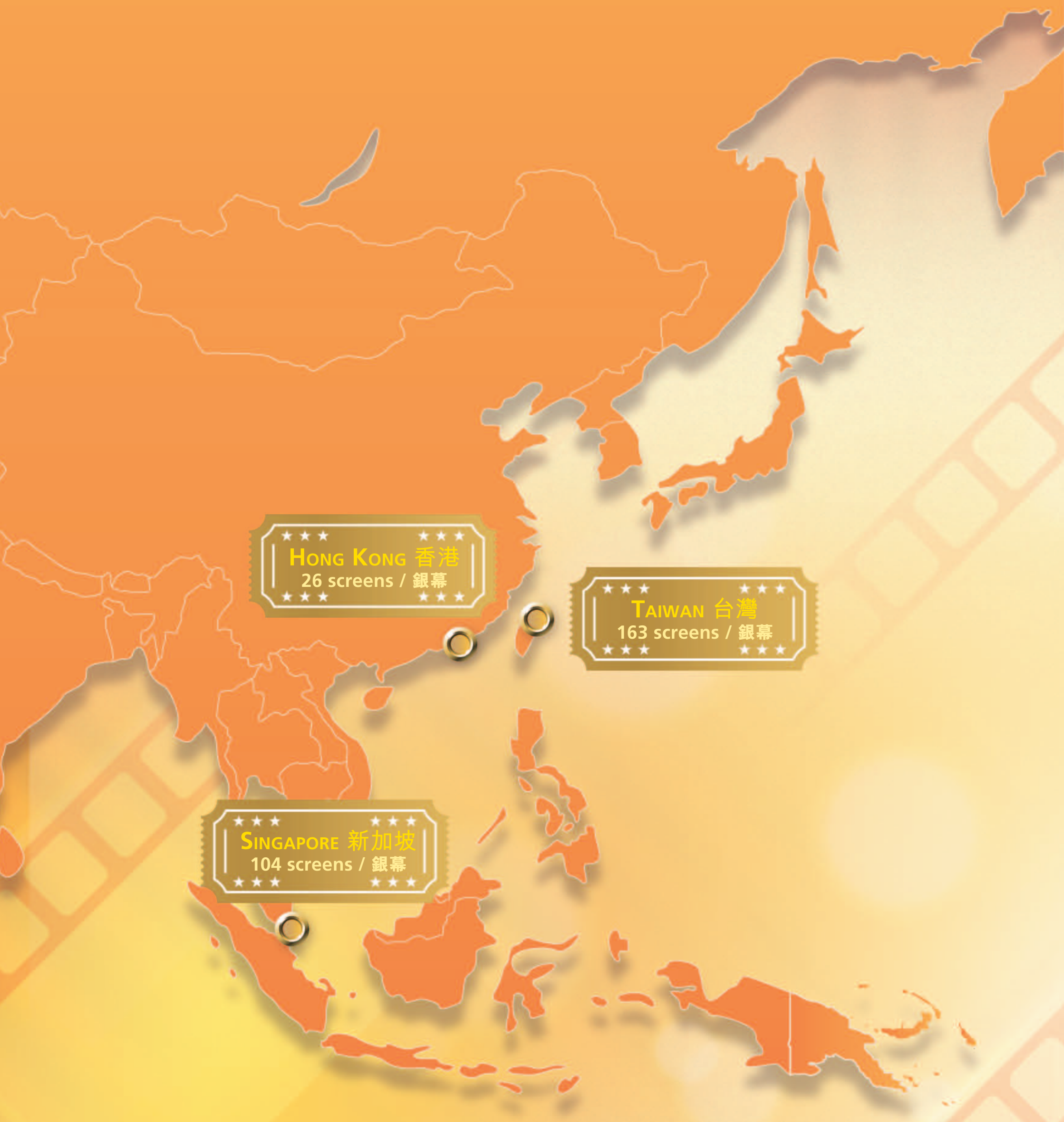
Orange Sky ENTERTAINMENT GROUP 橙天娛乐 | 嘉禾 Golden Harvest

# 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)


## INTERIM REPORT 中期報告
# 2021




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

(As at 30 June 2021 於2021年6月30日)



# Contents

# 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 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 the Chinese language film industry.

The first half of 2021 is plagued with continued challenges posted by the novel COVID-19 outbreak since 2020. In particular, lockdown measures have hit the worldwide cinema industry hard with prolonged cinema closures leading to direct loss of cinema box office revenue. The Group's cinema operations remain severely affected by the pandemic with Hong Kong and Taiwan cinemas closed for 11 weeks and 8 weeks respectively by government lockdown orders to cope with local pandemic situation. While Singapore cinemas remained opened throughout the period, the regions' cinemas are affected severely by tightening measures imposed by the government including seat capacity restrictions, controlled food and beverage consumptions inside cinema halls, as well as delay for blockbusters releases.

During the period, the Group continued to focus on cost control measures while selectively expanding our market shares by acquiring quality assets and cinema sites at discounted prices to further enjoy wider economies of scale. The Group firmly believes that its strategy to expand the single use of cinemas from movie viewing to an integrated entertainment hub featuring not only blockbuster movies, but other offline lifestyle offerings including but not limited to live music, esports, pop-art collectibles, delicious food and high-end custom cocktails, will revitalize cinemas post COVID-19. In the PRC, the Group's new venture into the country's blooming live entertainment industry is close to fruition with the first 360 theatre featuring our self-developed IP expected to stage in the 4th quarter of 2021 with the next three theatres gradually opening over the course of 2022. We believe our efforts will position the Group for rapid recovery once COVID-19 alleviates.

The Boss Baby: Family Business
Movie Premiere@GH Megabox

André & His Olive Tree Reel Talk@GV Suntec

## Film Exhibition

The Group has opened a new cinema with 2 screens in Hong Kong, the Group maintained its network of 36 cinemas and 293 screens across Hong Kong, Singapore and Taiwan as of 30 June 2021. The Group's film exhibition business remained as the undisputed market leader in Singapore and Taiwan with 50% and 39% respective share in local box office during the period.

