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 2016

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS

	2016	2015	**Changes**	
	HK$ million	*HK$ million*	***HK$ million***	%
The Group				
Revenue	**1,292**	1,277	**15**	**1.2%**
Gross profit	**768**	729	**39**	**5.3%**
Loss before taxation	**(68)**	(186)	**118**	**(63.4%)**
Loss attributable to equity holders	**(59)**	(180)	**121**	**(67.2%)**
Basic loss per share	**(2.15) cents**	(6.58) cents		

- Revenue increased by 1.2% to HK$1,292 million
- Gross profit grew from HK$729 million to HK$768 million
- Loss attributable to equity holders significantly reduced from HK$180 million to HK$59 million
- Gearing ratio decreased from 28.7% to 18.9%
- A sale and purchase agreement to sell the exhibition business in Mainland China at a consideration of RMB3.286 billion was entered by the Company subsequent to the year

* *For identification purposes only*

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 2016 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 2016

	Note	**2016** *HK$'000*	2015 *HK$'000*
Revenue	*4*	**1,291,819**	1,277,132
Cost of sales		**(523,466)**	(548,204)
Gross profit		**768,353**	728,928
Other revenue		**44,255**	54,518
Other net loss		**(1,743)**	(41,964)
Selling and distribution costs		**(766,476)**	(775,424)
General and administrative expenses		**(130,198)**	(160,024)
Other operating expenses		**(228)**	(52,415)
Valuation losses on investment properties		**(4,949)**	(5,141)
Loss from operations		**(90,986)**	(251,522)
Finance costs	*6(a)*	**(65,882)**	(39,635)
Share of profits of joint ventures		**87,739**	103,398
Share of profits of associates		**976**	1,580
Loss before taxation	*6*	**(68,153)**	(186,179)
Income tax	*7*	**2,916**	4,961
Loss for the year		**(65,237)**	(181,218)
Attributable to:			
Equity holders of the Company		**(59,078)**	(180,471)
Non-controlling interests		**(6,159)**	(747)
Loss for the year		**(65,237)**	(181,218)
Loss per share	*8*		
Basic		**(2.15) cents**	(6.58) cents
Diluted		**(2.15) cents**	(6.58) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
Loss for the year	**(65,237)**	(181,218)
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
— subsidiaries outside Hong Kong	**(26,353)**	(31,999)
— joint ventures outside Hong Kong	**322**	(6,275)
— associates outside Hong Kong	**(614)**	(706)
	(26,645)	(38,980)
Total comprehensive income for the year	**(91,882)**	(220,198)
Total comprehensive income attributable to:		
Equity holders of the Company	**(85,323)**	(218,686)
Non-controlling interests	**(6,559)**	(1,512)
Total comprehensive income for the year	**(91,882)**	(220,198)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment properties		**41,800**	139,159
Other property, plant and equipment		**80,240**	1,255,487
Leasehold land		**123,749**	124,882
		245,789	1,519,528
Interests in associates		**–**	11,269
Interests in joint ventures		**201,122**	263,290
Available-for-sale equity securities		**6,048**	6,372
Other receivables, deposits and prepayments		**18,821**	96,652
Club memberships		**1,890**	2,490
Trademarks		**80,524**	80,524
Goodwill		**57,233**	75,203
Deferred tax assets		**6,160**	44,001
Pledged bank deposits		**20,000**	33,570
		637,587	2,132,899
Current assets			
Inventories		**1,025**	6,596
Film rights		**46,040**	50,195
Trade receivables	*9*	**21,237**	125,496
Other receivables, deposits and prepayments		**64,357**	287,037
Pledged bank deposits		**43,001**	67,850
Deposits and cash		**152,380**	195,120
Derivative financial instrument		**70,236**	–
Assets of disposal group classified as held for sale	*11*	**2,120,002**	–
		2,518,278	732,294
Current liabilities			
Bank loans		**222,634**	432,901
Convertible bonds		**9,547**	–
Trade payables	*10*	**43,494**	89,535
Other payables and accrued charges		**55,939**	192,511
Deferred revenue		**3,737**	147,197
Obligations under finance leases		**276**	15,702
Taxation payable		**1,164**	7,404
Liabilities of disposal group classified as held for sale	*11*	**637,543**	–
		974,334	885,250
Net current assets/(liabilities)		**1,543,944**	(152,956)

