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 2021

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

	2021	2020	**Changes**	
	HK$ million	*HK$ million*	***HK$ million***	*%*
The Group				
Revenue	**515**	323	**192**	**60%**
Gross profit	**322**	204	**118**	**58%**
Loss before taxation	**(331)**	(298)	**(33)**	**(11%)**
Loss attributable to equity holders	**(314)**	(288)	**(26)**	**(9%)**
Loss per share	**(11.22) cents**	(10.29) cents		

- Revenue increased by 60% from HK$322.6 million to HK$514.9 million, due to Singapore cinemas reopened for the full year, and Hong Kong cinemas recovered gradually following 11 weeks closure since 2 December 2020, despite partial offset by seat capacity and food and beverage restrictions imposed by local governments as part of the COVID-19 control measures.

- Gross profit increased by 58% from HK$204.1 million to HK$321.6 million along with the increase in revenue.

- Loss attributable to equity holders was HK$314.2 million, increased from loss attributable to equity holders of HK$288.2 million in the corresponding year last year after taking into account of HK$138.3 million non-recurring assets impairment (2020: HK$71.9 million). On a vis-à-vis basis, recurring loss attributable to equity holders reduced by 19% from HK$216.3 million in 2020 to HK$175.9 million in 2021.

- Gearing ratio has improved to 24.4% (31 December 2020: 29.0%).

* *For identification purposes only*

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 consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2021 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 2021

	Note	**2021** **HK$'000**	2020 HK$'000
Revenue	*4*	**514,901**	322,646
Cost of sales		**(193,302)**	(118,554)
Gross profit		**321,599**	204,092
Other revenue		**43,522**	112,013
Other net income		**2,538**	44,855
Selling and distribution costs		**(367,824)**	(378,384)
General and administrative expenses		**(79,776)**	(85,607)
Other operating expenses		**(139,676)**	(77,094)
Valuation loss on investment property		**–**	(6,500)
Loss from operations		**(219,617)**	(186,625)
Finance costs	*6(a)*	**(61,057)**	(72,948)
Share of loss of a joint venture		**(50,684)**	(38,868)
Loss before taxation	*6*	**(331,358)**	(298,441)
Income tax credit	*7*	**16,447**	10,267
Loss for the year		**(314,911)**	(288,174)
Attributable to:			
Equity holders of the Company		**(314,153)**	(288,171)
Non-controlling interests		**(758)**	(3)
Loss for the year		**(314,911)**	(288,174)
Loss per share (HK cent)	*8*		
Basic and diluted		**(11.22)**	(10.29)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 *HK$'000*	2020 *HK$'000*
Loss for the year	**(314,911)**	(288,174)
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	**(27,176)**	5,811
— a joint venture outside Hong Kong	**3,835**	9,165
	(23,341)	14,976
Total comprehensive income for the year	**(338,252)**	(273,198)
Total comprehensive income attributable to:		
Equity holders of the Company	**(337,472)**	(273,160)
Non-controlling interests	**(780)**	(38)
Total comprehensive income for the year	**(338,252)**	(273,198)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Investment property		**–**	14,000
Other property, plant and equipment		**369,873**	327,797
Right-of-use assets		**1,691,267**	1,244,322
		2,061,140	1,586,119
Interest in a joint venture		**56,691**	103,540
Intangible assets		**521,675**	530,756
Goodwill		**573,933**	633,118
Other receivables, deposits and prepayments		**44,413**	37,363
Pledged bank deposits		**50,000**	50,000
		3,307,852	2,940,896
Current assets			
Inventories		**2,877**	3,513
Film rights		**75,498**	46,717
Trade receivables	9	**14,698**	13,358
Other receivables, deposits and prepayments		**103,858**	146,392
Pledged bank deposit		**–**	17,850
Deposits and cash		**695,369**	985,546
Non-current asset held for sale		**160,852**	–
		1,053,152	1,213,376
Current liabilities			
Bank loans		**1,062,128**	148,176
Trade payables	10	**83,812**	53,693
Other payables and accrued charges		**153,214**	122,238
Deferred revenue		**64,053**	48,416
Lease liabilities		**113,468**	100,328
Taxation payable		**922**	9,321
		1,477,597	482,172
Net current (liabilities)/assets		**(424,445)**	731,204

