THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealers in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Orange Sky Golden Harvest Entertainment (Holdings) Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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)

(Stock Code: 1132)

MAJOR TRANSACTION
ACQUISITION OF REMAINING 50% EQUITY INTEREST IN DARTINA DEVELOPMENT LIMITED

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "*Definitions*" in this circular.

A letter from the Board is set out on pages 7 to 19 of this circular.

* *For identification purposes only*

19 December 2017

Page

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

"2016 EBITDA"	means the earnings before interest, taxes, depreciation and amortization of the Target Group for the year ended 31 December 2016;
"Acquisition"	means the acquisition of the Sale Shares by the Purchaser from the Vendor, as contemplated under the Sale and Purchase Agreement;
"Australia"	means the Commonwealth of Australia;
"Board"	means the board of directors of the Company;
"Business Day(s)"	means any day that is not a Saturday or Sunday on which banks are open for general banking business in Singapore, in the city of Melbourne in Australia, and in Hong Kong;
"Cinema Business"	means the business of acquiring, developing, constructing, managing or operating Cinema Complexes and the business of film distribution in Singapore;
"Cinema Complex"	means a cinema complex (or proposed cinema complex) with one or more screens and which may also contain ancillary facilities such as restaurants, bowling alleys, games centres or other entertainment related activities where such ancillary facilities occupy no more than 30% of the gross floor area of the complex;
"Company"	means Orange Sky Golden Harvest Entertainment (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1132);
"Completion"	means completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement. As provided in the Completion Announcement, Completion took place on 25 October 2017;
"Completion Announcement"	means the announcement of the Company dated 25 October 2017 relating to, among others, Completion of the Acquisition;

"Completion Date"	means the later of (i) 15 October 2017 or such other date as may be agreed by the parties to the Sale and Purchase Agreement; and (ii) 2 Business Days after the date upon which the Conditions are satisfied and/or waived. As provided in the Completion Announcement, the Completion Date was 25 October 2017;
"Condition(s)"	means the conditions precedent under the Sale and Purchase Agreement, and "Condition" shall mean any one of them;
"Consideration"	means the consideration payable by the Purchaser to the Vendor for the acquisition by the Purchaser of the Sale Shares as described under the section headed "Consideration — B. The Sale and Purchase Agreement" in the Letter from the Board;
"Cyber International"	Cyber International Limited, a company owned by an associate of Mr. Wu, which is interested in 180,000,000 Shares, representing 6.43% of the entire issued share capital of the Company as at the Latest Practicable Date;
"Director(s)"	means a director of the Company;
"EBITDA"	means earnings before interest, taxes, depreciation and amortization;
"Enlarged Group"	the Group as enlarged by the Acquisition;
"Group"	means the Company and its subsidiaries;
"GVM"	means Golden Village Multiplex Pte Ltd, a company incorporated in Singapore and an indirect wholly-owned subsidiary of the Target Company;
"GVP"	means Golden Village Pictures Pte Ltd, a company incorporated in Singapore and an indirect wholly-owned subsidiary of the Target Company;
"Hong Kong"	means the Hong Kong Special Administrative Region of the People's Republic of China;
"Latest Practicable Date"	means the latest practicable date for inclusion of information in this circular;
"Listing Rules"	means The Rules Governing the Listing of Securities on the Stock Exchange;

"Long Stop Date"	means 22 December 2017 or such other date as is agreed by the parties to the Sale and Purchase Agreement in writing;
"Mainway Enterprises"	means Mainway Enterprises Limited, a company wholly owned by Mr. Wu, which is interested in 408,715,990 Shares, representing 14.60% of the entire issued share capital of the Company as at the Latest Practicable Date;
"Mr. Wu"	means Mr. Wu Kebo, the Chairman of the Company and an executive Director, who is beneficial owner of 249,734,429 Shares, representing 8.92% of the entire issued share capital of the Company as at the Latest Practicable Date;
"mm2"	means mm2 Asia Limited, a company incorporated in Singapore with the Company Registration No. 201424372N, and the address of which is situated at 1002 Jalan Bukit Merah #07–11, Singapore 159456;
"mm2 SPA"	means the share sale and purchase agreement dated 13 June 2017 entered into between the Vendor and mm2 in relation to the acquisition of the Sale Shares by mm2 as purchaser from the Vendor as vendor;
"Noble Biz"	means Noble Biz International Limited, a company wholly owned by Mr. Wu, which is interested in 129,666,667 Shares, representing 4.63% of the entire issued share capital of the Company as at the Latest Practicable Date;
"Occupation Agreements"	means the agreements under which any member of the Target Group derives an interest arising out of a lease, tenancy, licence, occupation contract/letter/other document in respect of any one of the Properties, and Occupation Agreement means any one of them;
"Orange Sky Entertainment"	Orange Sky Entertainment Group (International) Holding Company Limited, a company which is 80% owned by Mr. Wu, which is interested in 565,719,948 Shares, representing 20.21% of the entire issued share capital of the Company as at the Latest Practicable Date;
"PRC"	means the People's Republic of China, which for the purposes of this circular shall exclude Hong Kong, the Macau Special Administrative Region, and Taiwan;
"Pre-Completion Period"	means the period between the date of the Sale and Purchase Agreement and Completion;

"Principal Holding Company"	means: (a) in the case of the Vendor, Village Roadshow; and (b) in the case of the Purchaser, the Company;
"Properties"	means the premises owned, occupied or otherwise used or to be used by a member of the Target Group in connection with the operation of the Cinema Business of the Target Group;
"Purchaser"	means Golden Screen Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
"Records"	means all originals and copies of the books, records, documents, files, reports, plans, correspondence, letters and papers of every description and other material regardless of their form or medium and whether coming into existence before, on or after the date of the Sale and Purchase Agreement;
"Sale and Purchase Agreement"	means the share sale and purchase agreement entered into by the Purchaser, the Vendor, the Company and Village Roadshow in relation to the acquisition of 50% equity interest held by the Vendor by the Purchaser, on the terms and conditions set out therein;
"Sale Shares"	means all shares of the Target Company owned by the Vendor in the Target Company at Completion, which, at Completion on 25 October 2017, comprised 15,600,041 ordinary shares being 50% of the fully paid ordinary shares in the capital of the Target Company;
"Services Agreements"	means the agreements (as amended or supplemented) under which a member of the Target Group provides cinema services at and Services Agreement means any one of them;
"Shares"	means ordinary share(s) of the Company;
"Shareholder(s)"	means the holders of Shares;
"Singapore"	means the Republic of Singapore;
"Skyera International"	Skyera International Limited, a company wholly owned by Mr. Wu, which is interested in 439,791,463 Shares, representing 15.71% of the entire issued share capital of the Company as at the Latest Practicable Date;

"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"Subsidiaries"	means any subsidiary for the time being of the Target Company, including without limitation: (i) Golden Village Entertainment (Singapore) Pte Ltd; (ii) GVM; (iii) GVP; and (iv) Golden Village Holdings Pte Ltd;
"Target Company"	means Dartina Development Limited, a company incorporated in Hong Kong which holds the Subsidiaries and which was held as to 50% each by the Vendor and the Purchaser immediately prior to Completion and is held as to 100% by the Purchaser as at the Latest Practicable Date;
"Target Group"	means the Target Company and its subsidiaries from time to time;
"Vendor"	means Village Cinemas Australia Pty Ltd (ACN 006 735 002) of Level 1, 500 Chapel Street South Yarra Victoria Australia 3141, a company incorporated in Australia with limited liability and a wholly-owned subsidiary of Village Roadshow;
"Vendor's Warranties"	means any one of the representations and warranties of the Vendor as set out in the relevant schedule to the Sale and Purchase Agreement;
"Village Roadshow"	means Village Roadshow Limited (ACN 010 672 054) of Level 1, 500 Chapel Street South Yarra Victoria Australia 3141 a company incorporated in Australia with limited liability which is listed on the Australian Securities Exchange;
"VRM"	means Village Roadshow (Mauritius) Ltd, an independent third party to the Company;
"HK$"	means Hong Kong dollars, the lawful currency of Hong Kong;
"S$" or "Singapore Dollars"	means Singapore dollars, the lawful currency of Singapore; and
"%"	means per cent.

For the purpose of this circular, the exchange rate of S$1.00 = HK$5.749 has been used for currency translation, including, for the avoidance of doubt, the computation of the applicable percentage ratios pursuant to Chapter 14 of the Listing Rules. Such exchange rates are for the purposes of illustration only and do not constitute a representation that any amount in S$ or HK$ have been, could have been or may be converted at such or any other rates.

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橙天嘉禾娛樂(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

Chairman and Executive Director:
Mr. Wu Kebo

Executive Directors:
Mr. Mao Yimin
Mr. Li Pei Sen
Ms. Wu Keyan
Ms. Chow Sau Fong, Fiona

Independent Non-executive Directors:
Mr. Leung Man Kit
Ms. Wong Sze Wing
Mr. Fung Chi Man, Henry

Registered Office
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business
24/F
Capital Centre
151 Gloucester Road
Wan Chai
Hong Kong

19 December 2017

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION ACQUISITION OF THE REMAINING 50% EQUITY INTEREST IN DARTINA DEVELOPMENT LIMITED

A. INTRODUCTION

Reference is made to (a) the announcement of the Company dated 29 September 2017 in relation to the Sale and Purchase Agreement announcing that on the same date, the Vendor (a wholly-owned subsidiary of Village Roadshow), the Purchaser (a wholly-owned subsidiary of the Company), Village Roadshow (as guarantor of the Vendor) and the Company (as guarantor of the Purchaser) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser agreed to acquire, and the Vendor agreed to sell, the Sale Shares at the Consideration, subject to the terms and conditions set out therein; and (b) the Completion Announcement dated 25 October 2017, announcing that on the same date, Completion of the Acquisition took place.

* *For identification purposes only*

Pursuant to Rule 14.44 of the Listing Rules, in lieu of holding a general meeting, shareholders' written approval to approve the Sale and Purchase Agreement and the transactions contemplated thereunder was obtained on 29 September 2017 from a group of closely allied Shareholders holding in aggregate approximately 70.50% of the entire issued share capital in the Company as at the Latest Practicable Date.

As provided in the Completion Announcement, completion of the Acquisition took place on 25 October 2017, and as at the Latest Practicable Date, the Target Company is an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the consolidated financial results of the Group.

The purpose of this circular is to provide you with (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) the accountant's report on the Target Group and management discussion and analysis of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the property valuation report of the properties held by the Target Group; and (vi) other general information required under the Listing Rules.

B. THE SALE AND PURCHASE AGREEMENT

The main terms of the Sale and Purchase Agreement are summarised as follows:

Date : 29 September 2017 (after the trading hours of the Stock Exchange)

Parties :

(1) the Vendor, as vendor of the Sale Shares;

(2) the Purchaser, as purchaser of the Sale Shares;

(3) Village Roadshow, as the guarantor of the Vendor; and

(4) the Company, as guarantor of the Purchaser.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, and as confirmed by the Vendor, save and except that the Vendor had appointed directors to, and was the legal and beneficial owner of 50% equity interest of, the Target Company prior to Completion, the Vendor, Village Roadshow and their respective associates are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules) as at the Latest Practicable Date.

As at Completion and the Latest Practicable Date, the Vendor, Village Roadshow and their respective associates were and are not interested in any of the Shares.

Assets acquired : Pursuant to the Sale and Purchase Agreement, the Purchaser agreed to acquire, and the Vendor agreed to sell, the Sale Shares.

The Sale Shares represented 50% of the issued share capital of the Target Company and the entire interest held by the Vendor in the Target Company prior to Completion.

Consideration : Under the Sale and Purchase Agreement, the Consideration is an amount equal to:

(a) In the event that Completion is on or before 15 October 2017, S$174 million (equivalent to approximately HK$1,000 million), which is payable in Singapore Dollars;

(b) In the event that Completion is after 15 October 2017 but on or before 30 November 2017, S$176 million (equivalent to approximately HK$1,012 million), which is payable in Singapore Dollars; or

(c) In the event that Completion is after 30 November 2017 but on or before 22 December 2017, S$177 million (equivalent to approximately HK$1,018 million), which is payable in Singapore Dollars.

Under the Sale and Purchase Agreement, the Consideration shall be payable in cash upon Completion.

The abovesaid Consideration amounts were determined after arm's length negotiations between the Purchaser and the Vendor with reference to (i) the 2016 EBITDA of S$35,829,591 of the Target Group based on the unaudited management accounts of the Target Group (together with multipliers ranging from 9.71 to 9.88 to such 2016 EBITDA determined with reference to the multiplier of 10.5 to the 2016 EDITDA adopted under the mm2 SPA); (ii) the benefits of the Acquisition, as more particularly detailed in the section headed "*Reasons and Benefits of the Acquisition*" below; (iii) the current climate for the film exhibition business in Singapore and in Asia generally; (iv) the interests costs that would accrue between the date of signing of the Sale and Purchase Agreement and Completion; (v) the mutual desire of the parties to the Sale and Purchase Agreement for Completion to take place as soon as possible; and (vi) the terms of the mm2 SPA which provided, among others, a higher aggregate purchase consideration for the previously proposed acquisition of the Sale Shares by mm2.

For the avoidance of doubt mm2, being a Singaporean listed company, had previously entered into a share sale and purchase agreement with the Vendor for the acquisition of the Sale Shares by mm2 (namely, the mm2 SPA). Due to, among others, the failure of the Vendor to obtain the Purchaser's approval of mm2 as a shareholder of the Target Company, the mm2 SPA was terminated. Following the termination of the mm2 SPA, the Purchaser eventually entered into the Sale and Purchase Agreement with the Vendor for the acquisition of the Sale Shares by the Purchaser from the Vendor. As was publicly announced by mm2 on 13 June 2017, the purchase consideration under the mm2 SPA was determined based on a 10.5 multiple of the 2016 EBITDA of the Target Group.

Accordingly, in determining the Consideration amounts, the Purchaser and the Vendor each took reference to the terms and conditions under the mm2 SPA as a market transaction for the exact subject matter of the Sale and Purchase Agreement, including but not limited to the multiplier of 10.5 to the 2016 EBITDA previously agreed between the Vendor and mm2 as a basis for calculating the consideration payable by mm2 under the mm2 SPA for its acquisition of the Sale Shares.

As provided in the Completion Announcement, in view of the truncated period between the date of the Sale and Purchase Agreement and Completion, the parties thereto mutually agreed to reduce the Consideration at Completion to S$175 million on the basis that Completion took place on 25 October 2017.

The Consideration was funded by the proceeds of the very substantial disposal of City Entertainment Corporation Limited by the Group which was completed on 28 July 2017, the further details of which are disclosed in the circular of the Company dated 13 March 2017. The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

In respect of the reduction in Consideration as described above and in the Completion Announcement, the Board is of the view that such reduction did not comprise a material change of the Sale and Purchase Agreement.