	Note	2016 HK$'000	2015 HK$'000
Total assets less current liabilities		**2,181,531**	1,979,943
Non-current liabilities			
Bank loans		**188,300**	336,977
Convertible bonds		**174,067**	–
Obligations under finance leases		**269**	37,332
Other financial liabilities		**219,389**	–
Deferred tax liabilities		**9,471**	12,419
		591,496	386,728
NET ASSETS		**1,590,035**	1,593,215
CAPITAL AND RESERVES			
Share capital		**274,252**	274,252
Reserves		**1,257,350**	1,305,585
Total equity attributable to equity holders of the Company		**1,531,602**	1,579,837
Non-controlling interests		**58,433**	13,378
TOTAL EQUITY		**1,590,035**	1,593,215

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF COMPLIANCE

The financial results set out in the announcement do not constitute the Group's statutory financial statements for the year ended 31 December 2016, 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").

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 2016 comprise the Group and the Group's interests in associates and joint ventures.

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

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

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

3 CHANGES IN ACCOUNTING POLICIES

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

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 and the proceeds from the sale of audio visual products.

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

5 SEGMENT REPORTING

The Group manages its businesses by geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the reportable segments, which are as follows:

— Hong Kong

— Mainland China

— Taiwan

— Singapore

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

Each of the above reportable segments primarily derive their revenue from film exhibition, film and video distribution, film and television programme production and the provision of advertising and consultancy services. The reportable segments, Taiwan and Singapore, represent the performance of the joint ventures operating in Taiwan and Singapore, respectively. For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the revenue and results attributable to each reportable segment on the following bases:

Segment revenue and results

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

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

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

Management evaluates performance primarily based on the operating profit including the share of results of joint ventures of each segment. Intra-segment pricing is generally determined on an arm's length basis.

Segment information regarding the Group's revenue and results by geographical market is presented below:

	Hong Kong		Mainland China		Taiwan		Singapore		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Revenue from external customers										
— Exhibition	**236,490**	257,274	**1,060,593**	1,020,710	**447,488**	496,601	**392,599**	389,311	**2,137,170**	2,163,896
— Distribution and production	**33,459**	28,973	**1,051**	14,915	**3,053**	5,771	**7,476**	7,762	**45,039**	57,421
— Corporate	**1,539**	1,211	**4,832**	4,351	**–**	–	**–**	–	**6,371**	5,562
Reportable segment revenue	**271,488**	287,458	**1,066,476**	1,039,976	**450,541**	502,372	**400,075**	397,073	**2,188,580**	2,226,879
Reportable segment profit/(loss)	**16,582**	30,280	**(46,188)**	(120,905)	**24,180**	38,222	**62,014**	61,212	**56,588**	8,809
Reconciliation — Revenue										
Reportable segment revenue									**2,188,580**	2,226,879
Share of revenue from joint ventures in Taiwan and Singapore									**(850,616)**	(899,445)
Elimination of intra-segmental revenue									**(41)**	(1,862)
Others									**(46,104)**	(48,440)
Consolidated revenue									**1,291,819**	1,277,132
Reconciliation — Loss before taxation										
Reportable profit from external customers									**56,588**	8,809
Unallocated operating expenses, net									**(115,666)**	(189,280)
Non-controlling interests									**(6,159)**	(747)
Income tax									**(2,916)**	(4,961)
Consolidated loss before taxation									**(68,153)**	(186,179)

6 LOSS BEFORE TAXATION

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

(a) Finance costs

	2016	2015
	HK$'000	HK$'000
Interest on bank loans	**30,577**	36,275
Interest on convertible bonds	**29,007**	–
Interest on put options to non-controlling interests	**1,553**	–
Finance charges on obligations under finance leases	**3,344**	3,305
Other ancillary borrowing costs	**1,401**	2,555
Total finance costs on financial liabilities not at fair value through profit or loss	**65,882**	42,135
Less: finance costs capitalised into leasehold improvements*	**–**	(2,500)
	65,882	39,635

* No finance costs have been capitalised for the year ended 31 December 2016. For the year ended 31 December 2015, finance costs were capitalised at rates ranging from 5.39% to 6.13% per annum.

