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 2020

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

HIGHLIGHTS

	2020	2019	**Changes**	
	HK$ million	*HK$ million*	***HK$ million***	*%*
The Group				
Revenue	**139**	534	**(395)**	**>(74)%**
Gross profit	**90**	335	**(245)**	**>(73)%**
(Loss)/profit before taxation	**(160)**	20	**(180)**	**>(100)%**
(Loss)/profit attributable to equity holders	**(155)**	5	**(160)**	**>(100)%**
(Loss)/earnings per share	**(5.55) cents**	0.16 cents		

- Revenue decreased by 74% from HK$534 million to HK$139 million, which is mainly attributable to exceptional and extraordinary disruptions to the Group's operations along with the quarantine measures imposed in multiple operating areas of the Group including temporary closure of cinemas to cope with the COVID-19 pandemic at the beginning of 2020s.

- Gross profit decreased by 73% from HK$335 million to HK$90 million as a result of decrease in revenue. The gross profit margin increased from 62.6% to 65.2%.

- Loss attributable to equity holders was HK$155 million, decreased from profit attributable to equity holders of HK$5 million in the corresponding period last year.

- Gearing ratio increased to 28.3% (31 December 2019: 22.4%).

* *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 2020 together with the comparative figures for the preceding six months ended 30 June 2019. 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 2020** *HK$'000* **(Unaudited)**	Six months ended 30 June 2019 *HK$'000* (Unaudited)
Revenue	*3*	**138,765**	534,315
Cost of sales		**(48,296)**	(199,690)
Gross profit		**90,469**	334,625
Other revenue		**53,994**	19,003
Other net loss		**(2,827)**	(3,724)
Selling and distribution costs		**(182,481)**	(238,107)
General and administrative expenses		**(40,754)**	(62,653)
Other operating expenses		**(6,873)**	(741)
(Loss)/profit from operations		**(88,472)**	48,403
Finance costs	*5(a)*	**(38,086)**	(41,931)
Share of (loss)/profit of a joint venture		**(33,462)**	13,099
(Loss)/profit before taxation	*5*	**(160,020)**	19,571
Income tax credit/(charge)	*6*	**4,599**	(15,012)
(Loss)/profit for the period		**(155,421)**	4,559
Attributable to:			
Equity holders of the Company		**(155,421)**	4,581
Non-controlling interests		**–**	(22)
		(155,421)	4,559
(Loss)/earnings per share (HK cent)	*7*		
Basic and diluted		**(5.55)**	0.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2020 *HK$'000* **(Unaudited)**	Six months ended 30 June 2019 *HK$'000* (Unaudited)
(Loss)/profit for the period	**(155,421)**	4,559
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	**(56,858)**	10,463
— a joint venture outside Hong Kong	**5,330**	(5,283)
	(51,528)	5,180
Total comprehensive income for the period	**(206,949)**	9,739
Total comprehensive income attributable to:		
Equity holders of the Company	**(206,958)**	9,761
Non-controlling interests	**9**	(22)
Total comprehensive income for the period	**(206,949)**	9,739

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 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Non-current assets			
Investment property		**41,000**	41,000
Other property, plant and equipment		**342,472**	363,529
Right-of-use assets		**1,369,584**	1,481,273
		1,753,056	1,885,802
Interest in a joint venture		**105,110**	133,243
Other receivables, deposits and prepayments		**46,180**	46,704
Intangible assets		**507,937**	525,397
Goodwill		**639,699**	661,582
Pledged bank deposits		**–**	137,000
Deferred tax assets		**5,878**	4,824
		3,057,860	3,394,552
Current assets			
Inventories		**3,006**	3,966
Film rights		**40,639**	38,622
Trade receivables	*8*	**8,734**	65,399
Other receivables, deposits and prepayments		**94,261**	151,356
Pledged bank deposit		**50,000**	–
Deposits and cash		**1,163,630**	1,068,260
		1,360,270	1,327,603
Current liabilities			
Bank loans		**1,251,020**	251,158
Trade payables	*9*	**21,704**	106,120
Other payables and accrued charges		**116,864**	225,627
Deferred revenue		**50,837**	66,552
Lease liabilities		**113,422**	112,226
Taxation payable		**31,336**	31,204
		1,585,183	792,887
Net current (liabilities)/assets		**(224,913)**	534,716
Total assets less current liabilities		**2,832,947**	3,929,268