The Group's business is benefited from shorter period of mandatory closures during the period as compared to last year and gradual recovery in box office with periodic alleviation in the pandemic conditions. During the period, the Group's cinemas in Singapore opened for longer period where it opened for 26 weeks (30 June 2020: 11 weeks), resulting in a higher box office income. This is partially mitigated by the temporary closure of Taiwan cinemas for 8 weeks, restrictions on food and beverage in cinema halls, seat capacity control in exhibition halls, and delay in blockbusters movies release across the three territories.

With the Group's continued effort, the Group's cinema total admissions raised by 42% from 3.8 million in the same period last year to 5.4 million during the period. Average ticket price for the three regions also recovered from HK$63.9 to HK$66.9 during the period.

## Operating Statistics of the Group's Cinemas

*(For the six months ended 30 June 2021)*

| | **Hong Kong** | **Singapore** | **Taiwan** |
|---|---|---|---|
| Number of cinemas* | 8 | 13 | 15 |
| Number of screens* | 26 | 104 | 163 |
| Admissions *(million)* | 0.4 | 1.5 | 3.5 |
| Net average ticket price *(HK$)* | 71 | 64 | 68 |

* at 30 June 2021

## Hong Kong

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

*(For the six months ended 30 June 2021)*

| | **2021** | 2020 |
|---|---|---|
| Number of cinemas* | **8** | 7 |
| Number of screens* | **26** | 24 |
| Admissions *(million)* | **0.4** | 0.3 |
| Net average ticket price *(HK$)* | **71** | 72 |
| Box office receipts *(HK$ million)* | **30** | 19 |

* at 30 June 2021

The Group opened a new cinema with 2 screens in Hong Kong during the period. Our Hong Kong operations branded under Golden Harvest Cinemas altogether operated 8 cinemas and 26 screens in the city as of the period end.

All Hong Kong cinemas have been put under mandatory closure from 2 December 2020 to 17 February 2021 for a total of 11 weeks during the period. With Hong Kong COVID-19 situation alleviated considerably after the reopening, Hong Kong business has been picking up, resulting in an improvement in admissions from 0.3 million in first half of 2020 to 0.4 million during the period. Resulting from higher admissions, box office receipts increased by 57% to HK$29.7 million in the period from HK$19.0 million in the previous year, even the average ticket price remained similar at HK$71.3 (30 June 2020: HK$72.0).

Nevertheless, our Hong Kong operations remained negatively affected by social distancing measures such as separation of cinema patrons, seat capacity restrictions and no food and beverages inside exhibition halls. Further delay in blockbuster movies also added further pressures on operations during the period.

Hong Kong is the home market for the Group and the Hong Kong exhibition business has been the core of home business. Riding on the ample liquidity of the Group, improving consumer confidence amidst COVID-19 alleviation, the Group has signed lease agreements to open two new cinemas in Hong Kong with a total of 11 screens in the second half of 2021. Going forward, the Group will cautiously increase our presence in the city while trying to maximise cost efficiency.

## Singapore

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

*(For the six months ended 30 June 2021)*

| | **2021** | 2020 |
|---|---|---|
| Number of cinemas* | **13** | 13 |
| Number of screens* | **104** | 104 |
| Admissions *(million)* | **1.5** | 1.0 |
| Net average ticket price *(S$)* | **11.0** | 10.7 |
| Net box office receipts *(S$ million)* | **16** | 11 |

* at 30 June 2021

Singapore has been the main revenue contributor to the Group, attributing to 52% and 49% of the Group's total revenue across 4 regions in first half 2021 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, but represent over half of all the country's box office over the period.

During the period, Golden Village reported net box office receipts of S$16.4 million (30 June 2020: S$10.8 million), representing a 52% increase in net box office receipts compared with the same period last year. The improvement arises primarily because Singapore cinemas are allowed to open without mandatory closures during the period, partially mitigated by seat capacity restrictions, food and beverage restrictions, and delayed blockbusters during the period.

To partially mitigate the effect from reduced box office, Golden Village has strived to open up new initiatives such as live concerts streaming, special movie screening, sales of movie vouchers, and partnership with landlords, e-commerce websites, to maximise our merchandise sales income 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.

Golden Village has been a household name in Singapore with a considerable larger scale of operations compared with local competitors. We remain confident in Golden Village business prospects, and will continue to expand Golden Village market leadership in Singapore going forward. The Group's new 8 screens cinema in Katong Mall is expected to open in the 4th quarter of 2021. Katong will be the first "new cinema" concept of Golden Village intending to serve as an entertainment center featuring flexible exhibition halls that can host live concerts and theatres, a foyer area that combines the aesthetics and practical uses of an art gallery, as well as a movie themed Gold Class bar and lounge that intends to provide the best immersive dining experience to patrons. Golden Village will gradually convert its other cinemas into similar entertainment centers concept to attract patrons return to cinemas as their top choice of entertainment. At the same time, Golden Village will also increase movie related merchandises sales and event organizing to maximise other income.

The Group's intended merger of Golden Village with mm2 Asia Limited's subsidiary mm Connect Pte. Ltd. which operates 8 cinemas in Singapore and 14 cinemas in Malaysia, as well as the two companies' film distribution businesses in the region and mm2 Asia Limited's online streaming business into one larger entity remains in progress as of the end of the reporting period. The Group will announce when further material progress is made.

