. The Group's gearing ratio (measured as bank borrowings to total assets) was decreased to 24.3% (31 December 2018: 32.3%) and the Group was in a net cash position (measured as cash and bank deposits less bank borrowings) of HK$65.1 million (31 December 2018: HK$127.7 million). The decrease in the gearing ratio was mainly due to the application of HKFRS 16 effective from 1 January 2019 where right-of-use assets have been recognised for leases.

OUTLOOK

Although the overall operating environment becomes increasingly challenging, the Group will continue to strengthen its core competencies, focusing on capturing expansion opportunities in exhibition and distribution businesses. Meanwhile, the Group will also explore new business opportunities in entertainment, technology and lifestyle industries that would create synergies to the Group and add values to the Shareholders.

In the PRC, the Group has entered into live show performance business, introducing the unique advanced stage technology from Europe and the renowned creative talents from all over the world, dedicated to provide a stunning theatrical experience to local audience. In addition, the Group has also invested in club house business targeting creative minds from entertainment, creative and art industries. The Group intends to host movie-related events at club houses which will attract and gather talents from the movie and entertainment industry, enabling the Group to build connections with potential investors and film production talents within the industry. This is in line with the Group's strategies to explore opportunities to produce and/or co-invest in an average target of one to two new mid-to-large scale films every year by remaking films from the Group's film library, and/or engage in new film production from existing scripts and co-investing in PRC's films.

In Hong Kong, the Group has further invested into the film exhibition business by opening one new cinema "Golden Harvest V Walk" in Nam Cheong in July 2019. Riding on the success of alternative contents in previous years, the Group will cooperate with different business partners to offer a variety of events including live broadcasting of Japanese and Korean mini-concerts and fans gathering in our cinemas. It is expected that the demand for alternative shows will continue to grow. At the same time, the Group is dedicated to look for investment opportunities in quality film and/or distribution projects in the territory.

In Singapore, the Group will continue to grow by actively pursuing suitable cinema sites. The new 7-screen Funan site has just been opened around end of June 2019 with great attendance. The Group is dedicated to maintain high quality services in regular and gold class auditoriums and to introduce creative product offerings such as toys merchandise to its customers.

In Taiwan, Vie Show will continue to expand its cinema network with a stable pipeline of potential sites to be opened in the coming years. A new 8-screen site in central Taipei will be opened in November 2019. Encouraging results of alternative contents and distribution businesses have also brought in additional revenues streams to the Group. Moreover, the Group has successfully introduced "SNOWTOWN" and "Ivorish" to Taichung Port. SNOWTOWN is an indoor theme park that allows visitors to enjoy snow at a "feels like" temperature of 20°C. Ivorish is a famous French toast restaurant in Japan, with the name expressing French toast color (ivory) and cherish (cherish), meaning to bring delicious French toast and happiness to customers. Both properties have been proven to be successful, helping to diversify the business in the territory.

Looking ahead, the Group will continue to actively seek investment opportunities in the regional media, entertainment, technology and lifestyle sectors that are related and/or creating synergies to the Group's existing businesses. The Directors are confident that the Group will be able to achieve sustainable growth and deliver long term value to the shareholders, and at the same time diversify the business achieving better positioning of the Group.

FINANCIAL RESOURCES AND LIQUIDITY

As of 30 June 2019, the Group had cash and cash equivalents amounting to HK$1,107.4 million (31 December 2018: HK$1,290.1 million). The Group's total outstanding bank borrowings amounted to HK$1,179.3 million (31 December 2018: HK$1,299.3 million). The Group's gearing ratio, calculated on the basis of bank borrowings over total assets stood at a healthy level of 24.3% (31 December 2018: 32.3%) and our cash to bank borrowings ratio at 105.5% (31 December 2018: 109.8%). This was mainly due to the application of HKFRS 16 effective from 1 January 2019 where both right-of-use assets have been recognised for leases. As of 30 June 2019, the Group had HK$137.0 million pledged cash balances to secure its banking facilities. In order to minimise potential risks for the Group's development and economic status, the management will keep monitoring gearing and will make relative adjustments if necessary. The Group at this moment has reasonable financial leverage. Meanwhile, the Group takes advantage of equity financing together with available bank loan facilities to fund the cinema projects, potential acquisitions of profitable business opportunities so as to implement its expansion plan. The Group believes that its current cash holding and available financial facilities will provide sufficient resources for its working capital requirements.

