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
2017

Orange Sky Golden Harvest's

Cinema Portfolio

橙天嘉禾影城組合

(As at 30 June 2017 於2017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
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Hamilton HM 11
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PRINCIPAL PLACE OF BUSINESS
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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
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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
MUFG Fund Services (Bermuda) Limited
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
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STOCK CODE
1132

Management Discussion and Analysis

OPERATION AND FINANCIAL REVIEW

During the period under review, the Group's revenue decreased by 10.3% to HK$619 million and the gross profit decreased by 5.8% to HK$375 million. The gross profit margin improved to 60.6% (30 June 2016: 57.7%). Loss attributable to equity holders of the Company increased to HK$108.6 million as compared to HK$33.3 million for the corresponding period in last year. Excluding the film exhibition business in Mainland China (the "Disposed Business") which was disposed of (the "Disposal") subsequently on 28 July 2017 (the "Closing") and several one-off expenses, the profit attributable to equity holders was HK$21 million in this period, representing a significant improvement of HK$26 million compared to the loss attributable to equity holder of HK$5 million in the corresponding period last year on a like-for-like basis.

The Disposal was completed subsequently on 28 July 2017 at a consideration of RMB3.290 billion, which was adjusted from the initial consideration of RMB3.286 billion and subject to subsequent price adjustment, if any. A significant gain from the Disposal is expected to be recognised by the Group for the year ending 31 December 2017.

The revenue of the cinema operations in Hong Kong remained stable compared to the same period last year. The decrease in the Group's revenue was mainly attributable to the Disposed Business. Due to keen competition, the revenue of the Disposed Business decreased by HK$77.5 million to HK$476.9 million in this period, representing a drop of 14%.

The gross profit margin was improved for the period under review as a result of continuous improvement of operating efficiency.

Share of profits from our joint venture investments in Singapore and Taiwan in aggregate increased from HK$44.4 million to HK$50.5 million for the period under review and the increase was predominantly contributed by the Taiwan operation as a result of spring back of market gross box office receipts in Taiwan and also the improvement in operating efficiency of the Group.

Loss attributable to equity holders increased significantly compared to the same period in last year. Apart from the decline in performance of the Disposed Business mentioned above, the recognition of several one-off expenses such as (i) one-off expenses incurred by the Group for the satisfaction of conditions precedent for the closing of the Disposal; (ii) professional commission and fees and compliance cost mainly arising from the Disposal; and (iii) a one-off expense attributable to share options granted by the Company during the period under review, further contributed to the loss.

As at 30 June 2017, cash and cash equivalents of the Group amounted to HK$384 million (31 December 2016: HK$152 million). The Group's outstanding borrowings amounting to HK$638 million (31 December 2016: HK$595 million) comprise mainly of interest bearing bank loans of HK$432 million (31 December 2016: HK$411 million) and convertible bonds of HK$206 million (31 December 2016: HK$184 million). The Group's gearing ratio (measured as total borrowings to total assets) decreased to 17.9% (31 December 2016: 18.9%) under the effort of the Group's effective liquidity management.

BUSINESS REVIEW

Film Exhibition

During the six months ended 30 June 2017, the Group operated 106 cinemas with 772 screens across Mainland China, Hong Kong, Taiwan and Singapore, an increase of 6.0% and 4.7% respectively from 100 cinemas with 737 screens for the corresponding period in last year. The Group's cinemas served close to 26 million guests during the period, a decrease of 7.1% which was mainly originated from the Disposed Business. The major Hollywood blockbusters released during this period were *Beauty And The Beast (美女與野獸)*, *Fast & Furious 8 (狂野時速8)*, *Wonder Woman (神奇女俠)*, *The Boss Baby (波士BB)*, *Logan (盧根)*, *Transformers: The Last Knight (變形金剛5：最後的騎士)*. The major Chinese language blockbusters were *Kung Fu Yoga (功夫瑜伽)*, *Journey to the West: Demon Chapter (西遊伏妖篇)* in Hong Kong and Mainland China; *Dangal (摔跤吧！爸爸)* in Mainland China and Taiwan.

OPERATING STATISTICS OF THE GROUP'S CINEMAS

	Mainland China	Hong Kong	Taiwan	Singapore
Number of cinemas*	76	6	13	11
Number of screens*	531	23	127	91
Admissions *(million)*	11.3	1.3	8.3	4.7
Net average ticket price *(HK$)*	34	85	59	59

* as at 30 June 2017

Note: Three more cinemas in Mainland China and one cinema in Singapore were under construction. The three cinemas under construction in Mainland China, together with all other Group's cinemas in Mainland China, were disposed of subsequently on 28 July 2017. The cinema under construction in Singapore is expected to commence operation in the second half of 2017.

The Group is committed to pursue visual and audio effect perfection to bring a new movie-going experience for our audiences. All of the screens in the cinemas of the Group are fully installed with digital projection equipment and are 3D compatible. There were twelve IMAX® screens in total for the Group in Mainland China and Taiwan as at 30 June 2017. Apart from digital IMAX® screens, the Group continued to upgrade the ultra-high resolution Sony 4K Projection System, 4DX™, D-Box Motion Chairs and the advanced panorama Dolby Atmos, DTSX sound systems in our cinemas.

Mainland China

Operating Statistics of the Group's Cinemas in Mainland China

	June 2017	June 2016
Number of cinemas*	**76**	71
Number of screens*	**531**	498
Admissions *(million)*	**11.3**	13.7
Net average ticket price *(RMB)*	**30**	30
Gross box office receipts *(RMB million)*#	**371**	438

* as at 30 June 2017

\# before deduction of government taxes and charges

Note: Three more cinemas in Mainland China were under construction. All of the Group's cinemas in Mainland China were disposed of subsequently on 28 July 2017.

The market gross box office receipts in Mainland China increased by 10.2% to RMB27.1 billion in this period. The Group's gross box office receipts generated by multiplexes in Mainland China decreased by 15% as compared with the corresponding period last year. Despite the net average ticket price was maintained stably at RMB30, the Group's multiplexes in Mainland China recorded a 18% drop in admissions to approximately 11.3 million patrons in the period under review as compared to the corresponding period in last year, mainly resulted from the keen competition in Mainland China. The earnings before interest, tax and depreciation of our exhibition business in Mainland China also decreased by 62% from the same period last year to HK$33.9 million in this period.

The Disposed Business was sub-scale compared to its competitors and the Company believed that significant investment would be required to develop the Disposed Business in order to compete with the larger players, which may lead to the Company incurring significant amount of additional financing and depreciation expenses that would adversely impact the Group's overall profitability in the future. The loss incurred by the Group for the years ended 31 December 2015 and 2016 were largely owing to the underperformance of the Disposed Business and the Company considered that the Disposal would relieve the pressure on overall profitability of the Group.

On 25 January 2017, the Group entered into a sale and purchase agreement with a buyer to sell the Disposed Business at an initial consideration at approximately RMB3.286 billion.

