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ORANGE SKY GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED
橙天嘉禾娛樂(集團)有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1132)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

	2019	2018	**Changes**	
	HK$ million	*HK$ million*	***HK$ million***	%
The Group				
Revenue	**534**	520	**14**	**2.7%**
Gross profit	**335**	325	**10**	**3.1%**
Profit before taxation	**20**	66	**(46)**	**(70.3%)**
Profit attributable to equity holders	**5**	48	**(43)**	**(90.5%)**
Basic and diluted earnings per share	**0.16 cent**	1.73 cents		

- Revenue increased by 2.7% from HK$520 million to HK$534 million.

- Gross profit increased by 3.1% from HK$325 million to HK$335 million as a result of increase in revenue. The gross profit margin increased slightly from 62.4% to 62.6%.

- Profit attributable to equity holders was HK$5 million, decreased from HK$48 million in the corresponding period last year. It was attributable primarily to i) an additional accounting charge of HK$17 million on the first adoption of Hong Kong Financial Reporting Standard 16, *Lease*, ii) the net exchange difference of HK$8 million and iii) the pre-operating expenses of our new businesses of HK$14 million. Total reportable segment profits after taxation of Hong Kong, Singapore and Taiwan regions remained stable at HK$94 million compared with HK$95 million in the same period last year.

- Gearing ratio decreased to 24.3% (31 December 2018: 32.3%).

* *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 2019 together with the comparative figures for the preceding six months ended 30 June 2018. The consolidated results have been reviewed by the audit committee of the Company (the "Audit Committee").

CONSOLIDATED INCOME STATEMENT

	Note	**Six months ended 30 June 2019** *HK$'000* **(Unaudited)**	Six months ended 30 June 2018 *HK$'000* (Unaudited)
Revenue	*3*	**534,315**	520,321
Cost of sales		**(199,690)**	(195,727)
Gross profit		**334,625**	324,594
Other revenue		**19,003**	22,882
Other net (loss)/income		**(3,724)**	4,486
Selling and distribution costs		**(238,107)**	(228,223)
General and administrative expenses		**(62,653)**	(49,677)
Other operating expenses		**(741)**	(1,480)
Profit from operations		**48,403**	72,582
Finance costs	*5(a)*	**(41,931)**	(25,283)
Share of profits of joint ventures		**13,099**	18,530
Profit before taxation	*5*	**19,571**	65,829
Income tax charge	*6*	**(15,012)**	(17,522)
Profit for the period		**4,559**	48,307
Attributable to:			
Equity holders of the Company		**4,581**	48,442
Non-controlling interests		**(22)**	(135)
		4,559	48,307
Earnings per share (HK cent)	*7*		
Basic and diluted		**0.16**	1.73

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2019 *HK$'000* **(Unaudited)**	Six months ended 30 June 2018 *HK$'000* (Unaudited)
Profit for the period	**4,559**	48,307
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
— subsidiaries outside Hong Kong	**10,463**	(5,466)
— joint ventures outside Hong Kong	**(5,283)**	52
	5,180	(5,414)
Total comprehensive income for the period	**9,739**	42,893
Total comprehensive income attributable to:		
Equity holders of the Company	**9,761**	43,018
Non-controlling interests	**(22)**	(125)
Total comprehensive income for the period	**9,739**	42,893