## Taiwan

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

*(For the six months ended 30 June 2021)*

| | **2021** | 2020 |
|---|---|---|
| Number of cinemas* | **15** | 16 |
| Number of screens* | **163** | 164 |
| Admissions *(million)* | **3.5** | 2.5 |
| Net average ticket price *(NTD)* | **242** | 249 |
| Net box office receipts *(NTD billion)* | **0.9** | 0.6 |

* at 30 June 2021

The Group's 35.71% owned Vie Show continued to be the largest cinema chain in Taiwan operating a total of 15 cinemas, comprising of 163 screens as of 30 June 2021, with a market share of 39%. Adhering to the Group's comprehensive entertainment hub strategy, Vie Show operated a chain of "UNICORN" brand handmade popcorn across all its cinemas locations and a Japanese fried chicken chain "TORIKAI" 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.

During the period, Taiwan's net box office receipts amounted to NTD0.9 billion, registering an increase of 36% from NTD0.6 billion in the same period last year. The increase was primarily due to return of Hollywood blockbusters against Taiwan's effective response to COVID-19 from January 2021 to April 2021 whereby patrons returned to cinemas. However, due to worsening of COVID-19 situation in May 2021, Taiwan cinemas are forced to close from 19 May 2021 to 12 July 2021 for a total of 8 weeks, which forbade the Group from generating any revenue.

Vie Show understands the importance of securing quality contents for its cinemas during the course of 2020 and 2021, in which its business was impacted primarily by the delay of Hollywood blockbusters. To partially mitigate such matters and to fully leverage on the market leadership in cinema operations locally, Vie Show has incorporated a new film production and film distribution associate Bole Film Co., Ltd (伯樂影業股份有限公司) with the Taiwan Ministry of Culture and other leading cinema chains in Taiwan in 2020. This entity will start to invest in film productions across Greater China from the second half of 2021.

Vie Show will continue to expand its market leadership in Taiwan and remain committed to the 4 new cinemas, which will gradually be constructed and enter operations from 2022 onwards, whereby upon completion will further enhance Vie Show market shares.

The Group is confident that once Taiwan COVID-19 situation alleviates and 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, and film derivative arts.

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$29.0 million (30 June 2020: HK$16.2 million), representing a increase of 80% compared to same period last year along with increase in cinema admissions and overall box office. The distribution revenue was mainly generated by distributing releases such as *Shock Wave 2 (拆彈專家 2)* in Hong Kong and Singapore. The famous releases outside Hong Kong was *GATAO — The Last Stray (角頭-浪流連)* in Taiwan and *Long Long Time Ago: The Diam Diam Era (我們的故事 3：沉默的年代)* 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

As the Group's cinemas opening period increased during the period, together with gradual release in Hollywood blockbusters, the Group's revenue increased by 37% to HK$190.1 million (30 June 2020: HK$138.8 million). However, as the Group's revenue increase arises primarily by box office income growth and the higher margin screen advertising and food and beverage businesses are restricted by various local government COVID-19 restrictions, the Group's gross profit margin reduced to 61% from 65% in similar period last year. Along with the rise in revenue, gross profit for the period amounted to HK$116.3 million, compared with HK$90.5 million during similar period last year, representing a 29% increase over the same period.

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 selling and distribution costs by HK$7.9 million during the period, representing 4% reduction from same period last year.

Other revenue of HK$26.1 million represents primarily subsidies and rental support from governments and landlords. This represents HK$27.9 million reduction compared with the same period of last year. Interest income during the period reduced to HK$1.9 million from HK$5.8 million in the same period of last year in light of the low interest environment.

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$9.7 million, compared with HK$17.7 million in similar periods last year, the reduction is primarily due to gradual principal amortisation and low interest environment during COVID-19.

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$29.4 million (30 June 2020: share of loss of HK$33.5 million).

Depreciation expense for the period amounted to HK$79.0 million (30 June 2020: HK$97.8 million). The Group has made a non-recurring assets impairment amounted to HK$54.7 million (30 June 2020: HK$6.1 million). As a result, loss attributable to equity holders was HK$179.5 million, compared with a loss of HK$155.4 million in the corresponding period last year. Not taking into account a non-recurring assets impairment, the Group's loss attributable to equity holders was HK$124.8 million, an improvement compared with a loss of HK$149.3 million same period last year.

## FINANCIAL RESOURCES AND LIQUIDITY

Despite the serious economic challenges, the Group's financial position remained healthy with net assets of HK$1,682.9 million as of 30 June 2021.

As of 30 June 2021, the Group has total cash and bank balances amounted to HK$857.7 million (31 December 2020: HK$1,053.4 million), within which pledged bank balances amounted to HK$67.9 million (31 December 2020: HK$67.9 million).

The Group's total outstanding bank borrowings amounted to HK$1,124.5 million (31 December 2020: HK$1,206.1 million), translating into a modest net borrowings (defined as total outstanding bank borrowings less cash and bank balances) of HK$266.9 million (31 December 2020: HK$152.7 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 28.9% (31 December 2020: 29.0%). Net gearing ratio calculated on the basis of net borrowings over total assets stood at a healthy level of 6.9% (31 December 2020: 3.7%) and our cash to bank borrowings ratio at 76.3% (31 December 2020: 87.3%). 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 Group 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 2021 (31 December 2020: Nil).

## OUTLOOK

COVID-19 remained an unprecedented challenge to worldwide economy since 2020, and the film and cinema industry is undoubtedly one of the worst hit segments. We really appreciate the financial support from governments and landlords over the course of 2020 and 2021, but in order for cinemas to recover to become a sustainable operation, further subsidy and rental rebate is necessary.

As shown in the improvement in box office and admissions during the first half of 2021, the Group is confident that cinemas will remain a vital form of entertainment worldwide once COVID-19 restrictions alleviate and blockbuster movie returns. The Group will strategise to maximise non-film income by increasing merchandise sales, food and beverage offerings, and event organising to increase overall profitability.

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. The first theatre is expected to enter operations in the 4th quarter of 2021.

In Hong Kong, the Group continues to explore opportunities to further expand our cinema network with 2 new cinemas totaled 11 screens set to open in the second half of 2021. 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. The Group is of the view that successful COVID-19 containment measures in Hong Kong and improvement in overall consumer confidence against releases of Hollywood blockbusters will lead to rapid increase in cinema admissions from the second half of 2021 onwards.