	Note	**As at 30 June 2020** *HK$'000* **(Unaudited)**	As at 31 December 2019 *HK$'000* (Audited)
Non-current liabilities			
Bank loans		**–**	805,907
Lease liabilities		**718,322**	790,497
Deferred tax liabilities		**165,641**	176,931
		883,963	1,773,335
NET ASSETS		**1,948,984**	2,155,933
CAPITAL AND RESERVES			
Share capital		**279,967**	279,967
Reserves		**1,669,567**	1,876,525
Total equity attributable to equity holders of the Company		**1,949,534**	2,156,492
Non-controlling interests		**(550)**	(559)
TOTAL EQUITY		**1,948,984**	2,155,933

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 2020 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 28 August 2020.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 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.

As at 30 June 2020, the Group breached one of the financial covenants under the Group's banking facilities. Accordingly, certain bank loans were classified as current liabilities as at 30 June 2020 as the bank loans became repayable on demand.

Nonetheless, the interim financial report has been prepared on a going concern basis notwithstanding the Group's current liabilities exceeding its current assets by HK$224,913,000 as at 30 June 2020, as subsequent to the reporting period, the Group has obtained a waiver from the banks on these financial covenants with immediate effect. If the Group did not breach the abovementioned financial covenant, the Group would have had net current assets of HK$891,979,000 as at 30 June 2020. The directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current account period of the group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

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, *Leases* is adjusted as if the rentals had been recognised under HKAS 17, *Leases*. 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 result of a joint venture. 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		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Revenue										
— Exhibition	**32,569**	127,582	**–**	–	**137,360**	401,047	**103,652**	224,974	**273,581**	753,603
— Distribution and production	**6,571**	7,023	**88**	–	**8,129**	19,755	**1,361**	8,516	**16,149**	35,294
— Club House	**–**	–	**6,217**	–	**–**	–	**–**	–	**6,217**	–
— Corporate	**1,018**	411	**–**	–	**–**	–	**–**	–	**1,018**	411
Reportable segment revenue	**40,158**	135,016	**6,305**	–	**145,489**	420,802	**105,013**	233,490	**296,965**	789,308
Reportable segment (loss)/profit after taxation	**(34,465)**	6,051	**(20,528)**	(21,457)	**(16,864)**	70,610	**(22,442)**	17,119	**(94,299)**	72,323
Reconciliation — Revenue										
Reportable segment revenue									**296,965**	789,308
Share of revenue from a joint venture in Taiwan									**(105,013)**	(233,490)
Elimination of intra-segmental revenue									**(4,623)**	(12,507)
Others									**(48,564)**	(8,996)
Consolidated revenue									**138,765**	534,315
Reconciliation — (Loss)/profit before taxation										
Reportable (loss)/profit after taxation from external customers									**(94,299)**	72,323
Unallocated operating expenses, net									**(61,122)**	(67,742)
Non-controlling interests									**–**	(22)
Income tax (credit)/charge									**(4,599)**	15,012
Consolidated(loss)/profit before tax									**(160,020)**	19,571

5 (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June 2020 *HK$'000* (Unaudited)	Six months ended 30 June 2019 *HK$'000* (Unaudited)
(a) Finance costs		
Interest on bank loans	**17,662**	21,845
Interest on lease liabilities	**16,810**	17,262
Other ancillary borrowing costs	**3,791**	2,824
Total finance costs on financial liabilities not at fair value through profit or loss	**38,263**	41,931
Less: finance cost capitalised into construction in progress*	**(177)**	–
	38,086	41,931