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 30 June 2019** *HK$'000* **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
Non-current assets			
Investment properties		**50,000**	50,000
Other property, plant and equipment		**374,398**	368,119
Leasehold land		**–**	613,525
Right-of-use assets		**1,590,910**	–
		2,015,308	1,031,644
Interest in a joint venture		**121,785**	145,933
Other receivables, deposits and prepayments		**42,547**	40,058
Intangible assets		**525,378**	523,079
Goodwill		**660,588**	656,609
Pledged bank deposits		**137,000**	137,000
Deferred tax assets		**3,644**	–
		3,506,250	2,534,323
Current assets			
Inventories		**3,231**	2,592
Film rights		**37,797**	34,868
Trade receivables	*8*	**50,167**	41,473
Other receivables, deposits and prepayments		**149,101**	122,835
Deposits and cash		**1,107,395**	1,290,095
		1,347,691	1,491,863
Current liabilities			
Bank loans		**275,506**	274,850
Trade payables	*9*	**104,166**	121,813
Other payables and accrued charges		**127,338**	163,144
Deferred revenue		**57,768**	56,591
Lease liabilities		**106,280**	–
Taxation payable		**31,140**	30,792
		702,198	647,190
Net current assets		**645,493**	844,673
Total assets less current liabilities		**4,151,743**	3,378,996

	Note	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Non-current liabilities			
Bank loans		**903,808**	1,024,498
Lease liabilities		**883,096**	–
Deferred tax liabilities		**173,985**	173,383
		1,960,889	1,197,881
NET ASSETS		**2,190,854**	2,181,115
CAPITAL AND RESERVES			
Share capital		**279,967**	279,967
Reserves		**1,911,454**	1,901,693
Total equity attributable to equity holders of the Company		**2,191,421**	2,181,660
Non-controlling interests		**(567)**	(545)
TOTAL EQUITY		**2,190,854**	2,181,115

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 2019 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 2019.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

2 CHANGES IN ACCOUNTING POLICIES

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

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

HKFRS 16, *Leases*

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

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

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

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. For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the revenue and results attributable to each reportable segment on the following bases:

Segment revenue and results

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

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

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

Management evaluates performance primarily based on 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**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Revenue										
— Exhibition	**127,582**	104,345	**–**	–	**401,047**	408,076	**224,974**	240,768	**753,603**	753,189
— Distribution and production	**7,023**	10,869	**–**	157	**19,755**	18,283	**8,516**	1,619	**35,294**	30,928
— Corporate	**411**	825	**–**	–	**–**	–	**–**	–	**411**	825
Reportable segment revenue	**135,016**	116,039	**–**	157	**420,802**	426,359	**233,490**	242,387	**789,308**	784,942
Reportable segment profit/(loss) after taxation	**6,051**	6,822	**(21,457)**	(13,693)	**70,610**	69,626	**17,119**	18,874	**72,323**	81,629

Reconciliation — Revenue		
Reportable segment revenue	**789,308**	784,942
Share of revenue from joint ventures in Taiwan	**(233,490)**	(242,387)
Elimination of intra-segment revenue	**(12,507)**	(13,570)
Others	**(8,996)**	(8,664)
	534,315	520,321
Reconciliation — Profit before taxation		
Reportable profit after taxation from external customers	**72,323**	81,629
Unallocated operating expenses, net	**(67,742)**	(33,187)
Non-controlling interests	**(22)**	(135)
Income tax charge	**15,012**	17,522
Profit before taxation	**19,571**	65,829

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June 2019 *HK$'000* **(Unaudited)**	Six months ended 30 June 2018 *HK$'000* (Unaudited)
(a) Finance costs		
Interest on bank loans	**21,845**	22,498
Interest on lease liabilities	**17,262**	–
Finance charges on obligations under finance leases	**–**	7
Other ancillary borrowing costs	**2,824**	2,778
	41,931	25,283
(b) Other items		
Cost of inventories	**21,128**	18,618
Cost of services provided	**174,469**	174,940
Depreciation charge		
— owned property, plant and equipment	**30,949**	37,425
— right-of-use assets	**70,225**	–
Amortisation of film rights	**4,093**	2,169
Loss/(gain) on disposals of property, plant and equipment	**66**	(267)
Exchange loss/(gain), net	**3,658**	(4,219)
Interest income from bank deposits	**(10,945)**	(15,003)

6 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June 2019 *HK$'000* **(Unaudited)**	Six months ended 30 June 2018 *HK$'000* (Unaudited)
Current income tax		
Provision for Hong Kong tax	**357**	1,002
Provision for overseas tax	**19,023**	19,698
Over provision in respect of prior periods	**(173)**	(561)
	19,207	20,139
Deferred tax — overseas		
Origination and reversal of temporary differences	**(4,195)**	(2,617)
Actual tax charge	**15,012**	17,522

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) to the six months ended 30 June 2019.

