

Orange Sky  
ENTERTAINMENT GROUP



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)



INTERIM REPORT  
中期報告

2016

OSGH's Cinema Network in

# Mainland China by the end of 2017

## 橙天嘉禾於二零一七年年底在中國內地之影城網點

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



**Northern  
China Region**  
華北區

**24** Cinemas / 影城

**167** Screens / 銀幕

**Eastern  
China Region**  
華東區

**29** Cinemas / 影城

**226** Screens / 銀幕

**Southern  
China Region**  
華南區

**23** Cinemas / 影城

**157** Screens / 銀幕

**Central / Western  
China Region**  
中西區

**20** Cinemas / 影城

**150** Screens / 銀幕

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# Corporate Information

## EXECUTIVE DIRECTORS

WU Kebo (*Chairman*)  
MAO Yimin  
LI Pei Sen  
WU Keyan  
CHOW Sau Fong, Fiona (appointed on  
3 June 2016)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

LEUNG Man Kit  
HUANG Shao-Hua George (retired on  
3 June 2016)  
WONG Sze Wing  
FUNG Chi Man, Henry (appointed on  
3 June 2016)

## CHIEF EXECUTIVE OFFICER

MAO Yimin

## COMPANY SECRETARY

LEUNG Wing Chong

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS

24th Floor, AXA Centre  
151 Gloucester Road  
Wan Chai  
Hong Kong

## PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong)  
Limited  
The Hongkong and Shanghai  
Banking Corporation Limited  
Industrial and Commercial Bank of  
China Limited  
Bank of China (Hong Kong) 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  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## WEBSITE

<http://www.osgh.com.hk>

## STOCK CODE

1132

# Management Discussion and Analysis

## OPERATION AND FINANCIAL REVIEW

During the period under review, the Group recorded revenue of HK\$690 million, representing an increase of 2% from HK\$675 million for the corresponding period last year. The gross profit margin remained stable at 58% (30 June 2015: 59%) for the reporting period. Net loss attributable to equity holders amounted to HK\$33.3 million, representing a decrease from the net profit of HK\$3.1 million for the corresponding period last year. The increase in revenue in the first half of the year was attributable to several audience drawing films which were released in Mainland China region in the first quarter as well as an addition of 9 new multiplexes with 54 screens compared to the same period last year. The Gateway, located in Hong Kong, was closed in February 2016 due to expiry of the tenancy agreement. The closure of The Gateway slightly affected the revenue performance of the Hong Kong region. The majority of our cinemas operating in Hong Kong and Mainland China remained stable and the Group's operating EBITDA has improved compared to the same period last year. However, due to the additional finance costs and expenses incurred due to the issuance of convertible bonds and depreciation of the Renminbi, the Group recorded a net loss attributable to equity holders of HK\$33.3 million in the first half of 2016.

As at 30 June 2016, cash and cash equivalents of the Group amounted to HK\$283 million (31 December 2015: HK\$187 million). The Group's gearing ratio stood at 31% (31 December 2015: 29%). This minor increase was mainly due to the convertible bonds issued in February 2016.

## BUSINESS REVIEW

### Film Exhibition

During the six months ended 30 June 2016, the Group operated 100 cinemas with 737 screens across Mainland China, Hong Kong, Taiwan and Singapore, an increase of 7.5% and 6.8% respectively from 93 cinemas with 690 screens for the corresponding period last year. The Group's cinemas served close to 28 million guests during the period, a slight increase of 3% as compared with the last reporting period. The major Hollywood blockbusters released during this period were *Deadpool* (死侍: 不死現身), *Captain America 3: Civil War* (美國隊長3: 英雄內戰), *Zootopia* (優獸大都會), *Batman v Superman: Dawn of Justice* (蝙蝠俠對超人: 正義曙光), *Warcraft: The Beginning* (魔獸爭霸: 戰雄崛起), *X-Men: Apocalypse* (變種特攻: 天啟滅世戰). The major Chinese language blockbusters were *The Mermaid* (美人魚), *From Vegas to Macau III* (賭城風雲3), *Ip Man 3* (葉問3) in Hong Kong and Mainland China and *The Monkey King 2* (西遊記之孫悟空三打白骨精) in Mainland China; *The M Riders Finding Pangu* (萌學園: 尋找磐古) in Taiwan and *Young & Fabulous* (最佳伙扮) as well as *Long Long Time Ago* (我們的故事) in Singapore.

### OPERATING STATISTICS OF THE GROUP'S CINEMAS

	Mainland China	Hong Kong	Taiwan	Singapore
Number of cinemas*	71 (note)	5	13	11
Number of screens*	498	21	127	91
Admissions (million)	13.7	1.2	7.8	4.9
Net average ticket price (HK\$)	35	87	57	57

\* as at 30 June 2016

Note: Five more cinemas in Mainland China are under construction or are awaiting license applications and are expected to be opened before December 2016. The Fanling cinema in Hong Kong and Mitsui Outlet Park in Linkou Taipei were under construction as at 30 June 2016.

The Group is committed to pursue visual and audio effect perfection to bring a new movie-going experience for our audiences. Currently, all screens in Mainland China, Hong Kong, Taiwan and Singapore are fully installed with digital projection equipment and the majority of the Group's screens are 3D compatible. In addition to digital IMAX® screens and ultra-high resolution Sony 4K Projection System, the Group also has 4DX™ and D-Box Motion Chairs and the advanced panorama Dolby Atmos, DTS:X sound systems installed in some of our theatres in the different regions.

## Mainland China

### Operating Statistics of the Group's Cinemas in Mainland China

	June 2016	June 2015
Number of cinemas*	<b>71 (note)</b>	63
Number of screens*	<b>498</b>	447
Admissions (million)	<b>13.7</b>	12.0
Net average ticket price (RMB)	<b>30</b>	31
Gross box office receipts (RMB million) <sup>#</sup>	<b>438</b>	407

\* as at 30 June 2016

<sup>#</sup> before deduction of government taxes and charges

Note: Five more cinemas in Mainland China are under construction or are awaiting license applications and are expected to be opened before December 2016.