The Disposal was completed subsequent to the period under review on 28 July 2017 at the consideration of approximately RMB3.290 billion. The Group has received as of the same day an amount equivalent in USD of approximately RMB3.02 billion (being the consideration, net of the PRC tax payment) from a buyer in Hong Kong. At the completion of the Disposal, the cinema exhibition business of the Group in Mainland China was completely transferred to the buyer.

Hong Kong

Operating Statistics of the Group's Cinemas in Hong Kong

	June 2017	June 2016
Number of cinemas*	**6**	5
Number of screens*	**23**	21
Admissions *(million)*	**1.3**	1.2
Net average ticket price *(HK$)*	**85**	87
Gross box office receipts *(HK$ million)*	**106**	106

* as at 30 June 2017

During the period under review, the Hong Kong market as a whole recorded gross box office receipts of HK$983 million, a decrease of 3.9% from HK$1,023 million for the corresponding period last year. Notwithstanding the decline of market performance, the Group's cinemas in Hong Kong had been able to outperform the market to maintain the gross box office receipts at HK$106 million (30 June 2016: HK$106 million). The major blockbusters for the period were *Beauty And The Beast (美女與野獸)*, *Fast & Furious 8 (狂野時速8)*, *Wonder Woman (神奇女俠)*, *The Boss Baby (波士BB)* and *Logan (盧根)*. Number of admissions increased from 1.2 million to 1.3 million while the net average ticket price lessened from HK$87 to HK$85.

Taiwan

Operating Statistics of the Group's Cinemas in Taiwan

	June 2017	June 2016
Number of cinemas*	**13**	13
Number of screens*	**127**	127
Admissions *(million)*	**8.3**	7.8
Net average ticket price *(NTD)*	**236**	239
Gross box office receipts *(NTD billion)*	**2.0**	1.9

* as of 30 June 2017

During the period, Taipei City's market gross box office receipts amounted to NTD2.04 billion (30 June 2016: NTD1.90 billion), an increase of 7.4%. The Group's 35.71%-owned Vie Show cinema circuit ("Vie Show") recorded total box office receipts of NTD1,964 million, which represented a 5.1% growth compared to the same period last year. The growth was preliminarily attributable to plenty of supply of famous Hollywood blockbusters in the first half of 2017 such as *Fast & Furious 8 (速度與激情8)*, *Wonder Woman (神奇女俠)*, *Beauty And The Beast (美女與野獸)*, *The Mummy (盜墓迷城)*, *Logan (盧根)*, *Pirates Of The Caribbean: Dead Men Tell No Tales (加勒比海盜：惡靈啟航)*. Similar to past few years, Vie Show continued to uphold its leading position with a market share of 42% in the period under review.

The Group's share of net profit from Vie Show increased from HK$9.4 million to HK$13.9 million compared to the corresponding period last year. Apart from continual investing in new cinemas to expand the market share as well as box office income, Vie Show also focused on cost control and developing e-voucher ticketing system to improve operating efficiency. Apart from traditional cinema exhibition, Vie Show also presented numerous alternative contents which were well welcomed by the market in order to enhance the cinematic experiences.

For the distribution business, Vie Vision Pictures Co. Ltd recorded satisfactory revenue growth by distributing several famous movies such as *John Wick: Chapter 2 (捍衛任務2：殺神回歸)* and *DiDi's Dreams (吃吃的愛)* compared to the corresponding period in 2016.

For non box office income, Gold-class multiplexes were equipped with a dedicated catering team to provide a more comprehensive cinema experiences to our audience and contributed considerable profit for Vie Show. During the period, Vie Show launched a well known Sanrio cartoon character themed restaurant in the cinema located at Mitsui Outlet Park, namely "Hello Kitty Red Carpet". This themed restaurant is decorated with Hello Kitty, providing a variety of food and beverage and so the patrons can now immerse themselves in all things Hello Kitty related, which were welcomed by the market.

Singapore

Operating Statistics of the Group's Cinemas in Singapore

	June 2017	June 2016
Number of cinemas*	**11**	11
Number of screens*	**91**	91
Admissions *(million)*	**4.7**	4.9
Net average ticket price *(S$)*	**10.6**	10.2
Gross box office receipts *(S$ million)*	**50.3**	50.1

* as at 30 June 2017

Note: One cinema in Singapore is under construction, it is expected the cinema under construction to be opened before December 2017.

For the period under review, the Singapore market's box office receipts amounted to S$110 million, representing a decrease of 6.8% from S$118 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 46% by reporting box office receipts of S$50.3 million for the period, a slight increase of 0.4% from S$50.1 million for the same period last year. The increase in box office receipts was largely resulted from better pricing strategy and the variety of movie products offered by GV to attract the audience which resulted in the increase in net average ticket price and also lesser decrease in admission number when compared to the market. A number of Hollywood summer blockbusters arrived at the market, *namely Beauty And The Beast (美女與野獸), Fast & Furious 8 (狂野時速8), Wonder Woman (神奇女俠), Guardians Of The Galaxy Vol. 2 (銀河守護隊2) and Logan (盧根)*, all of which were well-received by audience. To expand the exhibition business and to maintain the market share, GV has further invested in opening a new cinema in Paya Lebar, which is to be opened before December 2017.

During the reporting period, the Group's share of net profit from Singapore operation stood steadily at HK$34.9 million compared to HK$34.6 million for the corresponding period last year.

Film & TV Programme Distribution and Production

The Group's film distribution and production business recorded revenue of HK$25 million compared to HK$27 million in the corresponding period last year. The distribution revenue was mainly generated by distributing *The Yuppie Fantasia 3 (小男人週記3)*, *The Sleep Curse (失眠)* and *L For Love, L For Lies Too (失戀日)* in Hong Kong region, *Shock Wave (拆彈專家)* in Hong Kong and Singapore region, and *John Wick: Chapter 2 (捍衛任務2：殺神回歸)* in Singapore and Taiwan region.

The profit from the Group's film distribution and production business arrived at HK$7 million in this period compared to a loss of HK$2 million in the same period last year. The improvement was predominantly attributable to the increase in licensing income of the Group's film library which possessed high profitability.

The Group will continue to seek for movies and TV series investments 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.

EVENT AFTER THE REPORTING PERIOD

On 25 January 2017 the Group entered into a sale and purchase agreement with a buyer to dispose of the cinema exhibition business in Mainland China.

The Disposal was completed on 28 July 2017 at a consideration of RMB3.290 billion, adjusted from RMB3.286 billion and subject to subsequent price adjustment, if any. The Group has received as of the same day an amount equivalent in USD of approximately RMB3.02 billion (being the consideration, net of the PRC tax payment) from a buyer in Hong Kong. At the completion of the Disposal, the film exhibition business of the Group in Mainland China was completely transferred to the buyer.

Details of the Disposal are also set out in the Company's announcements dated 9 February 2017, 7 March 2017, 19 April 2017, 21 June 2017, 27 June 2017, 20 July 2017, 28 July 2017 and 10 August 2017 and the Company's circular to shareholders dated 13 March 2017.

