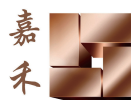


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Golden Harvest

ORANGE SKY GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

橙天嘉禾娛樂(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

HIGHLIGHTS

	2022 <i>HK\$ million</i>	2021 <i>HK\$ million</i>	Changes <i>HK\$ million</i>	%
The Group				
Revenue	328	190	138	73%
Gross profit	209	116	93	80%
Loss before taxation	(10)	(185)	175	(95%)
Loss attributable to equity holders	(11)	(180)	169	(94%)
Loss per share	(0.39) cents	(6.41) cents		

- Revenue increased by 73% from HK\$190.1 million to HK\$328.2 million resulted from the relaxation in social distancing measures from April 2022 in Hong Kong and Singapore.
- Gross profit increased by 80% from HK\$116.3 million to HK\$209.3 million along with the increase in revenue. Gross profit margin has been increased from 61% to 64%.
- Loss attributable to equity holders was HK\$10.9 million, significantly decreased from loss attributable to equity holders of HK\$179.5 million in the corresponding period last year. The reduction in loss was mainly due to (i) significant increase of the Group's consolidated revenue by 73% resulted from the relaxation in social distancing measures from April 2022 in Hong Kong and Singapore; (ii) net gain on disposal of the Group's Hong Kong office property of HK\$56.5 million during the first half of 2022; and (iii) reduction of impairment loss on assets of HK\$54.7 million during the six months ended 30 June 2022 compared with the same period last year.
- Gearing ratio remained stable at 19.4% (31 December 2021: 24.4%).

* 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 2022 together with the comparative figures for the preceding six months ended 30 June 2021. The consolidated results have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2021 HK\$'000 (Unaudited)
Revenue	3	328,165	190,062
Cost of sales		<u>(118,878)</u>	<u>(73,730)</u>
Gross profit		209,287	116,332
Other revenue		24,042	26,141
Other net income/(loss)		35,493	(917)
Selling and distribution costs		(199,705)	(174,569)
General and administrative expenses		(38,204)	(39,884)
Other operating expenses		(751)	(55,353)
Profit/(loss) from operations		30,162	(128,250)
Finance costs	5(a)	(22,551)	(27,565)
Share of loss of a joint venture		(17,562)	(29,377)
Loss before taxation	5	(9,951)	(185,192)
Income tax (expense)/credit	6	(903)	5,664
Loss for the period		<u>(10,854)</u>	<u>(179,528)</u>
Attributable to:			
Equity holders of the Company		(10,854)	(179,528)
Non-controlling interests		—	—
		<u>(10,854)</u>	<u>(179,528)</u>
Loss per share (HK cent)	7		
Basic and diluted		<u>(0.39)</u>	<u>(6.41)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2021 HK\$'000 (Unaudited)
Loss for the period	(10,854)	(179,528)
Other comprehensive income for the period		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
— subsidiaries outside Hong Kong	(21,179)	(24,144)
— a joint venture outside Hong Kong	(3,545)	3,836
	<u>(24,724)</u>	<u>(20,308)</u>
Total comprehensive income for the period	<u>(35,578)</u>	<u>(199,836)</u>
Total comprehensive income attributable to:		
Equity holders of the Company	(35,635)	(199,831)
Non-controlling interests	57	(5)
Total comprehensive income for the period	<u>(35,578)</u>	<u>(199,836)</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Non-current assets			
Right-of-use assets		1,593,849	1,691,267
Other property, plant and equipment		373,504	369,873
		1,967,353	2,061,140
Interest in a joint venture		44,086	56,691
Other receivables, deposits and prepayments		44,435	44,413
Intangible assets		511,054	521,675
Goodwill		561,002	573,933
Pledged bank deposits		–	50,000
		3,127,930	3,307,852
Current assets			
Inventories		3,592	2,877
Film rights		89,135	75,498
Trade receivables	8	18,585	14,698
Other receivables, deposits and prepayments		70,444	103,858
Pledged bank deposits		50,000	–
Deposits and cash		574,451	695,369
Non-current assets classified as held for sale		–	160,852
		806,207	1,053,152
Current liabilities			
Bank loans		764,911	1,062,128
Trade payables	9	72,074	83,812
Other payables and accrued charges		139,863	153,214
Deferred income		70,178	64,053
Lease liabilities		128,577	113,468
Taxation payable		2,417	922
		1,178,020	1,477,597
Net current liabilities		(371,813)	(424,445)
Total assets less current liabilities		2,756,117	2,883,407

