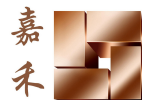


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Golden Harvest

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 2018**

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>	Changes <i>HK\$ million</i>	%
The Group				
Revenue	1,051	1,007	44	4.4%
Gross profit	653	602	51	8.5%
Profit before taxation	84	2,548 [#]	(2,464)	(96.7%)
Profit attributable to equity holders	53	2,242 [#]	(2,189)	(97.7%)
Earnings per share	1.88 cents	80.45 cents		
[#] included one-off net gains of HK\$2,747.8 million				

- Revenue increased by 4.4% to HK\$1,051.0 million, mainly resulted from the 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. After the acquisition, Dartina Development Limited has become a wholly owned subsidiary of the Group.
- Gross profit improved from HK\$602.1 million to HK\$653.4 million and the gross profit margin also improved to 62.2% (2017: 59.8%).

* For identification purposes only

- Profit attributable to the equity holders of the Company amounted to HK\$52.5 million as compared to HK\$2,242.1 million in last year. This was mainly due to several one-off items with net gains of HK\$2,747.8 million recorded in 2017 including gains on disposals, fair value change of derivative financial instruments, loss on re-measurement of liability component of convertible bonds, etc.
- Earnings per share decreased to 1.88 HK cents per share compared to 80.45 HK cents in last year.
- A special dividend of HK\$0.253 per share, in aggregate of approximately HK\$708.3 million, which was declared in January 2018, 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.
- The Group completed the disposal of film exhibition business in the Mainland China on 28 July 2017 with a gain contributed to the Group of approximately HK\$2,201.4 million.

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 2018 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 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	4	1,050,972	1,006,599
Cost of sales		<u>(397,581)</u>	<u>(404,490)</u>
Gross profit		653,391	602,109
Other revenue		44,134	35,915
Other net (loss)/income		(13,555)	2,778,752
Selling and distribution costs		(457,089)	(485,058)
General and administrative expenses		(123,171)	(279,700)
Other operating expenses		(3,981)	(109,116)
Valuation gain on investment properties		<u>–</u>	<u>8,200</u>
Profit from operations		99,729	2,551,102
Finance costs	6(a)	(51,902)	(77,835)
Share of profits of joint ventures		35,834	73,990
Share of profits of associates		<u>–</u>	<u>887</u>
Profit before taxation	6	83,661	2,548,144
Income tax expense	7	<u>(31,371)</u>	<u>(309,831)</u>
Profit for the year		<u>52,290</u>	<u>2,238,313</u>
Attributable to:			
Equity holders of the Company		52,529	2,242,136
Non-controlling interests		(239)	(3,823)
Profit for the year		<u>52,290</u>	<u>2,238,313</u>
<i>Earnings per share (HK cent)</i>	8		
Basic and diluted		<u>1.88</u>	<u>80.45</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 HK\$'000	2017 HK\$'000
Profit for the year	52,290	2,238,313
Other comprehensive income for the year:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
— subsidiaries outside Hong Kong	(5,594)	24,643
— joint ventures outside Hong Kong	53	15,049
— associates outside Hong Kong	—	254
	<u>(5,541)</u>	<u>39,946</u>
Total comprehensive income for the year	<u>46,749</u>	<u>2,278,259</u>
Total comprehensive income attributable to:		
Equity holders of the Company	46,963	2,280,503
Non-controlling interests	(214)	(2,244)
Total comprehensive income for the year	<u>46,749</u>	<u>2,278,259</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets			
Investment properties		50,000	50,000
Other property, plant and equipment		368,119	351,319
Leasehold land		613,525	624,903
		<u>1,031,644</u>	<u>1,026,222</u>
Interest in a joint venture		145,933	142,937
Other receivables, deposits and prepayments		40,058	40,509
Intangible assets		523,079	525,625
Goodwill		656,609	658,001
Pledged bank deposits		137,000	137,000
		<u>2,534,323</u>	<u>2,530,294</u>
Current assets			
Inventories		2,592	2,759
Film rights		34,868	30,453
Trade receivables	9	41,473	50,920
Other receivables, deposits and prepayments		122,835	53,516
Pledged bank deposits		–	47,701
Deposits and cash		1,290,095	1,961,126
		<u>1,491,863</u>	<u>2,146,475</u>
Current liabilities			
Bank loans		274,850	359,790
Trade payables	10	121,813	114,199
Other payables and accrued charges		163,144	200,276
Deferred revenue		56,591	71,180
Obligations under finance leases		–	269
Taxation payable		30,792	38,455
		<u>647,190</u>	<u>784,169</u>
Net current assets		<u>844,673</u>	<u>1,362,306</u>

