Orange Sky Entertainment Group 橙天娛樂 | 嘉禾 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)

2018 Interim Report
中期報告

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

(As at 30 June 2018 於2018年6月30日)

Contents

Corporate Information

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
24th Floor, 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
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

BUSINESS REVIEW

Subsequent to the acquisition of the remaining 50% equity interest in our Singapore business and the disposal of the Mainland China exhibition business in 2017, the Group is currently principally engaged in theatrical exhibition, cinema operation, film and TV programme distribution and production in Hong Kong, Mainland China, Singapore and Taiwan. During the period, lower contribution was reported for Hong Kong exhibition business due to the higher rental and staff costs while performance remained stable for all other segments.

Film Exhibition

The Group opened a cinema with 6 screens in Singapore and closed a cinema with 5 screens in Hong Kong during the period. At 30 June 2018, we operated 31 cinemas with 250 screens in total across Hong Kong, Singapore and Taiwan. Our admission for film exhibition dropped from 26 million in the same period last year to 13 million in the current period as we disposed of all cinemas in Mainland China in 2017. The major Hollywood blockbusters released in this period were *Black Panther (黑豹)*, *Tomb Raider (盜墓者羅拉)*, *Ready Player One (挑戰者1號)*, *Avengers: Infinity War (復仇者聯盟3: 無限之戰)*, *Deadpool 2 (死侍2)* and *Jurassic World: Fallen Kingdom (侏羅紀世界: 迷失國度)*. The major Korean language blockbusters was *Along With the Gods: The Two Worlds (與神同行)*. The major Chinese language blockbusters were *Agent Mr. Chan (棟篤特工)*, *A Beautiful Moment (我的情敵女婿)* in Hong Kong; *Wonderful! Liang Xi Mei (旺得福梁細妹)* in Singapore; and *GATAO 2 — The New Leader Rising (角頭2：王者再起)* in Taiwan.

OPERATING STATISTICS OF THE GROUP'S CINEMAS

(For the six months ended 30 June 2018)

	Hong Kong	Singapore	Taiwan
Number of cinemas*	5	13	13
Number of screens*	18	105	127
Admissions *(million)*	0.9	4.4	7.9
Net average ticket price *(HK$)*	90	62	62

* as at 30 June 2018

The Group is dedicated to the provision of a diversified video and audio experience for its audiences. All screens in other cinemas of the Group are equipped with advanced digital equipment and are 3D compatible. There were 7 IMAX® screens available in the Group's cinemas located in Taiwan as at 30 June 2018. The Group has also been enhancing the experience for our audiences by equipping 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 2018)

	2018	2017
Number of cinemas*	**5**	6
Number of screens*	**18**	23
Admissions *(million)*	**0.9**	1.3
Net average ticket price *(HK$)*	**90**	85
Gross box office receipts *(HK$ million)*	**81**	106

* as at 30 June

During the period under review, the Hong Kong market as a whole recorded gross box office receipts of HK$988 million, a slight increase of 0.5% from HK$983 million in the same period last year. The Group's cinemas in Hong Kong recorded box office receipts of HK$81 million in this period (30 June 2017: HK$106 million), representing a decrease of 24%. The decrease was primarily attributable to the closure of GH Tsing Yi cinema with 5 screens in January 2018. Net average ticket price of the Group grew 6% to HK$90 in Hong Kong since more alternative content shows with higher average ticket price were held and the general increase in the average ticket prices for the period.

To diversify the scope of our cinemas as entertainment hubs, we showed 73 alternative contents in the first half of 2018, an increase of 18% from 62 in the same period last year. 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 "*LOVELIVE! SUNSHINE!!*" and the Live Broadcast "*GARUPA LIVE Live Viewing*", which, respectively, reached a remarkable 67% and 98% fill rates and the two broadcasts recorded an average ticket price of HK$330 and HK$280, respectively.

Screen advertising was also a new profit driver to our Hong Kong region as we have already contracted with 23 cinemas as at 30 June 2018, we expected steady growth in revenue and profit in the coming years.

