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 2022

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS

	2022	2021	**Changes**	
	HK$ million	*HK$ million*	***HK$ million***	**%**
The Group				
Revenue	**696**	515	**181**	**35%**
Gross profit	**449**	322	**127**	**40%**
Loss before taxation	**(47)**	(331)	**284**	**(86%)**
Loss attributable to equity holders	**(46)**	(314)	**268**	**(85%)**
Loss per share	**(1.65) cents**	(11.22) cents		

- Revenue increased by 35% from HK$514.9 million in 2021 to HK$696.0 million in 2022, resulting from the marked recovery of cinemas operations in Hong Kong and Singapore along with the release of strong Hollywood titles and relaxation in social distancing measures during the year.

- Gross profit increased by 40% from HK$321.6 million to HK$449.1 million along with the 35% increase in revenue and improvement of gross profit margin from 62% to 65% given the recovery of the higher margin concessions sales.

- Loss attributable to equity holders reduced significantly by 85% from HK$314.2 million in 2021 to HK$46.1 million in 2022. The reduction in loss was mainly due to (i) significant increase of the Group's consolidated revenue that led to 40% increase in gross profit; (ii) HK$56.0 million net gain recorded from the disposal of the Group's Hong Kong office property in 2022; and (iii) reduction of impairment loss on assets by HK$137.2 million during the year.

- Gearing ratio, calculated on the basis of bank borrowings over total assets, has improved to 14.4% (31 December 2021: 24.4%).

* *For identification purposes only*

RESULTS

The Board (the "Board") of directors (the "Directors" and each "Director") of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022 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 2022

	Note	**2022** *HK$'000*	2021 *HK$'000*
Revenue	*4*	**695,997**	514,901
Cost of sales		**(246,927)**	(193,302)
Gross profit		**449,070**	321,599
Other revenue		**35,784**	43,522
Other net income		**12,327**	2,538
Selling and distribution costs		**(407,001)**	(367,824)
General and administrative expenses		**(69,708)**	(79,776)
Other operating expenses		**(1,852)**	(139,676)
Profit/(loss) from operations		**18,620**	(219,617)
Finance costs	*6(a)*	**(42,520)**	(61,057)
Share of loss of a joint venture		**(22,785)**	(50,684)
Loss before taxation	*6*	**(46,685)**	(331,358)
Income tax credit	*7*	**537**	16,447
Loss for the year		**(46,148)**	(314,911)
Attributable to:			
Equity holders of the Company		**(46,146)**	(314,153)
Non-controlling interests		**(2)**	(758)
Loss for the year		**(46,148)**	(314,911)
Loss per share (HK cent)	*8*		
Basic and diluted		**(1.65)**	(11.22)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	HK$'000	*HK$'000*
Loss for the year	**(46,148)**	(314,911)
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	**25,034**	(27,176)
— a joint venture outside Hong Kong	**(5,877)**	3,835
	19,157	(23,341)
Total comprehensive income for the year	**(26,991)**	(338,252)
Total comprehensive income attributable to:		
Equity holders of the Company	**(27,102)**	(337,472)
Non-controlling interests	**111**	(780)
Total comprehensive income for the year	**(26,991)**	(338,252)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	**2022** *HK$'000*	2021 *HK$'000*
Non-current assets			
Other property, plant and equipment		**392,187**	369,873
Right-of-use assets		**1,457,853**	1,691,267
		1,850,040	2,061,140
Interest in a joint venture		**46,564**	56,691
Intangible assets		**523,214**	521,675
Goodwill		**576,917**	573,933
Other receivables, deposits and prepayments		**35,967**	44,413
Pledged bank deposits		**–**	50,000
		3,032,702	3,307,852
Current assets			
Inventories		**4,136**	2,877
Film rights		**95,939**	75,498
Trade receivables	*9*	**18,624**	14,698
Other receivables, deposits and prepayments		**89,042**	103,858
Pledged bank deposits		**7,912**	–
Deposits and cash		**283,553**	695,369
Non-current asset held for sale		**–**	160,852
		499,206	1,053,152
Current liabilities			
Bank loans		**508,589**	1,062,128
Trade payables	*10*	**73,745**	83,812
Other payables and accrued charges		**143,555**	153,214
Deferred revenue		**72,160**	64,053
Lease liabilities		**104,440**	113,468
Taxation payable		**2,160**	922
		904,649	1,477,597
Net current liabilities		**(405,443)**	(424,445)