After the end of the reporting period, the directors proposed a special dividend of HK$0.351 per ordinary shares amounting to HK$1,002,000,000, which was based on 2,855,273,677 ordinary shares in issue on the date of declaration. The special dividend declared after the end of the reporting period has not been recognised as liabilities at the end of the reporting period.

PROSPECTS

The disposal of film exhibition business in Mainland China was completed subsequently on 28 July 2017. After the Disposal the Company intends to substantially develop the existing operations of the remaining business to increase the future profitability of the Company through, including but not limited to (i) investing into the film exhibition business in Hong Kong by opening on average one to two new cinemas in Hong Kong each year after Closing by competing for existing cinema sites currently run by other cinema operators upon their lease expiry, identifying populated areas currently not served by any cinema to explore opportunities to open new cinemas, and/or acquiring existing cinema sites of other cinema operators depending on the availability of new sites in the market and the feasibility of the commercial terms, (ii) ramping up the film, video and TV production business in Hong Kong and the PRC by producing and/or co-investing in an average of two or three new medium to large scale films every year after Closing, (iii) ramping up the distribution business in Hong Kong and the PRC by acquiring distribution rights to four to five films every year after Closing for distribution in Hong Kong and the PRC depending on availability, quality and potential profitability of such opportunities, (iv) purchasing cinema operations or businesses in the Asia region (excluding the PRC) and (v) future investments in the regional media, entertainment and technology sectors which are related to the Remaining Group's existing businesses.

Apart from expansion plan stated above after the Disposal, the Group shall continue to enrich our food and beverage selections and committed to offer a better movie-going experience to our customers. During the period under review, Vie Show launched a well known Sanrio cartoon character themed restaurant in the cinema located at Mitsui Outlet Park, namely "Hello Kitty Red Carpet". This themed restaurant is decorated with Hello Kitty, providing a variety of food and beverage and so the patrons can now immerse themselves in all things Hello Kitty related, which were welcomed by the market. 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 continue to endeavor 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 the first half of 2017, 66 alternative contents have already been shown in the Hong Kong region which were 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 underperformed film exhibition business in Mainland China to strategic investors. Cautiously optimistic, in addition to investing in profitable investment opportunity, 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 2017, cash and cash equivalents of the Group amounted to HK$384 million (31 December 2016: HK$152 million). The Group's outstanding borrowings which amounted to HK$638 million (31 December 2016: HK$595 million) representing mainly interest bearing bank loans of HK$432 million (31 December 2016: HK$411 million) and convertible bonds of HK$206 million (31 December 2016: HK$184 million). The Group's gearing ratio (measured as total borrowings to total assets) decreased to 17.9% (31 December 2016: 18.9%) and our cash to debt ratio at 103% (31 December 2016: 36%). As of 30 June 2017, the Group had HK$272 million of pledged bank deposits to secure its 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 of profitable 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 requirement.

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 2017 (31 December 2016: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group employed 1,631 (31 December 2016: 1,745) 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 2017, 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 16 to 55 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 2017 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 2017 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 2017

Consolidated Income Statement

for the six months ended 30 June 2017 — Unaudited

	Note	**Six months ended 30 June 2017 HK$'000**	Six months ended 30 June 2016 HK$'000
Revenue	3&4	**618,893**	689,939
Cost of sales		**(243,874)**	(292,287)
Gross profit		**375,019**	397,652
Other revenue		**17,012**	10,700
Other net (loss)/income	5(b)	**(72,495)**	586
Selling and distribution costs		**(322,446)**	(378,425)
General and administrative expenses	5(b)	**(118,280)**	(63,619)
Other operating expenses		**(3,060)**	(169)
Loss from operations		**(124,250)**	(33,275)
Finance costs	5(a)	**(43,075)**	(31,356)
Share of profits of joint ventures		**50,504**	44,394
Share of profits of associates		**749**	193
Loss before taxation	5	**(116,072)**	(20,044)
Income tax credit/(charge)	6	**5,542**	(14,965)
Loss for the period		**(110,530)**	(35,009)
Attributable to:			
Equity holders of the Company		**(108,601)**	(33,298)
Non-controlling interests		**(1,929)**	(1,711)
		(110,530)	(35,009)
Loss per share	7		
Basic		**(3.96) cents**	(1.21) cents
Diluted		**(3.96) cents**	(1.21) cents

The notes on pages 25 to 55 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2017 — Unaudited

	Six months ended 30 June 2017 HK$'000	Six months ended 30 June 2016 HK$'000
Loss for the period	**(110,530)**	(35,009)
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	**12,198**	(6,890)
— joint ventures outside Hong Kong	**15,367**	5,744
— associates outside Hong Kong	**355**	(98)
	27,920	(1,244)
Total comprehensive income for the period	**(82,610)**	(36,253)
Total comprehensive income attributable to:		
Equity holders of the Company	**(82,303)**	(34,445)
Non-controlling interests	**(307)**	(1,808)
Total comprehensive income for the period	**(82,610)**	(36,253)

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

The notes on pages 25 to 55 form part of this interim financial report.

Consolidated Statement of Financial Position

as at 30 June 2017

	Note	As at 30 June 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
Non-current assets			
Investment property	8	**41,800**	41,800
Other property, plant and equipment	8	**71,846**	80,240
Leasehold land	8	**123,183**	123,749
		236,829	245,789
Interests in joint ventures	9	**201,115**	201,122
Available-for-sale equity securities		**6,221**	6,048
Other receivables, deposits and prepayments		**21,681**	18,821
Club memberships		**1,890**	1,890
Trademarks		**80,524**	80,524
Goodwill	20	**120,655**	57,233
Intangible asset	20	**7,407**	–
Deferred tax assets		**6,612**	6,160
Pledged bank deposits	13	**–**	20,000
		682,934	637,587
Current assets			
Inventories		**1,226**	1,025
Film rights	10	**44,984**	46,040
Trade receivables	11	**34,662**	21,237
Other receivables, deposits and prepayments		**64,531**	64,357
Pledged bank deposits	13	**272,151**	43,001
Deposits and cash	13	**383,744**	152,380
Derivative financial instrument	12	**–**	70,236
Assets of disposal group classified as held for sale	25	**2,079,536**	2,120,002
		2,880,834	2,518,278

Consolidated Statement of Financial Position *(continued)*

as at 30 June 2017

	Note	As at 30 June 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
Current liabilities			
Bank loans	14	**432,080**	222,634
Convertible bonds	17	**206,255**	9,547
Trade payables	15	**56,854**	43,494
Other payables and accrued charges	25	**531,774**	55,939
Deferred revenue		**11,268**	3,737
Obligations under finance leases		**285**	276
Taxation payable		**4,862**	1,164
Derivative financial instrument	12	**9,917**	–
Other financial liabilities	16	**276,179**	–
Liabilities of disposal group classified as held for sale	25	**534,439**	637,543
		2,063,913	974,334
Net current assets		**816,921**	1,543,944
Total assets less current liabilities		**1,499,855**	2,181,531
Non-current liabilities			
Bank loans	14	**–**	188,300
Convertible bonds	17	**–**	174,067
Obligations under finance leases		**124**	269
Other financial liabilities	16	**–**	219,389
Deferred tax liabilities		**7,173**	9,471
		7,297	591,496
NET ASSETS		**1,492,558**	1,590,035