Conditions precedent : Completion was subject to the following Conditions being satisfied or waived:

(a) The Vendor receiving from HSBC (to the satisfaction of the Purchaser) either:

(i) HSBC's written consent for the Vendor to complete the sale of the Sale Shares and for the change in shareholding, ownership, management and directorship of GVM; or

(ii) HSBC's written confirmation that the Subsidiaries are no longer indebted to HSBC, together with a copy of the relevant discharges of mortgage(s) and evidence that such document(s) have been filed with the relevant authorities in Singapore,

and the provision of a certified copy of such written consent or written confirmation to the Purchaser;

(b) the Vendor receiving from HSBC (to the satisfaction of the Purchaser) a consent letter of HSBC addressed to GVM as borrower, consenting to the entry of GVM into certain leases, and waiving any breaches arising as a result of the entry into the aforementioned leases;

(c) no landlord of an Occupation Agreement has terminated or given notice to terminate any Occupation Agreement;

(d) no other contracting party of a Services Agreement has terminated or given notice to terminate any Services Agreement;

(e) there has been no event or circumstance occurring in the Pre-Completion Period which:

(i) relates to the Cinema Business or any member of the Group, or which relates to the cinema industry in Singapore; and

(ii) results in a material reduction in the value of the Sale Shares, except where the event or circumstance relates to:

(iii) changes in national or international financial markets or general economic conditions generally affecting other companies in the same industry (other than changes which relate specifically (and solely) to the cinema industry in Singapore);

(iv) changes or disruption to national or international political conditions generally affecting other companies in the same industry (other than changes which relate specifically (and solely) to the cinema industry in Singapore); or

(v) changes in industry, laws, regulations or accounting policies generally affecting other companies in the same industry (other than changes which relate specifically (and solely) to the cinema industry in Singapore);

(f) the Vendor having provided evidence to the satisfaction of the Purchaser confirming that all contractual arrangements between mm2 and the Vendor relating to the Target Company, including the mm2 SPA, having been terminated;

(g) the Vendor having provided evidence to the satisfaction of the Purchaser confirming that all Records regarding the Target Group and/or its Cinema Business previously provided by the Vendor to mm2 have, to the extent practicable, been destroyed or deleted entirely and permanently, other than any Records which mm2 is:

(i) required to retain at law or under regulations or professional standards; or

(ii) retaining in accordance with its usual prudent corporate governance practice including minutes and papers of the board, committee of the board and investment committee, a list of which (including accurate descriptions of the contents of such Records) shall be delivered to the Purchaser as part of the deliverable evidence under this paragraph, provided that mm2 has agreed to keep such Records confidential;

(h) the Purchaser and the Vendor having procured the relevant approvals and consents from, and notifications to, the relevant landlords of the Properties in connection with the transactions contemplated under the Sale and Purchase Agreement as more particularly listed in the Sale and Purchase Agreement;

(i) the written consent of the relevant mortgagees of certain Properties, to the entry into of the relevant Occupation Agreements, having been obtained by the Purchaser and the Vendor in form and substance satisfactory to the Purchaser; and

(j) there being no material breach of the Vendor's Warranties.

The Conditions in clauses 2.1(b) to (j) were for the benefit of the Purchaser and may only be waived in writing by the Purchaser. The Conditions in clauses 2.1(a) were for the benefit of both the Purchaser and the Vendor and may only be waived in writing by each of the Purchaser and the Vendor.

If any of the Conditions had not been satisfied or waived in accordance with the Sale and Purchase Agreement by 5:00 p.m. on the Long Stop Date, the Sale and Purchase Agreement would have automatically terminated, unless otherwise mutually agreed between the parties to the Sale and Purchase Agreement.

Failure to Complete : In the event that all Conditions were satisfied or waived, and Completion had not occurred as a result of:

(i) the default of the Purchaser under the Sale and Purchase Agreement, then upon termination of the Sale and Purchase Agreement by the Vendor by notice in writing, the Vendor would have been entitled absolutely to liquidated damages in the amount equal to 10% of the Consideration that would have been payable if Completion had taken place within 2 Business Days of such satisfaction or waiver of all Conditions (the "**Liquidated Damages Amount**") and the Purchaser would have been required to pay, or the Company would have been required to procure the payment of, the Liquidated Damages Amount to the Vendor within 5 Business Days of termination of the Sale and Purchase Agreement; or

(ii) the default of the Vendor under the Sale and Purchase Agreement, then upon termination of the Sale and Purchase Agreement by the Purchaser by notice in writing, the Purchaser would have been entitled absolutely to the Liquidated Damages Amount from the Vendor and the Vendor would have been required to pay, or Village Roadshow would have been required to procure the payment of, the Liquidated Damages Amount to the Purchaser within 5 Business Days of termination of the Sale and Purchase Agreement.

The payment of the Liquidated Damages Amount pursuant to the Sale and Purchase Agreement would have constituted full and final settlement of the obligations of the party which pays such Liquidated Damages pursuant to the Sale and Purchase Agreement (the "**Defaulting Party**"), and the other parties to the Sale and Purchase Agreement would have had no claim whatsoever against the Defaulting Party and its Principal Holding Company pursuant to the Sale and Purchase Agreement.

Guarantee : Under the Sale and Purchase Agreement:

(a) Village Roadshow unconditionally and irrevocably guarantees the Vendor's compliance with its obligations under the Sale and Purchase Agreement, including each obligation to pay money. The Purchaser may demand that Village Roadshow complies with any obligations of the Vendor which have not been complied with by it under the Sale and Purchase Agreement.

(b) The Company unconditionally and irrevocably guarantees the Purchaser's compliance with its obligations under the Sale and Purchase Agreement, including each obligation to pay money. The Vendor may demand that the Company complies with any obligations of the Purchaser which have not been complied with by it under the Sale and Purchase Agreement.

Indemnities : The Vendor and Village Roadshow jointly and severally undertake to indemnify and keep indemnified the Purchaser:

(a) against any loss suffered by the Purchaser and/or the Target Company as a result of or in connection with any breach of any of the Vendor's Warranties or any other obligation under the Sale and Purchase Agreement.

(b) against any loss suffered by the Purchaser and/or the Company as a result of, or in connection with, any liability resulting from any contractual arrangement between mm2 and the Vendor relating to the Sale Shares, including but not limited to the mm2 SPA.

The Vendor has also undertaken to provide certain indemnities to the Purchaser and/or the relevant member(s) of the Target Group with respect to, among others, costs and expenses payable by the Purchaser and/or such relevant member(s) of the Target Group as a result of certain claims founded upon taxation, and in the event of non-renewal of leases of certain Properties.

Completion : Based on the fulfilment (or waiver, as the case may be) of all Conditions under the Sale and Purchase Agreement, Completion took place on 25 October 2017.

Non-competition	:	The Vendor has undertaken that, among other things, it will not directly or indirectly, and it shall procure that its related entities shall not directly or indirectly be involved in or engaged in the Cinema Business for a period of ten years following Completion.

C. LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios for the Acquisition, based on the highest Consideration payable, under the Sale and Purchase Agreement is more than 25% and each of them is less than 100%, the Acquisition under the Sale and Purchase Agreement constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition under the Sale and Purchase Agreement is subject to the reporting, announcement and the shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this circular, no Shareholder has a material interest in the Acquisition and therefore no Shareholder would be required to abstain from voting on the proposed resolution(s) to approve the Sale and Purchase Agreement, and the transactions contemplated thereunder in a general meeting of the Shareholders.

Accordingly, the Company has obtained written shareholders' approval for the Acquisition from a closely allied group of Shareholders, holding in aggregate approximately 70.50% of the entire issued share capital in the Company as at the Latest Practicable Date, pursuant to Rule 14.44 of the Listing Rules. Such closely allied group of Shareholders consists of: (i) Mr. Wu, the chairman and an executive Director of the Company; (ii) Skyera International; (iii) Mainway Enterprises; (iv) Orange Sky Entertainment; (v) Cyber International; and (vi) Noble Biz.

D. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition is in line with the business strategy and development direction of the Group, and in accordance with the use of proceeds as disclosed in the circular of the Company dated 13 March 2017 with respect to the very substantial disposal of City Entertainment Corporation Limited, namely that, among other things, such proceeds will be allocated to substantially expand the operations of the Group and increase the future profitability of the Group.

The Directors believe that the Acquisition would enable the Company to strengthen its existing film exhibition business positioning in Singapore together with its brand name, and would also enable the Company to enjoy stronger purchasing power and achieve additional cost savings from the enlarged scale of its business in this region. As the Target Company is an existing joint venture of the Group, the Directors are confident in the profitability and growth potential of the Target Group, and anticipates that the Acquisition would allow the Company to direct the further development and expansion of the Target Group's businesses to bring positive influence towards the Group's financial results.

The Group's long term goal is to become one of the leading film exhibitors in the Asia Pacific region and a leading film, video and television production and distribution player in the Hong Kong and the PRC market. Through organic growth in different regions as well as potential acquisitions including the present Acquisition, plus the improvement in the efficiency of its mature cinemas, the scale and profitability of the Group is expected to improve.

The Directors are of the view that, having considered the terms of the Sale and Purchase Agreement and based on the reasons and benefits of the Acquisition, the Acquisition is in the best interests of the Company and the Shareholders as a whole. In particular, in reaching such determination, the Directors considered that:

(i) The Consideration was based on the assessment of the value and anticipated profitability of the Target Group, and having view to the fact that the Vendor had previously secured a written agreement with mm2 to dispose of the Sale Shares to mm2 at approximately S$184 million, the amount of Consideration payable under the Sale and Purchase Agreement was on more favourable terms than the terms that were offered to the Vendor previously on market.

(ii) The terms and conditions of the Sale and Purchase Agreement are fair and reasonable in the view of the Directors, having regard to the context of the Target Group being relatively long-lived joint venture between the contracting parties and hence the transitional arrangements and conditions precedents that the Vendor and Village Roadshow were obliged to fulfil and provide. The Directors also had regard to the non-competition undertaking that would protect the development of the Target Group's businesses and brand name in Singapore, as well as the extensive guarantees and indemnities which protect the Group's interests in the event of breach of the Vendor's Warranties under the Sale and Purchase Agreement and in the event that the Purchaser or the Target Group was implicated in any liability flowing from the mm2 SPA.

As Completion has now taken place, the Board looks forward to directing the further development and expansion of the Target Group's business to bring positive influence towards the Group's financial results.

E. INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in Hong Kong which holds the Subsidiaries. The Subsidiaries are principally engaged in the business of owning, operating and managing cinema complexes and distributing of motion pictures in Singapore under the "Golden Village" brand name. For further details regarding the business of the Target Group, please refer to Appendix III to this circular.

The consolidated net assets of the Target Group as at 31 December 2015 and as at 31 December 2016 were approximately HK$205,122,000 and HK$126,526,000 respectively. The consolidated net profits (before and after taxation) of the Target Group for the year ended 31 December 2015 were approximately HK$141,605,000 and HK$118,840,000 respectively, and the consolidated net profits (before and after taxation) of the Target Group for the year ended

31 December 2016 were approximately HK$144,228,000 and HK$118,356,000 respectively. For further details regarding the financial information of the Target Group, please refer to Appendix II to this circular.

F. FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company has become a wholly owned subsidiary of the Group and thus the assets, liabilities and financial results of the Target Company and its subsidiaries will be consolidated into those of the Group.

Assets and liabilities

As illustrated in the unaudited pro forma financial information as set out in Appendix IV to this circular, had the Completion taken place on 30 June 2017, the total assets of the Enlarged Group would increase from HK$3,563,768,000 to approximately HK$4,225,300,000 on a pro forma basis, and the total liabilities of the Enlarged Group would increase from HK$2,071,210,000 to approximately HK$2,571,450,000 on a pro forma basis.

Earnings

As set out in the Accountant's Report on the Target Group included in Appendix II to this circular, the revenue and net profit attributable to shareholders of the Target Company were approximately HK$800,263,000 and HK$118,356,000 for the year 31 December 2016, respectively.

The attention of the Shareholders is drawn to the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular.

G. INFORMATION RELATING TO THE PURCHASER, THE COMPANY AND THE GROUP

The Purchaser is an investment holding company, and a wholly-owned subsidiary of the Company.

The Company is an investment holding company. The Group is principally engaged in theatrical exhibition, cinema operation, film, video and television production and distribution business in Hong Kong, Taiwan and Singapore.

H. INFORMATION ON THE VENDOR AND VILLAGE ROADSHOW

The Vendor is a private company limited by shares which is incorporated in Australia, and a wholly-owned subsidiary of Village Roadshow. Village Roadshow is an Australian mass media and entertainment company which is engaged in, among others, cinema business and film production, and which is publicly listed on the Australian Securities Exchange.

I. GENERAL

Your attention is drawn towards the information set out in the appendices to this circular.

Yours faithfully,
By order of the board of directors of
Orange Sky Golden Harvest Entertainment (Holdings) Limited
Wu Kebo
Chairman and Executive Director

1. SUMMARY OF FINANCIAL INFORMATION

The audited consolidated financial statements and management discussion and analysis of the Group for each of the three years ended 31 December 2016, 2015 and 2014 are disclosed in the following documents, which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.osgh.com.hk):

- annual report of the Company for the year ended 31 December 2016, on pages 62 to 140;
- annual report of the Company for the year ended 31 December 2015, on pages 61 to 125; and
- annual report of the Company for the year ended 31 December 2014, on pages 65 to 129

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2017 are disclosed in the following document, which has been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.osgh.com.hk):

- interim report of the Company for the period ended 30 June 2017, on pages 14 to 55

2. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the financial resources available to the Group including internally generated funds, the Group will have sufficient working capital for its requirements for at least the twelve months from the date of publication of this circular.

3. STATEMENT OF INDEBTEDNESS

At the close of business on 31 October 2017, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Enlarged Group's indebtedness are as follows:

Bank borrowings

As at 31 October 2017, the Enlarged Group had aggregate outstanding bank borrowings of approximately HK$718,497,813, details of which are set out below:

	HK$
Bank borrowings — secured and guaranteed	544,747,813
Bank borrowings — secured and unguaranteed	143,750,000
Bank borrowings — unsecured and guaranteed	30,000,000
Total bank borrowings	718,497,813

The bank borrowings granted to the Enlarged Group were secured by pledged cash, an office property, two commercial properties and the equity interests in two subsidiaries of the Company.

Obligations under finance leases

As at 31 October 2017, the Group has unguaranteed finance lease obligations with outstanding principal amount of approximately HK$317,000. Such obligations under finance leases are secured by the assets under the finance leases.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, at the close of business on 31 October 2017, the Group did not have any material mortgages, charges, debentures, loan capital, debt securities, term loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance (other than normal trade payables) or acceptance credits, guarantee or other material contingent liabilities.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

After the Acquisition, and having taking into account the completion of the very substantial disposal of City Entertainment Corporation Limited by the Group (the "**VSD**") on 28 July 2017, the Group will continue to focus on strengthening and expanding its film exhibition business and film, video and television production and distribution business. The Group's long term goal is to become one of the leading film exhibitors in the Asia Pacific region and a leading film, video and television production and distribution player in the Hong Kong and the PRC market.

In Hong Kong, the Group will continue to expand its current cinema operations by actively pursuing high quality potential new sites, acquisition targets and cooperation opportunities. The Group is expected to open on average one or two new cinemas each year depending on availability of new sites in the market and the feasibility of the commercial terms. To ramp up its film, video and TV production business, the Group will seek profitable opportunities to produce and/or co-invest in an average target of one to two new mid-to-large scale films every year by remaking films from the Group's film library, and/or engage in new film production from existing scripts and co-investing in Chinese films.

Following completion of the Acquisition, the Group became the sole owner of the Target Group, which is the market leader of film exhibition business in Singapore. The Group will continue to identify high quality potential new sites, acquisition targets and cooperation opportunities for further expansion of the Target Group. An average of one or two new cinemas is expected to be opened each year by the Target Group depending on availability of new sites in the market and the feasibility of the commercial terms.

In Taiwan, to further expand the market share and the box office income, the Group's 35.71% owned Vie Show cinema circuit will continue to recognize new sites with potential of strong expansion to maintain the market leading position in the region and the profit contribution to the Group.

Since the Group has undertaken not to engage in the investment in and the operation of the cinema business in the PRC within 24 months from the completion of the VSD, in terms of its business activities in the PRC, the Group will focus on exploring valuable opportunities to produce and/or co-invest in an average target of one to two new mid-to-large scale films every year by remaking films from the Group's film library, and/or engage in new film production from existing scripts and co-investing in Chinese films.

Through organic growth in different regions as well as potential acquisitions, together with the anticipated improvement in the efficiency of its mature cinemas, the improving scale and profitability of the Group and better returns to the Company's shareholders is expected.

5. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016 (being the date to which the latest published audited financial statements of the Company have been made up) and up to and including the Latest Practicable Date.

The following is the text of a report, prepared for the purpose of incorporation in this Circular, received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ORANGE SKY GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

Introduction

We report on the historical financial information of Dartina Development Limited ("**Dartina**" or the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages 26 to 65, which comprises the consolidated statements of financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years then ended and the six months ended 30 June 2017 (the "**Relevant Periods**"), and a summary of significant accounting policies and explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages 26 to 65 forms an integral part of this report, which has been prepared for inclusion in the circular of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "**Company**") dated 19 December 2017 (the "**Circular**") in connection with the acquisition of the remaining 50% equity interests in Dartina (the "**Acquisition**").

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the directors' preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of the its financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2016 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our 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 HKICPA. A review consists of making inquiries 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provision) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 26 have been made.

Dividends

We refer to Note 16(b) to the Historical Financial Information of the Target Group which contain information about the dividends paid by Dartina in respect of the Relevant Periods.