	Note	2022 HK$'000	2021 HK$'000
Total assets less current liabilities		**2,627,259**	2,883,407
Non-current liabilities			
Lease liabilities		**433,766**	613,121
Deferred revenue		**535,323**	583,120
Deferred tax liabilities		**140,678**	142,683
		1,109,767	1,338,924
NET ASSETS		**1,517,492**	1,544,483
CAPITAL AND RESERVES			
Share capital		**279,967**	279,967
Reserves		**1,238,791**	1,265,893
Total equity attributable to equity holders of the Company		**1,518,758**	1,545,860
Non-controlling interests		**(1,266)**	(1,377)
TOTAL EQUITY		**1,517,492**	1,544,483

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 2022 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 2022 comprise the Group and the Group's interest in a joint venture.

As at 31 December 2022, the Group breached one of the financial covenants under the Group's banking facilities. Accordingly, certain bank loans were classified as current liabilities as at 31 December 2022 as the bank loans became repayable on demand.

Nonetheless, the financial statements have been prepared on a going concern basis notwithstanding the Group's current liabilities exceeding its current assets by HK$405,443,000 as at 31 December 2022, as subsequent to the reporting period, the Group has obtained a waiver with immediate effect on these financial covenants from the banks. If the Group did not breach the abovementioned financial covenant, the Group would have had net current assets of HK$20,537,000 as at 31 December 2022. The directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

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

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

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

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to 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.

4 REVENUE

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

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

5 SEGMENT REPORTING

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

— Hong Kong

— Mainland China

— Singapore

— Taiwan

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

Each of the above reportable segments primarily derives its revenue from film exhibition, film and video distribution, film and television programme production and the provision of advertising and consultancy services. For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the revenue and results attributable to each reportable segment on the following bases:

Segment revenue and results

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

The measure used for reporting segment results is adjusted operating result 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 result after taxation, the Group's result 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 result after taxation, management is provided with segment information concerning revenue.

Management evaluates performance primarily based on operating result including the share of result of a joint venture. Intra-segment pricing is generally determined on an arm's length basis.

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

	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	**171,946**	132,397	**–**	–	**539,300**	398,708	**325,892**	277,664	**1,037,138**	808,769
— Distribution and production	**12,949**	6,199	**191**	3,171	**21,375**	31,680	**1,836**	3,933	**36,351**	44,983
— Club House	**–**	–	**–**	1,485	**–**	–	**–**	–	**–**	1,485
— Corporate	**2,017**	1,600	**35**	–	**–**	–	**–**	–	**2,052**	1,600
Reportable segment revenue	**186,912**	140,196	**226**	4,656	**560,675**	430,388	**327,728**	281,597	**1,075,541**	856,837
Reportable segment profit/(loss) after taxation	**(12,155)**	(34,561)	**(6,150)**	(18,217)	**31,221**	(10,160)	**(13,152)**	(39,543)	**(236)**	(102,481)
Reconciliation — Revenue										
Reportable segment revenue									**1,075,541**	856,837
Share of revenue from a joint venture in Taiwan									**(327,728)**	(281,597)
Elimination of intra-segmental revenue									**(16,247)**	(19,823)
Others									**(35,569)**	(40,516)
Consolidated revenue									**695,997**	514,901
Reconciliation — Loss before taxation										
Reportable loss after taxation from external customers									**(236)**	(102,481)
Unallocated operating expenses, net									**(45,910)**	(211,672)
Non-controlling interests									**(2)**	(758)
Income tax credit									**(537)**	(16,447)
Consolidated loss before tax									**(46,685)**	(331,358)