(b) Staff costs (excluding directors' emoluments)

	2016	2015
	HK$'000	*HK$'000*
Salaries, wages and other benefits *(note (i))*	**212,080**	211,623
Contributions to defined contribution retirement plans	**1,460**	1,394
Equity-settled share-based payment expenses	**–**	17,375
	213,540	230,392

(c) Other items

	2016	2015
	HK$'000	*HK$'000*
Cost of inventories	**34,233**	34,001
Cost of services provided	**478,802**	472,276
Depreciation of property, plant and equipment	**139,418**	159,696
Amortisation of film rights *(note (ii))*	**10,431**	41,927
(Reversal of impairment)/impairment of property, plant and equipment	**(14,122)**	14,122
Impairment of goodwill	**–**	16,425
Impairment of film rights	**108**	5,119
Fair value gain on derivative financial instruments	**(24,261)**	–
Write-off of trade receivables	**–**	13,782
Auditors' remuneration	**4,952**	3,811
Operating lease charges in respect of land and buildings		
— minimum lease payments	**199,362**	183,664
— contingent rentals	**31,664**	44,107
Rental income less direct outgoings	**(14,175)**	(14,604)

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:

	2016	2015
	HK$'000	*HK$'000*
The Group		
Current income tax		
Provision for Hong Kong tax	**1,163**	1,724
Provision for overseas tax	**13,572**	7,579
Over-provision in respect of prior years	**(23)**	(1,191)
	14,712	8,112
Deferred tax — Overseas		
Reversal of temporary differences	**(17,628)**	(13,073)
	(2,916)	(4,961)

Notes:

(i) The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

(ii) The provision for the PRC Corporate Income Tax of the subsidiaries established in the PRC is calculated at 25% (2015: 25%) of the estimated taxable profits for the year.

(iii) Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

(iv) During the year ended 31 December 2016, the Group paid HK$7,030,000 (2015: HK$3,860,000) for income taxes on distributed earnings from its joint venture in Taiwan.

During the year ended 31 December 2016, the Group provided HK$4,082,000 (2015: HK$5,561,000) 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 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK$59,078,000 (2015: HK$180,471,000) and the weighted average number of ordinary shares of 2,742,519,248 (2015: 2,742,519,248), in issue during the year.

	2016	2015
	Number of shares	*Number of shares*
Weighted average number of ordinary shares and issued ordinary shares as at 31 December	**2,742,519,248**	2,742,519,248

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two (2015: one) categories of dilutive potential ordinary shares: share options and convertible bonds (2015: share options). The convertible bonds are assumed to have been converted into ordinary shares and the net loss is adjusted to eliminate the interest expense less the tax effect. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options.

For the year ended 31 December 2016, the potential ordinary shares arising from the assumed conversion of convertible bonds and exercise of share options are not included in the calculation of adjusted loss per share as they were anti-dilutive.

For the year ended 31 December 2015, the potential ordinary shares arising from the assumed exercise of share options were not included in the calculation of diluted loss per share as they had no dilutive effect on loss 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:

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**10,841**	94,247
1 to 2 months	**3,564**	1,835
2 to 3 months	**585**	2,352
Over 3 months	**6,247**	27,062
	21,237	125,496

At 31 December 2016, trade receivables of the Group included amounts totalling HK$41,972,000 (2015: HK$34,909,000) due from related companies and an amount of HK$1,452,000 (2015: HK$3,822,000) due from a joint venture, which are unsecured, interest-free and recoverable within one year. Trade receivables due from related companies of HK$41,012,000 associated with the disposal group were reclassified as held for sale at 31 December 2016 as set out in note 11.

10 TRADE PAYABLES

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

	2016	2015
	HK$'000	*HK$'000*
Current to 3 months	**32,266**	71,034
Within 4 to 6 months	**162**	258
Within 7 to 12 months	**383**	5,239
Over 1 year	**10,683**	13,004
	43,494	89,535

At 31 December 2016, trade payables of the Group included the amounts totalling HK$35,765,000 (2015: HK$36,844,000) due to related companies which were unsecured, interest-free and repayable on demand. Trade payables due to related companies of HK$35,734,000 associated with the disposal group were reclassified as held for sale at 31 December 2016 as set out in note 11.

