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
2024

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

(As at 30 June 2024 於2024年6月30日)

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Corporate Information

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

CHOW Sau Fong, Fiona
MAO Yimin

COMPANY SECRETARY

CHEUNG Hei Ming

REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Unit 2101, YF Life Tower,
33 Lockhart Road,
Wan Chai,
Hong Kong

PRINCIPAL BANKERS

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 HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
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Hong Kong

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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.

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

With the 2023 Hollywood writers and actors strikes resulting in a lack of blockbusters in a thin release schedule, similar to other cinema operators, we were expecting a steep decrease in box office, attendance and ultimately revenue. During the period, the Group's revenue has decreased by 5% to HK$377.6 million (2023: HK$396.2 million) due to lack of strong titles. While 2024 was a challenging year for film industry, the Group believes that the cinema industry worldwide is demonstrating resilience after the pandemic but with mixed results across different geographic markets.

The Group will expand cinemas from single use of movie viewing to become an integrated entertainment hub featuring other lifestyle offerings such as live music, e-sports, collectibles, and food and beverages.

During the period, the Group has closed 1 cinema with 2 screens in Hong Kong. On 21 June 2024, the Group has disposed its interest in Vie Show to Wanin International Co., Ltd at a total consideration of NT$1,249,047,485 (the "Disposal"). The Disposal represents approximately 35.69% of the total issued capital of Vie Show and the Group has recognised a net gain on disposal of HK$285.6 million and exchange reserve of HK$8.7 million has been realised.

The Group's first 360 stage in Suzhou was opened in the second half of 2023. The Group's 360 stages all feature an advanced rotating auditorium surrounded by projection panels capable of opening up to 180 degrees and panoramic stages, coupled with traditional local Chinese stories recreated in live performance format provide audiences with a stunning theatrical experience. However, the result is unsatisfactory after one year of operation. The Group has reassessed the discount cashflow forecast with the assistance of external valuation specialist, and impairment losses of HK$313.3 million had been provided on its investments in 360 stages.

Film Exhibition

The Group's film exhibition business remained the key revenue driver, which accounted for 90% of the Group's total segment revenue for the period ended 30 June 2024.

As of 30 June 2024, the Group maintained its network of 24 cinemas and 158 screens across Hong Kong and Singapore as of 30 June 2024. During the year, the Group's Singapore Golden Village Cinemas remained as the undisputed market leader locally with 52% respective share in local box office respectively.

Film exhibition revenue of Hong Kong and Singapore regions have decreased by 11% to HK$356.9 million during the period. The decrease was primarily contributed by 6% reduced in total admissions from 3.5 million in the same period last year to 3.3 million resulted from lack of strong titles released during the six months period ended 30 June 2024. Average ticket price for the regions has decreased from HK$72 to HK$68 during the period.

The major Hollywood blockbusters released during the period ended 30 June 2024 were *Dune: Part Two* (*沙丘瀚戰：第二章*), *Godzilla X Kong: The New Empire* (*哥斯拉* x *金剛：新帝國*), *Kingdom of the Planet of the Apes* (*猿人爭霸戰：猩凶帝國*), *Inside Out 2* (*玩轉腦朋友* 2), *Despicable Me 4* (*壞蛋獎門人* 4). The major Chinese language blockbusters for the year were *Twilight of the Warriors: Walled In* (*九龍城寨之圍城*), *Table For Six 2* (*飯戲攻心*2) and *Crisis Negotiators* (*談判專家*) from Hong Kong, *Money No Enough 3* (*錢不夠用*3) from Singapore.

Operating Statistics of the Group's Cinemas

(For the six months ended 30 June 2024)

	Hong Kong	**Singapore**
Number of cinemas*	8	16
Number of screens*	33	125
Admissions *(million)*	0.9	2.4
Net average ticket price *(HK$)*	64	70

* at 30 June 2024

Hong Kong

Operating Statistics of the Group's Cinemas in Hong Kong

(For the six months ended 30 June 2024)

	2024	2023
Number of cinemas*	**8**	10
Number of screens*	**33**	37
Admissions *(million)*	**0.9**	1.1
Net average ticket price *(HK$)*	**64**	71
Box office receipts *(HK$ million)*	**58**	79

* at 30 June 2024

The Group has closed 1 cinema with 2 screens during the period. Our Hong Kong operations branded under Golden Harvest Cinemas operated 8 cinemas and 33 screens as of the period end.