* *The finance costs have been capitalised at rates ranging from 2.70% to 4.69% per annum for the six months ended 30 June 2020. No finance costs have been capitalised for the six months ended 30 June 2019.*

(b) Other items		
Cost of inventories	**6,856**	21,128
Cost of services provided	**40,265**	174,469
Depreciation charge		
— owned property, plant and equipment	**29,674**	30,949
— right-of-use assets	**68,125**	70,225
Amortisation of film rights	**1,175**	4,093
(Gain)/loss on disposals of property, plant and equipment	**(104)**	66
Impairment of cinema-related assets	**6,132**	–
Exchange loss, net	**2,931**	3,658
Interest income from bank deposits	**(5,779)**	(10,945)

6 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June 2020 *HK$'000* **(Unaudited)**	Six months ended 30 June 2019 *HK$'000* (Unaudited)
Current income tax		
Provision for Hong Kong tax	**–**	357
Provision for overseas tax	**1,519**	19,023
Over provision in respect of prior periods	**–**	(173)
	1,519	19,207
Deferred tax — overseas		
Origination and reversal of temporary differences	**(6,118)**	(4,195)
Actual tax (credit)/expense	**(4,599)**	15,012

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2019: 16.5%) to the six months ended 30 June 2020.

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 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss/earnings per share is based on the loss attributable to equity holders of the Company of HK$155,421,000 (six months ended 30 June 2019: earnings of HK$4,581,000) and the weighted average number of ordinary shares of 2,799,669,050 (2019: 2,799,669,050 shares) in issue during the period.

Weighted average number of ordinary shares (basic)

	2020 Number of shares (Unaudited)	2019 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 (loss)/earnings per share

The Company does not have any dilutive potential ordinary shares at 30 June 2019 and 2020. Diluted loss/earnings per share for the six months ended 30 June 2019 and 2020 is the same as the basic loss/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 2020 *HK\$'000* **(Unaudited)**	As at 31 December 2019 *HK\$'000* (Audited)
Within 1 month	**3,987**	41,041
Over 1 month but within 2 months	**244**	11,654
Over 2 months but within 3 months	**1,567**	9,104
Over 3 months	**2,936**	3,600
	8,734	65,399

As at 30 June 2020, trade receivables of the Group include an amount of HK$1,000 (31 December 2019: HK$9,738,000) 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 2020 *HK\$'000* **(Unaudited)**	As at 31 December 2019 *HK\$'000* (Audited)
Within 3 months	**6,655**	89,838
4 to 6 months	**3,804**	2,565
7 to 12 months	**442**	2,841
Over 1 year	**10,803**	10,876
	21,704	106,120

As at 30 June 2020, trade payables of the Group include amounts totalling HK$24,000 (31 December 2019: HK$416,000) due to related companies which are unsecured, interest-free and repayable on demand.

10 EVENT AFTER THE REPORTING PERIOD

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

With the third wave of COVID-19 outbreak in Hong Kong since July 2020, the government has tightened the social distancing measures including temporary closure of all cinemas starting from 15 July 2020 until 27 August 2020. In Singapore, cinemas were reopened on 13 July 2020 with added safety precautions which include a 1 meter social distancing seat configuration and a limit of 50 patrons per cinema theatre.

The Group will continue to pay close attention of the development of the COVID-19 outbreak, evaluate and proactively respond to its impact of the Group's financial position and operating results.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Founded in 1970, Orange Sky Golden Harvest Group has been a world-class Chinese language film and entertainment company primarily engaged in film exhibition, film and TV programme production, and film distribution businesses.

Since its inception, the Group has produced and financed over 600 movies and is currently the only cinema chain that operates in virtually all of the Chinese speaking regions across Hong Kong, Singapore and Taiwan. To date, the Group owns a movie library of over 140 movies. The Group has played a vital role in the development of Chinese language film industry.