	Note	2021 HK$'000	2020 HK$'000
Total assets less current liabilities		**2,883,407**	3,672,100
Non-current liabilities			
Bank loans		**–**	1,057,943
Lease liabilities		**613,121**	568,563
Deferred revenue		**583,120**	–
Deferred tax liabilities		**142,683**	162,859
		1,338,924	1,789,365
NET ASSETS		**1,544,483**	1,882,735
CAPITAL AND RESERVES			
Share capital		**279,967**	279,967
Reserves		**1,265,893**	1,603,365
Total equity attributable to equity holders of the Company		**1,545,860**	1,883,332
Non-controlling interests		**(1,377)**	(597)
TOTAL EQUITY		**1,544,483**	1,882,735

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF COMPLIANCE

The financial results set out in the announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2021 but are extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the financial statements.

2 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2021 comprise the Group and the Group's interest in a joint venture.

Due to the COVID-19 outbreak, the Group's operations were impacted by the tightened social distancing measures including temporary closure of the Group's cinemas. During the year ended 31 December 2021, the Group incurred a loss for the year of HK$314,911,000.

As at 31 December 2021, the Group had net current liabilities of HK$424,445,000, primarily as a result of bank loans amounting to HK$1,062,128,000 classified as current liabilities, as the Group did not fulfill certain financial covenants under the Group's banking facilities. As at 31 December 2021, the Group had cash and cash equivalents and pledged bank deposits totalling HK$745,369,000 which are insufficient to fully repay those bank loans if the lenders exercise the repayable on demand clause unless the Group is able to generate sufficient net cash inflows from its operations and/or other sources.

These facts and circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors have been taking various actions to improve the Group's operating cash flows, which include:

— implementing various strategies to improve the Group's exhibition, distribution and production income to generate additional operating cash inflows;

— the Group has obtained commitment letters from certain existing banks lenders and is in the process to enter into a facility agreement for a term loan of HK$573,000,000 to early refinance the existing banking facility; and

— disposal of the Group's properties, including entering into a sale and purchase agreement in relation to the disposal of its Hong Kong office property for a consideration of HK$225,000,000 with completion scheduled on or before 29 April 2022.

Based on the directors' intentions and the cash flow forecast, assuming the success of the above measures, the directors are of the opinion that the Group is able to meet its financial obligations as and when they fall due. Accordingly, it is appropriate to prepare the Group's financial statements for the year ended 31 December 2021 on a going concern basis. Should the Group not be able to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these financial statements.

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 consolidated financial statements.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

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 year. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. Accordingly, these rent concessions are now accounted for as negative variable lease payments, and are 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 2021.

4 REVENUE

Revenue, which is from contracts within the scope of HKFRS 15, represents income from the sale of film, video and television rights, film and television drama distribution, theatre operation, promotion and advertising services, agency and consultancy services, sale of audio visual products, membership fees and food and beverage sales.

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

5 SEGMENT REPORTING

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

— Hong Kong

— Mainland China

— Singapore

— Taiwan

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

Each of the above reportable segments primarily 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 loss after taxation, management is provided with segment information concerning revenue.

Management evaluates performance primarily based on operating loss including the share of results 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:

	Hong Kong		Mainland China		Singapore		Taiwan		Consolidated	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Revenue										
— Exhibition	**132,397**	64,915	**–**	–	**398,708**	309,359	**277,664**	279,285	**808,796**	653,559
— Distribution and production	**6,199**	9,827	**3,171**	201	**31,680**	32,751	**3,933**	7,713	**44,983**	50,492
— Club House	**–**	–	**1,485**	12,907	**–**	–	**–**	–	**1,485**	12,907
— Corporate	**1,600**	2,437	**–**	–	**–**	–	**–**	–	**1,600**	2,437
Reportable segment revenue	**140,196**	77,179	**4,656**	13,108	**430,388**	342,110	**281,597**	286,998	**856,837**	719,395
Reportable segment loss after taxation	**(34,561)**	(68,331)	**(18,217)**	(38,937)	**(10,160)**	(26,220)	**(39,543)**	(18,605)	**(102,481)**	(152,093)
Reconciliation — Revenue										
Reportable segment revenue									**856,837**	719,395
Share of revenue from a joint venture in Taiwan									**(281,597)**	(286,998)
Elimination of intra-segmental revenue									**(19,823)**	(18,005)
Others									**(40,516)**	(91,746)
Consolidated revenue									**514,901**	322,646
Reconciliation — Loss before taxation										
Reportable loss after taxation from external customers									**(102,481)**	(152,093)
Unallocated operating expenses, net									**(211,672)**	(136,078)
Non-controlling interests									**(758)**	(3)
Income tax credit									**(16,447)**	(10,267)
Consolidated loss before tax									**(331,358)**	(298,441)

6 LOSS BEFORE TAXATION

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

	2021	2020
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank loans	**18,721**	30,547
Interest on lease liabilities	**25,439**	33,173
Other ancillary borrowing costs	**18,383**	9,686
Total finance costs on financial liabilities not at fair value through profit or loss	**62,543**	73,406
Less: finance cost capitalised into construction in progress*	**(1,486)**	(458)
	61,057	72,948

* *The finance costs have been capitalised at rates ranging from 1.75% to 1.83% (ranging from 1.76% to 4.69% per annum for the year ended 31 December 2020) per annum for the year ended 31 December 2021.*

(b) Staff costs (excluding directors' emoluments)

	2021	2020
	HK$'000	*HK$'000*
Salaries, wages and other benefits *(note (i))*	**82,029**	95,633
Contributions to defined contribution retirement plans	**7,191**	7,727
	89,220	103,360

(c) Other items

	2021	2020
Cost of inventories	**22,224**	16,185
Cost of services provided	**170,412**	100,558
Depreciation charge		
— owned property, plant and equipment	**48,437**	59,468
— right-of-use assets	**116,928**	136,384
Amortisation of intangible assets	**1,481**	1,481
Amortisation of film rights *(note (ii))*	**666**	1,811
Auditors' remuneration	**3,198**	2,978
(Gain)/loss on disposals of property, plant and equipment	**(203)**	831
Impairment losses on non-financial assets		
— cinema-related assets	**85,567**	26,394
— club house assets	**–**	7,493
— goodwill	**49,239**	37,416
— film rights	**3,468**	593
Exchange loss, net	**(2,335)**	(45,686)
Interest income from bank deposits	**(5,241)**	(9,030)

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:

	2021	2020
	HK$'000	*HK$'000*
Current income tax		
Provision for Hong Kong tax	**–**	–
Provision for overseas tax	**824**	1,322
Under/(over) provision in respect of prior years	**350**	(185)
	1,174	1,137
Deferred tax — overseas		
Origination and reversal of temporary differences	**(17,621)**	(11,404)
Actual tax credit	**(16,447)**	(10,267)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group sustained a loss for Hong Kong Profits Tax for both years.

No provision for Mainland China Corporate Income Tax has been made in the consolidated financial statements as the Group sustained a loss for Mainland China Corporate Income Tax for both years.

The provision for Singapore Corporate Income Tax of the subsidiaries established in Singapore is calculated at 17% (2020: 17%) of the estimated taxable profits for the year.