KPMG
Certified Public Accountants
Hong Kong

19 December 2017

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information of the Target Group which forms an integral part of this accountants' report.

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by us in accordance with Hong Kong Standard on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong Dollars ("**HK$**") and all values are rounded to the nearest thousand ("**HK$'000**") except when otherwise indicated.

A HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

1 Consolidated income statements

	Section B Note	Year ended 31 December 2014 HK$'000	2015 HK$'000	2016 HK$'000	Six months ended 30 June 2016 HK$'000 (Unaudited)	2017 HK$'000
Revenue	3	785,812	793,232	800,263	411,456	407,056
Cost of sales		(295,465)	(312,482)	(318,226)	(161,961)	(157,723)
Gross profit		490,347	480,750	482,037	249,495	249,333
Other revenue	5(a)	16,718	13,874	15,894	8,552	7,722
Other net (loss)/income	5(b)	(683)	1,215	(683)	(1,107)	(71)
Selling and distribution costs		(342,812)	(311,809)	(311,634)	(156,607)	(155,548)
General and administrative expenses		(34,776)	(33,772)	(37,120)	(18,415)	(17,248)
Other operating expenses		(3,009)	(3,953)	(1,057)	(836)	(706)
Profit from operations		125,785	146,305	147,437	81,082	83,482
Finance costs	6(a)	(3,027)	(4,700)	(3,209)	(1,675)	(1,689)
Profit before taxation	6	122,758	141,605	144,228	79,407	81,793
Income tax	7	(19,032)	(22,765)	(25,872)	(12,887)	(13,568)
Profit for the year/period		103,726	118,840	118,356	66,520	68,225

2 Consolidated statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit for the year/period	103,726	118,840	118,356	66,520	68,225
Other comprehensive income for the year:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	(9,362)	(16,446)	729	11,684	7,968
Total comprehensive income for the year/period	94,364	102,394	119,085	78,204	76,193

3 Consolidated statements of financial position

	Section B Note	As at 31 December 2014 HK$'000	As at 31 December 2015 HK$'000	As at 31 December 2016 HK$'000	As at 30 June 2017 HK$'000
Non-current assets					
Other property, plant and equipment	11	301,709	267,846	240,671	252,114
Leasehold land	11	125,650	115,570	111,749	116,992
Other receivables, deposits and prepayments	15	12,460	11,929	14,169	17,657
		439,819	395,345	366,589	386,763
Current assets					
Inventories	14	1,837	2,477	2,392	2,484
Film rights	13	690	1,096	2,801	61
Trade receivables	15	23,890	30,552	25,752	21,206
Other receivables, deposits and prepayments	15	4,212	4,640	3,078	5,431
Derivative financial instruments	18	—	463	—	—
Deposits and cash	19	225,124	198,866	91,738	152,063
		255,753	238,094	125,761	181,245
Current liabilities					
Bank loans	17	44,100	54,800	107,400	14,150
Derivative financial instruments	18	647	—	290	259
Trade payables	20	72,562	59,008	47,494	64,534
Other payables and accrued charges	20	158,955	139,768	89,928	102,101
Deferred revenue	21	54,626	52,441	66,017	69,716
Taxation payable	22	20,381	25,644	29,081	17,560
		351,271	331,661	340,210	268,320
Net current liabilities		(95,518)	(93,567)	(214,449)	(87,075)
Total assets less current liabilities		344,301	301,778	152,140	299,688

	Section B Note	As at 31 December 2014 HK$'000	2015 HK$'000	2016 HK$'000	As at 30 June 2017 HK$'000
Non-current liabilities					
Bank loans	17	132,300	68,500	—	127,350
Other payables	20	962	2,372	1,694	2,928
Deferred tax liabilities	22	26,371	25,784	23,920	25,721
		159,633	96,656	25,614	155,999
NET ASSETS		184,668	205,122	126,526	143,689
CAPITAL AND RESERVES					
Share capital		31,200	31,200	31,200	31,200
Reserves		153,468	173,922	95,326	112,489
TOTAL EQUITY		184,668	205,122	126,526	143,689

4 Consolidated statements of changes in equity

	Share capital *(Note 16(c))* *HK$'000*	Exchange reserve *(Note 16(d))* *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
Balance at 1 January 2014	31,200	49,543	252,085	332,828
Profit for the year	—	—	103,726	103,726
Other comprehensive income	—	(9,362)	—	(9,362)
Dividend declared	—	—	(242,524)	(242,524)
Balance at 31 December 2014	31,200	40,181	113,287	184,668
Balance at 1 January 2015	31,200	40,181	113,287	184,668
Profit for the year	—	—	118,840	118,840
Other comprehensive income	—	(16,446)	—	(16,446)
Dividend declared	—	—	(81,940)	(81,940)
Balance at 31 December 2015	31,200	23,735	150,187	205,122
Balance at 1 January 2016	31,200	23,735	150,187	205,122
Profit for the year	—	—	118,356	118,356
Other comprehensive income	—	729	—	729
Dividend declared	—	—	(197,681)	(197,681)
Balance at 31 December 2016	31,200	24,464	70,862	126,526
Balance at 1 January 2016	31,200	23,735	150,187	205,122
Profit for the period	—	—	66,520	66,520
Other comprehensive income	—	11,684	—	11,684
Balance at 30 June 2016 (Unaudited)	31,200	35,419	216,707	283,326
Balance at 1 January 2017	31,200	24,464	70,862	126,526
Profit for the period	—	—	68,225	68,225
Other comprehensive income	—	7,968	—	7,968
Dividend declared	—	—	(59,030)	(59,030)
Balance at 30 June 2017	31,200	32,432	80,057	143,689

5 Consolidated cash flow statements

		Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Operating activities						
Profit before taxation		122,758	141,605	144,228	79,407	81,793
Adjustments for:						
Depreciation of property, plant and equipment	*6(c)*	52,076	45,732	50,324	24,012	22,902
Write-off of property, plant and equipment	*6(c)*	3,038	3,953	1,123	338	22
Impairment of film rights	*6(c)*	1,669	1,387	1,817	1,900	2,531
Gain on disposal of property, plant and equipment	*5(b)*	(91)	—	—	—	—
Finance costs	*6(a)*	3,027	4,700	3,209	1,675	1,689
Interest income	*5(a)*	(13)	(16)	(14)	(7)	(7)
Net change in fair value of derivative financial instruments	*5(b)*	673	(1,100)	775	935	(46)
Operating profit before changes in working capital		183,137	196,261	201,462	108,260	108,884
(Increase)/decrease in inventories		(156)	(788)	37	97	37
Decrease in film rights		21,412	12,011	8,817	8,947	8,201
Decrease/(increase) in trade receivables		3,921	(7,609)	4,808	15,039	5,810
Decrease/(increase) in other receivables, deposits and prepayments		9,491	(1,022)	(1,215)	515	(4,732)
Increase/(decrease) in trade payables		5,524	(7,912)	(9,080)	(2,040)	23,598
Increase/(decrease) in other payables and accrued charges		21,211	16,831	3,939	(1,844)	(1,149)
Increase in deferred revenue		1,108	1,579	15,255	6,206	131
Cash generated from operations		245,648	209,351	224,023	135,180	140,780
Interest received		13	16	14	7	7
Finance costs paid		(2,800)	(4,839)	(3,906)	(1,877)	(1,327)
Overseas tax paid		(33,756)	(14,665)	(23,156)	(11,745)	(25,883)
Net cash generated from operating activities		209,105	189,863	196,975	121,565	113,577

	Note	Year ended 31 December 2014 HK$'000	2015 HK$'000	2016 HK$'000	Six months ended 30 June 2016 HK$'000 (Unaudited)	2017 HK$'000
Investing activities						
Payment for the purchase of property, plant and equipment		(90,035)	(34,354)	(27,148)	(20,611)	(20,627)
Payment for acquisition of film rights		(22,665)	(13,398)	(12,783)	(11,251)	(7,423)
Proceeds from disposal of property, plant and equipment		91	—	—	—	—
Net cash used in investing activities		(112,609)	(47,752)	(39,931)	(31,862)	(28,050)
Financing activities						
Draw down of bank loans		183,300	—	42,000	—	138,500
Repayment of bank loans		—	(42,375)	(56,000)	(28,100)	(110,800)
Dividends paid		(161,380)	(111,019)	(249,746)	(52,065)	(59,030)
Net cash generated from/(used in) financing activities		21,920	(153,394)	(263,746)	(80,165)	(31,330)
Net increase/(decrease) in cash and cash equivalents		118,416	(11,283)	(106,702)	9,538	54,197
Cash and cash equivalents at beginning of the year/period		115,703	225,124	198,866	198,866	91,738
Effect of foreign exchange rate changes		(8,995)	(14,975)	(426)	(2,549)	6,128
Cash and cash equivalents at the end of year/period	*19(a)*	225,124	198,866	91,738	205,855	152,063

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

1 General information

The Target Company was incorporated in Hong Kong on 7 July 1989 under Hong Kong Companies Ordinance. The registered office of the Target Company is located at 24/F, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong.

The Target Company is an investment holding company and other group companies are principally engaged in the theatre operation, distribution of motion pictures and investment holding in Singapore.

2 Significant accounting policies

(a) Statement of compliance and basis of preparation

The Historical Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Target Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2017. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2017 are set out in note 29.

The Historical Financial Information is presented in Hong Kong dollar ("**HK$**"), which is the Target Company's functional currency. Each entity comprising the Target Group determines its own functional currency.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that derivative financial instruments are stated at their fair value as set out in note 2(d).

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Comparative Financial Information for the six months ended 30 June 2016 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Historical Financial Information.

As at 30 June 2017, the Target Group had net current liabilities of HK$87,075,000, of which HK$69,716,000 were deferred revenue. The directors of the Target Company are of the opinion that the Target Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that:

(i) the unutilised banking facilities available to the Target Group amounted to approximately HK$84,900,000 will not be expiring before 30 June 2018; and

(ii) the Target Group is able to generate positive operating cash flows.

Accordingly, the directors of the Target Company are of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis.

(b) Accounting judgments and estimates

Judgments made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 28.

(c) Subsidiaries

Subsidiaries are entities controlled by the Target Group. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Target Group has power, only substantive right (held by the Target Group and other parties) are considered.

The financial information of the subsidiaries are included in the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Target Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interest within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Target Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost of initial recognition of an investment in an associate or joint venture.

In the Target Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (note 2(f)).

(d) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(e) Other property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses except for certain leasehold land and buildings, which are stated at their revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowings costs.

In prior years certain leasehold land and buildings were revalued to their fair value. In preparing this Historical Financial Information, advantage has been taken of the traditional provisions set out in paragraph 80(AA) of HKAS 16, Property, plant and equipment issued by the HKICPA, with the effect that these leasehold land and buildings have not been revalued to their fair value at the end of the reporting period.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not classified to profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Leasehold land	over the lease term of 94 to 99 years
— Leasehold buildings and improvements	12 to 40 years
— Projection equipment	8 to 15 years
— Plant and equipment	3 to 12 years
— Floor coverings	5 years
— Construction-in-progress is not depreciated.	

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Impairment of assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment, film rights and investments in subsidiaries in the Target Company's statement of financial position may be impaired or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(g) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is determined using the first-in first-out basis and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(h) Film rights

Film rights represent films and television drama series that are stated initially at cost less accumulated amortisation and impairment losses (note 2(f)).

Amortisation of film rights is charged to profit or loss based on the proportion of actual income earned during the year to the total estimated income from the sale of film rights.

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Target Group about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

Impairment losses for receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Target Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(n) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Cinema operation revenue

Cinema operation revenue is revenue from the sale of cinema tickets which is recognised upon the screening of shows and revenue from the sale of food and beverage which is recognised at the point of sale. Billings in advance, customers' advances and unredeemed vouchers are presented as deferred revenue in the statement of financial position.

(ii) Advertising income

Advertising income comprises screen advertising income and media income.

Screen advertising income is recognised upon the screening of advertisements over the contract period. Billings in advance for screen advertising are presented as deferred revenue in the statement of financial position.

Media income relates to off-screen advertising income which is recognised over the term of the advertising contract on a straight-line basis and production income from re-formatting of screen advertisements which is recognised upon performance of service to the customers.

(iii) Rental income

Rental income is recognised on a straight-line basis over the lease term.

(iv) Film distribution income

Film distribution income is recognised upon screening of films.

(v) Film royalties

Film royalties arise from the assignment of screening rights to television stations and the granting of rights to manufacture, distribute and sell video cassettes, laser discs, video compact discs and digital video discs. Film royalties are recognised as accrued royalties when the Group's right to receive payment is established.

(q) Finance income and finance costs

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and fair value losses on derivative financial instruments that are recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(r) Translation of foreign currencies

Foreign currency transactions during the Relevant Periods are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in the other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(s) Related parties

(1) A person, or a close member of that person's family, is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or the Target Group's parent.

(2) An entity is related to the Target Group if any of the following conditions applies:

(i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the Target Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products or provide the services, and the nature of operating processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Revenue

The principal activities of the Target Group are the development, operation and management of cinema multiplexes, film distribution and screen advertising.

The amount of each significant category of revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Cinema operations	727,587	712,568	716,630	374,569	370,848
Advertising income	49,228	50,232	51,379	26,490	27,469
Film distribution income	5,256	27,646	30,874	9,538	7,672
Film royalties	3,741	2,786	1,380	859	1,067
	785,812	793,232	800,263	411,456	407,056

The Target Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Target Group's revenue. Details of concentrations of credit risk arising from customers are set out in note 23(a).

4 Segment reporting

The directors of the Target Company are identified as the chief operating decision maker (the "**CODM**") for the purposes of resource allocation and performance assessment. The Target Group currently operates in film exhibition business, film distribution business and the provision of related advertising services, which is considered to be a single operating segment. A single management team report is provided to the CODM to assess the Target Group's performance and allocate the resources as a whole. Accordingly, no segment information is reported. For the Relevant Periods, all revenue and non-current assets of the Target Group are derived and located in Singapore.

5 Other revenue and other net (loss)/income

(a) Other revenue

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest income from bank deposits	13	16	14	7	7
Miscellaneous income	16,705	13,858	15,880	8,545	7,715
	16,718	13,874	15,894	8,552	7,722

(b) Other net (loss)/income

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Net change in fair value of derivative financial instrument	(673)	1,100	(775)	(935)	46
Gain on disposal of property, plant and equipment	91	—	—	—	—
Exchange differences, net	(101)	115	92	(172)	(117)
	(683)	1,215	(683)	(1,107)	(71)

6 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest expense on financial liabilities measured at amortised cost	3,027	4,700	3,209	1,675	1,689
	3,027	4,700	3,209	1,675	1,689

(b) Staff costs:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries, wages and other benefits	71,329	67,625	69,616	35,449	34,838
Contributions to defined contribution plans	10,416	10,395	10,849	5,497	5,330
	81,745	78,020	80,465	40,946	40,168

(c) *Other items:*

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Depreciation of property, plant and equipment	52,076	45,732	50,324	24,012	22,902
Amortisation of film rights	22,283	13,105	10,506	10,120	7,724
Impairment of film rights	1,669	1,387	1,817	1,900	2,531
Write-off of property, plant and equipment	3,038	3,953	1,123	338	22
Auditor's remuneration	444	417	670	209	294
Operating lease charges:					
— minimum lease payment	166,708	140,988	140,865	71,065	72,617
— contingent rentals	12,334	13,229	13,113	7,019	6,720

7 Income tax

(a) Taxation in the consolidated statement of profit or loss represents:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Current income tax					
Provision for Hong Kong Profits Tax	—	—	—	—	—
Provision for Singapore Corporate income tax	16,662	21,521	26,312	10,840	14,979
Under/(over)-provision in respect of prior years	—	—	964	—	(1,909)
	16,662	21,521	27,276	10,840	13,070
Deferred tax					
Origination and reversal of temporary differences	2,370	1,244	(1,404)	2,047	498
	19,032	22,765	25,872	12,887	13,568

Notes:

(i) No provision for Hong Kong Profits Tax has been made as the Target Group did not earn any income assessable to Hong Kong Profits Tax during the Relevant Periods.

