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 2017

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

	2017	2016	**Changes**	
	HK$ million	*HK$ million*	***HK$ million***	%
The Group				
Revenue	**1,007**	1,292	**(285)**	**(22.1%)**
Gross profit	**602**	768	**(166)**	**(21.6%)**
Profit/(loss) before taxation	**2,548**	(68)	**2,616**	**>100%**
Profit/(loss) attributable to equity holders	**2,242**	(59)	**2,301**	**>100%**
Earnings/(loss) per share	**80.45 cents**	(2.15) cents		

- Revenue decreased by 22.1% to HK$1,007 million, mainly resulted from the disposal of film exhibition business (the "Disposed Business") in the Mainland China (the "Disposal") completed in July 2017.

- The Group completed the Disposal on 28 July 2017 with a gain contributed to the Group of approximately HK$2,201 million.

- Gross profit dropped from HK$768 million to HK$602 million as a result of decrease in revenue. However, the gross profit margin maintained stably at 59.8% (2016: 59.5%).

* *For identification purposes only*

- Acquisition of the remaining 50% equity interest in Dartina Development Limited, which owns the leading film exhibitor “Golden Village” in Singapore, took place on 25 October 2017 at a consideration of approximately HK$1,005 million. After the acquisition, Dartina Development Limited has become a wholly owned subsidiary of the Group.

- Profit attributable to equity holders increased significantly to HK$2,242 million as compared to the loss attributable to equity holders of HK$59 million in last year, which was mainly attributable to the gain arising from the Disposal.

- Earnings per share increased sharply to 80.45 HK cents per share compared to the loss per share of 2.15 HK cents in last year.

- A special dividend of HK$0.351 per share, in aggregate of approximately HK$1,002 million, in relation to the Disposal was declared in August 2017 to reward the shareholders for their continuous support to the Company. Together with the special dividend of HK$0.253 per share, in aggregate of approximately HK$708 million, which was declared in January 2018 subsequent to the year end, the special dividends of HK$1,710 million in total had been declared up to the date of this announcement, reflecting the confidence in the financial position of the Group. The Board of Directors does not recommend the declaration of final dividend for this year.

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 2017 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 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*4*	**1,006,599**	1,291,819
Cost of sales		**(404,490)**	(523,466)
Gross profit		**602,109**	768,353
Other revenue		**35,915**	44,255
Other net income/(loss)		**2,778,752**	(1,743)
Selling and distribution costs		**(485,058)**	(766,476)
General and administrative expenses		**(279,700)**	(130,198)
Other operating expenses		**(109,116)**	(228)
Valuation gain/(loss) on investment properties		**8,200**	(4,949)
Profit/(loss) from operations		**2,551,102**	(90,986)
Finance costs	*6(a)*	**(77,835)**	(65,882)
Share of profits of joint ventures		**73,990**	87,739
Share of profits of associates		**887**	976
Profit/(loss) before taxation	*6*	**2,548,144**	(68,153)
Income tax (expense)/credit	*7*	**(309,831)**	2,916
Profit/(loss) for the year		**2,238,313**	(65,237)
Attributable to:			
Equity holders of the Company		**2,242,136**	(59,078)
Non-controlling interests		**(3,823)**	(6,159)
Profit/(loss) for the year		**2,238,313**	(65,237)
Earnings/(loss) per share	*8*		
Basic and diluted		**80.45 cents**	(2.15) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Profit/(loss) for the year	**2,238,313**	(65,237)
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
— subsidiaries outside Hong Kong	**24,643**	(26,353)
— joint ventures outside Hong Kong	**15,049**	322
— associates outside Hong Kong	**254**	(614)
	39,946	(26,645)
Total comprehensive income for the year	**2,278,259**	(91,882)
Total comprehensive income attributable to:		
Equity holders of the Company	**2,280,503**	(85,323)
Non-controlling interests	**(2,244)**	(6,559)
Total comprehensive income for the year	**2,278,259**	(91,882)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Investment properties		**50,000**	41,800
Other property, plant and equipment		**351,319**	80,240
Leasehold land		**624,903**	123,749
		1,026,222	245,789
Interests in joint ventures		**142,937**	201,122
Available-for-sale equity securities		**–**	6,048
Other receivables, deposits and prepayments		**40,509**	18,821
Intangible assets		**525,625**	82,414
Goodwill		**658,001**	57,233
Deferred tax assets		**–**	6,160
Pledged bank deposits		**137,000**	20,000
		2,530,294	637,587
Current assets			
Inventories		**2,759**	1,025
Film rights		**30,453**	46,040
Trade receivables	*9*	**50,920**	21,237
Other receivables, deposits and prepayments		**53,516**	64,357
Pledged bank deposits		**47,701**	43,001
Deposits and cash		**1,961,126**	152,380
Derivative financial instrument		**–**	70,236
Assets of disposal group classified as held for sale		**–**	2,120,002
		2,146,475	2,518,278
Current liabilities			
Bank loans		**359,790**	222,634
Convertible bonds		**–**	9,547
Trade payables	*10*	**114,199**	43,494
Other payables and accrued charges		**200,276**	55,939
Deferred revenue		**71,180**	3,737
Obligations under finance leases		**269**	276
Taxation payable		**38,455**	1,164
Liabilities of disposal group classified as held for sale		**–**	637,543
		784,169	974,334
Net current assets		**1,362,306**	1,543,944