6 LOSS BEFORE TAXATION

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

	2022	2021
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank loans	**20,511**	18,721
Interest on lease liabilities	**23,294**	25,439
Other ancillary borrowing costs	**4,849**	18,383
Total finance costs on financial liabilities not at fair value through profit or loss	**48,654**	62,543
Less: finance cost capitalised into construction in progress*	**(6,134)**	(1,486)
	42,520	61,057

* *The finance costs have been capitalised at rates ranging from 1.81% to 6.13% (2021: 1.75% to 1.83%) per annum for the year ended 31 December 2022.*

(b) Staff costs (excluding directors' emoluments)

	2022	2021
	HK$'000	*HK$'000*
Salaries, wages and other benefits *(note (i))*	**98,849**	82,029
Contributions to defined contribution retirement plans	**9,167**	7,191
	108,016	89,220

(c) Other items

Cost of inventories	**33,571**	22,224
Cost of services provided	**212,351**	170,412
Depreciation charge		
— owned property, plant and equipment	**42,158**	48,437
— right-of-use assets	**113,692**	116,928
Amortisation of intangible assets	**741**	1,481
Amortisation of film rights *(note (ii))*	**1,005**	666
Auditors' remuneration	**3,300**	3,198
Loss/(gain) on disposals of property, plant and equipment	**137**	(203)
Impairment losses on non-financial assets		
— cinema-related assets	**–**	85,567
— goodwill	**–**	49,239
— film rights	**1,111**	3,468
Exchange loss/(gain), net	**43,549**	(2,335)
Interest income from bank deposits	**(3,090)**	(5,241)
Gain on disposal of non-current asset held for sale *(note (iii))*	**(56,013)**	–

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.

(iii) On 7 December 2021, the Group entered into the sale and purchase agreement with an independent third party to dispose 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 was 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$56,013,000 was recognised during the year ended 31 December 2022.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2022	2021
	HK$'000	*HK$'000*
Current income tax		
Provision for Hong Kong tax	**160**	–
Provision for overseas tax	**2,107**	824
(Over)/under provision in respect of prior years	**(86)**	350
	2,181	1,174
Deferred tax — overseas		
Reversal of temporary differences	**(2,718)**	(17,621)
Actual tax credit	**(537)**	(16,447)

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% of the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for 2021 as the Group sustained a loss for calculation of Hong Kong Profits Tax.

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

The provision for Singapore Corporate Income Tax of the subsidiaries established in Singapore is calculated at 17% (2021: 17%) of the estimated taxable profits for the year.

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$46,146,000 (2021: HK$314,153,000) and the weighted average number of ordinary shares of 2,799,669,050 (2021: 2,799,669,050 shares) in issue during the year, calculated as follows:

	2022 Number of shares	2021 Number of shares
Issued ordinary share and weighted average number of ordinary shares as at 31 December	**2,799,669,050**	2,799,669,050

(b) Diluted loss per share

The Company does not have any dilutive potential ordinary shares at 31 December 2022 and 2021. Diluted loss per share for the years ended 31 December 2022 and 2021 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:

	2022	2021
	HK$'000	*HK$'000*
Within 1 month	**14,737**	11,019
Over 1 month but within 2 months	**1,640**	1,282
Over 2 months but within 3 months	**733**	488
Over 3 months	**1,514**	1,909
	18,624	14,698

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:

	2022	2021
	HK$'000	*HK$'000*
Within 3 months	**54,828**	72,429
4 to 6 months	**4,915**	287
7 to 12 months	**2,139**	307
Over 1 year	**11,863**	10,789
	73,745	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.