During the first half of 2020, the novel COVID-19 outbreak has posted unprecedented challenges to worldwide economy. The Group's main operating regions Hong Kong, Singapore, and Taiwan have seen GDP contracted respectively during the period, with retail and entertainment spending affected severely by social distancing measures coupled with austere labor market conditions. In particular, the global lockdown has hit the film and entertainment industry with cinemas in most geographies closed for extensive periods. For those regions whereby cinemas remained open, admissions were also affected by delay in blockbusters movies.

In view of such daunting economic challenges, the Group's focus during the period has been on further improvement in cost structures in order to preserve the Group's long-term competitiveness across all regions. The Group has placed particular emphasis on maintenance of liquidity during the period and obtained a HK$1,548.0 million 3-year committed loan facility at the peak of the pandemic, allowing sufficient buffer to weather the difficult times, as well as additional resources to position for future business developments. During the period, the Group has continued its efforts to expand into PRC live entertainment to capitalise our branding equity and goodwill, and to re-vitalise our intellectual property rights in classic Chinese language movies. We firmly believe our market leading position in film exhibitions supported by strong liquidity will position the Group for rapid recovery as COVID-19 alleviates.

Film Exhibition

During the period, the Group has closed a cinema with 8 screens in Singapore due to early termination of the lease by the landlord for renovation of the shopping mall. The Group will continue to operate that cinema post mall reopening. As at 30 June 2020, the Group maintained its network of 36 cinemas and 292 screens across Hong Kong, Singapore, and Taiwan. The Group's film exhibition business remained as the undisputed market leader in Singapore and Taiwan with 47% and 40% respective share in local box office during the period.

Despite the Group's continued effort, the Group's operations have been severely affected by lockdown measures implemented by the Hong Kong and Singapore governments, whereby cinemas have been ordered to close for around 6 weeks and around 16 weeks respectively in the two geographies. While the Group's Taiwan exhibition business remained opened during the period, its business results have been affected by the delay in blockbusters movies release and reduced social interactions amidst the worldwide pandemics. As such, the Group's total admissions reduced by 70% from 12.5 million in the same period last year to 3.8 million during the period.

Operating Statistics of the Group's Cinemas
(For the six months ended 30 June 2020)

	Hong Kong	**Singapore**	**Taiwan**
Number of cinemas*	7	13	16
Number of screens*	24	104	164
Admissions *(million)*	0.3	1.0	2.5
Net average ticket price *(HK$)*	72	60	65

* at 30 June 2020

Hong Kong

Operating Statistics of the Group's Cinemas in Hong Kong
(For the six months ended 30 June 2020)

	2020	2019
Number of cinemas*	**7**	7
Number of screens*	**24**	24
Admissions *(million)*	**0.3**	1.1
Net average ticket price *(HK$)*	**72**	87
Box office receipts *(HK$ million)*	**19**	96

* at 30 June 2020

All Hong Kong cinemas have been put under mandatory closure from 28 March 2020 to 7 May 2020 for a total of around 6 weeks. Subsequent social distancing measures such as separation of cinema patrons, restrictions in food and beverages inside the exhibition halls, together with delay in blockbuster movies have together resulted in 80% drop in total Hong Kong box office from HK$96.4 million in first half of 2019 to HK$19.0 million in the reporting period.

The Group's Hong Kong operations branded under Golden Harvest Cinemas continued to operate 7 cinemas and 24 screens in the city during the period. The operation recorded total gross box office receipt of HK$19.0 million during the reporting period, representing 6% share of the Hong Kong total box office, remained similar to the same period last year (30 June 2019: HK$96.4 million). Net average ticket price of the Group amounted to HK$72.0 during the period, compared with HK$87.1 over the same period last year. The decrease of 17% given the lower ticket price was to incentivise patrons return to cinema after cinemas re-opening.

The Group's screen advertising business maintained with contracts covering 28 cinemas and 131 screens during the reporting period. However, screen advertising was affected given the sluggish economic condition amidst COVID-19 resulted in vast reduction in advertising budget for corporates.

