Orange Sky Golden Harvest Entertainment (Holdings) Limited
橙天嘉禾娛樂(集團)有限公司

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

(Stock Code 股份代號: 1132)

Interim Report
中期報告
2023

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

(As at 30 June 2023 於2023年6月30日)

CONTENTS

Corporate Information

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS
LEUNG Man Kit
WONG Sze Wing
FUNG Chi Man, Henry

CHIEF EXECUTIVE OFFICER
CHOW Sau Fong, Fiona
MAO Yimin

COMPANY SECRETARY
CHEUNG Hei Ming

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS
Unit 2101, YF Life Tower
33 Lockhart Road
Wan Chai
Hong Kong

PRINCIPAL BANKERS
DBS Bank Ltd.
United Overseas Bank Limited
Hang Seng Bank Limited
CTBC Bank Co., Ltd.

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
MUFG Fund Services (Bermuda) Limited
4th floor, North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

WEBSITE
http://www.osgh.com.hk

STOCK CODE
1132

Management Discussion and Analysis

BUSINESS REVIEW

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

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

With the pandemic outbreak gradually subsiding in an increasingly stabilized international macro environment, the Group is confident that the cinema industry worldwide is on a positive development trajectory. During the period under review, the Group's interim results continued to show strong growth with the revenue up by 21% to HK$396.2 million (2022: HK$328.2 million).

The Group expects to continue new cinema opening across Hong Kong, Singapore, and Taiwan and has planned to open 4 new cinemas across the regions over the next 2 years. At the same time, the Group will expand cinemas from single use of movie viewing to become an integrated entertainment hub featuring other lifestyle offerings such as live music, e-sports, collectibles, and food and beverages.

The Group's first 360 theatre in Suzhou is expected to launch in the second half of 2023. The Group's 360 theatres all feature an advanced rotating auditorium surrounded by projection panels capable of opening up to 180 degrees and panoramic stages, coupled with local Chinese stories recreated in live performance format will provide audiences with a stunning theatrical experience.

Film Exhibition

The Group maintained its network of 42 cinemas and 338 screens across Hong Kong, Singapore and Taiwan as of 30 June 2023. The Group's film exhibition business remained the undisputed market leader in Singapore and Taiwan with 50% and 44% respective share in local box office during the six months ended 30 June 2023 (the "period" or the "reporting period").

With the Group's continued effort, the Group's cinema total admissions raised by 30%, from 7.7 million in the same period last year to 9.9 million during the six months period ended 30 June 2023. Average ticket price for the three regions also increased by 0.4%, from HK$79.3 to HK$79.5 during the period. The major Hollywood blockbusters released during the period were *Ant-Man and the Wasp: Quantumania (蟻俠與黃蜂女: 量子狂熱)*, *The Super Mario Bros. Movie (超級瑪利歐兄弟大電影)*, *Guardians of the Galaxy Volume 3 (銀河守護隊3)*, *Spider-Man: Across The Spider-Verse (蜘蛛俠: 飛躍蜘蛛宇宙)*, *Transformers: Rise of the Beasts (變形金剛：狂獸崛起)* and *The Flash (閃電俠)*.

Operating Statistics of the Group's Cinemas

(For the six months ended 30 June 2023)

	Hong Kong	Singapore	Taiwan
Number of cinemas*	10	15	17
Number of screens*	37	119	182
Admissions *(million)*	1.1	2.4	6.4
Net average ticket price *(HK$)*	71	73	68

* As of 30 June 2023

Hong Kong

Operating Statistics of the Group's Cinemas in Hong Kong

(For the six months ended 30 June 2023)

	2023	2022
Number of cinemas*	**10**	10
Number of screens*	**37**	37
Admissions *(million)*	**1.1**	0.5
Net average ticket price *(HK$)*	**71**	76
Box office receipts *(HK$ million)*	**79**	40

* As of 30 June 2023

Our Hong Kong operations branded under Golden Harvest Cinemas altogether operated 10 cinemas and 37 screens in the city as of the period end.

Amidst the gradual relaxation of social distancing measures, Hong Kong business has witnessed strong recovery, resulting in an improvement in admissions from 0.5 million for the first half of 2022 to 1.1 million for corresponding period of 2023. Successful local titles released during the period *A Guilty Conscience (毒舌大狀)* has further boosted cinema admissions. Resulting from higher admissions, box office receipts increased by 96% to HK$79 million in the six months period ended 30 June 2023 from HK$40 million for the same period last year, making up for the slightly lower net average ticket price at HK$71 (30 June 2022: HK$76).

Singapore

Operating Statistics of the Group's Cinemas in Singapore

(For the six months ended 30 June 2023)

	2023	2022
Number of cinemas*	**15**	14
Number of screens*	**119**	112
Admissions *(million)*	**2.4**	2.5
Net average ticket price *(S$)*	**12.5**	11.9
Net box office receipts *(S$ million)*	**30**	30

* As of 30 June 2023

Singapore has been the main revenue contributor to the Group, attributing to 49% and 56% of the Group's total revenue across 4 regions in first half of 2023 and 2022 respectively. The Group's Singapore operations under the Golden Village brand remained the undisputed market leader locally operating a network of 15 cinemas and 119 screens, which accounts for 43% of the total installed screens in the country, and also represents over half of all the country's box office over the period.

During the period, Golden Village reported a slight increase of net box office receipts to S$30.4 million (30 June 2022: S$30.2 million). The increase of net average ticket price to S$12.5 for the reporting period (30 June 2022: S$11.9) has made up the slightly dropped admissions.

