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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

HIGHLIGHTS

	2017	2016	**Changes**	
	HK$ million	*HK$ million*	***HK$ million***	**%**
The Group				
Revenue	**619**	690	**(71)**	**(10.3)%**
Gross profit	**375**	398	**(23)**	**(5.8)%**
Loss before taxation	**(116)**	(20)	**(96)**	**>100%**
Loss attributable to equity holders	**(109)**	(33)	**(76)**	**>100%**
Basic loss per share	**(3.96) cents**	(1.21) cents		
Adjusted profit/(loss) attributable to equity holders##	**21**	(5)	**26**	**(>100)%**

\## Excluding the loss contributed by the film exhibition business in Mainland China and one-off expenses including equity-settled share-based payment expenses, fair value loss on the liability component of the convertible bonds, fair value loss on the derivative financial instrument embedded in convertible bonds, the professional expenses incurred for the disposal of film exhibition business in Mainland China, fair value loss on derivative financial instrument in the deemed disposal and expenses associated with closure of a cinema.

- Revenue decreased by 10.3% to HK$619 million. The decrease was mainly attributable to the drop in revenue of HK$78 million from film exhibition business in Mainland China, which was disposed of subsequently on 28 July 2017.
- Gross profit decreased by 5.8% from HK$398 million to HK$375 million. Nevertheless, the gross profit margin increased from 57.7% to 60.6% as a result of improving operating efficiency.
- Loss attributable to equity holders increased from HK$33 million to HK$109 million. Excluding the loss contributed by the film exhibition business in Mainland China which was disposed of subsequently and one-off expenses, on a like-for-like basis the Company recorded a profit attributable to equity holders of approximately HK$21 million in the period under review, representing a significant improvement of HK$26 million compared to loss attributable to equity holders of approximately HK$5 million in the corresponding period last year.
- Gearing ratio decreased slightly to 17.9% (31 December 2016: 18.9%).
- Special dividend in relation to the disposal of film exhibition business in Mainland China amounting to approximately HK$1,002 million was declared subsequent to the reporting period on 10 August 2017 and will be paid on 11 September 2017.

* *For identification purposes only*

INTERIM RESULTS

The Board (the "Board") of directors (the "Directors" and each "Director") of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 together with the comparative figures for the preceding six months ended 30 June 2016. The consolidated results have been reviewed by the audit committee of the Company (the "Audit Committee").

CONSOLIDATED INCOME STATEMENT

	Note	**Six months ended 30 June 2017** ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2016 *HK$'000* (Unaudited)
Revenue	*3*	**618,893**	689,939
Cost of sales		**(243,874)**	(292,287)
Gross profit		**375,019**	397,652
Other revenue		**17,012**	10,700
Other net (loss)/income		**(72,495)**	586
Selling and distribution costs		**(322,446)**	(378,425)
General and administrative expenses		**(118,280)**	(63,619)
Other operating expenses		**(3,060)**	(169)
Loss from operations		**(124,250)**	(33,275)
Finance costs	*5(a)*	**(43,075)**	(31,356)
Share of profits of joint ventures		**50,504**	44,394
Share of profits of associates		**749**	193
Loss before taxation	*5*	**(116,072)**	(20,044)
Income tax credit/(charge)	*6*	**5,542**	(14,965)
Loss for the period		**(110,530)**	(35,009)
Attributable to:			
Equity holders of the Company		**(108,601)**	(33,298)
Non-controlling interests		**(1,929)**	(1,711)
		(110,530)	(35,009)
Loss per share	*7*		
Basic		**(3.96) cents**	(1.21) cents
Diluted		**(3.96) cents**	(1.21) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2017 *HK$'000* (Unaudited)	Six months ended 30 June 2016 *HK$'000* (Unaudited)
Loss for the period	**(110,530)**	(35,009)
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	**12,198**	(6,890)
— joint ventures outside Hong Kong	**15,367**	5,744
— associates outside Hong Kong	**355**	(98)
	27,920	(1,244)
Total comprehensive income for the period	**(82,610)**	(36,253)
Total comprehensive income attributable to:		
Equity holders of the Company	**(82,303)**	(34,445)
Non-controlling interests	**(307)**	(1,808)
Total comprehensive income for the period	**(82,610)**	(36,253)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 30 June 2017** *HK$'000* **(Unaudited)**	As at 31 December 2016 *HK$'000* (Audited)
Non-current assets			
Investment property		**41,800**	41,800
Other property, plant and equipment		**71,846**	80,240
Leasehold land		**123,183**	123,749
		236,829	245,789
Interests in joint ventures		**201,115**	201,122
Available-for-sale equity securities		**6,221**	6,048
Other receivables, deposits and prepayments		**21,681**	18,821
Club memberships		**1,890**	1,890
Trademarks		**80,524**	80,524
Goodwill		**120,655**	57,233
Intangible assets		**7,407**	–
Deferred tax assets		**6,612**	6,160
Pledged bank deposits		**–**	20,000
		682,934	637,587
Current assets			
Inventories		**1,226**	1,025
Film rights		**44,984**	46,040
Trade receivables	*8*	**34,662**	21,237
Other receivables, deposits and prepayments		**64,531**	64,357
Pledged bank deposits		**272,151**	43,001
Deposits and cash		**383,744**	152,380
Derivative financial instrument		**–**	70,236
Assets of disposal group classified as held for sale	*10*	**2,079,536**	2,120,002
		2,880,834	2,518,278
Current liabilities			
Bank loans		**432,080**	222,634
Convertible bonds		**206,255**	9,547
Trade payables	*9*	**56,854**	43,494
Other payables and accrued charges		**531,774**	55,939
Deferred revenue		**11,268**	3,737
Obligations under finance leases		**285**	276
Taxation payable		**4,862**	1,164
Derivative financial instrument		**9,917**	–
Other financial liabilities		**276,179**	–
Liabilities of disposal group classified as held for sale	*10*	**534,439**	637,543
		2,063,913	974,334