(ii) The provision for Singapore Corporate income tax is calculated at 17% of the estimated assessable profits for the Relevant Periods.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before taxation	122,758	141,605	144,228	79,407	81,793
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	20,869	24,073	24,520	13,499	13,905
Tax effect of non-taxable income	(3,243)	(293)	(290)	(146)	(144)
Tax effect of non-deductible expenses	1,765	191	2,049	915	1,972
Statutory tax concession	(999)	(571)	(526)	(447)	(328)
Under/(over)-provision in respect of prior years	—	—	964	—	(1,909)
Others	640	(635)	(845)	(934)	72
Actual tax expense	19,032	22,765	25,872	12,887	13,568

8 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Sub-total	Equity-settled share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2014							
Executive directors							
WU, Kebo	—	644	—	—	644	—	644
KIRBY, Robert George	—	—	—	—	—	—	—
TAN, Boon Pin Simon	—	—	—	—	—	—	—
RAFFE, Julie Elaine	—	—	—	—	—	—	—
KIRBY, Clark Jonathan	—	—	—	—	—	—	—
MAO, Yimin	—	—	—	—	—	—	—
	—	644	—	—	644	—	644

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonus *HK$'000*	Retirement scheme contributions *HK$'000*	Sub-total *HK$'000*	Equity-settled share-based payments *HK$'000*	Total *HK$'000*
For the year ended 31 December 2015							
Executive directors							
WU, Kebo	—	596	—	—	596	—	596
KIRBY, Robert George	—	—	—	—	—	—	—
TAN, Boon Pin Simon	—	—	—	—	—	—	—
RAFFE, Julie Elaine	—	—	—	—	—	—	—
KIRBY, Clark Jonathan	—	—	—	—	—	—	—
MAO, Yimin	—	—	—	—	—	—	—
	—	596	—	—	596	—	596
For the year ended 31 December 2016							
Executive directors							
WU, Kebo	—	590	—	—	590	—	590
KIRBY, Robert George	—	—	—	—	—	—	—
TAN, Boon Pin Simon	—	—	—	—	—	—	—
RAFFE, Julie Elaine	—	—	—	—	—	—	—
KIRBY, Clark Jonathan	—	—	—	—	—	—	—
MAO, Yimin	—	—	—	—	—	—	—
	—	590	—	—	590	—	590
For the six months ended 30 June 2016							
Executive directors							
WU, Kebo	—	296	—	—	296	—	296
KIRBY, Robert George	—	—	—	—	—	—	—
TAN, Boon Pin Simon	—	—	—	—	—	—	—
RAFFE, Julie Elaine	—	—	—	—	—	—	—
KIRBY, Clark Jonathan	—	—	—	—	—	—	—
MAO, Yimin	—	—	—	—	—	—	—
	—	296	—	—	296	—	296

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonus *HK$'000*	Retirement scheme contributions *HK$'000*	Sub-total *HK$'000*	Equity-settled share-based payments *HK$'000*	Total *HK$'000*
For the six months ended 30 June 2017							
Executive directors							
WU, Kebo	—	292	—	—	292	—	292
KIRBY, Robert George	—	—	—	—	—	—	—
TAN, Boon Pin Simon	—	—	—	—	—	—	—
RAFFE, Julie Elaine	—	—	—	—	—	—	—
KIRBY, Clark Jonathan	—	—	—	—	—	—	—
MAO, Yimin	—	—	—	—	—	—	—
	—	292	—	—	292	—	292

9 Individuals with highest emoluments

The aggregate of the emoluments in respect of the five individuals with highest emoluments are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries and other emoluments	5,577	6,132	6,273	3,776	3,623
Discretionary bonus	1,961	1,990	2,010	—	—
Equity-settled share-based payments	—	—	—	—	—
Retirement scheme contributions	379	395	470	291	282
	7,917	8,517	8,753	4,067	3,905

The emoluments of the five individuals with the highest emoluments for the Relevant Periods are within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
HK$Nil — HK$1,000,000	1	—	1	3	4
HK$1,000,001 — HK$1,500,000	2	2	1	2	1
HK$1,500,001 — HK$2,000,000	1	2	2	—	—
HK$2,500,001 — HK$3,000,000	1	1	—	—	—
HK$3,000,001 — HK$3,500,000	—	—	1	—	—

10 Earnings per share

No earnings per share information is presented for the purpose of this Historical Financial Information as its inclusion is not considered meaningful.

11 Other property, plant and equipment and leasehold land

	Leasehold land	Leasehold buildings and improvements	Projection equipment	Plant and equipment	Floor coverings	Construction-in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:							
At 1 January 2014	143,353	406,169	101,199	140,618	15,512	7,192	814,043
Additions	—	55,361	9,512	19,235	1,703	4,224	90,035
Disposals	—	—	(643)	(1,651)	—	—	(2,294)
Write-off	—	(56,996)	(6,473)	(16,429)	(2,433)	(31)	(82,362)
Reclassification	—	2,361	508	3,983	151	(7,003)	—
Effect of movements in exchange rates	(5,622)	(15,956)	(4,078)	(5,707)	(587)	(176)	(32,126)
At 31 December 2014	137,731	390,939	100,025	140,049	14,346	4,206	787,296
Accumulated amortisation and depreciation							
At 1 January 2014	10,863	231,718	52,163	97,712	11,762	—	404,218
Charge for the year	1,708	22,707	13,280	13,137	1,244	—	52,076
Written back on disposals	—	—	(643)	(1,651)	—	—	(2,294)
Write-off	—	(54,382)	(6,362)	(16,147)	(2,433)	—	(79,324)
Effect of movements in exchange rates	(490)	(7,895)	(2,282)	(3,656)	(416)	—	(14,739)
At 31 December 2014	12,081	192,148	56,156	89,395	10,157	—	359,937
Net book value							
At 31 December 2014	125,650	198,791	43,869	50,654	4,189	4,206	427,359

	Leasehold land *HK$'000*	Leasehold buildings and improvements *HK$'000*	Projection equipment *HK$'000*	Plant and equipment *HK$'000*	Floor coverings *HK$'000*	Construction-in-progress *HK$'000*	Total *HK$'000*
Cost or valuation:							
At 1 January 2015	137,731	390,939	100,025	140,049	14,346	4,206	787,296
Additions	—	14,893	3,034	13,558	560	2,309	34,354
Write-off	—	(18,337)	(13,309)	(14,178)	(1,354)	—	(47,178)
Reclassification	—	108	311	3,158	240	(3,817)	—
Effect of movements in exchange rates	(9,369)	(26,494)	(6,505)	(9,604)	(959)	(241)	(53,172)
At 31 December 2015	128,362	361,109	83,556	132,983	12,833	2,457	721,300
Accumulated amortisation and depreciation							
At 1 January 2015	12,081	192,148	56,156	89,395	10,157	—	359,937
Charge for the year	1,580	20,280	7,664	14,639	1,569	—	45,732
Write-off	—	(18,088)	(11,671)	(12,112)	(1,354)	—	(43,225)
Effect of movements in exchange rates	(869)	(13,137)	(3,700)	(6,157)	(697)	—	(24,560)
At 31 December 2015	12,792	181,203	48,449	85,765	9,675	—	337,884
Net book value							
At 31 December 2015	115,570	179,906	35,107	47,218	3,158	2,457	383,416

	Leasehold land *HK$'000*	Leasehold buildings and improvements *HK$'000*	Projection equipment *HK$'000*	Plant and equipment *HK$'000*	Floor coverings *HK$'000*	Construction-in-progress *HK$'000*	Total *HK$'000*
Cost or valuation:							
At 1 January 2016	128,362	361,109	83,556	132,983	12,833	2,457	721,300
Additions	—	13,128	3,776	5,703	2,094	2,447	27,148
Write-off	—	(1,049)	(3,141)	(3,487)	(3,374)	(65)	(11,116)
Reclassification	—	894	267	1,092	163	(2,416)	—
Effect of movements in exchange rates	(2,577)	(7,781)	(1,714)	(2,805)	(212)	(48)	(15,137)
At 31 December 2016	125,785	366,301	82,744	133,486	11,504	2,375	722,195
Accumulated amortisation and depreciation							
At 1 January 2016	12,792	181,203	48,449	85,765	9,675	—	337,884
Charge for the year	1,565	22,829	9,624	14,942	1,364	—	50,324
Write-off	—	(435)	(2,817)	(3,367)	(3,374)	—	(9,993)
Effect of movements in exchange rates	(321)	(4,557)	(1,253)	(2,197)	(112)	—	(8,440)
At 31 December 2016	14,036	199,040	54,003	95,143	7,553	—	369,775
Net book value							
At 31 December 2016	111,749	167,261	28,741	38,343	3,951	2,375	352,420

	Leasehold land HK$'000	Leasehold buildings and improvements HK$'000	Projection equipment HK$'000	Plant and equipment HK$'000	Floor coverings HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost or valuation:							
At 1 January 2017	125,785	366,301	82,744	133,486	11,504	2,375	722,195
Additions	—	—	2,103	1,035	—	17,489	20,627
Write-off	—	—	(1,407)	(287)	—	—	(1,694)
Reclassification	—	—	—	28	—	(28)	—
Effect of movements in exchange rates	6,792	19,782	4,484	7,226	621	507	39,412
At 30 June 2017	132,577	386,083	87,924	141,488	12,125	20,343	780,540
Accumulated amortisation and depreciation							
At 1 January 2017	14,036	199,040	54,003	95,143	7,553	—	369,775
Charge for the period	774	10,837	3,726	6,816	749	—	22,902
Write-off	—	—	(1,407)	(265)	—	—	(1,672)
Effect of movements in exchange rates	775	10,984	2,967	5,280	423	—	20,429
At 30 June 2017	15,585	220,861	59,289	106,974	8,725	—	411,434
Net book value							
At 30 June 2017	116,992	165,222	28,635	34,514	3,400	20,343	369,106

(a) The valuation of leasehold land and leasehold buildings and improvements located at #02–01, 51 Yishun Central 1, Singapore was made by the Directors and was based on a professional appraisal by Colliers Jardine in October 1992. The valuation was made on the basis of open market value for existing use. Since 1992, no further revaluation of the Target Group's leasehold land and leasehold buildings and improvements has been carried out as the Target Group has relied on the exemption from the requirement to carry out future revaluation of its property, plant and equipment, which were stated at valuation at the time, granted under the transitional provisions in paragraph 80AA of HKAS 16.

Had the leasehold land and leasehold buildings and improvements been carried at cost less accumulated depreciation and impairment losses, the net book value of the Target Group's leasehold land and leasehold buildings and improvements would have been HK$81,743,000, HK$72,942,000, HK$68,502,000 and HK$70,633,000 as at 31 December 2014, 2015, 2016 and 30 June 2017 respectively.

(b) As at 31 December 2014, 2015, 2016 and 30 June 2017, leasehold land, buildings and improvements include the following properties of the Target Group:

(i) A leasehold land and building with a strata floor area of 8,419 square metres at the 1st to 4th storeys of 51 Yishun Central 1, Singapore for commercial use (for 99 years from 1 April 1990). This leasehold land and building is held as security by a bank to secure certain overdraft facilities, term loan and bankers' guarantees.

(ii) A leasehold land and building with a strata floor area of 5,469 square metres at Jurong Point #03–25B, #03–26A and #03–26B Jurong West Central 2, Singapore for commercial use (for 94 years from 16 February 1998). The leasehold land and building is held as security by a bank to secure certain overdraft facilities, term loan and bankers' guarantees.

(c) As at 31 December 2014, 2015, 2016 and 30 June 2017, leasehold land and buildings with carrying amounts of HK$191,354,000, HK$171,776,000, HK$162,105,000 and HK$168,126,000 were mortgaged to secure a bank loan (see note 17).

12 Interests in subsidiaries

As at 31 December 2014, 2015, 2016 and 30 June 2017, particulars of the subsidiaries are as follows:

Name of subsidiaries	Place of incorporation/ operation	Particulars of issued and paid up capital	Percentage of equity held Direct	Indirect	Principal activities	Name of statutory auditor
Golden Village Entertainment (Singapore) Pte Ltd	Singapore	1,100,000 shares of Singapore Dollars ("**S$**") $1 each	100%	—	Investment holding	*(i)*
Golden Village Pictures Pte Ltd	Singapore	1,000,000 shares of S$1 each	—	100%	Distribution of motion pictures	*(i)*
Golden Village Holdings Pte Ltd	Singapore	15,504,688 shares of S$1 each	100%	—	Investment holding	*(i)*
Golden Village Multiplex Pte Ltd	Singapore	8,000,000 shares of S$1 each	—	100%	Theatre operation	*(i)*

Note:

(i) The statutory financial statements of these companies for the years ended 31 December 2014, 2015 and 2016 were prepared in accordance with the provision of the Companies Act, Chapter 50 and Financial Reporting Standards in Singapore ("**SFRS**") issued by the Accounting Standards Council and were audited by KPMG LLP in accordance with Singapore Standards on Auditing.

13 Film rights

	As at 31 December 2014	2015	2016	As at 30 June 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 January	60,547	79,985	89,209	101,098
Additions	22,665	13,398	12,783	7,423
Effect of movements in exchange rates	(3,227)	(4,174)	(894)	2,718
At 30 June/31 December	79,985	89,209	101,098	111,239
Accumulated amortisation and impairment				
At 1 January	58,103	79,295	88,113	98,297
Amortisation	22,283	13,105	10,506	7,724
Impairment	1,669	1,387	1,817	2,531
Effect of movements in exchange rates	(2,760)	(5,674)	(2,139)	2,626
At 30 June/31 December	79,295	88,113	98,297	111,178
Net book value				
At 30 June/31 December	690	1,096	2,801	61

Film rights represent films and television drama series.

In accordance with note 2(f), the Target Group performed impairment tests by comparing the attributable carrying amounts of the film rights/investments in film productions with the recoverable amounts.

The Target Group assessed the recoverable amounts of the film rights based on the present value of estimated discounted future cash flows. Impairment of HK$1,669,000, HK$1,387,000, HK$1,817,000 and HK$2,531,000 have been recognised in this respect for the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2017 respectively.

All film rights are expected to be recovered within one year.

14 Inventories

Inventories, comprising food and beverages, are carried at cost of HK$1,837,000, HK$2,477,000, HK$2,392,000 and HK$2,484,000 at 31 December 2014, 2015, 2016 and 30 June 2017 respectively.

15 Receivables, deposits and prepayment

	As at 31 December			**As at 30 June**
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	23,890	30,552	25,752	21,206
Other receivables	562	843	411	149
Deposits	11,364	10,961	13,620	17,115
Prepayment	4,746	4,765	3,216	5,824
	40,562	47,121	42,999	44,294
Classified as:				
Non-current	12,460	11,929	14,169	17,657
Current	28,102	35,192	28,830	26,637
	40,562	47,121	42,999	44,294

The Target Group's exposure to credit risk and impairment losses related to trade and other receivables is disclosed in note 23(a).

(a) Ageing analysis

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

	As at 31 December			**As at 30 June**
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	13,219	16,333	16,458	11,273
1 to 2 months	6,556	8,443	5,199	4,229
2 to 3 months	2,555	2,967	3,606	4,409
Over 3 months	1,560	2,809	489	1,295
	23,890	30,552	25,752	21,206

The Target 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.

The ageing analysis of trade and other receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	19,244	24,129	21,542	14,949
Past due 0–30 days	3,067	3,493	3,420	4,960
Past due 31–60 days	1,335	2,125	772	1,174
Past due more than 60 days	244	805	18	123
	23,890	30,552	25,752	21,206

The Target Group believes that the impaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analyses of customers credit risk.