Golden Village will expand cinemas from single use of movie viewing to become an integrated entertainment hub featuring other lifestyle offerings such as live music, e-sports, collectibles, and food and beverages. A six-house cinema, namely, Golden Village x The Projector is expected to start screenings by the end of this year to offer a personalised and authentic experience and also a space that features live music, art showcases and interactive screenings through the collaboration between Singapore's biggest cinema chain, Golden Village, and a boutique cinema circuit, The Projector.

Furthermore, Golden Village is gradually expanding its Gold Class premium cinemas and dining options in response to the increasing demand for space and privacy. Such expansion is to cater to consumers' evolving preferences after the pandemic.

To mitigate the risk of any further delay in Hollywood blockbuster release, Golden Village is committed to increase alternative content, live streaming, and special movie screening frequencies. Golden Village has also sold movie vouchers, entered into partnership with landlords, and launched e-commerce websites, to maximise our revenue as much as possible. There has been a material improvement in net average ticket price by 5% to S$12.5 in the six months ended 30 June 2023 from S$11.9 in the same period last year. In the meantime, Golden Village continued to source quality independent movies for distributions in Singapore to position the chain for exclusive screenings.

Golden Village is a household name in Singapore with a considerable large scale of operations compared with local competitors. We remain confident in Golden Village business prospects, and will continue to expand Golden Village market leadership in Singapore going forward.

Taiwan

Operating Statistics of the Group's Cinemas in Taiwan

(For the six months ended 30 June 2023)

	2023	2022
Number of cinemas*	**17**	16
Number of screens*	**182**	173
Admissions *(million)*	**6.4**	4.6
Net average ticket price *(NTD)*	**262**	257
Net box office receipts *(NTD billion)*	**1.7**	1.2

* As of 30 June 2023

The Group's 35.71% owned Vie Show Cinemas is the largest cinema chain in Taiwan operating a total of 17 cinemas, comprising of 182 screens with a leading market share of 44% as of 30 June 2023.

During the period, Vie Show's net box office receipts amounted to NTD1.67 billion, registering a significant increase of 41% from NTD1.19 billion in the same period last year. The increase was primarily due to higher admissions of 6.4 million (30 June 2022: 4.6 million) and also higher average ticket price of NTD 262 (30 June 2022: NTD 257).

Vie Show understands the importance of securing quality contents for its cinemas during COVID-19, in which its business was impacted primarily by the delay of Hollywood blockbusters. To fully leverage on the market leadership in cinema operations locally, Vie Show has incorporated a new film production and film distribution associate Bole Film Co., Ltd (伯樂影業股份有限公司) with the Taiwan Ministry of Culture and other leading cinema chains in Taiwan.

The Group remained committed in Vie Show and will continue to develop Vie Show into a leading comprehensive entertainment operator in Taiwan. In particular, Vie Show is expected to open 3 new cinemas with 47 screens between 2023 to 2025, which will further increase Vie Show's market shares locally in Taiwan.

Film & TV Programme Distribution and Production

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

Riding on the Group's leading position and long history in film distribution and production, the Group is one of the largest independent film distributors in Hong Kong, Singapore, and Taiwan. On an aggregated basis the Group's film distribution and production business recorded revenue of HK$17.8 million during the period (30 June 2022: HK$14.4 million), representing an increase of 24% compared to same period last year. Key titles distributed by the Group included *Marry My Dead Body (關於我和鬼變成家人的那件事)* in Hong Kong, Taiwan and Singapore. The famous releases outside Hong Kong were *U Motherbaker (我的婆婆怎麼把OO搞丟了)* in Taiwan and *John Wick 4 (殺神John Wick 4)* in Singapore.

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

FINANCIAL REVIEW

Profit and Loss

Benefited from the strong recovery of the operations in Hong Kong and Taiwan, coupled with the steady growth of the operation in Singapore during the reporting period, the Group's interim results for the six months ended 30 June 2023 continued to show strong growth with the revenue up by 21% to HK$396.2 million (30 June 2022: HK$328.2 million).

As the Group's cinemas were no longer subject to any food and beverage restrictions inside cinema halls during the reporting period, the higher margin concession income has increased by 11%, allowing overall gross profit margin to raise from 64% to 65%. Along with the rise in revenue, gross profit for the period amounted to HK$256.6 million, compared with HK$209.3 million during the same period last year, representing a 23% increase of gross profit.

Other revenue of HK$22.9 million represents primarily subsidies from governments during the period. This represents HK$1.1 million reduction compared with the same period last year. Interest income during the period reduced to HK$0.9 million from HK$2.1 million in the same period last year since the Group has employed its cash on hand to repay its bank loans amidst rising interest rate since the second half of 2022.

The Group's finance costs consisted mainly of interest expense on bank loans and interest on lease liabilities. Interest expense on bank loans amounted to HK$14.3 million during the period, compared with HK$8.6 million in similar periods last year, the increase is mainly due to the higher interest rate.

The Group's joint venture in Taiwan recorded a net profit during the period, in which the Group's share of profit of the joint venture amounted to HK$5.5 million (30 June 2022: share of loss of HK$17.6 million).

With the Group's continued effort, consolidated pre-HKFRS16 operating EBITDA for the first half of 2023 amounted to HK$37.4 million, representing a significant improvement from HK$14.7 million in the same period in 2022, reflecting the recovery of the Group's operations from COVID-19.

Depreciation expense for the period amounted to HK$84.8 million (30 June 2022: HK$79.2 million). The Group has made no impairment of assets during the period (30 June 2022: impairment loss of Nil). As a result, loss attributable to equity holders was HK$24.4 million, compared with a loss of HK$10.9 million in the corresponding period last year.

