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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)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

	2019 <i>HK\$ million</i>	2018 <i>HK\$ million</i>	Changes <i>HK\$ million</i>	%
The Group				
Revenue	1,061	1,051	10	0.9%
Gross profit	669	653	16	2.3%
(Loss)/profit before taxation	(4)	84	(88)	>(100%)
(Loss)/profit attributable to equity holders	(35)	53	(88)	>(100%)
(Loss)/earnings per share	(1.25) cents	1.88 cents		

- Revenue increased by 0.9% from HK\$1,051.0 million to HK\$1,060.8 million.
- Gross profit increased by 2.3% from HK\$653.4 million to HK\$668.6 million, and the gross profit margin increased slightly from 62.2% to 63.0%.
- Loss attributable to equity holders was HK\$35.1 million, as compared to profit attributable to equity holders of HK\$52.5 million in last year. It was attributable primarily to (i) the application of Hong Kong Financial Reporting Standard 16, *Leases* (effective from 1 January 2019), which results in the increase in related expenses of HK\$29.8 million on the leases of the Group for the year; (ii) cinema revenue was affected by the lack of blockbuster hits for the second half year; (iii) the re-valuation loss of HK\$9 million on the investment property; and (iv) the pre-operating expenses of the new businesses of HK\$39.6 million. Total reportable segment profits after taxation of Hong Kong, Singapore and Taiwan regions stood at HK\$177.2 million compared with HK\$195.2 million in last year.
- Gearing ratio decreased to 22.4% (31 December 2018: 32.3%).

* For identification purposes only

RESULTS

The Board (the “Board”) of directors (the “Directors” and each a “Director”) of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2019 together with the comparative figures. The consolidated results have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	4	1,060,842	1,050,972
Cost of sales		<u>(392,216)</u>	<u>(397,581)</u>
Gross profit		668,626	653,391
Other revenue		36,112	44,134
Other net loss		(15,227)	(13,555)
Selling and distribution costs		(495,907)	(457,089)
General and administrative expenses		(131,430)	(123,171)
Other operating income/(expenses)		1,357	(3,981)
Valuation loss on investment property		<u>(9,000)</u>	<u>–</u>
Profit from operations		54,531	99,729
Finance costs	6(a)	(83,150)	(51,902)
Share of profit of a joint venture		<u>24,557</u>	<u>35,834</u>
(Loss)/profit before taxation	6	(4,062)	83,661
Income tax expense	7	<u>(31,054)</u>	<u>(31,371)</u>
(Loss)/profit for the year		<u>(35,116)</u>	<u>52,290</u>
Attributable to:			
Equity holders of the Company		(35,092)	52,529
Non-controlling interests		<u>(24)</u>	<u>(239)</u>
(Loss)/profit for the year		<u>(35,116)</u>	<u>52,290</u>
<i>(Loss)/earnings per share (HK cent)</i>	8		
Basic and diluted		<u>(1.25)</u>	<u>1.88</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
(Loss)/profit for the year	(35,116)	52,290
Other comprehensive income for the year:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
— subsidiaries outside Hong Kong	15,216	(5,594)
— a joint venture outside Hong Kong	(5,282)	53
	<u>9,934</u>	<u>(5,541)</u>
Total comprehensive income for the year	(25,182)	46,749
Total comprehensive income attributable to:		
Equity holders of the Company	(25,168)	46,963
Non-controlling interests	(14)	(214)
Total comprehensive income for the year	(25,182)	46,749

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Investment property		41,000	50,000
Other property, plant and equipment		363,529	368,119
Leasehold land		–	613,525
Right-of-use assets		1,481,273	–
		1,885,802	1,031,644
Interest in a joint venture		133,243	145,933
Other receivables, deposits and prepayments		46,704	40,058
Intangible assets		525,397	523,079
Goodwill		661,582	656,609
Pledged bank deposits		137,000	137,000
Deferred tax assets		4,824	–
		3,394,552	2,534,323
Current assets			
Inventories		3,966	2,592
Film rights		38,622	34,868
Trade receivables	9	65,399	41,473
Other receivables, deposits and prepayments		151,356	122,835
Deposits and cash		1,068,260	1,290,095
		1,327,603	1,491,863
Current liabilities			
Bank loans		251,158	274,850
Trade payables	10	106,120	121,813
Other payables and accrued charges		225,627	163,144
Deferred revenue		66,552	56,591
Lease liabilities		112,226	–
Taxation payable		31,204	30,792
		792,887	647,190
Net current assets		534,716	844,673

