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 2020

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

HIGHLIGHTS

	2020	2019	**Changes**	
	HK$ million	*HK$ million*	***HK$ million***	**%**
The Group				
Revenue	**323**	1,061	**(738)**	**(70%)**
Gross profit	**204**	669	**(465)**	**(70%)**
Loss before taxation	**(298)**	(4)	**(294)**	**>(100%)**
Loss attributable to equity holders	**(288)**	(35)	**(253)**	**>(100%)**
Loss per share	**(10.29) cents**	(1.25) cents		

- Revenue decreased by 70% from HK$1,060.8 million to HK$322.6 million, which is mainly attributable to exceptional and extraordinary disruptions to the Group's operations along with the quarantine measures imposed in multiple operating areas of the Group including temporary closure of cinemas to cope with the COVID-19 pandemic during the year.

- Gross profit decreased by 70% from HK$668.6 million to HK$204.1 million, and the gross profit margin remained stable at 63%.

- Loss attributable to equity holders was HK$288.2 million, as compared to loss attributable to equity holders of HK$35.1 million in last year.

- Gearing ratio increased to 29.0% (31 December 2019: 22.4%).

* *For identification purposes only*

RESULTS

The Board (the "Board") of directors (the "Directors" and each a "Director") of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020 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 2020

	Note	**2020** **HK$'000**	2019 *HK$'000*
Revenue	*4*	**322,646**	1,060,842
Cost of sales		**(118,554)**	(392,216)
Gross profit		**204,092**	668,626
Other revenue		**112,013**	36,112
Other net income/(loss)		**44,855**	(15,227)
Selling and distribution costs		**(378,384)**	(495,907)
General and administrative expenses		**(85,607)**	(131,430)
Other operating (expenses)/income		**(77,094)**	1,357
Valuation loss on investment property		**(6,500)**	(9,000)
(Loss)/profit from operations		**(186,625)**	54,531
Finance costs	*6(a)*	**(72,948)**	(83,150)
Share of (loss)/profit of a joint venture		**(38,868)**	24,557
Loss before taxation	*6*	**(298,441)**	(4,062)
Income tax credit/(expenses)	*7*	**10,267**	(31,054)
Loss for the year		**(288,174)**	(35,116)
Attributable to:			
Equity holders of the Company		**(288,171)**	(35,092)
Non-controlling interests		**(3)**	(24)
Loss for the year		**(288,174)**	(35,116)
Loss per share (HK cent)	*8*		
Basic and diluted		**(10.29)**	(1.25)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 *HK$'000*	2019 *HK$'000*
Loss for the year	**(288,174)**	(35,116)
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	**5,811**	15,216
— a joint venture outside Hong Kong	**9,165**	(5,282)
	14,976	9,934
Total comprehensive income for the year	**(273,198)**	(25,182)
Total comprehensive income attributable to:		
Equity holders of the Company	**(273,160)**	(25,168)
Non-controlling interests	**(38)**	(14)
Total comprehensive income for the year	**(273,198)**	(25,182)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Investment property		**14,000**	41,000
Other property, plant and equipment		**327,797**	363,529
Right-of-use assets		**1,244,322**	1,481,273
		1,586,119	1,885,802
Interest in a joint venture		**103,540**	133,243
Other receivables, deposits and prepayments		**37,363**	46,704
Intangible assets		**530,756**	525,397
Goodwill		**633,118**	661,582
Pledged bank deposits		**50,000**	137,000
Deferred tax assets		**–**	4,824
		2,940,896	3,394,552
Current assets			
Inventories		**3,513**	3,966
Film rights		**46,717**	38,622
Trade receivables	*9*	**13,358**	65,399
Other receivables, deposits and prepayments		**146,392**	151,356
Pledged bank deposits		**17,850**	–
Deposits and cash		**985,546**	1,068,260
		1,213,376	1,327,603
Current liabilities			
Bank loans		**148,176**	251,158
Trade payables	*10*	**53,693**	106,120
Other payables and accrued charges		**122,238**	225,627
Deferred revenue		**48,416**	66,552
Lease liabilities		**100,328**	112,226
Taxation payable		**9,321**	31,204
		482,172	792,887
Net current assets		**731,204**	534,716

