

Orange Sky  
ENTERTAINMENT GROUP



嘉禾



Golden Harvest

## Orange Sky Golden Harvest Entertainment (Holdings) Limited

橙天嘉禾娛樂(集團)有限公司

(Incorporated in Bermuda with limited liability)

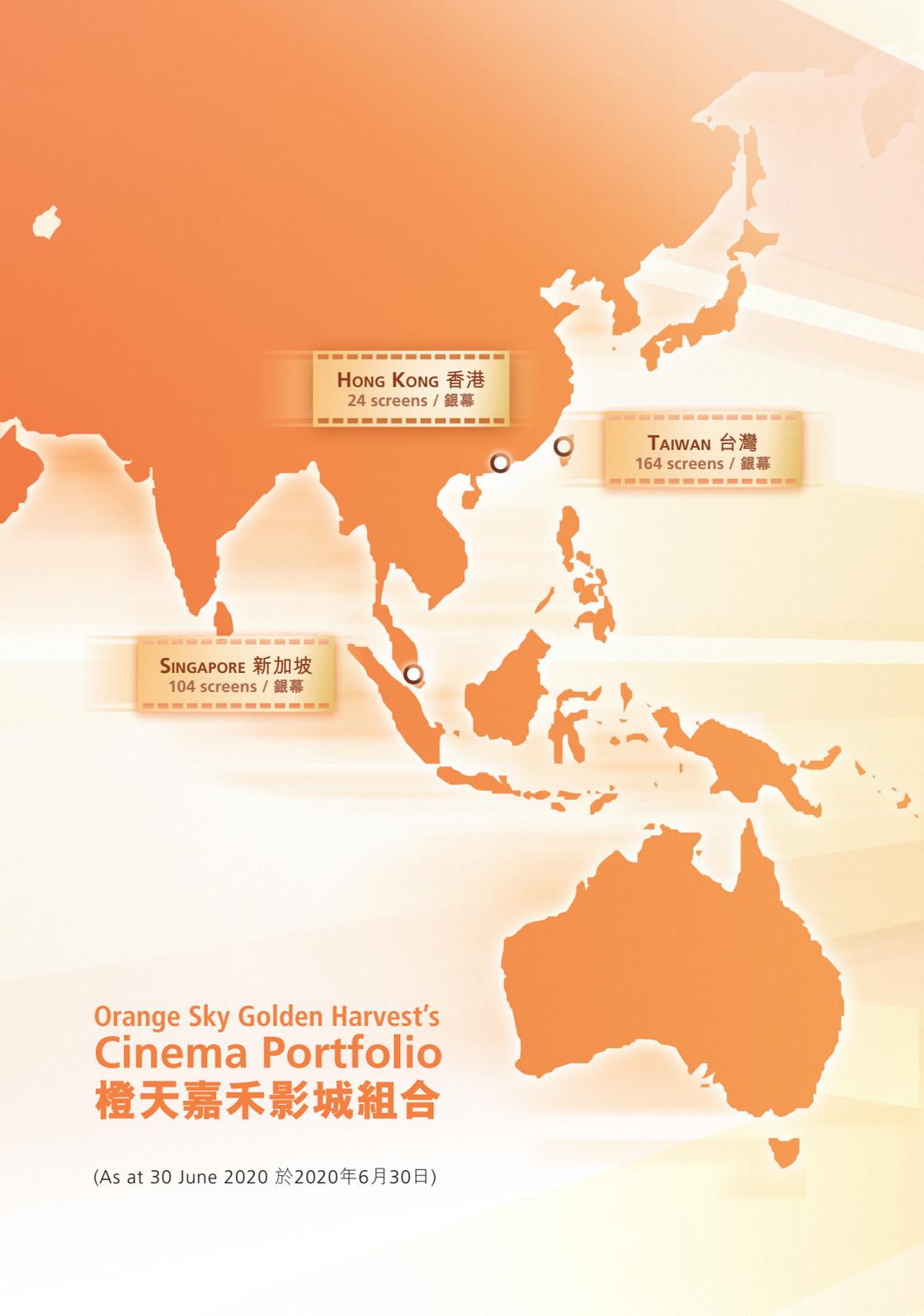
(於百慕達註冊成立之有限公司)

(Stock Code 股份代號: 1132)



# 2020 Interim Report

中期報告



HONG KONG 香港  
24 screens / 銀幕

TAIWAN 台灣  
164 screens / 銀幕

SINGAPORE 新加坡  
104 screens / 銀幕

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

(As at 30 June 2020 於2020年6月30日)

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# Corporate Information

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

## EXECUTIVE DIRECTORS

WU Kebo (*Chairman*)  
LI Pei Sen  
CHOW Sau Fong, Fiona  
GO Misaki  
PENG Bolun

## INDEPENDENT NON-EXECUTIVE DIRECTORS

LEUNG Man Kit  
WONG Sze Wing  
FUNG Chi Man, Henry

## CHIEF EXECUTIVE OFFICER

YEUNG Ho Nam

## COMPANY SECRETARY

CHEUNG Hei Ming

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS

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

## PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong)  
Limited  
DBS Bank Ltd.  
United Overseas Bank Limited  
Hang Seng Bank Limited  
CTBC Bank Co., Ltd.

## AUDITORS

KPMG  
Public Interest Entity Auditor  
registered in accordance with the  
Financial Reporting Council Ordinance  
8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## WEBSITE

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

## STOCK CODE

1132

# Management Discussion and Analysis

## BUSINESS REVIEW

Founded in 1970, Orange Sky Golden Harvest Group has been a world-class Chinese language film and entertainment company primarily engaged in film exhibition, film and TV programme production, and film distribution businesses.

Since its inception, the Group has produced and financed over 600 movies and is currently the only cinema chain that operates in virtually all of the Chinese speaking regions across Hong Kong, Singapore and Taiwan. To date, the Group owns a movie library of over 140 movies. The Group has played a vital role in the development of Chinese language film industry.

During the first half of 2020, the novel COVID-19 outbreak has posted unprecedented challenges to worldwide economy. The Group's main operating regions Hong Kong, Singapore, and Taiwan have seen GDP contracted respectively during the period, with retail and entertainment spending affected severely by social distancing measures coupled with austere labor market conditions. In particular, the global lockdown has hit the film and entertainment industry with cinemas in most geographies closed for extensive periods. For those regions whereby cinemas remained open, admissions were also affected by delay in blockbusters movies.