	Note	As at 30 June 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
Net current assets		**816,921**	1,543,944
Total assets less current liabilities		**1,499,855**	2,181,531
Non-current liabilities			
Bank loans		**–**	188,300
Convertible bonds		**–**	174,067
Obligations under finance leases		**124**	269
Other financial liabilities		**–**	219,389
Deferred tax liabilities		**7,173**	9,471
		7,297	591,496
NET ASSETS		**1,492,558**	1,590,035
Capital and Reserves			
Share capital		**274,337**	274,252
Reserves		**1,160,432**	1,257,350
Total equity attributable to equity holders of the Company		**1,434,769**	1,531,602
Non-controlling interests		**57,789**	58,433
TOTAL EQUITY		**1,492,558**	1,590,035

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

This interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 29 August 2017.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements as set out in note 2(a) and the accounting policy adopted following the acquisition of a subsidiary as set out in note 2(b).

The preparation of the interim financial statements 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.

The interim financial statements contain 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 the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for the full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial statements are unaudited, but have 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.

2 ACCOUNTING POLICIES

(a) Changes in accounting policies

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

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

(b) Accounting policy adopted following the acquisition of a subsidiary

Intangible asset — Customer relationship

Customer relationship acquired in a business combination is recognised at fair value at the acquisition date.

The customer relationship has finite useful life and is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated to write off the cost of customer relationship on a straight-line basis over its estimated useful life of 5 years.

Both the period and method of amortisation are reviewed annually.

3 REVENUE

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

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

4 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

— Taiwan

— Singapore

The results of the Group's revenue from external customers for entities located in Hong Kong, Mainland China, Taiwan and Singapore 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 segments, Taiwan and Singapore, represent the performance of the joint ventures operating in Taiwan and Singapore, respectively. 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 reporting 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. 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 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:

	Six months ended 30 June (Unaudited)									
	Hong Kong		Mainland China		Taiwan		Singapore		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Revenue										
— Exhibition	**127,045**	123,299	**476,892**	554,431	**235,802**	223,765	**203,381**	204,888	**1,043,120**	1,106,383
— Distribution and production	**16,285**	21,742	**49**	946	**2,854**	1,855	**5,729**	2,508	**24,917**	27,051
— Corporate	**1,318**	696	**–**	2,087	**–**	–	**–**	–	**1,318**	2,783
Reportable segment revenue	**144,648**	145,737	**476,941**	557,464	**238,656**	225,620	**209,110**	207,396	**1,069,355**	1,136,217
Reportable segment profit/ (loss) after taxation	**14,702**	8,433	**3,786**	(29,005)	**14,351**	9,757	**34,930**	34,561	**67,769**	23,746
Reconciliation — Revenue										
Reportable segment revenue									**1,069,355**	1,136,217
Share of revenue from joint ventures in Taiwan and Singapore									**(447,766)**	(433,016)
Elimination of intra-segment revenue									**(830)**	(5)
Others									**(1,866)**	(13,257)
									618,893	689,939
Reconciliation — Loss before taxation										
Reportable profit after taxation from external customers									**67,769**	23,746
Unallocated operating expenses, net									**(176,370)**	(57,044)
Non-controlling interests									**(1,929)**	(1,711)
Income tax									**(5,542)**	14,965
Loss before taxation									**(116,072)**	(20,044)