	2017 HK$'000	2016 HK$'000
Total assets less current liabilities	**3,892,600**	2,181,531
Non-current liabilities		
Bank loans	**875,140**	188,300
Convertible bonds	**–**	174,067
Obligations under finance leases	**–**	269
Other financial liabilities	**–**	219,389
Deferred tax liabilities	**174,778**	9,471
	1,049,918	591,496
NET ASSETS	**2,842,682**	1,590,035
CAPITAL AND RESERVES		
Share capital	**279,967**	274,252
Reserves	**2,563,046**	1,257,350
Total equity attributable to equity holders of the Company	**2,843,013**	1,531,602
Non-controlling interests	**(331)**	58,433
TOTAL EQUITY	**2,842,682**	1,590,035

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 2017 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 2017 comprise the Group and the Group's interest in associates and joint ventures.

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 number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

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

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 income and the 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.

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

— 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 derive their 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 Group's share of results of the joint ventures operating in Taiwan and Singapore, respectively. The joint venture in Singapore was reclassified to a subsidiary on 25 October 2017 following the acquisition of the remaining 50% equity interest in the joint venture by the Group. 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. 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		Taiwan		Singapore		Consolidated	
	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 from external customers										
— Exhibition	**249,916**	236,490	**547,383**	1,060,593	**471,366**	447,488	**492,164**	392,599	**1,760,829**	2,137,170
— Distribution and production	**25,746**	33,459	**442**	1,051	**8,463**	3,053	**12,931**	7,476	**47,582**	45,039
— Corporate	**1,911**	1,539	**–**	4,832	**–**	–	**–**	–	**1,911**	6,371
Reportable segment revenue	**277,573**	271,488	**547,825**	1,066,476	**479,829**	450,541	**505,095**	400,075	**1,810,322**	2,188,580
Reportable segment profit/(loss)	**23,548**	16,582	**(26,754)**	(46,188)	**30,914**	24,180	**106,297**	62,014	**134,005**	56,588

	2017	2016
Reconciliation — Revenue		
Reportable segment revenue	**1,810,322**	2,188,580
Share of revenue from joint ventures in Taiwan and Singapore	**(796,742)**	(850,616)
Elimination of intra-segmental revenue	**(939)**	(41)
Others	**(6,042)**	(46,104)
Consolidated revenue	**1,006,599**	1,291,819
Reconciliation — Profit/(loss) before taxation		
Reportable profit from external customers	**134,005**	56,588
Unallocated operating income/ (expenses), net	**2,108,131**	(115,666)
Non-controlling interests	**(3,823)**	(6,159)
Income tax expense/(credit)	**309,831**	(2,916)
Consolidated profit/(loss) before taxation	**2,548,144**	(68,153)

6 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	2017	2016
	HK$'000	*HK$'000*
Interest on bank loans	**26,807**	30,577
Interest on convertible bonds	**27,819**	29,007
Interest on put options to non-controlling interests	**13,175**	1,553
Finance charges on obligations under finance leases	**1,810**	3,344
Other ancillary borrowing costs	**8,224**	1,401
	77,835	65,882

(b) Staff costs (excluding directors' emoluments)

	2017	2016
	HK$'000	*HK$'000*
Salaries, wages and other benefits *(note (i))*	**159,928**	212,080
Contributions to defined contribution retirement plans	**3,353**	1,460
	163,281	213,540