Apart from the dearth of blockbuster titles, Hong Kong cinema industry has also been greatly worsened by Hong Kong's disappointing post-pandemic economic performance, outwards migration of Hong Kong's younger population to foreign countries and the changed spending habits in the post-pandemic era with people spending more money abroad than locally. In addition, the local asset and stock markets are in a very challenging position and appear unlikely to improve in near future, making consumers in general reluctant to spend. Against this backdrop, Hong Kong exhibition business has shown a declined revenue resulting mainly from a reduction in admissions from 1.1 million for the first half of 2023 to 0.9 million in corresponding period of 2024. Although successful local titles released during the period *Twilight of the Warriors: Walled In* (*九龍城寨之圍城*) has helped to increase cinemas admissions, the poor Hong Kong economy and lack of other strong Hollywood blockbusters still inevitably hurt the Group's Hong Kong film exhibition business. Resulting from fewer admissions, box office receipts decreased by 27% to HK$58.0 million from HK$79.0 million during the six months period ended 30 June 2024. The average ticket price has also decreased to HK$64 (2023: HK$71) where such decrease of average ticket price was to attract patrons to return to cinemas. Meanwhile, Hong Kong operations continue to suffer from high rental and related premises costs, Hong Kong operations recorded a segmental loss of HK$16.4 million (2023: HK$8.0 million) during the period.

Singapore

Operating Statistics of the Group's Cinemas in Singapore

(For the six months ended 30 June 2024)

	2024	2023
Number of cinemas*	**16**	15
Number of screens*	**125**	119
Admissions *(million)*	**2.36**	2.44
Net average ticket price *(S$)*	**12.1**	12.5
Net box office receipts *(S$ million)*	**29**	30

* at 30 June 2024

Singapore has been the main revenue contributor to the Group, attributing to 78% and 75% of the Group's consolidated revenue in first half of 2024 and 2023 respectively. The Group's Singapore operations under the Golden Village brand remained the undisputed market leader locally operating a network of 16 cinemas and 125 screens, attributing to 46% of total installed screens in the country, but represented 52% of the country's total box office during the year. The high market share by box office has shown that Golden Village is the cinema of choice in Singapore and the absolute market leader locally.

During the period, Golden Village reported net box office receipts of S$28.5 million (2023: S$30.4 million), representing a 6% decrease compared with 2023. The decline arose primarily from the lack of blockbusters releases during the period which resulted in 3% lower admissions amounting to 2.36 million (2023: 2.44 million). There had also been a decline in net average ticket price by 3% to S$12.1 in 2024 from S$12.5 in 2023. Golden Village concessions income also decreased by 4% from S$13.0 million in 2023 to S$12.4 million in 2024 along with the decrease in admissions and net box office receipts. Singapore operations recorded a segmental profit of HK$20.0 million (2023: HK$21.9 million) for the period ended 30 June 2024.

Golden Village will expand cinemas from a single-use movie-viewing theatre to become an integrated entertainment hub featuring other lifestyle offerings such as live music, e-sports, collectibles, and food and beverages. It opened a new concept six-house cinema with an event space that features live music, art showcases and interactive screenings to provide customised unique experience to our patrons through collaboration with a local boutique cinema circuit. Furthermore, Golden Village is gradually expanding its Gold Class premium cinemas and dining options in response to the increasing demand for space and privacy, such expansion is to cater to consumers' evolving preferences after the pandemic.

To mitigate the risk of any further delay in Hollywood blockbuster release, Golden Village is committed to introduce more alternative contents, live streaming, and special movie screenings. Golden Village also offered movie vouchers and gift cards, unique merchandise items, promotions in partnership with landlords, and launched e-commerce websites to add in more variety of our revenues. In the meantime, Golden Village continued to source quality independent movies for distributions in Singapore to position the chain for exclusive screenings.

Golden Village is 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.

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 history in film distribution and production, the Group is one of the largest independent film distributors in Hong Kong and Singapore. On an aggregated basis the Group's film distribution and production business recorded revenue of HK$43.2 million (30 June 2023: HK$17.8 million), representing an increase of 143% compared to same period last year. Key titles distributed by the Group included *Rob N Roll* (*臨時械劫*) in Hong Kong. The famous releases outside Hong Kong was *How To Make Millions Before Grandma Dies* (*全職乖孫*) and *Money No Enough 3* (*錢不夠用*3) in Singapore.

For the production sector, the Group continued to remain prudent in investment decisions in film productions but is keen to work with external studios for redevelopment of the Group's classical Chinese film library into online moves and other film derivative arts. The Group 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

The Group's consolidated revenue decreased by 5% to HK$377.6 million (2023: HK$396.2 million) along with 6% lower total admission in the year. With the reduced in revenue and margin, gross profit for the period amounted to HK$227.6 million, compared with HK$256.6 million in 2023, representing a 11% decrease over the period.

Other revenue of HK$37.4 million represents primarily subsidies from governments of HK$19.1 million. Interest income during the period reduced to HK$0.5 million from HK$0.9 million in 2023 since the Group has partly repaid its bank loans during the period leading to a reduction in cash and bank balance during the period.

The Group's finance costs consisted of interest expense on bank loans and interest on lease liabilities. Interest expense on bank loans amounted to HK$14.5 million, compared with HK$14.3 million in last period. The increase in finance costs is mainly due to the higher interest rate.

The Group's joint venture in Taiwan recorded a net loss during the period, in which the Group's share of loss amounted to HK$11.3 million (2023: share of profit of HK$5.5 million). On 21 June 2024, the Group has disposed its interest in Vie Show and has recognised a net gain on disposal of HK$285.6 million and has realised an exchange reserve of HK$8.7 million.