Consolidated Statement of Financial Position *(continued)*

as at 30 June 2017

	Note	As at 30 June 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
Capital and reserves			
Share capital	18	**274,337**	274,252
Reserves		**1,160,432**	1,257,350
Total equity attributable to equity holders of the Company		**1,434,769**	1,531,602
Non-controlling interests		**57,789**	58,433
TOTAL EQUITY		**1,492,558**	1,590,035

The notes on pages 25 to 55 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2017 — 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 (note 17)	–	–	–	–	–	–	–	–	(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 (note 16)	–	–	–	–	–	–	–	(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

Consolidated Statement of Changes in Equity *(continued)*

for the six months ended 30 June 2017 — 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
Changes in equity for the six months ended 30 June 2016:												
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 17)	–	–	–	–	–	–	–	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

* 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 25 to 55 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2017 — Unaudited

	Note	**Six months ended 30 June 2017 HK$'000**	Six months ended 30 June 2016 HK$'000
Operating activities			
Finance costs paid		**(18,259)**	(17,184)
Other cash flows arising from operating activities		**(49,316)**	37,837
Net cash (used in)/generated from operating activities		**(67,575)**	20,653
Investing activities			
Payment for the purchase of property, plant and equipment		**(19,676)**	(86,838)
Dividends received		**65,878**	77,413
Acquisition of subsidiaries	20	**(55,239)**	208
Deposit received for the disposal of film exhibition business in Mainland China	25	**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)**	(6,290)
Other cash flows arising from investing activities		**5,514**	5,970
Net cash generated from/(used in) investing activities		**221,457**	(9,537)
Financing activities			
Issuance of convertible bonds		**–**	200,000
Draw down of bank loans		**75,750**	30,000
Repayment of bank loans		**(99,109)**	(132,964)
Other cash flows arising from financing activities		**(10,182)**	(10,308)
Net cash (used in)/generated from financing activities		**(33,541)**	86,728

Condensed Consolidated Statement of Cash Flows *(continued)*

for the six months ended 30 June 2017 — Unaudited

	Six months ended 30 June 2017 HK$'000	Six months ended 30 June 2016 HK$'000
Net increase in cash and cash equivalents	**120,341**	97,844
Cash and cash equivalents at 1 January	**503,622**	186,860
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	**14,730**	(1,491)
Cash and cash equivalents at 30 June	**383,744**	283,213
Analysis of balances of cash and cash equivalents		
Non-pledged short term bank deposits	**304,894**	10,236
Non-pledged cash and bank balances	**78,850**	272,977
Cash and cash equivalents at 30 June	**383,744**	283,213

The notes on pages 25 to 55 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 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements as set out in note 2(a) and the accounting policy adopted following the acquisition of a subsidiary as set out in note 2(b).

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 2016 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 14 to 15.

2 ACCOUNTING POLICIES

(a) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. 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.

(b) Accounting policy adopted following the acquisition of a subsidiary

Intangible asset — Customer relationship

Customer relationship acquired in a business combination is recognised at fair value at the acquisition date.

The customer relationship has finite useful life and is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated to write off the cost of customer relationship on a straight-line basis over its estimated useful life of 5 years.

Both the period and method of amortisation are reviewed annually.

3 REVENUE

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.

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:

4 SEGMENT REPORTING *(continued)*

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.

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.

4 SEGMENT REPORTING *(continued)*

Segment revenue and results *(continued)*

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

	Six months ended 30 June (Unaudited)									
	Hong Kong		Mainland China		Taiwan		Singapore		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Segment revenue:										
Revenue										
— Exhibition	**127,045**	123,299	**476,892**	554,431	**235,802**	223,765	**203,381**	204,888	**1,043,120**	1,106,383
— Distribution and production	**16,285**	21,742	**49**	946	**2,854**	1,855	**5,729**	2,508	**24,917**	27,051
— Corporate	**1,318**	696	**–**	2,087	**–**	–	**–**	–	**1,318**	2,783
Reportable segment revenue	**144,648**	145,737	**476,941**	557,464	**238,656**	225,620	**209,110**	207,396	**1,069,355**	1,136,217
Reportable segment profit/ (loss) after taxation	**14,702**	8,433	**3,786**	(29,005)	**14,351**	9,757	**34,930**	34,561	**67,769**	23,746
Reconciliation — Revenue										
Reportable segment revenue									**1,069,355**	1,136,217
Share of revenue from joint ventures in Taiwan and Singapore									**(447,766)**	(433,016)
Elimination of intra-segment revenue									**(830)**	(5)
Others									**(1,866)**	(13,257)
									618,893	689,939
Reconciliation — Loss before taxation										
Reportable profit after taxation from external customers									**67,769**	23,746
Unallocated operating expenses, net									**(176,370)**	(57,044)
Non-controlling interests									**(1,929)**	(1,711)
Income tax									**(5,542)**	14,965
Loss before taxation									**(116,072)**	(20,044)

5 LOSS BEFORE TAXATION

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

	Six months ended 30 June 2017 HK$'000	Six months ended 30 June 2016 HK$'000
(a) Finance costs		
Interest on bank loans	**12,457**	16,431
Interest on convertible bonds	**17,126**	12,619
Interest on put options to non-controlling interest (note 16)	**11,212**	–
Finance charges on obligations under finance leases	**1,585**	1,627
Other ancillary borrowing costs	**695**	679
	43,075	31,356

No finance costs have been capitalised for the six months ended 30 June 2017 and 30 June 2016.

	Six months ended 30 June 2017 HK$'000	Six months ended 30 June 2016 HK$'000
(b) Other items		
Cost of inventories	**19,980**	15,921
Cost of services provided	**221,028**	267,305
Fair value loss on a derivative financial asset (note 21(f))	**70,236**	–
Depreciation of property, plant and equipment	**12,272**	85,583
Amortisation of film rights	**2,866**	9,061
Equity-settled share-based payment expenses	**25,429**	–
Compensation income from landlord for early termination of lease	**–**	(9,913)
Loss on disposals of property, plant and equipment	**692**	5,954
Exchange (gain)/loss, net	**(28,421)**	3,980
Interest income from bank deposits	**(6,380)**	(1,836)

6 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June 2017 HK$'000	Six months ended 30 June 2016 HK$'000
Current income tax		
Provision for Hong Kong tax	**2,303**	1,631
Provision for overseas tax	**7,214**	15,945
Under/(over) provision in respect of prior periods	**289**	(128)
	9,806	17,448
Deferred tax — overseas		
Origination and reversal of temporary differences	**(15,348)**	(2,483)
Actual tax (credit)/charge	**(5,542)**	14,965

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2016: 16.5%) to the six months ended 30 June 2017.

