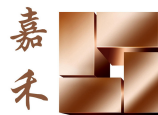


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Golden Harvest

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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

HIGHLIGHTS

	2018	2017	Changes	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>%</i>
The Group				
Revenue	520	619	(99)	(15.9)%
Gross profit	325	375	(50)	(13.4)%
Profit/(loss) before taxation	66	(116)	182	N/A
Profit/(loss) attributable to equity holders	48	(109)	157	N/A
Basic and diluted earnings/(loss) per share (HK cent)	1.73	(3.96)		

- Revenue decreased by 15.9% to HK\$520 million, which was the combined effect of (i) disposal of film exhibition business in the Mainland China on 28 July 2017; and (ii) acquisition of the remaining 50% interest in our Singapore business on 25 October 2017.
- Gross profit decreased by 13.4% from HK\$375 million to HK\$325 million as a result of decrease in revenue. However, the gross profit margin increased slightly from 61% to 62%.
- Profit attributable to equity holders was HK\$48 million, improved from loss attributable to equity holders of HK\$109 million in the corresponding period last year.
- Gearing ratio increased to 34.2% (31 December 2017: 26.4%).
- Special dividend of HK\$0.253 per share, in aggregate of approximately HK\$708 million was declared on 4 January 2018 and paid on 6 February 2018.

* 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 2018 together with the comparative figures for the preceding six months ended 30 June 2017. The consolidated results have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Six months ended 30 June 2018 HK\$'000 (Unaudited)	Six months ended 30 June 2017 HK\$'000 (Unaudited)
Revenue	3	520,321	618,893
Cost of sales		<u>(195,727)</u>	<u>(243,874)</u>
Gross profit		324,594	375,019
Other revenue		22,882	17,012
Other net income/(loss)		4,486	(72,495)
Selling and distribution costs		(228,223)	(322,446)
General and administrative expenses		(49,677)	(118,280)
Other operating expenses		<u>(1,480)</u>	<u>(3,060)</u>
Profit/(loss) from operations		72,582	(124,250)
Finance costs	5(a)	(25,283)	(43,075)
Share of profits of joint ventures		18,530	50,504
Share of profits of associates		–	749
Profit/(loss) before taxation	5	65,829	(116,072)
Income tax (charge)/credit	6	<u>(17,522)</u>	<u>5,542</u>
Profit/(loss) for the period		<u>48,307</u>	<u>(110,530)</u>
Attributable to:			
Equity holders of the Company		48,442	(108,601)
Non-controlling interests		<u>(135)</u>	<u>(1,929)</u>
		<u>48,307</u>	<u>(110,530)</u>
Earnings/(loss) per share (HK cent)	7		
Basic and diluted		<u>1.73</u>	<u>(3.96)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2018 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2017 <i>HK\$'000</i> (Unaudited)
Profit/(loss) for the period	48,307	(110,530)
Other comprehensive income for the period		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
— subsidiaries outside Hong Kong	(5,466)	12,198
— joint ventures outside Hong Kong	52	15,367
— associates outside Hong Kong	—	355
	(5,414)	27,920
Total comprehensive income for the period	42,893	(82,610)
Total comprehensive income attributable to:		
Equity holders of the Company	43,018	(82,303)
Non-controlling interests	(125)	(307)
Total comprehensive income for the period	42,893	(82,610)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2018	As at 31 December 2017
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Non-current assets		
Investment properties	50,000	50,000
Other property, plant and equipment	365,344	351,319
Leasehold land	618,369	624,903
	1,033,713	1,026,222
Interest in a joint venture	128,630	142,937
Other receivables, deposits and prepayments	40,374	40,509
Intangible assets	524,580	525,625
Goodwill	657,604	658,001
Pledged bank deposits	137,000	137,000
	2,521,901	2,530,294
Current assets		
Inventories	2,702	2,759
Film rights	31,150	30,453
Trade receivables	40,926	50,920
Other receivables, deposits and prepayments	63,065	53,516
Pledged bank deposits	–	47,701
Deposits and cash	1,505,027	1,961,126
	1,642,870	2,146,475
Current liabilities		
Bank loans	275,018	359,790
Trade payables	132,487	114,199
Other payables and accrued charges	158,595	200,276
Deferred revenue	65,158	71,180
Obligations under finance leases	124	269
Taxation payable	36,926	38,455
	668,308	784,169
Net current assets	974,562	1,362,306
Total assets less current liabilities	3,496,463	3,892,600