In view of such daunting economic challenges, the Group's focus during the period has been on further improvement in cost structures in order to preserve the Group's long-term competitiveness across all regions. The Group has placed particular emphasis on maintenance of liquidity during the period and obtained a HK\$1,548.0 million 3-year committed loan facility at the peak of the pandemic, allowing sufficient buffer to weather the difficult times, as well as additional resources to position for future business developments. During the period, the Group has continued its efforts to expand into PRC live entertainment to capitalise our branding equity and goodwill, and to re-vitalise our intellectual property rights in classic Chinese language movies. We firmly believe our market leading position in film exhibitions supported by strong liquidity will position the Group for rapid recovery as COVID-19 alleviates.

## Film Exhibition

During the period, the Group has closed a cinema with 8 screens in Singapore due to early termination of the lease by the landlord for renovation of the shopping mall. The Group will continue to operate that cinema post mall reopening. As at 30 June 2020, the Group maintained its network of 36 cinemas and 292 screens across Hong Kong, Singapore, and Taiwan. The Group's film exhibition business remained as the undisputed market leader in Singapore and Taiwan with 47% and 40% respective share in local box office during the period.

Despite the Group's continued effort, the Group's operations have been severely affected by lockdown measures implemented by the Hong Kong and Singapore governments, whereby cinemas have been ordered to close for around 6 weeks and around 16 weeks respectively in the two geographies. While the Group's Taiwan exhibition business remained opened during the period, its business results have been affected by the delay in blockbusters movies release and reduced social interactions amidst the worldwide pandemics. As such, the Group's total admissions reduced by 70% from 12.5 million in the same period last year to 3.8 million during the period.

## Operating Statistics of the Group's Cinemas

(For the six months ended 30 June 2020)

	Hong Kong	Singapore	Taiwan
Number of cinemas*	7	13	16
Number of screens*	24	104	164
Admissions (million)	0.3	1.0	2.5
Net average ticket price (HK\$)	72	60	65

\* at 30 June 2020

## Hong Kong

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

(For the six months ended 30 June 2020)

	2020	2019
Number of cinemas*	<b>7</b>	7
Number of screens*	<b>24</b>	24
Admissions (million)	<b>0.3</b>	1.1
Net average ticket price (HK\$)	<b>72</b>	87
Box office receipts (HK\$ million)	<b>19</b>	96

\* at 30 June 2020

All Hong Kong cinemas have been put under mandatory closure from 28 March 2020 to 7 May 2020 for a total of around 6 weeks. Subsequent social distancing measures such as separation of cinema patrons, restrictions in food and beverages inside the exhibition halls, together with delay in blockbuster movies have together resulted in 80% drop in total Hong Kong box office from HK\$96.4 million in first half of 2019 to HK\$19.0 million in the reporting period.

The Group's Hong Kong operations branded under Golden Harvest Cinemas continued to operate 7 cinemas and 24 screens in the city during the period. The operation recorded total gross box office receipt of HK\$19.0 million during the reporting period, representing 6% share of the Hong Kong total box office, remained similar to the same period last year (30 June 2019: HK\$96.4 million). Net average ticket price of the Group amounted to HK\$72.0 during the period, compared with HK\$87.1 over the same period last year. The decrease of 17% given the lower ticket price was to incentivise patrons return to cinema after cinemas re-opening.

The Group's screen advertising business maintained with contracts covering 28 cinemas and 131 screens during the reporting period. However, screen advertising was affected given the sluggish economic condition amidst COVID-19 resulted in vast reduction in advertising budget for corporates.

To mitigate the lack of blockbusters movies, the Group has arranged special screening of classic Hong Kong and western movies such as *Perish In the Name of Love* (帝女花), *2001: A Space Odyssey* (2001太空漫遊) and *The Shawshank Redemption* (月黑高飛) to attract movie fans back to cinemas. These special screenings were deemed as success with average fill rate of 35%.

Hong Kong has been the home market for the Group and Hong Kong exhibition business has been the core of home business. The Group will continue to strive to bring the best movie and entertainment experiences despite the difficult operating environment in the city.

## Singapore

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

(For the six months ended 30 June 2020)

	2020	2019
Number of cinemas*	13	14
Number of screens*	104	112
Admissions (million)	1.0	4.1
Net average ticket price (S\$)	10.7	10.8
Net box office receipts (S\$ million)	11	44

\* at 30 June 2020

Singapore has been the main revenue contributor to the Group, attributing to 53% and 49% of the Group's total revenue across 4 regions in first half 2019 and 2020 respectively. The Group's Singapore operations under the Golden Village Cinemas ("Golden Village") brand remained as the market leader locally operating a network of 13 cinemas and 104 screens, attributing to 38% of total installed screens in the country.

During the period, Golden Village reported net box office receipts of S\$10.8 million (30 June 2019: S\$43.6 million), representing a decrease in net box office receipts of 75% compared to same period last year. Such reduction was primarily due to the Singapore Government 'Circuit Breaker' initiative, whereby most Singapore retail businesses including cinemas were shut down. The Singapore cinemas have been temporarily closed from 27 March 2020 to 12 July 2020, which forbid the Group from generating any income.

To partially mitigate the effect from cinemas closures, Golden Village has strived to open up new initiatives such as special movie screening, sales of movie vouchers, and partnership with landlords, e-commerce websites, to maximise our sales as much as possible. In the meantime, Golden Village continued to source quality independent movies for distributions in Singapore to position the chain for exclusive screenings post cinemas re-opening.

Golden Village have been a household name in Singapore with a considerable larger scale of operations compared with local competitors. The Group believes that the significant cost advantage arising from Golden Village's economies of scale, coupled with strong local film distribution capability has placed Golden Village as the long-term winner in Singapore.

## Taiwan

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

(For the six months ended 30 June 2020)

	2020	2019
Number of cinemas*	16	15
Number of screens*	164	156
Admissions (million)	2.5	7.3
Net average ticket price (NTD)	249	244
Net box office receipts (NTD billion)	0.6	1.8

\* at 30 June 2020

During the period, Taiwan's net box office receipts amounted to NTD0.6 billion, registering a decrease of 65% from NTD1.8 billion in the same period last year. Of particular note, given Taiwan's effective response to COVID-19, Taiwan has successfully avoided the need for a large scale lockdown similar to most of other geographies, and cinemas in Taiwan have remained open during the reporting period. The reduction in box office is primarily due to the delay in blockbuster movies release which awaits re-opening of cinemas in other geographies, coupled with weak consumer sentiment during chronic health concern amidst global COVID-19 pandemic. Thanks to the positional Vie Show cinema circuit ("Vie Show") as the largest film exhibitor, Vie Show managed to secure 14 exclusive film releases such as *DIGIMON ADVENTURE Last Evolution KIZUNA* (數碼寶貝LAST EVOLUTION絆) during the reporting period. Vie Show's restaurant operations and theme park operations have continued to perform during the period, and together partially mitigated the impact from lack of blockbuster movies.