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Total assets less current liabilities	3,929,268	3,378,996
Non-current liabilities		
Bank loans	805,907	1,024,498
Lease liabilities	790,497	–
Deferred tax liabilities	176,931	173,383
	1,773,335	1,197,881
NET ASSETS	2,155,933	2,181,115
CAPITAL AND RESERVES		
Share capital	279,967	279,967
Reserves	1,876,525	1,901,693
Total equity attributable to equity holders of the Company	2,156,492	2,181,660
Non-controlling interests	(559)	(545)
TOTAL EQUITY	2,155,933	2,181,115

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF COMPLIANCE

The financial results set out in the announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2019 but are extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the financial statements.

2 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and the Group's interest in a joint venture.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in the annual report.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting year of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the annual report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting year.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out in the annual report.

4 REVENUE

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

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

5 SEGMENT REPORTING

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

- Hong Kong
- Mainland China
- Singapore
- Taiwan

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

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

Segment revenue and results

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

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

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

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

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

	Hong Kong		Mainland China		Singapore		Taiwan		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Revenue										
— Exhibition	230,926	218,910	-	-	810,263	822,139	456,451	479,393	1,497,640	1,520,442
— Distribution and production	13,961	13,820	-	165	44,489	37,226	10,602	2,368	69,052	53,579
— Club house	-	-	4,045	-	-	-	-	-	4,045	-
— Corporate	1,024	1,513	-	-	-	-	-	-	1,024	1,513
Reportable segment revenue	245,911	234,243	4,045	165	854,752	859,365	467,053	481,761	1,571,761	1,575,534
Reportable segment profit/(loss)	1,686	8,872	(62,726)	(31,159)	139,748	149,890	35,743	36,487	114,451	164,090
Reconciliation — Revenue										
Reportable segment revenue									1,571,761	1,575,534
Share of revenue from a joint venture in Taiwan									(467,053)	(481,761)
Elimination of intra-segmental revenue									(28,320)	(25,559)
Others									(15,546)	(17,242)
Consolidated revenue									1,060,842	1,050,972
Reconciliation — (Loss)/profit before taxation										
Reportable profit									114,451	164,090
Unallocated operating expenses, net									(149,543)	(111,561)
Non-controlling interests									(24)	(239)
Income tax expense									31,054	31,371
Consolidated (loss)/profit before taxation									(4,062)	83,661

6 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on bank loans	42,726	46,258
Interest on lease liabilities	34,760	–
Finance charges on obligations under finance leases	–	9
Other ancillary borrowing costs	5,664	5,635
	<u>83,150</u>	<u>51,902</u>

(b) Staff costs (excluding directors' emoluments)

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Salaries, wages and other benefits (<i>note (i)</i>)	137,961	125,281
Contributions to defined contribution retirement plans	12,007	12,283
	<u>149,968</u>	<u>137,564</u>

(c) Other items

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cost of inventories	44,989	38,355
Cost of services provided	341,341	353,413
Depreciation charge		
— owned property, plant and equipment	62,789	75,192
— right-of-use assets	144,788	–
Amortisation of intangible assets	1,482	1,482
Amortisation of film rights (<i>note (ii)</i>)	5,886	5,813
Impairment of film rights	805	2,069
Auditors' remuneration	3,163	2,950
Loss/(gain) on disposals of property, plant and equipment	1,023	(180)
Exchange loss, net	14,204	13,735
Interest income from bank deposits	(22,054)	(28,321)
	<u>(22,054)</u>	<u>(28,321)</u>

Notes: (i) The amount includes provision for long service payments.