5 LOSS BEFORE TAXATION

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

	Six months ended 30 June 2017 *HK$'000* **(Unaudited)**	Six months ended 30 June 2016 *HK$'000* (Unaudited)
(a) Finance costs		
Interest on bank loans	**12,457**	16,431
Interest on convertible bonds	**17,126**	12,619
Interest on put options to non-controlling interest	**11,212**	–
Finance charges on obligations under finance leases	**1,585**	1,627
Other ancillary borrowing costs	**695**	679
	43,075	31,356

	Six months ended 30 June 2017 *HK$'000* **(Unaudited)**	Six months ended 30 June 2016 *HK$'000* (Unaudited)
(b) Other items		
Cost of inventories	**19,980**	15,921
Cost of services provided	**221,028**	267,305
Fair value loss on a derivative financial asset	**70,236**	–
Depreciation of property, plant and equipment	**12,272**	85,583
Amortisation of film rights	**2,866**	9,061
Equity-settled share-based payment expenses	**25,429**	–
Compensation income from landlord for early termination of lease	**–**	(9,913)
Loss on disposals of property, plant and equipment	**692**	5,954
Exchange (gain)/loss, net	**(28,421)**	3,980
Interest income from bank deposits	**(6,380)**	(1,836)

6 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June 2017 *HK$'000* **(Unaudited)**	Six months ended 30 June 2016 *HK$'000* (Unaudited)
Current income tax		
Provision for Hong Kong tax	**2,303**	1,631
Provision for overseas tax	**7,214**	15,945
Under/(over) provision in respect of prior periods	**289**	(128)
	9,806	17,448
Deferred tax — overseas		
Origination and reversal of temporary differences	**(15,348)**	(2,483)
Actual tax (credit)/charge	**(5,542)**	14,965

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2016: 16.5%) to the six months ended 30 June 2017.

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.

7 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$108,601,000 (six months ended 30 June 2016: HK$33,298,000) and the weighted average number of ordinary shares of 2,743,065,878 (2016: 2,742,519,248 shares) in issue during the period.

Weighted average number of ordinary shares (basic)

	2017 ***Number of shares*** **(Unaudited)**	2016 *Number of shares* (Unaudited)
Issued ordinary shares at 1 January	**2,742,519,248**	2,742,519,248
Effect of share options exercised	**546,630**	–
Weighted average number of ordinary shares as at 30 June	**2,743,065,878**	2,742,519,248

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise or conversion of all dilutive potential ordinary shares. The Company has two (2016: two) categories of dilutive potential ordinary shares: share options and convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares and the net loss is adjusted to eliminate the interest expense less the tax effect. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options.

For the six months ended 30 June 2017, the potential ordinary shares arising from the assumed conversion of convertible bonds and exercise of share options are not included in the calculation of adjusted loss per share as they were either anti-dilutive or had no dilutive effect.

For the six months ended 30 June 2016, the potential ordinary shares arising from the assumed conversion of convertible bonds and exercise of share options were not included in the calculation of adjusted loss per share as they were anti-dilutive.

8 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:

	As at 30 June 2017 *HK$'000* **(Unaudited)**	As at 31 December 2016 *HK$'000* (Audited)
Within 1 month	**15,490**	10,841
Over 1 month but within 2 months	**5,808**	3,564
Over 2 months but within 3 months	**5,251**	585
Over 3 months	**8,113**	6,247
	34,662	21,237

At 30 June 2017, trade receivables of the Group include amounts totalling HK$41,360,000 (31 December 2016: HK$41,972,000) due from related companies and an amount of HK$Nil (31 December 2016: HK$1,452,000) due from a joint venture, which are unsecured, interest-free and recoverable within one year. Trade receivables due from related companies of HK$41,360,000 (31 December 2016: HK$41,012,000) associated with the disposal group were reclassified as held for sale at 30 June 2017.