The Group's 35.71% owned Vie Show continued to be the largest cinema chain in Taiwan operating a total of 16 cinemas, comprising of 164 screens as of 30 June 2020, with a market share of 40%. Adhering to the Group's comprehensive entertainment hub strategy, Vie Show operated a chain of "UNICORN" brand handmade popcorn stores across all its cinemas locations and a Japanese fried chicken chain "TORIKAI" across 3 locations in Taiwan. Vie Show has also ventured into the family focused artificial snow theme park "SNOWTOWN" in Taichung Mitsui Outlet Park. SNOWTOWN is an indoor theme park that allows visitors to enjoy snow at a "feels like" temperature of 20°C. In addition, Vie Show has operated a mall in Xinyi District where its flagship Xinyi Vie Show cinema is located.

Compared with the Group's Hong Kong and Singapore operations which saw mandatory cinemas closures, Vie Show was relatively less affected by COVID-19 during the reporting period. The Group is confident that once blockbuster movies are released, Vie Show's performance will quickly return to normal. The Group remained committed in Vie Show and will continue to develop Vie Show into a leading comprehensive entertainment operator in Taiwan.

### Film & TV Programme Distribution and Production

The Group's film library carried perpetual distribution rights for over 140 self-owned titles, which contributed steady licensing income to the Group. One of the Group's key initiatives is to work with external studios for redevelopment of the Group's existing classical Chinese movies intellectual property into online movies.

Riding on the Group's leading position and long tradition in film distribution and production, the Group is one of the largest independent film distributors in Hong Kong, Singapore, and Taiwan. On an aggregated basis the Group's film distribution and production business recorded revenue of HK\$16.2 million (30 June 2019: HK\$35.3 million), representing a decrease of 54% compared to same period last year which mainly attributable to quarantine measures imposed in multiple areas of operations of the Group which including temporary closure of cinemas to cope with the COVID-19 pandemic at the beginning of 2020s. The distribution revenue was mainly generated by distributing releases such as *A Good Doctor* (醫生速遞) and *Good Newwz* (BB駕到) in Hong Kong. The famous releases outside Hong Kong were *DIGIMON ADVENTURE Last Evolution KIZUNA* (數碼寶貝LAST EVOLUTION絆) and *Enter the Fat Dragon* (肥龍過江) in Taiwan and *Parasite* (上流寄生族) in Singapore.

For the production sector, the Group continued to remain prudent in investment decisions but remained active in seeking opportunities to work with local and overseas studios to produce movies and TV programmes of high quality.

## FINANCIAL REVIEW

### Profit and Loss

During the period, the Group's performance was severely affected by cinemas closures and the lack of blockbuster movies amidst global COVID-19 pandemics, resulting in 74% reduction in revenue to HK\$138.8 million (30 June 2019: HK\$534.3 Million). As the Group has increased proportion of royalty income and decreased proportion of film rental cost, gross profit margin improved to 65% from 63% in similar period last year despite the reduction in sales from higher margin concessionaries. Gross profit for the period amounted to HK\$90.5 million, compared with HK\$334.6 million during similar period last year, representing a drop of 73%.

The Group has focused on cost savings during the reporting period to preserve its long-term competitiveness. Via reduction in marketing expenses, utilities expenses, part-time labour costs, and other non-essential services, the Group has managed to reduce its expenses by HK\$77.5 million during the period, representing 26% reduction from same period last year.

Other revenue of HK\$54.0 million represents primarily subsidies and rental support from governments and landlords. Interest income during the period reduced to HK\$5.8 million from HK\$10.9 million in the same period last year in light of the low interest environment amidst quantitative easing measures imposed by various governments.

The Group's finance costs consisted mainly of interest expense on bank loans and interest on lease liabilities. Interest expense on bank loans amounted to HK\$17.7 million, compared with HK\$21.8 million in similar periods last year, the reduction is primarily due to low interest environment.

The Group's joint venture in Taiwan recorded a net loss during the period, in which the Group's share of loss of the joint venture amounted to HK\$33.5 million (30 June 2019: share of profit of HK\$13.1 million).

Depreciation expense for the period amounted to HK\$97.8 million (30 June 2019: HK\$101.2 million). Loss attributable to equity holders was HK\$155.4 million, compared with a profit of HK\$4.6 million in the corresponding period last year.

## **FINANCIAL RESOURCES AND LIQUIDITY**

Despite the serious economic challenges, the Group's financial position remained healthy with net assets of HK\$1,949.0 million as of 30 June 2020.

As of 30 June 2020, the Group has total cash and cash equivalents amounting HK\$1,163.6 million (31 December 2019: HK\$1,068.3 million). Pledged bank balances were reduced to HK\$50.0 million, compared with HK\$137.0 million as of 31 December 2019.

The Group's total outstanding bank borrowings amounted to HK\$1,251.0 million (31 December 2019: HK\$1,057.1 million), translating into a modest net borrowings (defined as total outstanding bank borrowings less cash and bank balances) of HK\$37.4 million. The Group's bank borrowings comprised primarily of a 3-year committed loan facility secured by pledged cash, corporate guarantees, equity shares and properties.

The Group's gearing ratio, calculated on the basis of bank borrowings over total assets stood at a healthy level of 28.3% (31 December 2019: 22.4%) and our cash to bank borrowings ratio at 97.0% (31 December 2019: 114.0%). The Group at this moment has reasonable financial leverage. Management viewed the Group's financial position to be in a healthy position providing sufficient liquidity to withstand any challenge posted by COVID-19, while also able to support ongoing cinema projects, as well as potential acquisitions of other regional entertainment companies. The Group believes that its current cash holding and available financial facilities will provide sufficient resources for its working capital requirements.

The Group's assets and liabilities are principally denominated in United States dollars, Hong Kong dollars, Renminbi and Singapore dollars, except for certain assets and liabilities associated with the investments in Taiwan. The Group's bank borrowings are denominated in Hong Kong dollars and Singapore dollars in line with the Group's main operating currencies. Each of the Group's overseas operations were operating in their local currencies and are subject to minimal exchange risk. The directors will continue to assess the exchange risk exposure, and will consider possible hedging measures in order to minimise the risk at reasonable cost. The Group did not have any significant contingent liabilities or off-balance sheet obligations as of 30 June 2020 (31 December 2019: Nil).