	<i>Note</i>	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities		549,679	613,121
Deferred income		559,221	583,120
Deferred tax liabilities		138,312	142,683
		<u>1,247,212</u>	<u>1,338,924</u>
NET ASSETS		<u>1,508,905</u>	<u>1,544,483</u>
CAPITAL AND RESERVES			
Share capital		279,967	279,967
Reserves		<u>1,230,258</u>	<u>1,265,893</u>
Total equity attributable to equity holders of the Company		1,510,225	1,545,860
Non-controlling interests		<u>(1,320)</u>	<u>(1,377)</u>
TOTAL EQUITY		<u>1,508,905</u>	<u>1,544,483</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

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 2022 but are extracted from that interim report.

The interim financial information has 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 29 August 2022.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements as set out in note 2.

The preparation of the interim financial information 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 information contains condensed consolidated financial information 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 2021 annual financial statements. The condensed consolidated interim financial information 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 information is unaudited, but has 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 2022, the Group had net current liabilities of HK\$371,813,000, primarily as a result of bank loans amounting to HK\$764,911,000 classified as current liabilities. The Group also did not fulfill certain financial covenants under the Group's banking facilities. As at 30 June 2022, the Group had cash and cash equivalents and pledged bank deposits totalling HK\$624,451,000 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 the following:

- the Group is implementing various strategies to improve the Group's exhibition, distribution and production income to generate additional operating cash inflows; and
- 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 approximately HK\$570,000,000 to early refinance the existing banking facility.

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 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 the interim financial information.

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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 HKFRS is discussed below:

Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

3 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, film royalty, sale of audio visual products, 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.

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 results are adjusted operating results 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 results after taxation, the Group's results are 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 results after taxation, management is provided with segment information concerning revenue.

Management evaluates performance primarily based on operating results 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:

	Six months ended 30 June (unaudited)									
	Hong Kong		Mainland China		Singapore		Taiwan		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Revenue										
— Exhibition	63,460	39,693	-	-	281,887	159,372	159,363	126,298	504,710	325,363
— Distribution and production	2,345	2,045	78	-	11,563	24,556	412	2,401	14,398	29,002
— Club House	-	-	-	1,473	-	-	-	-	-	1,473
— Corporate	985	1,132	31	-	-	-	-	-	1,016	1,132
Reportable segment revenue	<u>66,790</u>	<u>42,870</u>	<u>109</u>	<u>1,473</u>	<u>293,450</u>	<u>183,928</u>	<u>159,775</u>	<u>128,699</u>	<u>520,124</u>	<u>356,970</u>
Reportable segment profit/(loss) after taxation	<u>(15,269)</u>	<u>(26,839)</u>	<u>(4,895)</u>	<u>(12,890)</u>	<u>16,675</u>	<u>(33,008)</u>	<u>(13,273)</u>	<u>(23,543)</u>	<u>(16,762)</u>	<u>(96,280)</u>
Reconciliation — Revenue										
Reportable segment revenue									520,124	356,970
Share of revenue from a joint venture in Taiwan									(159,775)	(128,699)
Elimination of intra-segmental revenue									(8,574)	(14,460)
Others									<u>(23,610)</u>	<u>(23,749)</u>
Consolidated revenue									<u>328,165</u>	<u>190,062</u>
Reconciliation — Loss before taxation										
Reportable loss after taxation from external customers									(16,762)	(96,280)
Unallocated operating gain/(expenses), net									5,908	(83,248)
Non-controlling interests									-	-
Income tax expense/(credit)									<u>903</u>	<u>(5,664)</u>
Consolidated loss before taxation									<u>(9,951)</u>	<u>(185,192)</u>