9 TRADE PAYABLES

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

	As at 30 June 2017 *HK$'000* **(Unaudited)**	As at 31 December 2016 *HK$'000* (Audited)
Current to 3 months	**44,061**	32,266
Within 4 to 6 months	**1,030**	162
Within 7 to 12 months	**520**	383
Over 1 year	**11,243**	10,683
	56,854	43,494

As at 30 June 2017, the trade payables of the Group include the amounts totalling HK$27,370,000 (31 December 2016: HK$35,765,000) due to related companies which were unsecured, interest-free and repayable on demand. Trade payables due to related companies of HK$27,340,000 (31 December 2016: HK$35,734,000) associated with the disposal group were reclassified as held for sale at 30 June 2017.

10 DISPOSAL GROUP HELD FOR SALE

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 an initial consideration of RMB3.286 billion, subject to subsequent price adjustment, if any (the "Disposal"). OSGH (China), the entity operating the Group's film exhibition business in Mainland China, is owned as to 92.59% by CECL and 7.41% by Xin Ye following the Deemed Disposal which took place during the year ended 31 December 2016. As at 30 June 2017, an amount of RMB400,000,000 (equivalent to HK$456,530,000) was received by the Group in connection to the Disposal and such amount was included under "other payables and accrued charges".

Pursuant to the Sale and Purchase Agreement, CECL underwent a reorganisation by including only entities that are relevant to the Group's film exhibition business in Mainland China prior to the completion of the Disposal (the "Reorganisation"). The assets and liabilities of CECL, after taking into account the impact of the Reorganisation, comprise the disposal group held for sale. The Disposal was completed on 28 July 2017 at RMB3.290 billion.

Management assessed that the criteria for the classification of the disposal group held for sale were fulfilled as at 31 December 2016 and 30 June 2017 based on the facts and circumstances specific to the Disposal. The assets and liabilities of the disposal group held for sale are presented separately in the consolidated statement of financial position as at 31 December 2016 and 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation and Financial Review

During the period under review, the Group's revenue decreased by 10.3% to HK$619 million and the gross profit decreased by 5.8% to HK$375 million. The gross profit margin improved to 60.6% (30 June 2016: 57.7%). Loss attributable to equity holders of the Company increased to HK$108.6 million as compared to HK$33.3 million for the corresponding period in last year. Excluding the film exhibition business in Mainland China (the "Disposed Business") which was disposed of (the "Disposal") subsequently on 28 July 2017 (the "Closing") and several one-off expenses, the profit attributable to equity holders was HK$21 million in this period, representing a significant improvement of HK$26 million compared to the loss attributable to equity holder of HK$5 million in the corresponding period last year on a like-for-like basis.

The Disposal was completed subsequently on 28 July 2017 at a consideration of RMB3.290 billion, which was adjusted from the initial consideration of RMB3.286 billion and subject to subsequent price adjustment, if any. A significant gain from the Disposal is expected to be recognised by the Group for the year ending 31 December 2017.

The revenue of the cinema operations in Hong Kong remained stable compared to the same period last year. The decrease in the Group's revenue was mainly attributable to the Disposed Business. Due to keen competition, the revenue of the Disposed Business decreased by HK$77.5 million to HK$476.9 million in this period, representing a drop of 14%.

The gross profit margin was improved for the period under review as a result of continuous improvement of operating efficiency.

Share of profits from our joint venture investments in Singapore and Taiwan in aggregate increased from HK$44.4 million to HK$50.5 million for the period under review and the increase was predominantly contributed by the Taiwan operation as a result of spring back of market gross box office receipts in Taiwan and also the improvement in operating efficiency of the Group.

Loss attributable to equity holders increased significantly compared to the same period in last year. Apart from the decline in performance of the Disposed Business mentioned above, the recognition of several one-off expenses such as (i) one-off expenses incurred by the Group for the satisfaction of conditions precedent for the closing of the Disposal; (ii) professional commission and fees and compliance cost mainly arising from the Disposal; and (iii) a one-off expense attributable to share options granted by the Company during the period under review, further contributed to the loss.