To mitigate the lack of blockbusters movies, the Group has arranged special screening of classic Hong Kong and western movies such as *Perish In the Name of Love (帝女花)*, *2001: A Space Odyssey (2001太空漫遊)* and *The Shawshank Redemption (月黑高飛)* to attract movie fans back to cinemas. These special screenings were deemed as success with average fill rate of 35%.

Hong Kong has been the home market for the Group and Hong Kong exhibition business has been the core of home business. The Group will continue to strive to bring the best movie and entertainment experiences despite the difficult operating environment in the city.

Singapore

Operating Statistics of the Group's Cinemas in Singapore
(For the six months ended 30 June 2020)

	2020	2019
Number of cinemas*	**13**	14
Number of screens*	**104**	112
Admissions *(million)*	**1.0**	4.1
Net average ticket price *(S$)*	**10.7**	10.8
Net box office receipts *(S$ million)*	**11**	44

* at 30 June 2020

Singapore has been the main revenue contributor to the Group, attributing to 53% and 49% of the Group's total revenue across 4 regions in first half 2019 and 2020 respectively. The Group's Singapore operations under the Golden Village Cinemas ("Golden Village") brand remained as the market leader locally operating a network of 13 cinemas and 104 screens, attributing to 38% of total installed screens in the country.

During the period, Golden Village reported net box office receipts of S$10.8 million (30 June 2019: S$43.6 million), representing a decrease in net box office receipts of 75% compared to same period last year. Such reduction was primarily due to the Singapore Government 'Circuit Breaker' initiative, whereby most Singapore retail businesses including cinemas were shut down. The Singapore cinemas have been temporarily closed from 27 March 2020 to 12 July 2020, which forbid the Group from generating any income.

To partially mitigate the effect from cinemas closures, Golden Village has strived to open up new initiatives such as special movie screening, sales of movie vouchers, and partnership with landlords, e-commerce websites, to maximise our sales as much as possible. In the meantime, Golden Village continued to source quality independent movies for distributions in Singapore to position the chain for exclusive screenings post cinemas re-opening.

Golden Village have been a household name in Singapore with a considerable larger scale of operations compared with local competitors. The Group believes that the significant cost advantage arising from Golden Village's economies of scale, coupled with strong local film distribution capability has placed Golden Village as the long-term winner in Singapore.

Taiwan

Operating Statistics of the Group's Cinemas in Taiwan
(For the six months ended 30 June 2020)

	2020	2019
Number of cinemas*	**16**	15
Number of screens*	**164**	156
Admissions *(million)*	**2.5**	7.3
Net average ticket price *(NTD)*	**249**	244
Net box office receipts *(NTD billion)*	**0.6**	1.8

* at 30 June 2020

During the period, Taiwan's net box office receipts amounted to NTD0.6 billion, registering a decrease of 65% from NTD1.8 billion in the same period last year. Of particular note, given Taiwan's effective response to COVID-19, Taiwan has successfully avoided the need for a large scale lockdown similar to most of other geographies, and cinemas in Taiwan have remained open during the reporting period. The reduction in box office is primarily due to the delay in blockbusters movies release which awaits re-opening of cinemas in other geographies, coupled with weak consumer sentiment during chronic health concern amidst global COVID-19 pandemic. Thanks to the positional Vie Show cinema circuit ("Vie Show") as the largest film exhibitor, Vie Show managed to secure 14 exclusive film releases such as *DIGIMON ADVENTURE Last Evolution KIZUNA (數碼寶貝LAST EVOLUTION絆)* during the reporting period. Vie Show's restaurant operations and theme park operations have continued to perform during the period, and together partially mitigated the impact from lack of blockbuster movies.

The Group's 35.71% owned Vie Show continued to be the largest cinema chain in Taiwan operating a total of 16 cinemas, comprising of 164 screens as of 30 June 2020, with a market share of 40%. Adhering to the Group's comprehensive entertainment hub strategy, Vie Show operated a chain of "UNICORN" brand handmade popcorn stores across all its cinemas locations and a Japanese fried chicken chain "TORIKAI" across 3 locations in Taiwan. Vie Show has also ventured into the family focused artificial snow theme park "SNOWTOWN" in Taichung Mitsui Outlet Park. SNOWTOWN is an indoor theme park that allows visitors to enjoy snow at a "feels like" temperature of 20ºC. In addition, Vie Show has operated a mall in Xinyi District where its flagship Xinyi Vie Show cinema is located.