During the six months ended 30 June 2016, the market gross box office receipts of urban areas in Mainland China increased by 21% to RMB24.6 billion while the Group's gross box office receipts generated by multiplexes in Mainland China increased by 8% as compared with the corresponding period last year. During the first half of 2016, the Group opened 3 new cinemas with 19 screens in the cities of Shenzhen and Tianjin and acquired 1 cinema with 5 screens in Wuhan. The Group's multiplexes in Mainland China served approximately 13.7 million patrons, representing 14% growth compared with the corresponding period last year. The net average ticket price decreased from RMB31 to RMB30 due to marketing campaigns launched to drive admissions in some areas which have keen competition. The major blockbuster for the period was the record-breaking film *The Mermaid* (美人魚). Other blockbusters during the period included *Ip Man 3* (葉問3), *Warcraft: The Beginning* (魔獸爭霸: 戰雄崛起), *X-Men: Apocalypse* (變種特攻: 天啟滅世戰), *Song of the Phoenix* (百鳥朝鳳) and *Mr. Six* (老炮兒). To attract and retain our valuable audiences, the Group shall further enrich our food and beverage selections and offer a better movie-going experience to our customers. A new concept store at Mission Hills, the first standalone IMAX building in Southern China comprising seven 3D theatres with 4K digital technology, was opened in January 2016. This concept store consists of a mega book store and a restaurant which creates a comprehensive and relaxing entertainment environment for our customers. This new concept will be extended to some of our existing cinemas and new sites located in the Beijing, Shenzhen and Guangzhou regions by difference phases over 2016 and 2017.

The earnings before interest, tax and depreciation of our exhibition business in Mainland China increased by RMB11 million compared to the same period last year. Most of our cinemas secured a steady flow of customers and loyal members helped contribute to a stable growth of box office income. Net contribution to the Group is still under pressure due to the incubation period of newly-opened cinemas and the effects of additional depreciation and finance costs. The Group will continue to maintain our market share by organic growth and focus our new cinema development in tier 1 and 2 cities which are densely populated with higher income levels to drive the fill rate and average ticket price. During the reporting period, the Group acquired 1 cinema from a local operator in Wuhan and 2 more cinemas with 12 screens are expected to be handed over to us by 2017.

## Hong Kong

### Operating Statistics of the Group's Cinemas in Hong Kong

	June 2016	June 2015
Number of cinemas*	<b>5 (note)</b>	6
Number of screens*	<b>21</b>	24
Admissions (million)	<b>1.2</b>	1.4
Net average ticket price (HK\$)	<b>87</b>	80
Gross box office receipts (HK\$ million)	<b>106</b>	110

\* as at 30 June 2016

Note: Fanling cinema was under construction as at 30 June 2016 and commenced operation in July 2016.

During the period under review, the Hong Kong market as a whole recorded box office receipts of HK\$1,023 million, an increase of 4% from HK\$985 million for the corresponding period last year. The Group's cinemas in Hong Kong recorded box office receipts of HK\$106 million (30 June 2015: HK\$110 million), representing a decrease of 4%. Excluding the effect of the closure of The Gateway cinema in February 2016, box office income increased by 4% which is the same as the general market growth in the region. The major blockbusters for the period were *Deadpool* (死侍: 不死現身), *Zootopia* (優獸大都會), *Batman v Superman: Dawn of Justice* (蝙蝠俠對超人: 正義曙光), *X-Men: Apocalypse* (變種特攻: 天啟滅世戰). The major Chinese language blockbusters were *The Mermaid* (美人魚), *From Vegas to Macau III* (賭城風雲3) and *Ip Man 3* (葉問3). Average ticket price grew from HK\$80 to HK\$87 during the period since more 3D films were released during the period and ticket prices increased for newly renovated cinemas. The Fanling cinema with two houses which commenced operations in July 2016 has been highly welcomed by the nearby residents. The Group will continue looking for potential sites in both Hong Kong and Macau and will actively participate in all bidding invitations from landlords.



## Taiwan

### Operating Statistics of the Group's Cinemas in Taiwan

	June 2016	June 2015
Number of cinemas*	<b>13 (note)</b>	13
Number of screens*	<b>127</b>	127
Admissions (million)	<b>7.8</b>	8.8
Net average ticket price (NTD)	<b>239</b>	246
Gross box office receipts (NTD billion)	<b>1.9</b>	2.2

\* as of 30 June 2016

Note: Mitsui Outlet Park in Linkou Taipei was under construction as at 30 June 2016 and is expected to commence operations in September 2016.

During the six months ended 30 June 2016, Taipei City's market box office receipts amounted to NTD1.90 billion (30 June 2015: NTD2.11 billion), a decrease of 10% compared to the corresponding period last year. The Group's 35.71%-owned Vie Show cinema circuit ("Vie Show") recorded total box office receipts of NTD1,869 million, which represented a 13.8% decrease compared to the same period last year. The decrease was mainly due to the lack of record breaking blockbusters like last year to drive both box office income and average ticket price in the first half of 2016. The major blockbusters for the period includes *Deadpool* (死侍: 不死現身), *Captain America 3: Civil War* (美國隊長3: 英雄內戰), *Zootopia* (優獸大都會), *Batman v Superman: Dawn of Justice* (蝙蝠俠對超人: 正義曙光), *Now You See Me 2* (非常盜2), *The M Riders Finding Pangu* (萌學園: 尋找磐古). Nevertheless, Vie Show still continues to maintain its leading position with a market share of 43%.

The Group's share of net profit from Vie Show decreased from HK\$20.2 million to HK\$9.4 million compared to the corresponding period last year. Apart from investing in new cinemas to expand the market share as well as box office income, Vie Show is also focused on staff cost control and developing an e-voucher ticketing system to reduce operating costs. In order to provide the greatest variety of cinematic experiences, Vie Show has presented an innovative project — National Theatre Live (NT Live) starting from April 2016 which has had a positive feedback from the market.

For the distribution business, Vie Vision Pictures Co. Ltd recorded significant revenue growth by distributing *Ip Man 3* (葉問3) compared to the corresponding period in 2015.

For non box office income, Gold-class multiplex served by a dedicated catering team with a full kitchen helped continue to attract an affluent middle-class audience and contributed considerable profit for Vie Show. The “UNICORN” popcorn brand business also expanded its retail business from the Xinyi cinema circuit to QSquare, BanQiao, Hsinchu, Taichung, Tainan and Kaohsiung this year. In addition, Vie Show’s catering team operated our first self-operated restaurant — “MAGO” at QSquare in February, providing a variety of Spanish fusion cuisine which was welcomed by the market.