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 PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK$108,601,000 (six months ended 30 June 2016: HK$33,298,000) and the weighted average number of ordinary shares of 2,743,065,878 (2016: 2,742,519,248 shares) in issue during the period.

Weighted average number of ordinary shares (basic)

	2017 Number of shares	2016 Number of shares
Issued ordinary shares at 1 January	**2,742,519,248**	2,742,519,248
Effect of share options exercised	**546,630**	–
Weighted average number of ordinary shares as at 30 June	**2,743,065,878**	2,742,519,248

(b) Diluted loss per share

Diluted 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 has two (2016: two) categories of dilutive potential ordinary shares: share options and convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares and the net loss 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 2017, the potential ordinary shares arising from the assumed conversion of convertible bonds and exercise of share options are not included in the calculation of adjusted loss per share as they were either anti-dilutive or had no dilutive effect.

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

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

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment in an aggregate amount of HK$2,210,000 (six months ended 30 June 2016: HK$104,282,000). No property, plant and equipment was acquired through a business combination during the six months ended 30 June 2017 (six months ended 30 June 2016: HK$2,673,000). The property, plant and equipment associated with the Group's exhibition business in Mainland China were reclassified as held for sale as a result of the disposal of the relevant business as set out in note 25 to this interim financial report.

The Group's investment properties were revalued as at 30 June 2017 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. The investment property located in Mainland China was reclassified as held for sale as set out in note 25 to this interim financial report.

No gain or loss from changes in fair values of the investment properties during the six months ended 30 June 2017 (six months ended 30 June 2016: HK$Nil) was recognised in profit or loss.

9 INTERESTS IN JOINT VENTURES

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
Share of net assets	**201,115**	201,122

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$1,383,000 (six month ended 30 June 2016: HK$5,662,000) and amortisation of film rights amounted to HK$2,866,000 (six month ended 30 June 2016: HK$9,061,000).

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:

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
Within 1 month	**15,490**	10,841
Over 1 month but within 2 months	**5,808**	3,564
Over 2 months but within 3 months	**5,251**	585
Over 3 months	**8,113**	6,247
	34,662	21,237

At 30 June 2017, trade receivables of the Group include amounts totalling HK$41,360,000 (31 December 2016: HK$41,972,000) due from related companies and an amount of HK$Nil (31 December 2016: HK$1,452,000) due from a joint venture, which are unsecured, interest-free and recoverable within one year. Trade receivable due from related companies of HK$41,360,000 (31 December 2016: HK$41,012,000) associated with the disposal group were reclassified as held for sale at 30 June 2017 as set out in note 25.

12 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
ASSET		
At 1 January	**70,236**	–
Issuance of call option during the period/year	**–**	70,075
Change in fair value (note 21)	**(70,236)**	161
At 30 June/31 December	**–**	70,236

The balance represents a call option granted to the Group in respect of the deemed disposal of a 7.41% equity interest in Orange Sky Golden Harvest Cinemas (China) Company Limited ("OSGH (China)"). Details of the deemed disposal transaction are set out in note 21.

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
LIABILITY		
At 1 January	**–**	–
Issuance of put option embedded in the convertible bonds	**9,917**	–
At 30 June/31 December	**9,917**	–

The balance represents a put option granted to the holder of convertible bonds issued by the Group in connection with the modification of terms of the convertible bonds. Details of the modification are set out in note 17.

The changes in fair value of derivative financial instruments are presented in "other net loss" in the consolidated income statement.

13 DEPOSITS AND CASH

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
Deposits at banks	**577,045**	54,559
Cash at bank and on hand	**78,850**	160,822
	655,895	215,381
Less: Pledged deposits for bank loans	**(182,151)**	(63,001)
Pledged deposit for convertible bonds	**(90,000)**	–
Cash and cash equivalents	**383,744**	152,380

14 BANK LOANS

(a) The bank loans were repayable as follows:

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
Within 1 year or on demand	**432,080**	222,634
After 1 year but within 2 years	**–**	68,282
After 2 years but within 5 years	**–**	71,848
After 5 years	**–**	48,170
	–	188,300
	432,080	410,934
Bank loans		
— Secured	**402,080**	380,934
— Unsecured	**30,000**	30,000
	432,080	410,934

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

14 BANK LOANS *(continued)*

(b) At 30 June 2017, the bank loans were secured by:

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

(ii) deposits of subsidiaries of HK$182,151,000 (31 December 2016: HK$63,001,000); and

(iii) equity shares of two subsidiaries which hold equity interests in the Group's joint ventures.

(c) At 30 June 2017, bank loans of HK$432,080,000 (31 December 2016: HK$410,934,000) 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.

As disclosed in note 17 to the interim report, the Group's convertible bonds are subject to covenant clauses, whereby the Group is required to meet certain key financial ratios. The Group breached one of the financial covenants as required in the subscription agreement of the convertible bonds and consequently, triggered the cross-default clause as stipulated in the loan agreements signed with certain banks.

Due to the breach of the cross-default clause as stipulated in the loan agreements, the banks are contractually entitled to request for immediate repayment of the outstanding loans of HK$432,080,000. The outstanding loans are presented as current liabilities as at 30 June 2017.

As of 28 July 2017, the Group has received an amount of approximately RMB3,020,000,000 in connection with the disposal of the Group's film exhibition business in Mainland China. The Group is of the view that early repayment of certain banking facilities with higher cost of funds would benefit the Group as a whole and is in the process of negotiating with the banks for early repayment of the bank loans. The banks had not requested early repayment of the loans as of the date when the interim report was approved by the Board of Directors.

15 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 2017 HK$'000	As at 31 December 2016 HK$'000
Current to 3 months	**44,061**	32,266
Within 4 to 6 months	**1,030**	162
Within 7 to 12 months	**520**	383
Over 1 year	**11,243**	10,683
	56,854	43,494

As at 30 June 2017, the trade payables of the Group include amounts totalling HK$27,370,000 (31 December 2016: HK$35,765,000) due to related companies which are unsecured, interest-free and repayable on demand. Trade payables due to related companies of HK$27,340,000 (31 December 2016: HK$35,734,000) associated with the disposal group were reclassified as held for sale at 30 June 2017 as set out in note 25.