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 PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$4,581,000 (six months ended 30 June 2018: HK$48,442,000) and the weighted average number of ordinary shares of 2,799,669,050 (2018: 2,799,669,050 shares) in issue during the period.

Weighted average number of ordinary shares (basic)

	2019 Number of shares (Unaudited)	2018 Number of shares (Unaudited)
Issued ordinary share and weighted average number of ordinary shares as at 30 June	**2,799,669,050**	2,799,669,050

(b) Diluted earnings per share

The Company does not have any dilutive potential ordinary shares at 30 June 2018 and 2019. Diluted earnings per share for the six months ended 30 June 2018 and 2019 is the same as the basic earnings per share.

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 2019 ***HK$'000*** **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
Within 1 month	**34,460**	25,328
Over 1 month but within 2 months	**5,553**	10,067
Over 2 months but within 3 months	**7,886**	3,779
Over 3 months	**2,268**	2,299
	50,167	41,473

As at 30 June 2019, trade receivables of the Group include an amount of HK$9,009,000 (31 December 2018: HK$Nil) 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 2019 *HK$'000* **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
Current to 3 months	**68,661**	106,358
Within 4 to 6 months	**24,300**	3,424
Within 7 to 12 months	**284**	350
Over 1 year	**10,921**	11,681
	104,166	121,813

As at 30 June 2019, trade payables of the Group include amounts totalling HK$25,000 (31 December 2018: HK$25,000) due to related companies which are unsecured, interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

Film Exhibition

During the six months ended 30 June 2019, we opened a cinema with 7 screens in Singapore and opened a cinema with 9 screens in Taiwan. At 30 June 2019, we operated 36 cinemas with 292 screens in total across Hong Kong, Taiwan and Singapore. Our cinemas served over 12.5 million guests as compared to 13.1 million guests in the same period last year. The major Hollywood blockbusters released in this period were *Alita: Battle Angel (銃夢: 戰鬥天使)*, *Captain Marvel (Marvel隊長)*, *Avengers: Endgame (復仇者聯盟4: 終局之戰)*, *Aladdin (阿拉丁)*, *Spider-Man: Far From Home (蜘蛛俠：決戰千里)*, *POKÉMON Detective Pikachu (POKÉMON 神探 Pikachu)* and *How To Train Your Dragon: The Hidden World (馴龍記3)*. The major Chinese language blockbusters for the period were *Integrity (廉政風雲 煙幕)*, *The New King Of Comedy (新喜劇之王)* and *P Storm (P風暴)* in Hong Kong; *Killer Not Stupid (殺手不笨)* in Singapore; and *Mayday LiFE (五月天人生無限公司)* in Taiwan.

Operating Statistics of the Group's Cinemas
(For the six months ended 30 June 2019)

	Hong Kong	**Singapore**	**Taiwan**
Number of cinemas*	7	14	15
Number of screens*	24	112	156
Admissions *(million)*	1.1	4.1	7.3
Net average ticket price *(HK$)*	87	62	61

* at 30 June 2019

The Group is dedicated to provide high quality and versatile video and audio experience for its audiences. All screens of the Group have been equipped with advanced digital equipment. There were 7 IMAX® screens in total for the Group in Taiwan as at 30 June 2019. The Group has also been enhancing the experience for our audiences by equipping 3D systems, 4DX™, D-Box Motion Chairs, Advanced Panorama Dolby Atoms 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 2019)

	2019	2018
Number of cinemas*	**7**	5
Number of screens*	**24**	18
Admissions *(million)*	**1.1**	0.9
Net average ticket price *(HK$)*	**87**	90
Box office receipts *(HK$ million)*	**96**	81

* at 30 June 2019

During the period under review, the Hong Kong market as a whole recorded box office receipts of HK$1,050 million, an increase of 6.2% from HK$988 million in the same period last year. The Group's cinemas in Hong Kong recorded box office receipts of HK$96 million in this period (30 June 2018: HK$81 million), representing an increase of 19.2%. The increase was primarily attributable to the 2 new cinemas opened during the second half of 2018. Net average ticket price of the Group slightly decrease to HK$87 during the period in Hong Kong since the newly opened cinemas are having a lower ticket price in order to attract more audiences.