## Singapore

### Operating Statistics of the Group’s Cinemas in Singapore

	June 2016	June 2015
Number of cinemas**	11	11
Number of screens**	91	92
Admissions (million)	4.9	4.7
Net average ticket price (S\$)	10.2	10.2
Gross box office receipts (S\$ million)	50.1	47.5

\* as at 30 June 2016

# Tiong Bahru with 5 screens was renovated and reopened in May 2016.

During the six months ended 30 June 2016, the Singapore market’s box office receipts totalled S\$118 million, up from S\$114 million for the corresponding period last year. The Group’s 50%-owned Golden Village cinema circuit (“GV”) maintained its leading position with a market share of 42.4% by reporting box office receipts of S\$50.1 million for the period, an increase of 5.5% over the corresponding period last year. The increase in box office receipts was contributed by the reopened Tiong Bahru cinema after a year of closure for renovation. The new GV Tiong Bahru consists of 800-seats with the latest cinema designs, new technological capabilities such as Quick tix™, automated ticketing machines and auto-gates giving patrons an easy, fast and efficient cinematic experience like none other. Besides, a number of Hollywood summer blockbusters arrived early this year, namely *Deadpool* (死侍: 不死現身), *Captain America 3: Civil War* (美國隊長3: 英雄內戰), *Batman v Superman: Dawn of Justice* (蝙蝠俠對超人: 正義曙光) and *X-Men: Apocalypse* (變種特攻: 天啟滅世戰) as well as animation titles such as *Zootopia* (優獸大都會) and *The Jungle Book* (與森林共舞), all of which were well-received as usual in the Singapore market. To further expand the exhibition business, GV started to operate “Capitol” which is a refurbished theatre hosting Broadway musicals and Hollywood blockbusters, touted as South-east Asia’s largest single screen cinema.

During the reporting period, the Group's share of net profit increased by 24% to HK\$34.5 million compared to HK\$27.9 million for the corresponding period last year.

### **Film & TV Programme Distribution and Production**

During the six months ended 30 June 2016, the Group's film distribution and production business recorded revenue of HK\$27 million (30 June 2015: HK\$20 million), an increase of 35% compared to the same period last year. The distribution revenue was mainly generated by distributing *Selfless* (幻體: 續命遊戲) in Mainland China and few local releases *From Vegas to Macau 3* (賭城風雲3), *Anniversary* (紀念日) and *House of Wolves* (惡人谷) in Hong Kong region. The Group will continue to produce movies and TV series as well as Intellectual Property redevelopment in the coming years by means of both self-investment and co-production with local and overseas studios and TV producers. The Group's film library with perpetual distribution rights continued generating steady licensing income to the Group.

### **PROSPECTS**

Looking ahead, the Group will continue our cinema network expansion strategy. Our high calibre team in different regions will keep analysing potential sites, acquisition targets and cooperation opportunities in the market. The Group is expected to operate 76 cinemas with 531 screens in various cities in Mainland China by the end of 2016 based on lease agreements signed as at 29 August 2016. The captioned numbers above may vary due to the actual handover dates, the progress of internal renovations, applications for relevant licenses and the entering into of new lease agreements. The Fanling cinema in Hong Kong with 2 screens commenced operations in July 2016 and Mitsui Outlet Park in Linkou Taipei with 9 screens is currently under construction and is expected to be opened in September. In Singapore, GV Tiong Bahru was renovated into a 800-seat theatre with the latest cinema designs and equipped with new technological capabilities such as Quick tix™, automated ticketing machines and auto-gates. Through organic growth in different regions as well as potential acquisitions, plus the improvement of efficiency of mature cinemas and cost control strategies, the profitability of the Group is expected to improve.

For non box office income, the Group shall further enrich our food and beverage selections and continue to offer a better movie-going experience to our customers. A new concept store at Mission Hills Shenzhen was opened in January this year, which consists of a mega book store and a restaurant providing a comprehensive and relaxing entertainment environment to our customers. This new concept will be extended to some of our existing cinemas and new sites located in the Beijing, Shenzhen and Guangzhou regions by different phases over the period of 2016 and 2017. In addition, Vie Show will continue to launch new fusion restaurants “MAGO” Spanish fusion restaurant in Xinyi and brand “MAPPA”, a conceptual restaurant which consists of a book store to meet the market’s demands. One themed restaurant with a well-known cartoon character will be opened together with the Grand Opening of the cinema at Mitsui Outlet Park in September. The Group will continue to invest in this segment and put significant effort into developing the non box office business and drive the growth of spending per person in every region.

In recent years, more outstanding young film directors have emerged in the movie industry, bringing new elements to movie production. As such, the Group will continue to support these innovative and reputable films. In addition, we will continue to endeavour to source a variety of entertainment from abroad to offer a diversified choice for consumers in the next few years, thereby increasing our market share and increasing our foothold in the entertainment industry. In first half of 2016, 22 alternative contents have already been shown in the Hong Kong region which were all well-received by audiences.

The economic slowdown has clouded the Group’s operations but the Group has maintained a robust financial condition with adequate liquidity and diversified our funding sources by issuing of convertible bonds and by disposing of part of our PRC exhibition business to strategic investors later this year. The Group will remain responsive to the price-sensitive entertainment market with a stable price adjusting pace. Adhering to not only our passion for movie production and distribution, but also the delivery of differentiated experiences that resonate with consumers, we are always committed to the provision of prime entertainment in our business regions and upgrade continuously both software and hardware to reinforce the Group’s core competitiveness within the industry across the Asia.

## FINANCIAL RESOURCES AND LIQUIDITY

As of 30 June 2016, the Group had cash and cash equivalents amounting to HK\$283 million (31 December 2015: HK\$187 million). The Group's outstanding loans amounted to HK\$836 million, representing convertible bonds of HK\$172 million (31 December 2015: Nil) and bank borrowings of HK\$664 million (31 December 2015: HK\$770 million). The Group's gearing ratio, calculated on the basis of external borrowings over total assets stood at 31% (31 December 2015: 29%) and our cash to debt ratio at 44% (31 December 2015: 36%). As of 30 June 2016, the Group had HK\$107 million of pledged bank deposits to secure its bank borrowings. In order to minimise potential risks for the Group's development and economic status, management will keep supervising gearing and will make relative adjustments if necessary. The Group at this moment has reasonable financial leverage. Meanwhile, the Group will take advantage of equity financing together with available financial facilities to aid the cinema projects, potential acquisitions in Mainland China and other business opportunities so as to act in concert with its expansion plan. The Group believes that its current cash holding and available financial facilities will provide sufficient resources for its working capital.

The Group's assets and liabilities are principally denominated in Hong Kong dollars 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 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 2016 (31 December 2015: Nil).