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Total assets less current liabilities	3,378,996	3,892,600
Non-current liabilities		
Bank loans	1,024,498	875,140
Deferred tax liabilities	173,383	174,778
	1,197,881	1,049,918
NET ASSETS	2,181,115	2,842,682
CAPITAL AND RESERVES		
Share capital	279,967	279,967
Reserves	1,901,693	2,563,046
Total equity attributable to equity holders of the Company	2,181,660	2,843,013
Non-controlling interests	(545)	(331)
TOTAL EQUITY	2,181,115	2,842,682

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 2018 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 2018 comprise the Group and the Group's interest in associates and a joint venture.

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

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

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

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- (i) HKFRS 9, *Financial instruments*
- (ii) HKFRS 15, *Revenue from contracts with customers*
- (iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

None of these developments has had a material effect on how the Group's results and financial position for the current or prior years have been prepared or presented in this annual financial report.

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
- Singapore
- Taiwan

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

Each of the above reportable segments primarily 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, Singapore and Taiwan, represent the Group's share of results of the joint ventures operating in Singapore and Taiwan, 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		Singapore		Taiwan		Consolidated	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Segment revenue:										
Revenue										
— Exhibition	218,910	249,916	—	547,383	822,139	492,164	479,393	471,366	1,520,442	1,760,829
— Distribution and production	13,820	25,746	165	442	37,226	12,931	2,368	8,463	53,579	47,582
— Corporate	1,513	1,911	—	—	—	—	—	—	1,513	1,911
Reportable segment revenue	234,243	277,573	165	547,825	859,365	505,095	481,761	479,829	1,575,534	1,810,322
Reportable segment profit/(loss)	8,872	23,548	(31,159)	(26,754)	149,890	106,297	36,487	30,914	164,090	134,005
Reconciliation — Revenue										
Reportable segment revenue									1,575,534	1,810,322
Share of revenue from joint ventures in Singapore and Taiwan									(481,761)	(796,742)
Elimination of intra-segment revenue									(25,559)	(939)
Others									(17,242)	(6,042)
Consolidated revenue									<u>1,050,972</u>	<u>1,006,599</u>
Reconciliation — Profit before taxation										
Reportable profit									164,090	134,005
Unallocated operating (expenses)/ income, net									(111,561)	2,108,131
Non-controlling interests									(239)	(3,823)
Income tax expense									31,371	309,831
Consolidated profit before taxation									<u>83,661</u>	<u>2,548,144</u>

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on bank loans	46,258	26,807
Interest on convertible bonds	–	27,819
Interest on put options to non-controlling interests	–	13,175
Finance charges on obligations under finance leases	9	1,810
Other ancillary borrowing costs	5,635	8,224
	<u>51,902</u>	<u>77,835</u>

(b) Staff costs (excluding directors' emoluments)

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Salaries, wages and other benefits (<i>note (i)</i>)	125,281	159,928
Contributions to defined contribution retirement plans	12,283	3,353
	<u>137,564</u>	<u>163,281</u>

(c) Other items

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost of inventories	38,355	33,789
Cost of services provided	353,413	364,361
Depreciation of property, plant and equipment	75,192	28,969
Amortisation of intangible assets	1,482	740
Amortisation of film rights (<i>note (ii)</i>)	5,813	6,340
Impairment of goodwill	–	34,000
Impairment of film rights	2,069	19,649
Write-off of trade receivables	–	6,548
Impairment of other receivables	–	10,897
Impairment of available-for-sale equity securities	–	6,210
Auditors' remuneration	2,950	5,997
Operating lease charges in respect of land and buildings		
— minimum lease payments	108,770	157,447
— contingent rentals	15,615	11,034
Rental income less direct outgoings	<u>(9,673)</u>	<u>(14,395)</u>

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

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

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<i>Current income tax</i>		
Provision for Hong Kong tax	420	1,868
Provision for overseas tax	34,128	326,053
Over-provision in respect of prior years	(2,559)	(1,423)
	<u>31,989</u>	<u>326,498</u>
<i>Deferred tax</i>		
Reversal of temporary differences	<u>(618)</u>	<u>(16,667)</u>
	<u>31,371</u>	<u>309,831</u>

Notes:

- (i) The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 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% (2017: 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% (2017: 17%) of the estimated taxable profits for the year.
- (iv) During the year ended 31 December 2018, the Group paid HK\$3,936,000 (2017: HK\$4,315,000) for income taxes on distributed earnings from its joint venture in Taiwan.