Depreciation expense for the period amounted to HK$91.4 million (2023: HK$84.8 million). The Group has made impairment losses on non-financial assets of HK$313.3 million (2023: Nil) for the period ended 30 June 2024.

As a result, loss attributable to equity holders was HK$81.0 million, compared with HK$24.4 million in the last period.

FINANCIAL RESOURCES AND LIQUIDITY

The Group's financial position remained healthy with net assets of HK$1,338.2 million as of 30 June 2024.

As of 30 June 2024, the Group has total cash and bank balances amounted to HK$421.6 million (2023: HK$160.3 million), within which pledged bank balances amounted to HK$32.7 million (2023: HK$35.5 million). The increased in cash on hand arouse from a non-recurring net gain of HK$285.6 million during the period ended 30 June 2024 on disposal of the shares of the Group's joint venture during the period. From a net cash angle (total bank borrowing less total cash and bank balances), the Group's net cash has increased from net debt of HK$279.1 million as of 31 December 2023 to net cash of HK$6.8 million as of 30 June 2024.

The Group's gearing ratio, calculated on the basis of bank borrowings over total assets stood at a healthy level of 13.0% (31 December 2023: 12.8%). Net gearing ratio calculated on the basis of net cash over total assets stood at a healthy level of 0.2% (31 December 2023: net borrowings over total assets of 8.1%) and our cash to bank borrowings ratio at 101.6% (31 December 2023: 36.5%). The Group at this moment has reasonable financial leverage. Meanwhile, the Group believes that its current cash holding along with its available financial facilities shall 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 the investment costs in Taiwan. The Group's bank borrowings are denominated in Hong Kong dollars, Renminbi 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 2024 (31 December 2023: Nil).

OUTLOOK

COVID-19 has been an unprecedented challenge to the worldwide economy since 2020, and particularly the film and cinema industry has been one of the worst hit segments. With interest rates hikes in first half of 2024 and the impact of the Russia-Ukraine war and Israeli-Palestinian conflict, these have affected market sentiment and consumer spending. The Group will therefore take a conservative approach on its future expansion plan during the year.

In Hong Kong, the Group will be prudent in operation decisions given the interest rate hikes, worsened market sentiments and global conflict are still creating uncertainties to the economy, making consumers cautious with their spending. For its distribution business, the Group will look for investment opportunities in quality film distribution projects in the territory with a conservative approach. The Group will also explore all possible options to minimise the Group's operating loss from Hong Kong region.

In Singapore, the Group will continue to look for other expansion opportunities only when the return is attractive whilst balancing the investment risk. The Group will gradually convert its existing cinemas into integrated lifestyle hubs and introduce creative product offerings such as toys merchandise to its customers.

In Mainland China, 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 believes that cinemas is a unique form of immersive experience and that development of cinemas into integrated lifestyle hubs featuring blockbuster movies, pop culture merchandise, food and beverage, and live events to improve the immersive experience will further enhance cinemas competitiveness in the future.

Looking ahead, the Group will continue to seek investment opportunities in the regional media, entertainment, technology and lifestyle sectors that are creating synergies to the Group's existing businesses and add values to the shareholders.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group employed 410 (31 December 2023: 441) 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 2024, 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 44 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 2024 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 2024 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1 to the interim financial report which describes that the Group incurred a loss for the period of HK$81,048,000 for the six months ended 30 June 2024 and as at that date, had net current liabilities of HK$334,209,000, including current bank loans amounting to HK$414,859,000. The Group had cash and cash equivalents and pledged deposits totalling HK$421,648,000 as at 30 June 2024, which may not be sufficient to finance its future working capital, capital expenditure and financing requirements in full unless it is able to generate sufficient net cash inflows from future operations and/or other sources. As stated in note 1, these facts and circumstances, along with other matters set forth in note 1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 August 2024

Consolidated Income Statement

for the six months ended 30 June 2024 — Unaudited

	Note	Six months ended 30 June 2024 HK$'000	Six months ended 30 June 2023 HK$'000 (restated)
Continuing operations			
Revenue	3	**377,564**	396,202
Cost of sales		**(149,930)**	(139,567)
Gross profit		**227,634**	256,635
Other revenue		**37,440**	22,859
Other net loss		**(10,137)**	(16,615)
Selling and distribution costs		**(244,387)**	(226,401)
General and administrative expenses		**(30,717)**	(41,139)
Other operating expenses		**(317,293)**	–
Loss from operations		**(337,460)**	(4,661)
Finance costs	4(a)	**(19,616)**	(18,648)
Loss before taxation	4	**(357,076)**	(23,309)
Income tax expense	5	**(6,945)**	(6,559)
Loss for the period from continuing operations		**(364,021)**	(29,868)
Discontinued operations			
Gain on disposal of interest in a joint venture	8	**285,575**	–
Exchange reserve realised upon disposal		**8,723**	–
(Loss)/profit for the period from discontinued operations		**(11,325)**	5,518
		282,973	5,518
Loss for the period		**(81,048)**	(24,350)