Singapore

Operating Statistics of the Group's Cinemas in Singapore
(For the six months ended 30 June 2018)

	2018	2017
Number of cinemas*	**13**	11
Number of screens*	**105**	91
Admissions *(million)*	**4.4**	4.7
Net average ticket price *(S$)*	**10.6**	10.6
Box office receipts *(S$ million)*	**46.1**	50.3

* as at 30 June

During the period, the Singapore market box office receipts dropped by 11% to S$98 million (30 June 2017: S$110 million) due to lack of record breaking blockbusters. Golden Village cinemas reported box office receipts of S$46 million (30 June 2017: S$50 million), representing a decrease in box office receipts of 8% compared to same period last year. The Group's results outperformed the overall Singapore market and we continued to be the market leader with a market share of 47.2% (45.7% in 30 June 2017). 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 year included *Black Panther (黑豹)*, *Tomb Raider (盜墓者羅拉)*, *Ready Player One (挑戰者1號)*, *Avengers: Infinity War (復仇者聯盟3: 無限之戰)*, *Deadpool 2 (死侍2)* and *Jurassic World: Fallen Kingdom (侏羅紀世界: 迷失國度)*. Apart from the Hollywood blockbusters, a Korean language blockbuster: *Along With the Gods: The Two Worlds (與神同行)* was also welcomed by Singapore market. The major Chinese language blockbuster in Singapore was *Wonderful! Liang Xi Mei (旺得福梁細妹)*.

Since the completion of acquiring the remaining 50% equity interest of Dartina Development Limited (the "Acquisition") in October 2017, we changed the accounting of its results from equity accounting to full consolidation. For details of the Acquisition, please refer to the circular dated 19 December 2017 of the Company published on the website of The Hong Kong Exchanges and Clearing Limited.

Taiwan

Operating Statistics of the Group's Cinemas in Taiwan

(For the six months ended 30 June 2018)

	2018	2017
Number of cinemas*	**13**	13
Number of screens*	**127**	127
Admissions *(million)*	**7.9**	8.3
Net average ticket price *(NTD)*	**239**	236
Box office receipts *(NTD billion)*	**1.9**	2.0

* as at 30 June

During the period, Taiwan's market box office receipts amounted to NTD5.4 billion, representing a decrease of 5% from NTD5.7 billion last year. The Group's 35.71% owned Vie Show cinema circuit ("Vie Show") recorded total box office receipts of NTD1,883 million (30 June 2017: NTD1,964 million), representing a decrease of 4% from last year as a result of the weakened market, however, it still outperformed the overall Taiwan market. Our share of profits from Vie Show's exhibition business increased from HK$13.9 million to HK$19.1 million compared to the corresponding period last year. Vie Show continued to be the largest film exhibitor in Taiwan with 38.4% of market share. Adhering to the Group's comprehensive entertainment hub strategy, Vie Show continues its operation in the popular "UNICORN" handmade popcorn counter in all its 13 cinemas and the Hello Kitty themed restaurant in the cinema located at Mitsui Outlet Park.

Film & TV Programme Distribution and Production

On an aggregated basis the Group's film distribution and production business recorded revenue of HK$31 million (30 June 2017: HK$25 million), representing an increase of 24% compared to last year. The distribution revenue was mainly generated by distributing some famous releases such as *Operation Red Sea (紅海行動)*, *The Leakers (洩密者們)* and *50 First Kisses (50次初吻)* in Hong Kong, *Back to the Good Times (花甲大人轉男孩)* in Taiwan and *Along With the Gods: The Two Worlds (與神同行)* and *Wonderful! Liang Xi Mei (旺得福梁細妹)* 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

Profit attributable to the equity holders of the Company amounted to HK$48 million as compared to the loss attributable to the equity holders of HK$109 million in the same period last year. The loss recorded in the first half of 2017 was mainly contributed by several one-off expenses such as change in fair value of financial derivatives and the expenses from equity-settled share-based payment, no such one-off items happened in this period under review.

Segment revenue by region

	2018 HK$ million	2017 HK$ million
Hong Kong	**116.0**	144.6
Mainland China	**0.1**	476.9
Singapore	**426.4**	209.1
Taiwan	**242.4**	238.7
Total	**784.9**	1,069.3

Segment profit/(loss) after taxation by region

	2018 HK$ million	2017 HK$ million
Hong Kong	**6.8**	14.7
Mainland China	**(13.7)**	3.8
Singapore	**69.6**	34.9
Taiwan	**18.9**	14.4
Total	**81.6**	67.8

In the first half of 2018, the Group's revenue decreased by 15.9% to HK$520 million, mainly reflecting the disposal of the Mainland China exhibition business in 2017, being offset by the acquisition of the remaining 50% interest in our Singapore business which changed the accounting of its results from equity accounting to full consolidation upon the completion on 25 October 2017. Revenue from Hong Kong market dropped due to the closure of GH Tsing Yi cinema in January 2018. The Group's results in Singapore and Taiwan outperformed the overall markets and we continued to be the market leader in these two regions. The Group's gross profit decreased by 13.4% to HK$325 million but gross profit margin improved slightly by 1% to 62%.