During the year ended 31 December 2021, the Group reversed HK$5,272,000 (2020: HK$2,447,000) 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$314,153,000 (2020: HK$288,171,000) and the weighted average number of ordinary shares of 2,799,669,050 (2020: 2,799,669,050 shares) in issue during the year, calculated as follows:

	2021 Number of shares	2020 Number of shares
Issued ordinary share and weighted average number of ordinary shares as at 31 December	**2,799,669,050**	2,799,669,050

(b) Diluted loss per share

The Company does not have any dilutive potential ordinary shares at 31 December 2021 and 2020. Diluted loss per share for the years ended 31 December 2021 and 2020 is the same as the basic 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:

	2021 ***HK$'000***	2020 *HK$'000*
Within 1 month	**11,019**	7,123
Over 1 month but within 2 months	**1,282**	1,454
Over 2 months but within 3 months	**488**	1,662
Over 3 months	**1,909**	3,119
	14,698	13,358

10 TRADE PAYABLES

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

	2021	2020
	HK$'000	*HK$'000*
Within 3 months	**72,429**	40,463
4 to 6 months	**287**	1,479
7 to 12 months	**307**	212
Over 1 year	**10,789**	11,539
	83,812	53,693

11 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 fifth of COVID-19 outbreak in Hong Kong since January 2022, the government has tightened the social distancing measures including temporary closure of all cinemas in Hong Kong starting from 7 January 2022 until 20 April 2022.

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.

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

2021 remains a challenging year for the Group with worldwide cinema industry continued to be plagued by frequent closures to cope with COVID-19, leading to direct loss of box office revenue. In particular, the Group's cinema operations in Hong Kong and Taiwan have been closed for 7 weeks and 8 weeks respectively by government lockdown orders during the year. While Singapore cinemas remained opened throughout the year, the region's cinemas are affected severely by tightening measures imposed by the government including seat capacity restrictions, controlled food and beverage consumptions inside cinema halls, as well as delay for blockbusters releases.

Despite the difficult operating environment, the Group firmly believes that challenges are short term and that the cinema industry worldwide will revitalise as COVID-19 situation gradually alleviates as proven by the strong results posed by worldwide cinemas during Christmas 2021. As such, the Group remains committed to expand its market share in its existing geographies of operation, whereby the Group opened 5 cinemas with 29 screens during the year across Hong Kong, Singapore, and Taiwan, further its cost benefits from economies of scale. The Group expects to continue new cinema opening across Hong Kong, Singapore and Taiwan over the course of 2022 and 2023. In the meantime, the Group will expand cinemas from single use of movie viewing to become an integrated entertainment hub featuring other lifestyle offerings such as live music, esports, collectibles, and food and beverages.

In the PRC, the Group's new venture into the country's blooming live entertainment industry is close to fruition with the first 360 theatre featuring our self-developed IP expected to stage in the 2nd quarter of 2022 in Suzhou with the next three 360 theatres gradually opening over the course of 2022 and 2023. The Group will continue further expansion in this industry by working with the PRC government and other real estate companies to operate theatres and other live entertainment venues. We believe our efforts will position the Group for rapid recovery once COVID-19 alleviates.

Film Exhibition

The Group's film exhibition business remained the key revenue driver accounting for 94% of the Group's total revenue. During the year, the Group's Singapore Golden Village Cinemas and Taiwan Vie Show Cinemas remained as the undisputed market leader locally with 48% and 41% respective share in local box office during the year.

Full year exhibition revenue has improved by 24% to HK$808.8 million in 2021. The increase is primarily due to 17% increase in total admissions from 11.0 million in 2020 to 12.9 million in 2021 as the Group's cinemas in Singapore opened for the full 52 weeks without disruption (2020: temporary closure of 16 weeks), partially mitigated by closure in Hong Kong and Taiwan for 7 weeks and 8 weeks respectively. During the year, average ticket price for the three regions increased by 7% from HK$63.4 to HK$68.1, and to certain extent made up for the loss in admissions from the temporary closure.

As of 31 December 2021, the Group operated a network of 40 cinemas and 322 screens across the region. During the year, the Group opened 3 new cinemas with 13 screens in Hong Kong, 1 new cinema with 10 screens in Taiwan and 1 new cinema with 8 screens in Singapore. In particular, the Group's newly opened Katong cinema in Singapore is the first "new cinema" concept of the Group, featuring 8 flexible exhibition halls that can host live concerts, a foyer area that combines the aesthetics and practical uses of an art gallery, as well as a movie themed Gold Class bar and lounge that intends to provide the best immersive dining experience to patrons. The Group expects to gradually convert its other cinemas into similar entertainment centers.