FINANCIAL RESOURCES AND LIQUIDITY

The Group's financial position remained healthy with net assets of HK$1,495.3 million as of 30 June 2023.

As of 30 June 2023, the Group has total cash and bank balances amounted to HK$217.4 million (31 December 2022: HK$291.5 million), within which pledged bank balances amounted to HK$33.0 million (31 December 2022: HK$7.9 million). The reduction in cash on hand arouse from the prepayment of bank borrowings by HK$25.9 million during the period. From a net debt angle (total bank borrowing less total cash and bank balances), the Group's net debt has increased from HK$217.1 million as of 31 December 2022 to HK$266.4 million as of 30 June 2023.

As of 30 June 2023, the Group's gearing ratio, calculated on the basis of bank borrowings over total assets, stood at a healthy level of 13.9% (31 December 2022: 14.4%). Net gearing ratio, calculated on the basis of net borrowings over total assets, stood at a healthy level of 7.7% (31 December 2022: 6.1%) and our cash to bank borrowings ratio at 44.9% (31 December 2022: 57.3%). The Group at this moment has a conservative financial leverage. The Group adopts a prudent financial management approach towards its funding and treasury policy. The Board will closely monitor the liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments meets its funding requirements from time to time. The management viewed the Group's financial position as healthy given the strong liquidity position and that a new long term bank loan facility has already been secured. The management believed that its available liquidity is sufficient to support ongoing cinema projects, as well as potential acquisitions of other regional entertainment companies.

The Group's assets (including cash and cash equivalents) and liabilities are principally denominated in United States dollars, Hong Kong dollars, Renminbi and Singapore dollars, except for certain assets and liabilities associated with the investments in Taiwan. The Group's bank borrowings are denominated in Hong Kong dollars and Singapore dollars, which are in line with the Group's main operating currencies. Each of the Group's overseas operations were operating in their local currencies and are subject to minimal exchange risk. The Group has not used any financial instruments for hedging purpose during the period (31 December 2022: Nil). The Group will continue to assess the exchange risk exposure, and will consider possible hedging measures in order to minimise the risk at reasonable cost. The Group did not have any significant contingent liabilities or off-balance sheet obligations as of 30 June 2023 (31 December 2022: Nil).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR SIGNIFICANT INVESTMENTS OR ACQUISITIONS OF MATERIAL CAPITAL ASSETS IN THE FUTURE

Save as disclosed in this interim report, during the six months ended 30 June 2023, the Company had no significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures. As at the date of this interim report, the Group has no specific plans for significant investments or acquisitions of material capital assets in the future.

CHARGES ON GROUP ASSETS

Save as disclosed in note 13 of the interim financial report, as at 30 June 2023, there was no material charge on the Group's assets.

OUTLOOK

COVID-19 has been an unprecedented challenge to the worldwide economy since 2020, and particularly the film and cinema industry has been one of the worst hit segments. Despite the significant pressure, the Group is pleased to confirm that our operations have returned to positive operating EBITDA and confirmed that the Group has turned around from COVID-19. As shown in the strong recovery in the first half of 2023, the Group is confident that cinemas will remain a vital form of entertainment worldwide going forward.

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

In Hong Kong, the Group looks to further expand our cinema network when suitable opportunities arise. The Group will gradually increase broadcast frequency of live Japanese and Korean mini-concerts to maximise average ticket price. At the same time, the Group will continue to look for investment opportunities in quality film distribution projects in the territory.

In Singapore, the Group will continue to grow by actively pursuing suitable cinema sites. The Group has expected to open a new 6-screen cinema in Singapore in the second half of 2023 and will continue to look for other expansion opportunities. The Group will gradually convert its existing cinemas into integrated lifestyle hubs and introduce creative product offerings such as toys merchandise to its customers.

In Taiwan, Vie Show will continue to expand its cinema network and expect to open 3 new cinemas from 2023 to 2025. Vie Show remains interested to further increase its market leadership by opening cinemas across Taiwan. Supplemented by diversification into film productions and distributions, as well as shopping mall operations, and food and beverage businesses, Vie Show performance is expected to rebound rapidly in the near future.

In the PRC, the Group's first 360 theatre that marries advanced stage technology from Europe, local Chinese stories recreated by renowned talents is scheduled to open in Suzhou in the second half of 2023.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed 419 (31 December 2022: 374) permanent employees. The Group remunerates its employees mainly by reference to industry practice. In addition to salaries, commissions and discretionary bonuses, share options will be granted to employees based on individual performance and contribution to the Group. The Group also operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance and, as at 30 June 2023, there was no forfeited contribution arising from employees leaving the retirement benefit scheme. In accordance with the corporate development strategies along with the practical business needs, the Group has provided various training programs to its staff according to their positions via a number of channels, including induction courses for new staff and trainings of professional knowledge in connection with finance, internal control and other topics.

CHANGE OF CHIEF EXECUTIVE OFFICER

The change in information of the chief executive officer since the date of the 2022 annual report of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

1. Mr. Yeung Ho Nam ceased to be the chief executive officer and chief financial officer of the Group with effect from 9 April 2023; and

2. Ms. Chow Sau Fong, Fiona and Mr. Mao Yimin are appointed as the Co-CEO with effect from 11 April 2023.

For details of the above changes, please refer to the announcement of the Company dated 6 April 2023.