Share of profits of joint ventures in 2018 amounted to HK$18.5 million, representing a decrease of 63.3%. The decrease was mainly reflecting the change of our accounting of the Singapore business which contributed HK$34.1 million in 2017. Results of the Taiwan business alone was an increase of 13%.

Statement of Financial Position

Our financial position remained healthy. The Group's net assets decreased by HK$666 million, from HK$2,843 million as at 31 December 2017 to HK$2,177 million as at 30 June 2018. Total assets decreased by HK$512 million to HK$4,165 million. This was mainly due to the payment of a special dividend of HK$708 million in February 2018. Cash and cash equivalents of the Group was HK$1,505 million (31 December 2017: HK$1,961 million). Outstanding borrowings amounted to HK$1,423 million (31 December 2017: HK$1,235 million), which comprised mainly interest-bearing bank loans. The interest-bearing bank loans were secured by pledged cash, properties, corporate guarantees and equity interests of subsidiaries. The Group's gearing ratio (measured as total borrowings to total assets) stood at 34.2% (31 December 2017: 26.4%) and the Group was in a net cash position (measured as cash and bank deposits less total borrowings) of HK$219 million (31 December 2017: HK$911 million).

OUTLOOK

While concerns over rising US interest rates and the full impact of the trade war between the world's two largest economic powers has yet to be felt, it has nonetheless started to affect market sentiment and consumer spending. The overall operating environment will become increasingly challenging. We are making preparations in advance to tackle the possible adversity. We will continue to strengthen our core competencies, while at the same time focus on reviewing our upcoming cinema expansion strategy as well as seek out further opportunities to new investment projects.

In Hong Kong, the Group will further invest into the film exhibition business by opening two new cinemas in the second half of 2018. 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 meeting in the cinemas. It is expected that the growth of demand for alternative shows will continue to bring considerable profit to the Group. At the same time, the Group will keep selectively invest in film and video production and distribution business as well as any high return projects.

In Singapore, the Group will continue to grow by actively pursuing suitable cinema sites that bring us additional steady cash flow. It is expected a cinema in Funan with 7 screens will be launched in the upcoming years. Adopting the strategy to diversify the earning stream to achieve sustainable growth, advanced settings such as 4DX™ motion seat hall and Gemini couple seat to offer an extraordinary movie experience as well as conventional halls to cater to the mass market will be provided in some of our new sites.

In Taiwan, Vie Show will consistently stick with the cinema network expansion strategy. Plenty of potential sites and cooperation opportunities are currently under our review and negotiation and more cinemas are expected to be opened in the coming few years.

Looking ahead, the Group will continue to actively seek investment opportunities in the regional media, entertainment and technology sectors that are related to the Group's existing business, and at the same time be prepared to seek other new businesses that shall add value to our Shareholders, such as live show performance and entertainment center operations and so on. 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 keep diversifying the business as well.

FINANCIAL RESOURCES AND LIQUIDITY

As of 30 June 2018, the Group had cash and cash equivalents amounting to HK$1,505 million (31 December 2017: HK$1,961 million). The Group's total outstanding borrowings amounted to HK$1,423 million (31 December 2017: HK$1,235 million), which comprised mainly bank borrowings. The Group's gearing ratio, calculated on the basis of total borrowings over total assets stood at a healthy level of 34.2% (31 December 2017: 26.4%) and our cash to debt ratio at 115.4% (31 December 2017: 173.7%). As of 30 June 2018, the Group had HK$137 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 investment in Taiwan. The overseas joint venture of the Group is operating in its local currencies and is 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 2018 (31 December 2017: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed 382 (31 December 2017: 394) 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 2018, 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 39 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 2018 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 2018 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 2018