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. Golden Village will continue to look for new opportunities to further strengthen its cinema network. Should the merger with mm2 Asia Limited's cinema operations successfully completed, the Group's Singapore operations will materially solidify its market leadership position and obtain further synergy from the leading market shares.

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, supplemented by further diversification into film productions and distributions, as well as food and beverage businesses.

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 2021, the Group employed 309 (31 December 2020: 318) 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 2021, 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 14 to 42 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 2021 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 2021 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

30 August 2021

# Consolidated Income Statement

for the six months ended 30 June 2021 — Unaudited

| | Note | **Six months ended 30 June 2021 HK$'000** | Six months ended 30 June 2020 HK$'000 |
|---|---|---|---|
| **Revenue** | 3 | **190,062** | 138,765 |
| Cost of sales | | **(73,730)** | (48,296) |
| **Gross profit** | | **116,332** | 90,469 |
| Other revenue | | **26,141** | 53,994 |
| Other net loss | | **(917)** | (2,827) |
| Selling and distribution costs | | **(174,569)** | (182,481) |
| General and administrative expenses | | **(39,884)** | (40,754) |
| Other operating expenses | | **(55,353)** | (6,873) |
| **Loss from operations** | | **(128,250)** | (88,472) |
| Finance costs | 4(a) | **(27,565)** | (38,086) |
| Share of loss of a joint venture | | **(29,377)** | (33,462) |
| **Loss before taxation** | 4 | **(185,192)** | (160,020) |
| Income tax credit | 5 | **5,664** | 4,599 |
| **Loss for the period** | | **(179,528)** | (155,421) |
| **Attributable to:** | | | |
| Equity holders of the Company | | **(179,528)** | (155,421) |
| Non-controlling interests | | **–** | – |
| | | **(179,528)** | (155,421) |
| **Loss per share (HK cent)** | 6 | | |
| Basic and diluted | | **(6.41)** | (5.55) |

The notes on pages 23 to 42 form part of this interim financial report.

# Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2021 — Unaudited

| | **Six months ended 30 June 2021 HK$'000** | Six months ended 30 June 2020 HK$'000 |
|---|---|---|
| **Loss for the period** | **(179,528)** | (155,421) |
| **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 | **(24,144)** | (56,858) |
| — a joint venture outside Hong Kong | **3,836** | 5,330 |
| | **(20,308)** | (51,528) |
| **Total comprehensive income for the period** | **(199,836)** | (206,949) |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the Company | **(199,831)** | (206,958) |
| Non-controlling interests | **(5)** | 9 |
| **Total comprehensive income for the period** | **(199,836)** | (206,949) |

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

The notes on pages 23 to 42 form part of this interim financial report.

# Consolidated Statement of Financial Position

as at 30 June 2021

| | Note | **As at 30 June 2021 HK$'000 (Unaudited)** | As at 31 December 2020 HK$'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment property | 7 | **14,000** | 14,000 |
| Other property, plant and equipment | 7 | **331,424** | 327,797 |
| Right-of-use assets | 7 | **1,267,123** | 1,244,322 |
| | | **1,612,547** | 1,586,119 |
| Interest in a joint venture | 8 | **77,998** | 103,540 |
| Other receivables, deposits and prepayments | | **35,020** | 37,363 |
| Intangible assets | 10 | **522,415** | 530,756 |
| Goodwill | | **573,933** | 633,118 |
| Pledged bank deposits | 12 | **50,000** | 50,000 |
| | | **2,871,913** | 2,940,896 |
| **Current assets** | | | |
| Inventories | | **2,090** | 3,513 |
| Film rights | 9 | **54,243** | 46,717 |
| Trade receivables | 11 | **14,858** | 13,358 |
| Other receivables, deposits and prepayments | | **133,842** | 146,392 |
| Pledged bank deposits | 12 | **17,850** | 17,850 |
| Deposits and cash | 12 | **789,828** | 985,546 |
| | | **1,012,711** | 1,213,376 |

# Consolidated Statement of Financial Position *(continued)*

as at 30 June 2021

| | Note | As at 30 June 2021 HK$'000 (Unaudited) | As at 31 December 2020 HK$'000 (Audited) |
|---|---|---|---|
| **Current liabilities** | | | |
| Bank loans | 13 | **139,965** | 148,176 |
| Trade payables | 14 | **48,137** | 53,693 |
| Other payables and accrued charges | | **122,317** | 122,238 |
| Deferred revenue | | **41,534** | 48,416 |
| Lease liabilities | | **91,965** | 100,328 |
| Taxation payable | | **1,315** | 9,321 |
| | | **445,233** | 482,172 |
| **Net current assets** | | **567,478** | 731,204 |
| **Total assets less current liabilities** | | **3,439,391** | 3,672,100 |
| **Non-current liabilities** | | | |
| Bank loans | 13 | **984,574** | 1,057,943 |
| Lease liabilities | | **618,201** | 568,563 |
| Deferred tax liabilities | | **153,717** | 162,859 |
| | | **1,756,492** | 1,789,365 |
| **NET ASSETS** | | **1,682,899** | 1,882,735 |

# Consolidated Statement of Financial Position *(continued)*

as at 30 June 2021

| | Note | **As at 30 June 2021 HK$'000 (Unaudited)** | As at 31 December 2020 HK$'000 (Audited) |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 15 | **279,967** | 279,967 |
| Reserves | | **1,403,534** | 1,603,365 |
| **Total equity attributable to equity holders of the Company** | | **1,683,501** | 1,883,332 |
| **Non-controlling interests** | | **(602)** | (597) |
| **TOTAL EQUITY** | | **1,682,899** | 1,882,735 |