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Non-current liabilities		
Bank loans	1,147,519	875,140
Deferred tax liabilities	171,685	174,778
	<u>1,319,204</u>	<u>1,049,918</u>
NET ASSETS	<u>2,177,259</u>	<u>2,842,682</u>
CAPITAL AND RESERVES		
Share capital	279,967	279,967
Reserves	1,897,748	2,563,046
Total equity attributable to equity holders of the Company	2,177,715	2,843,013
Non-controlling interests	<u>(456)</u>	<u>(331)</u>
TOTAL EQUITY	<u>2,177,259</u>	<u>2,842,682</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2018 but are extracted from that interim report.

The 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 27 August 2018.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements as set out in note 2.

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 2017 annual financial statements.

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 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:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- 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 periods have been prepared or presented in the interim financial statements.

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

3 REVENUE

Revenue represents 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
- Singapore
- Taiwan

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

Each of the above reportable segments primarily derives its revenue from film exhibition, film and video distribution, film and television programme production and the provision of advertising and consultancy services. The reportable segments, Singapore and Taiwan, represent the performance of the joint ventures operating in Singapore and Taiwan, respectively for the six months ended 30 June 2017. 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 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		Singapore		Taiwan		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Revenue										
— Exhibition	104,345	127,045	—	476,892	408,076	203,381	240,768	235,802	753,189	1,043,120
— Distribution and production	10,869	16,285	157	49	18,283	5,729	1,619	2,854	30,928	24,917
— Corporate	825	1,318	—	—	—	—	—	—	825	1,318
Reportable segment revenue	<u>116,039</u>	<u>144,648</u>	<u>157</u>	<u>476,941</u>	<u>426,359</u>	<u>209,110</u>	<u>242,387</u>	<u>238,656</u>	<u>784,942</u>	<u>1,069,355</u>
Reportable segment profit/ (loss) after taxation	<u>6,822</u>	<u>14,702</u>	<u>(13,693)</u>	<u>3,786</u>	<u>69,626</u>	<u>34,930</u>	<u>18,874</u>	<u>14,351</u>	<u>81,629</u>	<u>67,769</u>
Reconciliation — Revenue										
Reportable segment revenue									784,942	1,069,355
Share of revenue from joint ventures in Singapore and Taiwan									(242,387)	(447,766)
Elimination of intra-segment revenue									(13,570)	(830)
Others									(8,664)	(1,866)
									<u>520,321</u>	<u>618,893</u>
Reconciliation — Profit/ (loss) before taxation										
Reportable profit after taxation from external customers									81,629	67,769
Unallocated operating expenses, net									(33,187)	(176,370)
Non-controlling interests									(135)	(1,929)
Income tax charge/(credit)									17,522	(5,542)
Profit/(loss) before taxation									<u>65,829</u>	<u>(116,072)</u>

5 PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June 2018 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2017 <i>HK\$'000</i> (Unaudited)
(a) Finance costs		
Interest on bank loans	22,498	12,457
Interest on convertible bonds	–	17,126
Interest on put options to non-controlling interest	–	11,212
Finance charges on obligations under finance leases	7	1,585
Other ancillary borrowing costs	2,778	695
	<u>25,283</u>	<u>43,075</u>
	Six months ended 30 June 2018 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2017 <i>HK\$'000</i> (Unaudited)
(b) Other items		
Cost of inventories	18,618	19,980
Cost of services provided	174,940	221,028
Fair value loss on a derivative financial asset	–	70,236
Depreciation of property, plant and equipment	37,425	12,272
Amortisation of film rights	2,169	2,866
Equity-settled share-based payment expenses	–	25,429
(Gain)/loss on disposals of property, plant and equipment	(267)	692
Exchange gain, net	(4,219)	(28,421)
Interest income from bank deposits	(15,003)	(6,380)

6 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June 2018 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2017 <i>HK\$'000</i> (Unaudited)
<i>Current income tax</i>		
Provision for Hong Kong tax	1,002	2,303
Provision for overseas tax	19,698	7,214
(Over)/under provision in respect of prior periods	(561)	289
	<u>20,139</u>	<u>9,806</u>
<i>Deferred tax — overseas</i>		
Origination and reversal of temporary differences	(2,617)	(15,348)
Actual tax charge/(credit)	<u>17,522</u>	<u>(5,542)</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2017: 16.5%) to the six months ended 30 June 2018.