The Group's assets and liabilities are principally denominated in Hong Kong dollars, Renminbi and Singapore dollars, except for certain assets and liabilities associated with the investments in Taiwan. The overseas joint ventures of the Group are operating in their local currencies and are subject to minimal exchange risk. The directors will continue to assess the exchange risk exposure, and will consider possible hedging measures in order to minimise the risk at reasonable cost. The Group did not have any significant contingent liabilities or off-balance sheet obligations as of 30 June 2019 (31 December 2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group employed 414 (31 December 2018: 367) permanent employees. The Group remunerates its employees mainly by reference to industry practice. In addition to salaries, commissions and discretionary bonuses, share options will be granted to employees based on individual performance and contribution to the Group. The Group also operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance and, as at 30 June 2019, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

Review Report to the Board of Directors

KPMG

Review report to the Board of Directors of
Orange Sky Golden Harvest Entertainment (Holdings) Limited
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 13 to 49 which comprises the consolidated statement of financial position of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group") as of 30 June 2019 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

27 August 2019

Consolidated Income Statement

for the six months ended 30 June 2019 — Unaudited

	Note	**Six months ended 30 June 2019 HK$'000**	Six months ended 30 June 2018 (Note) HK$'000
Revenue	3	**534,315**	520,321
Cost of sales		**(199,690)**	(195,727)
Gross profit		**334,625**	324,594
Other revenue		**19,003**	22,882
Other net (loss)/income		**(3,724)**	4,486
Selling and distribution costs		**(238,107)**	(228,223)
General and administrative expenses		**(62,653)**	(49,677)
Other operating expenses		**(741)**	(1,480)
Profit from operations		**48,403**	72,582
Finance costs	4(a)	**(41,931)**	(25,283)
Share of profits of joint ventures		**13,099**	18,530
Profit before taxation	4	**19,571**	65,829
Income tax charge	5	**(15,012)**	(17,522)
Profit for the period		**4,559**	48,307
Attributable to:			
Equity holders of the Company		**4,581**	48,442
Non-controlling interests		**(22)**	(135)
		4,559	48,307
Earnings per share (HK cent)	6		
Basic and diluted		**0.16**	1.73

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 22 to 49 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2019 — Unaudited

	Six months ended 30 June 2019	Six months ended 30 June 2018 (Note)
	HK$'000	HK$'000
Profit for the period	**4,559**	48,307
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
— subsidiaries outside Hong Kong	**10,463**	(5,466)
— joint ventures outside Hong Kong	**(5,283)**	52
	5,180	(5,414)
Total comprehensive income for the period	**9,739**	42,893
Total comprehensive income attributable to:		
Equity holders of the Company	**9,761**	43,018
Non-controlling interests	**(22)**	(125)
Total comprehensive income for the period	**9,739**	42,893

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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

The notes on pages 22 to 49 form part of this interim financial report.

Consolidated Statement of Financial Position
as at 30 June 2019

	Note	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 (Note) HK$'000 (Audited)
Non-current assets			
Investment properties	7	**50,000**	50,000
Other property, plant and equipment	7	**374,398**	368,119
Leasehold land	7	**–**	613,525
Right-of-use assets	2,7	**1,590,910**	–
		2,015,308	1,031,644
Interest in a joint venture	8	**121,785**	145,933
Other receivables, deposits and prepayments		**42,547**	40,058
Intangible assets	10	**525,378**	523,079
Goodwill		**660,588**	656,609
Pledged bank deposits	12	**137,000**	137,000
Deferred tax assets		**3,644**	–
		3,506,250	2,534,323
Current assets			
Inventories		**3,231**	2,592
Film rights	9	**37,797**	34,868
Trade receivables	11	**50,167**	41,473
Other receivables, deposits and prepayments		**149,101**	122,835
Deposits and cash	12	**1,107,395**	1,290,095
		1,347,691	1,491,863

Consolidated Statement of Financial Position *(continued)*

as at 30 June 2019

	Note	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 (Note) HK$'000 (Audited)
Current liabilities			
Bank loans	13	**275,506**	274,850
Trade payables	14	**104,166**	121,813
Other payables and accrued charges		**127,338**	163,144
Deferred revenue		**57,768**	56,591
Lease liabilities		**106,280**	–
Taxation payable		**31,140**	30,792
		702,198	647,190
Net current assets		**645,493**	844,673
Total assets less current liabilities		**4,151,743**	3,378,996
Non-current liabilities			
Bank loans	13	**903,808**	1,024,498
Lease liabilities		**883,096**	–
Deferred tax liabilities		**173,985**	173,383
		1,960,889	1,197,881
NET ASSETS		**2,190,854**	2,181,115

Consolidated Statement of Financial Position *(continued)*

as at 30 June 2019

	Note	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 (Note) HK$'000 (Audited)
Capital and reserves			
Share capital	15	**279,967**	279,967
Reserves		**1,911,454**	1,901,693
Total equity attributable to equity holders of the Company		**2,191,421**	2,181,660
Non-controlling interests		**(567)**	(545)
TOTAL EQUITY		**2,190,854**	2,181,115

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 22 to 49 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2019 — Unaudited