(ii) The amortisation of film rights for the year is included in “Cost of sales” in the consolidated income statement.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<i>Current income tax</i>		
Provision for Hong Kong tax	720	420
Provision for overseas tax	33,740	34,128
Over-provision in respect of prior years	(602)	(2,559)
	<u>33,858</u>	<u>31,989</u>
<i>Deferred tax</i>		
Reversal of temporary differences	<u>(2,804)</u>	<u>(618)</u>
	<u>31,054</u>	<u>31,371</u>

Notes:

- (i) The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year.
- (ii) The provision for the Mainland China Corporate Income Tax of the subsidiaries established in the Mainland China is calculated at 25% (2018: 25%) of the estimated taxable profits for the year.
- (iii) The provision for Singapore Corporate Income Tax of the subsidiaries established in Singapore is calculated at 17% (2018: 17%) of the estimated taxable profits for the year.
- (iv) During the year ended 31 December 2019, the Group paid HK\$3,424,000 (2018: HK\$3,936,000) for income taxes on distributed earnings from its joint venture in Taiwan.

During the year ended 31 December 2019, the Group provided HK\$4,002,000 (2018: HK\$4,570,000) for income taxes on accumulated earnings generated by its joint venture in Taiwan which will be distributed to the Group in the foreseeable future.

8 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK\$35,092,000 (2018: profit of HK\$52,529,000) and the weighted average number of ordinary shares of 2,799,669,050 (2018: 2,799,669,050), in issue during the year, calculated as follows:

	2019 <i>Number of shares</i>	2018 <i>Number of shares</i>
Issued ordinary share and weighted average number of ordinary shares as at 31 December	<u>2,799,669,050</u>	<u>2,799,669,050</u>

(b) Diluted (loss)/earnings per share

The Company does not have any dilutive potential ordinary shares as at 31 December 2018 and 2019. Diluted loss/earnings per share for the year ended 31 December 2018 and 2019 is the same as the basic loss/earnings per share.

9 TRADE RECEIVABLES

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

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 month	41,041	25,328
Over 1 month to 2 months	11,654	10,067
Over 2 months to 3 months	9,104	3,779
Over 3 months	3,600	2,299
	<u>65,399</u>	<u>41,473</u>

10 TRADE PAYABLES

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current to 3 months	89,838	106,358
Within 4 to 6 months	2,565	3,424
Within 7 to 12 months	2,841	350
Over 1 year	10,876	11,681
	<u>106,120</u>	<u>121,813</u>

11 EVENT AFTER THE REPORTING PERIOD

The outbreak of the Coronavirus Disease (the “COVID-19 outbreak”) in early 2020 has impacted the Group’s operations. Local residents have reduced social activities including attending cinema screenings since the start of the COVID-19 outbreak.

On 24 March 2020, Singapore’s Ministry of Health announced the implementation of safe distancing measures including the closure of all cinemas from 27 March 2020 until 30 April 2020. The Group will continue to pay close attention to the development of the COVID-19 outbreak, evaluate and proactively respond to its impact on the Group’s financial position and operating results.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Founded half a century ago, the Group has become Asia's premier entertainment company primarily engaged in film exhibition, film and TV programme production and distribution businesses. Since its inception, the group has produced and financed over 600 movies, and played an important role in distribution of Chinese language movies. To date, the Group owns a movie library of more than 140 films for distribution.

In addition, the Group has recently expanded into the arenas of live show performances, club house business, and entertainment centre business, in order to capitalise our branding equity and goodwill, leverage our resources, creativity and our management expertise in the entertainment industry, and commercialise our intelligent property rights.

Film Exhibition

During the year ended 31 December 2019, we opened a cinema with 5 screens and closed a cinema with 5 screens in Hong Kong, opened a cinema with 7 screens in Singapore, and opened 2 cinemas with 17 screens in Taiwan. At 31 December 2019, we operated 37 cinemas with 300 screens in total across Hong Kong, Taiwan and Singapore. Our cinemas served approximately 25.5 million guests as compared to 26.6 million guests in last year. The major Hollywood blockbusters released in this year were *Alita: Battle Angel* (銃夢：戰鬥天使), *Captain Marvel* (Marvel隊長), *Avengers: Endgame* (復仇者聯盟4：終局之戰), *Aladdin* (阿拉丁), *Spider-Man: Far From Home* (蜘蛛俠：決戰千里), *POKÉMON Detective Pikachu* (POKÉMON 神探 Pikachu), *Toy Story 4* (反斗奇兵4), *Fast & Furious: Hobbs & Shaw* (狂野時速：雙雄聯盟), *Joker* (小丑), *Frozen II* (魔雪奇緣2) and *Star Wars: The Rise of Skywalker* (星球大戰：天行者崛起). The major Chinese language blockbusters for the year were *Integrity* (廉政風雲 煙幕), *The New King Of Comedy* (新喜劇之王), *P Storm* (P風暴), *The White Storm 2 Drug Lords* (掃毒2天地對決) and *Ip Man 4: The Finale* (葉問4：完結篇) from Hong Kong; *Killer Not Stupid* (殺手不笨) from Singapore; *Mayday LiFE* (五月天人生無限公司) and *Detention* (返校) from Taiwan.