Review Report to the Board of Directors

KPMG

Review report to the Board of Directors of
Orange Sky Golden Harvest Entertainment (Holdings) Limited
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 14 to 44 which comprises the consolidated statement of financial position of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group") as of 30 June 2023 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

Certified Public Accountants

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

28 August 2023

Consolidated Income Statement

for the six months ended 30 June 2023 — Unaudited

	Note	**Six months ended 30 June 2023 HK$'000**	Six months ended 30 June 2022 HK$'000
Revenue	3	**396,202**	328,165
Cost of sales		**(139,567)**	(118,878)
Gross profit		**256,635**	209,287
Other revenue		**22,859**	24,042
Other net (loss)/income		**(16,615)**	35,493
Selling and distribution costs		**(226,401)**	(199,705)
General and administrative expenses		**(41,139)**	(38,204)
Other operating expenses		**–**	(751)
(Loss)/profit from operations		**(4,661)**	30,162
Finance costs	4(a)	**(18,648)**	(22,551)
Share of profit/(loss) of a joint venture		**5,518**	(17,562)
Loss before taxation	4	**(17,791)**	(9,951)
Income tax expense	5	**(6,559)**	(903)
Loss for the period		**(24,350)**	(10,854)
Attributable to:			
Equity holders of the Company		**(24,350)**	(10,854)
Non-controlling interests		**–**	–
		(24,350)	(10,854)
Loss per share (HK cent)	6		
Basic and diluted		**(0.87)**	(0.39)

The notes on pages 23 to 44 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2023 — Unaudited

	Six months ended 30 June 2023 HK$'000	Six months ended 30 June 2022 HK$'000
Loss for the period	**(24,350)**	(10,854)
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
— subsidiaries outside Hong Kong	**2,347**	(21,179)
— a joint venture outside Hong Kong	**(212)**	(3,545)
	2,135	(24,724)
Total comprehensive income for the period	**(22,215)**	(35,578)
Total comprehensive income attributable to:		
Equity holders of the Company	**(22,260)**	(35,635)
Non-controlling interests	**45**	57
Total comprehensive income for the period	**(22,215)**	(35,578)

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

The notes on pages 23 to 44 form part of this interim financial report.

Consolidated Statement of Financial Position

as at 30 June 2023

	Note	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
Non-current assets			
Right-of-use assets	7	**1,402,367**	1,457,853
Other property, plant and equipment	7	**424,594**	392,187
		1,826,961	1,850,040
Interest in a joint venture	8	**51,870**	46,564
Other receivables, deposits and prepayments		**38,419**	35,967
Intangible assets	10	**521,694**	523,214
Goodwill		**574,928**	576,917
		3,013,872	3,032,702
Current assets			
Inventories		**3,489**	4,136
Film rights	9	**111,291**	95,939
Trade receivables	11	**28,060**	18,624
Other receivables, deposits and prepayments		**93,878**	89,042
Pledged bank deposits	12	**33,035**	7,912
Deposits and cash	12	**184,345**	283,553
		454,098	499,206

Consolidated Statement of Financial Position *(continued)*

as at 30 June 2023

	Note	**As at 30 June 2023 HK$'000 (Unaudited)**	As at 31 December 2022 HK$'000 (Audited)
Current liabilities			
Bank loans	13	**483,764**	508,589
Trade payables	14	**90,569**	73,745
Other payables and accrued charges		**144,511**	143,555
Deferred income		**87,382**	72,160
Lease liabilities		**105,434**	104,440
Taxation payable		**4,905**	2,160
		916,565	904,649
Net current liabilities		**(462,467)**	(405,443)
Total assets less current liabilities		**2,551,405**	2,627,259
Non-current liabilities			
Lease liabilities		**406,180**	433,766
Deferred income		**507,148**	535,323
Deferred tax liabilities		**142,800**	140,678
		1,056,128	1,109,767
NET ASSETS		**1,495,277**	1,517,492

Consolidated Statement of Financial Position *(continued)*

as at 30 June 2023

	Note	**As at 30 June 2023 HK$'000 (Unaudited)**	As at 31 December 2022 HK$'000 (Audited)
Capital and reserves			
Share capital	15	**279,967**	279,967
Reserves		**1,216,531**	1,238,791
Total equity attributable to equity holders of the Company		**1,496,498**	1,518,758
Non-controlling interests		**(1,221)**	(1,266)
TOTAL EQUITY		**1,495,277**	1,517,492

The notes on pages 23 to 44 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2023 — Unaudited

	Attributable to equity shareholders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Reserve funds HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2023	279,967	771,749	15,886	80,000	3,134	15,834	352,188	1,518,758	(1,266)	1,517,492
Changes in equity for the six months ended 30 June 2023:										
Loss for the period	–	–	–	–	–	–	(24,350)	(24,350)	–	(24,350)
Other comprehensive income	–	–	–	–	–	2,090	–	2,090	45	2,135
Total comprehensive income	–	–	–	–	–	2,090	(24,350)	(22,260)	45	(22,215)
Balance at 30 June 2023	279,967	771,749	15,886	80,000	3,134	17,924	327,838	1,496,498	(1,221)	1,495,277

Consolidated Statement of Changes in Equity *(continued)*

for the six months ended 30 June 2023 — Unaudited

	Attributable to equity shareholders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Reserve funds HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2022	279,967	771,749	15,886	80,000	3,134	(3,210)	398,334	1,545,860	(1,377)	1,544,483
Changes in equity for the six months ended from 1 January 2022 and 30 June 2022:										
Loss for the period	–	–	–	–	–	–	(10,854)	(10,854)	–	(10,854)
Other comprehensive income	–	–	–	–	–	(24,781)	–	(24,781)	57	(24,724)
Total comprehensive income	–	–	–	–	–	(24,781)	(10,854)	(35,635)	57	(35,578)
Balance at 30 June 2022	279,967	771,749	15,886	80,000	3,134	(27,991)	387,480	1,510,225	(1,320)	1,508,905
Changes in equity for the six months ended from 1 July 2022 and 31 December 2022:										
Loss for the period	–	–	–	–	–	–	(35,292)	(35,292)	(2)	(35,294)
Other comprehensive income	–	–	–	–	–	43,825	–	43,825	56	43,881
Total comprehensive income	–	–	–	–	–	43,825	(35,292)	8,533	54	8,587
Balance at 31 December 2022	279,967	771,749	15,886	80,000	3,134	15,834	352,188	1,518,758	(1,266)	1,517,492