Consolidated Income Statement

for the six months ended 30 June 2018 — Unaudited

	Note	Six months ended 30 June 2018 HK$'000	Six months ended 30 June 2017 HK$'000
Revenue	3	**520,321**	618,893
Cost of sales		**(195,727)**	(243,874)
Gross profit		**324,594**	375,019
Other revenue		**22,882**	17,012
Other net income/(loss)		**4,486**	(72,495)
Selling and distribution costs		**(228,223)**	(322,446)
General and administrative expenses		**(49,677)**	(118,280)
Other operating expenses		**(1,480)**	(3,060)
Profit/(loss) from operations		**72,582**	(124,250)
Finance costs	4(a)	**(25,283)**	(43,075)
Share of profits of joint ventures		**18,530**	50,504
Share of profits of associates		**–**	749
Profit/(loss) before taxation	4	**65,829**	(116,072)
Income tax (charge)/credit	5	**(17,522)**	5,542
Profit/(loss) for the period		**48,307**	(110,530)
Attributable to:			
Equity holders of the Company		**48,442**	(108,601)
Non-controlling interests		**(135)**	(1,929)
		48,307	(110,530)
Earnings/(loss) per share (HK cent)	6		
Basic and diluted		**1.73**	(3.96)

The notes on pages 22 to 39 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2018 — Unaudited

	Six months ended 30 June 2018 HK$'000	Six months ended 30 June 2017 HK$'000
Profit/(loss) for the period	**48,307**	(110,530)
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	**(5,466)**	12,198
— joint ventures outside Hong Kong	**52**	15,367
— associates outside Hong Kong	**–**	355
	(5,414)	27,920
Total comprehensive income for the period	**42,893**	(82,610)
Total comprehensive income attributable to:		
Equity holders of the Company	**43,018**	(82,303)
Non-controlling interests	**(125)**	(307)
Total comprehensive income for the period	**42,893**	(82,610)

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

The notes on pages 22 to 39 form part of this interim financial report.

Consolidated Statement of Financial Position

as at 30 June 2018

	Note	**As at 30 June 2018 HK$'000 (Unaudited)**	As at 31 December 2017 HK$'000 (Audited)
Non-current assets			
Investment properties	7	**50,000**	50,000
Other property, plant and equipment	7	**365,344**	351,319
Leasehold land	7	**618,369**	624,903
		1,033,713	1,026,222
Interest in a joint venture	8	**128,630**	142,937
Other receivables, deposits and prepayments		**40,374**	40,509
Intangible assets	10	**524,580**	525,625
Goodwill		**657,604**	658,001
Pledged bank deposits	12	**137,000**	137,000
		2,521,901	2,530,294
Current assets			
Inventories		**2,702**	2,759
Film rights	9	**31,150**	30,453
Trade receivables	11	**40,926**	50,920
Other receivables, deposits and prepayments		**63,065**	53,516
Pledged bank deposits	12	**–**	47,701
Deposits and cash	12	**1,505,027**	1,961,126
		1,642,870	2,146,475

Consolidated Statement of Financial Position *(continued)*

as at 30 June 2018

	Note	**As at 30 June 2018 HK$'000 (Unaudited)**	As at 31 December 2017 HK$'000 (Audited)
Current liabilities			
Bank loans	13	**275,018**	359,790
Trade payables	14	**132,487**	114,199
Other payables and accrued charges		**158,595**	200,276
Deferred revenue		**65,158**	71,180
Obligations under finance leases		**124**	269
Taxation payable		**36,926**	38,455
		668,308	784,169
Net current assets		**974,562**	1,362,306
Total assets less current liabilities		**3,496,463**	3,892,600
Non-current liabilities			
Bank loans	13	**1,147,519**	875,140
Deferred tax liabilities		**171,685**	174,778
		1,319,204	1,049,918
NET ASSETS		**2,177,259**	2,842,682

Consolidated Statement of Financial Position *(continued)*

as at 30 June 2018

	Note	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Capital and reserves			
Share capital	15	**279,967**	279,967
Reserves		**1,897,748**	2,563,046
Total equity attributable to equity holders of the Company		**2,177,715**	2,843,013
Non-controlling interests		**(456)**	(331)
TOTAL EQUITY		**2,177,259**	2,842,682

The notes on pages 22 to 39 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2018 — 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