	2020	2019
	HK$'000	*HK$'000*
Total assets less current liabilities	**3,672,100**	3,929,268
Non-current liabilities		
Bank loans	**1,057,943**	805,907
Lease liabilities	**568,563**	790,497
Deferred tax liabilities	**162,859**	176,931
	1,789,365	1,773,335
NET ASSETS	**1,882,735**	2,155,933
CAPITAL AND RESERVES		
Share capital	**279,967**	279,967
Reserves	**1,603,365**	1,876,525
Total equity attributable to equity holders of the Company	**1,883,332**	2,156,492
Non-controlling interests	**(597)**	(559)
TOTAL EQUITY	**1,882,735**	2,155,933

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 2020 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 2020 comprise the Group and the Group's interest in a joint venture.

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

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

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

3 CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

4 REVENUE

Revenue represents income from the sale of film, video and television rights, film and TV drama distribution, theatre operation, promotion and advertising services, agency and consultancy services income, film royalty, and the proceeds from the sale of audio visual products, income from membership fees and food and beverages sales income.

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 is adjusted as if the rentals had been recognised under HKAS 17. To arrive at adjusted operating profit after taxation, the Group's profit is further adjusted for items not specifically attributable to individual segments, such as directors' and auditors' remuneration and head office or corporate administration costs.

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

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

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

	Hong Kong		Mainland China		Singapore		Taiwan		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Revenue										
— Exhibition	**64,915**	230,926	**–**	–	**309,359**	810,263	**279,285**	456,451	**653,559**	1,497,640
— Distribution and production	**9,827**	13,961	**201**	–	**32,751**	44,489	**7,713**	10,602	**50,492**	69,052
— Club house	**–**	–	**12,907**	4,045	**–**	–	**–**	–	**12,907**	4,045
— Corporate	**2,437**	1,024	**–**	–	**–**	–	**–**	–	**2,437**	1,024
Reportable segment revenue	**77,179**	245,911	**13,108**	4,045	**342,110**	854,752	**286,998**	467,053	**719,395**	1,571,761
Reportable segment (loss)/profit	**(68,331)**	1,686	**(38,937)**	(62,726)	**(26,220)**	139,748	**(18,605)**	35,743	**(152,093)**	114,451
Reconciliation — Revenue										
Reportable segment revenue									**719,395**	1,571,761
Share of revenue from a joint venture in Taiwan									**(286,998)**	(467,053)
Elimination of intra-segmental revenue									**(18,005)**	(28,320)
Others									**(91,746)**	(15,546)
Consolidated revenue									**322,646**	1,060,842
Reconciliation — Loss before taxation										
Reportable (loss)/profit									**(152,093)**	114,451
Unallocated operating expenses, net									**(136,078)**	(149,543)
Non-controlling interests									**(3)**	(24)
Income tax (credit)/expense									**(10,267)**	31,054
Consolidated loss before taxation									**(298,441)**	(4,062)

6 LOSS BEFORE TAXATION

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

(a) Finance costs

	2020	2019
	HK$'000	*HK$'000*
Interest on bank loans	**30,547**	42,726
Interest on lease liabilities	**33,173**	34,760
Other interest expense	**493**	–
Other ancillary borrowing costs	**9,193**	5,664
Total finance costs on financial liabilities not at fair value through profit or loss	**73,406**	83,150
Less: finance cost capitalised into construction in progress*	**(458)**	–
	72,948	83,150

* *The finance costs have been capitalised at rates ranging from 1.76% to 4.69% per annum for the year ended 31 December 2020. No finance costs have been capitalised for the year ended 31 December 2019.*

(b) Staff costs (excluding directors' emoluments)

	2020	2019
	HK$'000	*HK$'000*
Salaries, wages and other benefits *(note (i))*	**95,633**	137,961
Contributions to defined contribution retirement plans	**7,727**	12,007
	103,360	149,968