To enable our cinemas becoming entertainment hubs of greater scope, we showed 52 alternative contents in the first half of 2019. It was encouraging that we developed a competent team in organising the alternative contents and a strong base of alternative content fans. It was proven by our successful alternative content shows such as the Live Broadcast of "*LOVELIVE! SUNSHINE!!*" and "*iDOLM@STER*", which respectively, reached a remarkable 61% and 59% fill rates and the two broadcasts recorded an average ticket price of HK$330. Apart from this, the Live Broadcast of "*2019 Wanna One Concert [Therefore] Live Viewing*" was extremely successful with a fill rate of 99.8%.

Screen Advertising was also a profit driver to our Hong Kong region as we have already contracted with 24 cinemas as at 30 June 2019, we expected steady growth in revenue and profit in coming years.

Singapore

Operating Statistics of the Group's Cinemas in Singapore
(For the six months ended 30 June 2019)

	2019	2018
Number of cinemas*	**14**	13
Number of screens*	**112**	105
Admissions *(million)*	**4.1**	4.4
Net average ticket price *(S$)*	**10.8**	10.6
Net box office receipts *(S$ million)*	**44**	46

* at 30 June 2019

During the period, the Singapore market net box office receipts dropped by 1.1% to S$96.6 million (30 June 2018: S$97.7 million). Golden Village cinemas reported net box office receipts of S$43.6 million (30 June 2018: S$46.1 million), representing a decrease in net box office receipts of 5.3% compared to same period last year. Nevertheless, the Group continued to be the market leader with a market share of 45.2% (47.2% in 30 June 2018). Golden Village cinemas' automated ticketing machines and auto-gates give patrons an easy, fast and efficient cinematic experience like none of the other competitors in Singapore.

Hollywood blockbusters are always popular in Singapore and bring a stable profit contribution to the Group. Hollywood blockbusters released during the period included *Alita: Battle Angel (銃夢：戰鬥天使)*, *Captain Marvel (Marvel隊長), Avengers: Endgame (復仇者聯盟4：終局之戰)*, *POKÉMON Detective Pikachu (POKÉMON 神探 Pikachu)* and *How To Train Your Dragon: The Hidden World (馴龍記3)*. The major Chinese language blockbuster in Singapore was *Killer Not Stupid (殺手不笨).*

Taiwan

Operating Statistics of the Group's Cinemas in Taiwan
(For the six months ended 30 June 2019)

	2019	2018
Number of cinemas*	**15**	13
Number of screens*	**156**	127
Admissions *(million)*	**7.3**	7.9
Net average ticket price *(NTD)*	**244**	239
Net box office receipts *(NTD billion)*	**1.8**	1.9

* at 30 June 2019

During the period, Taiwan's market gross box office receipts amounted to NTD5.1 billion, registering a decrease of 6.5% from NTD5.4 billion in the same period last year. The Group's 35.71% owned Vie Show cinema circuit ("Vie Show") recorded total net box office receipts of NTD1,781 million (30 June 2018: NTD1,883 million), representing a decrease of 5.4% from same period last year as a result of the weaker exhibition market, however, it still outperformed the overall Taiwan market. The share of profits from Vie Show decreased from HK$18.5 million to HK$13.1 million compared to same period last year, representing a 29.3% decline. Vie Show continued to be the largest film exhibitor in Taiwan. Adhering to the Group's comprehensive entertainment hub strategy, Vie Show continues to strengthen its operation in its popular "UNICORN" handmade popcorn business in all its 15 cinemas and introduced the famous Japanese French Toast restaurant (Ivorish) into Taichung Mitsui Outlet Park in December 2018 which is the first store of the brand outside Japan. In addition, Vie Show has successfully launched SNOWTOWN (雪樂地) in Taichung Mitsui Outlet Park in June 2019 attracting overwhelming crowds of customers to visit with tremendous positive reviews from the market.