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group employed 1,721 (31 December 2015: 1,566) 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 2016, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

# Review Report to the Board of Directors



## 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 14 to 41 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 2016 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 months 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 (“HKSRE 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 2016 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

29 August 2016

# Consolidated Income Statement

for the six months ended 30 June 2016 — Unaudited

	Note	Six months ended 30 June 2016 HK\$'000	Six months ended 30 June 2015 HK\$'000
<b>Revenue</b>	3	<b>689,939</b>	675,141
Cost of sales		<b>(292,287)</b>	(278,960)
<b>Gross profit</b>		<b>397,652</b>	396,181
Other revenue		<b>10,700</b>	15,929
Other net income/(loss)		<b>586</b>	(3,143)
Selling and distribution costs		<b>(378,425)</b>	(372,895)
General and administrative expenses		<b>(63,619)</b>	(63,135)
Other operating expenses		<b>(169)</b>	(69)
<b>Loss from operations</b>		<b>(33,275)</b>	(27,132)
Finance costs	5(a)	<b>(31,356)</b>	(19,169)
Share of profits of joint ventures		<b>44,394</b>	50,998
Share of profits of associates		<b>193</b>	736
<b>(Loss)/profit before taxation</b>	5	<b>(20,044)</b>	5,433
Income tax	6	<b>(14,965)</b>	(1,367)
<b>(Loss)/profit for the period</b>		<b>(35,009)</b>	4,066
<b>Attributable to:</b>			
Equity holders of the Company		<b>(33,298)</b>	3,104
Non-controlling interests		<b>(1,711)</b>	962
		<b>(35,009)</b>	4,066
<b>(Loss)/earnings per share</b>	7		
Basic		<b>(1.21) cents</b>	0.11 cents
Diluted		<b>(1.21) cents</b>	0.11 cents

The notes on pages 23 to 41 form part of this interim financial report.



# Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2016 — Unaudited

	<b>Six months ended 30 June 2016 HK\$'000</b>	Six months ended 30 June 2015 HK\$'000
<b>(Loss)/profit for the period</b>	<b>(35,009)</b>	4,066
<b>Other comprehensive income for the period</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
— subsidiaries outside Hong Kong	<b>(6,890)</b>	(401)
— joint ventures outside Hong Kong	<b>5,744</b>	4,911
— associates outside Hong Kong	<b>(98)</b>	(31)
	<b>(1,244)</b>	4,479
<b>Total comprehensive income for the period</b>	<b>(36,253)</b>	8,545
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b>(34,445)</b>	7,562
Non-controlling interests	<b>(1,808)</b>	983
<b>Total comprehensive income for the period</b>	<b>(36,253)</b>	8,545

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

The notes on pages 23 to 41 form part of this interim financial report.

# Consolidated Statement of Financial Position

as at 30 June 2016

		As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties	8	<b>138,325</b>	139,159
Other property, plant and equipment	8	<b>1,259,554</b>	1,255,487
Leasehold land	8	<b>124,316</b>	124,882
		<b>1,522,195</b>	1,519,528
Interests in joint ventures	9	<b>262,040</b>	263,290
Interests in associates		<b>11,486</b>	11,269
Available-for-sale equity security		<b>6,318</b>	6,372
Other receivables, deposits and prepayments		<b>95,986</b>	96,652
Club memberships		<b>2,490</b>	2,490
Trademarks		<b>80,524</b>	80,524
Goodwill		<b>76,650</b>	75,203
Deferred tax assets		<b>41,177</b>	44,001
Pledged bank deposits	12	<b>33,455</b>	33,570
		<b>2,132,321</b>	2,132,899
<b>Current assets</b>			
Inventories		<b>9,144</b>	6,596
Film rights	10	<b>46,592</b>	50,195
Trade receivables	11	<b>148,216</b>	125,496
Other receivables, deposits and prepayments		<b>219,629</b>	287,037
Pledged bank deposits	12	<b>73,940</b>	67,850
Deposits and cash	12	<b>287,893</b>	195,120
		<b>785,414</b>	732,294

# Consolidated Statement of Financial Position

(continued)

as at 30 June 2016

		As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
<b>Current liabilities</b>			
Bank loans	13	346,587	432,901
Convertible bonds	15	9,533	–
Trade payables	14	95,793	89,535
Other payables and accrued charges		181,128	192,511
Deferred revenue		130,448	147,197
Obligations under finance leases		14,376	15,702
Taxation payable		12,393	7,404
		<b>790,258</b>	885,250
<b>Net current liabilities</b>		<b>(4,844)</b>	(152,956)
<b>Total assets less current liabilities</b>		<b>2,127,477</b>	1,979,943
<b>Non-current liabilities</b>			
Bank loans	13	317,424	336,977
Convertible bonds	15	162,693	–
Obligations under finance leases		42,638	37,332
Deferred tax liabilities		7,367	12,419
		<b>530,122</b>	386,728
<b>NET ASSETS</b>		<b>1,597,355</b>	1,593,215

# Consolidated Statement of Financial Position

(continued)

as at 30 June 2016

		<b>As at 30 June 2016 HK\$'000 (Unaudited)</b>	As at 31 December 2015 HK\$'000 (Audited)
	Note		
<b>Capital and reserves</b>			
Share capital	16	<b>274,252</b>	274,252
Reserves		<b>1,311,533</b>	1,305,585
<b>Total equity attributable to equity holders of the Company</b>		<b>1,585,785</b>	1,579,837
<b>Non-controlling interests</b>		<b>11,570</b>	13,378
<b>TOTAL EQUITY</b>		<b>1,597,355</b>	1,593,215

The notes on pages 23 to 41 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

for the six months ended 30 June 2016 — Unaudited

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	*Reserve funds HK\$'000	Exchange reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2016	274,252	694,639	29,286	8,833	80,000	15,259	3,168	-	474,400	1,579,837	13,378	1,593,215
<b>Changes in equity for the six months ended 30 June 2016:</b>												
Loss for the period	-	-	-	-	-	-	-	-	(33,298)	(33,298)	(1,711)	(35,009)
Other comprehensive income	-	-	-	-	-	-	(1,147)	-	-	(1,147)	(97)	(1,244)
Total comprehensive income	-	-	-	-	-	-	(1,147)	-	(33,298)	(34,445)	(1,808)	(36,253)
Transfer to retained profits on lapse of share options	-	-	(36)	-	-	-	-	-	36	-	-	-
Transfer to/(from) reserves	-	-	-	-	-	3,870	-	-	(3,870)	-	-	-
Issuance of convertible bonds (note 15)	-	-	-	-	-	-	-	40,393	-	40,393	-	40,393
Balance at 30 June 2016	274,252	694,639	29,250	8,833	80,000	19,129	2,021	40,393	437,268	1,585,785	11,570	1,597,355

## Consolidated Statement of Changes in Equity (continued)

for the six months ended 30 June 2016 — 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
<b>Balance at 1 January 2015</b>	274,252	694,639	8,833	80,000	13,656	41,383	656,437	1,769,200	11,447	1,780,647
<b>Changes in equity for the six months ended 30 June 2015:</b>										
Profit for the period	-	-	-	-	-	-	3,104	3,104	962	4,066
Other comprehensive income	-	-	-	-	-	4,458	-	4,458	21	4,479
Total comprehensive income	-	-	-	-	-	4,458	3,104	7,562	983	8,545
Acquisition/incorporation of subsidiaries	-	-	-	-	-	-	-	-	7,748	7,748
Capital reduction of a subsidiary	-	-	-	-	-	-	-	-	(2,956)	(2,956)
Transfer to/(from) reserves	-	-	-	-	4,889	-	(4,889)	-	-	-
<b>Balance at 30 June 2015</b>	274,252	694,639	8,833	80,000	18,545	45,841	654,652	1,776,762	17,222	1,793,984

\* In accordance with the relevant regulations in Mainland China, the Company's subsidiaries established therein are required to transfer a certain percentage of their profits after taxation to the reserve funds until the balances reach 50% of the registered capital. Subject to certain restrictions set out in the relevant Mainland China regulations, the reserve funds may be used either to offset losses, or for capitalisation by way of paid-up capital.

