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ORANGE SKY GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

橙天嘉禾娛樂(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

HIGHLIGHTS

	2023	2022	**Changes**	
	HK$ million	*HK$ million*	***HK$ million***	*%*
The Group				
Revenue	**396**	328	**68**	**21%**
Gross profit	**257**	209	**48**	**23%**
Loss before taxation	**(18)**	(10)	**(8)**	**79%**
Loss attributable to equity holders	**(24)**	(11)	**(13)**	**124%**
Loss per share	**(0.87) cents**	(0.39) cents		

- Revenue increased by 21% from HK$328.2 million to HK$396.2 million resulted from the relaxation in social distancing measures from 2022 in Hong Kong and Singapore and the post-COVID economic recovery.

- Gross profit increased by 23% from HK$209.3 million to HK$256.6 million along with the increase in revenue. Gross profit margin has been increased from 64% to 65%.

- Loss attributable to equity holders was HK$24.4 million, increased from loss attributable to equity holders of HK$10.9 million in the corresponding period last year. The increase in loss was mainly due to a non-recurring net gain on disposal of the Group's Hong Kong office property of HK$56.5 million during the six months ended 30 June 2022 and no such gain has been recorded for the period. If taking out the non-recurring net gain on disposal of HK$56.5 million, the adjusted net loss for the six months ended 30 June 2022 was HK$67.4 million compared to HK$24.4 million for the period, which representing a 64% reduction in loss.

- Gearing ratio, calculated on the basis of bank borrowings over total assets, has improved to 13.9% (31 December 2022: 14.4%).

* *For identification purposes only*

INTERIM RESULTS

The Board (the "Board") of directors (the "Directors" and each "Director") of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2023 together with the comparative figures for the preceding six months ended 30 June 2022. The consolidated results have been reviewed by the audit committee of the Company (the "Audit Committee").

CONSOLIDATED INCOME STATEMENT

	Note	**Six months ended 30 June 2023** ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2022 *HK$'000* (Unaudited)
Revenue	*3*	**396,202**	328,165
Cost of sales		**(139,567)**	(118,878)
Gross profit		**256,635**	209,287
Other revenue		**22,859**	24,042
Other net (loss)/income		**(16,615)**	35,493
Selling and distribution costs		**(226,401)**	(199,705)
General and administrative expenses		**(41,139)**	(38,204)
Other operating expenses		**–**	(751)
(Loss)/profit from operations		**(4,661)**	30,162
Finance costs	*5(a)*	**(18,648)**	(22,551)
Share of profit/(loss) of a joint venture		**5,518**	(17,562)
Loss before taxation	*5*	**(17,791)**	(9,951)
Income tax expense	*6*	**(6,559)**	(903)
Loss for the period		**(24,350)**	(10,854)
Attributable to:			
Equity holders of the Company		**(24,350)**	(10,854)
Non-controlling interests		**–**	–
		(24,350)	(10,854)
Loss per share (HK cent)	*7*		
Basic and diluted		**(0.87)**	(0.39)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2023	Six months ended 30 June 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(24,350)**	(10,854)
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of:		
— subsidiaries outside Hong Kong	**2,347**	(21,179)
— a joint venture outside Hong Kong	**(212)**	(3,545)
	2,135	(24,724)
Total comprehensive income for the period	**(22,215)**	(35,578)
Total comprehensive income attributable to:		
Equity holders of the Company	**(22,260)**	(35,635)
Non-controlling interests	**45**	57
Total comprehensive income for the period	**(22,215)**	(35,578)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 30 June 2023** ***HK$'000*** **(Unaudited)**	As at 31 December 2022 *HK$'000* (Audited)
Non-current assets			
Other property, plant and equipment		**424,594**	392,187
Right-of-use assets		**1,402,367**	1,457,853
		1,826,961	1,850,040
Interest in a joint venture		**51,870**	46,564
Intangible assets		**521,694**	523,214
Goodwill		**574,928**	576,917
Other receivables, deposits and prepayments		**38,419**	35,967
		3,013,872	3,032,702
Current assets			
Inventories		**3,489**	4,136
Film rights		**111,291**	95,939
Trade receivables	*8*	**28,060**	18,624
Other receivables, deposits and prepayments		**93,878**	89,042
Pledged bank deposits		**33,035**	7,912
Deposits and cash		**184,345**	283,553
		454,098	499,206
Current liabilities			
Bank loans		**483,764**	508,589
Trade payables	*9*	**90,569**	73,745
Other payables and accrued charges		**144,511**	143,555
Deferred income		**87,382**	72,160
Lease liabilities		**105,434**	104,440
Taxation payable		**4,905**	2,160
		916,565	904,649
Net current liabilities		**(462,467)**	(405,443)
Total assets less current liabilities		**2,551,405**	2,627,259