As at 30 June 2017, cash and cash equivalents of the Group amounted to HK$384 million (31 December 2016: HK$152 million). The Group's outstanding borrowings amounting to HK$638 million (31 December 2016: HK$595 million) comprise mainly of interest bearing bank loans of HK$432 million (31 December 2016: HK$411 million) and convertible bonds of HK$206 million (31 December 2016: HK$184 million). The Group's gearing ratio (measured as total borrowings to total assets) decreased to 17.9% (31 December 2016: 18.9%) under the effort of the Group's effective liquidity management.

Business Review

Film Exhibition

During the six months ended 30 June 2017, the Group operated 106 cinemas with 772 screens across Mainland China, Hong Kong, Taiwan and Singapore, an increase of 6.0% and 4.7% respectively from 100 cinemas with 737 screens for the corresponding period in last year. The Group's cinemas served close to 26 million guests during the period, a decrease of 7.1% which was mainly originated from the Disposed Business. The major Hollywood blockbusters released during this period were *Beauty And The Beast (美女與野獸), Fast & Furious 8 (狂野時速8), Wonder Woman (神奇女俠), The Boss Baby (波士BB), Logan (盧根), Transformers: The Last Knight (變形金剛5：最後的騎士)*. The major Chinese language blockbusters were *Kung Fu Yoga (功夫瑜伽), Journey to the West: Demon Chapter (西遊伏妖篇)* in Hong Kong and Mainland China*; Dangal (摔跤吧！爸爸)* in Mainland China and Taiwan.

Operating Statistics of the Group's Cinemas

	Mainland China	Hong Kong	Taiwan	Singapore
Number of cinemas*	76	6	13	11
Number of screens*	531	23	127	91
Admissions *(million)*	11.3	1.3	8.3	4.7
Net average ticket price *(HK$)*	34	85	59	59

* as at 30 June 2017

Note: Three more cinemas in Mainland China and one cinema in Singapore were under construction. The three cinemas under construction in Mainland China, together with all other Group's cinemas in Mainland China, were disposed of subsequently on 28 July 2017. The cinema under construction in Singapore is expected to commence operation in the second half of 2017.

The Group is committed to pursue visual and audio effect perfection to bring a new movie-going experience for our audiences. All of the screens in the cinemas of the Group are fully installed with digital projection equipment and are 3D compatible. There were twelve IMAX® screens in total for the Group in Mainland China and Taiwan as at 30 June 2017. Apart from digital IMAX® screens, the Group continued to upgrade the ultra-high resolution Sony 4K Projection System, 4DX™, D-Box Motion Chairs and the advanced panorama Dolby Atmos, DTSX sound systems in our cinemas.

Mainland China

Operating Statistics of the Group's Cinemas in Mainland China

	June 2017	June 2016
Number of cinemas*	**76**	71
Number of screens*	**531**	498
Admissions *(million)*	**11.3**	13.7
Net average ticket price *(RMB)*	**30**	30
Gross box office receipts *(RMB million)*#	**371**	438

* as at 30 June 2017

\# before deduction of government taxes and charges

Note: Three more cinemas in Mainland China were under construction. All of the Group's cinemas in Mainland China were disposed of subsequently on 28 July 2017.

The market gross box office receipts in Mainland China increased by 10.2% to RMB27.1 billion in this period. The Group's gross box office receipts generated by multiplexes in Mainland China decreased by 15% as compared with the corresponding period last year. Despite the net average ticket price was maintained stably at RMB30, the Group's multiplexes in Mainland China recorded a 18% drop in admissions to approximately 11.3 million patrons in the period under review as compared to the corresponding period in last year, mainly resulted from the keen competition in Mainland China. The earnings before interest, tax and depreciation of our exhibition business in Mainland China also decreased by 62% from the same period last year to HK$33.9 million in this period.

The Disposed Business was sub-scale compared to its competitors and the Company believed that significant investment would be required to develop the Disposed Business in order to compete with the larger players, which may lead to the Company incurring significant amount of additional financing and depreciation expenses that would adversely impact the Group's overall profitability in the future. The loss incurred by the Group for the years ended 31 December 2015 and 2016 were largely owing to the underperformance of the Disposed Business and the Company considered that the Disposal would relieve the pressure on overall profitability of the Group.

On 25 January 2017, the Group entered into a sale and purchase agreement with a buyer to sell the Disposed Business at an initial consideration at approximately RMB3.286 billion.