## OUTLOOK

COVID-19 has posted unprecedented challenges to worldwide economy, and the film and cinema industry has become one of the worst hit segments. Nevertheless, the Group will continue to improve its cost structures so as to strengthen our core competency in each of the operations.

In the PRC, the Group has signed cooperation agreements with local PRC governments in Suzhou and Xian to operate 4 stages and bring in unique live performances that marries advanced stage technology from Europe, local Chinese stories, created by renowned talents from all over the world, dedicated to providing a stunning theatrical experience to local audience. The Group will be responsible for the content creation and operation of the theatres and not be responsible for the capital expenditures in relation to the building of the theatre infrastructure. The unique business model allows the Group to venture into the traditionally asset heavy theatre operations with relatively modest investment.

In Hong Kong, the Group continues to explore opportunities to further expand our cinema network. Riding on the success of alternative contents in previous years, particularly live broadcasting of Japanese and Korean mini-concerts, the Group is exploring possibility to expand into live entertainment businesses locally. At the same time, the Group is dedicated to look for investment opportunities in quality film and/or distribution projects in the territory.

In Singapore, the Group will continue to grow by actively pursuing suitable cinema sites. Currently, Katong site is under re-development and will bring in the best cinematic experience to patrons upon reopening on second half of 2021. The Group is dedicated to maintain high quality services in regular and gold class auditoriums and to introduce creative product offerings such as toys merchandise to its customers.

In Taiwan, Vie Show will continue to expand its cinema network with a stable pipeline of potential sites to be opened in the coming years. Vie Show looks to continue diversify from the core cinema business and looks to further expand into theme parks and food and beverage business.

Looking ahead, the Group will continue to actively seek investment opportunities in the regional media, entertainment, technology and lifestyle sectors that are related and/or creating synergies to the Group's existing businesses. The Group's strong liquidity on hand also allowed us to explore opportunistic acquisitions of fellow regional players, and development of new business in entertainment, technology and lifestyle industries that would create synergies to the Group and add values to the Shareholders.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2020, the Group employed 407 (31 December 2019: 484) 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 2020, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

# Review Report to the Board of Directors



## 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 14 to 43 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 2020 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

### SCOPE OF REVIEW

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

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 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

28 August 2020

# Consolidated Income Statement

for the six months ended 30 June 2020 — Unaudited

	Note	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>138,765</b>	534,315
Cost of sales		<b>(48,296)</b>	(199,690)
<b>Gross profit</b>		<b>90,469</b>	334,625
Other revenue		<b>53,994</b>	19,003
Other net loss		<b>(2,827)</b>	(3,724)
Selling and distribution costs		<b>(182,481)</b>	(238,107)
General and administrative expenses		<b>(40,754)</b>	(62,653)
Other operating expenses		<b>(6,873)</b>	(741)
<b>(Loss)/profit from operations</b>		<b>(88,472)</b>	48,403
Finance costs	4(a)	<b>(38,086)</b>	(41,931)
Share of (loss)/profit of a joint venture		<b>(33,462)</b>	13,099
<b>(Loss)/profit before taxation</b>	4	<b>(160,020)</b>	19,571
Income tax credit/(charge)	5	<b>4,599</b>	(15,012)
<b>(Loss)/profit for the period</b>		<b>(155,421)</b>	4,559
<b>Attributable to:</b>			
Equity holders of the Company		<b>(155,421)</b>	4,581
Non-controlling interests		–	(22)
		<b>(155,421)</b>	4,559
<b>(Loss)/earnings per share (HK cent)</b>	6		
Basic and diluted		<b>(5.55)</b>	0.16

The notes on pages 23 to 43 form part of this interim financial report.

# Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2020 — Unaudited

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
<b>(Loss)/profit for the period</b>	<b>(155,421)</b>	4,559
<b>Other comprehensive income for the period</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
— subsidiaries outside Hong Kong	<b>(56,858)</b>	10,463
— a joint venture outside Hong Kong	<b>5,330</b>	(5,283)
	<b>(51,528)</b>	5,180
<b>Total comprehensive income for the period</b>	<b>(206,949)</b>	9,739
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b>(206,958)</b>	9,761
Non-controlling interests	<b>9</b>	(22)
<b>Total comprehensive income for the period</b>	<b>(206,949)</b>	9,739

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

The notes on pages 23 to 43 form part of this interim financial report.

# Consolidated Statement of Financial Position

as at 30 June 2020 — Unaudited

	Note	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment property	7	41,000	41,000
Other property, plant and equipment	7	342,472	363,529
Right-of-use assets	7	1,369,584	1,481,273
		<b>1,753,056</b>	1,885,802
Interest in a joint venture	8	105,110	133,243
Other receivables, deposits and prepayments		46,180	46,704
Intangible assets	10	507,937	525,397
Goodwill		639,699	661,582
Pledged bank deposits	12	–	137,000
Deferred tax assets		5,878	4,824
		<b>3,057,860</b>	3,394,552
<b>Current assets</b>			
Inventories		3,006	3,966
Film rights	9	40,639	38,622
Trade receivables	11	8,734	65,399
Other receivables, deposits and prepayments		94,261	151,356
Pledged bank deposit	12	50,000	–
Deposits and cash	12	1,163,630	1,068,260
		<b>1,360,270</b>	1,327,603

# Consolidated Statement of Financial Position *(continued)*

as at 30 June 2020 — Unaudited

	Note	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
<b>Current liabilities</b>			
Bank loans	13	1,251,020	251,158
Trade payables	14	21,704	106,120
Other payables and accrued charges		116,864	225,627
Deferred revenue		50,837	66,552
Lease liabilities		113,422	112,226
Taxation payable		31,336	31,204
		<b>1,585,183</b>	792,887
<b>Net current (liabilities)/assets</b>			
		<b>(224,913)</b>	534,716
<b>Total assets less current liabilities</b>			
		<b>2,832,947</b>	3,929,268
<b>Non-current liabilities</b>			
Bank loans	13	—	805,907
Lease liabilities		718,322	790,497
Deferred tax liabilities		165,641	176,931
		<b>883,963</b>	1,773,335
<b>NET ASSETS</b>			
		<b>1,948,984</b>	2,155,933