Consolidated Income Statement *(continued)*

for the six months ended 30 June 2024 — Unaudited

	Note	**Six months ended 30 June 2024 HK$'000**	Six months ended 30 June 2023 HK$'000 (restated)
Attributable to:			
Equity holders of the Company			
— Continuing operations		**(364,021)**	(29,868)
— Discontinued operations		**282,973**	5,518
		(81,048)	(24,350)
Non-controlling interests		**–**	–
		(81,048)	(24,350)
(Loss)/profit per share (HK cent)	6		
Basic and diluted			
— Continuing operations		**(13.00)**	(1.07)
— Discontinued operations		**10.11**	0.20
		(2.89)	(0.87)

The notes on pages 24 to 44 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2024 — Unaudited

	Six months ended 30 June 2024 HK$'000	Six months ended 30 June 2023 HK$'000 (restated)
Loss for the period	**(81,048)**	(24,350)
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	**(33,356)**	2,347
— a joint venture outside Hong Kong	**–**	(212)
	(33,356)	2,135
Total comprehensive income for the period	**(114,404)**	(22,215)
Total comprehensive income attributable to:		
Equity holders of the Company		
— Continuing operations	**(397,411)**	(27,566)
— Discontinued operations	**282,973**	5,306
	(114,438)	(22,260)
Non-controlling interests	**34**	45
Total comprehensive income for the period	**(114,404)**	(22,215)

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

The notes on pages 24 to 44 form part of this interim financial report.

Consolidated Statement of Financial Position

as at 30 June 2024

	Note	**As at 30 June 2024 HK$'000 (Unaudited)**	As at 31 December 2023 HK$'000 (Audited)
Non-current assets			
Right-of-use assets	7	**1,324,171**	1,438,157
Other property, plant and equipment	7	**188,203**	440,525
		1,512,374	1,878,682
Interest in a joint venture	8	**–**	20,063
Other financial asset	8	**62**	–
Other receivables, deposits and prepayments		**36,231**	41,478
Intangible assets	10	**519,414**	627,205
Goodwill		**571,943**	589,848
		2,640,024	3,157,276
Current assets			
Inventories		**6,285**	6,744
Film rights	9	**15,495**	15,400
Trade receivables	11	**38,089**	18,562
Other receivables, deposits and prepayments		**70,910**	69,006
Pledged bank deposits	12	**32,661**	35,507
Deposits and cash	12	**388,987**	124,773
		552,427	269,992

Consolidated Statement of Financial Position *(continued)*

as at 30 June 2024

	Note	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Current liabilities			
Bank loans	13	**414,859**	104,306
Trade payables	14	**95,099**	73,582
Other payables and accrued charges		**174,459**	166,278
Deferred income		**82,387**	81,352
Lease liabilities		**112,298**	123,578
Taxation payable		**7,534**	5,849
		886,636	554,945
Net current liabilities		**(334,209)**	(284,953)
Total assets less current liabilities		**2,305,815**	2,872,323
Non-current liabilities			
Bank loans	13	**–**	335,078
Lease liabilities		**352,014**	431,036
Deferred income		**475,535**	502,704
Deferred tax liabilities		**140,087**	142,199
		967,636	1,411,017
NET ASSETS		**1,338,179**	1,461,306

Consolidated Statement of Financial Position *(continued)*

as at 30 June 2024

	Note	**As at 30 June 2024 HK$'000 (Unaudited)**	As at 31 December 2023 HK$'000 (Audited)
Capital and reserves			
Share capital	15	**279,967**	279,967
Reserves		**1,059,424**	1,182,585
Total equity attributable to equity holders of the Company		**1,339,391**	1,462,552
Non-controlling interests		**(1,212)**	(1,246)
TOTAL EQUITY		**1,338,179**	1,461,306

The notes on pages 24 to 44 form part of this interim financial report.

Consolidated Statement of Changes In Equity

for the six months ended 30 June 2024 — 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 2024	279,967	771,749	15,886	80,000	3,134	50,026	261,790	1,462,552	(1,246)	1,461,306
Changes in equity for the six months ended 30 June 2024:										
Loss for the period	–	–	–	–	–	–	(81,048)	(81,048)	–	(81,048)
Other comprehensive income	–	–	–	–	–	(33,390)	–	(33,390)	34	(33,356)
Total comprehensive income	–	–	–	–	–	(33,390)	(81,048)	(114,438)	34	(114,404)
Disposal of interest in a joint venture	–	–	–	–	–	(8,723)	–	(8,723)	–	(8,723)
Balance at 30 June 2024	279,967	771,749	15,886	80,000	3,134	7,913	180,742	1,339,391	(1,212)	1,338,179