The notes on pages 23 to 44 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2023 — Unaudited

	Six months ended 30 June 2023 HK$'000	Six months ended 30 June 2022 HK$'000
Operating activities		
Finance costs paid	**(13,666)**	(7,735)
Other cash flows arising from operating activities	**80,362**	60,297
Net cash generated from operating activities	**66,696**	52,562
Investing activities		
Payment for the purchase of property, plant and equipment	**(55,431)**	(34,287)
Proceeds from disposal of non-current asset held for sale	**–**	217,401
Decrease in pledged bank deposits	**(25,123)**	–
Other cash flows arising from investing activities	**350**	(7,291)
Net cash (used in)/generated from investing activities	**(80,204)**	175,823
Financing activities		
Repayment of bank loans	**(25,860)**	(296,003)
Capital element of lease rentals paid	**(49,657)**	(33,796)
Interest element of lease rentals paid	**(9,651)**	(12,311)
Net cash used in financing activities	**(85,168)**	(342,110)

Condensed Consolidated Statement of Cash Flows

(continued)

for the six months ended 30 June 2023 — Unaudited

	Six months ended 30 June 2023 HK$'000	Six months ended 30 June 2022 HK$'000
Net decrease in cash and cash equivalents	**(98,676)**	(113,725)
Cash and cash equivalents at 1 January	**283,553**	695,369
Effect of foreign exchange rates changes	**(532)**	(7,193)
Cash and cash equivalents at 30 June	**184,345**	574,451
Analysis of balances of cash and cash equivalents		
Non-pledged short term bank deposits	**47,261**	178,806
Non-pledged cash and bank balances	**137,084**	395,645
Cash and cash equivalents at 30 June	**184,345**	574,451

The notes on pages 23 to 44 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 28 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Orange Sky Golden Harvest Entertainment (Holdings) Limited and its subsidiaries (together the "Group") since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

1 BASIS OF PREPARATION *(continued)*

The financial information relating to the financial year ended 31 December 2022 that is included in this preliminary announcement of the interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

As at 30 June 2023, the Group breached one of the financial covenants under the Group's banking facilities. Accordingly, the bank loans were classified as current liabilities as at 30 June 2023 as the bank loans became repayable on demand.

Nonetheless, the interim financial report has been prepared on a going concern basis notwithstanding the Group's current liabilities exceeding its current assets by $462,467,000 as at 30 June 2023, as subsequent to the reporting period, the Group has obtained a waiver with immediate effect on these financial covenants from the banks.

Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 30 June 2023, the directors are of the opinion that anticipated cash flows generated from the Group's operations can strengthen the Group's financial position and enable the Group to have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2023.

The directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and therefore consider it appropriate to adopt the going concern basis of accounting in preparing the interim financial report.

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRS is discussed below:

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

3 REVENUE AND SEGMENT REPORTING

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

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

— Hong Kong

— Mainland China

— Singapore

— Taiwan

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

Each of the above reportable segments primarily derives its revenue from film exhibition, film and video distribution, film and television programme production and the provision of advertising and consultancy services. The reportable segment, Taiwan, represent the performance of the joint venture operating in Taiwan for the six months ended 30 June 2023. For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the revenue and results attributable to each reportable segment on the following basis:

3 REVENUE AND SEGMENT REPORTING *(continued)*

Segment revenue and results

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

The measure used for reporting segment results are adjusted operating results after taxation where net finance costs, exchange differences and extraordinary items are excluded, and the effect of HKFRS 16, *Leases*, is adjusted as if the rentals had been recognised under HKAS 17, *Leases*. To arrive at adjusted operating results after taxation, the Group's results are further adjusted for items not specifically attributable to individual segments, such as directors' and auditors' remuneration and head office or corporate administration costs.

In addition to receiving segment information concerning operating results after taxation, management is provided with segment information concerning revenue.

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

3 REVENUE AND SEGMENT REPORTING *(continued)*

Segment revenue and results *(continued)*

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

	Six months ended 30 June (unaudited)									
	Hong Kong		Mainland China		Singapore		Taiwan		Total	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Segment revenue:										
Revenue										
— Exhibition	**97,369**	63,460	**–**	–	**304,270**	281,887	**218,363**	159,363	**620,002**	504,710
— Distribution and production	**4,354**	2,345	**–**	78	**11,417**	11,563	**2,047**	412	**17,818**	14,398
— Corporate	**602**	985	**253**	31	**–**	–	**–**	–	**855**	1,016
Reportable segment revenue	**102,325**	66,790	**253**	109	**315,687**	293,450	**220,410**	159,775	**638,675**	520,124
Reportable segment profit/(loss) after taxation	**(7,967)**	(15,269)	**(844)**	(4,895)	**21,915**	16,675	**10,846**	(13,273)	**23,950**	(16,762)
Reconciliation — Revenue										
Reportable segment revenue									**638,675**	520,124
Share of revenue from a joint venture in Taiwan									**(220,410)**	(159,775)
Elimination of intra-segment revenue									**(8,129)**	(8,574)
Others									**(13,934)**	(23,610)
Consolidated revenue									**396,202**	328,165
Reconciliation — loss before taxation										
Reportable profit/(loss) after taxation from external customers									**23,950**	(16,762)
Unallocated operating (expenses)/gain, net									**(48,300)**	5,908
Non-controlling interests									**–**	–
Income tax expense									**6,559**	903
Consolidated loss before taxation									**(17,791)**	(9,951)