Operating Statistics of the Group's Cinemas
(For the year ended 31 December 2021)

	Hong Kong	**Singapore**	**Taiwan**
Number of cinemas*	10	14	16
Number of screens*	37	112	173
Admissions *(million)*	1.6	3.7	7.7
Net average ticket price *(HK$)*	69	65	69

* at 31 December 2021

Hong Kong

Operating Statistics of the Group's Cinemas in Hong Kong
(For the year ended 31 December 2021)

	2021	2020
Number of cinemas*	**10**	7
Number of screens*	**37**	24
Admissions *(million)*	**1.6**	0.5
Net average ticket price *(HK$)*	**69**	72
Box office receipts *(HK$ million)*	**112**	36

* at 31 December 2021

Hong Kong is the home market for the Group and the Hong Kong exhibition business has been the core of home business. Riding on the ample liquidity of the Group, improving consumer confidence amidst COVID-19 alleviation, the Group has opened 3 new cinemas in Hong Kong with a total of 13 screens during the year. Our Hong Kong operations operated 10 cinemas and 37 screens in the city as of the year end, up significantly from 7 cinemas and 24 screens as of 31 December 2020.

All Hong Kong cinemas have been put under mandatory closure from 2 December 2020 to 17 February 2021 for a total of 7 weeks during the year. With Hong Kong COVID-19 situation alleviated considerably after the reopening, Hong Kong business has been picking up, resulting in an improvement in admissions from 0.5 million in 2020 to 1.6 million in 2021. Resulting from higher admissions, box office receipts increased by 208% to HK$111.7 million in the year from HK$36.3 million in the previous year, making up for the slightly lower average ticket price at HK$69.2 (2020: HK$71.9).

Nevertheless, since Hong Kong operations have been negatively affected by social distancing measures such as separation of cinema patrons, seat capacity restrictions and no food and beverages inside exhibition halls, Hong Kong operations recorded a segmental loss of HK$34.6 million in 2021. This however represents material improvement over the operating loss of HK$68.3 million in 2020.

Singapore

Operating Statistics of the Group's Cinemas in Singapore
(For the year ended 31 December 2021)

	2021	2020
Number of cinemas*	**14**	13
Number of screens*	**112**	104
Admissions *(million)*	**3.7**	2.6
Net average ticket price *(S$)*	**11.2**	10.7
Net box office receipts *(S$ million)*	**41**	27

* at 31 December 2021

Singapore has been the main revenue contributor to the Group, attributing to 50% and 48% of the Group's total revenue in the year end of 2021 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 14 cinemas and 112 screens, attributing to 38% of total installed screens in the country, but represent 48% of the country's box office over the year. The high market share has shown Golden Village's market leadership in local film exhibition market.

During 2021, Golden Village reported net box office receipts of S$41.0 million (2020: S$27.4 million), representing a 50% increase in net box office receipts compared with the same period last year. The improvement arises primarily because Singapore cinemas are allowed to open without mandatory closures during the year which resulted in 42% increase in admissions to 3.7 million (2020: 2.6 million), partially mitigated by the surge of Omicron cases which affected consumer confidence, seat capacity restrictions, food and beverage restrictions, and delayed blockbusters during the year.

Golden Village has strived to open up new initiatives to adapt to consumers' quickly changing taste amidst COVID. For example, the higher demand for space and privacy has driven Golden Village to focus on sales of blockbuster movie tickets and dinner combos; Golden Village has increased live concerts streaming and special movie screening frequencies to compensate for the delay in blockbuster releases; Golden Village has also started sales of movie vouchers, and partnership with landlords, e-commerce websites, to maximise our merchandise sales income as much as possible. With the above initiatives, there has been a material improvement in net average ticket price by 5% to S$11.2 in 2021 from S$10.7 in 2020. In the meantime, Golden Village continued to source quality independent movies for distributions in Singapore to position the chain for exclusive screenings.