16 OTHER FINANCIAL LIABILITIES

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
At 1 January 2017/2016	**219,389**	–
Additions (notes 21(d) and (e))	**39,091**	217,836
Interest expensed during the period/year (note 5(a))	**11,212**	1,553
Exchange adjustments	**6,487**	–
At 30 June 2017/31 December 2016	**276,179**	219,389
Classified as		
— Current liabilities	**276,179**	–
— Non-current liabilities	**–**	219,389
Total	**276,179**	219,389

The balance represents a put option liability to non-controlling interests in respect of the deemed disposal of a 7.41% equity interest in OSGH (China) if certain conditions are not fulfilled by the Company within a specified timeframe. The carrying amount of the put option liability represents the present value of the amount payable by the Group to acquire the non-controlling interests at the date of which the put option first become exercisable. Pursuant to the sale and purchase agreement entered into by the Company in April 2017 as set out in note 21, the carrying amount of the put option liability increased by HK$39,091,000 for the six months ended 30 June 2017. Details of the deemed disposal transaction are set out in note 21.

The effective interest rate of the put option liability is 11% per annum.

17 CONVERTIBLE BONDS

(a) 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, repayable by instalments semi-annually in arrears and has a maturity date of 1 February 2019.

(b) 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.

(c) 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%.

(d) On 1 February 2016, an option was granted by the Company to Wan Tai to subscribe for another convertible bond for 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. At 31 December 2016, the options expired as agreed between Wan Tai and the Company.

(e) On 30 June 2017, the Company entered into an amendment deed ("Amendment Deed") with Wan Tai. Pursuant to the Amendment Deed, certain terms of the Series 1 CB were amended. The new convertible bonds (the "New Series 1 CB") would yield an internal rate of return of 12.5% and an option was granted to Wan Tai to exercise the redemption option at any time during the period commencing from the date of completion of the disposal transaction as set out in note 25, and ending on the earlier of the date falling two months thereafter and the date falling two years after the issuance date of 1 February 2016.

17 CONVERTIBLE BONDS *(continued)*

(e) *(continued)*

The modification resulted in the recognition of new financial liability and equity components of the New Series 1 CB. The fair value of the option granted to Wan Tai under the Amendment Deed of HK$9,917,000 was recognised as a put option liability as set out in note 12. On 30 June 2017, the carrying values of liability component and equity component of the Series 1 CB immediately before the modification were HK$195,740,000 and HK$40,393,000 respectively. The fair value of the liability and equity components of the New Series 1 CB immediately following the modification were HK$206,255,000 and HK$34,924,000 respectively. A loss of arising from change in fair value of the liability component of HK$10,515,000 was recognised in "other net loss" in the consolidated income statement for the six months ended 30 June 2017. The change in fair value of the equity component of HK$5,469,000 was recognised in equity.

(f) The movement of the liability component and the equity component of the Series 1 CB and the New Series 1 CB for the six months ended 30 June 2017 is set out below:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 1 February 2016 (issuance date)	159,607	40,393	200,000
Interest expensed during the year	29,007	–	29,007
Interest paid during the year	(5,000)	–	(5,000)
At 31 December 2016 and 1 January 2017	183,614	40,393	224,007
Interest expensed during the period	17,126	–	17,126
Derecognition of Series 1 CB	(195,740)	(40,393)	(236,133)
Recognition of New Series 1 CB upon modification	206,255	34,924	241,179
Interest paid during the period	(5,000)	–	(5,000)
	206,255	34,924	241,179

17 CONVERTIBLE BONDS *(continued)*

(f) *(continued)*

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
Classification of the liability component		
— Current liabilities	**206,255**	9,547
— Non-current liabilities	**–**	174,067
Total	**206,255**	183,614

(g) The liability component is measured at amortised cost. The interest expense for the six months ended 30 June 2017 is calculated by applying an effective interest rate of 20.32% per annum to the liability component.

(h) During the six months ended 30 June 2017, there was no conversion of the Series 1 CB or the New Series 1 CB into shares of the Company by the bondholders. The directors estimate the fair value of the liability component of the New Series 1 CB at 30 June 2017 to be approximately HK$206,255,000.

(i) The convertible bonds are subject to covenant clauses, whereby the Group is required to meet certain key financial ratios. At 30 June 2017, the Group did not fulfill the ratio of consolidated total asset value to the value of total equity attributable to equity holders of the Company as required in the subscription agreement of convertible bonds.

17 CONVERTIBLE BONDS *(continued)*

(i) *(continued)*

Due to the breach of the covenant clause, Wan Tai is contractually entitled to request for immediate repayment of the outstanding convertible bonds of HK$206,255,000. The outstanding convertible bonds is presented as current liabilities as at 30 June 2017. Wan Tai had not requested early repayment of the convertible bonds as of the date when the interim report was approved by the Board of Directors. Management is in the process of renegotiating the terms of the subscription agreement with Wan Tai in respect of early redemption of the convertible bonds.

18 SHARE CAPITAL

	Note	As at 30 June 2017 No. of shares	As at 30 June 2017 Amount HK$'000	As at 31 December 2016 No. of shares	As at 31 December 2016 Amount HK$'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		**2,742,519,248**	**274,252**	2,742,519,248	274,252
Shares issued under Share option scheme	(i)	**850,000**	**85**	–	–
At 30 June		**2,743,369,248**	**274,337**	2,742,519,248	274,252

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 2016 annual financial statements.

(ii) Dividend

A special dividend of HK$0.351 per ordinary share amounting to a total of HK$1,002,000,000 was declared after the end of the reporting period, which was based on 2,855,273,677 ordinary shares in issue on the date of declaration. The special dividend declared after the end of the reporting period has not been recognised as liabilities at the end of the reporting period.

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's derivative financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy 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 as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

— Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 30 June 2017	Fair value measurements as at the end of each reporting period categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement				
LIABILITY				
Derivative financial instrument	(9,917)	–	–	(9,917)

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(i) Fair value hierarchy *(continued)*

	Fair value at 31 December 2016	Fair value measurements as at the end of each reporting period categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement				
ASSET				
Derivative financial instrument	70,236	–	–	70,236

During the six months ended 30 June 2017, there were no transfers between Level 1 and Level 2 (2016: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's derivative financial instruments were revalued as at 30 June 2017. The valuations were carried out by an independent professional qualified valuer, Censere (Far East) Limited. The Group's management has discussions with the valuer about the valuation assumptions and valuation results when a valuation is performed at each interim and annual reporting date.

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(ii) Information about Level 3 fair value measurements

	Valuation technique	Significant unobservable input	Range
Derivative financial instrument	Binomial model	Expected volatility	50% (2016: 55% – 72%)

The fair value of the derivative financial instrument was determined using the binomial model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility.

(iii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2017 and 31 December 2016.