4 LOSS BEFORE TAXATION

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

	Six months ended 30 June 2023 HK$'000 (Unaudited)	Six months ended 30 June 2022 HK$'000 (Unaudited)
(a) Finance costs		
Interest on bank loans	**14,298**	8,581
Interest on lease liabilities	**9,651**	12,311
Other ancillary borrowing costs	**1,353**	3,323
Total finance costs on financial liabilities not at fair value through profit or loss	**25,302**	24,215
Finance cost capitalised into construction-in-progress (note (i))	**(6,654)**	(1,664)
	18,648	22,551

4 LOSS BEFORE TAXATION *(continued)*

	Six months ended 30 June 2023 HK$'000 (Unaudited)	Six months ended 30 June 2022 HK$'000 (Unaudited)
(b) Other items		
Cost of inventories	**18,754**	17,127
Cost of services provided	**119,800**	101,454
Depreciation charge		
— owned property, plant and equipment	**20,855**	21,922
— right-of-use assets	**63,941**	57,274
Amortisation of film rights	**1,013**	297
Loss on disposals of property, plant and equipment	**127**	10
Exchange loss, net	**16,488**	21,056
Interest income from bank deposits	**(931)**	(2,074)
Gain on disposal of non-current asset held for sale (note (ii))	**–**	56,549

Notes:

(i) The finance costs have been capitalised at rates ranging from 4.77% to 6.51% per annum for the six months ended 30 June 2023 (ranging from 1.81% to 1.96% per annum for the six months ended 30 June 2022).

(ii) On 7 December 2021, the Group entered into the sale and purchase agreement with an independent third party to dispose of its Hong Kong office property (the "Property") for total consideration of HK$225,000,000, with completion scheduled on or before 29 April 2022. Accordingly, the Property has been reclassified as a non-current asset held for sale as at 31 December 2021. The transaction was completed on 29 April 2022 and a gain on disposal of HK$56,549,000 was recognised for the six months ended 30 June 2022.

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June 2023 HK$'000 (Unaudited)	Six months ended 30 June 2022 HK$'000 (Unaudited)
Current income tax		
Provision for Hong Kong tax	**–**	–
Provision for overseas tax	**3,934**	2,106
	3,934	2,106
Deferred tax — overseas		
Origination and reversal of temporary differences	**2,625**	(1,203)
Actual tax expense	**6,559**	903

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

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

6 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK$24,350,000 (six months ended 30 June 2022: loss of HK$10,854,000) and the weighted average number of ordinary shares of 2,799,669,050 (2022: 2,799,669,050 shares) in issue during the period.

Weighted average number of ordinary shares (basic)

	2023 Number of shares (Unaudited)	2022 Number of shares (Unaudited)
Issued ordinary shares and weighted average number of ordinary shares as at 30 June	**2,799,669,050**	2,799,669,050

(b) Diluted loss per share

The Company does not have any dilutive potential ordinary shares at 30 June 2022 and 2023. Diluted loss per share for the six months ended 30 June 2022 and 2023 is the same as the basic loss per share.

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

(a) Right-of-use assets

During the six months ended 30 June 2023, the Group entered into lease agreements for the use of properties and therefore recognised the additions to right-of-use assets of HK$51,809,000 (six months ended 30 June 2022: HK$5,612,000). During the six months ended 30 June 2023, the Group also modified certain lease agreements which reduced the right-of-use assets by HK$20,965,000.

The leases of properties contain variable lease payment terms that are based on revenue generated from the cinemas and minimum annual lease payment terms that are fixed. These payment terms are common in cinemas in Hong Kong and Singapore where the Group operates. During the six months ended 30 June 2022, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed and variable lease payments for the interim reporting period is summarised below:

	Six months ended 30 June 2023			
	Fixed payments HK$'000	**Variable payments HK$'000**	**COVID-19 rent concessions HK$'000**	**Total payments HK$'000**
Cinemas — Hong Kong	**24,730**	**1,606**	**–**	**26,336**
Cinemas — Singapore	**34,448**	**2,723**	**–**	**37,171**

	Six months ended 30 June 2022			
	Fixed payments HK$'000	Variable payments HK$'000	COVID-19 rent concessions HK$'000	Total payments HK$'000
Cinemas — Hong Kong	11,794	1,309	(7,841)	5,262
Cinemas — Singapore	44,070	1,158	(1,916)	43,312

The Group applied the practical expedient in paragraph 46A of HKFRS 16 to all eligible rent concessions received by the Group during the six months ended 30 June 2022.

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

(b) Acquisitions of owned assets

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of HK$62,086,000 (six months ended 30 June 2022: HK$34,287,000).

8 INTEREST IN A JOINT VENTURE

	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
Share of net assets	**51,870**	46,564

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

9 FILM RIGHTS

During the period under review, the Group incurred additional costs for film rights of HK$20,022,000 (six months ended 30 June 2022: HK$16,287,000) and amortisation of film rights amounted to HK$1,013,000 (six months ended 30 June 2022: HK$297,000).