Operating Statistics of the Group's Cinemas

(For the year ended 31 December 2019)

	Hong Kong	Singapore	Taiwan
Number of cinemas*	7	14	16
Number of screens*	24	112	164
Admissions (million)	2.2	8.3	15.1
Net average ticket price (HK\$)	81	61	60

* at 31 December 2019

The Group is dedicated to provide high quality and versatile video and audio experience for its audiences. All screens of the Group have been equipped with advanced digital equipment. There were 8 IMAX® screens in total for the Group in Taiwan as at 31 December 2019. The Group has also been enhancing the experience for our audiences by equipping 3D systems, 4DX™, D-Box Motion Chairs, Advanced Panorama Dolby Atmos and DTSX sound systems in our cinemas in different regions.

Hong Kong

Operating Statistics of the Group's Cinemas in Hong Kong (For the year ended 31 December 2019)

	2019	2018
Number of cinemas*	7	7
Number of screens*	24	24
Admissions (<i>million</i>)	2.2	2.0
Net average ticket price (<i>HK\$</i>)	81	84
Box office receipts (<i>HK\$ million</i>)	174	167

* at 31 December 2019

During the year under review, the Hong Kong market as a whole recorded box office receipts of HK\$1,931.9 million, a decrease of 1.8% from HK\$1,966.9 million in last year. The Group's cinemas in Hong Kong recorded box office receipts of HK\$174.0 million in this year (2018: HK\$166.9 million), representing an increase of 4.2%. The increase was primarily attributable to the 2 new cinemas opened during the second half of 2018. Net average ticket price of the Group slightly decreased to HK\$81 during the year in Hong Kong since the newly opened cinemas are having a lower ticket price in order to attract more audiences.

To enable our cinemas becoming entertainment hubs of greater scope, we showed 86 alternative contents in 2019. It was encouraging that we developed a competent team in organising the alternative contents and a strong base of alternative content fans. It was proven by our successful alternative content shows such as the Live Broadcast of “LOVELIVE!” and “iDOLM@STER”, which respectively, reached a remarkable 64% and 56% fill rates and the two broadcasts recorded an average ticket price of HK\$330.

Apart from this, the Live Broadcast of “2019 Wanna One Concert [Therefore] Live Viewing” and “BTS World Tour ‘Love Yourself: Speak Yourself’ [The Final]” were extremely successful with a fill rate of 99.8% and 100%.

Screen Advertising was also a profit driver to our Hong Kong region as we have already contracted with 28 cinemas as at 31 December 2019, and we expect steady growth in revenue and profit in coming years.

Singapore

Operating Statistics of the Group's Cinemas in Singapore (For the year ended 31 December 2019)

	2019	2018
Number of cinemas*	14	13
Number of screens*	112	105
Admissions (<i>million</i>)	8.3	8.8
Net average ticket price (<i>S\$</i>)	10.6	10.6
Net box office receipts (<i>S\$ million</i>)	88	94

* at 31 December 2019

During the year, the Singapore market net box office receipts dropped by 3.5% to S\$192.4 million (2018: S\$199.4 million). Golden Village cinemas reported net box office receipts of S\$87.6 million (2018: S\$93.8 million), representing a decrease in net box office receipts of 6.6% compared to last year. Nevertheless, the Group continued to be the market leader with a market share of 45.6% (47.1% in 2018). Golden Village cinemas' automated ticketing machines and auto-gates give patrons an easy, fast and efficient cinematic experience like none of the other competitors in Singapore.