During the year ended 31 December 2018, the Group provided HK\$4,570,000 (2017: HK\$3,790,000) 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 PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the earnings attributable to equity holders of the Company of HK\$52,529,000 (2017: earnings of HK\$2,242,136,000) and the weighted average number of ordinary shares of 2,799,669,050 (2017: 2,786,995,888), in issue during the year, calculated as follows:

	2018	2017
	<i>Number of shares</i>	<i>Number of shares</i>
Issued ordinary shares at 1 January	2,799,669,050	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
	<hr/>	<hr/>
Weighted average number of ordinary shares as at 31 December	<u>2,799,669,050</u>	<u>2,786,995,888</u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of conversion of all dilutive potential ordinary shares. The Company does not have any dilutive potential ordinary shares as at 31 December 2018 (2017: Nil). Diluted earnings per share for the year ended 31 December 2018 is the same as the basic earnings per share.

9 TRADE RECEIVABLES

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

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 1 month	25,328	42,125
Over 1 month to 2 months	10,067	5,228
Over 2 months to 3 months	3,779	196
Over 3 months	2,299	3,371
	<u>41,473</u>	<u>50,920</u>

10 TRADE PAYABLES

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current to 3 months	106,358	100,001
Within 4 to 6 months	3,424	1,989
Within 7 to 12 months	350	1,323
Over 1 year	11,681	10,886
	<u>121,813</u>	<u>114,199</u>

11 DIVIDENDS

During the year ended 31 December 2018, the Group declared a special dividend of HK\$0.253 per ordinary share amounting to a total of HK\$708,316,000.

The directors do not recommend the payment of final dividend for the year ended 31 December 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

After almost half a century of operation and development, the Group has become a world's premier Chinese language film entertainment company primarily engaging in film exhibition, Film and TV Programme production and distribution business. Since its inception, the Group has produced and financed over 600 movies, plays an important role in distribution of Chinese language movies. To date, we own a movie library with more than 140 films for distribution.

In addition, the Group has recently expanded into the live show performance and has a plan to expand into the entertainment centre business, to capitalise our branding and goodwill and further utilise the resources, creativity and management expertise in the entertainment industry, so as to commodity our intelligent property rights.

Film Exhibition

The Group completed the acquisition of the remaining 50% interest in our Singapore business and the disposal of the Mainland China Exhibition business in 2017.

In 2018, we opened a cinema with 6 screens in Singapore, opened a cinema with 20 screens in Taiwan, opened 2 cinemas with 6 screens in Hong Kong and closed a cinema with 5 screens in Hong Kong. At 31 December 2018, we operated 34 cinemas with 276 screens in total across Hong Kong, Singapore and Taiwan. Our cinemas served over 26 million guests as compared to nearly 40 million guests in last year since we disposed of all cinemas in the Mainland China in July 2017. The major Hollywood blockbusters released in this period were *Ant-Man and the Wasp* (蟻俠2：黃蜂女現身), *Black Panther* (黑豹), *Incredibles 2* (超人特工隊2), *Avengers: Infinity War* (復仇者聯盟3：無限之戰), *Deadpool 2* (死侍2), *Jurassic World: Fallen Kingdom* (侏羅紀世界：迷失國度), *Mission: Impossible — Fallout* (職業特工隊：叛逆之謎) and *Aquaman* (水行俠). The major Korea language blockbusters were *Along With the Gods: The Two Worlds* (與神同行) and *Along With The Gods: The Last 49 Days* (與神同行：終極審判). The major Chinese language blockbusters were *Agent Mr. Chan* (棟篤特工) and *Project Gutenberg* (無雙) in Hong Kong; *Wonderful! Liang Xi Mei* (旺得福梁細妹) in Singapore; and *GATAO 2 — The New Leader Rising* (角頭2：王者再起) and *More Than Blue* (比悲傷更悲傷的故事) in Taiwan.