20 BUSINESS COMBINATIONS

During the six months ended 30 June 2017, the Group acquired 100% of the issued share capital of Panasia Cinema Advertising Limited ("PCAL") from Orange Sky Entertainment International Holdings Limited, an indirect wholly-owned subsidiary of Orange Sky Entertainment Group (International) Holding Company Limited, which is the substantial shareholder of the Company, for a consideration of HK$71,000,000. PCAL is principally engaged in the provision of screen advertising agency services in Hong Kong. The acquisition was made as part of the Group's strategy to expand its advertising business. The acquisition was a related party transaction and constituted a connected transaction as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

20 BUSINESS COMBINATIONS *(continued)*

The fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date were as follows:

	Six months ended 30 June 2017 HK$'000
Cash and cash equivalents	1,561
Trade and other receivables	6,996
Trade and other payables	(8,381)
Deferred revenue	(5)
Fair value of net identifiable assets acquired	171
Intangible asset — Customer relationship	7,407
Goodwill	63,422
Total consideration	71,000
Less: consideration payable	(14,200)
Consideration paid, satisfied in cash (Note)	56,800
Less: cash and cash equivalents acquired	(1,561)
Net cash outflow	55,239

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

Note: According to the sale and purchase agreement for the acquisition, the consideration of HK$71,000,000 is payable by cash in a number of instalments before 2018. The first and second instalments of HK$14,200,000 and HK$42,600,000 respectively were paid during the six months ended 30 June 2017.

The revenue included in the consolidated income statement since the acquisition date contributed by PCAL was HK$1,314,000. PCAL contributed a profit of HK$315,000 over the same period.

20 BUSINESS COMBINATIONS *(continued)*

The revenue which would have been included in the consolidated income statement for the six months ended 30 June 2017 contributed by PCAL if the acquisition date for the business combination that occurred during the six months ended 30 June 2017 had been as of the beginning of the interim reporting period would have been HK$11,653,000. PCAL would have contributed a profit of HK$3,895,000 over the same period on the same basis.

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.

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

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

20 BUSINESS COMBINATIONS *(continued)*

The acquisition of the subsidiary was accounted for using the purchase method. Goodwill arose 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.

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.

21 PARTIAL DEEMED DISPOSAL OF A SUBSIDIARY

(a) On 15 March 2016, the Group entered into a subscription agreement (the "Subscription Agreement") with three investors, pursuant to which the investors agreed to subscribe for 13.79% of the entire equity interest in OSGH (China) (as enlarged by completion of the Subscription Agreement) for an aggregate consideration of RMB400 million, subject to conditions precedent under the Subscription Agreement.

On 29 November 2016, the conditions precedent under the Subscription Agreement were fulfilled by the Group and one of the three investors, Jiaxing Credit Prosperity Investment Enterprise (Limited Partnership) ("Xin Ye") and Xin Ye subscribed for a 7.41% of the entire equity interest in OSGH (China) for a consideration of RMB200 million (the "Deemed Disposal").

21 PARTIAL DEEMED DISPOSAL OF A SUBSIDIARY *(continued)*

(b) The Subscription Agreement contains terms and conditions which granted the Group and Xin Ye various rights and options. Following the subscription, the Group has an option to call and Xin Ye has an option to put the equity interest in OSGH (China) held by Xin Ye under specified circumstances. Details of the Deemed Disposal are set out in the Company's announcements dated 15 March 2016, 1 April 2016, 5 September 2016 and 29 November 2016.

(c) Pursuant to the terms of the call option, the Group has an option to buy-back the equity interest in OSGH (China) at a consideration of (i) RMB220 million if the Group enter into any written agreement for the disposal of more than 50% of the entire equity interest in OSGH (China) to a third party purchaser within 182 days after the date of the completion of the subscription of equity interest in OSGH (China) by Xin Ye (the "Completion") or (ii) RMB240 million if the Group enters into any written agreement for the disposal of more than 50% equity interest in OSGH (China) to a third party purchaser between 183 and 365 days after the Completion.

As at the Completion, the fair value of the call option of HK$70,075,000 was recognised as a derivative financial instrument in the consolidated statement of financial position (note 12). The fair value of the call option was HK$70,236,000 as at 31 December 2016.

(d) Pursuant to the terms of the put option, Xin Ye has an option to require the Group to purchase its 7.41% equity interest in OSGH (China) if (i) OSGH (China) is unable to satisfy the qualifications for a listing in specified stock exchanges ("Qualified IPO") following the expiry of three full calendar years after the Completion; or (ii) OSGH (China) is unable to achieve a Qualified IPO following the expiry of four full calendar years after the Completion; or (iii) OSGH (China) is unable to achieve a Qualified IPO but has commenced trading on National Equities Exchange and Quotations system in the Mainland China following the expiry of four full calendar years after the Completion.

As at the date of the Completion, a put option liability to non-controlling interests in respect of the Deemed Disposal of HK$217,836,000 was recognised as "other financial liabilities" as set out in note 16.

21 PARTIAL DEEMED DISPOSAL OF A SUBSIDIARY *(continued)*

(e) In April 2017, the Group entered into a sale and purchase agreement with Xin Ye and Nan Hai Corporation Limited ("Nan Hai"), the ultimate parent company of the purchaser of the entire equity interest in City Entertainment Corporation Limited ("CECL") as set out in note 25. Pursuant to the sale and purchase agreement, Xin Ye agreed to sell the 7.41% equity interest in OSGH (China) directly to Nan Hai at a consideration of (i) RMB240 million if the transfer is completed before 15 September 2017 or (ii) RMB240 million and an amount of interest equivalent to rate of return of 20% per annum based on an amount of RMB200 million charged on a daily basis from 16 September 2017 to the completion of the transfer if the transfer is completed after 15 September 2017. The Group undertakes to acquire the 7.41% equity interest of OSGH (China) from Xin Ye if Nan Hai fails to complete the share transfer at a consideration that would have been paid by Nan Hai to Xin Ye as set out above.

Upon the signing of the sale and purchase agreement with Xin Ye and Nan Hai in April 2017, the fair value of put option liability was revalued at HK$276,179,000 as a result of the increase in the total consideration payable by the Group for the purchase of its 7.41% equity interest in OSGH (China) from Xin Ye. Accordingly, an addition of HK$39,091,000 was recognised as "other financial liabilities" as set out in note 16. During the six months ended 30 June 2017, interest expenses of HK$11,212,000 in relation to the amortisation of the put option liability was recognised in "finance costs" in the consolidated income statement (note 5(a)).

(f) As a result of the developments set out in note 21(e), management estimated the probability of exercising the call option by the Group was remote. A fair value loss of HK$70,236,000 was recognised in "other net loss" in the consolidated income statement for the six months ended 30 June 2017 (note 5(b)).

22 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:

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
Contracted but not provided for:		
— Singapore	**5,962**	2,475
— Taiwan	**1,890**	1,287
	7,852	3,762

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:

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
Capital commitments in respect of the acquisition of property, plant and equipment:		
Contracted for:		
— Hong Kong	**656**	–
— Mainland China	**25,406**	19,092
	26,062	19,092
Authorised but not contracted for:		
— Hong Kong	**60,711**	–
— Mainland China	**348,311**	393,240
	409,022	393,240
	435,084	412,332

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

The capital commitments in respect of the acquisition of property, plant and equipment in Mainland China relate to the disposal group held for sale as set out in note 25.