(c) Other items

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories	**33,789**	34,233
Cost of services provided	**364,361**	478,802
Depreciation of property, plant and equipment	**28,969**	139,418
Amortisation of intangible assets	**740**	–
Amortisation of film rights *(note (ii))*	**6,340**	10,431
Reversal of impairment of property, plant and equipment	**–**	(14,122)
Impairment of goodwill	**34,000**	–
Impairment of film rights	**19,649**	108
Write-off of trade receivables	**6,548**	–
Fair value loss/(gain) on derivative financial instruments	**70,236**	(24,261)
Impairment of other receivables	**10,897**	–
Impairment of available-for-sale equity securities	**6,210**	–
Auditors' remuneration	**5,997**	4,952
Gain on disposal of subsidiaries	**(2,201,414)**	–
Gain on partial deemed disposal of a subsidiary	**(270,762)**	–
Gain on step acquisition	**(369,900)**	–
Operating lease charges in respect of land and buildings		
— minimum lease payments	**157,447**	199,362
— contingent rentals	**11,034**	31,664
Rental income less direct outgoings	**(14,395)**	(14,175)

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:

	2017	2016
	HK$'000	*HK$'000*
Current income tax		
Provision for Hong Kong tax	**1,868**	1,163
Provision for overseas tax	**326,053**	13,572
Over-provision in respect of prior years	**(1,423)**	(23)
	326,498	14,712
Deferred tax		
Reversal of temporary differences	**(16,667)**	(17,628)
	309,831	(2,916)

Notes:

(i) The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 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% (2016: 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% of the estimated taxable profits for the year.

(iv) The provision of the Mainland China Corporate Income Tax on the gain on disposal of subsidiaries of HK$311,692,000 is calculated at 10% on the difference between the total consideration of the disposal and the cost of equity interest of the subsidiaries being disposed of.

(v) During the year ended 31 December 2017, the Group paid HK$4,315,000 (2016: HK$7,030,000) for income taxes on distributed earnings from its joint venture in Taiwan.

During the year ended 31 December 2017, the Group provided HK$3,790,000 (2016: HK$4,082,000) 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 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to equity holders of the Company of HK$2,242,136,000 (2016: loss of HK$59,078,000) and the weighted average number of ordinary shares of 2,786,995,888 (2016: 2,742,519,248), in issue during the year.

	2017	2016
	Number of shares	*Number of shares*
Issued ordinary shares at 1 January	**2,742,519,248**	2,742,519,248
Effect of shares repurchased	**(7,704,657)**	–
Effect of share options exercised	**47,724,131**	–
Effect of conversion of convertible bonds	**4,457,166**	–
Weighted average number of ordinary shares as at 31 December	**2,786,995,888**	2,742,519,248

(b) Diluted earnings/(loss) per share

Diluted earnings/(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 does not have any dilutive potential ordinary shares as at 31 December 2017 (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.

During the year ended 31 December 2017, the convertible bonds have been either converted or redeemed and the share options were either exercised or expired, including the share options granted to and exercised by a director during the year ended 31 December 2017. There were no diluted potential shares in existence as at 31 December 2017.

For the year ended 31 December 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.

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:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**42,125**	10,841
1 to 2 months	**5,228**	3,564
2 to 3 months	**196**	585
Over 3 months	**3,371**	6,247
	50,920	21,237

At 31 December 2017, trade receivables of the Group included amounts totalling HK$30,000 (2016: HK$41,972,000) due from related companies and an amount of HK$814,000 (2016: HK$1,452,000) due from a joint venture, which are unsecured, interest-free and recoverable within one year. At 31 December 2016, trade receivables due from related companies of HK$41,012,000 associated with the disposal group were reclassified as held for sale.

10 TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Current to 3 months	**100,001**	32,266
Within 4 to 6 months	**1,989**	162
Within 7 to 12 months	**1,323**	383
Over 1 year	**10,886**	10,683
	114,199	43,494

At 31 December 2017, trade payables of the Group included the amounts totalling HK$26,000 (2016: HK$35,765,000) due to related companies which were unsecured, interest-free and repayable on demand. At 31 December 2016, trade payables due to related companies of HK$35,734,000 associated with the disposal group were reclassified as held for sale.

11 DIVIDENDS

During the year ended 31 December 2017, a special dividend of HK$0.351 per ordinary share amounting to a total of HK$1,002,201,000 was declared and paid (2016: Nil), which was based on 2,855,273,677 ordinary shares in issue on the date of declaration.