The notes on pages 23 to 41 form part of this interim financial report.

# Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2016 — Unaudited

	Note	Six months ended 30 June 2016 HK\$'000	Six months ended 30 June 2015 HK\$'000
<b>Operating activities</b>			
Finance costs paid		(17,184)	(20,911)
Other cash flows arising from operating activities		37,837	37,640
<b>Net cash generated from operating activities</b>		<b>20,653</b>	16,729
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		(86,838)	(75,362)
Dividends received		77,413	76,672
Acquisition of subsidiaries	17	208	(22,278)
Other cash flows arising from investing activities		(320)	23,492
<b>Net cash (used in)/generated from investing activities</b>		<b>(9,537)</b>	2,524
<b>Financing activities</b>			
Issuance of convertible bonds		200,000	–
Draw down of bank loan		30,000	–
Repayment of bank loans		(132,964)	(106,367)
Other cash flows arising from financing activities		(10,308)	(5,512)
<b>Net cash generated from/(used in) financing activities</b>		<b>86,728</b>	(111,879)

# Condensed Consolidated Statement of Cash Flows *(continued)*

for the six months ended 30 June 2016 — Unaudited

	<b>Six months ended 30 June 2016 HK\$'000</b>	Six months ended 30 June 2015 HK\$'000
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>97,844</b>	(92,626)
<b>Cash and cash equivalents at 1 January</b>	<b>186,860</b>	406,488
<b>Effect of foreign exchange rates changes</b>	<b>(1,491)</b>	(780)
<b>Cash and cash equivalents at 30 June</b>	<b>283,213</b>	313,082
<b>Analysis of balances of cash and cash equivalents</b>		
Non-pledged short term bank deposits	<b>10,236</b>	135,537
Non-pledged cash and bank balances	<b>272,977</b>	177,545
<b>Cash and cash equivalents at 30 June</b>	<b>283,213</b>	313,082

The notes on pages 23 to 41 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 29 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are 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 the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for the 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 12 to 13.

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative*

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

### **Annual Improvements to HKFRSs 2012–2014 Cycle**

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial report by a cross-reference to the information in another statement of the interim report, then users of the interim financial report should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim report as the Group does not present the relevant required disclosures outside the interim financial report.

### **Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative**

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

## 3 REVENUE

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

## 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 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 and Singapore, represent the performance of the joint ventures operating in Taiwan and Singapore, respectively. 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 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. 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.

## 4 SEGMENT REPORTING (continued)

### Segment revenue and results (continued)

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.

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

	Six months ended 30 June									
	Hong Kong		Mainland China		Taiwan		Singapore		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>										
Revenue from external customers										
— Exhibition	123,299	128,375	554,431	543,629	223,765	260,614	204,888	201,600	1,106,383	1,134,218
— Distribution and production	21,742	12,647	946	608	1,855	1,139	2,508	5,321	27,051	19,715
— Corporate	696	552	2,087	—	—	—	—	—	2,783	552
Reportable segment revenue	145,737	141,574	557,464	544,237	225,620	261,753	207,396	206,921	1,136,217	1,154,485
Reportable segment profit/(loss) after taxation	8,433	16,967	(29,005)	(24,079)	9,757	19,881	34,561	29,249	23,746	42,018
<i>Reconciliation — Revenue</i>										
Reportable segment revenue									1,136,217	1,154,485
Share of revenue from joint ventures in Taiwan and Singapore									(433,016)	(468,674)
Elimination of intra-segment revenue									(5)	(929)
Others									(13,257)	(9,741)
									689,939	675,141
<i>Reconciliation — (Loss)/profit before taxation</i>										
Reportable profit after taxation from external customers									23,746	42,018
Unallocated operating expenses, net									(57,044)	(38,914)
Non-controlling interests									(1,711)	962
Income tax									14,965	1,367
(Loss)/profit before taxation									(20,044)	5,433

## 5 (LOSS)/PROFIT BEFORE TAXATION

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

	<b>Six months ended 30 June 2016 HK\$'000</b>	Six months ended 30 June 2015 HK\$'000
<b>(a) Finance costs</b>		
Interest on bank loans	<b>16,431</b>	19,342
Interest on convertible bonds	<b>12,619</b>	–
Finance charges on obligations under finance leases	<b>1,627</b>	1,085
Other ancillary borrowing costs	<b>679</b>	1,242
<hr/>		
Total finance costs on financial liabilities not at fair value through profit or loss	<b>31,356</b>	21,669
Less: finance costs capitalised into leasehold improvements *	–	(2,500)
<hr/>		
	<b>31,356</b>	19,169

\* No finance costs have been capitalised for the six months ended 30 June 2016 (six months ended 30 June 2015: finance costs were capitalised at rates ranging from 5.94% to 6.75%)

## 5 (LOSS)/PROFIT BEFORE TAXATION *(continued)*

	<b>Six months ended 30 June 2016 HK\$'000</b>	Six months ended 30 June 2015 HK\$'000
<b>(b) Other items</b>		
Cost of inventories	<b>15,921</b>	16,884
Cost of services provided	<b>267,305</b>	257,980
Depreciation of property, plant and equipment	<b>85,583</b>	78,361
Amortisation of film rights	<b>9,061</b>	4,096
Compensation income from landlord for early termination of lease	<b>(9,913)</b>	–
Loss on disposals of property, plant and equipment	<b>5,954</b>	67
Exchange loss, net	<b>3,980</b>	3,629
Interest income from bank deposits	<b>(1,836)</b>	(3,609)

## 6 INCOME TAX

Taxation in the consolidated income statement represents:

	<b>Six months ended 30 June 2016 HK\$'000</b>	Six months ended 30 June 2015 HK\$'000
<b>Group</b>		
<i>Current income tax</i>		
Provision for Hong Kong tax	<b>1,631</b>	–
Provision for overseas tax	<b>15,945</b>	16,676
Over provision in respect of prior periods	<b>(128)</b>	(1,026)
	<b>17,448</b>	15,650
<i>Deferred tax — overseas</i>		
Origination and reversal of temporary differences	<b>(2,483)</b>	(14,283)
	<b>14,965</b>	1,367

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2015: 16.5%) to the six months ended 30 June 2016.