16 Capital, reserve and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Target Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Target Company's individual components of equity between the beginning and the end of the financial year are set out below:

	Note	Share capital	Retained profits	Total
		HK$'000	*HK$'000*	*HK$'000*
Balance at 1 January 2014		31,200	57,073	88,273
Changes in equity for 2014:				
Total comprehensive income for the year		—	242,453	242,453
Dividends declared in respect of the current year	*16(b)*	—	(242,524)	(242,524)
Balance at 31 December 2014 and 1 January 2015		31,200	57,002	88,202
Changes in equity for 2015:				
Total comprehensive income for the year		—	81,866	81,866
Dividends declared in respect of the current year	*16(b)*	—	(81,940)	(81,940)
Balance at 31 December 2015 and 1 January 2016		31,200	56,928	88,128
Changes in equity for 2016:				
Total comprehensive income for the year		—	197,322	197,322
Dividends declared in respect of the current year	*16(b)*	—	(197,681)	(197,681)
Balance at 31 December 2016 and 1 January 2017		31,200	56,569	87,769
Changes in equity for 2017:				
Total comprehensive income for the period		—	58,928	58,928
Dividends declared in respect of the current period	*16(b)*	—	(59,030)	(59,030)
Balance at 30 June 2017		31,200	56,467	87,667

(b) Dividends

	As at 31 December 2014	2015	2016	As at 30 June 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interim dividends declared and paid of HK$7.77, HK$2.62, HK$6.34 and HK$1.89 per share	242,524	81,940	197,681	59,030

(c) Share capital

	2014		2015		2016		2017	
	No. of shares	*HK$'000*	*No. of shares*	*HK$'000*	*No. of shares*	*HK$'000*	*No. of shares*	*HK$'000*
Ordinary shares, issued and fully paid:								
At 1 January and 31 December/30 June	31,200,082	31,200	31,200,082	31,200	31,200,082	31,200	31,200,082	31,200

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Target Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Target Company. All ordinary shares rank equally with regard to the Target Company's residual assets.

(d) Exchange reserves

The exchange reserve comprises all foreign exchange difference arising from the translation of the financial statements of foreign subsidiaries. The reserve is dealt with in accordance with the account policy set out in note 2(r) to the Historical Financial Information.

(e) Capital management

The Target Group's primary objective when managing capital is to safeguard the Target Group's ability to continue as a going concern. As the Target Group is jointly controlled by two shareholders, the Target Group's sources of additional capital and policies for distribution of excess capital may also be affected by these two shareholders' capital management objectives.

The Target Group defines "capital" as including all components of equity.

The Target Group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the shareholders.

There has been no change in the Target Group's capital management practices as compared with prior year and the Target Group is not subject to any externally imposed capital requirements.

17 Bank loans

The bank loans were secured as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
Within 1 year or on demand	44,100	54,800	107,400	14,150
After 1 year	132,300	68,500	—	127,350
	176,400	123,300	107,400	141,500

The bank loans bear interest ranging from Swap Offer Rate plus 1.65% to 2.22% per annum.

At 31 December 2014, 2015, 2016 and 30 June 2017, banking facilities amounting to HK\$235,200,000, HK\$219,200,000, HK\$214,800,000 and HK\$226,400,000 respectively were secured by mortgages over leasehold land and buildings. The facilities were utilised to the extent of HK\$176,400,000, HK\$123,300,000, HK\$107,400,000 and HK\$141,500,000 at 31 December 2014, 2015, 2016 and 30 June 2017 respectively.

All of the Target Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Target Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Target Group were to breach the covenants the drawn down facilities would become payable on demand. The Target Group's regularly monitors its compliance with these covenants. Further details of the Target Group's management of liquidity risk are set out in note 23(b). As at 31 December 2014, 2015, 2016 and 30 June 2017, none of the covenants relating to drawn down facilities had been breached.

18 Derivative financial instruments

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
Interest rate swaps	(647)	463	(290)	(259)

As at 31 December 2014, 2015, 2016 and 30 June 2017, the Target Group has interest rate swap contract with a notional amount of HK\$94,080,000, HK\$89,050,000, HK\$60,412,000 and HK\$49,525,000 respectively. Under the contract, the Target Group pays 0.97%, 1.54%, 1.54% and 1.54% per annum and receives interest at the three-month Singapore Dollar Swap Offer Rate ("**SOR**") for the Relevant Periods respectively.

The Target Group's exposure to liquidity and interest rate risks related to derivative financial instruments is disclosed in note 23.

19 Deposits and cash

(a) Deposits and cash comprise:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
Cash at bank and on hand	225,124	198,866	91,738	152,063

20 Payables and accrued charges

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	72,562	59,008	47,494	64,534
Accrued operating expenses	71,510	82,664	86,288	89,041
Interest payable	1,117	907	219	601
Other payables	1,932	2,586	1,085	11,363
Rental deposits	2,638	2,689	3,016	3,116
Withholding tax payable	704	525	314	211
Dividends payable to shareholders	81,144	52,064	—	—
Amounts due to related corporations:				
— Trade	273	33	27	22
— Non-trade	599	672	673	675
	232,479	201,148	139,116	169,563
Classified as:				
Non-current	962	2,372	1,694	2,928
Current	231,517	198,776	137,422	166,635
	232,479	201,148	139,116	169,563

(a) Ageing analysis

The ageing analysis of trade payables as of the end of each reporting period:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current to 3 months	68,845	58,571	47,058	63,923
Within 4 to 6 months	1,594	325	347	535
Within 7 to 12 months	—	85	15	5
Over 1 year	2,123	27	74	71
	72,562	59,008	47,494	64,534

The non-trade amounts due to related corporations were unsecured, interest-free and repayable on demand.

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 23(b).

21 Deferred revenue

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Billings in advance and customers' advances	54,626	52,441	66,017	69,716

All of the deferred revenue is expected to be settled within one year.

22 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Overseas tax payable	20,381	25,644	29,081	17,560

(b) Deferred tax liabilities recognised:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net deferred tax liabilities recognised in the consolidated statements of financial position	26,371	25,784	23,920	25,721

The components of deferred tax liabilities recognised in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	Depreciation allowances in excess of the related depreciation *HK$'000*
Deferred tax arising from:	
At 1 January 2014	25,073
Exchange adjustments	(1,072)
Charged to profit or loss *(note 7(a))*	2,370
At 31 December 2014	26,371
At 1 January 2015	26,371
Exchange adjustments	(1,831)
Charged to profit or loss *(note 7(a))*	1,244
At 31 December 2015	25,784
At 1 January 2016	25,784
Exchange adjustments	(460)
Credited to profit or loss *(note 7(a))*	(1,404)
At 31 December 2016	23,920
At 1 January 2017	23,920
Exchange adjustments	1,303
Charged to profit or loss *(note 7(a))*	498
At 30 June 2017	25,721

23 Financial risk management and fair values of financial instrument

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Target Group's business.

The Target Group's exposure to these risks and the financial risk management policies and practices used by the Target Group to manage these risks are described below.

(a) Credit risk

The Target Group's credit risk is primarily attributable to trade and other receivables and cash.

Cash is placed with the major financial institutions in Singapore.

The Target Group has established credit control policies of which credit limits, credit approvals and other monitoring procedures for debts recovery are in place to minimise the credit risk. In addition, management reviews the recoverable amount of each individual receivable regularly to ensure that adequate impairment allowances are made for irrecoverable amounts. With such policies in place, the Target Group has been able to maintain its bad debts at minimal level. The Target Group's trade receivables relate to a large number of diversified customers, the concentration of credit risk is not significant.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

(b) Liquidity risk

The Target Group's policy is to regularly monitor its current and expected liquidity requirements, to ensure that it maintains sufficient funding from group companies to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Target Group's non-derivative financial liabilities and derivative financial assets/liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, its floating, based on rates current at the end of the reporting period) and the earliest date of Target Group can be required to pay.

			Contractual undiscounted cash flows		
	Carrying amount	**Total contractual undiscounted cash flows**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2014					
Non-derivative financial liabilities					
Trade and other payables	232,479	(232,479)	(231,517)	(27)	(935)
Loans and borrowings	176,400	(188,761)	(49,105)	(62,689)	(76,967)
	408,879	(421,240)	(280,622)	(62,716)	(77,902)
Derivative financial liabilities					
Interest rate swaps	647				
— Outflow	—	(3,505)	(1,445)	(1,204)	(856)
— Inflow	—	566	248	186	132

	Carrying amount	Total contractual undiscounted cash flows	Contractual undiscounted cash flows: Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2015					
Non-derivative financial liabilities					
Trade and other payables	201,148	(201,148)	(198,777)	(1,045)	(1,326)
Loans and borrowings	123,300	(130,155)	(58,424)	(57,259)	(14,472)
	324,448	(331,303)	(257,201)	(58,304)	(15,798)
Derivative financial assets					
Interest rate swaps	(463)				
— Outflow	—	(1,953)	(1,133)	(704)	(116)
— Inflow	—	2,533	1,271	1,057	205
31 December 2016					
Non-derivative financial liabilities					
Trade and other payables	139,116	(139,116)	(137,422)	(1,006)	(688)
Loans and borrowings	107,400	(107,600)	(107,600)	—	—
	246,516	(246,716)	(245,022)	(1,006)	(688)
Derivative financial liabilities					
Interest rate swaps	290				
— Outflow	—	(806)	(690)	(116)	—
— Inflow	—	586	442	144	—
30 June 2017					
Non-derivative financial liabilities					
Trade and other payables	169,563	(169,563)	(166,635)	(1,212)	(1,716)
Loans and borrowings	141,500	(153,872)	(17,432)	(31,479)	(104,961)
	311,063	(323,435)	(184,067)	(32,691)	(106,677)
Derivative financial liabilities					
Interest rate swaps	259				
— Outflow	—	(484)	(484)	—	—
— Inflow	—	299	299	—	—

(c) Interest rate risk

The Target Group's exposures to interest rate risk arises primarily from interest-bearing bank borrowings. Borrowings issue at variable rates and at fixed rates expose the Target Group to cash flow interest rate risk and fair value interest rate risk respectively.

The Target Group has entered into interest rate swaps, denominated in Singapore dollars, to achieve an appropriate mix of fixed and floating rate exposure.

The following table details the interest rate profile of the Target Group's net variable rate borrowings at the end of each reporting period, after taking into account the effect of interest rate swaps entered into by the Group swapping the borrowings from variable rate to fixed rate.

	2014		2015		2016		2017	
	Effective interest rate %	*HK$'000*	*Effective interest rate %*	*HK$'000*	*Effective interest rate*	*HK$'000*	*Effective interest rate*	*HK$'000*
Variable rate borrowings:								
Bank loans	2.83%	176,400	2.83%	123,300	2.72%	107,400	2.51%	141,500
Interest rate swaps		(94,080)		(89,050)		(60,412)		(49,525)
Net variable rate borrowings		82,320		34,250		46,988		91,975

Sensitivity analysis

At 31 December 2014, 2015, 2016 and 30 June 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Target Group's profit after tax and retained profits by approximately HK$683,000, HK$284,000, HK$390,000 and HK$764,000 respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk in existence at that date. The 100 basis points increase/decrease represents management's assessment of a reasonable possible change in interest rates over the period until the next reporting period. The analysis has been performed on the same basis for the Relevant Periods.

(d) Currency risk

The Target Group has no significant exposure to foreign currency risk as substantially all the Target Group's transactions are denominated in functional currencies of the entities within the Target Group.

(e) Fair values measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Target Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

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

- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 December 2014	Fair value measurements as at 31 December 2014 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement				
Derivative financial instruments	(647)	—	(647)	—

	Fair value at 31 December 2015	Fair value measurements as at 31 December 2015 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement				
Derivative financial instruments	463	—	463	—

	Fair value at 31 December 2016	Fair value measurements as at 31 December 2016 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement				
Derivative financial instruments	(290)	—	(290)	—

	Fair value at 30 June 2017	Fair value measurements as at 30 June 2017 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement				
Derivative financial instruments	(259)	—	(259)	—

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Target Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques used in Level 2 fair value measurements

Market comparison approach was used in determining the fair value of interest rate swaps, which are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

(ii) Financial instruments carried at other than fair values

The carrying amounts of the Target Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014, 2015, 2016 and 30 June 2017.

24 Commitments

(a) Capital commitments

The Target Group had the following capital commitments in respect of the acquisition of property, plant and equipment as at the end of the reporting period.

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted for	6,586	20,420	4,949	11,924
Authorised but not contracted for	—	—	—	—
	6,586	20,420	4,949	11,924

(b) Operating lease commitments — as lessee

The Target Group has entered into commercial leases on certain properties under lease agreements that are non-cancellable. The leases have remaining lease terms between 1 and 8 years and contain provisions for rental adjustments. There are no restrictions placed upon the Target Group by entering into these leases.

Future minimum rental payable under non-cancellable operating leases are as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	121,585	112,940	108,150	124,389
Between one year and five years	343,339	350,850	293,493	315,132
More than five years	19,970	59,742	62,130	60,311
	484,894	523,532	463,773	499,832

(c) Operating lease commitments — as lessor

The Target Group has entered into commercial property leases on its properties. These non-cancellable leases have remaining lease terms between 1 and 5 years.

Future minimum rental receivable under non-cancellable operating leases are as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	7,445	8,659	9,972	10,339
Between one year and five years	3,848	11,577	15,955	11,741
	11,293	20,236	25,927	22,080

25 Material related party transactions

Key management personnel remuneration

Remuneration for key management personnel of the Target Group, including amounts paid to the Target Company's directors as disclosed in note 8 and certain of the highest paid employees, is as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Short-term employee benefits	3,516	3,509	3,585	1,209
Contributions to defined contribution plans	83	79	97	62
	3,599	3,588	3,682	1,271

Total remuneration is included in "staff costs" (see note 6(b)).

26 Company-level statements of financial position

		As at 31 December			As at 30 June
		2014	**2015**	**2016**	**2017**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Investments in subsidiaries		88,801	88,801	88,801	88,801
Current assets					
Trade and other receivables		81,144	52,064	—	—
Current liabilities					
Trade and other payables		81,743	52,737	1,032	1,134
Net current liabilities		(599)	(673)	(1,032)	(1,134)
NET ASSETS		88,202	88,128	87,769	87,667
CAPITAL AND RESERVES	*16(a)*				
Share capital		31,200	31,200	31,200	31,200
Reserves		57,002	56,928	56,569	56,467
TOTAL EQUITY		88,202	88,128	87,769	87,667

27 Controlling parties

During the Relevant Periods, the Target Group is jointly controlled by Golden Screen Limited ("**Golden Screen**") and Village Cinemas Australia Pty Limited ("**Village Cinemas**"), which are incorporated in Hong Kong and Australia respectively. Both entities do not produce financial statements for public use.

On 29 September 2017, Golden Screen and Village Cinemas entered into a sales and purchase agreement, pursuant to which Village Cinemas conditionally agreed to sell, and Golden Screen conditionally agreed to acquire, the 50% equity interest in the Target Company. Upon completion of the transaction on 25 October 2017, the Target Company became a wholly owned subsidiary of Golden Screen.

28 Significant accounting estimates and judgements

Assessment of the useful economic lives of property, plant and equipment

The Target Group estimates the economic useful lives of property, plant and equipment based on the periods over which the assets are expected to available for use. The Target Group reviews annually their estimated useful lives, based on factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated used of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation charges and decrease non-current assets.

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 30 June 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Target Group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Target Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Target Group has yet to identify of the new standards which may have a significant impact on the consolidated financial statements. Further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement for impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The expected impacts of the new requirements on the Target Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("**FVTPL**") and (3) fair value through other comprehensive income.

The Target Group has assessed that its financial assets currently measure at FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value changes of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Target Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Target Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstance. The Target Group considers that there will be no material adverse change in the credit risks in respect of the Target Group's future financial assets and the adoption of the new expected credit loss model under HKFRS 9 will not have significant impact on its financial performance and position.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering or services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict that transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligation in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligation in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenario. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Target Group anticipate that the application of HKFRS 15 in the future may result in more disclosure, however, the directors of the Target Group do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16, Leases

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the deprecation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to lease of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Target Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 24(b), at 30 June 2017 the Target Group's future minimum lease payments under non-cancellable operating leases for its leased premises amounted to HK$499,832,000, the majority of which is payable between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Target Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

30 Events after the Relevant Periods

Save for the change in controlling party as disclosed in note 27, there was no subsequent event that needs to be disclosed or adjusted by the Target Group as at the date on which the Historical Financial Information is approved.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group or any of its subsidiaries in respect of any period subsequent to 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group for the six months ended 30 June 2017 and each of the years ended 31 December 2014, 31 December 2015 and 31 December 2016 (the "**Reporting Periods**"), prepared on the basis that that the Target Group is not consolidated. The financial information in respect of the Target Group is derived from the financial statements of the Target Group as set out under Appendix II to this circular.

A. For the six months ended 30 June 2017

Financial and Operational Review

For the period ended 30 June 2017, the Target Group recorded revenue of HK$407.1 million, which represented a slight decrease in revenue of 1.1% year-on-year due primarily to a drop in performance of the film production and distribution business when compared to the same period in 2016. For the period ended 30 June 2017, the Target Group recorded net profits of HK$68.2 million which represented an increase of 2.6% year-on-year due primarily to improvement in operating efficiency.