5 LOSS BEFORE TAXATION

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

	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2021 HK\$'000 (Unaudited)
(a) Finance costs		
Interest on bank loans	8,581	9,720
Interest on lease liabilities	12,311	12,364
Other ancillary borrowing costs	3,323	5,947
	<hr/>	<hr/>
Total finance costs on financial liabilities not at fair value through profit or loss	24,215	28,031
Less: finance cost capitalised into construction in progress*	(1,664)	(466)
	<hr/>	<hr/>
	22,551	27,565
	<hr/> <hr/>	<hr/> <hr/>

* The finance costs have been capitalised at rates ranging from 1.81% to 1.96% (ranging from 1.73% to 1.83% per annum for the six months ended 30 June 2021) per annum for the six months ended 30 June 2022.

(b) Other items

Cost of inventories	17,127	9,111
Cost of services provided	101,454	64,273
Depreciation charge		
— owned property, plant and equipment	21,922	24,094
— right-of-use assets	57,274	54,948
Amortisation of film rights	297	346
Loss/(gain) on disposals of property, plant and equipment	10	(203)
Impairment losses on non-financial assets		
— cinema-related assets	—	5,453
— goodwill	—	49,239
Exchange loss, net	21,056	1,120
Interest income from bank deposits	(2,074)	(1,892)
Gain on disposal of non-current asset held for sale*	56,549	—
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

* On 7 December 2021, the Group entered into the sale and purchase agreement with an independent third party to dispose of its Hong Kong office property (the “Property”) for total consideration of HK\$225,000,000, with completion scheduled on or before 29 April 2022. Accordingly, the Property has been reclassified as a non-current asset held for sale as at 31 December 2021. The transaction was completed on 29 April 2022 and a gain on disposal of HK\$56,549,000 was recognised during the period.

6 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Six months ended 30 June 2021 HK\$'000 (Unaudited)
<i>Current income tax</i>		
Provision for Hong Kong tax	–	–
Provision for overseas tax	2,106	479
Under-provision in respect of prior periods	–	414
	2,106	893
<i>Deferred tax — overseas</i>		
Origination and reversal of temporary differences	(1,203)	(6,557)
Actual tax expense/(credit)	903	(5,664)

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

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 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\$10,854,000 (six months ended 30 June 2021: loss of HK\$179,528,000) and the weighted average number of ordinary shares of 2,799,669,050 (2021: 2,799,669,050 shares) in issue during the period.

Weighted average number of ordinary shares (basic)

	2022 Number of shares (Unaudited)	2021 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 per share

The Company does not have any dilutive potential ordinary shares at 30 June 2021 and 2022. Diluted loss per share for the six months ended 30 June 2021 and 2022 is the same as the basic loss 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 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Within 1 month	15,814	11,019
Over 1 month but within 2 months	981	1,282
Over 2 months but within 3 months	341	488
Over 3 months	1,449	1,909
	18,585	14,698

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 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Within 3 months	61,043	72,429
4 to 6 months	212	287
7 to 12 months	18	307
Over 1 year	10,801	10,789
	72,074	83,812

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 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 the Chinese language film industry.

The Group remained confident that COVID challenges are short-term and that the cinema industry worldwide will revitalise as COVID situation gradually alleviates. The first half of 2022 was challenging for the Group with Hong Kong cinemas put under mandatory closure for 15 weeks from 7 January 2022 to 20 April 2022 to cope with COVID-19, leading to direct loss of revenue. Yet, the Group's Singapore operations had shown strong rebound along with relaxation of control measures locally from April 2022 onwards. The Group expects to continue new cinema opening across Hong Kong, Singapore, and Taiwan and has planned to open 5 new cinemas across the regions over the next 2 years. At the same time, 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, e-sports, 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. The first 360 theatre featuring our self-developed musical title is expected to stage in the second half of 2022 in Suzhou, and three other 360 theatres will gradually open over the course of 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 locally.

Film Exhibition

The Group maintained its network of 40 cinemas and 322 screens across Hong Kong, Singapore and Taiwan as of 30 June 2022. The Group's film exhibition business remained as the undisputed market leader in Singapore and Taiwan with 50% and 44% respective share in local box office during the period.