Compared with the Group's Hong Kong and Singapore operations which saw mandatory cinemas closures, Vie Show was relatively less affected by COVID-19 during the reporting period. The Group is confident that once blockbuster movies are released, Vie Show's performance will quickly return to normal. The Group remained committed in Vie Show and will continue to develop Vie Show into a leading comprehensive entertainment operator in Taiwan.

Film & TV Programme Distribution and Production

The Group's film library carried perpetual distribution rights for over 140 self-owned titles, which contributed steady licensing income to the Group. One of the Group's key initiatives is to work with external studios for redevelopment of the Group's existing classical Chinese movies intellectual property into online movies.

Riding on the Group's leading position and long tradition in film distribution and production, the Group is one of the largest independent film distributors in Hong Kong, Singapore, and Taiwan. On an aggregated basis the Group's film distribution and production business recorded revenue of HK$16.2 million (30 June 2019: HK$35.3 million), representing a decrease of 54% compared to same period last year which mainly attributable to quarantine measures imposed in multiple areas of operations of the Group which including temporary closure of cinemas to cope with the COVID-19 pandemic at the beginning of 2020s. The distribution revenue was mainly generated by distributing releases such as *A Good Doctor (醫生速遞)* and *Good Newwz (BB駕到)* in Hong Kong. The famous releases outside Hong Kong were *DIGIMON ADVENTURE Last Evolution KIZUNA (數碼寶貝LAST EVOLUTION絆)* and *Enter the Fat Dragon (肥龍過江)* in Taiwan and *Parasite (上流寄生族)* in Singapore.

For the production sector, the Group continued to remain prudent in investment decisions but remained active in seeking opportunities to work with local and overseas studios to produce movies and TV programmes of high quality.

FINANCIAL REVIEW

Profit and Loss

During the period, the Group's performance was severely affected by cinemas closures and the lack of blockbuster movies amidst global COVID-19 pandemics, resulting in 74% reduction in revenue to HK$138.8 million (30 June 2019: HK$534.3 Million). As the Group has increased proportion of royalty income and decreased proportion of film rental cost, gross profit margin improved to 65% from 63% in similar period last year despite the reduction in sales from higher margin concessionaries. Gross profit for the period amounted to HK$90.5 million, compared with HK$334.6 million during similar period last year, representing a drop of 73%.

The Group has focused on cost savings during the reporting period to preserve its long-term competitiveness. Via reduction in marketing expenses, utilities expenses, part-time labour costs, and other non-essential services, the Group has managed to reduce its expenses by HK$77.5 million during the period, representing 26% reduction from same period last year.

Other revenue of HK$54.0 million represents primarily subsidies and rental support from governments and landlords. Interest income during the period reduced to HK$5.8 million from HK$10.9 million in the same period last year in light of the low interest environment amidst quantitative easing measures imposed by various governments.

The Group's finance costs consisted mainly of interest expense on bank loans and interest on lease liabilities. Interest expense on bank loans amounted to HK$17.7 million, compared with HK$21.8 million in similar periods last year, the reduction is primarily due to low interest environment.

The Group's joint venture in Taiwan recorded a net loss during the period, in which the Group's share of loss of the joint venture amounted to HK$33.5 million (30 June 2019: share of profit of HK$13.1 million).

Depreciation expense for the period amounted to HK$97.8 million (30 June 2019: HK$101.2 million). Loss attributable to equity holders was HK$155.4 million, compared with a profit of HK$4.6 million in the corresponding period last year.

FINANCIAL RESOURCES AND LIQUIDITY

Despite the serious economic challenges, the Group's financial position remained healthy with net assets of HK$1,949.0 million as of 30 June 2020.