(c) Other items

	2020	2019
	HK$'000	*HK$'000*
Cost of inventories	**16,185**	44,989
Cost of services provided	**100,558**	341,341
Depreciation charge		
— owned property, plant and equipment	**59,468**	62,789
— right-of-use assets	**136,384**	144,788
Amortisation of intangible assets	**1,481**	1,482
Amortisation of film rights *(note (ii))*	**1,811**	5,886
Impairment losses on non-financial assets		
— cinema-related assets	**26,394**	–
— club house assets	**7,493**	–
— goodwill	**37,416**	–
— film rights	**593**	805
Auditors' remuneration	**2,978**	3,163
Loss on disposals of property, plant and equipment	**831**	1,023
Exchange (gain)/loss, net	**(45,686)**	14,204
Interest income from bank deposits	**(9,030)**	(22,054)

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:

	2020	2019
	HK$'000	*HK$'000*
Current income tax		
Provision for Hong Kong tax	**–**	720
Provision for overseas tax	**1,322**	33,740
Over-provision in respect of prior years	**(185)**	(602)
	1,137	33,858
Deferred tax		
Reversal of temporary differences	**(11,404)**	(2,804)
	(10,267)	31,054

Notes:

(i) The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year.

(ii) The provision for the Mainland China Corporate Income Tax of the subsidiaries established in the Mainland China is calculated at 25% (2019: 25%) of the estimated taxable profits for the year.

(iii) The provision for Singapore Corporate Income Tax of the subsidiaries established in Singapore is calculated at 17% (2019: 17%) of the estimated taxable profits for the year.

(iv) During the year ended 31 December 2020, the Group paid HK$Nil (2019: HK$3,424,000) for income taxes on distributed earnings from its joint venture in Taiwan.

During the year ended 31 December 2020, the Group reversed HK$2,447,000 (2019: provided HK$4,002,000) 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$288,171,000 (2019: HK$35,092,000) and the weighted average number of ordinary shares of 2,799,669,050 (2019: 2,799,669,050), in issue during the year, calculated as follows:

	2020 *Number of shares*	2019 *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 as at 31 December 2019 and 2020. Diluted loss per share for the years ended 31 December 2019 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:

	2020 *HK$'000*	2019 *HK$'000*
Within 1 month	**7,123**	41,041
Over 1 month but within 2 months	**1,454**	11,654
Over 2 months but within 3 months	**1,662**	9,104
Over 3 months	**3,119**	3,600
	13,358	65,399

As at 31 December 2020, trade receivables of the Group include amount of HK$Nil (2019: HK$30,000) due from a related company and amount of HK$1,000 (2019: HK$9,738,000) due from a joint venture, which are unsecured, interest-free and recoverable within one year.

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:

	2020	2019
	HK$'000	*HK$'000*
Within 3 months	**40,463**	89,838
4 to 6 months	**1,479**	2,565
7 to 12 months	**212**	2,841
Over 1 year	**11,539**	10,876
	53,693	106,120

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

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 fourth wave of COVID-19 outbreak in Hong Kong since November 2020, the government has tightened the social distancing measures including temporary closure of all cinemas in Hong Kong starting from 2 December 2020 until 17 February 2021.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

In view of such daunting economic challenges, the Group's focus during the year has been on further improvement in cost structures to preserve the Group's long-term competitiveness across all regions. As a result of stringent cost cutting measures, the Group is proud to be one of the very few large cinema chains that achieved positive EBITDA in our main operating regions across Singapore and Taiwan during the 2020.

During the year, the Group has placed particular emphasis on reserving liquidity and obtained a HK$1,548.0 million 3-year committed loan facility at the peak of the pandemic to allow sufficient buffer to weather the difficult times and position for future business developments. Backed by the Group's strong liquidity, the Group has ventured into PRC live entertainment industry to capitalise our branding equity and goodwill in classic Chinese language movies. We firmly believe our market leading position in film exhibitions supported by strong liquidity will position the Group for rapid recovery as COVID-19 alleviates in 2021 onwards.

Film Exhibition

As at 31 December 2020, the Group maintained its network of 35 cinemas and 293 screens across Hong Kong, Singapore, and Taiwan. The Group's film exhibition business remained as the undisputed market leader in Singapore and Taiwan with 51% and 40% respective share in local box office during the year.