The notes on pages 23 to 42 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

for the six months ended 30 June 2021 — Unaudited

| | Attributable to equity shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| **Balance at 1 January 2021** | 279,967 | 771,749 | 15,886 | 80,000 | 3,134 | 20,109 | 712,487 | 1,883,332 | (597) | 1,882,735 |
| **Changes in equity for the six months ended 30 June 2021:** | | | | | | | | | | |
| Loss for the period | – | – | – | – | – | – | (179,528) | (179,528) | – | (179,528) |
| Other comprehensive income | – | – | – | – | – | (20,303) | – | (20,303) | (5) | (20,308) |
| Total comprehensive income | – | – | – | – | – | (20,303) | (179,528) | (199,831) | (5) | (199,836) |
| **Balance at 30 June 2021** | 279,967 | 771,749 | 15,886 | 80,000 | 3,134 | (194) | 532,959 | 1,683,501 | (602) | 1,682,899 |

# Consolidated Statement of Changes in Equity *(continued)*

for the six months ended 30 June 2021 — Unaudited

| | Attributable to equity shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Capital redemption reserve HK$'000 | Contributed surplus HK$'000 | Reserve funds HK$'000 | Exchange reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| **Balance at 1 January 2020** | 279,967 | 771,749 | 15,886 | 80,000 | 3,134 | 5,098 | 1,000,658 | 2,156,492 | (559) | 2,155,933 |
| **Changes in equity for the six months ended 30 June 2020:** | | | | | | | | | | |
| Loss for the period | – | – | – | – | – | – | (155,421) | (155,421) | – | (155,421) |
| Other comprehensive income | – | – | – | – | – | (51,537) | – | (51,537) | 9 | (51,528) |
| Total comprehensive income | – | – | – | – | – | (51,537) | (155,421) | (206,958) | 9 | (206,949) |
| **Balance at 30 June 2020 and 1 July 2020** | 279,967 | 771,749 | 15,886 | 80,000 | 3,134 | (46,439) | 845,237 | 1,949,534 | (550) | 1,948,984 |
| **Changes in equity for the six months ended 31 December 2020:** | | | | | | | | | | |
| Loss for the period | – | – | – | – | – | – | (132,750) | (132,750) | (3) | (132,753) |
| Other comprehensive income | – | – | – | – | – | 66,548 | – | 66,548 | (44) | 66,504 |
| Total comprehensive income | – | – | – | – | – | 66,548 | (155,421) | (66,202) | (47) | (66,249) |
| **Balance at 31 December 2020** | 279,967 | 771,749 | 15,886 | 80,000 | 3,134 | 20,109 | 712,487 | 1,883,332 | (597) | 1,882,735 |

The notes on pages 23 to 42 form part of this interim financial report.

# Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2021 — Unaudited

| | **Six months ended 30 June 2021 HK$'000** | Six months ended 30 June 2020 HK$'000 |
|---|---|---|
| **Operating activities** | | |
| Finance costs paid | **(11,380)** | (40,784) |
| Other cash flows arising from operating activities | **(13,223)** | (99,195) |
| **Net cash used in operating activities** | **(24,603)** | (139,979) |
| **Investing activities** | | |
| Payment for the purchase of property, plant and equipment | **(31,975)** | (17,364) |
| Other cash flows arising from investing activities | **(96)** | 9,529 |
| Decrease in pledged bank deposits | **–** | 87,000 |
| **Net cash (used in)/generated from investing activities** | **(32,071)** | 79,165 |
| **Financing activities** | | |
| Draw down of bank loans | **–** | 1,243,200 |
| Repayment of bank loans | **(81,660)** | (1,032,293) |
| Capital element of lease rentals paid | **(43,026)** | (27,586) |
| Interest element of lease rentals paid | **(12,364)** | (16,810) |
| **Net cash (used in)/generated from financing activities** | **(137,050)** | 166,511 |

# Condensed Consolidated Statement of Cash Flows

*(continued)*

for the six months ended 30 June 2021 — Unaudited

| | **Six months ended 30 June 2021 HK$'000** | Six months ended 30 June 2020 HK$'000 |
|---|---|---|
| **Net (decrease)/increase in cash and cash equivalents** | **(193,724)** | 105,697 |
| **Cash and cash equivalents at 1 January** | **985,546** | 1,068,260 |
| **Effect of foreign exchange rates changes** | **(1,994)** | (10,327) |
| **Cash and cash equivalents at 30 June** | **789,828** | 1,163,630 |
| **Analysis of balances of cash and cash equivalents** | | |
| Non-pledged short term bank deposits | **200,999** | 475,908 |
| Non-pledged cash and bank balances | **588,829** | 687,722 |
| **Cash and cash equivalents at 30 June** | **789,828** | 1,163,630 |

The notes on pages 23 to 42 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 30 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Orange Sky Golden Harvest Entertainment (Holdings) Limited and its subsidiaries (together the "Group") since the 2020 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.

## 2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

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 HKFRS is discussed below:

### Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. Accordingly, these rent concessions are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 7(a)). There is no impact on the opening balance of equity at 1 January 2021.

## 3 REVENUE AND SEGMENT REPORTING

Revenue, which are from contracts with customers within the scope of HKFRS 15, represents income from the sale of film, video and television rights, film and TV drama distribution, theatre operation, promotion and advertising services, agency and consultancy services, sale of audio visual products, membership fees and food and beverage sales.

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

— Hong Kong

— Mainland China

— Singapore

— Taiwan

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

Each of the above reportable segments primarily derives its revenue from film exhibition, film and video distribution, film and television programme production and the provision of advertising and consultancy services. The reportable segment, Taiwan, represent the performance of the joint venture operating in Taiwan for the six months ended 30 June 2021. 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 basis:

## 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 loss is adjusted operating loss 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 loss after taxation, the Group's loss 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 loss after taxation, management is provided with segment information concerning revenue.