The Disposal was completed subsequent to the period under review on 28 July 2017 at the consideration of approximately RMB3.290 billion. The Group had already received on the same day an amount equivalent in USD of approximately RMB3.02 billion (being the consideration, net of the PRC tax payment) from a buyer in Hong Kong. At the completion of the Disposal, the cinema exhibition business of the Group in Mainland China was completely transferred to the buyer.

Hong Kong

Operating Statistics of the Group's Cinemas in Hong Kong

	June 2017	June 2016
Number of cinemas*	**6**	5
Number of screens*	**23**	21
Admissions *(million)*	**1.3**	1.2
Net average ticket price *(HK$)*	**85**	87
Gross box office receipts *(HK$ million)*	**106**	106

* as at 30 June 2017

During the period under review, the Hong Kong market as a whole recorded gross box office receipts of HK$983 million, a decrease of 3.9% from HK$1,023 million for the corresponding period last year. Notwithstanding the decline of market performance, the Group's cinemas in Hong Kong had been able to outperform the market to maintain the gross box office receipts at HK$106 million (30 June 2016: HK$106 million). The major blockbusters for the period were *Beauty And The Beast (美女與野獸)*, *Fast & Furious 8 (狂野時速8)*, *Wonder Woman (神奇女俠)*, *The Boss Baby (波士BB)* and *Logan (盧根)*. Number of admissions increased from 1.2 million to 1.3 million while the net average ticket price lessened from HK$87 to HK$85.

Taiwan

Operating Statistics of the Group's Cinemas in Taiwan

	June 2017	June 2016
Number of cinemas*	**13**	13
Number of screens*	**127**	127
Admissions *(million)*	**8.3**	7.8
Net average ticket price *(NTD)*	**236**	239
Gross box office receipts *(NTD billion)*	**2.0**	1.9

* as of 30 June 2017

During the period, Taipei City's market gross box office receipts amounted to NTD2.04 billion (30 June 2016: NTD1.90 billion), an increase of 7.4%. The Group's 35.71%-owned Vie Show cinema circuit ("Vie Show") recorded total box office receipts of NTD1,964 million, which represented a 5.1% growth compared to the same period last year. The growth was preliminarily attributable to plenty of supply of famous Hollywood blockbusters in the first half of 2017 such as *Fast & Furious 8 (速度與激情8), Wonder Woman (神奇女俠), Beauty And The Beast (美女與野獸), The Mummy (盜墓迷城), Logan (盧根), Pirates Of The Caribbean: Dead Men Tell No Tales (加勒比海盜：惡靈啟航)*. Similar to past few years, Vie Show continued to uphold its leading position with a market share of 42% in the period under review.

The Group's share of net profit from Vie Show increased from HK$9.4 million to HK$13.9 million compared to the corresponding period last year. Apart from continual investing in new cinemas to expand the market share as well as box office income, Vie Show also focused on cost control and developing e-voucher ticketing system to improve operating efficiency. Apart from traditional cinema exhibition, Vie Show also presented numerous alternative contents which were well welcomed by the market in order to enhance the cinematic experiences.

For the distribution business, Vie Vision Pictures Co. Ltd recorded satisfactory revenue growth by distributing several famous movies such as *John Wick: Chapter 2 (捍衛任務2：殺神回歸)* and *DiDi's Dreams (吃吃的愛)* compared to the corresponding period in 2016.

For non box office income, Gold-class multiplexes were equipped with a dedicated catering team to provide a more comprehensive cinema experiences to our audience and contributed considerable profit for Vie Show. During the period, Vie Show launched a well known Sanrio cartoon character themed restaurant in the cinema located at Mitsui Outlet Park, namely "Hello Kitty Red Carpet". This themed restaurant is decorated with Hello Kitty, providing a variety of food and beverage and so the patrons can now immerse themselves in all things Hello Kitty related, which were welcomed by the market.

Singapore

Operating Statistics of the Group's Cinemas in Singapore

	June 2017	June 2016
Number of cinemas*	**11**	11
Number of screens*	**91**	91
Admissions *(million)*	**4.7**	4.9
Net average ticket price *(S$)*	**10.6**	10.2
Gross box office receipts *(S$ million)*	**50.3**	50.1

* as at 30 June 2017

Note: One cinema in Singapore is under construction, it is expected the cinema under construction to be opened before December 2017.