11 DISPOSAL GROUP HELD FOR SALE

On 25 January 2017, Giant Harvest Limited ("Giant Harvest"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with True Vision Limited ("True Vision"), pursuant to which Giant Harvest conditionally agreed to sell and True Vision conditionally agreed to purchase, the entire equity interest of City Entertainment Corporation Limited ("CECL") at a consideration of RMB3.286 billion (the "Disposal"). OSGH (China), the entity operating the Group's film exhibition business in Mainland China, is owned as to 92.59% by CECL and 7.41% by Jiang Creding Prosperity Investor Enterprice (Limited Partnership) following the deemed disposal which took place during the year ended 31 December 2016.

Pursuant to the Sale and Purchase Agreement, CECL will undergo a reorganisation by including only entities that are relevant to the Group's film exhibition business in Mainland China prior to the completion of the Disposal (the "Reorganisation"). The assets and liabilities of CECL, after taking into account the impact of the Reorganisation, comprise the disposal group held for sale. The Disposal is expected to complete in the second half of 2017.

The management assessed that the criteria for the classification of the disposal group as held for sale were fulfilled prior to 31 December 2016 based on the facts and circumstances specific to the Disposal. The assets and liabilities of the disposal group held for sale are presented separately in the consolidated statement of financial position as at 31 December 2016 and the major classes of assets and liabilities of the disposal group as at 31 December 2016 are as follows:

	2016
	HK$'000
Assets of disposal group classified as held for sale	
Investment property	**87,662**
Other property, plant and equipment	**1,204,335**
Interests in associates	**11,628**
Goodwill	**18,587**
Deferred tax assets	**49,755**
Pledged bank deposits	**12,880**
Inventories	**11,710**
Trade receivables	**125,448**
Other receivables, deposits and prepayments	**242,275**
Deposit and cash	**355,722**
	2,120,002

	2016
	HK$'000
Liabilities of disposal group classified as held for sale	
Trade payables	**51,267**
Other payables and accrued charges	**153,494**
Deferred revenue	**167,226**
Bank loans	**206,711**
Obligations under finance leases	**51,037**
Taxation payable	**7,808**
	637,543

MANAGEMENT DISCUSSION AND ANALYSIS

Operation and Financial Review

During the year under review, the Group's revenue increased by 1.2% to HK$1,292 million and the gross profit increased by 5.3% to HK$768 million compared with last year. Gross profit margin was also improved to 59.4% (2015: 57.1%). Loss attributable to the equity holders of the Company significantly reduced by 67.2% to HK$59 million as compared to HK$180 million in last year.

The increase of revenue was contributed by the Mainland China region and was attributable to the 9 new cinemas with 57 screens in the region. Despite suffering from an exchange loss of HK$45 million (2015: HK$41 million) as a result of Renminbi deprecation and additional finance costs and related expenses of HK$29 million incurred for the convertible bonds issued in February 2016, loss attributable to the equity holders of the Company reduced significantly by 67.2% to HK$59 million. The reduction in loss was primarily due to the continuous improvement of operation efficiency of ramped up cinemas, the decline in operating and administration expenses such as share option expenses and the decrease in provision for impairment of assets for the year.

As of 31 December 2016, the cash and cash equivalents of the Group amounted to HK$152 million (2015: HK$187 million). The Group's outstanding borrowings which amounted to HK$595 million (2015: HK$770 million) comprise mainly interest bearing bank loans of HK$411 million and convertible bonds of HK$184 million. The interest bearing bank loans were secured by pledged cash, an office property and the equity interests in two subsidiaries of the Company. Adhering to prudent financial management, the Group's gearing ratio (measured as total borrowings to total assets) decreased to 18.9% (2015: 28.7%), as the Group managed to maintain a more healthy liquidity position.