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

During the year, the Group's cinema operations in Hong Kong and Taiwan were closed for 15 weeks and 8 weeks respectively by government lockdown orders. Nevertheless, the Group still delivered a positive pre-HKFRS 16 operating EBITDA in 2022. This is the first time that the Group has recorded a positive operating EBITDA since the occurrence of COVID, implying that the Group's operations have turned around and gradually recovering from the pandemic.

The Group remains optimistic that cinemas will remain a vital form of entertainment post COVID and committed to expand its market share in its existing operating geographies. The Group expects to open 4 cinemas in Singapore and Taiwan over the course of 2023 and 2024 to further expand its cost benefits from economies of scale and increased market shares. In the meantime, the Group will expand cinemas from single use of movie viewing to become an integrated entertainment hub featuring other lifestyle offerings such as live music, esports, merchandises, and upscale dining.

In the PRC, the Group's new venture into the country's blooming live entertainment industry is close to fruition with the first 360 theatre featuring our self-developed IP expected to stage in Suzhou in 2023.

Film Exhibition

The Group's film exhibition business remained the key revenue driver accounted for 96% of the Group's total segment revenue for the year ended 31 December 2022.

As of 31 December 2022, the Group maintained its network of 41 cinemas and 331 screens across Hong Kong, Singapore, and Taiwan. During the year, the Group's Singapore Golden Village Cinemas and Taiwan Vie Show Cinemas remained as the undisputed market leader locally with 49% and 45% share in the local box office.

Film exhibition segment revenue has improved by 28% to HK$1,037.1 million during 2022. The increase was primarily due to 21% increase in total admissions from 12.9 million in 2021 to 15.7 million in 2022 resulted from relaxation in social distancing measures in Hong Kong and Singapore. In addition, the 1% increase in net average ticket price across the three regions from HK$68.1 to HK$69.0 has partially made up for the loss of admissions from the temporary closures and led to the improved segment revenue.

The major Hollywood blockbusters released during the year ended 31 December 2022 were *Avatar: The Way of Water* (*阿凡達：水之道*), *Top Gun: Maverick* (*壯志凌雲：獨行俠*), *Doctor Strange In The Multiverse of Madness (奇異博士2: 失控多元宇宙)* and *Jurassic World: Dominion* (*侏羅紀世界: 統治霸權*). The major Chinese language blockbusters for the year were *Warriors of Future* (*明日戰記*) and *Table For Six* (*飯戲攻心*) from Hong Kong, *Ah Girls Go Army* (*女兵外傳*) from Singapore, *My Best Friend's Breakfast* (*我吃了那男孩一整年的早餐*) and *Incantation* (*咒*) from Taiwan.

Operating Statistics of the Group's Cinemas
(For the year ended 31 December 2022)

	Hong Kong	**Singapore**	**Taiwan**
Number of cinemas*	10	14	17
Number of screens*	37	112	182
Admissions *(million)*	1.7	4.7	9.2
Net average ticket price *(HK$)*	72	68	69

* at 31 December 2022

Hong Kong

Operating Statistics of the Group's Cinemas in Hong Kong
(For the year ended 31 December 2022)

	2022	2021
Number of cinemas*	**10**	10
Number of screens*	**37**	37
Admissions *(million)*	**1.7**	1.6
Net average ticket price *(HK$)*	**72**	69
Box office receipts *(HK$ million)*	**124**	112

* at 31 December 2022

Our Hong Kong operations branded under Golden Harvest Cinemas operated 10 cinemas and 37 screens as of the year ended 31 December 2022.

All Hong Kong cinemas were put under mandatory closure from 7 January 2022 to 20 April 2022 for a total of 15 weeks (2021: 7 weeks). Despite the longer period of closure, Hong Kong cinemas have witnessed strong recovery in 2022 after the re-opening along with the release of good Hollywood titles such as *Avatar: The Way of Water* (*阿凡達：水之道*), *Top Gun: Maverick* (*壯志凌雲：獨行俠*), *Doctor Strange In The Multiverse of Madness* (*奇異博士2：失控多元宇宙*) and *Jurassic World: Dominion* (*侏羅紀世界：統治霸權*). Successful local titles released during the year such as *Warriors of Future* (*明日戰記*) and *Table For Six* (*飯戲攻心*) have further boosted cinemas admissions. As such, total admissions increased by 7% from 1.6 million in 2021 to 1.7 million in 2022. The strong film titles released in the year has resulted in 4% increase in average ticket price from HK$69 to HK$72, and together with the higher total admissions, box office receipts have increased by 11% from HK$111.7 million in 2021 to HK$123.5 million in 2022.