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	*Reserve funds HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2019	**279,967**	**771,749**	**15,886**	**80,000**	**3,134**	**(4,826)**	**1,035,750**	**2,181,660**	**(545)**	**2,181,115**
Changes in equity for the six months ended 30 June 2019										
Profit for the period	–	–	–	–	–	–	4,581	4,581	(22)	4,559
Other comprehensive income	–	–	–	–	–	5,180	–	5,180	–	5,180
Total comprehensive income	–	–	–	–	–	5,180	4,581	9,761	(22)	9,739
Balance at 30 June 2019	**279,967**	**771,749**	**15,886**	**80,000**	**3,134**	**354**	**1,040,331**	**2,191,421**	**(567)**	**2,190,854**

Consolidated Statement of Changes in Equity *(continued)*

for the six months ended 30 June 2019 — Unaudited

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	*Reserve funds HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2018	279,967	771,749	15,886	80,000	3,134	740	1,691,537	2,843,013	(331)	2,842,682
Changes in equity for the six months ended 30 June 2018										
Profit for the period	–	–	–	–	–	–	48,442	48,442	(135)	48,307
Other comprehensive income	–	–	–	–	–	(5,424)	–	(5,424)	10	(5,414)
Total comprehensive income	–	–	–	–	–	(5,424)	48,442	43,018	(125)	42,893
Dividend declared in respect of the current period (note 15(ii))	–	–	–	–	–	–	(708,316)	(708,316)	–	(708,316)
Balance at 30 June 2018	279,967	771,749	15,886	80,000	3,134	(4,684)	1,031,663	2,177,715	(456)	2,177,259

The notes on pages 22 to 49 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2019 — Unaudited

	Six months ended 30 June 2019 **HK$'000**	Six months ended 30 June 2018 (Note) HK$'000
Operating activities		
Finance costs paid	**(21,960)**	(45,234)
Other cash flows arising from operating activities	**35,414**	90,625
Net cash generated from operating activities	**13,454**	45,391
Investing activities		
Payment for the purchase of property, plant and equipment	**(35,557)**	(51,821)
Dividends received	**31,964**	32,890
Other cash flows arising from investing activities	**(9,003)**	107,775
Net cash (used in)/generated from investing activities	**(12,596)**	88,844
Financing activities		
Draw down of bank loans	**–**	459,200
Repayment of bank loans	**(125,609)**	(272,593)
Capital element of lease rentals paid	**(41,946)**	–
Interest element of lease rentals paid	**(17,262)**	–
Other cash flows arising from financing activities	**–**	(708,461)
Net cash used in financing activities	**(184,817)**	(521,854)

Condensed Consolidated Statement of Cash Flows *(continued)*

for the six months ended 30 June 2019 — Unaudited

	Six months ended 30 June 2019	Six months ended 30 June 2018 (Note)
	HK$'000	HK$'000
Net decrease in cash and cash equivalents	**(183,959)**	(387,619)
Cash and cash equivalents at 1 January	**1,290,095**	1,901,126
Effect of foreign exchange rates changes	**1,259**	(8,480)
Cash and cash equivalents at 30 June	**1,107,395**	1,505,027
Analysis of balances of cash and cash equivalents		
Non-pledged short term bank deposits	**561,844**	660,216
Non-pledged cash and bank balances	**545,551**	844,811
Cash and cash equivalents at 30 June	**1,107,395**	1,505,027

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 22 to 49 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 27 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements as set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Orange Sky Golden Harvest Entertainment (Holdings) Limited and its subsidiaries (together the "Group") since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 11 to 12.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) Changes in the accounting policies *(continued)*

(i) New definition of a lease *(continued)*

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) Changes in the accounting policies *(continued)*

(ii) Lessee accounting *(continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.83%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019 on a lease-by-lease basis; and

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(c) Transitional impact *(continued)*

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The difference between the amount of operating lease commitments as at 31 December 2018 as disclosed in the Group's 2018 consolidated accounts and the amount of lease liabilities initially recognised at 1 January 2019 mainly related to the commitments of those arrangements which are not leases under HKFRS 16, as well as the discounting effect of lease payments.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

As at 31 December 2018, the Group has no leases previously classified as finance leases.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(c) Transitional impact *(continued)*

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 HK$'000	Impact of adoption of HKFRS 16 HK$'000	**Carrying amount at 1 January 2019 HK$'000**
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Leasehold land	613,525	(613,525)	**–**
Right-of-use assets	–	1,410,136	**1,410,136**
Total non-current assets	2,534,323	796,611	**3,330,934**
Other payables and accrued charges	163,144	(20,145)	**142,999**
Lease liabilities (current)	–	91,739	**91,739**
Current liabilities	647,190	71,594	**718,784**
Net current assets	844,673	(71,594)	**773,079**
Total assets less current liabilities	3,378,996	725,017	**4,104,013**
Lease liabilities (non-current)	–	725,017	**725,017**
Total non-current liabilities	1,197,881	725,017	**1,922,898**
Net assets	2,181,115	–	**2,181,115**