Film & TV Programme Distribution and Production

On an aggregated basis the Group's film distribution and production business recorded revenue of HK$35.3 million (30 June 2018: HK$30.9 million), representing an increase of 14.1% compared to same period last year. The distribution revenue was mainly generated by distributing releases such as *Padman (M巾英雄) and Chibi Maruko Chan Movie (櫻桃小丸子大電影 — 大野與杉山)* in Hong Kong. The famous releases outside Hong Kong were *John Wick 3 (殺神 John Wick 3)* and *Han Dan (寒單)* in Taiwan and *John Wick 3 (殺神 John Wick 3)* and *Fall In Love At First Kiss (一吻定情)* in Singapore. For the production sector, the Group will continue to invest independently and cooperatively with local and overseas studios to produce movies and TV programmes of high quality and carry out intellectual property redevelopment in the foreseeable future. The Group's film library with perpetual distribution rights kept on bringing steady licensing income to the Group.

FINANCIAL REVIEW

Profit and Loss

During the period, the Group's revenue increased by 2.7% to HK$534.3 million. The Group's gross profit increased by 3.1% to HK$334.6 million and gross profit margin improved slightly by 0.2 percentage point to 62.6%.

Share of profits of a joint venture in the first half of 2019 amounted to HK$13.1 million, a decrease of 29.3%.

Profit attributable to equity holders was HK$5 million, decreased from HK$48 million in the corresponding period last year. It was attributable primarily to i) an additional accounting charge of HK$17 million on the first adoption of Hong Kong Financial Reporting Standard ("HKFRS") 16, *Lease*, ii) the net exchange difference of HK$8 million and iii) the pre-operating expenses of our new businesses of HK$14 million. Total reportable segment profits after taxation of Hong Kong, Singapore and Taiwan regions remained stable at HK$94 million compared with HK$95 million in the same period last year.

Statement of Financial Position

Our financial position remained healthy. The Group's net assets increased by HK$9.7 million, from HK$2,181.1 million as at 31 December 2018 to HK$2,190.9 million as at 30 June 2019. Total assets increased by HK$827.8 million to HK$4,853.9 million. This was mainly due to the application of HKFRS 16 effective from 1 January 2019. Under HKFRS 16, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate and the right-of-use asset recognised when a lease is capitalised which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Therefore, the Group recognised the right-of-use assets for its leases which attributable to the increase in total assets. Cash and cash equivalents of the Group was HK$1,107.4 million (31 December 2018: HK$1,290.1 million). Non-current pledged bank balances were kept at HK$137.0 million, at the same level as last year. Outstanding borrowings amounted to HK$1,179.3 million (31 December 2018: HK$1,299.3 million), which comprised mainly interest-bearing bank loans. The interest-bearing bank loans were secured by pledged cash, corporate guarantees, equity shares and properties. The Group's gearing ratio (measured as bank borrowings to total assets) was decreased to 24.3% (31 December 2018: 32.3%) and the Group was in a net cash position (measured as cash and bank deposits less bank borrowings) of HK$65.1 million (31 December 2018: HK$127.7 million). The decrease in the gearing ratio was mainly due to the application of HKFRS 16 effective from 1 January 2019 where right-of-use assets have been recognised for leases.