	Note	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
Non-current liabilities			
Lease liabilities		**406,180**	433,766
Deferred income		**507,148**	535,323
Deferred tax liabilities		**142,800**	140,678
		1,056,128	1,109,767
NET ASSETS		**1,495,277**	1,517,492
CAPITAL AND RESERVES			
Share capital		**279,967**	279,967
Reserves		**1,216,531**	1,238,791
Total equity attributable to equity holders of the Company		**1,496,498**	1,518,758
Non-controlling interests		**(1,221)**	(1,266)
TOTAL EQUITY		**1,495,277**	1,517,492

NOTES TO THE UNAUDITED INTERIM FINANCIAL RESULTS

1 BASIS OF PREPARATION

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2023 but are extracted from that interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 28 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements as set out in note 2.

The preparation of the interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2022 that is included in this preliminary announcement of the interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

As at 30 June 2023, the Group breached one of the financial covenants under the Group's banking facilities. Accordingly, the bank loans were classified as current liabilities as at 30 June 2023 as the bank loans became repayable on demand.

Nonetheless, the interim financial report has been prepared on a going concern basis notwithstanding the Group's current liabilities exceeding its current assets by $462,467,000 as at 30 June 2023, as subsequent to the reporting period, the Group has obtained a waiver with immediate effect on these financial covenants from the banks.

Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 30 June 2023, the directors are of the opinion that anticipated cash flows generated from the Group's operations can strengthen the Group's financial position and enable the Group to have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2023.

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 interim financial report.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

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 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

3 REVENUE

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

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

4 SEGMENT REPORTING

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

— Hong Kong

— Mainland China

— Singapore

— Taiwan

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

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

Segment revenue and results

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

The measure used for reporting segment results are adjusted operating results after taxation where net finance costs, exchange differences and extraordinary items are excluded, and the effect of HKFRS 16, *Leases* is adjusted as if the rentals had been recognised under HKAS 17, *Leases*. To arrive at adjusted operating results after taxation, the Group's results are further adjusted for items not specifically attributable to individual segments, such as directors' and auditors' remuneration and head office or corporate administration costs.

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

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

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

	Six months ended 30 June (unaudited)									
	Hong Kong		**Mainland China**		**Singapore**		**Taiwan**		**Consolidated**	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Revenue										
— Exhibition	**97,369**	63,460	**–**	–	**304,270**	281,887	**218,363**	159,363	**620,002**	504,710
— Distribution and production	**4,354**	2,345	**–**	78	**11,417**	11,563	**2,047**	412	**17,818**	14,398
— Corporate	**602**	985	**253**	31	**–**	–	**–**	–	**855**	1,016
Reportable segment revenue	**102,325**	66,790	**253**	109	**315,687**	293,450	**220,410**	159,775	**638,675**	520,124
Reportable segment profit/(loss) after taxation	**(7,967)**	(15,269)	**(844)**	(4,895)	**21,915**	16,675	**10,846**	(13,273)	**23,950**	(16,762)
Reconciliation — Revenue										
Reportable segment revenue									**638,675**	520,124
Share of revenue from a joint venture in Taiwan									**(220,410)**	(159,775)
Elimination of intra-segmental revenue									**(8,129)**	(8,574)
Others									**(13,934)**	(23,610)
Consolidated revenue									**396,202**	328,165
Reconciliation — Loss before taxation										
Reportable profit/(loss) after taxation from external customers									**23,950**	(16,762)
Unallocated operating (expenses)/gain, net									**(48,300)**	5,908
Non-controlling interests									**–**	–
Income tax expense									**6,559**	903
Consolidated loss before taxation									**(17,791)**	(9,951)