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 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company of HK\$48,442,000 (six months ended 30 June 2017: loss of HK\$108,601,000) and the weighted average number of ordinary shares of 2,799,669,050 (2017: 2,743,065,878 shares) in issue during the period.

Weighted average number of ordinary shares (basic)

	2018 <i>Number of shares</i> (Unaudited)	2017 <i>Number of shares</i> (Unaudited)
Issued ordinary shares at 1 January	2,799,669,050	2,742,519,248
Effect of share options exercised	—	546,630
Weighted average number of ordinary shares as at 30 June	<u>2,799,669,050</u>	<u>2,743,065,878</u>

(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 at 30 June 2018. Diluted earnings per share for the six months ended 30 June 2018 is the same as the basic earnings per share.

As at 30 June 2017, the Company had two categories of dilutive potential ordinary shares including share options and convertible bonds. 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 were not included in the calculation of adjusted loss per share as they were either anti-dilutive or had no dilutive effect.

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 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Within 1 month	16,089	42,125
Over 1 month but within 2 months	13,431	5,228
Over 2 months but within 3 months	5,293	196
Over 3 months	6,113	3,371
	40,926	50,920

As at 30 June 2018, trade receivables of the Group include an amount of HK\$Nil (31 December 2017: HK\$30,000) due from related companies and an amount of HK\$1,379,000 (31 December 2017: HK\$814,000) due from a joint venture, which are unsecured, interest-free and recoverable within one year.

9 TRADE PAYABLES

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

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Current to 3 months	118,602	100,001
Within 4 to 6 months	1,651	1,989
Within 7 to 12 months	1,002	1,323
Over 1 year	11,232	10,886
	132,487	114,199

As at 30 June 2018, the trade payables of the Group include amounts totalling HK\$26,000 (31 December 2017: HK\$26,000) due to related companies which are unsecured, interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Subsequent to the acquisition of the remaining 50% equity interest in our Singapore business and the disposal of the Mainland China exhibition business in 2017, the Group is currently principally engaged in theatrical exhibition, cinema operation, film and TV programme distribution and production in Hong Kong, Mainland China, Singapore and Taiwan. During the period, lower contribution was reported for Hong Kong exhibition business due to the higher rental and staff costs while performance remained stable for all other segments.

Film Exhibition

The Group opened a cinema with 6 screens in Singapore and closed a cinema with 5 screens in Hong Kong during the period. At 30 June 2018, we operated 31 cinemas with 250 screens in total across Hong Kong, Singapore and Taiwan. Our admission for film exhibition dropped from 26 million in the same period last year to 13 million in the current period as we disposed of all cinemas in Mainland China in 2017. The major Hollywood blockbusters released in this period were *Black Panther* (黑豹), *Tomb Raider* (盜墓者羅拉), *Ready Player One* (挑戰者1號), *Avengers: Infinity War* (復仇者聯盟3: 無限之戰), *Deadpool 2* (死侍2) and *Jurassic World: Fallen Kingdom* (侏羅紀世界: 迷失國度). The major Korean language blockbusters was *Along With the Gods: The Two Worlds* (與神同行). The major Chinese language blockbusters were *Agent Mr. Chan* (棟篤特工), *A Beautiful Moment* (我的情敵女婿) 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) in Taiwan.

Operating Statistics of the Group's Cinemas

(For the six months ended 30 June 2018)

	Hong Kong	Singapore	Taiwan
Number of cinemas*	5	13	13
Number of screens*	18	105	127
Admissions (million)	0.9	4.4	7.9
Net average ticket price (HK\$)	90	62	62

* as at 30 June 2018

The Group is dedicated to the provision of a diversified video and audio experience for its audiences. All screens in other cinemas of the Group are equipped with advanced digital equipment and are 3D compatible. There were 7 IMAX® screens available in the Group's cinemas located in Taiwan as at 30 June 2018. The Group has also been enhancing the experience for our audiences by equipping 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 six months ended 30 June 2018)

	2018	2017
Number of cinemas*	5	6
Number of screens*	18	23
Admissions (<i>million</i>)	0.9	1.3
Net average ticket price (<i>HK\$</i>)	90	85
Gross box office receipts (<i>HK\$ million</i>)	81	106

* as at 30 June

During the period under review, the Hong Kong market as a whole recorded gross box office receipts of HK\$988 million, a slight increase of 0.5% from HK\$983 million in the same period last year. The Group's cinemas in Hong Kong recorded box office receipts of HK\$81 million in this period (30 June 2017: HK\$106 million), representing a decrease of 24%. The decrease was primarily attributable to the closure of GH Tsing Yi cinema with 5 screens in January 2018. Net average ticket price of the Group grew 6% to HK\$90 in Hong Kong since more alternative content shows with higher average ticket price were held and the general increase in the average ticket prices for the period.