OUTLOOK

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

In the PRC, the Group has entered into live show performance business, introducing the unique advanced stage technology from Europe and the renowned creative talents from all over the world, dedicated to provide a stunning theatrical experience to local audience. In addition, the Group has also invested in club house business targeting creative minds from entertainment, creative and art industries. The Group intends to host movie-related events at club houses which will attract and gather talents from the movie and entertainment industry, enabling the Group to build connections with potential investors and film production talents within the industry. This is in line with the Group's strategies to explore opportunities to produce and/or co-invest in an average target of one to two new mid-to-large scale films every year by remaking films from the Group's film library, and/or engage in new film production from existing scripts and co-investing in PRC's films.

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

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

In Taiwan, Vie Show will continue to expand its cinema network with a stable pipeline of potential sites to be opened in the coming years. A new 8-screen site in central Taipei will be opened in November 2019. Encouraging results of alternative contents and distribution businesses have also brought in additional revenues streams to the Group. Moreover, the Group has successfully introduced "SNOWTOWN" and "Ivorish" to Taichung Port. SNOWTOWN is an indoor theme park that allows visitors to enjoy snow at a "feels like" temperature of 20°C. Ivorish is a famous French toast restaurant in Japan, with the name expressing French toast color (ivory) and cherish (cherish), meaning to bring delicious French toast and happiness to customers. Both properties have been proven to be successful, helping to diversify the business in the territory.

Looking ahead, the Group will continue to actively seek investment opportunities in the regional media, entertainment, technology and lifestyle sectors that are related and/or creating synergies to the Group's existing businesses. The Directors are confident that the Group will be able to achieve sustainable growth and deliver long term value to the shareholders, and at the same time diversify the business achieving better positioning of the Group.

FINANCIAL RESOURCES AND LIQUIDITY

As of 30 June 2019, the Group had cash and cash equivalents amounting to HK$1,107.4 million (31 December 2018: HK$1,290.1 million). The Group's total outstanding bank borrowings amounted to HK$1,179.3 million (31 December 2018: HK$1,299.3 million). The Group's gearing ratio, calculated on the basis of bank borrowings over total assets stood at a healthy level of 24.3% (31 December 2018: 32.3%) and our cash to bank borrowings ratio at 105.5% (31 December 2018: 109.8%). This was mainly due to the application of HKFRS 16 effective from 1 January 2019 where both right-of-use assets have been recognised for leases. As of 30 June 2019, the Group had HK$137.0 million pledged cash balances to secure its banking facilities. In order to minimise potential risks for the Group's development and economic status, the management will keep monitoring gearing and will make relative adjustments if necessary. The Group at this moment has reasonable financial leverage. Meanwhile, the Group takes advantage of equity financing together with available bank loan facilities to fund the cinema projects, potential acquisitions of profitable business opportunities so as to implement its expansion plan. The Group believes that its current cash holding and available financial facilities will provide sufficient resources for its working capital requirements.

The Group's assets and liabilities are principally denominated in Hong Kong dollars, Renminbi and Singapore dollars, except for certain assets and liabilities associated with the investments in Taiwan. The overseas joint ventures of the Group are operating in their local currencies and are subject to minimal exchange risk. The directors will continue to assess the exchange risk exposure, and will consider possible hedging measures in order to minimise the risk at reasonable cost. The Group did not have any significant contingent liabilities or off-balance sheet obligations as of 30 June 2019 (31 December 2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group employed 414 (31 December 2018: 367) 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 2019, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the period ended 30 June 2019 (30 June 2018: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the period ended 30 June 2019. 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 2019.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE CODE

The Board recognises the importance of good corporate governance to maintain the Group's competitiveness and lead to its healthy growth. The Company has taken steps not only to comply with code provisions as set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Listing Rules but also to aim at enhancing corporate governance practices of the Group as a whole.

For the period ended 30 June 2019, the Company has complied with the code provisions of CG Code, with the exception of code provisions A.4.1 and E.1.2.

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

Code provision E.1.2 requires the chairman of the Board to attend the annual general meeting of the Company held on 14 June 2019 (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 2019.

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 2019 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 2019

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