5 LOSS BEFORE TAXATION

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

	Six months ended 30 June 2023	Six months ended 30 June 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(a) Finance costs		
Interest on bank loans	**14,298**	8,581
Interest on lease liabilities	**9,651**	12,311
Other ancillary borrowing costs	**1,353**	3,323
Total finance costs on financial liabilities not at fair value through profit or loss	**25,302**	24,215
Less: finance cost capitalised into construction in progress*	**(6,654)**	(1,664)
	18,648	22,551

* *The finance costs have been capitalised at rates ranging from 4.77% to 6.51% (ranging from 1.81% to 1.96% per annum for the six months ended 30 June 2022) per annum for the six months ended 30 June 2023.*

	Six months ended 30 June 2023	Six months ended 30 June 2022
(b) Other items		
Cost of inventories	**18,754**	17,127
Cost of services provided	**119,800**	101,454
Depreciation charge		
— owned property, plant and equipment	**20,855**	21,922
— right-of-use assets	**63,941**	57,274
Amortisation of film rights	**1,013**	297
Loss on disposals of property, plant and equipment	**127**	10
Exchange loss, net	**16,488**	21,056
Interest income from bank deposits	**(931)**	(2,074)
Gain on disposal of non-current asset held for sale*	**–**	56,549

* *On 7 December 2021, the Group entered into the sale and purchase agreement with an independent third party to dispose of its Hong Kong office property (the "Property") for total consideration of HK$225,000,000, with completion scheduled on or before 29 April 2022. Accordingly, the Property has been reclassified as a non-current asset held for sale as at 31 December 2021. The transaction was completed on 29 April 2022 and a gain on disposal of HK$56,549,000 was recognised for the six months ended 30 June 2022.*

6 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June 2023 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2022 *HK$'000* (Unaudited)
Current income tax		
Provision for Hong Kong tax	**–**	–
Provision for overseas tax	**3,934**	2,106
	3,934	2,106
Deferred tax — overseas		
Origination and reversal of temporary differences	**2,625**	(1,203)
Actual tax expense	**6,559**	903

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

Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant jurisdictions.

7 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK$24,350,000 (six months ended 30 June 2022: loss of HK$10,854,000) and the weighted average number of ordinary shares of 2,799,669,050 (2022: 2,799,669,050 shares) in issue during the period.

Weighted average number of ordinary shares (basic)

	2023 Number of shares (Unaudited)	2022 Number of shares (Unaudited)
Issued ordinary share and weighted average number of ordinary shares as at 30 June	**2,799,669,050**	2,799,669,050

(b) Diluted loss per share

The Company does not have any dilutive potential ordinary shares at 30 June 2022 and 2023. Diluted loss per share for the six months ended 30 June 2022 and 2023 is the same as the basic loss per share.

8 TRADE RECEIVABLES

The Group usually grants credit periods ranging from one to three months. Each customer has a credit limit and overdue balances are regularly reviewed by management.

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	As at 30 June 2023	As at 31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**18,140**	14,737
Over 1 month but within 2 months	**1,866**	1,640
Over 2 months but within 3 months	**961**	733
Over 3 months	**7,093**	1,514
	28,060	18,624

9 TRADE PAYABLES

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

	As at 30 June 2023	As at 31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**72,932**	54,828
4 to 6 months	**1,101**	4,915
7 to 12 months	**5,368**	2,139
Over 1 year	**11,168**	11,863
	90,569	73,745

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

With the pandemic outbreak gradually subsiding in an increasingly stabilized international macro environment, the Group is confident that the cinema industry worldwide is on a positive development trajectory. During the period under review, the Group's interim results continued to show strong growth with the revenue up by 21% to HK$396.2 million (2022: HK$328.2 million).

The Group expects to continue new cinema opening across Hong Kong, Singapore, and Taiwan and has planned to open 4 new cinemas across the regions over the next 2 years. At the same time, the Group will expand cinemas from single use of movie viewing to become an integrated entertainment hub featuring other lifestyle offerings such as live music, e-sports, collectibles, and food and beverages.

The Group's first 360 theatre in Suzhou is expected to launch in the second half of 2023. The Group's 360 theatres all feature an advanced rotating auditorium surrounded by projection panels capable of opening up to 180 degrees and panoramic stages, coupled with local Chinese stories recreated in live performance format will provide audiences with a stunning theatrical experience.