On 4 January 2018, the Group declared a special dividend of HK$0.253 per ordinary share amounting to a total of HK$708,316,000. The special dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

The directors do not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operation and Financial Review

As a result of the completion of the Disposal in July 2017, by which all the cinemas of the Group in Mainland China were disposed of since then, the Group's revenue decreased by 22.1% to HK$1,007 million and the gross profit decreased by 21.6% to HK$602 million compared with last year. Gross profit margin maintained stably at 59.8% (2016: 59.5%).

Profit attributable to the equity holders of the Company amounted to HK$2,242 million as compared to the loss attributable to the equity holders of HK$59 million in last year. The significant profit was mainly resulted from a gain of HK$2,201 million arising from the Disposal in July 2017, netting off by several one-off expenses such as change in fair value of financial derivatives (which were derecognised during the year) and the loss on remeasurement of liability component of the convertible bonds upon early redemption.

As of 31 December 2017, the cash and cash equivalents of the Group was HK$1,961 million (2016: HK$152 million). Outstanding borrowings amounted to HK$1,235 million (2016: HK$595 million), which comprised mainly interest-bearing bank loans. The interest-bearing bank loans were secured by pledged cash, an office property and the equity interests in several subsidiaries of the Company. The Group's gearing ratio (measured as total borrowings to total assets) was maintained healthy at 26.4% (2016: 18.9%) and the Group was in a net cash position (measured as cash and bank deposits less total borrowings) of HK$910.6 million (2016: net debt position of HK$379.7 million).

Business Review

Film Exhibition

The Group opened 2 cinemas with 16 screens and closed 1 cinema with 9 screens during the year. After disposing of 77 cinemas of the Disposed Business, the Group operated 31 cinemas with 249 screens in total across Hong Kong, Taiwan and Singapore as at 31 December 2017. As a result of the Disposal, by which all cinemas of the Group in Mainland China was were disposed of since July 2017, our cinemas served 40 million guests as compared to 52 million guests last year, and our gross box office receipts on a full and aggregated basis were recorded at HK$2,168 million, representing a drop of 15.6% from last year. The major Hollywood blockbusters released this year were *Beauty And The Beast (2017) (美女與野獸 (2017))*, *Fast & Furious 8 (狂野時速8)*, *Wonder Woman (神奇女俠)*, *The Boss Baby (波士BB)*, *Logan (盧根)*, *The Mummy (2017) (盜墓迷城 (2017))* and *Thor: Ragnarok (雷神索爾3：諸神黃昏)*. 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
(For the year ended 31 December 2017)

	Mainland China	**Hong Kong**	**Taiwan**	**Singapore**
Number of cinemas*	77	6	13	12
Number of screens*	539	23	127	99
Admissions *(million)***	12.9	2.3	15.8	9.0
Net average ticket price *(HK$)***	34	84	61	60

* as of 31 December 2017, except for the operating statistics for Mainland China are as of 28 July 2017 which was the completion date of the Disposal

** The operating statistics for Mainland China were presented up to 28 July 2017, the completion date of the Disposal

The Group is dedicated to the provision of a diversified video and audio experience for its audiences. All screens of the Group have been established with advanced digital equipment and are 3D compatible. There were 7 IMAX® screens in total for the Group in Taiwan as at 31 December 2017. The Group has also been enhancing the experience for our audiences by equipping 4DX™, D-Box Motion Chairs, Advanced Panorama Dolby Atoms and DTSX sound systems in our cinemas in different regions.

Mainland China

Operating Statistics of the Group's Cinemas in Mainland China before the Disposal

	1.1.2017–28.7.2017	1.1.2016-31.12.2016
Number of cinemas*	**77**	76
Number of screens*	**539**	531
Admissions *(million)*	**12.9**	24.8
Net average ticket price *(RMB)*	**30**	29
Gross box office receipts *(RMB million)*#	**421**	792

* as of 28 July 2017 (2016: 31 December 2016), the completion date of the Disposals

\# before deduction of government taxes and charges

The Group's gross box office receipts generated by its multiplexes in Mainland China decreased by 47% to RMB421 million compared with last year as a result of the Disposal. During the year under review, the Group opened 1 new cinema with 8 screens in the city of Xiamen. Notwithstanding the foregoing, the average ticket price during the period increased by 3.4% to RMB30 as compared to the yearly average in 2016 as a result of more marketing campaigns launched.

The loss incurred from the operating of our exhibition business in Mainland China was HK$16 million for the year under review compared to HK$42 million last year. The reduction in loss was mainly attributable to the completion of the Disposal in July 2017 and the continuous improvement in operation efficiency on ramped-up cinemas which helped to boost both box office and non-box office revenue, and the implementation of prudent cost control as well. For details of the Disposal, please refer to the circular dated 13 March 2017 and the announcements dated 10 February 2017 and 28 July 2017 of the Company published on the website of The Hong Kong Exchanges and Clearing Limited.