As of 30 June 2020, the Group has total cash and cash equivalents amounting HK$1,163.6 million (31 December 2019: HK$1,068.3 million). Pledged bank balances were reduced to HK$50.0 million, compared with HK$137.0 million as of 31 December 2019.

The Group's total outstanding bank borrowings amounted to HK$1,251.0 million (31 December 2019: HK$1,057.1 million), translating into a modest net borrowings (defined as total outstanding bank borrowings less cash and bank balances) of HK$37.4 million. The Group's bank borrowings comprised primarily of a 3-year committed loan facility secured by pledged cash, corporate guarantees, equity shares and properties.

The Group's gearing ratio, calculated on the basis of bank borrowings over total assets stood at a healthy level of 28.3% (31 December 2019: 22.4%) and our cash to bank borrowings ratio at 97.0% (31 December 2019: 114.0%). The Group at this moment has reasonable financial leverage. Management viewed the Group's financial position to be in a healthy position providing sufficient liquidity to withstand any challenge posted by COVID-19, while also able to support ongoing cinema projects, as well as potential acquisitions of other regional entertainment companies. 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 United States dollars, Hong Kong dollars, Renminbi and Singapore dollars, except for certain assets and liabilities associated with the investments in Taiwan. The Group's bank borrowings are denominated in Hong Kong dollars and Singapore dollars in line with the Group's main operating currencies. Each of the Group's overseas operations were 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 2020 (31 December 2019: Nil).

OUTLOOK

COVID-19 has posted unprecedented challenges to worldwide economy, and the film and cinema industry has become one of the worst hit segments. Nevertheless, the Group will continue to improve its cost structures so as to strengthen our core competency in each of the operations.

In the PRC, the Group has signed cooperation agreements with local PRC governments in Suzhou and Xian to operate 4 stages and bring in unique live performances that marries advanced stage technology from Europe, local Chinese stories, created by renowned talents from all over the world, dedicated to providing a stunning theatrical experience to local audience. The Group will be responsible for the content creation and operation of the theatres and not be responsible for the capital expenditures in relation to the building of the theatre infrastructure. The unique business model allows the Group to venture into the traditionally asset heavy theatre operations with relatively modest investment.

In Hong Kong, the Group continues to explore opportunities to further expand our cinema network. Riding on the success of alternative contents in previous years, particularly live broadcasting of Japanese and Korean mini-concerts, the Group is exploring possibility to expand into live entertainment businesses locally. 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. Currently, Katong site is under re-development and will bring in the best cinematic experience to patrons upon reopening on second half of 2021. 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. Vie Show looks to continue diversify from the core cinema business and looks to further expand into theme parks and food and beverage business.

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 Group's strong liquidity on hand also allowed us to explore opportunistic acquisitions of fellow regional players, and development of new business in entertainment, technology and lifestyle industries that would create synergies to the Group and add values to the Shareholders.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed 407 (31 December 2019: 484) 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 2020, 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 2020 (30 June 2019: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the period ended 30 June 2020. 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.

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 2020.

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 2020, the Company has complied with the code provisions of CG Code, with the exception of code provisions A.4.1, A.6.7 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 there levant 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.

The code provision A.6.7 of the Corporate Governance Code stipulates that independent non-executive directors and non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Ms. Wong Sze Wing, independent non-executive Director, was unable to attend the annual general meeting of the Company held on 19 June 2020 (the "AGM") due to the implementation of the travel restriction and quarantine requirements among overseas and Hong Kong resulted from the outbreak of COVID-19.

Code provision E.1.2 requires the chairman of the Board to attend the AGM. Mr. Wu Kebo, the Chairman of the Board, was unable to attend the AGM due to other business commitment. Ms. Chow Sau Fong, Fiona, 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 2020.

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 2020 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, 28 August 2020

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

Chairman and Executive Director:
Mr. Wu Kebo

Executive Directors:
Mr. Li Pei Sen
Ms. Chow Sau Fong, Fiona
Ms. Go Misaki
Mr. Peng Bolun

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