Business Review

Film Exhibition

The Group opened 9 cinemas with 60 screens and acquired 1 cinema with 5 screens during the year. As of 31 December 2016, the Group operated 107 cinemas with 781 screens in total across Mainland China, Hong Kong, Taiwan and Singapore. Our cinemas served over 52 million guests compared with 51 million guests for the same period last year. Gross box office receipts on a full and aggregated basis were recorded at HK$2,568 million, representing a slight drop of 3.8% from last year. The major Hollywood blockbusters released this year were *Captain America: Civil War (美國隊長 3: 英雄內戰)* , *Zootopia (優獸大都會)* , *Batman v Superman: Dawn of Justice (蝙蝠俠對超人：正義曙光)* , *Fantastic Beasts and Where to Find Them (怪獸與牠們的產地)* , *Deadpool (死侍: 不死現身)*, *Doctor Strange (奇異博士)* and *X-Men: Apocalypse (變種特攻:天啟滅世戰).* The major Chinese-language blockbusters were *Mermaid (美人魚)*, *Ip Man 3 (葉問3)*, *The Monkey King 2 (西遊記之孫悟空三打白骨精)* and *From Vegas To Macau III (賭城風雲III)* in Mainland China and Hong Kong, *The M Riders Finding Pangu (萌學園：尋找磐古)* in Taiwan and *Long Long Time Ago (我們的故事)* in Singapore.

Operating Statistics of the Group's Cinemas
(For the year ended 31 December 2016)

	Mainland China	Hong Kong	Taiwan	Singapore
Number of cinemas*	76	6	14	11
Number of screens*	531	23	136	91
Admissions *(million)*	24.8	2.4	15.7	9.4
Net average ticket price *(HK$)*	34	83	58	57

* as of 31 December 2016

The Group is committed to pursue visual and audio effect perfection to bring a new movie-going experience for our audiences. All screens of the Group have been fully installed with digital equipment and are 3D compatible. Two IMAX® screens were installed in Mainland China in 2016 which there were 12 IMAX® screens in total for the Group in Taiwan and Mainland China as at 31 December 2016. The Group has also been upgrading 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.

Mainland China

Operating Statistics of the Group's Cinemas in Mainland China

	2016	2015
Number of cinemas*	**76**	67
Number of screens*	**531**	474
Admissions *(million)*	**24.8**	21.3
Net average ticket price *(RMB)*	**29**	33
Gross box office receipts *(RMB million)*#	**792**	752

* as of 31 December 2016

\# before deduction of government taxes and charges

The market gross box office receipts in Mainland China increased by 3.6% to RMB45.5 billion from RMB43.9 billion last year while the Group's gross box office receipts generated by its multiplexes in Mainland China increased by 5.3% to RMB792 million compared with last year. During the year under review, the Group opened 8 new cinemas with 52 screens in the cities of Shenzhen, Tianjin, Foshan, Xian and Changsha and acquired 1 cinema with 5 screens from a local operator in the city of Wuhan. Notwithstanding that the average ticket price reduced by 12.1% from RMB33 to RMB29 as a result of many marketing campaigns launched to drive admissions from keen competition, the Group served approximately 25 million patrons in Mainland China, representing a 16.4% growth from last year.

A new concept multiplex at Shenzhen Mission Hill was opened in January 2016. It was the first standalone IMAX building in Southern China comprising seven 3D theatres with 4K digital technology, offering a book store and food and beverage sections that create a comprehensive and relaxing entertainment environment for our customers.

A lot of famous films released during the year like *Mermaid (美人魚), Zootopia (優獸大都會), Fantastic Beasts and Where to Find Them (怪獸與牠們的產地)* and *Captain America: Civil War (美國隊長 3: 英雄內戰)* drew the attention of audiences. To attract and retain our audiences, the Group continued to offer discount promotions, membership privilege programs and activities as well as on-line and in-app ticket purchasing to drive the growth of the average ticket price and watching frequency of our customers and at the same time provide a better value for money experience and superior service to our audiences.

The net loss of our exhibition business in Mainland China was HK$42 million for the year under review compared to HK$97 million last year. The reduction in loss was mainly attributable to the continuous improvement in operation efficiency on ramped-up cinemas which helped to boost both box office and non box office revenue, and implementation of tight cost controls as well. In response to the dynamic market environment, the Group will continually review its ticket pricing strategy to optimise profitability.