Hollywood blockbusters are always popular in Singapore and bring a stable profit contribution to the Group. Hollywood blockbusters released during the year included *Alita: Battle Angel* (銃夢：戰鬥天使), *Captain Marvel* (Marvel隊長), *Avengers: Endgame* (復仇者聯盟4：終局之戰), *Aladdin* (阿拉丁), *Spider-Man: Far From Home* (蜘蛛俠：決戰千里), *POKÉMON Detective Pikachu* (POKÉMON 神探 Pikachu), *Toy Story 4* (反斗奇兵4), *Fast & Furious: Hobbs & Shaw* (狂野時速：雙雄聯盟), *Joker* (小丑), *Frozen II* (魔雪奇緣2) and *Star Wars: The Rise of Skywalker* (星球大戰：天行者崛起). The major Chinese language blockbuster from Singapore was *Killer Not Stupid* (殺手不笨).

Taiwan

Operating Statistics of the Group's Cinemas in Taiwan (For the year ended 31 December 2019)

	2019	2018
Number of cinemas*	16	14
Number of screens*	164	147
Admissions (<i>million</i>)	15.1	15.8
Net average ticket price (<i>NTD</i>)	240	236
Net box office receipts (<i>NTD billion</i>)	3.6	3.7

* at 31 December 2019

During the year, Taiwan's market gross box office receipts amounted to NTD10.2 billion, registering a decrease of 5.5% from NTD10.8 billion in last year. The Group's 35.71% owned Vie Show cinema circuit ("Vie Show") recorded total net box office receipts of NTD3,616.6 million (2018: NTD3,732.3 million), representing a decrease of 3.1% from last year as a result of the weaker exhibition market. However, it still outperformed the overall Taiwan market. The share of reportable segment profit from Vie Show decreased from HK\$36.5 million to HK\$35.7 million compared to last year, representing a 2.0% decline. Vie Show continued to be the largest film exhibitor in Taiwan. Adhering to the Group's comprehensive entertainment hub strategy, Vie Show continues to strengthen its operation in its popular "UNICORN" handmade popcorn business in its 15 cinemas and introduced the famous Japanese French Toast restaurant (Ivorish) into Taichung Mitsui Outlet Park in December 2018 which is the first store of the brand outside Japan. In addition, Vie Show has successfully launched SNOWTOWN (雪樂地) in Taichung Mitsui Outlet Park in June 2019 attracting overwhelming crowds of customers to visit with tremendous positive reviews from the market.

Film & TV Programme Distribution and Production

On an aggregated basis the Group's film distribution and production business recorded revenue of HK\$69.1 million (2018: HK\$53.6 million), representing an increase of 28.9% compared to last year. The distribution revenue was mainly generated by distributing releases such as *Chasing The Dragon II: Wild Wild Bunch* (追龍II：賊王), *The White Storm 2 Drug Lords* (掃毒2天地對決), *Little Q* (小Q) and *Guilt by Design* (催眠·裁決). The famous releases outside Hong Kong were *John Wick 3* (殺神 John Wick 3), *Han Dan* (寒單) and *Ip Man 4: The Finale* (葉問4：完結篇) in Taiwan and *John Wick 3* (殺神 John Wick 3), *Fall In Love At First Kiss* (一吻定情), *Angel Has Fallen* (白宮淪陷3：天使淪陷) and *Weathering With You* (天氣之子) in Singapore. For the production sector, the Group will continue to invest independently and cooperatively with local and overseas studios to produce movies and TV programmes of high quality and carry out intellectual property redevelopment in the foreseeable future. The Group's film library with perpetual distribution rights kept on bringing steady licensing income to the Group.

FINANCIAL REVIEW

Profit and Loss

During the year, the Group's revenue increased by 0.9% to HK\$1,060.8 million. The Group's gross profit increased by 2.3% to HK\$668.6 million and gross profit margin improved slightly by 0.8 percentage point to 63.0%.

Share of profit of a joint venture in 2019 amounted to HK\$24.6 million, a decrease of 31.5%.

Loss attributable to equity holders was HK\$35.1 million, as compared to profit attributable to equity holders of HK\$52.5 million in last year. It was attributable primarily to (i) the application of Hong Kong Financial Reporting Standard 16, *Leases* (effective from 1 January 2019), which results in the increase in related expenses of HK\$29.8 million on the leases of the Group for the year; (ii) cinema revenue was affected by the lack of blockbuster hits for the second half year; (iii) the re-valuation loss of HK\$9 million on the investment property; and (iv) the pre-operating expenses of the new businesses of HK\$39.6 million. Total reportable segment profits after taxation of Hong Kong, Singapore and Taiwan regions stood at HK\$177.2 million compared with HK\$195.2 million in last year.