Film Exhibition

The Group maintained its network of 42 cinemas and 338 screens across Hong Kong, Singapore and Taiwan as of 30 June 2023. The Group's film exhibition business remained as the undisputed market leader in Singapore and Taiwan with 50% and 44% respective share in local box office during the period.

With the Group's continued effort, the Group's cinema total admissions raised by 30%, from 7.7 million in the same period last year to 9.9 million during the six months period ended 30 June 2023. Average ticket price for the three regions also increased by 0.4%, from HK$79.3 to HK$79.5 during the period. The major Hollywood blockbusters released during the period were *Ant-Man and the Wasp: Quantumania (蟻俠與黃蜂女: 量子狂熱), The Super Mario Bros. Movie (超級瑪利歐兄弟大電影), Guardians of the Galaxy Volume 3 (銀河守護隊3), Spider-Man: Across The Spider-Verse (蜘蛛俠: 飛躍蜘蛛宇宙), Transformers: Rise of the Beasts (變形金剛：狂獸崛起) and The Flash (閃電俠).*

Operating Statistics of the Group's Cinemas
(For the six months ended 30 June 2023)

	Hong Kong	**Singapore**	**Taiwan**
Number of cinemas*	10	15	17
Number of screens*	37	119	182
Admissions *(million)*	1.1	2.4	6.4
Net average ticket price *(HK$)*	71	73	68

* at 30 June 2023

Hong Kong

Operating Statistics of the Group's Cinemas in Hong Kong
(For the six months ended 30 June 2023)

	2023	2022
Number of cinemas*	**10**	10
Number of screens*	**37**	37
Admissions *(million)*	**1.1**	0.5
Net average ticket price *(HK$)*	**71**	76
Box office receipts *(HK$ million)*	**79**	40

* at 30 June 2023

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

Amidst the gradual relaxation of social activities, Hong Kong business has witnessed strong recovery, resulting in an improvement in admissions from 0.5 million for the first half of 2022 to 1.1 million for corresponding period of 2023. Successful local titles released during the period *A Guilty Conscience (毒舌大狀)* has further boosted cinemas admissions. Resulting from higher admissions, box office receipts increased by 96% to HK$79 million in the six months period ended 30 June 2023 from HK$40 million for the same period of last year, making up for the slightly lower average ticket price at HK$71 (2022: HK$76).

Singapore

Operating Statistics of the Group's Cinemas in Singapore
(For the six months ended 30 June 2023)

	2023	2022
Number of cinemas*	**15**	14
Number of screens*	**119**	112
Admissions *(million)*	**2.4**	2.5
Net average ticket price *(S$)*	**12.5**	11.9
Net box office receipts *(S$ million)*	**30**	30

* at 30 June 2023

Singapore has been the main revenue contributor to the Group, attributing to 49% and 56% of the Group's total revenue across 4 regions in first half 2023 and 2022 respectively. The Group's Singapore operations under the Golden Village brand remained the undisputed market leader locally operating a network of 15 cinemas and 119 screens, attributing to 43% of total installed screens in the country, but represent over half of all the country's box office over the period.

During the period, Golden Village reported a slightly increase of net box office receipts of S$30.4 million (30 June 2022: S$30.2 million). The increase of average ticket price of S$12.5 for the reporting period (30 June 2022: S$11.9) has made up the slightly dropped admissions.

Golden Village will expand cinemas from single use of movie viewing to become an integrated entertainment hub featuring other lifestyle offerings such as live music, e-sports, collectibles, and food and beverages. A six-house cinema, namely, Golden Village x The Projector is expected to start screenings by the end of this year to offer a personalised and authentic experience and also a space that features live music, art showcases and interactive screenings through the collaboration between Singapore's biggest cinema chain, Golden Village, and a boutique cinema circuit, The Projector.

Furthermore, Golden Village is gradually expanding its Gold Class premium cinemas and dining options in response to the increasing demand for space and privacy, such expansion is to cater to consumers' evolving preferences after the pandemic.

To mitigate the risk of any further delay in Hollywood blockbuster release, Golden Village is committed to increase alternative content, live streaming, and special movie screening frequencies. Golden Village has also sold movie vouchers, and enter into partnership with landlords, launched e-commerce websites, to maximise our revenue as much as possible. There has been a material improvement in net average ticket price by 5% to S$12.5 from S$11.9 in the same period last year. In the meantime, Golden Village continued to source quality independent movies for distributions in Singapore to position the chain for exclusive screenings.