## Consolidated Statement of Financial Position *(continued)*

as at 30 June 2020 — Unaudited

	Note	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
<b>CAPITAL AND RESERVES</b>			
Share capital	15	279,967	279,967
Reserves		1,669,567	1,876,525
<b>Total equity attributable to equity holders of the Company</b>		<b>1,949,534</b>	2,156,492
<b>Non-controlling interests</b>		<b>(550)</b>	(559)
<b>TOTAL EQUITY</b>		<b>1,948,984</b>	2,155,933

The notes on pages 23 to 43 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

for the six months ended 30 June 2020 — Unaudited

	Attributable to equity shareholders of the Company							Total equity HK\$'000	
	Share capital HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Reserve funds HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000		Non-controlling interests HK\$'000
Balance at 1 January 2020	279,967	771,749	15,886	80,000	3,134	5,098	1,000,658	(559)	2,155,933
Changes in equity for the six months ended 30 June 2020:									
Loss for the period	-	-	-	-	-	-	(155,421)	-	(155,421)
Other comprehensive income	-	-	-	-	-	(51,537)	-	9	(51,528)
Total comprehensive income	-	-	-	-	-	(51,537)	(155,421)	9	(206,949)
Balance at 30 June 2020	279,967	771,749	15,886	80,000	3,134	(46,439)	845,237	(550)	1,948,984

# Consolidated Statement of Changes in Equity (continued)

for the six months ended 30 June 2020 — Unaudited

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Share redemption reserve	Contributed surplus	Reserve funds	Exchange reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2019</b>	279,967	771,749	15,886	80,000	3,134	(4,826)	1,035,750	2,181,660	(545)	2,181,115
<b>Changes in equity for the six months ended 30 June 2019:</b>										
Profit for the period	-	-	-	-	-	-	4,581	4,581	(22)	4,559
Other comprehensive income	-	-	-	-	-	5,180	-	5,180	-	5,180
Total comprehensive income	-	-	-	-	-	5,180	4,581	9,761	(22)	9,739
<b>Balance at 30 June 2019 and 1 July 2019</b>	279,967	771,749	15,886	80,000	3,134	354	1,040,331	2,191,421	(567)	2,190,854
<b>Changes in equity for the six months ended 31 December 2019:</b>										
Loss for the period	-	-	-	-	-	-	(39,673)	(39,673)	(2)	(39,675)
Other comprehensive income	-	-	-	-	-	4,744	-	4,744	10	4,754
Total comprehensive income	-	-	-	-	-	4,744	(39,673)	(34,929)	8	(34,921)
<b>Balance at 31 December 2019</b>	279,967	771,749	15,886	80,000	3,134	5,098	1,000,658	2,156,492	(559)	2,155,933

The notes on pages 23 to 43 form part of this interim financial report.

# Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2020 — Unaudited

	Six months ended 30 June 2020 HK\$'000	Six months ended 30 June 2019 HK\$'000
<b>Operating activities</b>		
Finance costs paid	(40,784)	(21,960)
Other cash flows arising from operating activities	(99,195)	35,414
<b>Net cash (used in)/generated from operating activities</b>	<b>(139,979)</b>	13,454
<b>Investing activities</b>		
Payment for the purchase of property, plant and equipment	(17,364)	(35,557)
Dividends received	–	31,964
Other cash flows arising from investing activities	9,529	(9,003)
Decrease in pledged bank deposits	87,000	–
<b>Net cash generated from/(used in) investing activities</b>	<b>79,165</b>	(12,596)
<b>Financing activities</b>		
Draw down of bank loans	1,243,200	–
Repayment of bank loans	(1,032,293)	(125,609)
Capital element of lease rentals paid	(27,586)	(41,946)
Interest element of lease rentals paid	(16,810)	(17,262)
<b>Net cash generated from/(used in) financing activities</b>	<b>166,511</b>	(184,817)

# Condensed Consolidated Statement of Cash Flows

(continued)

for the six months ended 30 June 2020 — Unaudited

	<b>Six months ended 30 June 2020 HK\$'000</b>	Six months ended 30 June 2019 HK\$'000
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>105,697</b>	(183,959)
<b>Cash and cash equivalents at 1 January</b>	<b>1,068,260</b>	1,290,095
<b>Effect of foreign exchange rates changes</b>	<b>(10,327)</b>	1,259
<b>Cash and cash equivalents at 30 June</b>	<b>1,163,630</b>	1,107,395
<b>Analysis of balances of cash and cash equivalents</b>		
Non-pledged short term bank deposits	<b>475,908</b>	561,844
Non-pledged cash and bank balances	<b>687,722</b>	545,551
<b>Cash and cash equivalents at 30 June</b>	<b>1,163,630</b>	1,107,395

The notes on pages 23 to 43 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 28 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements as set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Orange Sky Golden Harvest Entertainment (Holdings) Limited and its subsidiaries (together the “Group”) since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on pages 12 to 13.

As at 30 June 2020, the Group breached one of the financial covenants under the Group’s banking facilities. Accordingly, certain bank loans were classified as current liabilities as at 30 June 2020 as the bank loans became repayable on demand.

## 1 **BASIS OF PREPARATION** *(continued)*

Nonetheless, the interim financial report has been prepared on a going concern basis notwithstanding the Group's current liabilities exceeding its current assets by HK\$224,913,000 as at 30 June 2020, as subsequent to the reporting period, the Group has obtained a waiver from the banks on these financial covenants with immediate effect. If the Group did not breach the abovementioned financial covenant, the Group would have had net current assets of HK\$891,979,000 as at 30 June 2020. The directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

## 2 **CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current account period of the group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

### **Amendment to HKFRS 16, Covid-19-Related Rent Concessions**

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

### 3 REVENUE AND SEGMENT REPORTING

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

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue.

The Group manages its businesses by geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the reportable segments, which are as follows:

- Hong Kong
- Mainland China
- Singapore
- Taiwan

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

Each of the above reportable segments primarily derives its revenue from film exhibition, film and video distribution, film and television programme production and the provision of advertising and consultancy services. For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the revenue and results attributable to each reportable segment on the following bases:

### **3 REVENUE AND SEGMENT REPORTING** *(continued)*

#### **Segment revenue and results**

Revenue is allocated to the reportable segments based on the local entities' location of external customers. Expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those geographical locations or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The measure used for reporting segment profit is adjusted operating profit after taxation where net finance costs, exchange differences and extraordinary items are excluded, and the effect of HKFRS 16, *Leases* is adjusted as if the rentals had been recognised under HKAS 17, *Leases*. 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 result of a joint venture. Intra-segment pricing is generally determined on an arm's length basis.