Statement of Financial Position

Our financial position remained healthy. The Group's net assets decreased by 1.2% to HK\$2,155.9 million as at 31 December 2019. Total assets increased by HK\$696.0 million to HK\$4,722.2 million. This was mainly due to the application of HKFRS 16 effective from 1 January 2019. Under HKFRS 16, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate and the right-of-use asset recognised when a lease is capitalised which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Therefore, the Group recognised the right-of-use assets for its leases which attributable to the increase in total assets. Cash and cash equivalents of the Group was HK\$1,068.3 million (31 December 2018: HK\$1,290.1 million). Non-current pledged bank balances were kept at HK\$137.0 million, at the same level as last year. Outstanding borrowings amounted to HK\$1,057.1 million (31 December 2018: HK\$1,299.3 million), which comprised mainly interest-bearing bank loans. The interest-bearing bank loans were secured by pledged cash, corporate guarantees, equity shares and properties. The Group's gearing ratio (measured as bank borrowings to total assets) was decreased to 22.4% (31 December 2018: 32.3%) and the Group was in a net cash position (measured as cash and bank deposits less bank borrowings) of HK\$148.2 million (31 December 2018: HK\$127.7 million). The decrease in the gearing ratio was mainly due to the application of HKFRS 16 effective from 1 January 2019 where right-of-use assets have been recognised for leases.

OUTLOOK

Local and regional economy is expected to enter into a negative economic growth cycle, which arises from the Sino-US trade disputes and the political unrest in Hong Kong since June 2019. In addition, with the outbreak of the COVID-19 in the world since early 2020, the Group expects that Hong Kong and regional economy will further deteriorate and worsen. The economic downturn, uncertainties towards future economic prospects have adversely affected the whole retails, hospitality and entertainment industry. Such negative impact is expected to persist in the near future and will affect our results of operations in 2020.

Although the overall operating environment becomes increasingly challenging, the Group will continue to strengthen its core competencies, focusing on capturing expansion opportunities in exhibition and distribution businesses. Meanwhile, the Group will also explore new business opportunities in media, entertainment, technology and lifestyle sectors that would create synergies to the Group and add values to the Shareholders.

In the PRC, the Group has entered into live show performance business, introducing the unique advanced stage technology from Europe and the renowned creative talents from all over the world, dedicated to provide a stunning theatrical experience to local audience. In addition, the Group has also invested in club house business targeting creative minds from entertainment, creative and art industries. The Group intends to host movie-related events at club houses which will attract and gather talents from the movie and entertainment industry, enabling the Group to build connections with potential investors and film production talents within the industry. This is in line with the Group's strategies to explore 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 PRC's films.

In Hong Kong, the Group has further invested into the film exhibition business by opening one new cinema "Golden Harvest V Walk" in Nam Cheong in July 2019. Riding on the success of alternative contents in previous years, the Group will cooperate with different business partners to offer a variety of events including live broadcasting of Japanese and Korean mini-concerts and fans gathering in our cinemas. It is expected that the demand for alternative shows will continue to grow. At the same time, the Group is dedicated to look for investment opportunities in quality film and/or distribution projects in the territory.

In Singapore, the Group will continue to grow by actively pursuing suitable cinema sites. The new 7-screen Funan site has just been opened around end of June 2019 with great attendance. The Group is dedicated to maintain high quality services in regular and gold class auditoriums and to introduce creative product offerings such as toys merchandise to its customers.

In Taiwan, Vie Show will continue to expand its cinema network with a stable pipeline of potential sites to be opened in the coming years. A new 8-screen site in central Taipei has been opened in December 2019. Encouraging results of alternative contents and distribution businesses have also brought in additional revenues streams to the Group. Moreover, the Group has successfully introduced "SNOWTOWN" and "Ivorish" to Taichung Port.

SNOWTOWN is an indoor theme park that allows visitors to enjoy snow at a "feels like" temperature of 20°C. Ivorish is a famous French toast restaurant in Japan, with the name expressing French toast color (ivory) and cherish (cherish), meaning to bring delicious French toast and happiness to customers. Both properties have been proven to be successful, helping to diversify the business in the territory.