The Group's business is benefited from the strong recovery of Singapore cinema operations, partially set-off by 15 weeks of mandatory closure of Hong Kong cinemas from 7 January 2022 to 20 April 2022. With the Group's continued effort, the Group's cinema total admissions raised by 41% to 7.6 million during the period from 5.4 million in the same period last year. Average ticket price for the three regions also increased by 4% from HK\$66.9 to HK\$69.6 during the period. The major Hollywood blockbusters

released during the period were *Doctor Strange In The Multiverse of Madness* (奇異博士 2: 失控多元宇宙), *Top Gun: Maverick* (壯志凌雲: 獨行俠), *The Batman* (蝙蝠俠) and *Jurassic World: Dominion* (侏羅紀世界: 統治霸權).

Operating Statistics of the Group's Cinemas

(For the six months ended 30 June 2022)

	Hong Kong	Singapore	Taiwan
Number of cinemas*	10	14	16
Number of screens*	37	112	173
Admissions (million)	0.5	2.5	4.6
Net average ticket price (HK\$)	76	68	70

* at 30 June 2022

Hong Kong

Operating Statistics of the Group's Cinemas in Hong Kong

(For the six months ended 30 June 2022)

	2022	2021
Number of cinemas*	10	8
Number of screens*	37	26
Admissions (million)	0.5	0.4
Net average ticket price (HK\$)	76	71
Box office receipts (HK\$ million)	40	30

* at 30 June 2022

Our Hong Kong operations branded under Golden Harvest Cinemas altogether operated 10 cinemas and 37 screens in the city as of the period end.

All Hong Kong cinemas were put under mandatory closure for 15 weeks from 7 January 2022 to 20 April 2022. Despite the prolonged period of closure, Hong Kong cinemas have seen a strong improvement after the re-opening on 21 April 2022 given release of good Hollywood titles such as *Doctor Strange In The Multiverse of Madness* (奇異博士 2: 失控多元宇宙), *Top Gun: Maverick* (壯志凌雲: 獨行俠), *The Batman* (蝙蝠俠) and *Jurassic World: Dominion* (侏羅紀世界: 統治霸權). Relaxation of dietary restrictions inside cinema halls from 19 May 2022 onwards has also helped the Hong Kong exhibition business to pick up. Admissions for the first half 2022 amounted to 0.5 million, slightly above the first half 2021 despite the period of close down during the first half of 2022 is much longer than the same period last year. Box office receipts have

increased by 36% to HK\$40.3 million during the period from HK\$29.7 million in the same period last year. The average ticket price has increased to HK\$75.8 (30 June 2021: HK\$71.3).

Singapore

Operating Statistics of the Group's Cinemas in Singapore (For the six months ended 30 June 2022)

	2022	2021
Number of cinemas*	14	13
Number of screens*	112	104
Admissions (<i>million</i>)	2.5	1.5
Net average ticket price (<i>S\$</i>)	11.9	11.0
Net box office receipts (<i>S\$ million</i>)	30	16

* at 30 June 2022

Singapore has been the main revenue contributor to the Group, attributing to 56% and 52% of the Group's total revenue across 4 regions in first half 2022 and 2021 respectively. The Group's Singapore operations under the Golden Village brand remained the undisputed market leader locally operating a network of 14 cinemas and 112 screens, attributing to 41% of total installed screens in the country, but represent over half of all the country's box office over the period.

During the period, Golden Village reported net box office receipts of S\$30.2 million (30 June 2021: S\$16.4 million), representing an 84% increase in net box office receipts compared with the same period last year. The improvement arises primarily because Singapore cinemas are allowed to open freely without mandatory closures during the period. Golden Village concessions income has also increased by 134% from S\$5.55 million in first half 2021 to S\$13.0 million in first half of 2022 given all food and beverage restrictions have been lifted and that Singapore has adopted to living with COVID.

Golden Village will strive to adapt to consumers' quickly changing taste post COVID. Golden Village will gradually increase its Gold Class premium cinemas and dining offerings to respond to the higher demand for space and privacy. To mitigate the risk of any further delay in Hollywood blockbuster release, Golden Village is committed to increase alternative content, live streaming, and special movie screening frequencies. Golden Village has also sold movie vouchers, and partnership with landlords, e-commerce websites, to maximise our revenue as much as possible. There has been a material improvement in net average ticket price by 8% to S\$11.9 from S\$11.0 in the same period last year. 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 plans to open a new 8 halls cinema in a prime location of Singapore and continue to look for other new expansion opportunities. We will continue to expand Golden Village market leadership in Singapore going forward.