Consolidated Statement of Changes In Equity *(continued)*

for the six months ended 30 June 2024 — 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 2023	279,967	771,749	15,886	80,000	3,134	15,834	352,188	1,518,758	(1,266)	1,517,492
Changes in equity for the six months ended from 1 January 2023 and 30 June 2023:										
Loss for the period	–	–	–	–	–	–	(24,350)	(24,350)	–	(24,350)
Other comprehensive income	–	–	–	–	–	2,090	–	2,090	45	2,135
Total comprehensive income	–	–	–	–	–	2,090	(24,350)	(22,260)	45	(22,215)
Balance at 30 June 2023	279,967	771,749	15,886	80,000	3,134	17,924	327,838	1,496,498	(1,221)	1,495,277
Changes in equity for the six months ended from 1 July 2023 and 31 December 2023:										
Loss for the period	–	–	–	–	–	–	(66,048)	(66,048)	(3)	(66,051)
Other comprehensive income	–	–	–	–	–	32,102	–	32,102	(22)	32,080
Total comprehensive income	–	–	–	–	–	32,102	(66,048)	(33,946)	(25)	(33,971)
Balance at 31 December 2023	279,967	771,749	15,886	80,000	3,134	50,026	261,790	1,462,552	(1,246)	1,461,306

The notes on pages 24 to 44 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2024 — Unaudited

	Six months ended 30 June 2024 HK$'000	Six months ended 30 June 2023 HK$'000
Operating activities		
Finance costs paid	**(14,321)**	(13,666)
Other cash flows arising from operating activities	**110,542**	80,362
Net cash generated from operating activities	**96,221**	66,696
Investing activities		
Payment for the purchase of property, plant and equipment	**(5,848)**	(55,431)
Payment for the purchase of intangible assets	**(3,324)**	–
Proceeds from disposal of a joint venture	**294,250**	–
Decrease/(increase) in pledged bank deposits	**2,846**	(25,123)
Other cash flows arising from investing activities	**–**	350
Net cash generated/(used in) from investing activities	**287,924**	(80,204)
Financing activities		
Repayment of bank loans	**(51,580)**	(25,860)
Capital element of lease rentals paid	**(56,685)**	(49,657)
Interest element of lease rentals paid	**(9,053)**	(9,651)
Net cash used in financing activities	**(117,318)**	(85,168)

Condensed Consolidated Statement of Cash Flows

(continued)

for the six months ended 30 June 2024 — Unaudited

	Six months ended 30 June 2024 HK$'000	Six months ended 30 June 2023 HK$'000
Net increase/(decrease) in cash and cash equivalents	**266,827**	(98,676)
Cash and cash equivalents at 1 January	**124,773**	283,553
Effect of foreign exchange rates changes	**(2,613)**	(532)
Cash and cash equivalents at 30 June	**388,987**	184,345

The notes on pages 24 to 44 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 29 August 2024.

The Interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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.

1 BASIS OF PREPARATION *(continued)*

The financial information relating to the financial year ended 31 December 2023 that is included in this preliminary announcement of the interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

During the six months ended 30 June 2024, the Group recorded a loss for the period of HK$81,048,000. As at 30 June 2024, the Group had net current liabilities of HK$334,209,000, primarily as a result of bank loans amounting to HK$414,859,000 classified as current liabilities, as the Group did not fulfil certain financial covenants under the Group's banking facilities as disclosed in note 13. As at 30 June 2024, the Group had cash and cash equivalents and pledged bank deposits totalling HK$421,648,000 which may not be sufficient to finance its future working capital, capital expenditure and financing requirements in full unless the Group is able to generate sufficient net cash inflows from its operations and/or other sources.

These facts and circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors have been taking various actions to improve the Group's operating cash flows, which include the following:

— implementing various strategies to improve the Group's exhibition, distribution and production income to generate additional operating cash inflows;

— obtained a one-off waiver from the banks subsequent to reporting period for the fulfilment of financial covenants for the period ended 30 June 2024; and

— discuss with certain existing bank lenders to refinance the existing banking facilities.

1 BASIS OF PREPARATION *(continued)*

Based on the directors' intentions and the cash flow forecast, assuming the success of the above measures, the directors are of the opinion that the Group is able to meet its financial obligations as and when they fall due. Accordingly, it is appropriate to prepare the Group's interim financial report for the six months ended 30 June 2024 on a going concern basis. Should the Group not be able to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in this interim financial report.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

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 television drama distribution, theatre and stage operations, promotion and advertising services and agency services.

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

— Hong Kong

— Mainland China

— Singapore

— Taiwan

3 REVENUE AND SEGMENT REPORTING *(continued)*

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

The reportable segment of Taiwan, represent the Group's share of results of the joint venture operating in Taiwan.

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:

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 results are adjusted operating results after taxation where net finance costs, exchange differences and extraordinary items (including impairment losses and gain/loss on disposal of non-financial assets) 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 results after taxation, the Group's results are 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 results after taxation, management is provided with segment information concerning revenue.