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.

## 7 (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK\$33,298,000 (six months ended 30 June 2015: profit of HK\$3,104,000) and the weighted average number of ordinary shares of 2,742,519,248 (2015: 2,742,519,248 shares) in issue during the period.

#### Weighted average number of ordinary shares (basic)

	2016	2015
	Number of	Number of
	shares	shares
Weighted average number of ordinary shares and issued ordinary shares as at 30 June	<b>2,742,519,248</b>	2,742,519,248

### (b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two (2015: one) categories of dilutive potential ordinary shares: share options and convertible bonds (2015: share options). The convertible bonds are assumed to have been converted into ordinary shares and the net (loss)/profit is adjusted to eliminate the interest expense less the tax effect. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options.

For the six months ended 30 June 2016, the potential ordinary shares arising from the assumed conversion of convertible bonds and share options are not included in the calculation of adjusted loss per share as they were anti-dilutive.

For the six months ended 30 June 2015, the potential ordinary shares arising from the assumed conversion of share options were not included in the calculation of diluted earnings per share as they had no dilutive effect on earnings per share.



## 8 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment in an aggregate amount of HK\$104,282,000, including the property, plant and equipment of HK\$2,673,000 acquired through a business combination (six months ended 30 June 2015: HK\$135,820,000), which mainly comprised construction in progress, leasehold improvements and machinery and equipment.

The Group's investment properties were revalued as at 30 June 2016 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 2016 (six months ended 30 June 2015: HK\$Nil) was recognised in profit or loss.

## 9 INTERESTS IN JOINT VENTURES

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000
Share of net assets	<b>262,040</b>	263,290

Interests in joint ventures represent the Group's equity interests in the film exhibition and distribution businesses in Taiwan and Singapore.

## 10 FILM RIGHTS

During the period under review, the Group incurred costs for film production of HK\$5,662,000 (six month ended 30 June 2015: HK\$12,401,000) and amortisation of film rights amounted to HK\$9,061,000 (six month ended 30 June 2015: HK\$4,096,000).

## 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:

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000
Within 1 month	<b>90,275</b>	94,247
1 to 2 months	<b>7,222</b>	1,835
2 to 3 months	<b>9,383</b>	2,352
Over 3 months	<b>41,336</b>	27,062
	<b>148,216</b>	125,496

At 30 June 2016, trade receivables of the Group included amounts totalling HK\$38,475,000 (31 December 2015: HK\$34,909,000) due from related companies and an amount of HK\$1,145,000 (31 December 2015: HK\$3,822,000) due from a joint venture, which are unsecured, interest-free and recoverable within one year.

## 12 DEPOSITS AND CASH

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000
Deposits at banks	<b>122,311</b>	99,710
Cash at bank and on hand	<b>272,977</b>	196,830
	<b>395,288</b>	296,540
Less: Pledged deposits for bank loans	<b>(107,395)</b>	(101,420)
Time deposits with original maturity of more than three months when acquired	<b>(4,680)</b>	(8,260)
Cash and cash equivalents	<b>283,213</b>	186,860

## 13 BANK LOANS

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

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000
Within 1 year or on demand	<b>346,587</b>	432,901
After 1 year but within 2 years	<b>130,960</b>	131,770
After 2 years but within 5 years	<b>136,153</b>	147,731
After 5 years	<b>50,311</b>	57,476
	<b>317,424</b>	336,977
	<b>664,011</b>	769,878

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

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

### 13 BANK LOANS *(continued)*

**(b) At 30 June 2016, the bank loans were secured by:**

- (i) an office property of a subsidiary located in Hong Kong;
- (ii) deposits of subsidiaries of HK\$107,395,000 (31 December 2015: HK\$101,420,000); and
- (iii) equity shares of two subsidiaries which hold equity interests in the Group's joint ventures.

**(c)** At 30 June 2016, bank loans of HK\$664,011,000 (31 December 2015: HK\$769,878,000) were guaranteed by corporate guarantees from the Company and two 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 31 December 2015, the Group failed to meet certain financial covenants in relation to outstanding loans amounting to HK\$256,167,000. Waivers were obtained from the respective banks, without any conditions, which exempt the Group from compliance with those certain financial covenants for the year ended 31 December 2015. As at 30 June 2016, none of the covenants relating to drawn down facilities had been breached.

### 14 TRADE PAYABLES

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

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000
Current to 3 months	<b>81,091</b>	71,034
Within 4 to 6 months	<b>269</b>	258
Within 7 to 12 months	<b>1,441</b>	5,239
Over 1 year	<b>12,992</b>	13,004
	<b>95,793</b>	89,535

## 14 TRADE PAYABLES *(continued)*

As at 30 June 2016, the trade payables of the Group included amounts totalling HK\$31,160,000 (31 December 2015: HK\$36,844,000) due to related companies which are unsecured, interest-free and repayable on demand.

## 15 CONVERTIBLE BONDS

On 1 February 2016, the Company issued convertible bonds to Wan Tai Investments Limited ("Wan Tai"), an indirectly wholly owned special purpose vehicle of CCB International (Holdings) Limited, in the principal amount of HK\$200,000,000 ("Series 1 CB"). The Series 1 CB is interest bearing at 5% per annum which is semi-annually in arrears. The Series 1 CB will be redeemed at its outstanding principal amount plus any accrued but unpaid interest and an amount that would yield an internal rate of return of 11%.

The movement of the liability component and the equity component of the Series 1 CB for the six months ended 30 June 2016 is set out below:

	<b>Liability component</b>	<b>Equity component</b>	<b>Total</b>
	HK'000	HK\$'000	HK\$'000
At 1 February 2016 (issuance date)	159,607	40,393	200,000
Interest expensed during the period	12,619	–	12,619
At 30 June 2016	172,226	40,393	212,619
Classified as			
— Current liabilities	9,533		
— Non-current liabilities	162,693		
Total	172,226		

The Series 1 CB is convertible in whole or in part at any time from the issue date to five days before the maturity date, at the bondholder's option, into 200,000,000 ordinary shares of the Company at an initial conversion price of HK\$1 per share, subject to adjustments in certain events.