Taiwan

Operating Statistics of the Group's Cinemas in Taiwan (For the six months ended 30 June 2022)

	2022	2021
Number of cinemas*	16	15
Number of screens*	173	163
Admissions (<i>million</i>)	4.6	3.5
Net average ticket price (<i>NTD</i>)	257	242
Net box office receipts (<i>NTD billion</i>)	1.2	0.9

* at 30 June 2022

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 with a leading market share of 44% as of 30 June 2022.

During the period, Vie Show's net box office receipts amounted to NTD1.19 billion, registering an increase of 39% from NTD0.85 billion in the same period last year. The increase was primarily due to return of Hollywood blockbusters against Taiwan's effective response to COVID-19 during the first half of 2022 whereby patrons returned to cinemas.

Vie Show understands the importance of securing quality contents for its cinemas during COVID, in which its business was impacted primarily by the delay of Hollywood blockbusters. To partially mitigate such matters and to fully leverage on the market leadership in cinema operations locally, Vie Show has incorporated a new film production and film distribution associate Bole Film Co., Ltd (伯樂影業股份有限公司) with the Taiwan Ministry of Culture and other leading cinema chains in Taiwan.

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 is expected to open 4 new cinemas with 56 screens over 2022 to 2024, which will further increase Vie Show market shares locally 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, and film derivative arts.

Riding on the Group's leading position and long history 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\$14.4 million (30 June 2021: HK\$29.0 million), representing a decrease of 50% compared to same period last year. Key titles distributed by the Group included *Don't Forget I Love You* (不要忘記我愛你) in Hong Kong and Singapore. The famous releases outside Hong Kong was *DEMIGOD The Legend Begins* (素還真) in Taiwan and *Jujutsu Kaisen* (咒術迴戰) 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

As the Group's main operation in Singapore has recovered strongly during the period, coupled with the gradual release in Hollywood blockbusters which fueled the Hong Kong operations rebound after its reopening on 21 April 2022, the Group's revenue increased by 73% to HK\$328.2 million (30 June 2021: HK\$190.1 million). As the Group's cinemas were no longer subject to food and beverage restrictions inside cinema halls, the higher margin concession income has increased by 134%, allowing overall gross profit margin to raise from 61% to 64%. Along with the rise in revenue, gross profit for the period amounted to HK\$209.3 million, compared with HK\$116.3 million during the same period last year, representing a 80% increase of gross profit.

Other revenue of HK\$24.0 million represents primarily subsidies and rental support from governments and landlords during the period. This represents HK\$2.1 million reduction compared with the same period of last year. Interest income during the period increased to HK\$2.1 million from HK\$1.9 million in the same period of last year in light of the higher interest environment.

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\$8.6 million, compared with HK\$9.7 million in similar periods last year, the reduction is primarily due to gradual principal repayments partially mitigated by the higher interest rate

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\$17.6 million (30 June 2021: share of loss of HK\$29.4 million).

With the Group's continued effort, consolidated pre-IFRS16 operating EBITDA for the first half of 2022 amounted to HK\$14.7 million, representing a significant improvement from loss of HK\$50.3 million the same period in 2021. In particular, the Group has successfully recorded positive EBITDA for the second six-months period since 2021, representing the Group's performance has gradually recovered from the pandemic.

During the period, the Group has completed the disposal of its Hong Kong office at 24/F, Capital Center, 151 Gloucester Road, Wan Chai, Hong Kong for total consideration of HK\$225 million, recognised a one-off non-recurring net gain of HK\$56.5 million.

Depreciation expense for the period amounted to HK\$79.2 million (30 June 2021: HK\$79.0 million). The Group has made no impairment of assets during the period (30 June 2021: impairment loss of HK\$54.7 million). As a result, loss attributable to equity holders was HK\$10.9 million, compared with a loss of HK\$179.5 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\$1,508.9 million as of 30 June 2022.