Golden Village is a household name in Singapore with a considerable larger scale of operations compared with local competitors. We remain confident in Golden Village business prospects, and will continue to expand Golden Village market leadership in Singapore going forward.

Taiwan

Operating Statistics of the Group's Cinemas in Taiwan
(For the six months ended 30 June 2023)

	2023	2022
Number of cinemas*	**17**	16
Number of screens*	**182**	173
Admissions *(million)*	**6.4**	4.6
Net average ticket price *(NTD)*	**262**	257
Net box office receipts *(NTD billion)*	**1.7**	1.2

* at 30 June 2023

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 with a leading market share of 44% as of 30 June 2023.

During the period, Vie Show's net box office receipts amounted to NTD1.67 billion, registering a significant increase of 41% from NTD1.19 billion in the same period last year. The increase was primarily due to higher admissions of 6.4 million (30 June 2022: 4.6 million) and also higher average ticket price of NTD 262 (30 June 2022: NTD 257).

Vie Show understands the importance of securing quality contents for its cinemas during COVID, in which its business was impacted primarily by the delay of Hollywood blockbusters. To 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 remained committed in Vie Show and will continue to develop Vie Show into a leading comprehensive entertainment operator in Taiwan. In particular, Vie Show is expected to open 3 new cinemas with 47 screens between 2023 to 2025, which will further increase Vie Show market shares locally in Taiwan.

Film & TV Programme Distribution and Production

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

Riding on the Group's leading position and long history in film distribution and production, the Group is one of the largest independent film distributors in Hong Kong, Singapore, and Taiwan. On an aggregated basis the Group's film distribution and production business recorded revenue of HK$17.8 million (30 June 2022: HK$14.4 million), representing an increase of 24% compared to same period last year. Key titles distributed by the Group included *Marry My Dead Body (關於我和鬼變成家人的那件事)* in Hong Kong, Taiwan and Singapore. The famous releases outside Hong Kong was U *Motherbaker (我的婆婆怎麼把OO搞丟了)* in Taiwan and *John Wick 4 (殺神 John Wick 4)* 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

Benefited from the strong recovery of the operations in Hong Kong and Taiwan, coupled with the steady growth of the operation in Singapore during the reporting period, the Group's interim results for the six months ended 30 June 2023 continued to show strong growth with the revenue up by 21% to HK$396.2 million (2022: HK$328.2 million).

As the Group's cinemas were no longer subject to any food and beverage restrictions inside cinema halls during the reporting period, the higher margin concession income has increased by 11%, allowing overall gross profit margin to raise from 64% to 65%. Along with the rise in revenue, gross profit for the period amounted to HK$256.6 million, compared with HK$209.3 million during the same period last year, representing a 23% increase of gross profit.

Other revenue of HK$22.9 million represents primarily subsidies from governments during the period. This represents HK$1.1 million reduction compared with the same period of last year. Interest income during the period reduced to HK$0.9 million from HK$2.1 million in the same period of 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.

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$14.3 million, compared with HK$8.6 million in similar periods last year, the increase is mainly due to the higher interest rate.

The Group's joint venture in Taiwan recorded a net profit during the period, in which the Group's share of profit of the joint venture amounted to HK$5.5 million (30 June 2022: share of loss of HK$17.6 million).

With the Group's continued effort, consolidated pre-HKFRS16 operating EBITDA for the first half of 2023 amounted to HK$37.4 million, representing a significant improvement from HK$14.7 million the same period in 2022. representing the Group's operations have recovered from COVID.

Depreciation expense for the period amounted to HK$84.8 million (30 June 2022: HK$79.2 million). The Group has made no impairment of assets during the period (30 June 2022: impairment loss of Nil). As a result, loss attributable to equity holders was HK$24.4 million, compared with a loss of HK$10.9 million in the corresponding period last year.

FINANCIAL RESOURCES AND LIQUIDITY

The Group's financial position remained healthy with net assets of HK$1,495.3 million as of 30 June 2023.

As of 30 June 2023, the Group has total cash and bank balances amounted to HK$217.4 million (2022: HK$291.5 million), within which pledged bank balances amounted to HK$33.0 million (2022: HK$7.9 million). The reduction in cash on hand arouse from the prepayment of bank borrowings by HK$25.9 million during the period. From a net debt angle, (total bank borrowing less total cash and bank balances), the Group's net debt has increased from HK$217.1 million as of 31 December 2022 to HK$266.4 million as of 30 June 2023.