Despite the Group's continued effort, the Group's operations have been severely affected by lockdown measures implemented by the Hong Kong and Singapore governments, whereby cinemas have been ordered to close for around 17 weeks and around 16 weeks respectively in the two geographies. While the Group's Taiwan exhibition business remained opened during the year, its business results have been affected by the delay in blockbusters movies release and reduced social interactions amidst the worldwide pandemics. As such, our cinemas across Hong Kong, Singapore and Taiwan served approximately 11.0 million guests as compared to 25.5 million guests in last year. Even amidst the difficult operating environment, the Group remained confident in the future of film exhibition and have expanded further our cinema network in its key operating geographies.

Operating Statistics of the Group's Cinemas
(For the year ended 31 December 2020)

	Hong Kong	**Singapore**	**Taiwan**
Number of cinemas*	7	13	15
Number of screens*	24	104	165
Admissions *(million)*	0.5	2.6	7.9
Net average ticket price *(HK$)*	72	61	64

* at 31 December 2020

Hong Kong

Operating Statistics of the Group's Cinemas in Hong Kong
(For the year ended 31 December 2020)

	2020	2019
Number of cinemas*	**7**	7
Number of screens*	**24**	24
Admissions *(million)*	**0.5**	2.2
Net average ticket price *(HK$)*	**72**	81
Box office receipts *(HK$ million)*	**36**	174

* at 31 December 2020

All Hong Kong cinemas have been put under mandatory closure from 28 March 2020 to 7 May 2020, from 15 July 2020 to 27 August 2020, and from 2 December 2020 to 17 February 2021 for a total of around 17 weeks during 2020. Other social distancing measures such as separation of cinema patrons, restrictions in food and beverages inside the exhibition halls, together with delay in blockbuster movies have together resulted in 79% drop in total Hong Kong box office from HK$174.0 million in 2019 to HK$36.3 million in 2020.

The Group's Hong Kong operations branded under Golden Harvest Cinemas continued to operate 7 cinemas and 24 screens in the city during the year. The operation recorded total gross box office receipt of HK$36.3 million during the year, representing 6% share of the Hong Kong total box office, remained similar to the last year (2019: HK$174.0 million). Net average ticket price of the Group amounted to HK$71.9 during the year, compared with HK$81.0 over the last year. The decrease of 11% given the lower ticket price was to incentivise patrons return to cinema after cinemas re-opening.

The Group's screen advertising business maintained with contracts covering 18 cinemas and 79 screens during the year. However, screen advertising was affected given the sluggish economic condition amidst COVID-19 resulted in vast reduction in advertising budget for corporates.

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

Hong Kong is the home market for the Group and Hong Kong exhibition business has been the core of home business. Given the high rental environment and social unrest in Hong Kong in recent years, the Group will cautiously maintain our presence in the city while trying to maximise cost efficiency.

Singapore

Operating Statistics of the Group's Cinemas in Singapore
(For the year ended 31 December 2020)

	2020	2019
Number of cinemas*	**13**	14
Number of screens*	**104**	112
Admissions *(million)*	**2.6**	8.3
Net average ticket price *(S$)*	**10.7**	10.6
Net box office receipts *(S$ million)*	**27**	88

* at 31 December 2020

Singapore has been the main revenue contributor to the Group, attributing to 47% and 54% of the Group's total revenue across 4 regions in 2019 and 2020 respectively. The Group's Singapore operations under the Golden Village Cinemas ("Golden Village") brand remained as the market leader locally operating a network of 13 cinemas and 104 screens, attributing to 38% of total installed screens in the country. Golden Village maintained as a market leader in Singapore where the market share stood at around 51%.

During the year, Golden Village reported net box office receipts of S$27.4 million (2019: S$87.6 million), representing a decrease in net box office receipts of 69% compared to last year. Such reduction was primarily due to the Singapore Government 'Circuit Breaker' initiative, whereby most Singapore retail businesses including cinemas were shut down. The Singapore cinemas have been temporarily closed from 27 March 2020 to 12 July 2020, which forbid the Group from generating any income.