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**106,280**	**142,049**	91,739	120,816
After 1 year but within 2 years	**115,585**	**147,406**	99,929	125,628
After 2 years but within 5 years	**301,665**	**373,642**	267,348	323,691
After 5 years	**465,846**	**521,727**	357,740	390,492
	883,096	**1,042,775**	725,017	839,811
	989,376	**1,184,824**	816,756	960,627
Less: total future interest expenses		**(195,448)**		(143,871)
Present value of lease liabilities		**989,376**		816,756

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flow, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flow.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(e) Impact on the financial result, segment results and cash flows of the Group *(continued)*

	2019				2018
	Amounts reported under HKFRS 16 (A) HK$'000	Add back: HKFRS 16 depreciation and interest expense (B) HK$'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C) HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C) HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	**48,403**	**66,219**	**68,672**	**45,950**	72,582
Finance costs	**(41,931)**	**17,262**	**–**	**(24,669)**	(25,283)
Share of profits of joint ventures	**13,099**	**47,596**	**44,749**	**15,946**	18,530
Profit before taxation	**19,571**	**131,077**	**113,421**	**37,227**	65,829
Profit for the year	**4,559**	**131,077**	**113,421**	**22,215**	48,307

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

3 REVENUE AND SEGMENT REPORTING

Revenue represents the income from the sale of film, video and television rights, film and television drama distribution, theatre operation, food and beverage, promotion and advertising services, agency and consultancy services and proceeds from the sale of audio visual products.

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

— Singapore

— Taiwan

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

Each of the above reportable segments primarily derives its revenue from film exhibition, film and video distribution, film and television programme production and the provision of advertising and consultancy services. The reportable segments, Taiwan, represent the performance of the joint ventures operating in Taiwan for the six months ended 30 June 2019. 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:

3 REVENUE AND SEGMENT REPORTING *(continued)*

Segment revenue and results

Revenue is allocated to the reportable segments 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 adjusted operating profit after taxation where net finance costs, exchange differences and extraordinary items are excluded, and the effect of HKFRS 16 is adjusted as if the rentals had been recognised under HKAS 17. To arrive at adjusted operating profit after taxation, the Group's profit is further adjusted for items not specifically attributable to individual segments, such as directors' and auditors' remuneration and head office or corporate administration costs.

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

Management evaluates performance primarily based on operating profit including the share of results of joint ventures of each segment. Intra-segment pricing is generally determined on an arm's length basis.

3 REVENUE AND SEGMENT REPORTING *(continued)*

Segment revenue and results *(continued)*

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

	Six months ended 30 June									
	Hong Kong		Mainland China		Singapore		Taiwan		Total	
	2019	2018 (Note)	**2019**	2018 (Note)	**2019**	2018 (Note)	**2019**	2018 (Note)	**2019**	2018 (Note)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Revenue										
— Exhibition	**127,582**	104,345	**–**	–	**401,047**	408,076	**224,974**	240,768	**753,603**	753,189
— Distribution and production	**7,023**	10,869	**–**	157	**19,755**	18,283	**8,516**	1,619	**35,294**	30,928
— Corporate	**411**	825	**–**	–	**–**	–	**–**	–	**411**	825
Reportable segment revenue	**135,016**	116,039	**–**	157	**420,802**	426,359	**233,490**	242,387	**789,308**	784,942
Reportable segment profit/(loss) after taxation	**6,051**	6,822	**(21,457)**	(13,693)	**70,610**	69,626	**17,119**	18,874	**72,323**	81,629
Reconciliation — Revenue										
Reportable segment revenue									**789,308**	784,942
Share of revenue from joint ventures in Taiwan									**(233,490)**	(242,387)
Elimination of intra-segment revenue									**(12,507)**	(13,570)
Others									**(8,996)**	(8,664)
									534,315	520,321
Reconciliation — Profit before taxation										
Reportable profit after taxation from external customers									**72,323**	81,629
Unallocated operating expenses, net									**(67,742)**	(33,187)
Non-controlling interests									**(22)**	(135)
Income tax charge									**15,012**	17,522
Profit before taxation									**19,571**	65,829

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

4 PROFIT BEFORE TAXATION

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

	Six months ended 30 June 2019 HK$'000	Six months ended 30 June 2018 (Note) HK$'000
(a) Finance costs		
Interest on bank loans	**21,845**	22,498
Interest on lease liabilities	**17,262**	–
Finance charges on obligations under finance leases	**–**	7
Other ancillary borrowing costs	**2,824**	2,778
	41,931	25,283

No finance costs have been capitalised for the six months ended 30 June 2019 and 30 June 2018.