The Group's gearing ratio, calculated on the basis of bank borrowings over total assets stood at a healthy level of 13.9% (31 December 2022: 14.4%). Net gearing ratio calculated on the basis of net borrowings over total assets stood at a healthy level of 7.7% (31 December 2022: 6.1%) and our cash to bank borrowings ratio at 44.9% (31 December 2022: 57.3%). The Group at this moment has a conservative financial leverage. The management viewed the Group's financial position as healthy given the strong liquidity position and that a new long term bank loan facility has already been secured. The management believed that its available liquidity is sufficient to withstand any challenge posted by COVID-19, while also able to support ongoing cinema projects, as well as potential acquisitions of other regional entertainment companies.

The Group's assets and liabilities are principally denominated in United States dollars, Hong Kong dollars, Renminbi and Singapore dollars, except for certain assets and liabilities associated with the investments in Taiwan. The Group's bank borrowings are denominated in Hong Kong dollars and Singapore dollars in line with the Group's main operating currencies. Each of the Group's overseas operations were operating in their local currencies and are subject to minimal exchange risk. The Group will continue to assess the exchange risk exposure, and will consider possible hedging measures in order to minimise the risk at reasonable cost. The Group did not have any significant contingent liabilities or off-balance sheet obligations as of 30 June 2023 (31 December 2022: 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 the first half of 2023, 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 broadcast frequency of live Japanese and Korean mini-concerts 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.

In Singapore, the Group will continue to grow by actively pursuing suitable cinema sites. The Group has expected to open a new 6-screen cinema in Singapore in the second 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 from 2023 to 2025. 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 the second half of 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. The Group's strong liquidity on hand also allowed us to explore opportunistic acquisitions of fellow regional players, and development of new business in entertainment, technology and lifestyle industries that would create synergies to the Group and add values to the shareholders.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed 419 (31 December 2022: 374) permanent employees. The Group remunerates its employees mainly by reference to industry practice. In addition to salaries, commissions and discretionary bonuses, share options will be granted to employees based on individual performance and contribution to the Group. The Group also operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance and, as at 30 June 2023, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the period ended 30 June 2023 (30 June 2022: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the period ended 30 June 2023. Neither the Company nor any of its subsidiaries has repurchased or sold any of the Company's listed securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the period.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own code on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"). The Company has made specific enquiries with all the Directors and all of them have confirmed that they had complied with the requirements set out in the Model Code and the Company's Code for the period ended 30 June 2023.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE CODE

The Board recognises the importance of good corporate governance to maintain the Group's competitiveness and lead to its healthy growth. The Company has taken steps not only to comply with code provisions as set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Listing Rules but also to aim at enhancing corporate governance practices of the Group as a whole.

For the period ended 30 June 2023, the Company has complied with the code provisions of CG Code, with the exception of code provision F.2.2.

Code provision F.2.2 requires the chairman of the Board to attend the annual general meeting of the company held on 28 June 2023 (the "AGM"). Mr. Wu Kebo, the Chairman of the Board, was unable to attend the AGM due to other business commitment. Ms. Chow Sau Fong, Fiona, who took the chair of the AGM, together with other members of the Board who attended the AGM were of sufficient calibre and knowledge for answering questions at the AGM.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in accordance with the CG Code. The Audit Committee is delegated by the Board to assess matters related to the financial information and to perform the duties, including reviewing the Company's financial controls and internal control, financial and accounting policies and practices and the relationship with the external auditor. The Audit Committee has reviewed the systems of internal control and the financial information for the period ended 30 June 2023.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Company and the Stock Exchange. The interim report of the Company for the period ended 30 June 2023 will be dispatched to the shareholders and made available on the same websites in due course.

APPRECIATION

Finally, the board of directors would like to take this opportunity to express their gratitude to the diligence and contribution of the management and all our employees of the Group and trust and support from the shareholders, customers and business partners to the Group's development.

By order of the Board
Orange Sky Golden Harvest Entertainment (Holdings) Limited
Cheung Hei Ming
Company Secretary

Hong Kong, 28 August 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