Management evaluates performance primarily based on operating results 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)*

(i) Segment revenue and results

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

	Six months ended 30 June (unaudited)											
	Continuing operations								Discontinued operations			
	Hong Kong		Mainland China		Singapore		Sub-total		Taiwan		Total	
	2024 HK$'000	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000
Segment revenue:												
Revenue												
— Exhibition	**69,837**	97,369	**–**	–	**287,072**	304,270	**356,909**	401,639	**126,246**	218,363	**483,155**	620,002
— Distribution and production	**3,861**	4,354	**–**	–	**38,154**	11,417	**42,015**	15,771	**1,222**	2,047	**43,237**	17,818
— 360 Stage	**–**	–	**10,788**	–	**–**	–	**10,788**	–	**–**	–	**10,788**	–
— Corporate	**294**	602	**–**	253	**–**	–	**294**	855	**–**	–	**294**	855
Reportable segment revenue	**73,992**	102,325	**10,788**	253	**325,226**	315,687	**410,006**	418,265	**127,468**	220,410	**537,474**	638,675
Reportable segment (loss)/profit after taxation	**(16,442)**	(7,967)	**(34,110)**	(844)	**20,041**	21,915	**(30,511)**	13,104	**(8,984)**	10,846	**(39,495)**	23,950

(ii) Reconciliations of reportable segment revenue and profit or loss

	Continuing operations Year ended 30 June (Unaudited)		Discontinued operations Year ended 30 June (Unaudited)	
	2024 HK$'000	2023 HK$'000	**2024 HK$'000**	2023 HK$'000
Revenue				
Reportable segment revenue	**410,006**	418,265	**127,468**	220,410
Share of revenue from a joint venture in Taiwan	**–**	–	**(127,468)**	(220,410)
Elimination of intra-segment revenue	**(20,857)**	(8,129)	**–**	–
Others	**(11,585)**	(13,934)	**–**	–
Consolidated revenue	**377,564**	396,202	**–**	–
(Loss)/profit before taxation				
Reportable (loss)/profit after taxation from external customers	**(30,511)**	13,104	**(8,984)**	10,846
Other operating income/(expenses), net	**(333,510)**	(42,972)	**291,957**	(5,328)
Income tax expense	**6,945**	6,559	**–**	–
Consolidated (loss)/profit before taxation	**(357,076)**	(23,309)	**282,973**	5,518

4 LOSS BEFORE TAXATION

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

	Six months ended 30 June 2024 HK$'000 (Unaudited)	Six months ended 30 June 2023 HK$'000 (Unaudited)
(a) Finance costs		
Interest on bank loans	**14,464**	14,298
Interest on lease liabilities	**9,053**	9,651
Other ancillary borrowing costs	**1,351**	1,353
	24,868	25,302
Less: finance costs capitalised into construction-in-progress (note (i))	**(5,252)**	(6,654)
	19,616	18,648
(b) Staff costs (excluding directors' emoluments)		
Salaries, wages and other benefits	**51,451**	48,071
Contributions to defined contribution retirement plans	**4,314**	4,697
	55,765	52,768

4 LOSS BEFORE TAXATION *(continued)*

	Six months ended 30 June 2024 HK$'000 (Unaudited)	Six months ended 30 June 2023 HK$'000 (Unaudited)
(c) Other items		
Cost of inventories	**18,457**	18,754
Cost of services provided	**122,582**	119,800
Depreciation charge		
— owned property, plant and equipment	**27,423**	20,855
— right-of-use assets	**63,956**	63,941
Amortisation of intangible assets (note (ii))	**8,369**	–
Amortisation of film rights (note (ii))	**522**	1,013
Loss on disposals of property, plant and equipment	**2,146**	127
Impairment losses on non-financial assets		
— 360 Stage-related fixed assets (note (iii))	**225,978**	–
— development costs of 360 Stage (note (iii))	**87,355**	–
Exchange loss, net	**10,137**	16,488
Interest income from bank deposits	**(508)**	(931)
Gain on lease modification	**(11,717)**	–
Government subsidies (note (iv))	**(19,104)**	(12,211)

Notes:

(i) The finance costs have been capitalised at rates ranging from 6.30% to 6.80% per annum for the six months ended 30 June 2024 (ranging from 4.77% to 6.51% per annum for the six months ended 30 June 2023).

(ii) The amortisation of film rights and development costs of 360 Stage for the period are included in "Cost of sales" in the consolidated income statement.

(iii) The Group conducted impairment review on the recoverable amount of the 360 Stage-related fixed assets and development costs of 360 Stage based on value-in-use calculations of the 360 Stage segment in Mainland China. The calculation uses cash flow projections of the 360 Stage covering the remaining lease terms with a pre-tax discount rate of 15%. An impairment loss of HK$313,333,000 was recognised in "other operating expenses" during the period ended 30 June 2024 (six months ended 30 June 2023: nil).

(iv) The amount included the support in Hong Kong, Singapore and Mainland China from local government.

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June 2024 HK$'000 (Unaudited)	Six months ended 30 June 2023 HK$'000 (Unaudited)
Current income tax		
Provision for Hong Kong tax	**–**	–
Provision for overseas tax	**4,686**	3,934
	4,686	3,934
Deferred tax — overseas		
Origination and reversal of temporary differences	**2,259**	2,625
Actual tax expense	**6,945**	6,559

No provision for Hong Kong Profits Tax has been made as the Group sustained a loss for Hong Kong Profits Tax for both periods.