Film Exhibition

As at 30 June 2017, the Target Group operated 11 cinemas with 91 screens in Singapore. There was no year-on year change in the number of cinemas for 2017. The Target Group's cinemas served close to 4.72 million guests during the period ended 30 June 2017, a decrease of 4.5% as compared with the same period in 2016. The major blockbusters released during the period ended 30 June 2017 were namely *Beauty And The Beast (美女與野獸)*, *Fast & Furious 8 (狂野時速8)*, *Wonder Woman (神奇女俠)*, *Guardians Of The Galaxy Vol. 2 (銀河守護隊2)* and *Logan (盧根)*, all of which were well-received by audience. Looking forward, the Target Group will continue to expand its cinema operations which our high calibre team will keep analysing potential sites, acquisition targets and cooperation opportunities in the market. Through organic growth in different regions as well as potential acquisitions, plus the improvement in efficiency of mature cinemas, the profitability of the Target Group is expected to improve.

Film Distribution

The production and distribution business recorded revenue of approximately HK$5.7 million, representing an increase of 128% compared to the same period in 2016. The improvement in the Target Group's film distribution business was mainly due to the distributing of several famous movies during the period such as *Kung Fu Yoga*, *Shock Wave* and *John Wick: Chapter 2*.

Financial Resources and Liquidity

As at 30 June 2017, the Target Group had cash and cash equivalents amounting to HK$152.1 million and outstanding loans amounted to HK$141.5 million, comprising mainly interest bearing bank borrowings. As at 30 June 2017, the gearing ratio (measured as total borrowings to total assets) was 24.9%.

Foreign Currency Risk

The Target Group's assets and liabilities are principally denominated in its local currency of Singapore dollars. The Target Group is operating in Singapore dollars and is subject to minimal exchange risk.

Contingent Liabilities

The Target Group did not have any significant contingent liabilities or off balance sheet obligations as at 30 June 2017.

Capital Structure

As at 30 June 2017, the share capital of the Company comprised ordinary shares only.

Capital Expenditure

As at 30 June 2017, the Target Group did not have any significant capital commitments.

Charge on Assets

Save as disclosed above, the Target Group did not have any other pledge of assets as at 30 June 2017.

Employees and Remuneration Policy

As at 30 June 2017, the Target Group had 234 permanent employees. The Target Group remunerates its employees mainly by reference to industry practice. Salaries, commissions and discretionary bonuses will be granted to employees based on individual performance and contribution to the Target Group. The Target Group also provided other employee benefits including bonuses, central provident fund scheme and medical scheme during the period ended 30 June 2017.

Material Acquisitions and Disposals

During the period ended 30 June 2017, the Target Group had no material acquisitions or disposals of subsidiaries and associates. As at 30 June 2017, Target Group had no future plans for any material acquisitions or investments in capital assets in the coming year.

B. For the year ended 31 December 2016

Financial and Operational Review

For the year ended 31 December 2016, the Target Group recorded revenue of HK$800.3 million, which represented a increase in revenue of 0.9% year-on-year due primarily to the improved performance of the film production and distribution business. For the year ended 31 December 2016, the Target Group recorded net profits of HK$118.4 million which represented a same level of net profits when compared to 2015.

Film Exhibition

As at 31 December 2016, the Target Group operated 11 cinemas with 91 screens in Singapore. There was no year-on year change in the number of cinemas. The Target Group's cinemas served close to 9.42 million guests during the year ended 31 December 2016, an increase of 1.6% as compared with 2015. The major blockbusters released during the year ended 31 December 2016 were *Captain America: Civil War (美國隊長3: 英雄內戰)*, *Zootopia (優獸大都會)*, *Batman v Superman: Dawn of Justice (蝙蝠俠對超人：正義曙光)*, *Fantastic Beasts* and *Where to Find Them (怪獸與牠們的產地)*, *Deadpool (死侍: 不死現身)*, *Doctor Strange (奇異博士)* and *X-Men: Apocalypse (變種特攻：天啟滅世戰)*. Looking forward, the Target Group will continue to expand its cinema operations which our high calibre team will keep analyzing potential sites, acquisition targets and cooperation opportunities in the market. Through organic growth in different regions as well as potential acquisitions, plus the improvement in efficiency of mature cinemas, the profitability of the Target Group is expected to improve.

Film Distribution

The production and distribution business recorded revenue of approximately HK$7.5 million, representing a decrease of 3.7% compared to 2015. The revenue was mainly generated from distributing some famous release such as *Train To Busan*, *Long Long Time Ago* and *The Legend Of Tarzan*.

Financial Resources and Liquidity

As at 31 December 2016, the Target Group had cash and cash equivalents amounting to HK$91.7 million and outstanding loans amounted to HK$107.4 million, comprising mainly interest bearing bank borrowings. As at 31 December 2016, the gearing ratio (measured as total borrowings to total assets) was 21.8%.

Foreign Currency Risk

The Target Group's assets and liabilities are principally denominated in its local currency of Singapore dollars. The Target Group is operating in Singapore dollars and is subject to minimal exchange risk.

Contingent Liabilities

The Target Group did not have any significant contingent liabilities or off balance sheet obligations as at 31 December 2016.

Capital Structure

As at 31 December 2016, the share capital of the Company comprised ordinary shares only.

Capital Expenditure

As at 31 December 2016, the Target Group did not have any significant capital commitments.

Charge on Assets

Save as disclosed above, the Target Group did not have any other pledge of assets as at 31 December 2016.

Employees and Remuneration Policy

As at 31 December 2016, the Target Group had 249 permanent employees. The Target Group remunerates its employees mainly by reference to industry practice. Salaries, commissions and discretionary bonuses will be granted to employees based on individual performance and contribution to the Target Group. The Target Group also provided other employee benefits including bonuses, central provident fund scheme and medical scheme during the year ended 31 December 2016.

Material Acquisitions and Disposals

During the year ended 31 December 2016, the Target Group had no material acquisitions or disposals of subsidiaries and associates. As at 31 December 2016, Target Group had no future plans for any material acquisitions or investments in capital assets in the coming year.

C. For the year ended 31 December 2015

Financial and Operational Review

For the year ended 31 December 2015, the Target Group recorded revenue of HK$793.2 million, which represented an increase in revenue of 0.9% year-on-year due primarily to the improved performance of the film production and distribution business when compared to 2014. For the year ended 31 December 2015, the Target Group recorded net profits of HK$118.8 million which represented an increase of 14.6% year-on-year due primarily to improvement in operating efficiency.

Film Exhibition

As at 31 December 2015, the Target Group operated 11 cinemas with 91 screens in Singapore. There was no year-on year change in the number of cinemas while there was a year-on-year decrease in the number of screens from 92 screens to 91 screens. The Target Group's cinemas served close to 9.27 million guests during the year ended 31 December 2015, an increase of 2.4% as compared with 2014. The major blockbusters released during the year ended 31 December 2015 were *X Avengers: Age of Ultron (復仇者聯盟2: 奧創紀元), Jurassic World (侏羅紀世界), Fast & Furious 7 (狂野時速7), Mission Impossible: Rogue Nation (職業特工隊: 叛逆帝國), Ant-Man (蟻俠)* and *The Martian (火星任務)*. Looking forward, the Target Group will continue to expand its cinema operations which our high calibre team will keep analyzing potential sites, acquisition targets and cooperation opportunities in the market. Through organic growth in different regions as well as potential acquisitions, plus the improvement in efficiency of mature cinemas, the profitability of the Target Group is expected to improve.

Film Distribution

The production and distribution business recorded revenue of approximately HK$7.8 million, representing a decrease of 27.7% compared to 2014. The decrease in revenue and profit from the Target Group's film distribution business was mainly due to fewer famous films being distributed by the Target Group during the year.

Financial Resources and Liquidity

As at 31 December 2015, the Target Group had cash and cash equivalents amounting to HK$198.9 million and outstanding loans amounted to HK$123.3 million, comprising mainly interest bearing bank borrowings. As at 31 December 2015, the gearing ratio (measured as total borrowings to total assets) was 19.5%.

Foreign Currency Risk

The Target Group's assets and liabilities are principally denominated in its local currency of Singapore dollars. The Target Group is operating in Singapore dollars and is subject to minimal exchange risk.

Contingent Liabilities

The Target Group did not have any significant contingent liabilities or off balance sheet obligations as at 31 December 2015.

Capital Structure

As at 31 December 2015, the share capital of the Company comprised ordinary shares only.

Capital Expenditure

As at 31 December 2015, the Target Group did not have any significant capital commitments.

Charge on Assets

Save as disclosed above, the Target Group did not have any other pledge of assets as at 31 December 2015.

Employees and Remuneration Policy

As at 31 December 2015, the Target Group had 231 permanent employees. The Target Group remunerates its employees mainly by reference to industry practice. Salaries, commissions and discretionary bonuses will be granted to employees based on individual performance and contribution to the Target Group. The Target Group also provided other employee benefits including bonuses, central provident fund scheme and medical scheme during the year ended 31 December 2015.

Material Acquisitions and Disposals

During the year ended 31 December 2015, the Target Group had no material acquisitions or disposals of subsidiaries and associates. As at 31 December 2015, Target Group had no future plans for any material acquisitions or investments in capital assets in the coming year.

D. For the year ended 31 December 2014

Financial and Operational Review

For the year ended 31 December 2014, the Target Group recorded revenue of HK$785.8 million and net profits of HK$103.7 million, which represented a decrease of 2.7% and 2.3% year-on-year due primarily to a drops in performance of the film exhibition business when compared to 2014.

Film Exhibition

As at 31 December 2014, the Target Group operated 11 cinemas with 92 screens in Singapore. There was no year-on year change in the number of cinemas while there was a year-on-year increase in the number of screens from 87 screens to 92 screens The Target Group's cinemas served close to 9.05 million guests during the year ended 31 December 2014, a decrease of 7.1% as compared with 2013. The major blockbusters released during the year ended 31 December 2014 were *Transformers: Age of Extinction, X-Men: Day of Future Past, Captain America: The Winter Soldier, The Amazing Spider-Man 2, Step up 5* and *Frozen from Disney*. Looking forward, the Target Group will continue to expand its cinema operations which our high calibre team will keep analyzing potential sites, acquisition targets and cooperation opportunities in the market. Through organic growth in different regions as well as potential acquisitions, plus the improvement in efficiency of mature cinemas, the profitability of the Target Group is expected to improve.

Film Distribution

The production and distribution business recorded revenue of approximately HK$10.7 million, representing an increase of 14.9% compared to 2013. The improvement in the Target Group's film distribution business was mainly due to the distributing of several famous movies during the period such as *Edge Of Tomorrow*, *The Lego Movie* and *Kung Fu Jungle*.

Financial Resources and Liquidity

As at 31 December 2014, the Target Group had cash and cash equivalents amounting to HK$225.1 million and outstanding loans amounted to HK$176.4 million, comprising mainly interest bearing bank borrowings. As at 31 December 2014, the gearing ratio (measured as total borrowings to total assets) was 25.4%.

Foreign Currency Risk

The Target Group's assets and liabilities are principally denominated in its local currency of Singapore dollars. The Target Group is operating in Singapore dollars and is subject to minimal exchange risk.

Contingent Liabilities

The Target Group did not have any significant contingent liabilities or off balance sheet obligations as at 31 December 2014.

Capital Structure

As at 31 December 2014, the share capital of the Company comprised ordinary shares only.

Capital Expenditure

As at 31 December 2014, the Target Group did not have any significant capital commitments.

Charge on Assets

Save as disclosed above, the Target Group did not have any other pledge of assets as at 31 December 2014.

Employees and Remuneration Policy

As at 31 December 2014, the Target Group had 249 permanent employees. The Target Group remunerates its employees mainly by reference to industry practice. Salaries, commissions and discretionary bonuses will be granted to employees based on individual performance and contribution to the Target Group. The Target Group also provided other employee benefits including bonuses, central provident fund scheme and medical scheme during the year ended 31 December 2014.

Material Acquisitions and Disposals

During the year ended 31 December 2014, the Target Group had no material acquisitions or disposals of subsidiaries and associates. As at 31 December 2014, Target Group had no future plans for any material acquisitions or investments in capital assets in the coming year.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) Introduction

The following unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") has been prepared by the Directors in accordance with Paragraphs 4.29 and 14.67 of the Listing Rules for the purpose of illustrating the effect on the financial position of the Group as at 30 June 2017 as if the acquisition of the remaining 50% equity interests in Dartina Development Limited (the "**Target Company**") by the Group (the "**Acquisition**") had been completed on 30 June 2017.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2017 as set out in the interim report of the Company for the six months ended 30 June 2017 and the audited consolidated statement of financial position of the Target Group as at 30 June 2017 as set out in the accountants' report of the Target Group included in section A of Appendix II to this circular, after making certain pro forma adjustments that are (i) directly attributable to the Acquisition and not relating to other future events or decisions and (ii) factually supportable, as further described in the accompanying notes.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as of the specified dates or any other dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Company for the six months ended 30 June 2017, the accountants' reports on the financial information of the Target Group as set out in Appendix II to this circular and other financial information included elsewhere in this circular.

(2) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group as at 30 June 2017

	The Group as at 30 June 2017	The Target Group as at 30 June 2017	Pro forma adjustments		The Enlarged Group as at 30 June 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current assets					
Investment property	41,800	—			41,800
Other property, plant and equipment	71,846	252,114	404,647		728,607
Leasehold land	123,183	116,992			240,175
	236,829	369,106			1,010,582
Interests in joint ventures	201,115	—	(71,350)		129,765
Available-for-sale equity securities	6,221	—			6,221
Other receivables, deposits and prepayments	21,681	17,657			39,338
Club memberships	1,890	—			1,890
Trademarks	80,524	—			80,524
Goodwill	120,655	—	750,727		871,382
Intangible assets	7,407	—			7,407
Deferred tax assets	6,612	—			6,612
	682,934	386,763			2,153,721
Current assets					
Inventories	1,226	2,484			3,710
Film rights	44,984	61			45,045
Trade receivables	34,662	21,206			55,868
Other receivables, deposits and prepayments	64,531	5,431			69,962
Pledged bank deposits	272,151	—			272,151
Deposits and cash	383,744	152,063	(990,500)		(454,693)
Assets of disposal group classified as held for sale	2,079,536	—			2,079,536
	2,880,834	181,245			2,071,579

	The Group as at 30 June 2017	The Target Group as at 30 June 2017	Pro forma adjustments		The Enlarged Group as at 30 June 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Current liabilities					
Bank loans	432,080	14,150			446,230
Convertible bonds	206,255	—			206,255
Trade payables	56,854	64,534			121,388
Other payables and accrued charges	531,774	102,101		7,131	641,006
Deferred revenue	11,268	69,716			80,984
Obligations under finance leases	285	—			285
Taxation payable	4,862	17,560			22,422
Derivative financial instrument	9,917	259			10,176
Other financial liabilities	276,179	—			276,179
Liabilities of disposal group classified as held for sale	534,439	—			534,439
	2,063,913	268,320			2,339,364
Net current assets/ (liabilities)	816,921	(87,075)			(267,785)
Total assets less current liabilities	1,499,855	299,688			1,885,936
Non-current liabilities					
Bank loans	—	127,350			127,350
Other payables	—	2,928			2,928
Obligations under finance leases	124	—			124
Deferred tax liabilities	7,173	25,721	68,790		101,684
	7,297	155,999			232,086
NET ASSETS	1,492,558	143,689			1,653,850

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group:

1. The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2017 as set out in the published interim report of the Company for the six months ended 30 June 2017.

2. The amounts are extracted from the audited consolidated statement of financial position of the Target Group as at 30 June 2017 as set out in Appendix II to this Circular.

3. Pursuant to the Sales and Purchase Agreement dated 29 September 2017, the Group has conditionally agreed to purchase the 50% equity interest in the Target Company held by Village Cinemas Australia Pty Ltd (the "**Vendor**") for a cash consideration of S$174 million if the Acquisition is completed on or before 15 October 2017; a consideration of S$176 million if the Acquisition is completed after 15 October 2017 but on or before 30 November 2017; or a consideration of S$177 million if the Acquisition is completed after 30 November 2017 but on or before 22 December 2017. The completion of the Acquisition is dependent on the fulfilment of a number of conditions, among others, the approval from the shareholders of the Company. Upon the completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company.