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

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

### Segment revenue and results *(continued)*

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

| | Six months ended 30 June (unaudited) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Hong Kong | | Mainland China | | Singapore | | Taiwan | | Consolidated | |
| | **2021 HK$'000** | 2020 HK$'000 | **2021 HK$'000** | 2020 HK$'000 | **2021 HK$'000** | 2020 HK$'000 | **2021 HK$'000** | 2020 HK$'000 | **2021 HK$'000** | 2020 HK$'000 |
| **Segment revenue:** | | | | | | | | | | |
| Revenue | | | | | | | | | | |
| — Exhibition | **39,693** | 32,569 | **–** | – | **159,372** | 137,360 | **126,298** | 103,652 | **325,363** | 273,581 |
| — Distribution and production | **2,045** | 6,571 | **–** | 88 | **24,556** | 8,129 | **2,401** | 1,361 | **29,002** | 16,149 |
| — Club house | **–** | – | **1,473** | 6,217 | **–** | – | **–** | – | **1,473** | 6,217 |
| — Corporate | **1,132** | 1,018 | **–** | – | **–** | – | **–** | – | **1,132** | 1,018 |
| **Reportable segment revenue** | **42,870** | 40,158 | **1,473** | 6,305 | **183,928** | 145,489 | **128,699** | 105,013 | **356,970** | 296,965 |
| **Reportable segment loss after taxation** | **(26,839)** | (34,465) | **(12,890)** | (20,528) | **(33,008)** | (16,864) | **(23,543)** | (22,442) | **(96,280)** | (94,299) |
| **Reconciliation — Revenue** | | | | | | | | | | |
| Reportable segment revenue | | | | | | | | | **356,970** | 296,965 |
| Share of revenue from a joint venture in Taiwan | | | | | | | | | **(128,699)** | (105,013) |
| Elimination of intra-segment revenue | | | | | | | | | **(14,460)** | (4,623) |
| Others | | | | | | | | | **(23,749)** | (48,564) |
| **Consolidated revenue** | | | | | | | | | **190,062** | 138,765 |
| **Reconciliation — loss before taxation** | | | | | | | | | | |
| Reportable loss after taxation from external customers | | | | | | | | | **(96,280)** | (94,299) |
| Unallocated operating expenses, net | | | | | | | | | **(83,248)** | (61,122) |
| Non-controlling interests | | | | | | | | | **–** | – |
| Income tax credit | | | | | | | | | **(5,664)** | (4,599) |
| **Consolidated loss before taxation** | | | | | | | | | **(185,192)** | (160,020) |

## 4 LOSS BEFORE TAXATION

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

| | Six months ended 30 June 2021 HK$'000 (Unaudited) | Six months ended 30 June 2020 HK$'000 (Unaudited) |
|---|---|---|
| **(a) Finance costs** | | |
| Interest on bank loans | **9,720** | 17,662 |
| Interest on lease liabilities | **12,364** | 16,810 |
| Other ancillary borrowing costs | **5,947** | 3,791 |
| Total finance costs on financial liabilities not at fair value through profit or loss | **28,031** | 38,263 |
| Less: finance cost capitalised into construction-in-progress (note (i)) | **(466)** | (177) |
| | **27,565** | 38,086 |

## 4 LOSS BEFORE TAXATION *(continued)*

| | Six months ended 30 June 2021 HK$'000 (Unaudited) | Six months ended 30 June 2020 HK$'000 (Unaudited) |
|---|---|---|
| **(b) Other items** | | |
| Cost of inventories | **9,111** | 6,856 |
| Cost of services provided | **64,273** | 40,265 |
| Depreciation charge | | |
| — owned property, plant and equipment | **24,094** | 29,674 |
| — right-of-use assets | **54,948** | 68,125 |
| Impairment losses on non-financial assets | | |
| — goodwill (note (ii)) | **49,239** | – |
| — cinema-related assets | **5,453** | 6,132 |
| Amortisation of film rights | **346** | 1,175 |
| Gain on disposals of property, plant and equipment | **(203)** | (104) |
| Exchange loss, net | **1,120** | 2,931 |
| Interest income from bank deposits | **(1,892)** | (5,779) |

Notes:

(i) The finance costs have been capitalised at rates ranging from 1.73% to 1.83% per annum for the six months ended 30 June 2021 (ranging from 2.70% to 4.69% per annum for the six months ended 30 June 2020).

(ii) The goodwill relating to the Group's exhibition segment in Hong Kong of HK$49,239,000 was fully impaired and recognised in "Other operating expenses" during the period.

## 5 INCOME TAX

| | **Six months ended 30 June 2021 HK$'000 (Unaudited)** | Six months ended 30 June 2020 HK$'000 (Unaudited) |
|---|---|---|
| *Current income tax* | | |
| Provision for Hong Kong tax | **–** | – |
| Provision for overseas tax | **479** | 1,519 |
| Under-provision in respect of prior periods | **414** | – |
| | **893** | 1,519 |
| *Deferred tax — overseas* | | |
| Origination and reversal of temporary differences | **(6,557)** | (6,118) |
| Actual tax credit | **(5,664)** | (4,599) |

No provision for Hong Kong Profits Tax has been made in the unaudited consolidated income statement as the Group sustained a loss for Hong Kong Profits Tax for both periods.

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 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$179,528,000 (six months ended 30 June 2020: loss of HK$155,421,000) and the weighted average number of ordinary shares of 2,799,669,050 (2020: 2,799,669,050 shares) in issue during the period.