No provision for Mainland China Corporate Income Tax has been made as the Group sustained a loss for calculation of Mainland China Corporate Income Tax for both periods.

The provision for Singapore Corporate Income Tax of the subsidiaries established in Singapore is calculated at 17% (2023: 17%) of the estimated taxable profits for the period.

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

6 (LOSS)/PROFIT PER SHARE

(a) Basic (loss)/profit per share

The calculation of basic (loss)/profit per share has been based on the following (loss)/profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding.

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

	2024 Number of shares (Unaudited)	2023 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

(ii) (Loss)/profit attributable to equity holders

	Six months ended 30 June 2024 HK$'000 (Unaudited)	Six months ended 30 June 2023 HK$'000 (Unaudited)
(Loss)/profit attributable to equity holders		
— Continuing operations	**(364,021)**	(29,868)
— Discontinued operations	**282,973**	5,518
	(81,048)	(24,350)

(b) Diluted loss per share

The Company does not have any dilutive potential ordinary shares at 30 June 2023 and 2024. Diluted loss per share for the six months ended 30 June 2023 and 2024 is the same as the basic loss per share.

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

(a) Right-of-use assets

During the six months ended 30 June 2024, the Group did not enter into lease agreements for the use of properties and therefore no addition of right-of-use assets is recognised (six months ended 30 June 2023: HK$51,809,000). During the six months ended 30 June 2024, the Group also modified certain lease agreements which reduced the right-of-use assets by HK$12,717,000 (six months ended 30 June 2023: HK$20,965,000).

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. The amount of fixed and variable lease payments for the interim reporting period is summarised below:

	Six months ended 30 June 2024		
	Fixed payments HK$'000	**Variable payments HK$'000**	**Total payments HK$'000**
Cinemas — Hong Kong	**24,886**	**520**	**25,406**
Cinemas — Singapore	**40,852**	**3,126**	**43,978**

	Six months ended 30 June 2023		
	Fixed payments HK$'000	Variable payments HK$'000	Total payments HK$'000
Cinemas — Hong Kong	24,730	1,606	26,336
Cinemas — Singapore	34,448	2,723	37,171

(b) Acquisitions of owned assets

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment with a cost of HK$11,100,000 (six months ended 30 June 2023: HK$62,086,000).

8 INTEREST IN A JOINT VENTURE

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Share of net assets	–	20,063

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

On 21 June 2024, the Group entered into the share purchase agreement with an independent third party to dispose the shares of its joint venture in Taiwan (the "joint venture") for total consideration of NT$1,249,835,000. During the period, the Group had sold 35.69% of the total issued share capital of its joint venture, a gain on disposal of joint venture of approximately HK$285,575,000 was recognised for the period ended 30 June 2024. As at 30 June 2024, the Group had reclassified the remaining shareholding of 0.02% of total issued share capital of its joint venture to other financial asset and the results from the joint venture have been classified as discontinued operations.

In this regard, the Group has restated the comparative information for the six months period ended 30 June 2023. Cash flows generated from investing activities and net increase in cash and cash equivalents from discontinued operations was HK$294,250,000 (2023: nil).

9 FILM RIGHTS

During the period under review, the Group incurred additional costs for film rights of HK$621,000 (six months ended 30 June 2023: HK$20,022,000) and amortisation of film rights amounted to HK$522,000 (six months ended 30 June 2023: HK$1,013,000).

10 INTANGIBLE ASSETS

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Trademarks	**517,524**	531,204
Development costs of 360 Stage	**–**	94,111
Club memberships	**1,890**	1,890
	519,414	627,205

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 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Within 1 month	**29,541**	13,718
Over 1 month but within 2 months	**2,772**	2,364
Over 2 months but within 3 months	**921**	761
Over 3 months	**4,855**	1,719
	38,089	18,562

12 DEPOSITS AND CASH

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Deposits at banks	**9,372**	6,393
Cash at bank and in hand	**412,276**	153,887
	421,648	160,280
Less: Pledged deposits for bank loans	**(32,661)**	(35,507)
Cash and cash equivalents in consolidated statement of cash flows	**388,987**	124,773

13 BANK LOANS

(a) The bank loans were repayable as follows:

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Within 1 year or on demand	**414,859**	104,306
After 1 year but within 2 years	**–**	335,078
	414,859	439,384

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

13 BANK LOANS *(continued)*

(b) At 30 June 2024, the bank loans were secured by:

(i) two properties of a subsidiary located in Singapore (31 December 2023: two);

(ii) deposits of subsidiaries of HK$32,661,000 (31 December 2023: HK$33,682,000); and

(iii) equity interests in its twelve subsidiaries of the Company (31 December 2023: twelve subsidiaries).

(c) At 30 June 2024, bank loans of HK$414,859,000 (31 December 2023: HK$439,384,000) 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 2024, the Group did not fulfil one of the financial covenants under the Group's banking facilities. Accordingly, the bank loans have been classified as current liabilities as at 30 June 2024, as the bank loans became repayable on demand. Subsequent to the reporting period, the Group obtained a one-off waiver from the banks for the fulfilment of financial covenants for the period ended 30 June 2024.