Consolidated Statement of Changes in Equity *(continued)*

for the six months ended 30 June 2018 — 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$'000	Other reserve HK$'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 2017	274,252	694,639	29,250	8,833	80,000	17,539	(23,077)	(3,305)	40,393	413,078	1,531,602	58,433	1,590,035
Changes in equity for the six months ended 30 June 2017													
Loss for the period	–	–	–	–	–	–	–	–	–	(108,601)	(108,601)	(1,929)	(110,530)
Other comprehensive income	–	–	–	–	–	–	26,298	–	–	–	26,298	1,622	27,920
Total comprehensive income	–	–	–	–	–	–	26,298	–	–	(108,601)	(82,303)	(307)	(82,610)
Transfer to/(from) reserves	–	–	–	–	–	792	–	–	–	(792)	–	–	–
Recognition of equity component of convertible bonds	–	–	–	–	–	–	–	–	(5,469)	5,469	–	–	–
Capital injection in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(337)	(337)
Shares issued under share option scheme	85	595	(178)	–	–	–	–	–	–	–	502	–	502
Recognition of put liability	–	–	–	–	–	–	–	(39,091)	–	–	(39,091)	–	(39,091)
Transaction costs attributable to deemed disposal of a subsidiary	–	–	–	–	–	–	–	(1,370)	–	–	(1,370)	–	(1,370)
Equity-settled share-based transactions	–	–	25,429	–	–	–	–	–	–	–	25,429	–	25,429
Transfer to retained profits on lapse of share options	–	–	(5,732)	–	–	–	–	–	–	5,732	–	–	–
Balance at 30 June 2017	274,337	695,234	48,769	8,833	80,000	18,331	3,221	(43,766)	34,924	314,886	1,434,769	57,789	1,492,558

The notes on pages 22 to 39 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2018 — Unaudited

	Six months ended 30 June 2018 HK$'000	Six months ended 30 June 2017 HK$'000
Operating activities		
Finance costs paid	**(45,234)**	(18,259)
Other cash flows arising from operating activities	**90,625**	(49,316)
Net cash generated from/(used in) operating activities	**45,391**	(67,575)
Investing activities		
Payment for the purchase of property, plant and equipment	**(51,821)**	(19,676)
Dividends received	**32,890**	65,878
Acquisition of subsidiaries	**–**	(55,239)
Deposit received for the disposal of film exhibition business in Mainland China	**–**	456,530
Refund of previously received deposit for the disposal of film exhibition business in Mainland China	**–**	(22,400)
Increase in pledged bank deposits	**–**	(209,150)
Other cash flows arising from investing activities	**107,775**	5,514
Net cash generated from investing activities	**88,844**	221,457
Financing activities		
Draw down of bank loans	**459,200**	75,750
Repayment of bank loans	**(272,593)**	(99,109)
Other cash flows arising from financing activities	**(708,461)**	(10,182)
Net cash used in financing activities	**(521,854)**	(33,541)

Condensed Consolidated Statement of Cash Flows *(continued)*

for the six months ended 30 June 2018 — Unaudited

	Six months ended 30 June 2018 HK$'000	Six months ended 30 June 2017 HK$'000
Net (decrease)/increase in cash and cash equivalents	**(387,619)**	120,341
Cash and cash equivalents at 1 January	**1,901,126**	503,622
Cash and cash equivalents of disposal group reclassified as held for sale as at 31 December 2016	**–**	(254,949)
Effect of foreign exchange rates changes	**(8,480)**	14,730
Cash and cash equivalents at 30 June	**1,505,027**	383,744
Analysis of balances of cash and cash equivalents		
Non-pledged short term bank deposits	**660,216**	304,894
Non-pledged cash and bank balances	**844,811**	78,850
Cash and cash equivalents at 30 June	**1,505,027**	383,744

The notes on pages 22 to 39 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 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 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 number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

None of these developments has 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.

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

3 REVENUE AND SEGMENT REPORTING *(continued)*

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, Singapore and Taiwan, represent the performance of the joint ventures operating in Singapore and Taiwan, respectively for the six months ended 30 June 2017. The joint venture in Singapore was reclassified to a subsidiary on 25 October 2017 following the acquisition of the then remaining 50% equity interest in the joint venture by the Group. 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 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. 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 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	
	2018 **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000
Segment revenue:										
Revenue										
— Exhibition	**104,345**	127,045	**–**	476,892	**408,076**	203,381	**240,768**	235,802	**753,189**	1,043,120
— Distribution and production	**10,869**	16,285	**157**	49	**18,283**	5,729	**1,619**	2,854	**30,928**	24,917
— Corporate	**825**	1,318	**–**	–	**–**	–	**–**	–	**825**	1,318
Reportable segment revenue	**116,039**	144,648	**157**	476,941	**426,359**	209,110	**242,387**	238,656	**784,942**	1,069,355
Reportable segment profit/(loss) after taxation	**6,822**	14,702	**(13,693)**	3,786	**69,626**	34,930	**18,874**	14,351	**81,629**	67,769
Reconciliation — Revenue										
Reportable segment revenue									**784,942**	1,069,355
Share of revenue from joint ventures in Singapore and Taiwan									**(242,387)**	(447,766)
Elimination of intra-segment revenue									**(13,570)**	(830)
Others									**(8,664)**	(1,866)
									520,321	618,893
Reconciliation — Profit/(loss) before taxation										
Reportable profit after taxation from external customers									**81,629**	67,769
Unallocated operating expenses, net									**(33,187)**	(176,370)
Non-controlling interests									**(135)**	(1,929)
Income tax charge/(credit)									**17,522**	(5,542)
Profit/(loss) before taxation									**65,829**	(116,072)