To partially mitigate the effect from cinemas closures, Golden Village has strived to open up new initiatives such as special movie screening, sales of movie vouchers, and partnership with landlords, e-commerce websites, to maximise our sales as much as possible. In the meantime, Golden Village continued to source quality independent movies for distributions in Singapore to position the chain for exclusive screenings post cinemas re-opening. As a result, the Group is proud to confirm that Golden Village has recorded EBITDA of S$0.3 million in 2020.

Golden Village has been a household name in Singapore with a considerable larger scale of operations compared with local competitors. Golden Village has signed a lease agreement to open a 8 screens cinema in Katong Mall which expected to be opened in the third quarter of 2021. The Katong Cinema will be the first "new cinema" concept of Golden Village intending to serve as an entertainment center featuring flexible exhibition halls that can host live concerts and theatres, 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. Going forward, Golden Village cinemas will gradually be converted into such entertainment centers to adapt to the evolving entertainment needs.

Golden Village's significant cost advantage has attracted competitor to merge their businesses with Golden Village to leverage on cost synergy and economies of scale to stay afloat amidst the challenging environment. On 9 December 2020, the Group has entered into a Heads of Agreement with mm2 Asia Limited to merge Golden Village with mm2 Asia Limited's subsidiary mmCineplex which operates 8 cinemas in Singapore and 14 cinemas in Malaysia, as well as the two companies' film distribution businesses in the region and mm2 Asia Limited's online streaming business into one larger entity. The merger discussion is ongoing and the Group will announce when further material progress is made.

Taiwan

Operating Statistics of the Group's Cinemas in Taiwan
(For the year ended 31 December 2020)

	2020	2019
Number of cinemas*	**15**	16
Number of screens*	**165**	164
Admissions *(million)*	**7.9**	15.1
Net average ticket price *(NTD)*	**246**	240
Net box office receipts *(NTD billion)*	**1.9**	3.6

* at 31 December 2020

During the year, Taiwan's net box office receipts amounted to NTD1.9 billion, registering a decrease of 46% from NTD3.6 billion in the last year. Given Taiwan's effective response to COVID-19, Taiwan has successfully avoided the need for a large scale lockdown similar to most of other geographies, and cinemas in Taiwan have remained open during the year. The reduction in box office is primarily due to the delay in blockbusters movies release which awaits re-opening of cinemas in other geographies, coupled with weak consumer sentiment during chronic health concern amidst global COVID-19 pandemic. Thanks to the positional Vie Show cinema circuit ("Vie Show") as the largest film exhibitor, Vie Show managed to secure 45 exclusive film releases such as *DIGIMON ADVENTURE Last Evolution KIZUNA (數碼寶貝LAST EVOLUTION絆)* and *Fate/stay night [Heaven's Feel] Ⅲ.spring song (Fate/stay night [Heaven's Feel] Ⅲ. 春櫻之歌)* during the year. Vie Show's restaurant operations and theme park operations have continued to perform during the year, and together partially mitigated the impact from lack of blockbuster movies. As a result of Vie Show's cost advantage arising from economies of scale and diversified operations, Vie Show has recorded EBITDA of NTD11.0 million during 2020.

The Group's 35.71% owned Vie Show continued to be the largest cinema chain in Taiwan operating a total of 15 cinemas, comprising of 165 screens as of 31 December 2020, with a market share of 40%. Adhering to the Group's comprehensive entertainment hub strategy, Vie Show operated a chain of "UNICORN" brand handmade popcorn stores across all its cinemas locations and a Japanese fried chicken chain "TORIKAI" across 3 locations in Taiwan. Vie Show has also ventured into the family focused artificial snow theme park "SNOWTOWN" in Taichung Mitsui Outlet Park. SNOWTOWN is an indoor theme park that allows visitors to enjoy snow at a "feels like" temperature of 20ºC. In addition, Vie Show has operated a mall in Xinyi District where its flagship Xinyi Vie Show cinema is located.