Hong Kong

Operating Statistics of the Group's Cinemas in Hong Kong

	2016	2015
Number of cinemas*	**6**	6
Number of screens*	**23**	24
Admissions *(million)*	**2.4**	2.7
Net average ticket price *(HK$)*	**83**	78
Gross box office receipts *(HK$ million)*	**203**	212

* as of 31 December 2016

During the year under review, the Hong Kong market as a whole recorded box office receipts of HK$1.96 billion, a decrease of 1.0% from HK$1.98 billion for the same period last year. The Group's cinemas in Hong Kong recorded box office receipts of HK$203 million this year (2015: HK$212 million), representing a decrease of 4.2% compared to the same period last year. The decrease was primarily attributable to closure of The Golden Gateway Multiplex with 3 houses in February 2016, partially offset by the increase in admission from the new GH Fanling cinema with 2 houses which commenced operations in July 2016. Net average ticket price grew 6.4% to HK$83 since more alternative content shows with higher average ticket price were held, and the ticket prices for the renovated and new cinemas such as GH Whampoa cinema and GH Fanling cinema increased. Excluding the effect of the closed and newly opened cinemas during the year, on a like-for-like basis the box office income grew by 1.4% compared to last year which outperformed the market.

To make our cinemas a more comprehensive entertainment hub, In 2016 we showed 81 alternative contents including a live concert in our circuit, a big jump of 92.9% from 42 in last year. It was encouraging that we built an experienced team in organising the alternative contents and a strong base for alternative content fans, which was proved by our successful alternative content shows such as the 18 shows of Live Broadcast "*μ's Final LoveLive!*" which reached a remarkable 96.8% fill rate and HK$300 average ticket price.

Taiwan

Operating Statistics of the Group's Cinemas in Taiwan

	2016	2015
Number of cinemas*	**14**	13
Number of screens*	**136**	127
Admissions *(million)*	**15.7**	17.4
Net average ticket price *(NTD)*	**240**	240
Gross box office receipts *(NTD billion)*	**3.8**	4.2

* as of 31 December 2016

During the year, Taipei City's market box office receipts amounted to NTD3.91 billion, representing a decrease of 7.1% from NTD4.21 billion last year due to a lack of record breaking movies. Consistent with the market trend, the Group's 35.71% owned Vie Show cinema circuit ("Vie Show") recorded total box office receipts of NTD3,760 million (2015: NTD4,177 million), representing a decrease of 10.0% from last year as a result of a weakening in the number of admissions. Accordingly the Group's share of net profit from Vie Show decreased from HK$38.2 million to HK$24.2 million compared to the corresponding period last year. Nevertheless, Vie Show continued to maintain its leading position in Taiwan with a market share of 41.8%.

As at 31 December 2016, Vie Show owned 14 cinemas and 136 screens in Taiwan. A new cinema with 9 screens, comprising one 4DX™ theatre and two "MAPPA" theatres which provided both catering and entertainment services for an additional movie experience for our audiences, was opened during the year at the Mitsui Outlet Park in Linkou.

Adhering to the Group's comprehensive entertainment hub strategy, the popular "UNICORN" handmade popcorn counter was expanded from one cinema to six cinemas during the year. Three "MAGO" restaurants providing a variety of Spanish fusion cuisine and one new "Unicorn Café" were also launched in the Vie Show cinema circuit during the year to provide wider catering services.

Singapore

Operating Statistics of the Group's Cinemas in Singapore

	2016	2015
Number of cinemas*	**11**	11
Number of screens*	**91**	91
Admissions *(million)*	**9.4**	9.3
Net average ticket price *(S$)*	**10.2**	10.1
Gross box office receipts *(S$ million)*	**96**	94