Golden Village is a household name in Singapore with a considerable larger scale of operations compared with local competitors. We remain confident in Golden Village business prospects, and will continue to expand Golden Village market leadership in Singapore going forward. Golden Village is expected to open a new 8 halls cinema in a prime location in Singapore in the second half of 2022 and continue to look for other new expansion opportunities.

Taiwan

Operating Statistics of the Group's Cinemas in Taiwan
(For the year ended 31 December 2021)

	2021	2020
Number of cinemas*	**16**	15
Number of screens*	**173**	165
Admissions *(million)*	**7.7**	7.9
Net average ticket price *(NTD)*	**248**	246
Net box office receipts *(NTD billion)*	**1.9**	1.9

* at 31 December 2021

The Group's 35.71% owned Vie Show Cinemas is the largest cinema chain in Taiwan operating a total of 16 cinemas, comprising of 173 screens as of 31 December 2021, with a leading market share of 41%.

Vie Show's 2021 net box office amounted to NTD1.90 billion, representing a slight 2% decrease from NTD1.94 billion recorded last year. The slight decrease is due to worsening of COVID-19 situation in Taiwan in May 2021, whereby all Taiwanese cinemas were forced to close for 8 weeks from 19 May 2021 to 12 July 2021, partially mitigated by good performance recorded in the first four months of the year brought by a good mix of Hollywood blockbusters against successful pandemic control.

The Group is confident that once Taiwan COVID-19 situation alleviates and blockbuster movies are gradually 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. In particular, Vie Show has already committed to open 4 new cinemas with 57 screens in Taipei, Taichung, and Kaoshiong over 2022 to 2023, which will further increase Vie Show market shares locally in Taiwan.

In line with the Group's comprehensive entertainment hub strategy, Vie Show has been focusing on expansion into related areas. Vie Show operates a chain of "UNICORN" brand handmade popcorn and a Japanese fried chicken chain "TORIKAI" in its cinema network. Vie Show also operates a 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. Vie Show also operates a mall in Taipei Xinyi District where its flagship Xinyi Vie Show cinema is located. Vie Show will continue to diversify into food and beverages, theme park, and shopping mall operations going forward, in which Vie Show is in final negotiation to operate a new shopping mall in Taipei.

Vie Show realises the importance of securing exclusive quality contents for its cinemas. To mitigate the lack of blockbusters during 2020 and 2021 amidst COVID and to fully leverage on the market leadership in cinema operations locally, Vie Show has incorporated a new film production and film distribution associate with the Taiwan Ministry of Culture and other leading cinema chains in Taiwan in 2020. This entity has started to invest in film productions across Greater China in 2022.

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 films, live entertainments, film derivative, and Non-fungible Token digital arts.

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$45.0 million (2020: HK$50.5 million), representing a slight decrease compared with 2020. Key movies distributed by the Group included *Shock Wave 2 (拆彈專家 2)* in Hong Kong and Singapore, *GATAO — The Last Stray (角頭 — 浪流連)* in Taiwan and *Long Long Time Ago: The Diam Diam Era (我們的故事3：沉默的年代)* 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

The Group's consolidated revenue increased by 60% to HK$514.9 million (2020: HK$322.6 million) as the Group's cinemas opening period increased during the year, together with gradual release in Hollywood blockbusters. Of particular note the Group's revenue in the second half of 2021 amounted to HK$324.8 million, representing 71% increase over the first half revenue of HK$190.1 million, proving that cinemas in the regions will promptly recover as COVID alleviates, government restrictions eases, and Hollywood blockbuster returns.

As the Group's revenue increase arises primarily by box office income growth, and the higher margin food and beverage businesses are restricted by various local government COVID-19 restrictions, the Group's gross profit margin remained compressed at 62% (2020: 63%). Along with the rise in total revenue, gross profit for the year amounted to HK$321.6 million, representing 58% increase compared with HK$204.1 million recorded last year.

Other revenue of HK$43.5 million represents primarily subsidies and rental support from governments and landlords received during the year. Given COVID situation alleviated in Singapore and Hong Kong during 2021, the various support obtained has reduced significantly from HK$77.7 million to HK$31.0 million. Interest income during the year reduced to HK$5.2 million from HK$9.0 million in last year in light of the low interest environment.