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

| | **2021 Number of shares (Unaudited)** | 2020 Number of shares (Unaudited) |
|---|---|---|
| Issued ordinary shares and weighted average number of ordinary shares as at 30 June | **2,799,669,050** | 2,799,669,050 |

### (b) Diluted loss per share

The Company does not have any dilutive potential ordinary shares at 30 June 2020 and 2021. Diluted loss per share for the six months ended 30 June 2020 and 2021 is the same as the basic loss 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 2021, the Group entered into lease agreements for the use of properties and therefore recognised the additions to right-of-use assets of HK$106,006,000 (six months ended 30 June 2020: 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 2021, 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 2021** | | | |
|---|---|---|---|---|
| | **Fixed payments HK$'000** | **Variable payments HK$'000** | **COVID-19 rent concessions HK$'000** | **Total payments HK$'000** |
| Cinemas — Hong Kong | **21,139** | **–** | **(3,409)** | **17,730** |
| Cinemas — Singapore | **42,261** | **1,056** | **(5,227)** | **38,090** |

| | Six months ended 30 June 2020 | | | |
|---|---|---|---|---|
| | Fixed payments HK$'000 | Variable payments HK$'000 | COVID-19 rent concessions HK$'000 | Total payments HK$'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 |

As disclosed in note 2, the Group has early adopted the Amendment to HKFRS 16, *Leases, Covid-19-related rent concessions beyond 30 June 2021*, 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 2021, the Group acquired items of property, plant and equipment with a cost of HK$31,975,000 (six months ended 30 June 2020: HK$17,364,000).

### (c) Impairment losses

During the six months ended 30 June 2021, the Group conducted an impairment review on the recoverable amount of the property, plant and equipment and right-of-use assets relating to film exhibition operations. Impairment losses of HK$5,453,000 was recognised in "Other operating expenses" as the recoverable amounts of the cinema 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 2021 by the senior management of the Group using the market comparison approach by reference to recent market price of comparable properties using market data which is publicly available.

No gain or loss from changes in fair values of the investment property during the six months ended 30 June 2021 (six months ended 30 June 2020: HK$Nil) was recognised in profit or loss.

## 8 INTEREST IN A JOINT VENTURE

| | **As at 30 June 2021 HK$'000 (Unaudited)** | As at 31 December 2020 HK$'000 (Audited) |
|---|---|---|
| Share of net assets | **77,998** | 103,540 |

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

## 9 FILM RIGHTS

During the period under review, the Group incurred additional costs for film rights of HK$7,641,000 (six months ended 30 June 2020: HK$3,536,000) and amortisation of film rights amounted to HK$346,000 (six months ended 30 June 2020: HK$1,175,000).

## 10 INTANGIBLE ASSETS

| | As at 30 June 2021 HK$'000 (Unaudited) | As at 31 December 2020 HK$'000 (Audited) |
|---|---|---|
| Trademarks | **519,044** | 526,644 |
| Customer relationships | **1,481** | 2,222 |
| Club memberships | **1,890** | 1,890 |
| | **522,415** | 530,756 |

## 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 loss allowance, is as follows:

| | As at 30 June 2021 HK$'000 (Unaudited) | As at 31 December 2020 HK$'000 (Audited) |
|---|---|---|
| Within 1 month | **6,864** | 7,123 |
| Over 1 month but within 2 months | **1,242** | 1,454 |
| Over 2 months but within 3 months | **4,815** | 1,662 |
| Over 3 months | **1,937** | 3,119 |
| | **14,858** | 13,358 |

## 12 DEPOSITS AND CASH

| | As at 30 June 2021 HK$'000 (Unaudited) | As at 31 December 2020 HK$'000 (Audited) |
|---|---|---|
| Deposits at banks | **200,999** | 294,307 |
| Cash at bank and in hand | **656,679** | 759,089 |
| | **857,678** | 1,053,396 |
| Less: Pledged deposits for bank loans | **(67,850)** | (67,850) |
| Cash and cash equivalents | **789,828** | 985,546 |

## 13 BANK LOANS

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

| | As at 30 June 2021 HK$'000 (Unaudited) | As at 31 December 2020 HK$'000 (Audited) |
|---|---|---|
| Within 1 year or on demand | **139,965** | 148,176 |
| After 1 year but within 2 years | **984,574** | 165,221 |
| After 2 years but within 5 years | **–** | 892,722 |
| | **984,574** | 1,057,943 |
| | **1,124,539** | 1,206,119 |

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

## 13 BANK LOANS *(continued)*

### (b) At 30 June 2021, the bank loans were secured by:

(i) an office property of a subsidiary located in Hong Kong (31 December 2020: one);

(ii) two properties of a subsidiary located in Singapore and existing deed of assignment of insurance over the properties (31 December 2020: two);

(iii) deposits of subsidiaries of HK$50,000,000 (31 December 2020: HK$50,000,000); and

(iv) equity shares in its eleven subsidiaries of the Company (31 December 2020: eleven subsidiaries).

**(c)** At 30 June 2021, bank loans of HK$1,124,539,000 (31 December 2020: HK$1,206,119,000) 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 2021, while the Group has breached certain financial covenants under the Group's banking facilities, the Group has obtained a waiver on these financial covenants from the banks.

## 14 TRADE PAYABLES

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

| | **As at 30 June 2021 HK$'000 (Unaudited)** | As at 31 December 2020 HK$'000 (Audited) |
|---|---|---|
| Within 3 months | **35,850** | 40,463 |
| 4 to 6 months | **1,178** | 1,479 |
| 7 to 12 months | **188** | 212 |
| Over 1 year | **10,921** | 11,539 |
| | **48,137** | 53,693 |

## 15 SHARE CAPITAL

| | | **As at 30 June 2021 (Unaudited)** | | As at 31 December 2020 (Audited) | |
|---|---|---|---|---|---|
| | Note | **No. of shares** | **Amount HK$'000** | No. of shares | Amount HK$'000 |
| **Authorised:** | | | | | |
| Ordinary shares of HK$0.10 each | | **6,000,000,000** | **600,000** | 6,000,000,000 | 600,000 |
| **Ordinary shares, issued and fully paid:** | | | | | |
| At 1 January 2020/31 December 2020/ 1 January 2021/30 June 2021 | | **2,799,669,050** | **279,967** | 2,799,669,050 | 279,967 |

## 15 SHARE CAPITAL *(continued)*

Notes:

**(i) Share option scheme**

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and other employees of the Group, shareholders of the Company, suppliers of goods or services to the Group and customers of the Group. Details of the Scheme are set out in the 2020 annual financial statements.