Relaxation of food and beverage restrictions inside cinema halls since 19 May 2022 together with the higher total admissions have resulted in over 5 times increase in concession sales to HK$13.0 million. Accordingly, Hong Kong operations segmental loss has reduced by 65% from HK$34.6 million in 2021 to HK$12.0 million in 2022.

Singapore

Operating Statistics of the Group's Cinemas in Singapore
(For the year ended 31 December 2022)

	2022	2021
Number of cinemas*	**14**	14
Number of screens*	**112**	112
Admissions *(million)*	**4.7**	3.7
Net average ticket price *(S$)*	**12.0**	11.2
Net box office receipts *(S$ million)*	**56**	41

* at 31 December 2022

Singapore has been the main revenue contributor to the Group, attributing to 52% and 50% of the Group's total segment revenue in 2022 and 2021 respectively. The Group's Singapore operations branded under Golden Village Cinemas ("Golden Village") remained as the local market leader. As of 31 December 2022, Golden Village operated a network of 14 cinemas and 112 screens, attributing to 41% of the total installed screens in the country, but represented 48% of the country's total box office during the year. The high market share by box office has shown that Golden Village is the cinema of choice in Singapore and the absolute market leader locally.

For the year ended 31 December 2022, Golden Village reported net box office receipts of S$56.2 million (2021: S$41.0 million), representing a 37% increase compared with 2021. The improvement arose primarily because Singapore cinemas were allowed to open without any seat capacity restriction during the year which resulted in 28% higher admissions amounting 4.7 million (2021: 3.7 million). Golden Village concessions income had also increased by 59% from S$15.6 million in 2021 to S$24.8 million in 2022 given all food and beverage restrictions had been removed and that Singaporeans had gradually adopted to living with COVID. There had also been a material improvement in net average ticket price by 7% to S$12.0 in 2022 from S$11.2 in 2021.

Going forward, Golden Village will continue to expand its Gold Class premium cinema and dining offerings to respond to the higher demand for space and privacy post COVID. Golden Village is committed to source quality independent movies for exclusive screening, increase alternative content, live streaming, and other special movies screening frequencies to further improve cinemas competitiveness. In addition, Golden Village will introduce more exclusive merchandises for sale inside cinemas to maximise income.

We remain confident in Golden Village business prospects, and will continue to expand organically in Singapore going forward. Golden Village will open a new 8 halls cinema in Bugis+, a prime location in Singapore in the first half of 2023 and continue to look for other new expansion opportunities in the country.

Taiwan

Operating Statistics of the Group's Cinemas in Taiwan
(For the year ended 31 December 2022)

	2022	2021
Number of cinemas*	**17**	16
Number of screens*	**182**	173
Admissions *(million)*	**9.3**	7.7
Net average ticket price *(NTD)*	**266**	248
Net box office receipts *(NTD billion)*	**2.5**	1.9

* at 31 December 2022

The Group's 35.71% owned Vie Show Cinemas is the largest cinema chain in Taiwan operating a total of 17 cinemas, comprising of 182 screens as of 31 December 2022. Vie Show remained as the market leader with 45% share of Taiwan total box office during 2022.