To diversify the scope of our cinemas as entertainment hubs, we showed 73 alternative contents in the first half of 2018, an increase of 18% from 62 in the same period 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 Live Broadcast "LOVELIVE! SUNSHINE!!" and the Live Broadcast "GARUPA LIVE Live Viewing", which, respectively, reached a remarkable 67% and 98% fill rates and the two broadcasts recorded an average ticket price of HK\$330 and HK\$280, respectively.

Screen advertising was also a new profit driver to our Hong Kong region as we have already contracted with 23 cinemas as at 30 June 2018, we expected steady growth in revenue and profit in the coming years.

Singapore

Operating Statistics of the Group's Cinemas in Singapore (For the six months ended 30 June 2018)

	2018	2017
Number of cinemas*	13	11
Number of screens*	105	91
Admissions (<i>million</i>)	4.4	4.7
Net average ticket price (<i>S\$</i>)	10.6	10.6
Box office receipts (<i>S\$ million</i>)	46.1	50.3

* as at 30 June

During the period, the Singapore market box office receipts dropped by 11% to S\$98 million (30 June 2017: S\$110 million) due to lack of record breaking blockbusters. Golden Village cinemas reported box office receipts of S\$46 million (30 June 2017: S\$50 million), representing a decrease in box office receipts of 8% compared to same period last year. The Group's results outperformed the overall Singapore market and we continued to be the market leader with a market share of 47.2% (45.7% in 30 June 2017). Golden Village cinemas' automated ticketing machines and auto-gates give patrons an easy, fast and efficient cinematic experience like none of the other competitors in Singapore.

Hollywood blockbusters are always popular in Singapore and bring a stable profit contribution to the Group. Hollywood blockbusters released during the year included *Black Panther* (黑豹), *Tomb Raider* (盜墓者羅拉), *Ready Player One* (挑戰者1號), *Avengers: Infinity War* (復仇者聯盟3: 無限之戰), *Deadpool 2* (死侍2) and *Jurassic World: Fallen Kingdom* (侏羅紀世界: 迷失國度). Apart from the Hollywood blockbusters, a Korean language blockbuster: *Along With the Gods: The Two Worlds* (與神同行) was 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 six months ended 30 June 2018)

	2018	2017
Number of cinemas*	13	13
Number of screens*	127	127
Admissions (<i>million</i>)	7.9	8.3
Net average ticket price (<i>NTD</i>)	239	236
Box office receipts (<i>NTD billion</i>)	1.9	2.0

* as at 30 June

During the period, Taiwan's market box office receipts amounted to NTD5.4 billion, representing a decrease of 5% from NTD5.7 billion last year. The Group's 35.71% owned Vie Show cinema circuit ("Vie Show") recorded total box office receipts of NTD1,883 million (30 June 2017: NTD1,964 million), representing a decrease of 4% from last year as a result of the weakened market, however, it still outperformed the overall Taiwan market. Our share of profits from Vie Show's exhibition business increased from HK\$13.9 million to HK\$19.1 million compared to the corresponding period last year. Vie Show continued to be the largest film exhibitor in Taiwan with 38.4% of market share. Adhering to the Group's comprehensive entertainment hub strategy, Vie Show continues its operation in the popular "UNICORN" handmade popcorn counter in all its 13 cinemas and the Hello Kitty themed restaurant in the cinema located at Mitsui Outlet Park.