**(ii) Dividend**

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2021 (2020: 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 2021 not provided for in the interim financial report

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

| | **As at 30 June 2021 HK$'000 (Unaudited)** | As at 31 December 2020 HK$'000 (Audited) |
|---|---|---|
| Contracted for: | | |
| — Taiwan | **6,895** | 4,998 |

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

| | **As at 30 June 2021 HK$'000 (Unaudited)** | As at 31 December 2020 HK$'000 (Audited) |
|---|---|---|
| **Capital commitments in respect of the acquisition of property, plant and equipment:** | | |
| Contracted for: | | |
| — Mainland China | **367,977** | 539,569 |
| — Hong Kong | **228** | – |
| Authorised but not contracted for: | | |
| — Hong Kong | **28,047** | – |
| | **396,252** | 539,569 |

## 17 CONTINGENT LIABILITIES

At 30 June 2021, the Company has issued guarantees to banks in respect of banking facilities granted to certain subsidiaries amounting to HK$1,769,290,000 (31 December 2020: HK$1,808,730,000). At 30 June 2021, banking facilities of HK$1,138,490,000 (31 December 2020: HK$1,223,930,000) had been utilised by the subsidiaries.

At 30 June 2021, 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.

### Disposal of subsidiaries — remaining consideration and contingent liabilities

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

The initial consideration of RMB3.286 billion was subsequently adjusted to RMB3.290 billion. Pursuant to the Sale and Purchase Agreement, the consideration is subject to further adjustments based on the difference between the net debt value of the disposal group as at 31 December 2016 and that derived from the completion accounts (the "Net Debt Adjustment"). In 2018, the completion accounts were circulated among the Group and Nan Hai Corporation Limited ("Nan Hai", the holding company and guarantor of True Vision). However, the Net Debt Adjustment is yet to be agreed between the two parties up to the date of approval of these financial statements.

## 17 CONTINGENT LIABILITIES *(continued)*

### Disposal of subsidiaries — remaining consideration and contingent liabilities *(continued)*

Other than the Net Debt Adjustment, the consideration is subject to a refund of an amount up to RMB380 million to Nan Hai, depending on the results of lease renewal or negotiation of new leases of certain cinema premises as detailed in the Sale and Purchase Agreement. The amount of refund is determined with reference to the terms and outcome of the lease renewal and the economic value of the renewed leases, subject to agreement with Nan Hai. The amount of refund, if any, is yet to be agreed between the two parties up to the date of approval of these financial statements.

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 Net Debt Adjustment and the refund, if any, determined based on the results of lease renewal or negotiation of new leases of certain cinema premises, which are subject to further negotiations and agreement between the Group and Nan Hai. The directors assessed that the fair value of the consideration for the Disposal, based on the then latest available information, to be RMB2.990 billion, being the cash consideration received by the Group, which was used to determine the profit on the Disposal. 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 completion accounts of the disposal group, Giant Harvest calculated the remaining consideration for the Disposal to be RMB252,207,249 (equivalent to US$37,383,975). As True Vision did not execute the joint written instructions to the escrow agent for settlement of the remaining consideration to the Group while Nan Hai, the guarantor of True Vision, failed to perform such payment obligation, the Group commenced legal proceedings against True Vision and Nan Hai in September 2018 claiming a sum of US$37,384,000, being the remaining consideration for the Disposal, and seeking other remedies, including interest and costs.

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").

## 17 CONTINGENT LIABILITIES *(continued)*

### Disposal of subsidiaries — remaining consideration and contingent liabilities *(continued)*

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 2021. In view of the ongoing legal proceedings, the Group has not recognised the remaining consideration claimed against True Vision and Nan Hai of RMB252,207,000 referred to above.

## 18 MATERIAL RELATED PARTY TRANSACTIONS

### Key management personnel remuneration

| | **Six months ended 30 June 2021 HK$'000 (Unaudited)** | Six months ended 30 June 2020 HK$'000 (Unaudited) |
|---|---|---|
| Short-term employee benefits | **7,724** | 7,058 |
| Post-employment benefits | **134** | 71 |
| | **7,858** | 7,129 |

## 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

Ms. Wong Sze Wing, our independent Non-executive Director, has been appointed as an independent non-executive director and a member of each of the audit committee, budget committee and strategy and development committee of Xinjiang La Chapella Fashion Co., Ltd (HKEX: 06116) from 11 January 2021 which was listed on The Stock Exchange of Hong Kong Limited. She has resigned all the roles from the said company effective from 10 June 2021.

## Purchase, Sale or Redemption of Listed Securities

The Company did not redeem any of its listed securities during the period ended 30 June 2021. 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 2021, 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 | 274,684,429 (L) | – | 274,684,429 (L) | 9.81% |
| 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 2021.

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 274,684,429 Shares as at 30 June 2021 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 2021, 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 2021, 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 2021, 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 | 274,684,429 (L) | – | 274,684,429 (L) | 9.81% |
| 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 2021.

Notes:

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

In addition, Mr. Wu was interested in 274,684,429 Shares as at 30 June 2021 which were beneficially held by him in his own name.

(2) Skyera is a company wholly owned by Mr. Wu, who is also a director of Skyera.

(3) Mainway is a company wholly owned by Mr. Wu, who is also a director of Mainway.

(4) Noble Biz is a company wholly owned by Mr. Wu who is also a director of Noble Biz.

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

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

Abbreviations:
"L" stands for long position

Save as disclosed above, as at 30 June 2021, 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 2021.

## Interim Dividend

The Directors do not recommend the payment of any interim dividend for the period ended 30 June 2021 (30 June 2020: 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 2021, 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 18 June 2021 (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 2021.

## 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, 30 August 2021

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