Vie Show's 2022 net box office amounted to NTD2.5 billion, representing an increase of 29.1% from NTD1.9 billion recorded last year. The improvement is mainly due to (1) relaxation of social distancing measures in 2022 compared to last year whereby all cinemas in Taiwan were forced to close for around 8 weeks from 19 May 2021 to 12 July 2021; and (2) release of good Hollywood titles such as *Avatar: The Way of Water* (*阿凡達：水之道*), *Top Gun: Maverick* (*壯志凌雲：獨行俠*), *Doctor Strange In The Multiverse of Madness* (*奇異博士2：失控多元宇宙*) and *Jurassic World: Dominion* (*侏羅紀世界：統治霸權*) during the year.

Vie Show understands the importance of securing quality contents. With the aim to fully leverage on the market leadership in cinema operations locally, Vie Show has incorporated a 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 in 2020. This entity has started to invest in film productions and has released *The Post-Truth World (罪後真相)* during 2022. It is expected that there will be 4 local films to be released in 2023.

The Group is confident that as Taiwan COVID-19 situation alleviates and blockbuster movies are gradually released, Vie Show's performance will quickly return to normal. Vie Show will open 3 new cinemas with 47 screens in Taipei and Kaoshiong over 2023 to 2024, which will further increase Vie Show market shares locally in Taiwan. The Group remains committed in Vie Show and will continue to develop Vie Show into a leading comprehensive entertainment operator in Taiwan.

Film & TV Programme Distribution and Production

The Group's film library carried perpetual distribution rights for over 140 self-owned titles, which contributed steady licensing income to the Group.

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$36.4 million in 2022 (2021: HK$45.0 million). Key titles distributed by the Group included *Silent Parade* (*神探伽俐略沉默的遊行*) in Hong Kong. The famous releases outside Hong Kong were *DEMIGOD:The Legend Begins* (*素還真*) in Taiwan and *Emergency Declaration* (*緊急迫降*) in Singapore.

The Group continued to remain prudent in investment decisions in film productions but keen to work with external studios for redevelopment of the Group's classical Chinese film library into online moves and other film derivative arts. The Group remained active in seeking opportunities to work with local and overseas studios to produce movies and TV programmes of high quality.

FINANCIAL REVIEW

Profit and Loss

The Group's consolidated revenue increased by 35% to HK$696.0 million (2021: HK$514.9 million) along with 21% higher total admission coupled with 1% increase in net average ticket price recorded in the year.

As the Group's cinemas were no longer subject to food and beverage restrictions inside cinema halls, coupled with the increase in admissions, the higher margin concessions income has increased by 66% from HK$92.5 million in 2021 to HK153.9 million in 2022. Accordingly, the Group's overall gross profit margin raised from 62% to 65%. Along with the rise in revenue and higher margin, gross profit for the year amounted to HK$449.1 million, compared with HK$321.6 million in 2021, representing a 40% increase over the year.

Other revenue of HK$35.8 million represents primarily subsidies and rental support from governments and landlords received during the year. Given COVID situation alleviated in Singapore and Hong Kong during 2022, the various support obtained has reduced significantly from HK$31.0 million in 2021 to HK$20.7 million in 2022. Interest income during the year reduced to HK$3.1 million from HK$5.2 million in last year since the Group has employed its cash on hand to pay down its bank loans amidst rising interest rate since the second half of 2022.

During the year, the Group has completed the disposal of its Hong Kong office at 24/F, Capital Center, 151 Gloucester Road, Wanchai, Hong Kong for total consideration of HK$225 million, generating a non-recurring gain of HK$56.0 million during the year. All proceeds have been used for partial loan prepayment.

The Group's finance costs consisted of interest expense on bank loans and interest on lease liabilities. Interest expense on bank loans amounted to HK$20.5 million, compared with HK$18.7 million in 2021, the higher interest expense arouse from the rising interest rate since the second half of 2022 and partially mitigated by the reduced loan outstanding balance.

The Group's joint venture in Taiwan recorded a net loss during the year, in which the Group's share of loss amounted to HK$22.8 million (2021: HK$50.7 million). The reduced net loss recorded in 2022 resulted from the significant improvement in admissions arising from the relaxation of social distancing measures and strong Hollywood movie lineup during the year.