### 3 REVENUE AND SEGMENT REPORTING (continued)

#### Segment revenue and results (continued)

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

	Six months ended 30 June (unaudited)									
	Hong Kong		Mainland China		Singapore		Taiwan		Consolidated	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Segment revenue:</b>										
Revenue										
— Exhibition	32,569	127,582	—	—	137,360	401,047	103,652	224,974	273,581	753,603
— Distribution and production	6,571	7,023	88	—	8,129	19,755	1,361	8,516	16,149	35,294
— Club House	—	—	6,217	—	—	—	—	—	6,217	—
— Corporate	1,018	411	—	—	—	—	—	—	1,018	411
<b>Reportable segment revenue</b>	<b>40,158</b>	<b>135,016</b>	<b>6,305</b>	<b>—</b>	<b>145,489</b>	<b>420,802</b>	<b>105,013</b>	<b>233,490</b>	<b>296,965</b>	<b>789,308</b>
<b>Reportable segment (loss)/profit after taxation</b>	<b>(34,465)</b>	<b>6,051</b>	<b>(20,528)</b>	<b>(21,457)</b>	<b>(16,864)</b>	<b>70,610</b>	<b>(22,442)</b>	<b>17,119</b>	<b>(94,299)</b>	<b>72,323</b>
<b>Reconciliation — Revenue</b>										
Reportable segment revenue									296,965	789,308
Share of revenue from a joint venture in Taiwan									(105,013)	(233,490)
Elimination of intra-segmental revenue									(4,623)	(12,507)
Others									(48,564)	(8,996)
<b>Consolidated revenue</b>									<b>138,765</b>	<b>534,315</b>
<b>Reconciliation — (Loss)/profit before taxation</b>										
Reportable (loss)/profit after taxation from external customers									(94,299)	72,323
Unallocated operating expenses, net									(61,122)	(67,742)
Non-controlling interests									—	(22)
Income tax (credit)/charge									(4,599)	15,012
<b>Consolidated(loss)/profit before tax</b>									<b>(160,020)</b>	<b>19,571</b>

#### 4 (LOSS)/PROFIT BEFORE TAXATION

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

	<b>Six months ended 30 June 2020 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2019 HK\$'000 (Unaudited)
<b>(a) Finance costs</b>		
Interest on bank loans	<b>17,662</b>	21,845
Interest on lease liabilities	<b>16,810</b>	17,262
Other ancillary borrowing costs	<b>3,791</b>	2,824
Total finance costs on financial liabilities not at fair value through profit or loss	<b>38,263</b>	41,931
Less: finance cost capitalised into construction in progress*	<b>(177)</b>	–
	<b>38,086</b>	41,931

\* The finance costs have been capitalised at rates ranging from 2.70% to 4.69% per annum for the six months ended 30 June 2020. No finance costs have been capitalised for the six months ended 30 June 2019.

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

	<b>Six months ended 30 June 2020 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2019 HK\$'000 (Unaudited)
<b>(b) Other items</b>		
Cost of inventories	<b>6,856</b>	21,128
Cost of services provided	<b>40,265</b>	174,469
Depreciation charge		
— owned property, plant and equipment	<b>29,674</b>	30,949
— right-of-use assets	<b>68,125</b>	70,225
Amortisation of film rights	<b>1,175</b>	4,093
(Gain)/loss on disposals of property, plant and equipment	<b>(104)</b>	66
Impairment of cinema-related assets	<b>6,132</b>	–
Exchange loss, net	<b>2,931</b>	3,658
Interest income from bank deposits	<b>(5,779)</b>	(10,945)

## 5 INCOME TAX

Taxation in the consolidated income statement represents:

	<b>Six months ended 30 June 2020 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2019 HK\$'000 (Unaudited)
<i>Current income tax</i>		
Provision for Hong Kong tax	–	357
Provision for overseas tax	<b>1,519</b>	19,023
Over provision in respect of prior periods	–	(173)
	<b>1,519</b>	19,207
<i>Deferred tax — overseas</i>		
Origination and reversal of temporary differences	<b>(6,118)</b>	(4,195)
Actual tax (credit)/expense	<b>(4,599)</b>	15,012

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2019: 16.5%) to the six months ended 30 June 2020.

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

## 6 (LOSS)/EARNINGS PER SHARE

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

The calculation of basic loss/earnings per share is based on the loss attributable to equity holders of the Company of HK\$155,421,000 (six months ended 30 June 2019: earnings of HK\$4,581,000) and the weighted average number of ordinary shares of 2,799,669,050 (2019: 2,799,669,050 shares) in issue during the period.

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

	2020 Number of shares (Unaudited)	2019 Number of shares (Unaudited)
Issued ordinary share and weighted average number of ordinary shares as at 30 June	<b>2,799,669,050</b>	2,799,669,050

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

The Company does not have any dilutive potential ordinary shares at 30 June 2019 and 2020. Diluted loss/earnings per share for the six months ended 30 June 2019 and 2020 is the same as the basic loss/earnings per share.

## 7 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

### (a) Right-of-use assets

During the six months ended 30 June 2020, the Group entered into a lease agreement for use of property and therefore recognised the additions to right-of-use assets of HK\$3,396,000.

The leases of properties contain variable lease payment terms that are based on revenue generated from the cinemas and minimum annual lease payment terms that are fixed. These payment terms are common in cinemas in Hong Kong and Singapore where the Group operates. During the six months ended 30 June 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed and variable lease payments for the interim reporting period is summarised below:

	Six months ended 30 June 2020			
	Fixed payments	Variable payments	COVID-19 rent concessions	Total payments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cinemas — Hong Kong	25,506	14	(4,448)	21,072
Club house — Mainland China	4,190	93	(3,143)	1,140
Cinemas — Singapore	41,243	642	(20,515)	21,370

	Six months ended 30 June 2019			
	Fixed payments	Variable payments	COVID-19 rent concessions	Total payments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cinemas — Hong Kong	19,507	3,040	–	22,547
Cinemas — Singapore	39,248	4,174	–	43,422

As disclosed in note 2, the Group has early adopted the Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, and has applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period.

## 7 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

### (b) Acquisitions of owned assets

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of HK\$17,364,000 (six months ended 30 June 2019: HK\$35,557,000).

### (c) Impairment losses

During the six months ended 30 June 2020, the Group conducted an impairment review on property, plant and equipment and right-of-use assets relating to film exhibition operations. Impairment losses of HK\$6,132,000 was recognised in "Other operating expenses" as the recoverable amounts of the related assets are lower than the fair value less costs of disposal and value in use.