10 INTANGIBLE ASSETS

	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
Trademarks	**519,804**	521,324
Club memberships	**1,890**	1,890
	521,694	523,214

11 TRADE RECEIVABLES

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

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

	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
Within 1 month	**18,140**	14,737
Over 1 month but within 2 months	**1,866**	1,640
Over 2 months but within 3 months	**961**	733
Over 3 months	**7,093**	1,514
	28,060	18,624

12 DEPOSITS AND CASH

	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
Deposits at banks	**47,261**	79,861
Cash at bank and in hand	**170,119**	211,604
	217,380	291,465
Less: Pledged deposits for bank loans	**(33,035)**	(7,912)
Cash and cash equivalents		
Cash and cash equivalents in consolidated statement of cash flows	**184,345**	283,553

13 BANK LOANS

(a) The bank loans were repayable as follows:

	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
Within 1 year or on demand	**483,764**	508,589

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

13 BANK LOANS *(continued)*

(b) At 30 June 2023, the bank loans were secured by:

(i) two properties of a subsidiary located in Singapore (31 December 2022: two);

(ii) deposits of subsidiaries of HK$33,035,000 (31 December 2022: HK$7,912,000); and

(iii) equity interests in its twelve subsidiaries of the Company (31 December 2022: twelve subsidiaries).

(c) At 30 June 2023, bank loans of HK$483,764,000 (31 December 2022: HK$508,589,000) were guaranteed by corporate guarantees from the Company and its subsidiaries.

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

The Group regularly monitors its compliance with these covenants. As at 30 June 2023, the Group did not fulfil one of the financial covenants under the Group's banking facilities. Accordingly, the bank loans have been classified as current liabilities as at 30 June 2023, as the bank loans became repayable on demand.

Nonetheless, the financial statements have been prepared on a going concern basis notwithstanding the Group's current liabilities exceeding its current assets by HK$462,467,000 as at 30 June 2023, as subsequent to the reporting period, the Group has obtained a waiver with immediate effect on these financial covenants from the banks.

14 TRADE PAYABLES

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

	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
Within 3 months	**72,932**	54,828
4 to 6 months	**1,101**	4,915
7 to 12 months	**5,368**	2,139
Over 1 year	**11,168**	11,863
	90,569	73,745

15 SHARE CAPITAL

	Note	**As at 30 June 2023 (Unaudited)**		As at 31 December 2022 (Audited)	
		No. of shares	**Amount HK$'000**	No. of shares	Amount HK$'000
Authorised:					
Ordinary shares of HK$0.1 each		**6,000,000,000**	**600,000**	6,000,000,000	600,000
Ordinary shares, issued and fully paid:					
At 1 January 2022/31 December 2022/ 1 January 2023/30 June 2023		**2,799,669,050**	**279,967**	2,799,669,050	279,967

15 SHARE CAPITAL *(continued)*

Notes:

(i) Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and other employees of the Group, shareholders of the Company, suppliers of goods or services to the Group and customers of the Group. Details of the Scheme are set out in the 2022 annual financial statements.

(ii) Dividend

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2023 (2022: Nil).

(iii) Capital management

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

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

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

16 COMMITMENTS

Capital commitments outstanding at 30 June 2023 not provided for in the interim financial report

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

	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
Contracted for:		
— Taiwan	**6,165**	5,379

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

	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
Capital commitments:		
Contracted for:		
— Mainland China	**187,860**	237,027
— Singapore	**2,944**	25,076
	190,804	262,103

17 CONTINGENT LIABILITIES

At 30 June 2023, the Company has issued guarantees to banks in respect of banking facilities granted to certain subsidiaries amounting to HK$547,620,000 (31 December 2022: HK$624,000,000). At 30 June 2023, banking facilities of HK$489,820,000 (31 December 2022: HK$516,000,000) had been utilised by the subsidiaries.

At 30 June 2023, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The Company has not recognised any deferred income in respect of bank guarantees as their fair values cannot be reliably measured and no transaction price was incurred.

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

Disposal of subsidiaries — remaining consideration and contingent liabilities

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

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

17 CONTINGENT LIABILITIES *(continued)*

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

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

In 2017, the Group received an amount of RMB2,990,257,000 (equivalent to HK$3,455,908,000) in connection with the Disposal. The remaining consideration of RMB300,000,000 is held in escrow and the recoverability of which is dependent on the Net Debt Adjustment and the refund, if any, determined based on the results of lease renewal or negotiation of new leases of certain cinema premises, which are subject to further negotiations and agreement between the Group and Nan Hai. The directors assessed that the fair value of the consideration for the Disposal, based on the then latest available information, to be RMB2.990 billion, being the cash consideration received by the Group, which was used to determine the profit on the Disposal. Any difference between the final consideration received and the fair value of the consideration as assessed by the directors will result in adjustment to the gain on disposal of subsidiaries and will be recognised in profit or loss upon finalisation of the consideration.

Pursuant to the completion accounts of the disposal group, Giant Harvest calculated the remaining consideration for the Disposal to be RMB252,207,000 (equivalent to US$37,384,000). As True Vision did not execute the joint written instructions to the escrow agent for settlement of the remaining consideration to the Group while Nan Hai, the guarantor of True Vision, failed to perform such payment obligation, the Group commenced legal proceedings against True Vision and Nan Hai in September 2018 claiming a sum of US$37,384,000, being the remaining consideration for the Disposal, and seeking other remedies, including interest and costs.

Subsequently, Nan Hai made various allegations against the Company and Giant Harvest and counter-claimed for the loss arising from the breach of Sale and Purchase Agreement by Giant Harvest. In October and November 2018, Nan Hai issued writs of summons against the Company and Giant Harvest claiming amounts of RMB380,000,000 and RMB82,146,000 respectively and other remedies, including interest and costs (the "Said Claims").