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 Directors are confident that the Group will be able to achieve sustainable growth and deliver long term value to the shareholders, and at the same time diversify the business achieving better positioning of the Group.

FINANCIAL RESOURCES AND LIQUIDITY

As of 31 December 2019, the Group had cash and cash equivalents amounting to HK\$1,068.3 million (31 December 2018: HK\$1,290.1 million). The Group's total outstanding bank borrowings amounted to HK\$1,057.1 million (31 December 2018: HK\$1,299.3 million). The Group's gearing ratio, calculated on the basis of bank borrowings over total assets stood at a healthy level of 22.4% (31 December 2018: 32.3%) and our cash to bank borrowings ratio at 114.0% (31 December 2018: 109.8%). This was mainly due to the application of HKFRS 16 effective from 1 January 2019 where right-of-use assets have been recognised for leases. As of 31 December 2019, the Group had HK\$137.0 million pledged cash balances to secure its banking facilities. In order to minimise potential risks for the Group's development and economic status, the management will keep monitoring gearing and will make relative adjustments if necessary. The Group at this moment has reasonable financial leverage. Meanwhile, the Group takes advantage of equity financing together with available bank loan facilities to fund the cinema projects, potential acquisitions of profitable business opportunities so as to implement its expansion plan. The Group believes that its current cash holding and available financial facilities will provide sufficient resources for its working capital requirements.

The Group's assets and liabilities are principally denominated in Hong Kong dollars, Renminbi and Singapore dollars, except for certain assets and liabilities associated with the investments in Taiwan. The overseas joint ventures of the Group are operating in their local currencies and are subject to minimal exchange risk. The directors will continue to assess the exchange risk exposure, and will consider possible hedging measures in order to minimise the risk at reasonable cost. The Group did not have any significant contingent liabilities or off balance sheet obligations as of 31 December 2019 (31 December 2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 484 (2018: 367) permanent employees. The Group remunerates its employees mainly by reference to industry practice. The Group also operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance and as at 31 December 2019, there were no forfeited contributions arising from employees leaving the retirement benefit scheme.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2019 (31 December 2018: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year ended 31 December 2019. Neither the Company nor any of its subsidiaries has repurchase or sold any of the Company's listed securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year.

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 year ended 31 December 2019.

COMPLIANCE WITH CODE ON 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 whole.

For the year ended 31 December 2019, the Company has complied with the code provisions of CG Code, with the exception of code provisions A.4.1 and E.1.2.

Pursuant to code provision A.4.1 of the CG Code, non-executive directors of a listed issuer should be appointed for a specific term, subject to re-election. All non-executive Directors were not appointed for a specific term but are subject to the requirement of retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company’s Bye-laws, accomplishing the same purpose as being appointed for a specific term. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the code provisions of the CG Code.

According to code provision E.1.2, Mr. Wu Kebo, the Chairman of the Board, should have attended the annual general meeting of the Company held on 14 June 2019. However, Mr. Wu Kebo was unable to attend the abovementioned annual general meeting due to another business commitment. Mr. Li Pei Sen, who took the chair of the said annual general meeting, together with other members of the Board who attended the annual general meeting were of sufficient caliber and knowledge for answering questions at the annual general meeting.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in accordance with the CG Code. The Audit Committee is delegated by the Board to assess matters related to the financial statements and to perform the duties, including reviewing the Company’s financial controls and internal control, financial and accounting policies and practices and the relationship with the external auditor. The Audit Committee has reviewed the systems of internal control and the financial statements for the year ended 31 December 2019.

SCOPE OF WORK OF KPMG

The financial figures in respect of Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company and the Stock Exchange. The annual report of the Company for the year ended 31 December 2019 will be dispatched to the shareholders and made available on the same websites in due course.

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.

By order of the Board
**Orange Sky Golden Harvest
Entertainment (Holdings) Limited**
Cheung Hei Ming
Company Secretary

Hong Kong, 27 March 2020

List of all directors of the Company as of the time of issuing this announcement:

Chairman and Executive Director:

Mr. Wu Kebo

Executive Directors:

Mr. Li Pei Sen

Ms. Chow Sau Fong, Fiona

Ms. Go Misaki

Mr. Peng Bolun

Independent Non-executive Directors:

Mr. Leung Man Kit

Ms. Wong Sze Wing

Mr. Fung Chi Man, Henry