As of 30 June 2022, the Group has total cash and bank balances amounted to HK\$624.5 million (31 December 2021: HK\$745.4 million), within which pledged bank balances amounted to HK\$50.0 million (31 December 2021: HK\$50.0 million).

The Group's total outstanding bank borrowings amounted to HK\$764.9 million (31 December 2021: HK\$1,062.1 million), translating into a modest net borrowings (defined as total outstanding bank borrowings less cash and bank balances) of HK\$140.5 million (31 December 2021: HK\$316.8 million).

The Group's bank borrowings comprised primarily of a 2020 3-year committed loan facility secured by pledged cash, corporate guarantees, equity shares and properties. On 29th April 2022, the Group has successfully completed disposal of its Hong Kong office property for total consideration of HK\$225 million, the net proceeds have been used to prepay the Group's outstanding bank loan. The Group is in the process to enter into a new term loan facility agreement of approximately HK\$570 million to early refinance the existing loan facility to ensure the Group has sufficient liquidity and minimal refinancing risk.

The Group's gearing ratio, calculated on the basis of bank borrowings over total assets stood at a healthy level of 19.4% (31 December 2021: 24.4%). Net gearing ratio calculated on the basis of net borrowings over total assets stood at a healthy level of 3.6% (31 December 2021: 7.3%) and our cash to bank borrowings ratio at 81.6% (31 December 2021: 70.2%). The Group at this moment has a conservative financial leverage. Management viewed the Group's financial position as healthy given the strong liquidity position and that a new long term bank loan facility has already been secured. Management believed that its available liquidity is sufficient 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'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 30 June 2022 (31 December 2021: 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 first half of 2022, the Group is confident that cinemas will remain a vital form of entertainment worldwide once COVID-19 restrictions alleviate and blockbuster movie returns. Having said that, the Group will continue its endeavor to further improve the overall experience across its operations.

The Group is confident that cinemas is a unique form of experience for consumers and that development of cinemas into integrated lifestyle hubs featuring blockbuster movies, pop culture merchandise, food and beverage, and live events will once again revitalise cinemas and significantly increase the Group's overall profitability.

In Hong Kong, the Group looks to further expand our cinema network when suitable opportunities arise. The Group will gradually increase frequency of live Japanese and Korean mini-concerts live broadcasting to maximise 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. The Group 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 expected to open 4 new cinemas and a shopping mall from 2022 to 2024. 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's first 360 theatre that marries advanced stage technology from Europe, local Chinese stories recreated by renowned talents from all over the world is scheduled to open in Suzhou in the second half of 2022, with the remaining 3 theatres to open gradually in Suzhou and Xian over the course of 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 30 June 2022, the Group employed 351 (31 December 2021: 338) 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 2022, 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 2022 (30 June 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the period ended 30 June 2022. 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 2022.

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 2022, the Company has complied with the code provisions of CG Code, with the exception of code provisions C.1.6 and F.2.2

The code provision C.1.6 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 28 June 2022 (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 F.2.2 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 information 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 information for the period ended 30 June 2022.

EXTRACT OF THE REVIEW REPORT FROM THE DRAFT INTERIM FINANCIAL REPORT OF THE GROUP FOR THE PERIOD ENDED 30 JUNE 2022

As disclosed in Note 1 to the interim financial information reported in this announcement, as at 30 June 2022, the Group had net current liabilities of HK\$371,813,000, primarily as a result of bank loans amounting to HK\$764,911,000 classified as current liabilities. The Group also did not fulfill certain financial covenants under the Group's banking facilities. As at 30 June 2022, the Group had cash and cash equivalents and pledged bank deposits totalling HK\$624,451,000 which are insufficient to fully repay those bank loans. 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\$570,000,000 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 interim financial report, 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 review report in the form set out below:

“Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

Material uncertainty related to going concern

We draw attention to note 1 to the interim financial report which describes that the Group has current bank loans amounted to HK\$764,911,000 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 1, these facts and circumstances, along with other matters set forth in note 1, indicate the existence of material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our review conclusion is not modified in respect of this matter.”

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 2022 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 August 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