As at the end of the year, Vie Show has contracted 4 new cinemas and a theme park, which will gradually be constructed and enter operations from 2021 onwards, whereby upon completion will further enhance Vie Show market shares and further reduce Vie Show reliance on cinema operations.

Compared with the Group's Hong Kong and Singapore operations which saw mandatory cinemas closures, Vie Show was relatively less affected by COVID-19 during the year with impact primarily arising from the delay of Hollywood blockbusters. To partially mitigate the lack of Hollywood blockbusters 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 blockbuster movies are released and local movie productions pickup, Vie Show's performance will quickly return to normal. The Group remained committed in Vie Show and will continue to develop Vie Show into a leading comprehensive entertainment operator in Taiwan.

Film & TV Program me Distribution and Production

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

Riding on the Group's leading position and long tradition in film distribution and production, the Group is one of the largest independent film distributors in Hong Kong, Singapore, and Taiwan. On an aggregated basis the Group's film distribution and production business recorded revenue of HK$50.5 million (2019: HK$69.1 million), representing a decrease of 27% compared to last year which mainly attributable to quarantine measures imposed in multiple areas of operations of the Group which including temporary closure of cinemas to cope with the COVID-19 pandemic during 2020. The distribution revenue was mainly generated by distributing releases such as *A Good Doctor (醫生速遞)* and *The Infernal Walker (無間行者之生死潛行)* in Hong Kong. The famous releases outside Hong Kong were *Little Big Women (孤味)* and *Sumikkogurashi: Good to be in the Corner (角落小夥伴電影版: 魔法繪本裡的新朋友)* in Taiwan and *Train To Busan: Peninsula (屍殺半島)* in Singapore.

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

FINANCIAL REVIEW

Profit and Loss

During the year, the Group's performance was severely affected by cinemas closures and the lack of blockbuster movies amidst global COVID-19 pandemics, resulting in 70% reduction in revenue to HK$322.6 million (2019: HK$1,060.8 million). Gross profit for the year amounted to HK$204.1 million, compared with HK$668.6 million during last year, representing a drop of 70%. Gross profit margin remained stable at 63% for both 2020 and 2019.

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 and general and administrative expenses by HK$163.3 million during the year, representing 26% year-on-year reduction from last year.

Other revenue and other net income or loss of HK$156.9 million represents primarily exchange gain, subsidies and rental support from governments and landlords. Interest income during the year reduced to HK$9.0 million from HK$22.1 million in the last year in light of the low interest environment amidst quantitative easing measures imposed by various governments.

The Group's finance costs consisted mainly of interest expense on bank loans and interest on lease liabilities. Interest expense on bank loans amounted to HK$30.5 million, compared with HK$42.7 million in last year, the reduction is primarily due to low interest environment during the year.

The Group's joint venture in Taiwan recorded a net loss during the year, in which the Group's share of loss of the joint venture amounted to HK$38.9 million (2019: share of profit of HK$24.6 million).

Depreciation expense for the year amounted to HK$195.9 million (2019: HK$207.6 million). Loss attributable to equity holders was HK$288.2 million, compared with a loss of HK$35.1 million in the last year.

FINANCIAL RESOURCES AND LIQUIDITY

Despite the serious economic challenges, the Group's financial position remained healthy with net assets of HK$1,882.7 million as of 31 December 2020.

As of 31 December 2020, the Group has total cash and cash equivalents amounting HK$985.5 million (31 December 2019: HK$1,068.3 million). Pledged bank balances were reduced to HK$67.9 million, compared with HK$137.0 million as of 31 December 2019.

The Group's total outstanding bank borrowings amounted to HK$1,206.1 million (31 December 2019: HK$1,057.1 million), translating into a modest net borrowings (defined as total outstanding bank borrowings less cash and bank balances) of HK$152.7 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 net gearing ratio, calculated on the basis of net borrowings over total assets stood at a healthy level of 29% (31 December 2019: 22.4%) and our cash to bank borrowings ratio at 87.3% (31 December 2019: 114.0%). The Group at this moment has reasonable financial leverage. Management viewed the Group's financial position to be in a healthy position providing sufficient liquidity to withstand any challenge posted by COVID-19, while also able to support ongoing cinema projects, as well as potential merger and acquisitions of other regional entertainment companies. The Group believes that its current cash holding and available financial facilities will provide sufficient resources for its working capital requirements.