Operating Statistics of the Group's Cinemas

(For the year ended 31 December 2018)

	31 December 2018			Total
	Hong Kong	Singapore	Taiwan	
Number of cinemas*	7	13	14	34
Number of screens*	24	105	147	276
Admissions (million)	2	8.8	15.8	26.6
Net average ticket price (HK\$)	84	62	62	63

* at 31 December 2018

	31 December 2017			Total
	Hong Kong	Singapore	Taiwan	
Number of cinemas**	6	12	13	31
Number of screens**	23	99	127	249
Admissions (<i>million</i>)	2.3	9.0	15.8	27.1
Net average ticket price (<i>HK\$</i>)	84	60	61	62

** at 31 December 2017

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. There were 7 IMAX® screens in total for the Group in Taiwan as at 31 December 2018. The Group has also been enhancing the experience for our audiences by equipping 3D system, 4DX™, D-Box Motion Chairs, Advanced Panorama Dolby Atmos and DTSX sound systems in our cinemas in different regions.

Hong Kong

Operating Statistics of the Group's Cinemas in Hong Kong (For the year ended 31 December 2018)

	2018	2017
Number of cinemas*	7	6
Number of screens*	24	23
Admissions (<i>million</i>)	2.0	2.3
Net average ticket price (<i>HK\$</i>)	84	84
Gross box office receipts (<i>HK\$ million</i>)	167	195

* at 31 December 2018

During the year under review, the Hong Kong market as a whole recorded box office receipts of HK\$1,966.9 million, an increase of 5.5% from HK\$1,864.1 million last year. The Group's cinemas in Hong Kong recorded box office receipts of HK\$166.9 million in this period (2017: HK\$194.6 million), representing a decrease of 14.2%. The decrease was primarily attributable to the net effect of the closure of GH Tsing Yi cinema with 5 screens in January 2018 (GH Tsing Yi cinema 2017 box office: HK\$34.4 million); and the 2 new cinemas opened during mid of the year and end of the year. Net average ticket price of the Group remain stable at HK\$84.3 during the year in Hong Kong.

To enable our cinemas becoming entertainment hubs of greater scope, we showed 118 alternative contents in 2018. It was encouraging that we developed a competent team in organizing the alternative contents and a strong base of alternative content fans. It was proven by our successful alternative content shows such as the Live Broadcast “LOVELIVE! SUNSHINE!!” and the Live Broadcast “iDOLM@STER”, which, respectively, reached a remarkable 75.6% and 73.0% fill rates and the two broadcasts recorded an average ticket price of HK\$330.0.

Screen advertising was also a new profit driver to our Hong Kong region as we have already contracted with 22 cinemas as at 31 December 2018, we expected steady growth in revenue and profit in coming years.

Singapore

Operating Statistics of the Group's Cinemas in Singapore (For the year ended 31 December 2018)

	2018	2017
Number of cinemas*	13	12
Number of screens*	105	99
Admissions (<i>million</i>)	8.8	9.0
Net average ticket price (<i>S\$</i>)	10.6	10.6
Box office receipts (<i>S\$ million</i>)	94	95

* at 31 December 2018

During the year, the Singapore market box office receipts dropped by 3.3% to S\$199.4 million (2017: S\$206.1 million) due to lack of record blockbusters. Golden Village cinemas reported box office receipts of S\$93.8 million (2017: S\$95.4 million), representing a slight decrease in box office receipts of 1.6% compared to last year. Nevertheless, the Group's results outperformed the overall Singapore market and we continued to be the market leader with a market share of 47.1% (46.3% in 2017). Golden Village cinemas' Gold Class provides customers a prestige theatrical experience which their 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 *Ant-Man and the Wasp* (蟻俠2：黃蜂女現身), *Black Panther* (黑豹), *Incredibles 2* (超人特工隊2), *Avengers: Infinity War* (復仇者聯盟3：無限之戰), *Deadpool 2* (死侍2), *Jurassic World: Fallen Kingdom* (侏羅紀世界：迷失國度), *Mission: Impossible — Fallout* (職業特工隊：叛逆之謎) and *Aquaman* (水行俠). Apart from the Hollywood blockbusters, Korea language blockbusters: *Along With the Gods: The Two Worlds* (與神同行) and *Along With The Gods: The Last 49 Days* (與神同行：終極審判) were also welcomed by Singapore market. The major Chinese language blockbuster in Singapore was *Wonderful! Liang Xi Mei* (旺得福梁細妹).