### (d) Valuation

The Group's investment property was revalued as at 30 June 2020 by the senior management of the Group using the market comparison approach by reference to recent market price of comparable properties using market data which is publicly available.

No gain or loss from changes in fair value of the investment property during the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$Nil) was recognised in profit or loss.

## 8 INTEREST IN A JOINT VENTURE

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Share of net assets	105,110	133,243

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

## 9 FILM RIGHTS

During the period under review, the Group incurred additional costs for film rights of HK\$3,536,000 (six months ended 30 June 2019: HK\$7,014,000) and amortisation of film rights amounted to HK\$1,175,000 (six months ended 30 June 2019: HK\$4,093,000).

## 10 INTANGIBLE ASSETS

	<b>As at 30 June 2020 HK\$'000</b>	As at 31 December 2019 HK\$'000
Trademarks	<b>503,084</b>	519,804
Customer relationships	<b>2,963</b>	3,703
Club memberships	<b>1,890</b>	1,890
	<b>507,937</b>	525,397

## 11 TRADE RECEIVABLES

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

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

	<b>As at 30 June 2020 HK\$'000 (Unaudited)</b>	As at 31 December 2019 HK\$'000 (Audited)
Within 1 month	<b>3,987</b>	41,041
Over 1 month but within 2 months	<b>244</b>	11,654
Over 2 months but within 3 months	<b>1,567</b>	9,104
Over 3 months	<b>2,936</b>	3,600
	<b>8,734</b>	65,399

As at 30 June 2020, trade receivables of the Group include an amount of HK\$1,000 (31 December 2019: HK\$9,738,000) due from a joint venture, which are unsecured, interest-free and recoverable within one year.

## 12 DEPOSITS AND CASH

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Deposits at banks	525,908	726,990
Cash at bank and in hand	687,722	478,270
	<b>1,213,630</b>	1,205,260
Less: Pledged deposits for bank loans	<b>(50,000)</b>	(137,000)
Cash and cash equivalents	<b>1,163,630</b>	1,068,260

## 13 BANK LOANS

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

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Within 1 year or on demand	1,251,020	251,158
After 1 year but within 2 years	–	757,738
After 2 years but within 5 years	–	12,845
After 5 years	–	35,324
	–	805,907
	<b>1,251,020</b>	1,057,065
Bank loans		
— Secured	1,221,020	1,027,065
— Unsecured	30,000	30,000
	<b>1,251,020</b>	1,057,065

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

### 13 BANK LOANS *(continued)*

**(b) At 30 June 2020, the bank loans were secured by:**

- (i) an office property of a subsidiary located in Hong Kong (31 December 2019: one);
- (ii) two properties of a subsidiary located in Singapore (31 December 2019: two);
- (iii) deposits of subsidiaries of HK\$50,000,000 (31 December 2019: HK\$137,000,000); and
- (iv) equity shares in its eleven subsidiaries of the Company (31 December 2019: four subsidiaries).

**(c)** At 30 June 2020, bank loans of HK\$1,251,021,000 (31 December 2019: HK\$1,057,065,000) were guaranteed by corporate guarantees from the Company and its subsidiaries.

**(d)** Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain ratios of the Group's financial performance on consolidated basis, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand.

The Group regularly monitors its compliance with these covenants. As at 30 June 2020, the Group has breached one of the financial covenants under the Group's banking facilities. Accordingly, certain bank loans have been classified as a current liability as at 30 June 2020, as the bank loans became repayable on demand.

Nonetheless, the financial statements have been prepared on a going concern basis notwithstanding the Group's current liabilities exceeding its current assets by HK\$224,913,000 as at 30 June 2020 (31 December 2019: net current assets of HK\$534,716,000), as subsequent to the reporting period, the Group has obtained a waiver on these financial covenants from the banks with immediate effect.

## 14 TRADE PAYABLES

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

	<b>As at 30 June 2020 HK\$'000 (Unaudited)</b>	As at 31 December 2019 HK\$'000 (Audited)
Within 3 months	<b>6,655</b>	89,838
4 to 6 months	<b>3,804</b>	2,565
7 to 12 months	<b>442</b>	2,841
Over 1 year	<b>10,803</b>	10,876
	<b>21,704</b>	106,120

As at 30 June 2020, trade payables of the Group include amounts totalling HK\$24,000 (31 December 2019: HK\$416,000) due to related companies which are unsecured, interest-free and repayable on demand.

## 15 SHARE CAPITAL

	Note	As at 30 June 2020		As at 31 December 2019	
		No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
<b>Authorised:</b>					
Ordinary shares of HK\$0.10 each		<b>6,000,000,000</b>	<b>600,000</b>	6,000,000,000	600,000
<b>Ordinary shares, issued and fully paid:</b>					
At 1 January 2019/31 December 2019/ 1 January 2020/30 June 2020		<b>2,799,669,050</b>	<b>279,967</b>	2,799,669,050	279,967

## 15 SHARE CAPITAL *(continued)*

Notes:

### (i) Share option scheme

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Company’s directors and other employees of the Group, shareholders of the Company, suppliers of goods or services to the Group and customers of the Group. Details of the Scheme are set out in the 2019 annual financial statements.

### (ii) Dividend

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2020 (2019: Nil).

### (iii) Capital management

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

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

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

## 16 COMMITMENTS

### Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report

At the end of the reporting period, the Group's share of the joint venture's own capital commitments, was as follows:

	<b>As at 30 June 2020 HK\$'000</b>	As at 31 December 2019 HK\$'000
Contracted for:		
— Taiwan	<b>3,998</b>	5,407

In addition to the Group's share of the joint venture's own capital commitments above, the Group had the following capital commitments at the end of the reporting period:

	<b>As at 30 June 2020 HK\$'000</b>	As at 31 December 2019 HK\$'000
Contracted for:		
— Mainland China	<b>415,607</b>	32,436
	<b>415,607</b>	32,436

## **17 CONTINGENT LIABILITIES**

At 30 June 2020, the Company has issued guarantees to banks in respect of banking facilities granted to certain subsidiaries amounting to HK\$1,844,800,000 (31 December 2019: HK\$1,071,773,000). At 30 June 2020, banking facilities of HK\$1,272,400,000 (31 December 2019: HK\$1,061,773,000) had been utilised by the subsidiaries.