	Six months ended 30 June 2019 HK$'000	Six months ended 30 June 2018 (Note) HK$'000
(b) Other items		
Cost of inventories	**21,128**	18,618
Cost of services provided	**174,469**	174,940
Depreciation charge		
— owned property, plant and equipment	**30,949**	37,425
— right-of-use assets	**70,225**	–
Amortisation of film rights	**4,093**	2,169
Loss/(gain) on disposals of property, plant and equipment	**66**	(267)
Exchange loss/(gain), net	**3,658**	(4,219)
Interest income from bank deposits	**(10,945)**	(15,003)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June 2019 HK$'000	Six months ended 30 June 2018 HK$'000
Current income tax		
Provision for Hong Kong tax	**357**	1,002
Provision for overseas tax	**19,023**	19,698
Over provision in respect of prior periods	**(173)**	(561)
	19,207	20,139
Deferred tax — overseas		
Origination and reversal of temporary differences	**(4,195)**	(2,617)
Actual tax charge	**15,012**	17,522

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) to the six months ended 30 June 2019.

Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant jurisdictions.

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$4,581,000 (six months ended 30 June 2018: HK$48,442,000) and the weighted average number of ordinary shares of 2,799,669,050 (2018: 2,799,669,050 shares) in issue during the period.

Weighted average number of ordinary shares (basic)

	2019 Number of shares	2018 Number of shares
Issued ordinary shares and weighted average number of ordinary shares as at 30 June	**2,799,669,050**	2,799,669,050

(b) Diluted earnings per share

The Company does not have any dilutive potential ordinary shares at 30 June 2018 and 2019. Diluted earnings per share for the six months ended 30 June 2018 and 2019 is the same as the basic earnings per share.

7 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT, LEASEHOLD LAND AND RIGHT-OF-USE ASSETS

(a) Right-of-use assets

As discussed in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 2.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of properties and therefore recognised the additions to right-of-use assets of HK$242,820,000. The leases of properties contain variable lease payment terms that are based on sales generated from the cinemas and minimum annual lease payment terms that are fixed. These payment terms are common in cinemas in Hong Kong and Singapore where the Group operates.

7 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT, LEASEHOLD LAND AND RIGHT-OF-USE ASSETS

(continued)

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment in an aggregate amount of HK$35,557,000 (six months ended 30 June 2018: HK$51,821,000).

(c) Valuation

The Group's investment properties were revalued as at 30 June 2019 by the senior management of the Group using the market comparison approach by reference to recent market price of comparable properties using market data which is publicly available.

No gain or loss from changes in fair values of the investment properties during the six months ended 30 June 2019 (six months ended 30 June 2018: HK$Nil) was recognised in profit or loss.

8 INTEREST IN A JOINT VENTURE

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Share of net assets	**121,785**	145,933

Interest in a joint venture represents the Group's equity interest in the film exhibition and distribution businesses in Taiwan.

9 FILM RIGHTS

During the period under review, the Group incurred additional costs for film rights of HK$7,014,000 (six months ended 30 June 2018: HK$2,962,000) and amortisation of film rights amounted to HK$4,093,000 (six months ended 30 June 2018: HK$2,169,000).

10 INTANGIBLE ASSETS

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Trademarks	**519,044**	516,004
Customer relationships	**4,444**	5,185
Club memberships	**1,890**	1,890
	525,378	523,079

11 TRADE RECEIVABLES

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

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Within 1 month	**34,460**	25,328
Over 1 month but within 2 months	**5,553**	10,067
Over 2 months but within 3 months	**7,886**	3,779
Over 3 months	**2,268**	2,299
	50,167	41,473

At 30 June 2019, trade receivables of the Group include an amount of HK$9,009,000 (31 December 2018: HK$Nil) due from a joint venture, which are unsecured, interest-free and recoverable within one year.

12 DEPOSITS AND CASH

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Deposits at banks	**561,844**	594,073
Cash at bank and in hand	**682,551**	833,022
	1,244,395	1,427,095
Less: Pledged deposits for bank loans	**(137,000)**	(137,000)
Cash and cash equivalents	**1,107,395**	1,290,095

13 BANK LOANS

(a) The bank loans were repayable as follows:

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Within 1 year or on demand	**275,506**	274,850
After 1 year but within 2 years	**853,498**	770,350
After 2 years but within 5 years	**12,845**	214,542
After 5 years	**37,465**	39,606
	903,808	1,024,498
	1,179,314	1,299,348
Bank loans		
— Secured	**1,149,314**	1,269,348
— Unsecured	**30,000**	30,000
	1,179,314	1,299,348

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

13 BANK LOANS *(continued)*

(b) At 30 June 2019, the bank loans were secured by:

(i) an office property of a subsidiary located in Hong Kong (31 December 2018: one);

(ii) two properties of a subsidiary located in Singapore and existing deed of assignment of insurance over the properties (31 December 2018: two);

(iii) deposits of subsidiaries of HK$137,000,000 (31 December 2018: HK$137,000,000); and

(iv) equity shares in its four subsidiaries of the Company (31 December 2018: four subsidiaries).