During the year, the Group's joint venture Vie Show has obtained a NTD500 million 5 years loan supported by guarantee from a fund and the chairman of Vie Show, which further enhanced Vie Show's capital structure. As of 31 December 2020, Vie Show is in a net cash position with total loan amounting of NTD1,618.4 million and total cash on hand of NTD2,001.9 million, representing a strong liquidity and prudent financial management.

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 foreign exchange gain during the year amounting HK$45.7 million represents primarily gain from Renminbi and Singapore dollars appreciation against Hong Kong dollars. 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 2020 (31 December 2019: Nil).

OUTLOOK

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

In the PRC, the Group has signed cooperation agreements with local PRC governments in Suzhou and Xian to operate 4 stages and bring in unique live performances that marries advanced stage technology from Europe, local Chinese stories, created by renowned talents from all over the world, dedicated to providing a stunning theatrical experience to local audience. The Group will be responsible for the content creation and operation of the theatres and not be responsible for the capital expenditures in relation to the building of the theatre infrastructure. The unique business model allows the Group to venture into the traditionally asset heavy theatre operations with relatively modest investment. The first theatre is expected to enter operations in the fourth quarter of 2021.

In Hong Kong, the Group continues to explore opportunities to further expand our cinema network. Riding on the success of alternative contents in previous years, particularly live broadcasting of Japanese and Korean mini-concerts, the Group is exploring possibility to expand into live entertainment businesses locally. At the same time, the Group is dedicated to look for investment opportunities in quality film and/or distribution projects in the territory.

In Singapore, the Group will continue to grow by actively pursuing suitable cinema sites. Currently, Katong site is under re-development and will bring in the best cinematic experience to patrons upon reopening on third quarter of 2021. The Group is dedicated to maintain high quality services in regular and gold class auditoriums and to introduce creative product offerings such as toys merchandise to its customers. Should the merger with mm2 Asia Limited's cinema operations successfully completed, the Group's Singapore operations will materially solidify its market leadership position and obtain further synergy from the leading market shares.

In Taiwan, Vie Show will continue to expand its cinema network with a stable pipeline of potential sites to be opened in the coming years, supplemented by further diversification into mall management, theme park operations, film productions and distributions, as well as food and beverage businesses.

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 2020, the Group had 318 (2019: 484) permanent employees. The Group remunerates its employees mainly by reference to industry practice. The Group also operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance and as at 31 December 2020, there were no forfeited contributions arising from employees leaving the retirement benefit scheme.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2020 (31 December 2019: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year ended 31 December 2020. Neither the Company nor any of its subsidiaries has repurchase or sold any of the Company's listed securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own code on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"). The Company has made specific enquiries with all the Directors and all of them have confirmed that they had complied with the requirements set out in the Model Code and the Company's Code for the year ended 31 December 2020.

COMPLIANCE WITH 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 2020, the Company has complied with the code provisions of CG Code, with the exception of code provisions A.4.1, A.6.7 and E.1.2.

Pursuant to code provision A.4.1 of the CG Code, non-executive directors of a listed issuer should be appointed for a specific term, subject to re-election. All non-executive Directors were not appointed for a specific term but are subject to the requirement of retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with 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 CG Code stipulates that independent non-executive directors and non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Ms. Wong Sze Wing, independent non-executive Director, was unable to attend the annual general meeting of the Company held on 19 June 2020 (the "AGM") due to the implementation of the travel restriction and quarantine requirements among overseas and Hong Kong resulted from the outbreak of COVID-19.

The Code provision E.1.2 of the CG Code 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 2020.

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 2020 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company and the Stock Exchange. The annual report of the Company for the year ended 31 December 2020 will be dispatched to the shareholders and made available on the same websites in due course.

APPRECIATION

Finally, the Board 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, 26 March 2021

List of all directors of the Company as of the time of 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