Hong Kong

Operating Statistics of the Group's Cinemas in Hong Kong

	2017	2016
Number of cinemas*	**6**	6
Number of screens*	**23**	23
Admissions *(million)*	**2.3**	2.4
Net average ticket price *(HK$)*	**84**	83
Gross box office receipts *(HK$ million)*	**195**	203

* as of 31 December

During the year under review, the Hong Kong market as a whole recorded box office receipts of HK$1.86 billion, a decrease of 5.1% from HK$1.96 billion in last year. The Group's cinemas in Hong Kong recorded box office receipts of HK$195 million this year (2016: HK$203 million), representing a decrease of 3.9% compared to the same period last year. Despite the decrease, the Group still outperformed the Hong Kong market. Net average ticket price of the Group grew 1.2% to HK$84 in Hong Kong since more alternative content shows with higher average ticket price were held, and the general increase in the ticket prices for year.

To enable our cinemas becoming entertainment hubs of greater scope, we showed 132 alternative contents in 2017, a big jump of 63.0% from 81 in last year. 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 12 shows of Live Broadcast "*Aqours 1st Lovelive! ~Step! Zero To One~*" and the 18 shows of Live Broadcast "*Aqours 2nd LoveLive! Happy Party Train Tour*", which, respectively, reached a remarkable 98.5% and 84.2% fill rates with 1,942 and 2,783 admissions, and the two broadcasts recorded an average ticket price of HK$330.

Taiwan

Operating Statistics of the Group's Cinemas in Taiwan

	2017	2016
Number of cinemas*	**13**	14
Number of screens*	**127**	136
Admissions *(million)*	**15.8**	15.7
Net average ticket price *(NTD)*	**234**	240
Box office receipts *(NTD billion)*	**3.7**	3.8

* as of 31 December

During the year, Taipei City's market box office receipts amounted to NTD3.90 billion, representing a slight decrease of 0.1% from NTD3.91 billion last year. The Group's 35.71% owned Vie Show cinema circuit ("Vie Show") recorded total box office receipts of NTD3,686 million (2016: NTD3,760 million), representing a decrease of 2.0% from last year as a result of the weakened market and the closure of one cinema in Taichung Mode Mall. However, it still outperformed the market in Taiwan and the share of net profit from Vie Show increased from HK$24.2 million to HK$30.9 million compared to the corresponding period last year. Vie Show continued to be the largest film exhibitor in Taiwan. Adhering to the Group's comprehensive entertainment hub strategy, the popular "UNICORN" handmade popcorn counter has been operated in all 13 cinemas (31 December 2016: 6 cinemas).

Singapore

Operating Statistics of the Group's Cinemas in Singapore

	2017	2016
Number of cinemas*	**12**	11
Number of screens*	**99**	91
Admissions *(million)*	**9.0**	9.4
Net average ticket price *(S$)*	**10.6**	10.2
Box office receipts *(S$ million)*	**95**	96

* as of 31 December

During the year, the Singapore market box office receipts dropped by 5.9% to S$206 million (2016: S$219 million) due to lack of record blockbusters. Golden Village cinemas reported box office receipts of S$95 million (2016: S$96 million), representing a slight decrease in box office receipts of 1.0% compared to last year. Nevertheless, the Group's performance in Singapore outperformed the market in Singapore and it continued to be the market leader with a market share of 46.3% (43.7% in 2016). Golden Village cinemas' automated ticketing machines and auto-gates give patrons an easy, fast and efficient cinematic experience like none of the others. Hollywood blockbusters are always popular in Singapore and bring a stable profit contribution to the Group. Hollywood blockbusters released during the year included *Thor: Ragnarok (雷神索爾3：諸神黃昏)*, *Beauty And The Beast (2017) (美女與野獸 (2017))*, *Justice League (正義聯盟)*, *Wonder Woman (神奇女俠)*, *Fast & Furious 8 (狂野時速 8)*, *Spider-Man: Homecoming (蜘蛛人：返校日)* and *Guardians Of The Galaxy Vol. 2 (銀河守護隊 2)*. During the year, the Group's share of net profit from the Golden Village cinema circuit increased by 71.4% to HK$106 million, mainly attributable to the completion of acquiring the remaining 50% equity interest of Dartina Development Limited (the "Acquisition") in October 2017. For details of the Acquisition, please refer to the circular dated 19 December 2017 of the Company published on the website of The Hong Kong Exchanges and Clearing Limited.