Since the completion of acquiring the remaining 50% equity interest of Dartina Development Limited (the "Acquisition") in October 2017, we changed the accounting of its results from equity accounting to full consolidation. 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.

Taiwan

Operating Statistics of the Group's Cinemas in Taiwan (For the year ended 31 December 2018)

	2018	2017
Number of cinemas*	14	13
Number of screens*	147	127
Admissions (million)	15.8	15.8
Net average ticket price (NTD)	236	234
Box office receipts (NTD billion)	3.7	3.7

* at 31 December 2018

During the period, Taiwan's market box office receipts amounted to NTD10.8 billion, representing an increase of 2.1% from NTD10.6 billion in last year. The Group's 35.71% owned Vie Show cinema circuit ("Vie Show") recorded total box office receipts of NTD3,732.3 million (2017: NTD3,685.7 million), representing an increase of 1.3% from last year and the share of reportable segment profit from Vie Show increased from HK\$30.9 million to HK\$36.5 million compared to last year, representing a 18.0% increment. Vie Show continued to be the largest film exhibitor in Taiwan. Adhering to the Group's comprehensive entertainment hub strategy, Vie Show continues its operation in the popular "UNICORN" handmade popcorn counter in all its 14 cinemas. Vie Show also opened a Japanese Premium French Toast restaurant in Taichung Mitsui Outlet mall in December 2018, first store outside Japan which close to 10,000 customers have been served in its first month of operation.

Film & TV Programme Distribution and Production

On an aggregated basis the Group's film distribution and production business recorded revenue of HK\$53.6 million (2017: HK\$47.6 million), representing an increase of 12.6% compared to last year. The distribution revenue was mainly generated by distributing some famous releases such as *Operation Red Sea* (紅海行動), *Men On The Dragon* (逆流大叔), *Big Brother* (大師兄) and *Tracey* (翠絲) in Hong Kong. *Hindi Medium* (起跑線), an Indian Hindi-language comedy-drama film, was also distributed in Hong Kong and welcomed by the market. The Group also participated in the advertising activities of *Project Gutenberg* (無雙) in Hong Kong. The famous releases outside Hong Kong were *Back to the Good Times* (花甲大人轉男孩) and *The Devil Fish* (人面魚紅衣小女孩外傳) in Taiwan and *Along With the Gods: The Two Worlds* (與神同行), *Along With The Gods: The Last 49 Days* (與神同行：終極審判) and *Wonderful! Liang Xi Mei* (旺得福梁細妹) in Singapore. For the production sector, the Group will continue to invest independently and cooperatively with local and overseas studios to produce movies and TV programmes of high quality and carry out intellectual property redevelopment in the foreseeable future. The Group's film library with perpetual distribution rights kept on bringing steady licensing income to the Group.

FINANCIAL REVIEW

Profit and loss

In 2018, the Group's revenue increased by 4.4% to HK\$1,051.0 million, mainly reflecting the acquisition of the remaining 50% interest in our Singapore business which changed the accounting of its results from equity accounting to full consolidation upon the completion on 25 October 2017 and the disposal of the China Exhibition business in 2017. Significant revenue was derived from the China Exhibition business in 2017 which was not repeated in 2018 after the disposal, however, the Singapore business filled up the gap. The Group's gross profit increased by 8.5% to HK\$653.4 million and gross profit margin improved slightly by 2.4 percentage points to 62.2%.

Share of profits of joint ventures in 2018 amounted to HK\$35.8 million, a decrease of 51.6%. The decrease was mainly reflecting the change of our accounting of the Singapore business which contributed HK\$43.8 million in 2017, results of the Taiwan business alone was HK\$30.2 million in 2017, an increase of 18.6% in 2018.

Profit attributable to the equity holders of the Company amounted to HK\$52.5 million as compared to HK\$2,242.1 million in last year. This was mainly due to several one-off items with net gains of HK\$2,747.8 million recorded in 2017 including gains on disposals, fair value change of derivative financial instruments, loss on re-measurement of liability component of convertible bonds, etc. No such one-off gains happened in 2018.