* as of 31 December 2016

During the year under review, the Singapore market's box office receipts remained stable at S$219 million (2015: S$221 million). The Group's 50.0% owned Golden Village cinema circuit continued to be a market leader with a market share of 43.7% by reporting box office receipts of S$96 million (2015: S$94 million), representing an increase of 2.1% compared to last year. The increase in box office receipts was mainly contributed by the reopened GV Tiong Bahru cinema after a year of closure for renovation. The new GV Tiong Bahru consists of 800-seats with the latest cinema designs, new technological capabilities such as Quick tix™ , automated ticketing machines and auto-gates giving patrons an easy, fast and efficient cinematic experience like none other. Hollywood blockbusters are always popular in Singapore and bring stable profit contribution to the Group. Hollywood blockbusters released during the year included *Captain America: Civil War (美國隊長 3: 英雄內戰), Zootopia (優獸大都會), Batman v Superman: Dawn of Justice (蝙蝠俠對超人：正義曙光), Fantastic Beasts and Where to Find Them (怪獸與牠們的產地)* , *Deadpool (死侍: 不死現身), Doctor Strange (奇異博士) and X-Men: Apocalypse (變種特攻：天啟滅世戰)*. During the year, the Group's share of net profit from the Golden Village cinema circuit increased by 1.3% to HK$62 million.

Film & TV Programme Distribution and Production

The Group's film distribution and production business recorded revenue of HK$45 million (2015: HK$57 million), representing a decrease of 21% compared to last year. The distribution revenue was mainly generated by distributing some famous releases such as *Selfless (幻體：續命遊戲), From Vegas to Macau III (賭城風雲III) and Anniversary* (*紀念日*) in Hong Kong, *Ip Man 3 (葉問 3)* in Taiwan and *Train To Busan (屍殺列車)* 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 next few years. The Group's film library with perpetual distribution rights kept on bringing steady licensing income to the Group.

EVENTS AFTER THE REPORTING PERIOD

To unlock value for Shareholders and strengthen the Group's financial position, on 25 January 2017, the Company entered into a sale and purchase agreement to sell the Mainland China exhibition business (the "Disposed Business") in Mainland China at a consideration of approximately RMB3.286 billion (the "Disposal"). The Company intends to use the net proceeds for the Group's future investments and expansion, a special dividend payment, repayment of third party debts and for general working capital use.

The Disposed Business is currently sub-scale compared to its competitors in Mainland China and the Company believes that a larger strategic player would be able to better grow the Disposed Business and realise its full value and potential. Losses for each of the three years ended 31 December 2016 had been incurred for the Disposed Business which exerted pressure on the overall profitability of the Group. Significant investment would be required to grow the Disposed Business in order to compete with the larger players, which may lead to the Company incurring additional financing costs and depreciation expenses that would adversely impact the Group's financial position in the future.

Given the recent trend of increasing consolidation in the film exhibition industry in Mainland China, the Directors are of the view that it is in the interests of the Group and Shareholders to seize the opportunity to sell the Disposed Business at a fair valuation. As the Consideration in respect of the Disposal is significantly higher than the net asset value of the Disposed Business, the Company considered that a full sale of the Disposed Business at the above stated consideration will benefit the Shareholders and better realise the fair value of the Group's assets.

It is expected that the Company will record a gain from the Disposal of approximately HK$2.3 billion. The redeployment of the Group's resources through the Disposal will enable the Group to further grow its remaining business and operations, in which, part of the net proceeds received from the Disposal will be used to expand the operations in Hong Kong and the Production & Distribution Business in Mainland China. In particular, the Group expects to continue to produce and seek investment opportunities in quality film production projects with the potential for high box office returns by either actively leading the production process or passively investing in such films as a minority investor.

For more details of the Disposal, please refer to the circular issued by the Company on 13 March 2017.

PROSPECTS

Looking forward to 2017, the Group will continue our cinema networks expansion strategy for its film exhibition segments. Our high calibre team in different regions will keep identifying cinema sites with good market penetration, undervalued acquisition targets and profitable cooperation opportunities in the market.