4 PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June 2018 HK$'000	Six months ended 30 June 2017 HK$'000
(a) Finance costs		
Interest on bank loans	**22,498**	12,457
Interest on convertible bonds	**–**	17,126
Interest on put options to non-controlling interest	**–**	11,212
Finance charges on obligations under finance leases	**7**	1,585
Other ancillary borrowing costs	**2,778**	695
	25,283	43,075

No finance costs have been capitalised for the six months ended 30 June 2018 and 30 June 2017.

	Six months ended 30 June 2018 HK$'000	Six months ended 30 June 2017 HK$'000
(b) Other items		
Cost of inventories	**18,618**	19,980
Cost of services provided	**174,940**	221,028
Fair value loss on a derivative financial asset	**–**	70,236
Depreciation of property, plant and equipment	**37,425**	12,272
Amortisation of film rights	**2,169**	2,866
Equity-settled share-based payment expenses	**–**	25,429
(Gain)/loss on disposals of property, plant and equipment	**(267)**	692
Exchange gain, net	**(4,219)**	(28,421)
Interest income from bank deposits	**(15,003)**	(6,380)

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June 2018 HK$'000	Six months ended 30 June 2017 HK$'000
Current income tax		
Provision for Hong Kong tax	**1,002**	2,303
Provision for overseas tax	**19,698**	7,214
(Over)/under provision in respect of prior periods	**(561)**	289
	20,139	9,806
Deferred tax — overseas		
Origination and reversal of temporary differences	**(2,617)**	(15,348)
Actual tax charge/(credit)	**17,522**	(5,542)

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2017: 16.5%) to the six months ended 30 June 2018.

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/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company of HK$48,442,000 (six months ended 30 June 2017: loss of HK$108,601,000) and the weighted average number of ordinary shares of 2,799,669,050 (2017: 2,743,065,878 shares) in issue during the period.

Weighted average number of ordinary shares (basic)

	2018 Number of shares	2017 Number of shares
Issued ordinary shares at 1 January	**2,799,669,050**	2,742,519,248
Effect of share options exercised	**–**	546,630
Weighted average number of ordinary shares as at 30 June	**2,799,669,050**	2,743,065,878

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise or conversion of all dilutive potential ordinary shares. The Company does not have any dilutive potential ordinary shares at 30 June 2018. Diluted earnings per share for the six months ended 30 June 2018 is the same as the basic earnings per share.

As at 30 June 2017, the Company had two categories of dilutive potential ordinary shares including share options and convertible bonds. For the six months ended 30 June 2017, the potential ordinary shares arising from the assumed conversion of convertible bonds and exercise of share options were not included in the calculation of adjusted loss per share as they were either anti-dilutive or had no dilutive effect.

7 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment in an aggregate amount of HK$51,821,000 (six months ended 30 June 2017: HK$2,210,000).

The Group's investment properties were revalued as at 30 June 2018 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 2018 (six months ended 30 June 2017: HK$Nil) was recognised in profit or loss.

8 INTEREST IN A JOINT VENTURE

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Share of net assets	**128,630**	142,937

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 costs for film production of HK$2,962,000 (six months ended 30 June 2017: HK$1,383,000) and amortisation of film rights amounted to HK$2,169,000 (six months ended 30 June 2017: HK$2,866,000).

10 INTANGIBLE ASSETS

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Trademarks	**516,764**	517,068
Customer relationships	**5,926**	6,667
Club memberships	**1,890**	1,890
	524,580	525,625

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 2018 HK$'000	As at 31 December 2017 HK$'000
Within 1 month	**16,089**	42,125
Over 1 month but within 2 months	**13,431**	5,228
Over 2 months but within 3 months	**5,293**	196
Over 3 months	**6,113**	3,371
	40,926	50,920

At 30 June 2018, trade receivables of the Group include an amount of HK$Nil (31 December 2017: HK$30,000) due from related companies and an amount of HK$1,379,000 (31 December 2017: HK$814,000) due from a joint venture, which are unsecured, interest-free and recoverable within one year.