For the period under review, the Singapore market's box office receipts amounted to S$110 million, representing a decrease of 6.8% from S$118 million for the corresponding period last year. The Group's 50%-owned Golden Village cinema circuit ("GV") maintained its leading position with a market share of 46% by reporting box office receipts of S$50.3 million for the period, a slight increase of 0.4% from S$50.1 million for the same period last year. The increase in box office receipts was largely resulted from better pricing strategy and the variety of movie products offered by GV to attract the audience which resulted in the increase in net average ticket price and also lesser decrease in admission number when compared to the market. A number of Hollywood summer blockbusters arrived at the market, *namely Beauty And The Beast (美女與野獸), Fast & Furious 8 (狂野時速8), Wonder Woman (神奇女俠), Guardians Of The Galaxy Vol. 2* （*銀河守護隊2) and Logan (盧根)*, all of which were well-received by audience. To expand the exhibition business and to maintain the market share, GV has further invested in opening a new cinema in Paya Lebar, which is to be opened before December 2017.

During the reporting period, the Group's share of net profit from Singapore operation stood steadily at HK$34.9 million compared to HK$34.6 million for the corresponding period last year.

Film & TV Programme Distribution and Production

The Group's film distribution and production business recorded revenue of HK$25 million compared to HK$27 million in the corresponding period last year. The distribution revenue was mainly generated by distributing *The Yuppie Fantasia 3 (小男人週記3), The Sleep Curse (失眠)* and *L For Love, L For Lies Too (失戀日)* in Hong Kong region, *Shock Wave (拆彈專家)* in Hong Kong and Singapore region, and *John Wick: Chapter 2 (捍衛任務2：殺神回歸)* in Singapore and Taiwan region.

The profit from the Group's film distribution and production business arrived at HK$7 million in this period compared to a loss of HK$2 million in the same period last year. The improvement was predominantly attributable to the increase in licensing income of the Group's film library which possessed high profitability.

The Group will continue to seek for movies and TV series investments as well as Intellectual Property redevelopment in the coming years by means of both self-investment and co-production with local and overseas studios and TV producers. The Group's film library with perpetual distribution rights continued generating steady licensing income to the Group.

EVENT AFTER THE REPORTING PERIOD

On 25 January 2017 the Group entered into a sale and purchase agreement with a buyer to dispose of the cinema exhibition business in Mainland China.

The Disposal was completed on 28 July 2017 at a consideration of RMB3.290 billion, adjusted from RMB3.286 billion and subject to subsequent price adjustment, if any. The Group had already received at the same day an amount equivalent in USD of approximately RMB3.02 billion (being the consideration, net of the PRC tax payment) from a buyer in Hong Kong. At the completion of the Disposal, the film exhibition business of the Group in Mainland China was completely transferred to the buyer.

Details of the Disposal are also set out in the Company's announcements dated 9 February 2017, 7 March 2017, 19 April 2017, 21 June 2017, 27 June 2017, 20 July 2017, 28 July 2017 and 10 August 2017 and the Company's circular to shareholders dated 13 March 2017.

After the end of the reporting period, the directors proposed a special dividend of HK$0.351 per ordinary shares amounting to HK$1,002,000,000, which was based on 2,855,273,677 ordinary shares in issue on the date of declaration. The special dividend declared after the end of the reporting period has not been recognised as liabilities at the end of the reporting period.

PROSPECTS

The disposal of film exhibition business in Mainland China was completed subsequently on 28 July 2017. After the Disposal the Company intends to substantially develop the existing operations of the remaining business to increase the future profitability of the Company through, including but not limited to (i) investing into the film exhibition business in Hong Kong by opening on average one to two new cinemas in Hong Kong each year after Closing by competing for existing cinema sites currently run by other cinema operators upon their lease expiry, identifying populated areas currently not served by any cinema to explore opportunities to open new cinemas, and/or acquiring existing cinema sites of other cinema operators depending on the availability of new sites in the market and the feasibility of the commercial terms, (ii) ramping up the film, video and TV production business in Hong Kong and the PRC by producing and/or co-investing in an average of two or three new medium to large scale films every year after Closing, (iii) ramping up the distribution business in Hong Kong and the PRC by acquiring distribution rights to four to five films every year after Closing for distribution in Hong Kong and the PRC depending on availability, quality and potential profitability of such opportunities, (iv) purchasing cinema operations or businesses in the Asia region (excluding the PRC) and (v) future investments in the regional media, entertainment and technology sectors which are related to the Remaining Group's existing businesses.