(c) At 30 June 2019, bank loans of HK$1,179,314,000 (31 December 2018: HK$1,299,348,000) were guaranteed by corporate guarantees from the Company and its subsidiaries.

(d) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain ratios of the Group's financial performance on consolidated basis, 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. As at 30 June 2019, none of the covenants relating to drawn down facilities had been breached.

14 TRADE PAYABLES

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Current to 3 months	**68,661**	106,358
Within 4 to 6 months	**24,300**	3,424
Within 7 to 12 months	**284**	350
Over 1 year	**10,921**	11,681
	104,166	121,813

As at 30 June 2019, trade payables of the Group include amounts totalling HK$25,000 (31 December 2018: HK$25,000) due to related companies which are unsecured, interest-free and repayable on demand.

15 SHARE CAPITAL

		As at 30 June 2019		As at 31 December 2018	
	Note	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 2018/31 December 2018/1 January 2019/30 June 2019		**2,799,669,050**	**279,967**	2,799,669,050	279,967

15 SHARE CAPITAL *(continued)*

Notes:

(i) Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and other employees of the Group, shareholders of the Company, suppliers of goods or services to the Group and customers of the Group. Details of the Scheme are set out in the 2018 annual financial statements.

(ii) Dividend

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2019 (2018: Nil).

During the six months ended 30 June 2018, a special dividend of HK$0.253 per ordinary share amounting to a total of HK$708,316,000 was declared and paid, which was based on 2,799,669,050 ordinary shares in issue on the date of declaration.

(iii) 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 capital 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 capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities) less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused a significant increase in the group's total debt and hence the Group's adjusted net debt-to-capital ratio rose from 0.4% to 38% on 1 January 2019 when compared to its position as at 31 December 2018.

15 SHARE CAPITAL *(continued)*

The group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to HKFRS 16 was as follows:

	Note	**30 June 2019**	1 January 2019 (Note)	31 December 2018 (Note)
		HK$'000	HK$'000	HK$'000
Current liabilities:				
Bank loans		**275,506**	274,850	274,850
Lease liabilities		**106,280**	91,739	–
		381,786	366,589	274,850
Non-current liabilities:				
Bank loans		**903,808**	1,024,498	1,024,498
Lease liabilities		**883,096**	725,017	–
Total debt		**2,168,690**	2,116,104	1,299,348
Less: Cash and cash equivalents	12	**(1,107,395)**	(1,290,095)	(1,290,095)
Adjusted net debt		**1,061,295**	826,009	9,253
Total equity		**2,190,854**	2,181,115	2,181,115
Adjusted net debt-to-capital ratio		**48%**	38%	0.4%

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 2.

16 COMMITMENTS

Capital commitments outstanding at 30 June 2019 not provided for in the interim financial report

At the end of the reporting period, the Group's share of the joint venture's own capital commitments in respect of the acquisition of property, plant and equipment, was as follows:

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Contracted for:		
— Taiwan	**2,085**	11,763

In addition to the Group's share of the joint venture's own capital commitments above, the Group had the following capital commitments in respect of acquisition of property, plant and equipment at the end of the reporting period:

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Capital commitments in respect of the acquisition of property, plant and equipment:		
Contracted for:		
— Hong Kong	**112**	230
— Singapore	**31,530**	30,439
— Mainland China	**31,891**	580,665
	63,533	611,334
Authorised but not contracted for:		
— Hong Kong	**1,813**	19,765
	65,346	631,099

17 CONTINGENT LIABILITIES

At 30 June 2019, the Company has issued guarantees to banks in respect of banking facilities granted to certain subsidiaries and a joint venture amounting to HK$1,197,382,000 (31 December 2018: HK$1,320,239,000). At 30 June 2019, banking facilities of HK$1,187,382,000 (31 December 2018: HK$1,310,239,000) had been utilised by the subsidiaries.

At 30 June 2019, 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.

18 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June 2019 HK$'000	Six months ended 30 June 2018 HK$'000
Short-term employee benefits	**8,751**	9,440
Post-employment benefits	**36**	88
	8,787	9,528

(b) 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	Six months ended 30 June 2019 HK$'000	Six months ended 30 June 2018 HK$'000
Office rental and building management expenses	(i)	**5,433**	1,281

Note:

(i) This represents office rental and building management expenses charged by two related companies (2018: two related companies).