12 DEPOSITS AND CASH

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Deposits at banks	660,216	444,786
Cash at bank and on hand	981,811	1,701,041
	1,642,027	2,145,827
Less: Pledged deposits for bank loans	(137,000)	(184,701)
Deposits and cash	1,505,027	1,961,126
Less: Time deposits with original maturity of more than three months when acquired	–	(60,000)
Cash and cash equivalents	1,505,027	1,901,126

13 BANK LOANS

(a) The bank loans were repayable as follows:

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Within 1 year or on demand	275,018	359,790
After 1 year but within 2 years	245,003	148,587
After 2 years but within 5 years	860,769	682,665
After 5 years	41,747	43,888
	1,147,519	875,140
	1,422,537	1,234,930
Bank loans		
— Secured	1,392,537	1,204,930
— Unsecured	30,000	30,000
	1,422,537	1,234,930

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

13 BANK LOANS *(continued)*

(b) At 30 June 2018, the bank loans were secured by:

(i) an office property of a subsidiary located in Hong Kong;

(ii) deposits of subsidiaries of HK$137,000,000 (31 December 2017: HK$184,701,000); and

(iii) equity shares of two subsidiaries of the Company.

(c) At 30 June 2018, bank loans of HK$1,422,537,000 (31 December 2017: HK$1,234,930,000) 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 2018, 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 2018 HK$'000	As at 31 December 2017 HK$'000
Current to 3 months	**118,602**	100,001
Within 4 to 6 months	**1,651**	1,989
Within 7 to 12 months	**1,002**	1,323
Over 1 year	**11,232**	10,886
	132,487	114,199

As at 30 June 2018, the trade payables of the Group include amounts totalling HK$26,000 (31 December 2017: HK$26,000) due to related companies which are unsecured, interest-free and repayable on demand.

15 SHARE CAPITAL

	Note	As at 30 June 2018 No. of shares	As at 30 June 2018 Amount HK$'000	As at 31 December 2017 No. of shares	As at 31 December 2017 Amount HK$'000
Authorised:					
Ordinary shares of HK$0.10 each		**6,000,000,000**	**600,000**	6,000,000,000	600,000
Ordinary shares, issued and fully paid:					
At 1 January		**2,799,669,050**	**279,967**	2,742,519,248	274,252
Shares issued under Share option scheme	(i)	–	–	112,754,429	11,275
Shares repurchased		–	–	(70,530,000)	(7,053)
Converted from convertible bond		–	–	14,925,373	1,493
At 30 June/31 December		**2,799,669,050**	**279,967**	2,799,669,050	279,967

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 2017 annual financial statements.

(ii) Dividend

A special dividend of HK$0.253 per ordinary share amounting to approximately HK$708,316,000 was declared and paid during the period, which was based on 2,799,669,050 ordinary shares in issue on the date of declaration.

16 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 venture's own capital commitments in respect of the acquisition of property, plant and equipment, was as follows:

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Contracted for:		
— Taiwan	**5,665**	1,477

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 2018 HK$'000	As at 31 December 2017 HK$'000
Capital commitments in respect of the acquisition of property, plant and equipment:		
Contracted for:		
— Hong Kong	**1,167**	1,259
— Singapore	**2,914**	21,414
	4,081	22,673
Authorised but not contracted for:		
— Hong Kong	**34,998**	60,741
	39,079	83,414

17 CONTINGENT LIABILITIES

At 30 June 2018, the Company has issued guarantees to banks in respect of banking facilities granted to certain subsidiaries and a joint venture amounting to HK$1,446,284,000 (31 December 2017: HK$1,261,547,000). At 30 June 2018, banking facilities of HK$1,436,284,000 (31 December 2017: HK$1,251,547,000) had been utilised by the subsidiaries.

At 30 June 2018, 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 2018 HK$'000	Six months ended 30 June 2017 HK$'000
Short-term employee benefits	**34,869**	44,936
Post-employment benefits	**88**	72
	34,957	45,008

18 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(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 2018 HK$'000**	Six months ended 30 June 2017 HK$'000
Office rental paid	(i)	**1,281**	1,401
Cinema screen advertising services income	(ii)	**–**	760
Cinema circuit management service fee expense	(iii)	**–**	4,511

Notes:

(i) This represents office rental expenses paid to two related companies.

(ii) This represents cinema screen advertising income received from a related company.