## 15 CONVERTIBLE BONDS (continued)

At any time on or after two years from the issue date and subject to the approval of the bondholders, the Company has the right to redeem the outstanding Series 1 CB at its outstanding principal amount plus any accrued but unpaid interest and an amount that would yield an internal rate of return of 11%.

The liability component is measured at amortised cost. The interest expense for the six months ended 30 June 2016 is calculated by applying an effective interest rate of 20.32% per annum to the liability component since the Series 1 CB was issued.

During the six months ended 30 June 2016, there was no conversion of the Series 1 CB into shares of the Company by the bondholders. The directors estimate the fair value of the liability component of the Series 1 CB at 30 June 2016 to be approximately HK\$170,000,000.

On 1 February 2016, options were granted by the Company to Wan Tai to subscribe for another convertible bond in an additional principal amount of HK\$100,000,000 with an expiry date on 31 December 2016 or such later date as may be agreed by Wan Tai and the Company.

## 16 SHARE CAPITAL

	As at 30 June 2016		As at 31 December 2015	
	No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.10 each	<b>6,000,000,000</b>	<b>600,000</b>	6,000,000,000	600,000
<b>Ordinary shares, issued and fully paid:</b>				
Ordinary shares of HK\$0.10 each	<b>2,742,519,248</b>	<b>274,252</b>	2,742,519,248	274,252

## 16 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 2015 annual financial statements.

### (ii) Dividends

No dividends were declared and distributed during the six months ended 30 June 2016 and 2015.

## 17 BUSINESS COMBINATIONS

During the six months ended 30 June 2016, the Group acquired 100% of the issued share capital of Wuhan Yase Cinema Company Ltd (“武漢意幻文化傳媒有限公司”), from certain independent third parties for a total cash consideration of RMB3,800,000 (equivalent to HK\$4,446,000) in order to expand its exhibition business. The company is principally engaged in theatre operation in Mainland China.

## 17 BUSINESS COMBINATIONS *(continued)*

The fair value of assets acquired and liabilities assumed at the acquisition date was as follows:

	<b>Six months ended 30 June 2016 HK\$'000</b>
Property, plant and equipment	<b>2,673</b>
Cash and cash equivalents	<b>208</b>
Trade and other receivables	<b>384</b>
Inventories	<b>22</b>
Trade and other payables	<b>(316)</b>
Deferred revenue	<b>(124)</b>
Fair value of net assets acquired	<b>2,847</b>
Goodwill	<b>1,599</b>
Total consideration	<b>4,446</b>
Less: consideration payable	<b>(4,446)</b>
Consideration paid, satisfied in cash (Note)	<b>–</b>
Less: cash and cash equivalents acquired	<b>(208)</b>
Net cash inflow	<b>(208)</b>

The acquisition of the subsidiary has been accounted for using the purchase method. Goodwill arises from the excess of cost of acquisition over the fair value of identifiable assets and liabilities of the acquired subsidiary.

Note: HK\$Nil consideration was paid upon the acquisition of the company. According to the sale and purchase agreements for the acquisition, the consideration of RMB3,800,000 (equivalent to HK\$4,446,000) is payable by cash in a number of instalments before 2018.



## 17 BUSINESS COMBINATIONS *(continued)*

The revenue included in the consolidated income statement since the acquisition date contributed by the company was HK\$1,496,000. The company contributed a loss of HK\$1,919,000 over the same period.

The revenue which would have been included in the consolidated income statement for the six months ended 30 June 2016 contributed by the company if the acquisition date for the business combination that occurred during the six months ended 30 June 2016 had been as of the beginning of the interim reporting period would have been HK\$1,556,000. The company would have contributed a loss of HK\$1,996,000 over the same period on the same basis.

## 18 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

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

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000
Contracted but not provided for:		
— Singapore	<b>738</b>	10,210
— Taiwan	<b>5,047</b>	2,866
	<b>5,785</b>	13,076

## 18 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT *(continued)*

In addition to the Group's share of the joint ventures' 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:

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000
<b>Capital commitments in respect of the acquisition of property, plant and equipment:</b>		
Contracted for:		
— Mainland China	<b>50,200</b>	52,141
<hr style="border-top: 1px dashed black;"/>		
Authorised but not contracted for:		
— Mainland China	<b>427,076</b>	450,721
<hr style="border-top: 1px dashed black;"/>		
	<b>477,276</b>	502,862

## 19 CONTINGENT LIABILITIES

At 30 June 2016, the Company has issued guarantees to banks in respect of banking facilities granted to certain subsidiaries amounting to HK\$694,402,000 (31 December 2015: HK\$1,053,787,000). At 30 June 2016, banking facilities of HK\$664,402,000 (31 December 2015: HK\$770,885,000) had been utilised by the subsidiaries.

At 30 June 2016, 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.

## 20 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Key management personnel remuneration

	<b>Six months ended 30 June 2016 HK\$'000</b>	Six months ended 30 June 2015 HK\$'000
Short-term employee benefits	<b>5,318</b>	2,762
Post-employment benefits	<b>65</b>	62
	<b>5,383</b>	2,824

### (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	<b>Six months ended 30 June 2016 HK\$'000</b>	Six months ended 30 June 2015 HK\$'000
Office rental paid	(i)	<b>1,620</b>	1,785
Cinema screen advertising services income	(ii)	<b>15,781</b>	11,916
Cinema circuit management service fee income	(iii)	<b>5,584</b>	4,864

Notes:

- (i) This represents office rental expenses for three office areas paid to two related companies.
- (ii) This represents cinema screen advertising income received from two related companies.
- (iii) This represents management service fees paid to a related company for introducing top-class cinema circuit to Mainland China cinemas.

The transactions shown above with related companies constitute connected transactions as defined in the Listing Rules. The connected transactions were either properly approved by the independent non-executive directors or constituted de minimis transactions as defined in the Listing Rules.

There were no other material related party transactions during the six months ended 30 June 2016, other than in the nature of those as disclosed in note 30 of the 2015 annual financial statements.

## 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

## Purchase, Sale or Redemption of Listed Securities

The Company has not redeemed any of its listed securities during the period ended 30 June 2016. 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 2016, 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:

### (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

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)	62.86%
	Beneficial owner	1	117,775,000 (L)	-	117,775,000 (L)	4.29%
Wu Keyan	Beneficial owner	2	500,000 (L)	2,000,000 (L)	2,500,000 (L)	0.09%
Li Pei Sen	Beneficial owner	2	200,000 (L)	27,200,000 (L)	27,400,000 (L)	1.00%
Leung Man Kit	Beneficial owner	2	200,000 (L)	170,000 (L)	370,000 (L)	0.01%
Mao Yimin	Beneficial owner	2	-	27,400,000 (L)	27,400,000 (L)	1.00%
Wong Sze Wing	Beneficial owner	2	-	170,000 (L)	170,000 (L)	0.01%
Chow Sau Fong, Fiona	Beneficial owner	2	-	27,400,000 (L)	27,400,000 (L)	1.00%

\* This percentage has been compiled based on the total number of Shares in issue (i.e. 2,742,519,248) as at 30 June 2016.