   The Acquisition was completed on 25 October 2017. The consideration was mutually agreed between the Group and the Vendor at S$175 million (equivalent to approximately HK$991 million, translated at the exchange rate of S$1 to HK$5.66). The consideration was settled by cash at completion of the Acquisition and was financed by the proceeds from disposal of the Group's exhibition business in Mainland China that had been completed on 28 July 2017.

   The identifiable assets and liabilities of the Target Group are accounted for in the Unaudited Pro Forma Financial Information at their fair values under the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("**HKFRS 3 (Revised)**").

   For the purpose of preparing the Unaudited Pro Forma Financial Information, the Directors assumed that with the exception of the estimated fair value adjustments to the two leasehold land and buildings held by the Target Group in Singapore (the "**Leasehold Land and Buildings**"), the pro forma fair value of the identifiable assets and liabilities of the Target Group are the same as their respective carrying amounts as at 30 June 2017.

   The calculation of pro forma goodwill is as follows:

	HK$'000
Consideration transferred	990,500
Fair value of the existing 50% equity interest in the Target Company (i)	239,773
	1,230,273
Carrying amount of identifiable net assets acquired	(143,689)
Pro forma fair value adjustments to the Leasehold Land and Buildings (ii)	(404,647)
Deferred tax liabilities arising from the pro forma fair value adjustments to the Leasehold Land and Buildings (ii)	68,790
Pro forma goodwill	750,727

Prior to the completion of the Acquisition, the Group accounted for its 50% equity interest in the Target Company as investment in joint venture with carrying amount of HK$71,350,000 as at 30 June 2017. In accordance with HKFRS 3 (Revised), the Group should re-measure its previously held equity interest in the Target Company at its fair value on acquisition date and recognise the resulting gain or loss in profit and loss.

(i) As at 30 June 2017, the Target Group's net asset value amounted to HK$143,689,000, the pro forma fair value adjustment to Leasehold Land and Buildings amounted to HK$404,647,000 and the corresponding deterred tax effect amounted to HK$68,790,000 as set out in note 3(ii). The fair value of the Group's previously held equity interest in the Target Company as at 30 June 2017 is calculated based on 50% of the Target Group's net assets value as at 30 June 2017, which amounted to HK$71,844,500, adjusted with the addition of 50% of the pro forma fair value adjustment to the Leasehold Land and Buildings, which amounted to HK$202,323,500 and the deduction of 50% of the corresponding deferred tax effect, which amounted to HK$34,395,000.

Since the fair value of the Group's previously held equity interest in the Target Company and the identifiable assets and liabilities of the Target Group at the date of completion of the Acquisition may be substantially different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information, the final amounts of the identified net assets and goodwill to be recognised in connection with the Acquisition may be different from the amounts presented above.

(ii) The fair values of the Leasehold Land and Buildings are as at 30 June 2017 are based on the directors' estimate with reference to a valuation carried out by an independent qualified professional valuer not connected to the Group as set out in Appendix V to this circular. The valuation of the Leasehold Land and Buildings is prepared using discounted cash flow method under the income approach.

The pro forma fair value adjustment represents the difference between the fair value of the Leasehold Land and Buildings of S$101,100,000 (equivalent to HK$572,226,000, translated at the exchange rate of S$1 to HK$5.66) as assessed by the independent valuer and their book value of S$29,608,000 (equivalent to HK$167,579,000, translated at the exchange rate of S$1 to HK$5.66) as at 30 June 2017.

The deferred tax effect relating to the pro forma fair value adjustment to the Leasehold Land and Buildings amounted to approximately HK$68,790,000, which was calculated at the Singapore Corporate Tax rate of 17%.

For the purpose of this Unaudited Pro Forma Financial Information, the Directors have assessed if there is any impairment loss on goodwill arising from the Acquisition in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets", which is consistent with the Group's accounting policy. The Directors are of the view that there are no significant changes with an adverse effect on the Target Group that will take place in the near future and, therefore, there is no impairment indication of goodwill arising from the Acquisition. The Directors confirm that consistent accounting policy will be applied for assessing impairment of goodwill at the end of each reporting period. The Company's auditor will review the appropriateness of the key assumptions used by management to estimate the recoverable amount of the cash generating units of which the goodwill is allocated in accordance with Hong Kong Standards on Auditing consistently in the future, based on the facts and circumstance at the end of each reporting period.

4. The adjustment represents the estimated professional fees and other expenses of approximately HK$7,131,000 payable by the Group in connection with the Acquisition.

5. No other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Enlarged Group subsequent to 30 June 2017.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

KPMG

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

19 December 2017

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF ORANGE SKY GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") and Dartina Development Limited (the "**Target Company**") and its subsidiaries (collectively the "**Target Group**") (collectively the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2017 and related notes as set out in Part A of Appendix IV to the circular dated 19 December 2017 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix IV to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of the remaining 50% equity interest in the Target Company (the "**Acquisition**") on the Group's financial position as at 30 June 2017 as if the Acquisition had taken place at 30 June 2017. As part of this process, information about the Group's financial position as at 30 June 2017 has been extracted by the Directors from the consolidated interim financial statements of the Company for the period then ended, on which a review report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants

Hong Kong

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from RHL Appraisal Limited., an independent valuer, in connection with its valuation as at 29 September 2017 of the Properties to be acquired by Orange Sky Golden Harvest Entertainment (Holdings) Limited.

永利行評值顧問有限公司
RHL Appraisal Limited
Corporate Valuation & Advisory

T +852 2730 6212
F +852 2736 9284

Room 1010, 10/F, Star House
Tsimshatsui, Hong Kong

Licence No.: C-015672

19 December 2017

The Board of Directors
Orange Sky Golden Harvest Entertainment (Holdings) Limited
24/F
Capital Centre
151 Gloucester Road
Wan Chai
Hong Kong

Dear Sir/Madam,

INSTRUCTIONS

We refer to your instruction for us to value the property interests ("**the Properties**") to be acquired by Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "**Company**") and its subsidiary companies (together referred to as the "**Group**") located in Singapore. We confirm that we have carried out property inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 29 September 2017 (the "**Valuation Date**").

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

The valuation is our opinion of the market value ("**Market Value**") which we would define as intended to mean the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

We have valued the Properties by using Income Approach. This approach involves the projection of a series of periodic cash flows for an income generating property. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the rental income steam associated with the property. We have been provided with the historical cash flows as well as existing lease for the Properties. Reasonable assumptions and projections have been made based on such information in the valuation. The market yield of commercial properties in the vicinity is also be assessed for cross-check.

The Market Approach is not adopted in the valuation because the adoption of Market Approach is subject to the availability of transactions of similar assets with similar nature, size, location and usage in the market. As the Properties are currently designed and used as Cineplex, transactions of similar properties are rare in the surrounding area.

VALUATION CONSIDERATIONS

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2012 Edition.

VALUATION ASSUMPTION

In our valuation, unless otherwise stated, we have assumed that:

i. all necessary statutory approvals for the Properties have been obtained;

ii. transferable land use rights in respect of the Properties for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid;

iii. the owner of the Properties have enforceable title to the Properties and has free and uninterrupted right to use, occupy or assign the Properties for the whole of the respective unexpired terms as granted;

iv. no deleterious or hazardous materials or techniques have been used in the construction of the Properties; and

v. the Properties are connected to main services and sewers which are available on normal terms.

TITLE INVESTIGATION

We have carried out searches at the Land Registry for the Properties. However, we have not verified ownership of the Property or to verify the existence of any lease amendments which do not appear on the copies handed to us. All documents have been used for reference only.

LIMITING CONDITIONS

We have conducted on-site inspections to properties located in Singapore in September 2017 by our Ms. Serena Lau *(FHKIS, AAPI, MRICS, RPS(GP), MBA(HKU))* who has over 20 years' experience in property valuation. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Properties are free from rot infestation or any other defects. No tests were carried out on any of the services.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the Properties but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

None of the services have been tested by us and we are, therefore, unable to report on their present conditions. We have no duty to verify that no deleterious or hazardous materials or techniques have been used in the construction of or making addition or alteration to the Properties. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the Properties. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the Properties or on adjoining or neighbouring land or that the property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

Our valuation has been made on the basis that there is no substantial change in the physical conditions of the Properties between the Valuation Date and the date of our inspection.

We have relied to a considerable extent on information provided by the Group and accepted advices given to us on such matters, in particular, but not limited to land use rights contract, tenure, planning approvals, statutory notices, easements, particulars of occupancy, size, site and floor areas and all other relevant matters in the identification of the Properties. We assume no responsibility for their accuracy.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

No allowance has been made in our report for any charges, mortgages or amounts owing neither on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale.

We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of the legal advisers of the Group. Neither have we verified the correctness of any information supplied to us concerning the Properties.

This report is for the exclusive use of the addressee stated herein and for that particular purpose only. The contents of this report either in whole or in part shall not be disclosed to any other parties and we accept no responsibility if it is used or relied upon by any others or for purposes other than that sated herein. Neither the whole nor any part of this report or any reference thereto may be included in any published documents, circular or statement nor published in any way without our written approval or the form and context in which it may appear.

REMARKS

We have valued the properties in Singapore Dollars (SGD) and Hong Kong Dollars (HKD) (Exchange rate: SGD:HKD = 5.749:1 as at the Valuation Date) (Source: The Hong Kong Association of Banks).

We enclose herewith the summary of values and valuation certificates.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Sr Serena S. W. Lau
FHKIS, AAPI, MRICS, RPS(GP), MBA(HKU)
Managing Director

Sr Jessie X. Chen
MRICS, MSc (Real Estate), BEcon
Associate Director

Sr Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 20 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Sr Lau is a Professional Member of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Sr Jessie X. Chen is a Registered Professional Surveyor (Valuation) with over 7 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Sr Chen is a Professional Member of The Royal Institution of Chartered Surveyors.

The market research and analysis is in collaboration with Ms. Tay Shiow Jiuan from Asia Appraisal Company Private Limited. Ms. Tay Shiow Jiuan is a licensed real estate appraiser of Inland Revenue Authority of Singapore with over 18 years of valuation experience in Singapore.

SUMMARY OF VALUES

		Market Value As at 29 September 2017 Singapore Dollars/ Hong Kong Dollars	Interest attribute to the Group	Market Value attributable to the Group as at 29 September 2017 Singapore Dollars/ Hong Kong Dollars
1.	A Cineplex and three shop units located on 3/F of the Jurong Point Shopping Centre, 1 Jurong West Central 2, Singapore	SGD48,600,000/ HKD279,400,000	100%	SGD48,600,000/ HKD279,400,000
2.	A Cineplex located from the 1/F to 4/F and a projection level of Golden Village — Yishun Ten, 51 Yishun Central 1, Singapore	SGD52,500,000/ HKD301,800,000	100%	SGD52,500,000/ HKD301,800,000
Total:		SGD101,100,000/ HKD581,200,000		SGD101,100,000/ HKD581,200,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value as at 29 September 2017 Singapore Dollars/ Hong Kong Dollars
1.	A Cineplex and three shop units located on 3/F of the Jurong Point Shopping Centre, 1 Jurong West Central 2, Singapore Lot U53786X Mukim 6 (the "**Lot**")	The Jurong Point Shopping Centre (the "**Development**") is an integrated development comprising a 6-storey commercial building erected on three basements completed in December 1995 and was extended in 2008 to include a new retail wing, bus interchanged and a residential development. The property comprises a 1,062-seat Cineplex and three shop units #03-25B, #03-26A and #03-26B located on the 3/F of the Development. The property has a total gross floor area of approximately 5,469.00 sq.m. (58,868 sq.ft.) with details as follows: **Property** — **Approx. GFA (sq.m.)** The 1062-seat Cineplex — 1,102.74 Shop Unit #03–25B — 1,408.26 Shop Unit #03–26A — 696.00 Shop Unit #03–26B — 387.00 Projection Room — 1,875.00 Total: — 5,469.00 The Lot is held for a term of 94 years 9 months and 15 days under leasehold commencing from 16 December 1998.	The three shopping units of the property with a total gross floor area of approximately 2,491.26 sq.m. were subject to various tenancy agreements with the latest one to expire on 31 July 2020. The total monthly rental income was SGD55,468.23 for September 2017. The remaining portion of the property is currently owner operated as a Cineplex (known as Golden Village). *(Please refer to note 3–note 4 below for details)*	SGD48,600,000 (SINGAPORE DOLLARS FORTY EIGHT MILLION SIX HUNDRED THOUSAND ONLY) 100% interest attributed to the Group: SGD48,600,000/ HKD279,400,000 (HONG KONG DOLLARS TWO HUNDRED AND SEVENTY NINE MILLION FOUR HUNDRED THOUSAND ONLY) 100% interest attributed to the Group: HKD279,400,000

Notes:

1. The registered owner of the property is Golden Village Multiplex Pte Ltd. The registered subsidiary proprietor's share in the common property is 449/10,000 shares.

2. According to our recent Land Titles Registry search, the property is subject to a mortgage in favor of The Hongkong And Shanghai Banking Corporation Limited registered on 1 April 2003. As provided, the property is partial of the security for the aforesaid mortgage to facility a term loan up to SGD40,000,000 with a tenor of 5 years from date of first utilisation.

3. The property are subject to various tenancy agreements with details as below：

Property	**Approx. GFA (sq.m.)**	**Monthly Rent (SGD)**	**Lease Commencement**	**Lease Expiry**
Shop Unit #03-25B	1,408.26	$25,630.00	1/August/2015	31/July 2016
		$25,770.75	1/August/2016	31/July 2017
		$25,771.16	1/August/2017	31/July 2018
Shop Unit #03-26A	696.00	$18,879.00	1/August/2015	31/July 2016
		$19,162.19	1/August/2016	31/July 2017
		$19,449.62	1/August/2017	31/July 2018
		$19,741.36	1/August/2018	31/July 2019
		$20,037.48	1/August/2019	31/July 2020
Shop Unit #03-26B	387.00	$10,247.45	1/March/2015	25/February 2018
Total:	2,491.26			

4. According to the Key Performance Indicators provided by the client, the number of seats, the number of sessions, the occupancy rate and the average ticket prices are shown as follows:

Items	**Year End of CY2015**	**Year End of CY2016**	**Year End of CY2017**
Number of seats	1,062	1,062	1,062
Number of sessions	1,929	2,026	1,454
Occupancy rate (%)	40.40%	38.17%	34.42%
Average ticket prices (SGD/Ticket)	$9.39	$9.36	$9.76

5. Key parameters and principal assumptions applied in the valuation are summarized as below:

Items		**Detailed information**
Discount Rate	:	7.0%
Market Yield in the Vicinity	:	5.0% to 7.0%
Current market rental of the three shop units	:	About SGD263 per sq.m. per annum
Cash flow projection	:	Assuming total income and total expenses of the property will increase at the Compound Annual Growth Rates of about 0.86% and 1.42% respectively for the following 20 years and to be stabilized at the Year 2037

6. The subject property is zoned in "Commercial" under the Singapore Master Plan (2014 Edition).

7. Any change of usage of the property other than Cineplex operation would require approval from the Management Corporation Strata Title of the subject building and relevant authorities such as the Urban Redevelopment Authority (URA), Building Control Authority (BCA) and Singapore Civil Defence Force (SCDF) etc. As the property is designed to include a cinema with rather big floor area and is one of the anchor attraction of the Development, the building management's approval is required to make sure that there are no objection from other strata owners.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value as at 29 September 2017 Singapore Dollars/ Hong Kong Dollars
2.	A Cineplex located from the 1/F to 4/F of Golden Village—Yishun Ten, 51 Yishun Central 1, Singapore	The Golden Village — Yishun Ten (the "**Development**") is a 4-storey shopping and entertainment complex erected on three basements. Temporary Occupation Permit (TPO) was issued on 25 May 1992 and the building was renovated in 2010.	The property is currently owner operated as a Cineplex (known as Golden Village). *(Please refer to note 3–note 4 below for details)*	SGD52,500,000 (SINGAPORE DOLLARS FIFTY TWO MILLION FIVE HUNDRED THOUSAND ONLY)
	Lot U46662M with an Accessary Lot A1W, Mukim 19 (the "**Lot**")	The property comprises a 1,477-seat Cineplex located from the 1/F to 4/F and a projection level of the Development. The property has a total gross floor area of approximately 8,449.00 sq.m. (90,944 sq.ft.) with details as follows:		100% interest attributed to the Group: SGD52,500,000/ HKD301,800,000 (HONG KONG DOLLARS THREE HUNDRED AND ONE MILLION EIGHT HUNDRED THOUSAND ONLY) 100% interest attributed to the Group: HKD301,800,000

Property	**Approx. GFA (sq.m.)**
1/F	73.00
2/F	1,374.00
3/F	2,324.00
4/F	2,324.00
Projection Level	2,324.00
1/F on Accessory Lot A1W	30.00
Total:	8,449.00

The Lot is held for a term of 99 years leasehold commencing from 1 April 1990.