(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 continuing connected transactions as defined in the Listing Rules. The continuing connected transactions were either properly approved by the independent non-executive directors or constituted de minimis transactions as defined in the Listing Rules.

19 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, is owned as to 92.59% by CECL and 7.41% 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 the difference between the net debt value of the disposal group as at 31 December 2016 and that derived from the completion accounts (the "Net Debt Adjustment"). During the six months ended 30 June 2018, the draft completion accounts were circulated among the Group and Nan Hai Corporation Limited ("Nan Hai") whereas the Net Debt Adjustment is yet to be agreed between the two parties up to the date of approval of this interim financial report.

Other than the Net Debt Adjustment, the consideration is subject to a refund of an amount up to RMB380 million to Nan Hai, depending on the results of lease renewal or negotiation of new leases of certain cinema premises as detailed in the Sale and Purchase Agreement. The amount of refund is determined with reference to the terms and outcome of the lease renewal and the economic value of the renewed leases, subject to agreement with Nan Hai during the year ending 31 December 2018.

At as 31 December 2017 and 30 June 2018, 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 Net Debt Adjustment and the results of lease renewal or negotiation of new leases of certain cinema premises, subject to further negotiations and agreement between the Group and Nan Hai.

19 DISPOSAL OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2017 and the period ended 30 June 2018, the directors assessed that the fair value of the consideration for the Disposal, based on the latest available information, to be RMB2.990 billion, being the cash consideration received by the Group up to 31 December 2017 and 30 June 2018. Any difference between the final consideration and the fair value of the consideration as assessed by the directors at 31 December 2017 and 30 June 2018 will result in adjustment to the gain on disposal of subsidiaries and will be recognised in profit or loss upon finalisation of the consideration.

The determination of fair value of the consideration at 28 July 2017, 31 December 2017 and 30 June 2018 involved Level 3 fair value measurements as defined in HKFRS 13, *Fair value measurement*, the level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique. For Level 3 valuations, the fair value is measured using significant unobservable inputs. The portion of consideration relating to renewal of leases of cinema premises was revalued by management, with reference to the valuation performed by an independent professional qualified valuer, Censere Holdings Limited, using the discounted cash flow model. The significant unobservable inputs used in the fair value measurements included weighted average cost of capital (ranging from 6.9% to 7.2%) and probability for successful renewal of or entering into new leases of cinema premises (ranging from 0% to 50%). There was no material change in fair value of the consideration between 28 July 2017, 31 December 2017 and 30 June 2018. The fair value measurement is negatively correlated to the weighted average cost of capital and positively correlated to the probability for successful renewal of or entering into new leases of cinema premises.

20 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has the following update to the information provided in the last annual financial statements in respect of HKFRS 16, *Leases*, which may have a significant impact on the Group's consolidated financial statements.

20 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED JUNE 2018 *(continued)*

HKFRS 16, *Leases*

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases. During the six months ended 30 June 2018, the Group has renewed a lease agreement for one of its cinema premises in Singapore, with a lease term of 6 years.

The following is an updated information about the Group's future minimum lease payments, based on the non-cancellable operating leases that have been entered into by 30 June 2018:

	Properties HK$'000
Within 6 months	49,747
After 6 months but within 1 year	46,533
After 1 year but within 5 years	217,045
After 5 years	62,708
	376,033

Upon the initial adoption of HKFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16.

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 did not redeem any of its listed securities during the period ended 30 June 2018. 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 2018, 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)	61.57%
	Beneficial owner	1	249,734,429 (L)	–	249,734,429 (L)	8.92%
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 2018.

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 249,734,429 Shares as at 30 June 2018 which were beneficially held by him in his own name.

Abbreviation:
"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 2018, 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 2018, 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 hare 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 2018, 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	249,734,429(L)	–	249,734,429(L)	8.92%
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 2018.

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 249,734,429 Shares as at 30 June 2018 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 2018, 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 2018.

Special and Interim Dividends

On 4 January 2018, the Directors declared a special dividend of HK$0.253 per share.

Apart from the above, the Directors do not recommend the payment of any interim dividend for the period ended 30 June 2018 (30 June 2017: 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 2018, 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 12 June 2018 (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 2018.

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 2018

Orange Sky Golden Harvest Entertainment (Holdings) Limited
橙天嘉禾娛樂(集團)有限公司
24th Floor, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong
香港灣仔告士打道151號資本中心24樓

http://www.osgh.com.hk