With the Group's continued effort, the Group's pre-HKFRS 16 operating EBITDA for the year ended 31 December 2022 amounted to HK$10.9 million, representing the Group's operations have recovered from COVID.

Depreciation expense for the year amounted to HK$155.9 million (2021: HK$165.4 million), lower than 2021 given the Group has made impairment on part of the cinema assets in the prior years.

As a result, loss attributable to equity holders reduced by 85% to HK$46.1 million in 2022 from HK$314.2 million in 2021, representing a significant improvement compared with last year.

FINANCIAL RESOURCES AND LIQUIDITY

The Group's financial position remained healthy with net assets of HK$1,517.5 million as of 31 December 2022.

On 29th April 2022, the Group has successfully completed disposal of its Hong Kong office property for total consideration of HK$225 million, all net proceeds have been used to prepay the Group's outstanding bank loan.

The Group has entered into a new HK$570 million 3-Year Loan Facility on 26 September 2022 to early refinance the existing loan facility. The Group's new bank loan will continue to be secured by pledged cash, corporate guarantees, equity shares and properties. The new Facility has extended the Group's loan maturity profile, ensuring the Group has sufficient liquidity and minimal refinancing risk.

As of 31 December 2022, the Group has total cash and bank balances amounted to HK$291.5 million (2021: HK$745.4 million), within which pledged bank balances amounted to HK$7.9 million (2021: HK$50 million). The reduction in cash on hand arouse from the Group's voluntary prepayment of bank borrowings by HK$553.5 million during the year to reduce interest expenses. From a net debt angle, (total bank borrowing less total cash and bank balances), the Group's net debt has reduced from HK$316.8 million as of 31 December 2021 to HK$217.1 million as of 31 December 2022.

The Group's gearing ratio, calculated on the basis of bank borrowings over total assets stood at a healthy level of 14.4% (31 December 2021: 24.4%). Net gearing ratio calculated on the basis of net borrowings over total assets stood at a healthy level of 6.1% (31 December 2021: 7.3%) and our cash to bank borrowings ratio at 57.3% (31 December 2021: 70.2%). The Group at this moment has a conservative financial leverage and an extended debt maturity profile. Management viewed the Group's financial position as healthy given the strong liquidity position and believed that its available liquidity is sufficient to support ongoing new cinema projects.

The Group's assets and liabilities are principally denominated in United States dollars, Hong Kong dollars, Renminbi and Singapore dollars, except for certain assets and liabilities associated with the investments in Taiwan. The Group's bank borrowings are denominated in Hong Kong dollars and Singapore dollars in line with the Group's main operating currencies. Each of the Group's overseas operations were operating in their local currencies and are subject to minimal exchange risk. The Group will continue to assess the exchange risk exposure, and will consider possible hedging measures in order to minimise the risk at reasonable cost. The Group did not have any significant contingent liabilities or off-balance sheet obligations as of 31 December 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. Despite the significant pressure, the Group is pleased to confirm that our operations have returned to positive operating EBITDA and confirmed that the Group has turned around from COVID. As shown in the strong recovery in 2022, the Group is confident that cinemas will remain a vital form of entertainment worldwide going forward.

The Group is confident that cinemas is a unique form of immersive experience and that development of cinemas into integrated lifestyle hubs featuring blockbuster movies, pop culture merchandise, food and beverage, and live events to further improve the immersive experience will further enhance cinemas competitiveness in the future.

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 will open a new 8 screens cinema in Singapore in the first half of 2023 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 expect to open 3 new cinemas in 2023 and 2024. Vie Show remains interested to further increase its market leadership by opening cinemas across Taiwan. Supplemented by diversification into film productions and distributions, as well as 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 is scheduled to open in Suzhou in 2023.

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 to add values to shareholders.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed 374 (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 31 December 2022, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2022 (31 December 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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 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 year ended 31 December 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 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 2022.

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 2022 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 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 March 2023

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