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 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Within 3 months	**83,608**	55,509
4 to 6 months	**595**	230
7 to 12 months	**398**	7,214
Over 1 year	**10,498**	10,629
	95,099	73,582

15 SHARE CAPITAL

	Note	As at 30 June 2024 (Unaudited)		As at 31 December 2023 (Audited)	
		No. of shares	Amount HK$'000	No. of shares	Amount HK$'000
Authorised:					
Ordinary shares of HK$0.1 each		**6,000,000,000**	**600,000**	6,000,000,000	600,000
Ordinary shares, issued and fully paid:					
At 1 January 2023/31 December 2023/ 1 January 2024/30 June 2024		**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 2023 annual financial statements.

(ii) Dividend

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2024 (2023: 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 2024 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:

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Contracted for:		
— Taiwan	**–**	5,621

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:

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Capital commitments:		
Contracted for:		
— Mainland China	**132,328**	141,720

17 CONTINGENT LIABILITIES

At 30 June 2024, the Company has issued guarantees to banks in respect of banking facilities granted to certain subsidiaries amounting to HK$454,450,000 (31 December 2023: HK$511,110,000). At 30 June 2024, banking facilities of HK$418,210,000 (31 December 2023: HK$444,110,000) had been utilised by the subsidiaries.

At 30 June 2024, 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 this interim financial report.

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 this interim financial report.

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 RMB252,207,000 (equivalent to US$37,384,000). 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 2024. 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

(a) Key management personnel remuneration

	Six months ended 30 June 2024 HK$'000 (Unaudited)	Six months ended 30 June 2023 HK$'000 (Unaudited)
Short-term employee benefits	**7,813**	8,141
Post-employment benefits	**160**	172
	7,973	8,313

18 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Material related party transactions

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

	Note	**Six months ended 30 June 2024 HK$'000 (Unaudited)**	Six months ended 30 June 2023 HK$'000 (Unaudited)
Rental and management fees expenses	(i)	**1,209**	–

Note:

(i) This represents the rental and management fees for the lease with a related company. The rental payments were charged on normal commercial terms.

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

Purchase, Sale or Redemption of Listed Securities

The Company did not redeem any of its listed securities during the period ended 30 June 2024. 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 2024, 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	Class of Shares	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	Ordinary	1	1,998,578,497 (L)	–	1,998,578,497 (L)	71.39%
Li Pei Sen	Beneficial owner	Ordinary		200,000 (L)	–	200,000 (L)	0.01%
Leung Man Kit	Beneficial owner	Ordinary		370,000 (L)	–	370,000 (L)	0.01%
Wong Sze Wing	Beneficial owner	Ordinary		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 2024.

Note:

1. By virtue of the SFO, Mr. Wu was deemed to be interested in a total of 1,998,578,497 Shares, of which (i) 1,432,858,549 Shares were held by Mainway Enterprises Limited (a company wholly owned by Mr. Wu); and (ii) 565,719,948 Shares were held by Orange Sky Entertainment Group (International) Holding Company Limited (a company which is 80% owned by Mr. Wu).

Abbreviation:
"L" stands for long position

Save as disclosed above and save for the disclosure referred to under "Share Options" as at 30 June 2024, 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 the six months ended 30 June 2024, no share option under the Share Option Scheme has been granted by the Company nor share option outstanding under the Share Option Scheme.

As of 1 January 2024 and 30 June 2024, the number of share option available for grant under the Share Option Scheme is 279,966,905 shares.

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 2024, 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	Class of Shares	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	Ordinary	1	1,998,578,497 (L)	–	1,998,578,497 (L)	71.39%
Mainway Enterprises Limited ("Mainway")	Beneficial owner	Ordinary	2	1,432,858,549 (L)	–	1,432,858,549 (L)	51.18%
Orange Sky Entertainment Group (International) Holding Company Limited ("OSEG")	Beneficial owner	Ordinary	3	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 2024.

Notes:

(1) By virtue of the SFO, Mr. Wu was deemed to have interest in a total of 1,998,578,497 Shares, of which (i) 1,432,858,549 Shares were held by Mainway; and (ii) 565,719,948 Shares were held by OSEG.

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

(3) 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 2024, 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 2024. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

Interim Dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2024 (30 June 2023: 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 2024, the Company has complied with the code provisions of CG Code, with the exception of code provision C1.6 and F2.2.

The code provision C.1.6 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 and Mr. Fung Chi Man Henry, independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 26 June 2024 (the "AGM") due to other work commitment.

Code provision F.2.2 requires the chairman of the Board to attend the AGM. Mr. Wu Kebo, the Chairman of the Board, was unable to attend the AGM on 26 June 2024 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 2024.

Appreciation

Finally, the Board would like to take this opportunity to express their gratitude to the diligence and contribution of the management and all our employees of the Group and trust and support from the shareholders, customers and business partners to the Group's development.

On behalf of the Board
WU Kebo
Chairman

Hong Kong, 29 August 2024

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