Apart from expansion plan stated above after the Disposal, the Group shall continue to enrich our food and beverage selections and committed to offer a better movie-going experience to our customers. During the period under review, Vie Show launched a well known Sanrio cartoon character themed restaurant in the cinema located at Mitsui Outlet Park, namely "Hello Kitty Red Carpet". This themed restaurant is decorated with Hello Kitty, providing a variety of food and beverage and so the patrons can now immerse themselves in all things Hello Kitty related, which were welcomed by the market. The Group will continue to invest in this segment and put significant effort into developing the non box office business and drive the growth of spending per person in every region.

In recent years, more outstanding young film directors have emerged in the movie industry, bringing new elements to movie production. As such, the Group will continue to support these innovative and reputable films. In addition, we continue to endeavor to source a variety of entertainment from abroad to offer a diversified choice for consumers in the next few years, thereby increasing our market share and increasing our foothold in the entertainment industry. In the first half of 2017, 66 alternative contents have already been shown in the Hong Kong region which were well-received by audiences.

The economic slowdown has clouded the Group's operations but the Group has maintained a robust financial condition with adequate liquidity and diversified our funding sources by issuing of convertible bonds and by disposing of part of our underperformed film exhibition business in Mainland China to strategic investors. Cautiously optimistic, in addition to investing in profitable investment opportunity, the Group will remain responsive to the price-sensitive entertainment market with a stable price adjusting pace. Adhering to not only our passion for movie production and distribution, but also the delivery of differentiated experiences that resonate with consumers, we are always committed to the provision of prime entertainment in our business regions and upgrade continuously both software and hardware to reinforce the Group's core competitiveness within the industry across the Asia.

FINANCIAL RESOURCES AND LIQUIDITY

As of 30 June 2017, cash and cash equivalents of the Group amounted to HK$384 million (31 December 2016: HK$152 million). The Group's outstanding borrowings which amounted to HK$638 million (31 December 2016: HK$595 million) representing mainly interest bearing bank loans of HK$432 million (31 December 2016: HK$411 million) and convertible bonds of HK$206 million (31 December 2016: HK$184 million). The Group's gearing ratio (measured as total borrowings to total assets) decreased to 17.9% (31 December 2016: 18.9%) and our cash to debt ratio at 103% (31 December 2016: 36%). As of 30 June 2017, the Group had HK$272 million of pledged bank deposits to secure its borrowings. In order to minimise potential risks for the Group's development and economic status, management will keep supervising gearing and will make relative adjustments if necessary. The Group at this moment has reasonable financial leverage. Meanwhile, the Group will take advantage of equity financing together with available financial facilities to aid the cinema projects, potential acquisitions of profitable business opportunities so as to act in concert with its expansion plan. The Group believes that its current cash holding and available financial facilities will provide sufficient resources for its working capital requirement.

The Group's assets and liabilities are principally denominated in Hong Kong dollars and Renminbi, except for certain assets and liabilities associated with the investments in Singapore and Taiwan. The overseas joint ventures of the Group are operating in their local currencies and 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 30 June 2017 (31 December 2016: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group employed 1,631 (31 December 2016: 1,721) 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 2017, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

INTERIM DIVIDEND

Special dividend in relation to the disposal of film exhibition business in Mainland China amounting to approximately HK$1,002 million was declared subsequent to the reporting period on 10 August 2017 and will be paid on 11 September 2017.

Apart from the above, the Directors do not recommend the payment of any interim dividend for the period ended 30 June 2017 (30 June 2016: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the period ended 30 June 2017. 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.

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 2017.

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 a whole.

For the period ended 30 June 2017, 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.

Code provision E.1.2 requires the chairman of the Board to attend the annual general meeting of the Company held on 26 June 2017 (the "AGM"). Mr. Wu Kebo, the Chairman of the Board, was unable to attend the AGM due to other business commitment. Mr. Li Pei Sen, 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.

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 period ended 30 June 2017.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Company and the Stock Exchange. The interim report of the Company for the period ended 30 June 2017 will be dispatched to the shareholders and made available on the same websites in due course.

APPRECIATION

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

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

Hong Kong, 29 August 2017

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

Chairman and Executive Director:
Mr. Wu Kebo

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

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