In Hong Kong, the Group will further invest into the film exhibition business by opening on average one or two new cinemas each year by competing for existing cinema sites currently run by other cinema operators upon the expiry of their leases, identifying populated areas currently not served by any cinema to explore opportunities to open new cinemas, and/or acquiring existing cinema sites of other cinema operators depending on the availability of new sites in the market and the feasibility of the commercial terms. Riding on the success of alternative contents in previous years, the Group will cooperate with different production houses to offer a variety of events including mini-concerts and fans meeting Asian artists in the cinemas. It is expected that the growth of needs in alternative shows will bring considerable profit to the Group. At the same time, the Group will carry on a comprehensive entertainment hub strategy to expand the catering business such as the newly established "Jo ō de Rolls" which is an adorable and lady-like restaurant specialising in sweet and savoury churros and the well-operated coffee corner "Why n.O.T". Upon completion of the Disposal, The Group will further invest in the film and video production and distribution business.

In Mainland China, the Group plans to ramp up the film, video and TV production business by producing and/or co-investing in new mid-to-large scale films every year after completion of the Disposal. With the foundation that the Group has laid in its distribution network, the Group will enlarge the distribution business by acquiring distribution rights for more films depending on the availability, quality and potential profitability of such opportunities.

In Taiwan, Vie Show will stay with the cinema network expansion strategy. Over 20 potential sites and cooperation opportunities are currently under review and negotiation and more cinemas are expected to be opened in the coming few years. Furthermore, to align with the Group strategy of a comprehensive entertainment hub, Vie Show will continue to expand its catering business. Subsequent to year end, one themed restaurant — "Hello Kitty Red Carpet" with a Hollywood movie design was opened in Linkou in January 2017 and it has been well-received by the youth market.

In Singapore, the Group will continue to grow by actively pursuing suitable cinema sites in the market. It is expected 3 more cinemas in SingPost, Bedok and Funan respectively with 21 screens and 1,795 seats in total will be launched in the upcoming years. Adopting the strategy to diversify the earning stream to achieve sustainable growth, advanced settings such as 4DX™ motion seat hall and Gemini couple seat to offer an extraordinary movie experience as well as conventional halls to cater to the mass market will be provided in some of our new sites.

As the global economy remains challenging, the Group will pay close attention to the regional economy and adjust our strategy and deploy according. It is believed the Disposal will lead to a strong cash flow and sound financial position for the Group and we will continue to actively seek investment opportunities in the regional media, entertainment and technology sectors that are related to the Group's existing business. In the long run, the directors are confident that the Group will be able to achieve sustainable and steady long term growth in both return and net asset value.

FINANCIAL RESOURCES AND LIQUIDITY

As of 31 December 2016, the Group had cash and cash equivalents amounting to HK$152 million (2015: HK$187 million). The Group's outstanding loans amounted to HK$595 million (2015: HK$770 million) representing mainly convertible bonds of HK$184 million (2015: Nil) and bank borrowings of HK$411 million (2015: HK$770 million). The Group's gearing ratio, calculated on the basis of total borrowings over total assets stood at 18.9% (2015: 28.7%) and our cash to debt ratio at 36.2% (2015: 36.0%). As of 31 December 2016, the Group had HK$63 million pledged cash balances to secure its banking facilities. In order to minimise potential risks for the Group's development and economic status, management will keep supervising gearing and will make relative adjustments if necessary. The Group at this moment has reasonable financial leverage. Meanwhile, the Group will take advantage of equity financing together with available bank loan facilities to aid the cinema projects, potential acquisitions of profitable business opportunities so as to act in concert with its expansion plan. The Group believes that its current cash holding and available financial facilities will provide sufficient resources for its working capital requirements.

The Group's assets and liabilities are principally denominated in Hong Kong dollars and Renminbi, except for certain assets and liabilities associated with the investments in Singapore and Taiwan. The overseas joint ventures of the Group are operating in their local currencies and are subject to minimal exchange risk. The directors will continue to assess the exchange risk exposure, and will consider possible hedging measures in order to minimise the risk at reasonable cost. The Group did not have any significant contingent liabilities or off-balance sheet obligations as of 31 December 2016 (2015: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had 1,745 (2015: 1,566) 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 2016, 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 2016 (31 December 2015: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year ended 31 December 2016. 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 2016.

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 2016, 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 3 June 2016. 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 2016.

SCOPE OF WORK OF KPMG

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2016 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 2016 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
Man Tak Cheung
Company Secretary

Hong Kong, 29 March 2017

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

Chairman and Executive Director:
Mr. Wu Kebo

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

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