17 CONTINGENT LIABILITIES *(continued)*

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

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

Based on the available evidence and the advice received from the Company's legal advisor, the directors of the Company have assessed the likelihood of the Group incurring a liability as a result of the Said Claims as remote. No provision has therefore been made in respect of the Said Claims as at 30 June 2023. In view of the ongoing legal proceedings, the Group has not recognised the remaining consideration claimed against True Vision and Nan Hai of RMB252,207,000 referred to above.

18 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June 2023 HK$'000 (Unaudited)	Six months ended 30 June 2022 HK$'000 (Unaudited)
Short-term employee benefits	**8,141**	11,882
Post-employment benefits	**172**	154
	8,313	12,036

(b) Material related party transactions

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

	Note	**Six months ended 30 June 2023 HK$'000 (Unaudited)**	Six months ended 30 June 2022 HK$'000 (Unaudited)
Cinema screen advertising services income	(i)	**–**	1,101
Lease prepayment	(ii)	**–**	2,870

Notes:

(i) This represents cinema screen advertising income received from a related company.

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

Board Composition

As at the date of this interim report, the composition of the Board of the Company was as follows:

Executive Directors
Wu Kebo *(Chairman)*
Li Pei Sen
Chow Sau Fong, Fiona
Go Misaki
Peng Bolun

Independent Non-executive Directors
Leung Man Kit
Wong Sze Wing
Fung Chi Man, Henry

Purchase, Sale or Redemption of Listed Securities

The Company did not redeem any of its listed securities during the period ended 30 June 2023. Neither the Company nor any of its subsidiaries has repurchased or sold any of the Company's listed securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the period.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures

As at 30 June 2023, the interests and short positions of the directors of the Company (the "Director(s)") and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

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

Name of Director/ Chief Executive	Capacity	Class of Shares	Note	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	* Approximate percentage of Shares and underlying Shares in the issued share capital of the Company
Wu Kebo	Interest of controlled corporations	Ordinary	1	1,998,578,497 (L)	–	1,998,578,497 (L)	71.39%
Li Pei Sen	Beneficial owner	Ordinary		200,000 (L)	–	200,000 (L)	0.01%
Leung Man Kit	Beneficial owner	Ordinary		370,000 (L)	–	370,000 (L)	0.01%
Wong Sze Wing	Beneficial owner	Ordinary		170,000 (L)	–	170,000 (L)	0.01%

* These percentages are computed based on the total number of Shares in issue (i.e. 2,799,669,050 Shares) as at 30 June 2023.

Note:

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

Abbreviation:
"L" stands for long position

Save as disclosed above and save for the disclosure referred to under "Share Options" as at 30 June 2023, none of the Directors and chief executive of the Company had any interests or short positions in Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Options

The Company adopted its existing share option scheme on 19 June 2020 (the "Share Option Scheme"), which enables the Company to grant options to eligible participants as incentives or rewards for their contribution to the growth of the Group and provides the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants.

During the six months ended 30 June 2023, no share option under the Share Option Scheme has been granted by the Company nor share option outstanding under the Share Option Scheme.

As of 1 January 2023 and 30 June 2023, the number of share option available for grant under the Share Option Scheme is 279,966,905 shares.

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

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

So far as is known to the Directors, as at 30 June 2023, the following persons, other than a Director or chief executive of the Company, had the following interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Name of shareholder	Capacity	Class of Shares	Note	Number of Shares	Number of underlying Shares	Total number of Shares and underlying Shares	*Approximate percentage of Shares and underlying Shares in the issued share capital of the Company
Wu Kebo	Interest of controlled corporations	Ordinary	1	1,998,578,497 (L)	–	1,998,578,497 (L)	71.39%
Mainway Enterprises Limited ("Mainway")	Beneficial owner	Ordinary	2	1,158,174,120 (L)	–	1,158,174,120 (L)	41.37%
Orange Sky Entertainment Group (International) Holding Company Limited ("OSEG")	Beneficial owner	Ordinary	3	565,719,948 (L)	–	565,719,948 (L)	20.21%

* These percentages are computed based on the total number of Shares in issue (i.e. 2,799,669,050 Shares) as at 30 June 2023.

Notes:

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

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

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

Abbreviations:
"L" stands for long position

Save as disclosed above, as at 30 June 2023, no other person had an interest or a short position in Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

Review by Audit Committee

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the Group's interim financial report for the six months ended 30 June 2023. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

Interim Dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

Compliance with Corporate Governance Code

The Board recognises the importance of good corporate governance to maintain the Group's competitiveness and lead to its healthy growth. The Company has taken steps not only to comply with code provisions as set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Listing Rules but also to aim at enhancing corporate governance practices of the Group as a whole.

For the period ended 30 June 2023, the Company has complied with the code provisions of CG Code, with the exception of code provision F.2.2.

Code provision F.2.2 requires the chairman of the Board to attend the AGM. Mr. Wu Kebo, the Chairman of the Board, was unable to attend the AGM on 28 June 2023 due to other business commitment. Ms. Chow Sau Fong, Fiona, who took the chair of the AGM, together with other members of the Board who attended the AGM were of sufficient calibre and knowledge for answering questions at the AGM.

Compliance with Model Code

The Company has adopted its own code on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"). The Company has made specific enquiries with all the Directors and all of them have confirmed that they had complied with the requirements set out in the Model Code and the Company's Code for the period ended 30 June 2023.

Appreciation

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

On behalf of the Board
WU Kebo
Chairman

Hong Kong, 28 August 2023

Orange Sky Golden Harvest Entertainment (Holdings) Limited
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