19 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

20 DISPOSAL OF SUBSIDIARIES

On 25 January 2017, Giant Harvest Limited ("Giant Harvest"), an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with True Vision Limited ("True Vision"), pursuant to which Giant Harvest conditionally agreed to sell and True Vision conditionally agreed to purchase, the entire equity interest of City Entertainment Corporation Limited ("CECL") at a consideration of RMB3.286 billion (the "Disposal"). Orange Sky Golden Harvest Cinema (China) Company Limited, the entity operating the Group's film exhibition business in Mainland China, was 92.59% owned by CECL and 7.41% owned by Jiaxing Credit Prosperity Investment Enterprise (Limited Partnership). The Disposal was completed on 28 July 2017.

The initial consideration of RMB3.286 billion was subsequently adjusted to RMB3.290 billion. Pursuant to the Sale and Purchase Agreement, the consideration is subject to further adjustments based on an audit as at 28 July 2017 (the "Closing Audit"), and the parties may be entitled to further payment or compensation in respect of the renewal or entering into of new leases of certain cinema premises.

During the year ended 31 December 2017, the Group received an amount of RMB2,990,257,000 (equivalent to HK$3,455,908,000) in connection with the Disposal. The remaining consideration of RMB300,000,000 is held in escrow and the recoverability of which is dependent on the Closing Audit. The parties may also be entitled to further payment or compensation in respect of the renewal or entering into of new leases of certain cinema premises. As such, the directors assessed the fair value of the consideration for the Disposal to be RMB2.990 billion. Any difference between the final consideration received and the fair value of the consideration as assessed by the directors will result in adjustment to the gain on disposal of subsidiaries and will be recognised in profit or loss upon finalisation of the consideration.

During the year ended 31 December 2018, pursuant to the Closing Audit, Giant Harvest calculated the remaining consideration for the Disposal to be RMB252,207,249 (equivalent to US$37,383,975). However, as True Vision did not agree with the Closing Audit and refused to give any instructions to the escrow agent for settlement of the remaining consideration to Giant Harvest, the Group commenced legal action in the Hong Kong High Court (the "Action") against True Vision and Nan Hai in September 2018 claiming a sum of US$37,383,975, being the remaining consideration for the Disposal, and seeking other remedies, including interest and costs.

20 DISPOSAL OF SUBSIDIARIES *(continued)*

Subsequently, Nan Hai made various allegations against the Company and Giant Harvest and counter-claimed for the loss arising from the breach of Sale and Purchase Agreement by Giant Harvest. In October and November 2018, Nan Hai issued writs of summons against the Company and Giant Harvest claiming amounts of RMB380,000,000 and RMB82,146,000 respectively and other remedies, including interest and costs (the "Said Claims"). The Said Claims have since been consolidated with the Action and will be litigated as one consolidated action in the Hong Kong High Court.

The directors of Company disagree with the Said Claims made by Nan Hai. Based on the available evidence and the advice received from the Company's legal advisor, the directors of the Company have assessed the likelihood of the Group incurring a liability as a result of the Said Claims as remote. No provision has therefore been made in respect of the Said Claims. In view of the ongoing legal proceedings, the Group has not recognised the remaining consideration claimed against True Vision and Nan Hai of RMB252,207,249 referred to above.

Further details of the legal proceedings are set out in the Company's announcements dated 4 September 2018, 10 September 2018, 2 November 2018 and 9 November 2018.

Board Composition

As at the date of this interim report, the composition of the Board of the Company was as follows:

Executive Directors
Wu Kebo *(Chairman)*
Mao Yimin
Li Pei Sen
Wu Keyan
Chow Sau Fong, Fiona

Independent Non-executive Directors
Leung Man Kit
Wong Sze Wing
Fung Chi Man, Henry

Changes in the Information of Directors

As at 30 June 2019, there has been no change to the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Purchase, Sale or Redemption of Listed Securities

The Company did not redeem any of its listed securities during the period ended 30 June 2019. Neither the Company nor any of its subsidiaries has repurchased or sold any of the Company's listed securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the period.

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

As at 30 June 2019, the interests and short positions of the directors of the Company (the "Director(s)") and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

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

Name of Director/ Chief Executive	Capacity	Note	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	* Approximate percentage of Shares and underlying Shares in the issued share capital of the Company
Wu Kebo	Interest of controlled corporations	1	1,723,894,068 (L)	–	1,723,894,068 (L)	61.57%
	Beneficial owner	1	271,824,429 (L)	–	271,824,429 (L)	9.71%
Li Pei Sen	Beneficial owner		200,000 (L)	–	200,000 (L)	0.01%
Wu Keyan	Beneficial owner		2,500,000 (L)	–	2,500,000 (L)	0.09%
Leung Man Kit	Beneficial owner		370,000 (L)	–	370,000 (L)	0.01%
Wong Sze Wing	Beneficial owner		170,000 (L)	–	170,000 (L)	0.01%

* These percentages are computed based on the total number of Shares in issue (i.e. 2,799,669,050 Shares) as at 30 June 2019.