Notes:

1. By virtue of the SFO, Mr. Wu Kebo ("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 held by Orange Sky Entertainment Group (International) Holding Company Limited (a company 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 117,775,000 Shares as at 30 June 2016 which were beneficially held in his own name.

2. These underlying Shares represented the Shares which may be issued upon the exercise of share options granted by the Company under the share option scheme adopted by the Company on 11 November 2009.

Abbreviations:

"L" stands for long position

## **(ii) INTERESTS IN SHARES OF ASSOCIATED CORPORATIONS**

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

Save as disclosed above and save for the disclosure referred to under "Share Options" as at 30 June 2016, 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 eligible the participants.

Details of the movements of the share options during the six months ended 30 June 2016 are as follows:

Name or category of participant	Date of grant of share option	Exercise price per Share	Exercise period	Number of share options outstanding as at 1 January 2016	Exercised during the six months ended 30 June 2016	Lapsed during the six months ended 30 June 2016	Closing price per Share immediately before the date of grant of share option (note)	Number of share options outstanding as at 30 June 2016
<b>Director</b>								
Mao Yimin	14 July 2015	HK\$0.59	14 July 2015 to 13 July 2017	27,400,000	Nil	Nil	0.578	27,400,000
Li Pei Sen	14 July 2015	HK\$0.59	14 July 2015 to 13 July 2017	27,200,000	Nil	Nil	0.578	27,200,000
Wu Keyan	14 July 2015	HK\$0.59	14 July 2015 to 13 July 2017	2,000,000	Nil	Nil	0.578	2,000,000
Chow Sau Fong, Fiona	14 July 2015	HK\$0.59	14 July 2015 to 13 July 2017	27,400,000	Nil	Nil	0.578	27,400,000
Leung Man Kit	14 July 2015	HK\$0.59	14 July 2015 to 13 July 2017	170,000	Nil	Nil	0.578	170,000
Huang Shao-Hua (retired on 3 June 2016)	14 July 2015	HK\$0.59	14 July 2015 to 13 July 2017	170,000	Nil	(170,000)	0.578	-
Wong Sze Wing	14 July 2015	HK\$0.59	14 July 2015 to 13 July 2017	170,000	Nil	Nil	0.578	170,000
<b>Other participants</b>								
In aggregate	14 July 2015	HK\$0.59	14 July 2015 to 13 July 2017	55,480,000	Nil	Nil	0.578	55,480,000
<b>Total</b>				139,990,000	Nil	(170,000)	0.578	139,820,000

Note: Being the weighted average closing price of the Shares immediately before the dates on which the share options were granted.

At the end of the reporting period, the Company had 139,820,000 share options outstanding under the 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 139,820,000 additional ordinary shares of the Company, representing approximately 5.10% of the Company's shares in issue.

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 2016, 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 shareholding in the Company
Wu Kebo	Interest of controlled corporations	1	1,723,894,068 (L)	-	1,723,894,068 (L)	62.86%
	Beneficial owner	1	117,775,000 (L)	-	117,775,000 (L)	4.29%
Skyera International Limited ("Skyera")	Beneficial owner	2	439,791,463 (L)	-	439,791,463 (L)	16.04%
Mainway Enterprises Limited ("Mainway")	Beneficial owner	3	408,715,990 (L)	-	408,715,990 (L)	14.90%
Noble Biz International Limited ("Noble Biz")	Beneficial owner	4	129,666,667 (L)	-	129,666,667 (L)	4.73%
Orange Sky Entertainment Group (International) Holding Company Limited ("OSEG")	Beneficial owner	5	565,719,948 (L)	-	565,719,948 (L)	20.63%
Cyber International Limited ("Cyber")	Beneficial owner	6	180,000,000 (L)	-	180,000,000 (L)	6.56%
China Construction Bank Corporation	Interest of controlled corporations	7	-	300,000,000 (L)	300,000,000 (L)	10.94%
Central Huijin Investment Ltd.	Interest of controlled corporations	7	-	300,000,000 (L)	300,000,000 (L)	10.94%
Wan Tai Investments Limited ("Wan Tai")	Beneficial owner	7	-	300,000,000 (L)	300,000,000 (L)	10.94%

\* These percentages have been compiled based on the total number of Shares in issue (i.e. 2,742,519,248 ordinary Shares) as at 30 June 2016.

### Notes:

- By virtue of the SFO, as at 30 June 2016, Mr. Wu is 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 (a company 80% owned by Mr. Wu) and (v) 180,000,000 Shares were held by Cyber.

In addition, Mr. Wu was interested in 117,775,000 Shares as at 30 June 2016 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. Noble Biz is a company wholly owned by Mr. Wu, who is also a director of Noble Biz.
5. OSEG is a company 80% owned by Mr. Wu. Mr. Wu is a director of OSEG and Mr. Li Pei Sen is the associate Chairman of OSEG.
6. Cyber is a company owned by an associate of Mr. Wu.
7. These underlying Shares represented the number of shares to be issued if Wan Tai, being the sole bondholder of the convertible bond (“Convertible Bond”) in the principal amount of HK\$300,000,000 issued by the Company, exercises in full the conversion rights attached to the Convertible Bond, which is considered interests of Wan Tai under the SFO.

Abbreviations:

“L” stands for long position

Save as disclosed above, as at 30 June 2016, 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 2016.

## **Interim Dividend**

The Directors do not recommend the payment of any interim dividend for the period ended 30 June 2016 (30 June 2015: 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 whole.

For the period ended 30 June 2016, the Company 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 3 June 2016 (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. 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 2016.

## **Appreciation**

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

On behalf of the Board  
**WU Kebo**  
*Chairman*

Hong Kong, 29 August 2016

A stylized map of Asia and Oceania in shades of orange and yellow, set against a background of horizontal wavy lines. Small white dots on the map indicate the locations of cinema screens. The text labels are placed near these dots.

**MAINLAND CHINA 中國內地**  
498 screens / 銀幕

**HONG KONG 香港**  
21 screens / 銀幕

**TAIWAN 台灣**  
127 screens / 銀幕

**SINGAPORE 新加坡**  
91 screens / 銀幕

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

(As at 30 June 2016 於2016年6月30日)

*Orange Sky*  
ENTERTAINMENT GROUP



嘉禾



Golden Harvest

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

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