Film & TV Programme Distribution and Production

On an aggregated basis the Group's film distribution and production business recorded revenue of HK$48 million (2016: HK$45 million), representing an increase of 7% compared to last year. The distribution revenue was mainly generated by distributing some famous releases such as *Chasing The Dragon (追龍)*, *The Yuppie Fantasia 3 (小男人週記 3)* and *Shock Wave (拆彈專家)* in Hong Kong, *The Tag-Along 2 (紅衣小女孩 2)* and *DiDi's Dreams (吃吃的愛)* in Taiwan and *Ah Boys to Men 4 (新兵正傳IV)* and *The Foreigner (英倫對決)* 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.

EVENT AFTER THE REPORTING PERIOD

On 4 January 2018, the Group declared a special dividend of HK$0.253 per share of the Company, amounting to HK$708,316,000.

PROSPECTS

Looking forward, the Group will continue our cinema networks expansion strategy for its film exhibition segments. Our high calibre teams in different regions will keep identifying cinema sites with good market penetration, undervalued targets for acquisition and profitable cooperation opportunities in the market.

In Hong Kong, the Group will further invest into the film exhibition business by opening on average one or two new cinemas each year by competing for existing cinema sites currently run by other cinema operators upon the expiry of their leases, identifying populated areas currently not served by any cinema to explore opportunities of launching new cinemas, and acquiring existing cinema sites of other cinema operators depending on the availability of new sites in the market and the commercial terms. 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 mini-concerts and fans meeting artists in the cinemas. It is expected that the growth of demand for alternative shows will continue to bring considerable profit to the Group. At the same time, the Group will keep selectively invest in film and video production and distribution business and wisely on any high return projects.

In Mainland China, the Group plans to ramp up the film, video and TV production business by producing and/or co-investing in new mid-to-large scale films after completion of the Disposal. With the foundation that the Group has laid in its distribution network, the Group will prudently enlarge the distribution business by acquiring distribution rights of films depending on the availability, quality and potential profitability of such opportunities. Apart from expanding existing business, the Group is also open to any new projects that could further diversify our business and benefit the Group as a whole.

In Taiwan, Vie Show will consistently stick with the cinema network expansion strategy. Plenty of potential sites and cooperation opportunities are currently under our review and negotiation and more cinemas are expected to be opened in the coming few years.

In Singapore, the Group will continue to grow by actively pursuing suitable cinema sites that bring us additional steadily cash flow. It is expected 2 more cinemas in Bedok and Funan with 13 screens and 1,050 seats in total will be launched in the upcoming years. Adopting the strategy to diversify the earning stream to achieve sustainable growth, advanced settings such as 4DX™ motion seat hall and Gemini couple seat to offer an extraordinary movie experience as well as conventional halls to cater to the mass market will be provided in some of our new sites.

Looking ahead, as the global economy remains challenging, the Group will keep paying close attention to the regional economy and adjust its strategy and deploy its resources accordingly. It is believed that, taking into account its ample financial capacity as a result of the Disposal, the Group will continue to actively seek investment opportunities in the regional media, entertainment and technology sectors that are related to the Group's existing business, and at the same time be prepared to seek any high return new business that adds value to our Shareholders. 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 keep diversifying the business as well.

FINANCIAL RESOURCES AND LIQUIDITY

As of 31 December 2017, the Group had cash and cash equivalents amounting to HK$1,961 million (2016: HK$152 million). The Group's total outstanding borrowings amounted to HK$1,235 million (2016: HK$595 million), which comprised mainly bank borrowings, compared to bank borrowing of HK$411 million and convertible bonds of HK$184 million in 2016. The Group's gearing ratio, calculated on the basis of total borrowings over total assets stood at a healthy level of 26.4% (2016: 18.9%) and our cash to debt ratio at 173.7% (2016: 36.2%). As of 31 December 2017, the Group had HK$185 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 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 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 2017 (31 December 2016: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had 394 (2016: 1,745) 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 2017, 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 2017 (31 December 2016: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2017, the Company repurchased a total of 70,530,000 ordinary shares of its own ordinary shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at a total consideration of HK$49,105,250. As at 31 December 2017, the total number of Shares in issue was 2,799,669,050. All the repurchased Shares were cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities 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 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 whole.

For the year ended 31 December 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.

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 26 June 2017. 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 2017.

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 2017 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 2017 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 2018

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. 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