Statement of financial position

Our financial position remained healthy. The Group's net assets decreased by HK\$661.6 million, from HK\$2,842.7 million as at 31 December 2017 to HK\$2,181.1 million as at 31 December 2018. Total assets decreased by HK\$650.6 million to HK\$4,026.2 million. These were mainly due to the payment of a special dividend of HK\$708.3 million in January 2018. Cash and cash equivalents of the Group was HK\$1,290.1 million (31 December 2017: HK\$1,961.1 million). Non-current pledged bank balances were kept at HK\$137.0 million, at the same level as last year. Outstanding borrowings amounted to HK\$1,299.3 million (31 December 2017: HK\$1,234.9 million), which comprised mainly interest-bearing bank loans. The interest-bearing bank loans were secured by pledged cash, corporate guarantees, equity shares and properties. The Group's gearing ratio (measured as total borrowings to total assets) was maintained at 32.3% (31 December 2017: 26.4%) and the Group was in a net cash position (measured as cash and bank deposits less total borrowings) of HK\$127.7 million (31 December 2017: HK\$910.6 million).

OUTLOOK

While concerns over rising US interest rates and the full impact of the trade war between the world's two largest economic powers has yet to be felt, it has nonetheless started to affect market sentiment and consumer spending. The overall operating environment will become increasingly challenging. We are making preparations in advance to tackle the possible adversity. We will continue to strengthen our core competencies, while at the same time focus on reviewing our upcoming cinema expansion strategy as well as seek out further opportunities to new investment projects, especially in the entertainment and lifestyle industries.

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

In Hong Kong, the Group will further invest into the film exhibition business by opening one new cinema in the 2019. Riding on the success of alternative contents in previous years, the Group will cooperate with different business partners to offer a variety of events including live broadcasting of Japanese and Korean mini-concerts and fans meeting 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 as well as any high return projects.

In Singapore, the Group will continue to grow by actively pursuing suitable cinema sites that bring us additional steadily cash flow. It is expected a cinema in Funan with 7 screens will be launched in 2019. 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, the Group will continue to actively seek investment opportunities in the regional media, entertainment, technology and lifestyle sectors that are related to the Group's existing business, and at the same time be prepared to seek other new businesses that shall add 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 2018, the Group had cash and cash equivalents amounting to HK\$1,290.1 million (31 December 2017: HK\$1,961.1 million). The Group's total outstanding borrowings amounted to HK\$1,299.3 million (31 December 2017: HK\$1,234.9 million), which comprised mainly bank borrowings. The Group's gearing ratio, calculated on the basis of total borrowings over total assets stood at a healthy level of 32.3% (31 December 2017: 26.4%) and our cash to debt ratio at 109.8% (31 December 2017: 173.7%). As of 31 December 2018, the Group had HK\$137.0 million pledged cash balances to secure its banking facilities. In order to minimise potential risks for the Group's development and economic status, the management will keep monitoring gearing and will make relative adjustments if necessary. The Group at this moment has reasonable financial leverage. Meanwhile, the Group takes advantage of equity financing together with available bank loan facilities to fund the cinema projects, potential acquisitions of profitable business opportunities so as to implement its expansion plan. The Group believes that its current cash holding and available financial facilities will provide sufficient resources for its working capital requirements.

The Group's assets and liabilities are principally denominated in Hong Kong dollars, Renminbi and Singapore dollars, except for certain assets and liabilities associated with the investments in Taiwan. The overseas joint venture of the Group is operating in its local currencies and is subject to minimal exchange risk. The directors will continue to assess the exchange risk exposure, and will consider possible hedging measures in order to minimize the risk at reasonable cost. The Group did not have any significant contingent liabilities or off-balance sheet obligations as of 31 December 2018 (31 December 2017: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 367 (2017: 394) 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 2018, 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 2018 (31 December 2017: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year ended 31 December 2018. Neither the Company nor any of its subsidiaries has repurchase or sold any of the Company's listed securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own code on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the “Model Code”). The Company has made specific enquiries with all the Directors and all of them have confirmed that they had complied with the requirements set out in the Model Code and the Company’s Code for the year ended 31 December 2018.

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 2018, 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 12 June 2018. 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 2018.

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 2018 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 2018 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 2019

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