Film & TV Programme Distribution and Production

On an aggregated basis the Group's film distribution and production business recorded revenue of HK\$31 million (30 June 2017: HK\$25 million), representing an increase of 24% compared to last year. The distribution revenue was mainly generated by distributing some famous releases such as *Operation Red Sea* (紅海行動), *The Leakers* (洩密者們) and *50 First Kisses* (50次初吻) in Hong Kong, *Back to the Good Times* (花甲大人轉男孩) in Taiwan and *Along With the Gods: The Two Worlds* (與神同行) 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

Profit attributable to the equity holders of the Company amounted to HK\$48 million as compared to the loss attributable to the equity holders of HK\$109 million in the same period last year. The loss recorded in the first half of 2017 was mainly contributed by several one-off expenses such as change in fair value of financial derivatives and the expenses from equity-settled share-based payment, no such one-off items happened in this period under review.

Segment revenue by region

	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>
Hong Kong	116.0	144.6
Mainland China	0.1	476.9
Singapore	426.4	209.1
Taiwan	242.4	238.7
	<hr/>	<hr/>
Total	784.9	1,069.3
	<hr/> <hr/>	<hr/> <hr/>

Segment profit/(loss) after taxation by region

	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>
Hong Kong	6.8	14.7
Mainland China	(13.7)	3.8
Singapore	69.6	34.9
Taiwan	18.9	14.4
	<hr/>	<hr/>
Total	81.6	67.8
	<hr/> <hr/>	<hr/> <hr/>

In the first half of 2018, the Group's revenue decreased by 15.9% to HK\$520 million, mainly reflecting the disposal of the Mainland China exhibition business in 2017, being offset by 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. Revenue from Hong Kong market dropped due to the closure of GH Tsing Yi cinema in January 2018. The Group's results in Singapore and Taiwan outperformed the overall markets and we continued to be the market leader in these two regions. The Group's gross profit decreased by 13.4% to HK\$325 million but gross profit margin improved slightly by 1% to 62%.

Share of profits of joint ventures in 2018 amounted to HK\$18.5 million, representing a decrease of 63.3%. The decrease was mainly reflecting the change of our accounting of the Singapore business which contributed HK\$34.1 million in 2017. Results of the Taiwan business alone was an increase of 13%.

Statement of Financial Position

Our financial position remained healthy. The Group's net assets decreased by HK\$666 million, from HK\$2,843 million as at 31 December 2017 to HK\$2,177 million as at 30 June 2018. Total assets decreased by HK\$512 million to HK\$4,165 million. This was mainly due to the payment of a special dividend of HK\$708 million in February 2018. Cash and cash equivalents of the Group was HK\$1,505 million (31 December 2017: HK\$1,961 million). Outstanding borrowings amounted to HK\$1,423 million (31 December 2017: HK\$1,235 million), which comprised mainly interest-bearing bank loans. The interest-bearing bank loans were secured by pledged cash, properties, corporate guarantees and equity interests of subsidiaries. The Group's gearing ratio (measured as total borrowings to total assets) stood at 34.2% (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\$219 million (31 December 2017: HK\$911 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.

In Hong Kong, the Group will further invest into the film exhibition business by opening two new cinemas in the second half of 2018. 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 steady cash flow. It is expected a cinema in Funan with 7 screens 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.

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.

Looking ahead, 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 other new businesses that shall add value to our Shareholders, such as live show performance and entertainment center operations and so on. 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 30 June 2018, the Group had cash and cash equivalents amounting to HK\$1,505 million (31 December 2017: HK\$1,961 million). The Group's total outstanding borrowings amounted to HK\$1,423 million (31 December 2017: HK\$1,235 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 34.2% (31 December 2017: 26.4%) and our cash to debt ratio at 115.4% (31 December 2017: 173.7%). As of 30 June 2018, the Group had HK\$137 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 investment 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 minimise the risk at reasonable cost. The Group did not have any significant contingent liabilities or off-balance sheet obligations as of 30 June 2018 (31 December 2017: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed 382 (31 December 2017: 394) 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 2018, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

INTERIM DIVIDEND

Special dividend amounting to approximately HK\$708,316,000 was declared on 4 January 2018 and paid on 6 February 2018.

Apart from the above, The Directors do not recommend the payment of any interim dividend for the period ended 30 June 2018 (30 June 2017: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the period ended 30 June 2018. 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.

EVENT AFTER REPORTING PERIOD

The Group had no material event after the end of the reporting 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 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 a whole.

For the period ended 30 June 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.

Code provision E.1.2 requires the chairman of the Board to attend the annual general meeting of the Company held on 12 June 2018 (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 2018.

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 2018 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, 27 August 2018

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