The Group has focused on cost savings during the year 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 selling and distribution costs by HK$10.6 million during the year. Management deemed the costs savings initiatives successful considering the Group managed to increase turnover materially by HK$192.3 million amidst a lower operating costs during the year.

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$18.7 million, compared with HK$30.5 million in last year, the reduction is primarily due to gradual principal amortisation and low interest environment during COVID-19.

The Group's joint venture in Taiwan recorded a net loss during the year, in which the Group's share of loss amounted to HK$50.7 million (2020: HK$38.9 million). The higher net loss recorded in 2021 is primarily due to Taiwan's worsening COVID situation which led to forced closure of all cinemas for 8 weeks during the year.

Depreciation expense for the year amounted to HK$165.4 million (2020: HK$195.9 million), lower than 2020 given the Group has made impairment on part of the cinema assets in the previous year.

The Group has incurred total one-off expenses of HK$150.3 million in 2021 (2020: HK$72.1 million) consisted primarily of assets impairment amounted to HK$138.3 million (2020: HK$71.9 million) and cinema opening expense of HK$12.0 million (2020: HK$0.2 million).

As a result, loss attributable to equity holders amounted to HK$314.2 million, compared with a loss of HK$288.2 million in 2020. Taking out of account non-recurring assets impairment, the Group's loss attributable to equity holders was HK$175.9 million, an improvement compared with a loss of HK$216.3 million same period last year.

FINANCIAL RESOURCES AND LIQUIDITY

Despite the serious economic challenges, the Group's financial position remained healthy with net assets of HK$1,544.5 million as of 31 December 2021.

As of 31 December 2021, the Group has total cash and bank balances amounted to HK$745.4 million (2020: HK$1,053.4 million), within which pledged bank balances amounted to HK$50.0 million (2020: HK$67.9 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 total outstanding bank borrowings amounted to HK$1,062.1 million as of 31 December 2021 (2020: HK$1,206.1 million), translating into a modest net borrowings (defined as total outstanding bank borrowings less cash and bank balances) of HK$316.8 million (2020: HK$152.7 million).

The Group's gearing ratio, calculated on the basis of bank borrowings over total assets stood at a healthy level of 24.4% (2020: 29.0%). Net gearing ratio calculated on the basis of net borrowings over total assets stood at a healthy level of 7.3% (2020: 3.7%) and our cash to bank borrowings ratio at 70.2% (2020: 87.3%). The Group at this moment has a conservative financial leverage.

The Group has entered into a sales and purchase agreement in relation to disposal of its Hong Kong office property located at 24/F, Capital Center, 151 Gloucester Road, Wan Chai for total consideration of HK$225 million. The Group will apply net proceeds from the property disposal after deducting transaction costs for partial repayment of its bank borrowings, further reducing the Group's financial leverage.

In light of the potential challenge posted by COVID-19 and in support of ongoing cinema projects, the Group has obtained commitment letters from certain existing banks lenders and is in the process to enter into a facility agreement for a term loan of HK$573 million to early refinance the existing banking facility.

The Group believes that its current cash holding and available financial facilities will provide sufficient resources for its working capital requirements and ongoing capital expenditure needs. Management trust that the Group's financial position is healthy and will further improve upon completion of the Hong Kong office property disposal and loan refinancing mentioned above.

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 Group 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 2021 (2020: Nil).

OUTLOOK

COVID-19 has been an unprecedented challenge to the worldwide economy since 2020, and particularly the film and cinema industry has been one of the worst hit segments. As shown in the strong performance recovery recorded in the second half of 2021, the Group is confident that cinemas will remain a vital form of entertainment worldwide once COVID-19 restrictions alleviate and blockbuster movie returns. However, in order for the industry to revitalize, it is imperative that local governments and landlords continue to provide financial support and allows cinema to operate without any seat or food and beverage restrictions as soon as possible.