Notes:

1. The registered owner of the property is Golden Village Multiplex Pte Ltd. The registered subsidiary proprietor's share in the common property is 7,566/10,000 shares. No dealing of the Accessory Lot independently of the within Strata Lot U46662M Mukim 19 is permitted.

2. According to our recent Land Titles Registry search, the property is subject to a mortgage in favor of The Hongkong And Shanghai Banking Corporation Limited registered on 1 April 2003. As provided, the property is partial of the security for the aforesaid mortgage to facility a term loan up to SGD40,000,000 with a tenor of 5 years from date of first utilisation.

3. According to the Key Performance Indicators provided by the client, the number of seats, the number of sessions, the occupancy rate and the average ticket prices are shown as follows:

Items	**Year End of CY2015**	**Year End of CY2016**	**Year End of CY2017**
Number of seats	1,477	1,477	1,477
Number of sessions	1,904	1,978	1,438
Occupancy rate (%)	35.52%	32.66%	31.06%
Average ticket prices (SGD/Ticket)	$9.42	$9.39	$9.88

4. Key parameters and principal assumptions applied in the valuation are summarized as below:

Items		**Detailed information**
Discount Rate	:	7.0%
Market Yield in the Vicinity	:	5.0% to 7.0%
Cash flow projection	:	Assuming total income and total expenses of the property will increase at the Compound Annual Growth Rates of about 0.87% and 1.42% respectively for the following 20 years and to be stabilized at the Year 2037

5. The subject property is zoned in "Commercial" under the Singapore Master Plan (2014 Edition).

6. Any change of usage of the property other than Cineplex operation would require approval from the Management Corporation Strata Title of the subject building and relevant authorities such as the Urban Redevelopment Authority (URA), Building Control Authority (BCA) and Singapore Civil Defence Force (SCDF) etc. As the property is designed to include a cinema with rather big floor area and is one of the anchor attraction of the Development, the building management's approval is required to make sure that there are no objection from other strata owners.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS IN SECURITIES

2.1 Interests and short positions of Directors and chief executive in shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Name of Director/ Chief Executive	Capacity	Note	Number of Shares held	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 as at the Latest Practicable Date
Wu Kebo	Interest of controlled corporations	1	1,723,894,068 (L)	—	1,723,894,068 (L)	61.57%
	Beneficial owner	1	249,734,429 (L)	—	249,734,429 (L)	8.92%
Li Pei Sen	Beneficial owner		200,000 (L)	—	200,000 (L)	0.01%
Wu Keyan	Beneficial owner		2,500,000 (L)	—	2,500,000 (L)	0.09%
Leung Man Kit	Beneficial owner		370,000 (L)	—	370,000 (L)	0.01%
Wong Sze Wing	Beneficial owner		170,000 (L)	—	170,000 (L)	0.01%

* *Such percentages have been compiled based on the total number of Shares in issue (i.e. 2,799,669,050) as at the Latest Practicable Date.*

Abbreviations:
"L" stands for long position

Note:

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

   In addition, Mr. Wu is interested in 249,734,429 Shares as at the Latest Practicable Date which were beneficially held by him in his own name.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

2.2 Notifiable interests and short positions of substantial shareholders and other persons in Shares

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company in accordance with disclosure by the substantial shareholders under Part XV of the SFO, the following substantial shareholders of the Company within the meaning of the Listing Rules and other persons (in each case other than the Directors and chief executive of the Company) had an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Note	Number of Shares held	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 as at the Latest Practicable Date
Wu Kebo	Interest of controlled corporations	1	1,723,894,068 (L)	—	1,723,894,068 (L)	61.57%
	Beneficial owner	1	249,734,429 (L)	—	249,734,429 (L)	8.92%
Skyera International Limited ("**Skyera**")	Beneficial owner	2	439,791,463 (L)	—	439,791,463 (L)	15.71%
Mainway Enterprises Limited ("**Mainway**")	Beneficial owner	3	408,715,990 (L)	—	408,715,990 (L)	14.60%
Noble Biz International Limited ("**Noble Biz**")	Beneficial owner	4	129,666,667 (L)	—	129,666,667 (L)	4.63%
Orange Sky Entertainment Group (International) Holding Company Limited ("**OSEG**")	Beneficial owner	5	565,719,948 (L)	—	565,719,948 (L)	20.21%
Cyber International Limited ("**Cyber**")	Beneficial owner	6	180,000,000 (L)	—	180,000,000 (L)	6.43%
China Construction Bank Corporation	Interest of controlled corporations		14,925,373 (L)	—	14,925,373 (L)	0.53%
Central Huijin Investment Ltd.	Interest of controlled corporations		14,925,373 (L)	—	14,925,373 (L)	0.53%
Wan Tai Investments Limited	Beneficial owner		14,925,373 (L)	—	14,925,373 (L)	0.53%

* *Such percentages have been compiled based on the total number of Shares in issue (i.e. 2,799,669,050) as at the Latest Practicable Date.*

Abbreviations:
"L" stands for long position

Notes:

1. By virtue of the SFO, as at the Latest Practicable Date, Mr. Wu is deemed to have interest in a total of 1,973,628,497 Shares, of which (i) 439,791,463 Shares were held by Skyera; (ii) 408,715,990 Shares were held by Mainway; (iii) 129,666,667 Shares were held by Noble Biz; (iv) 565,719,948 Shares were held by OSEG (a company 80% owned by Mr. Wu) and (v) 180,000,000 Shares were held by Cyber. In addition, Mr. Wu is interested in 249,734,429 Shares as at the Latest Practicable Date which were beneficially held 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. 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.

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

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any substantial shareholder of the Company within the meaning of the Listing Rules or other person (in each case other than a Director or chief executive of the Company) who had, as at the Latest Practicable Date, an interest or a short position in Shares or underlying Shares which was required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

2.3 Directors' interests in contracts and assets

As at the Latest Practicable Date,

(i) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and

(ii) none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any service contract with any member of the Group which will not expire or be terminable by the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group within two years preceding the Latest Practicable Date, and are or may be material:

(a) the subscription agreement dated 22 January 2016 (the "**CB Subscription Agreement**") entered into between the Company and Wan Tai Investments Limited ("**Wan Tai**") in relation to the issue of the 5% Series 1 Convertible Bonds due 2019 (as defined in the CB Subscription Agreement) in the principal amount of HK$200 million, and the proposed issue of the Series 2 Convertible Bonds (as defined in the CB Subscription Agreement) in the principal amount of HK$100 million;

(b) the supplemental agreement to the CB Subscription Agreement dated 31 January 2016 entered into by the Company and Wan Tai whereby the long stop date of Series 1 Convertible Bonds was extended from 31 January 2016 to 5 February 2016;

(c) the subscription agreement dated 15 March 2016 entered into between City Entertainment Corporation Limited ("**City Entertainment**"), 橙天嘉禾影城(中國)有限公司 (Orange Sky Golden Harvest Cinemas (China) Company Limited*) ("**OSGH (China)**") and the investors, being 嘉興信業創贏肆號投資合夥企業(有限合夥) (Jiaxing Credit Prosperity Investment Enterprise (Limited Partnership)*) ("**Xin Ye**"), 上海慧影投資中心(有限合夥) (Shanghai Huiying Investment Centre (Limited Partnership) and 北京青中同創資產管理有限公司 (Beijing Qing Zhong Tong Chuang Asset Management Company Limited) (collectively, the "**Investors**") in respect of the subscription of the shares of OSGH (China), representing an aggregate 13.79% of the equity interest in OSGH (China) following completion of the subscription, by the Investors in OSGH (China), in consideration for RMB400 million (the "**Subscription Agreement**");

(d) the first supplemental agreement to the Subscription Agreement dated 1 April 2016, entered into by City Entertainment, Xin Ye and 北京微影時代科技有限公司 (Beijing Weiying Technology Co. Ltd*), a company established in the PRC or any of its associates, including 上海慧影投資中心(有限合夥) (Shanghai Huiying Investment Centre (Limited Partnership) pursuant to which the parties have agreed to amend certain terms of the Subscription Agreement in respect of (i) the rights and obligations of the parties between the date of the Subscription Agreement and the date of the completion of the subscription and (ii) the buy-back options provisions regarding the equity interest in OSGH (China);

* *For identification purposes only*

(e) the second supplemental agreement to the Subscription Agreement dated 1 April 2016, entered into by City Entertainment, OSGH (China), and 北京微影時代科技有限公司 (Beijing Weiying Technology Co. Ltd*), a company established in the PRC or any of its associates, including 上海慧影投資中心(有限合夥) (Shanghai Huiying Investment Centre (Limited Partnership)), pursuant to which the parties agreed to amend certain terms of the Subscription Agreement in respect of the termination of the Subscription Agreement between the parties;

(f) the second amendment agreement and the deed of amendment dated 27 May 2016 entered into by the Company and Wan Tai, pursuant to which the parties agree to amend certain terms in the CB Subscription Agreement and the instrument of Series 1 Convertible Bond in light of the issuance of share of OSGH (China);

(g) the joint venture agreement dated 5 September 2016 entered into by City Entertainment and Xin Ye, which (a) sets out the major terms of the Subscription Agreement as applicable between City Entertainment and Xin Ye and the operational arrangements between City Entertainment and Xin Ye in relation to OSGH (China), and (b) further supplements the Subscription Agreement;

(h) the third supplemental agreement dated 5 September 2016 entered into by 北京青中同創資產管理有限公司 (Beijing Qing Zhong Tong Chuang Asset Management Company Limited), City Entertainment and OSGH (China), whereby it was agreed, amongst others, that all of the rights and obligations under the Subscription Agreement of 北京青中同創資產管理有限公司 (Beijing Qing Zhong Tong Chuang Asset Management Company Limited) would be terminated, without any claim or liability towards the other parties;

(i) the sale and purchase agreement dated 25 January 2017 entered into between Giant Harvest Limited ("**Giant Harvest**"), the Company, True Vision Limited ("**True Vision**") and Nan Hai Corporation Limited ("**Nan Hai**") in respect of the disposal of the entire issued share capital of City Entertainment by Giant Harvest Limited to True Vision Limited (the "**CE Sale and Purchase Agreement**") for a consideration of approximately RMB3.286 billion (subject to adjustment);

(j) the supplemental agreement dated 7 March 2017 entered into between Giant Harvest, the Company, True Vision and Nan Hai amending and adding certain terms to the CE Sale and Purchase Agreement;

(k) the agreement dated 25 January 2017 entered into between OSGH (China), 上海橙天嘉影實業有限公司 (Shanghai Orange Sky Jiayin Shiye Company Limited*) ("**Jiashi**") and Nan Hai in respect of the repayment of a loan in the amount of RMB250 million owed by OSGH (China) or its related party to Jiashi; and

* *For identification purposes only*

(l) the sale and purchase agreement dated 19 April 2017 entered into by Xin Ye, 大地影院管理有限公司 (Dadi Cinema Management Company Limited*) ("**Dadi Cinema**"), Nan Hai and City Entertainment in respect of the transfer of 7.41% registered capital of OSGH (China) owned by Xin Ye as at such date to Dadi Cinema pursuant to the terms and conditions set out therein;

(m) the agreement dated 19 April 2017 entered into by City Entertainment, the Company and Xin Ye pursuant to which Xin Ye was granted the option to require the Company or its nominee to repurchase the 7.41% registered capital of OSGH (China) owned by Xin Ye as at such date;

(n) the third amendment agreement to the subscription agreement and the second deed of amendment to the Series 1 CB Instrument dated 30 June 2017 entered into by the Company and Wan Tai, pursuant to which the parties agree to amend certain terms in the CB Subscription Agreement and the instrument of Series 1 Convertible Bond in the light of the very substantial disposal of City Entertainment; and

(o) the Sale and Purchase Agreement.

6. PENDING LITIGATION OR CLAIMS

On 27 May 2014, the Company announced that there has been a shareholders' dispute in Vie Show Cinemas Company Limited ("**Vie Show**"), a Taiwan incorporated company which is 35.71% owned by Golden Sky Entertainment Limited, a wholly-owned subsidiary of the Company ("**GSE**"), and one of the principal businesses of which is operating and managing cinemas in Taiwan, whereby GSE and two other shareholders of Vie Show (the "**Vie Show Shareholders**") served a written notice on Bau Tzuoh Investment Co., Ltd. (寶座投資股份有限公司), Taijian Investment Holdings Co., Ltd.* (泰建投資股份有限公司) and Tailuen Investment Holdings Co., Ltd.* (泰聯投資股份有限公司) (collectively, "**Bau Tzuoh Companies**") to, among other things, terminate the shareholders' agreement with the Bau Tzuoh Companies with effect on 23 May 2014 according to the laws of Taiwan and requesting for a forced sale of all of the issued shares of Vie Show held by Bau Tzuoh Companies to Vie Show Shareholders. On 21 July 2014 and 20 January 2016, the Company further issued announcements (the "**Vie Show Announcements**") that, among other things, (i) the Vie Show Shareholders had filed a lawsuit against the Bau Tzuoh Companies with the Taipei District Court of Taiwan (the "**Court**") (the "**Claim**") on 15 July 2014, (ii) on 15 January 2016, the Court issued judgment and dismissed the Claim, and (iii) in November 2014, the Bau Tzuoh Companies filed a separate law suit against the Vie Show Shareholders with the Court, seeking the Court's judgment for a transfer of the entire issued shares held by the Vie Show Shareholders to the Bau Tzuoh Companies (the "**Bao Tzuoh Companies Claim**"). On 30 December 2016, the Court issued judgment and dismissed the Bao Tzuoh Companies Claim. Both the Vie Show Shareholders and the Bau Tzuoh Companies had filed respective appeals against the Court's judgements to the Taiwan High Court. On 19 and 25 October 2017, the Taiwan High Court issued judgements and dismissed both appeals respectively. The Vie Show Shareholders will file appeal against the Taiwan High Court judgement to the Supreme Court of Taiwan in due course. As disclosed in the Vie Show Announcements, the Company intends to actively defend the Bao Tzuoh Companies Claim or any other claims that may be brought by the Bau Tzuoh Companies.

Save for the above matter, as at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

7. EXPERT AND CONSENT

The following is the qualification of the expert or professional adviser who has given opinion or advice contained in this circular:

Name	Qualification
KPMG	Certified Public Accountants
RHL Appraisal Ltd. ("**RHL**")	Independent property valuer

As at the Latest Practicable Date, each of KPMG and RHL has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear. As at the Latest Practicable Date, each of KPMG and RHL did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for securities in any member of the Group. As at the Latest Practicable Date, each of KPMG and RHL was not interested, directly or indirectly, in any assets which have been or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016, the date to which the latest audited financial statements of the Company were made up.

8. MISCELLANEOUS

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

(b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The company secretary of the Company is Ms. Cheung Hei Ming, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators respectively.

(d) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:30 a.m. to 6:00 p.m. on any weekday except public holidays in Hong Kong, at the principal place of business of the Company in Hong Kong at 24/F, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong for 14 days from the date of this circular:

(a) the Bye-Laws of the Company;

(b) the annual reports of the Company for the two financial years ended 31 December 2015 and 2016;

(c) the interim report of the Company for the six months ended 30 June 2017;

(d) the report on the unaudited pro forma financial information on the Enlarged Group from KPMG, the text of which is set out in Appendix IV to this circular;

(e) the property valuation report on the properties held by the Target Group, the text of which is set out in Appendix V to this circular;

(f) the consent letter referred to in the paragraph under the heading ''Expert and Consent'' in this Appendix;

(g) each of the material contracts as referred to in the section headed ''Material Contracts'' in this Appendix;

(h) the circulars of the Company dated 13 March 2017 and 22 May 2017 respectively; and

(i) this circular.