23 CONTINGENT LIABILITIES

At 30 June 2017, the Company has issued guarantees to banks in respect of banking facilities granted to certain subsidiaries amounting to HK$807,166,000 (31 December 2016: HK$651,154,000). At 30 June 2017, banking facilities of HK$607,166,000 (31 December 2016: HK$621,153,738) had been utilised by the subsidiaries.

At 30 June 2017, 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.

24 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June 2017 HK$'000	Six months ended 30 June 2016 HK$'000
Short-term employee benefits	**44,936**	5,318
Post-employment benefits	**72**	65
	45,008	5,383

24 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 2017 HK$'000**	Six months ended 30 June 2016 HK$'000
Office rental paid	(i)	**1,401**	1,620
Cinema screen advertising services income	(ii)	**760**	15,781
Cinema circuit management service fee income	(iii)	**4,511**	5,584

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 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 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.

25 DISPOSAL GROUP HELD FOR SALE

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 CECL at a consideration of RMB3.286 billion (the "Disposal"). OSGH (China), the entity operating the Group's film exhibition business in Mainland China, is owned as to 92.59% by CECL and 7.41% by Xin Ye following the Deemed Disposal as set out in note 21 to this interim financial report. As at 30 June 2017, an amount of RMB400,000,000 (equivalent to HK$456,530,000) was received by the Group in connection to the Disposal and such amount was included under "other payables and accrued charges".

Pursuant to the Sale and Purchase Agreement, CECL underwent a reorganisation by including only entities that are relevant to the Group's film exhibition business in Mainland China prior to the completion of the Disposal (the "Reorganisation"). The assets and liabilities of CECL, after taking into account the impact of the Reorganisation, comprise the disposal group held for sale. The Disposal was completed on 28 July 2017 as set out in note 26 to this interim financial report.

Management assessed that the criteria for the classification of the disposal group held for sale were fulfilled as at 31 December 2016 and 30 June 2017 based on the facts and circumstances specific to the Disposal. The assets and liabilities of the disposal group held for sale are presented separately in the consolidated statement of financial position as at 31 December 2016 and 30 June 2017.

26 EVENTS AFTER REPORTING PERIOD

(a) The Disposal as set out in note 25 was completed on 28 July 2017 and the disposal group ceased to be subsidiaries of the Group with effect from 28 July 2017. The gain on disposal cannot be reliably estimated by the directors of the Company at the date of approval of this interim financial report as the net asset value of the disposal group as at 28 July 2017 and the purchase consideration are subject to finalisation.

    Details of the transaction are also set out in the Group's announcements dated 9 February 2017, 7 March 2017, 19 April 2017, 21 June 2017, 27 June 2017, 20 July 2017, 28 July 2017 and 10 August 2017 and the Group's circular to shareholders dated 13 March 2017.

(b) After the end of the reporting period the directors proposed a special dividend. Further details are disclosed in note 18.

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 2017. 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 2017, 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)	62.84%
	Beneficial owner	1,2	117,775,000 (L)	109,734,429 (L)	227,509,429 (L)	8.29%
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	370,000 (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. 2,743,369,248) as at 30 June 2017.

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 2017 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 2017, 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.

Details of the movements of the share options during the six months ended 30 June 2017 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 31 December 2016	Exercised during the six months ended 30 June 2017	Lapsed during the six months ended 31 June 2017	Closing price per Share immediately before the date of grant of share option (note)	Number of share options outstanding as at 30 June 2017
Director								
Wu Kebo	3 April 2017	HK$0.828	3 April 2017 to 2 April 2019	–	Nil	Nil	HK$0.828	2,743,029
	13 April 2017	HK$0.840	13 April 2017 to 12 April 2019	–	Nil	Nil	HK$0.840	106,991,400
Mao Yimin	14 July 2015	HK$0.59	14 July 2015 to 13 July 2017	27,400,000	Nil	Nil	HK$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	HK$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	HK$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	HK$0.578	27,400,000
Leung Man Kit	14 July 2015	HK$0.59	14 July 2015 to 13 July 2017	170,000	(170,000)	Nil	HK$0.578	Nil
Wong Sze Wing	14 July 2015	HK$0.59	14 July 2015 to 13 July 2017	170,000	Nil	Nil	HK$0.578	170,000
Other participants								
In aggregate	14 July 2015	HK$0.59	14 July 2015 to 13 July 2017	55,480,000	(680,000)	(27,400,000)	HK$0.578	27,400,000
Total				139,820,000	(850,000)	(27,400,000)	–	221,304,429

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 221,304,429 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 221,304,429 additional ordinary shares of the Company, representing approximately 8.07% 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 2017, 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)	62.84%
	Beneficial owner	1,2	117,775,000 (L)	109,734,429 (L)	227,509,429 (L)	8.29%
Skyera International Limited ("Skyera")	Beneficial owner	3	439,791,463 (L)	–	439,791,463 (L)	16.03%
Mainway Enterprises Limited ("Mainway")	Beneficial owner	4	408,715,990 (L)	–	408,715,990 (L)	14.90%
Noble Biz International Limited ("Noble Biz")	Beneficial owner	5	129,666,667 (L)	–	129,666,667 (L)	4.73%
Orange Sky Entertainment Group (International) Holding Company Limited ("OSEG")	Beneficial owner	6	565,719,948 (L)	–	565,719,948 (L)	20.62%
Cyber International Limited ("Cyber")	Beneficial owner	7	180,000,000 (L)	–	180,000,000 (L)	6.56%
China Construction Bank Corporation	Interest of controlled corporations	8	–	200,000,000 (L)	200,000,000 (L)	7.29%
Central Huijin Investment Ltd.	Interest of controlled corporations	8	–	200,000,000 (L)	200,000,000 (L)	7.29%
Wan Tai Investments Limited ("Wan Tai")	Beneficial owner	8	–	200,000,000 (L)	200,000,000 (L)	7.29%

* These percentages have been compiled based on the total number of Shares in issue (i.e. 2,743,369,248 ordinary Shares) as at 30 June 2017.

Notes:

1. By virtue of the SFO, as at 30 June 2017, 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 (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 2017 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.

3. Skyera is a company wholly owned by Mr. Wu, who is also a director of Skyera.

4. Mainway is a company wholly owned by Mr. Wu, who is also a director of Mainway.

5. Noble Biz is a company wholly owned by Mr. Wu, who is also a director of Noble Biz.

6. 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.

7. Cyber is a company owned by an associate of Mr. Wu.

8. These underlying Shares represented the number of shares to be issued if Wan Tai, being the bondholder of the convertible bond ("Convertible Bond") in the principal amount of HK$200,000,000 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 2017, 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 2017.

Special and Interim Dividends

Special dividend in relation to the disposal of film exhibition business in Mainland China amounting to approximately HK$1,002 million was declared subsequent to the reporting period on 10 August 2017 and will be paid on 11 September 2017.

Apart from the above, the Directors do not recommend the payment of any interim dividend for the period ended 30 June 2017 (30 June 2016: 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 2017, 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 26 June 2017 (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 2017.

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, 29 August 2017

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