The Group is confident that cinemas will remain a key form of entertainment in the future. In particular, the Group trusts that as online shopping gradually takes over in-person shopping during COVID, shopping malls will need to increase their focus on experiential retail and entertainment to attract traffic, implying that cinemas which are essentially the core immersive entertainment venues in most shopping malls will once again be the center of focus. As such, the Group is determined to develop cinemas into integrated lifestyle hubs featuring pop culture merchandise, food and beverage, and live event organising to increase overall profitability.

In Hong Kong, the Group looks to further expand our cinema network when suitable opportunities arise. Riding on the Group's sufficient liquidity, the Group look to acquire existing sites from other operators as their tenancy expires and convert existing large cinemas into integrated entertainment centers. The Group will gradually increase frequency of live Japanese and Korean mini-concerts live broadcasting to maximize average ticket price. At the same time, the Group will continue to look for investment opportunities in quality film distribution projects in the territory. The Group is of the view that upon relaxation of COVID-19 containment measures and releases of Hollywood blockbusters, Hong Kong cinema admissions will rebound.

In Singapore, the Group will continue to grow by actively pursuing suitable cinema sites. The Group has expected to open a new 8 screen cinema in Singapore in the second half of 2022 and will continue to look for other expansion opportunities. With the opening of Golden Village Katong, the Group has opened its first "new cinema" integrated entertainment hub concept in the country, which recorded high admission since opening in December 2021. The Group is dedicated to maintain high quality services and will gradually convert its existing cinemas into integrated lifestyle hubs and introduce creative product offerings such as toys merchandise to its customers.

In Taiwan, Vie Show will continue to expand its cinema network and already committed to opening of 4 new cinemas and a shopping mall in 2022 and 2023. Vie Show remains interested to further increase its market leadership by opening large cinemas across Taiwan. Supplemented by diversification into film productions and distributions, as well as theme park operations, shopping mall operations, and food and beverage businesses, Vie Show performance is expected to rebound rapidly in the near future.

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 is 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. The first theatre is expected to enter operations in Suzhou in the 2nd quarter of 2022, with the remaining theatres to open gradually in the second half of 2022 to 2023. The Group is in active discussion with various local PRC governments and real estate developers to further its penetration in live entertainment industry by operating their theatres and live entertainment locations.

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 31 December 2021, the Group employed 338 (2020: 318) 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 31 December 2021, there was no forfeited contribution 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 2021 (31 December 2020: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the period ended 31 December 2021. 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 year ended 31 December 2021.

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 year ended 31 December 2021, 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 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.

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 18 June 2021 (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 year ended 31 December 2021.

SCOPE OF WORK OF KPMG

The financial figures in respect of Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2021 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.

EXTRACT OF DRAFT INDEPENDENT AUDITOR'S REPORT

As disclosed in Note 2 to the consolidated financial statements reported in this announcement, as at 31 December 2021, the Group had net current liabilities of HK$424,445,000, primarily as a result of bank loans amounting to HK$1,062,128,000 classified as current liabilities, as the Group did not fulfill certain financial covenants under the Group's banking facilities. As at 31 December 2021, the Group had cash and cash equivalents and pledged bank deposits totalling HK$745,369,000 which is insufficient to fully repay those bank loans if the lenders exercise the repayable on demand clause. This indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As at the date of this announcement, the Group has obtained commitment letters from certain existing banks lenders and is in the process to enter into a facility agreement for a term loan of HK$573,000,000 to early refinance the existing banking facility. The Company's auditor has indicated to the Company that, if the facility agreement cannot be signed before the date of approval of the Group's statutory financial statements, and if the conditions at that time continue to indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, then it expects to draw attention to this matter in the auditor's report in the form set out below:

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2(b) to the consolidated financial statements which describes that the Group incurred a loss for the year of HK$314,911,000 and the Group has current bank loans amounting to HK$1,062,128,000 and that the Group's ability to meet these liquidity requirements depends on its ability to generate sufficient net cash inflows from future operations and/or other sources. As stated in note 2(b), these facts and circumstances, along with other matters set forth in note 2(b), indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

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 2021 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, 29 March 2022

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