At 30 June 2020, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The Company has not recognised any deferred income in respect of bank guarantees as their fair values cannot be reliably measured and no transaction price was incurred.

Certain subsidiaries of the Group are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the directors are of the opinion that even if the claims are found to be valid, there will be no material adverse effect on the financial position of the Group.

## 18 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Key management personnel remuneration

	<b>Six months ended 30 June 2020 HK\$'000</b>	Six months ended 30 June 2019 HK\$'000
Short-term employee benefits	<b>7,058</b>	8,751
Post-employment benefits	<b>71</b>	36
	<b>7,129</b>	8,787

### (b) Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

	Note	<b>Six months ended 30 June 2020 HK\$'000</b>	Six months ended 30 June 2019 HK\$'000
Leases prepayments	(i)	–	37,933

Note:

- (i) This represents the prepayments of rental payments and management fees for the leases as set out in the Company's announcement dated 29 January 2019. The rental payments were charged on normal commercial terms.

## 19 DISPOSAL OF SUBSIDIARIES

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

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

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

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

## **19 DISPOSAL OF SUBSIDIARIES** *(continued)*

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

The directors of Company disagree with the Said Claims made by Nan Hai. Further details of the legal proceedings are set out in the Company's announcements dated 4 September 2018, 10 September 2018, 2 November 2018 and 9 November 2018.

Based on the available evidence and the advice received from the Company's legal advisor, the directors of the Company have assessed the likelihood of the Group incurring a liability as a result of the Said Claims as remote. No provision has therefore been made in respect of the Said Claims as at 30 June 2020. In view of the ongoing legal proceedings, the Group has not recognised the remaining consideration claimed against True Vision and Nan Hai of RMB252,207,249 referred to above.

## **20 EVENT AFTER THE REPORTING PERIOD**

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

With the third wave of COVID-19 outbreak in Hong Kong since July 2020, the government has tightened the social distancing measures including temporary closure of all cinemas starting from 15 July 2020 until 27 August 2020. In Singapore, cinemas were reopened on 13 July 2020 with added safety precautions which include a 1 meter social distancing seat configuration and a limit of 50 patrons per cinema theatre.

The Group will continue to pay close attention of the development of the COVID-19 outbreak, evaluate and proactively respond to its impact of the Group's financial position and operating results.

## 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*)  
Li Pei Sen  
Chow Sau Fong, Fiona  
Go Misaki  
Peng Bolun

### Independent Non-executive Directors

Leung Man Kit  
Wong Sze Wing  
Fung Chi Man, Henry

## Changes in the Information of Directors and Chief Executive

On 1 June 2020, Mr. Xu Hua was resigned as the chief executive officer of the Group (“Chief Executive Officer”) and Mr. Yeung Ho Nam (“Mr. Yeung”) was appointed on the same day as the Chief Executive Officer and co-chief financial officer of the Group (“Co-CFO”). On 4 August 2020, Mr. Yeung was re-designated an enlarged role from Co-CFO to CFO.

Mr. Leung Man Kit, our Independent Non-executive Director, has been the independent director of NetEase, Inc. (NASDAQ: NTES; HKEX: 9999) from July 2002 which was secondarily listed on The Stock Exchange of Hong Kong Limited on 11 June 2020.

## Purchase, Sale or Redemption of Listed Securities

The Company did not redeem any of its listed securities during the period ended 30 June 2020. 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 2020, the interests and short positions of the directors of the Company (the "Director(s)") and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

### INTERESTS IN SHARES OF HK\$0.10 EACH IN THE ISSUED SHARE CAPITAL OF THE COMPANY (THE "SHARES"), UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

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

\* These percentages are computed based on the total number of Shares in issue (i.e. 2,799,669,050 Shares) as at 30 June 2020.

Note:

1. By virtue of the SFO, Mr. Wu was deemed to be interested in a total of 1,723,894,068 Shares, of which (i) 439,791,463 Shares were held by Skyera International Limited (a company wholly-owned by Mr. Wu); (ii) 408,715,990 Shares were held by Mainway Enterprises Limited (a company wholly owned by Mr. Wu); (iii) 129,666,667 Shares were held by Noble Biz International Limited (a company wholly-owned by Mr. Wu); (iv) 565,719,948 Shares were held by Orange Sky Entertainment Group (International) Holding Company Limited (a company which is 80% owned by Mr. Wu); and (v) 180,000,000 Shares were held by Cyber International Limited (a company owned by an associate of Mr. Wu).

In addition, Mr. Wu was interested in 271,824,429 Shares as at 30 June 2020 which were beneficially held by him in his own name.

Abbreviation:

“L” stands for long position

Save as disclosed above and save for the disclosure referred to under “Share Options” as at 30 June 2020, 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 19 June 2020 (the “Share Option Scheme”), which enables the Company to grant options to eligible participants as incentives or rewards for their contribution to the growth of the Group and provides the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants.

During six months ended 30 June 2020, no share option under the Share Option Scheme has been granted by the Company nor share option outstanding under the Scheme.

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

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

So far as is known to the Directors, as at 30 June 2020, the following persons, other than a Director or chief executive of the Company, had the following interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

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

\* These percentages are computed based on the total number of Shares in issue (i.e. 2,799,669,050 Shares) as at 30 June 2020.

Notes:

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

In addition, Mr. Wu was interested in 271,824,429 Shares as at 30 June 2020 which were beneficially held by him in his own name.

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

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

Abbreviations:

“L” stands for long position

Save as disclosed above, as at 30 June 2020, 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 2020.

## Interim Dividend

The Directors do not recommend the payment of any interim dividend for the period ended 30 June 2020 (30 June 2019: 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 2020, the Company has complied with the code provisions of CG Code, with the exception of code provisions A.4.1, A.6.7 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.

The code provision A.6.7 of the Corporate Governance Code stipulates that independent non-executive directors and non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Ms. Wong Sze Wing, independent non-executive Director, was unable to attend the annual general meeting of the Company held on 19 June 2020 (the “AGM”) due to the implementation of the travel restriction and quarantine requirements among overseas and Hong Kong resulted from the outbreak of COVID-19.

Code provision E.1.2 requires the chairman of the Board to attend the AGM. Mr. Wu Kebo, the Chairman of the Board, was unable to attend the AGM due to other business commitment. Ms. Chow Sau Fong, Fiona, 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 2020.

## 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, 28 August 2020



*Orange Sky*  
ENTERTAINMENT GROUP



Golden Harvest

**Orange Sky Golden Harvest  
Entertainment (Holdings) Limited**  
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