Note:

1. By virtue of the SFO, Mr. Wu was deemed to be interested in a total of 1,723,894,068 Shares, of which (i) 439,791,463 Shares were held by Skyera International Limited (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) 129,666,667 Shares were held by Noble Biz International Limited (a company wholly-owned by Mr. Wu); (iv) 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 (v) 180,000,000 Shares were held by Cyber International Limited (a company owned by an associate of Mr. Wu).

   In addition, Mr. Wu was interested in 271,824,429 Shares as at 30 June 2019 which were beneficially held by him in his own name.

Abbreviation:
"L" stands for long position

Save as disclosed above and save for the disclosure referred to under "Share Options" as at 30 June 2019, 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.

Share Options

The Company adopted its existing share option scheme on 11 November 2009 (the "Share Option Scheme"), which enables the Company to grant options to eligible participants as incentives or rewards for their contribution to the growth of the Group and provides the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants.

During six months ended 30 June 2019, no share option under the Share Option Scheme has been granted by the Company nor share option outstanding under the Scheme.

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

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

So far as is known to the Directors, as at 30 June 2019, 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 as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Name of shareholder	Capacity	Note	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	*Approximate percentage of Shares and underlying Shares in the issued share capital of the Company
Wu Kebo	Interest of controlled corporations	1	1,723,894,068 (L)	–	1,723,894,068 (L)	61.57%
	Beneficial owner	1	271,824,429(L)	–	271,824,429(L)	9.71%
Skyera International Limited ("Skyera")	Beneficial owner	2	439,791,463 (L)	–	439,791,463 (L)	15.71%
Mainway Enterprises Limited ("Mainway")	Beneficial owner	3	408,715,990 (L)	–	408,715,990 (L)	14.60%
Noble Biz International Limited ("Noble Biz")	Beneficial owner	4	129,666,667 (L)	–	129,666,667 (L)	4.63%
Cyber International Limited ("Cyber")	Beneficial owner	5	180,000,000 (L)	–	180,000,000 (L)	6.43%
Orange Sky Entertainment Group (International) Holding Company Limited ("OSEG")	Beneficial owner	6	565,719,948 (L)	–	565,719,948 (L)	20.21%

* These percentages are computed based on the total number of Shares in issue (i.e. 2,799,669,050 Shares) as at 30 June 2019.

Notes:

(1) By virtue of the SFO, Mr. Wu was deemed to have interest in a total of 1,723,894,068 Shares, of which (i) 439,791,463 Shares were held by Skyera; (ii) 408,715,990 Shares were held by Mainway; (iii) 129,666,667 Shares were held by Noble Biz; (iv) 565,719,948 Shares were held by OSEG; and (v) 180,000,000 Shares were held by Cyber.

In addition, Mr. Wu was interested in 271,824,429 Shares as at 30 June 2019 which were beneficially held by him 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) Noble Biz is a company wholly owned by Mr. Wu who is also a director of Noble Biz.

(5) Cyber is a company owned by an associate of Mr. Wu.

(6) OSEG (a company 80% owned by Mr. Wu) was interested in 565,719,948 Shares. Mr. Wu is a director of OSEG and Mr. Li Pei Sen is the associate Chairman of OSEG.

Abbreviations:
"L" stands for long position

Save as disclosed above, as at 30 June 2019, no other person had an interest or a short position in Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

Review by Audit Committee

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the Group's interim financial report for the six months ended 30 June 2019.

Interim Dividend

The Directors do not recommend the payment of any interim dividend for the period ended 30 June 2019 (30 June 2018: Nil).

Compliance with Corporate Governance Code

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 Corporate Governance Code (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 period ended 30 June 2019, the Company has complied with the code provisions of CG Code, with the exception of code provisions A.4.1 and E.1.2.

Pursuant to code provision A.4.1 of the CG Code, non-executive directors of a listed issuer should be appointed for a specific term, subject to re-election. All non-executive Directors were not appointed for a specific term but are subject to the requirement of retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws, accomplishing the same purpose as being appointed for a specific term. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the code provisions of the CG Code.

Code provision E.1.2 requires the chairman of the Board to attend the annual general meeting of the Company held on 14 June 2019 (the "AGM"). Mr. Wu Kebo, the Chairman of the Board, was unable to attend the AGM due to other business commitment. Mr. Li Pei Sen, who took the chair of the AGM, together with other members of the Board who attended the AGM were of sufficient calibre and knowledge for answering questions at the AGM.

Compliance with Model Code

The Company has adopted its own code on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"). The Company has made specific enquiries with all the Directors and all of them have confirmed that they had complied with the requirements set out in the Model Code and the Company's Code for the period ended 30 June 2019.

Appreciation

Finally, the board of directors would like to take this opportunity to express their gratitude to the diligence and contribution of the management and all our employees of the Group and trust and support from the shareholders, customers and business partners to the Group's development.

On behalf of the Board
WU Kebo
Chairman

Hong Kong, 27 August 2019

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