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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 2024**

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

HIGHLIGHTS

	2024	2023	Changes —	
	HK\$ million	HK\$ million	Increase/(decrease)	%
			HK\$ million	
The Group				
Revenue	378	396	(18)	(5%)
Gross profit	228	257	(29)	(11%)
Loss attributable to equity holders	(81)	(24)	(57)	238%
Loss per share	(2.89) cents	(0.87) cents		

- Revenue decreased by 5% from HK\$396.2 million in 2023 to HK\$377.6 million in 2024, resulting from the lack of strong titles released during the period.
- Gross profit decreased by 11% from HK\$256.6 million in 2023 to HK\$227.6 million in 2024 along with the decrease in revenue.
- Loss attributable to equity holders increased from HK\$24.4 million in 2023 to HK\$81.0 million in 2024. The increase in loss was mainly due to (i) a non-recurring net gain of HK\$285.6 million and exchange reserve realised of HK\$8.7 million during the period ended 30 June 2024 upon disposal of the shares of the Group's joint venture; (ii) impairment losses of HK\$313.3 million (2023: Nil) for the period ended 30 June 2024; and (iii) the decrease of the Group's consolidated gross profit which leading to an increase of the Groups' operating loss.
- Gearing ratio, calculated on the basis of bank borrowings over total assets, remained stable at 13.0% (31 December 2023: 12.8%).

* 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 2024 together with the comparative figures for the preceding six months ended 30 June 2023. The consolidated results have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June 2024	Six months ended 30 June 2023
	<i>Note</i>	HK\$'000 (Unaudited)	<i>HK\$'000</i> <i>(Unaudited)</i> <i>(restated)</i>
Continuing operations			
Revenue	3	377,564	396,202
Cost of sales		<u>(149,930)</u>	<u>(139,567)</u>
Gross profit		227,634	256,635
Other revenue	5	37,440	22,859
Other net loss		(10,137)	(16,615)
Selling and distribution costs		(244,387)	(226,401)
General and administrative expenses		(30,717)	(41,139)
Other operating expenses		<u>(317,293)</u>	<u>–</u>
Loss from operations		(337,460)	(4,661)
Finance costs	5(a)	<u>(19,616)</u>	<u>(18,648)</u>
Loss before taxation	5	(357,076)	(23,309)
Income tax expense	6	<u>(6,945)</u>	<u>(6,559)</u>
Loss for the period from continuing operations		<u>(364,021)</u>	<u>(29,868)</u>
Discontinued operations			
Gain on disposal of interest in a joint venture		285,575	–
Exchange reserve realised upon disposal		8,723	–
(Loss)/profit for the period from discontinued operations		<u>(11,325)</u>	<u>5,518</u>
		<u>282,973</u>	<u>5,518</u>
Loss for the period		<u><u>(81,048)</u></u>	<u><u>(24,350)</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Six months ended 30 June 2024 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2023 <i>HK\$'000</i> (Unaudited) (restated)
Attributable to:			
Equity holders of the Company			
— Continuing operations		(364,021)	(29,868)
— Discontinued operations		282,973	5,518
		<hr/>	<hr/>
		(81,048)	(24,350)
Non-controlling interests		<hr/>	<hr/>
		(81,048)	(24,350)
		<hr/> <hr/>	<hr/> <hr/>
(Loss)/profit per share (HK cent)	7		
Basic and diluted			
— Continuing operations		(13.00)	(1.07)
— Discontinued operations		10.11	0.20
		<hr/>	<hr/>
		(2.89)	(0.87)
		<hr/> <hr/>	<hr/> <hr/>

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited) (restated)
Loss for the period	(81,048)	(24,350)
Other comprehensive income for the period		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
— subsidiaries outside Hong Kong	(33,356)	2,347
— a joint venture outside Hong Kong	—	(212)
	(33,356)	2,135
Total comprehensive income for the period	(114,404)	(22,215)
Total comprehensive income attributable to:		
Equity holders of the Company		
— Continuing operations	(397,411)	(27,566)
— Discontinued operations	282,973	5,306
	(114,438)	(22,260)
Non-controlling interests	34	45
Total comprehensive income for the period	(114,404)	(22,215)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
Non-current assets			
Other property, plant and equipment		188,203	440,525
Right-of-use assets		1,324,171	1,438,157
		1,512,374	1,878,682
Interest in a joint venture		–	20,063
Other financial asset		62	–
Intangible assets		519,414	627,205
Goodwill		571,943	589,848
Other receivables, deposits and prepayments		36,231	41,478
		2,640,024	3,157,276
Current assets			
Inventories		6,285	6,744
Film rights		15,495	15,400
Trade receivables	8	38,089	18,562
Other receivables, deposits and prepayments		70,910	69,006
Pledged bank deposits		32,661	35,507
Deposits and cash		388,987	124,773
		552,427	269,992
Current liabilities			
Bank loans		414,859	104,306
Trade payables	9	95,099	73,582
Other payables and accrued charges		174,459	166,278
Deferred income		82,387	81,352
Lease liabilities		112,298	123,578
Taxation payable		7,534	5,849
		886,636	554,945
Net current liabilities		(334,209)	(284,953)
Total assets less current liabilities		2,305,815	2,872,323

	As at 30 June 2024	As at 31 December 2023
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Non-current liabilities		
Bank loans	–	335,078
Lease liabilities	352,014	431,036
Deferred income	475,535	502,704
Deferred tax liabilities	140,087	142,199
	<u>967,636</u>	<u>1,411,017</u>
NET ASSETS	<u>1,338,179</u>	<u>1,461,306</u>
CAPITAL AND RESERVES		
Share capital	279,967	279,967
Reserves	1,059,424	1,182,585
Total equity attributable to equity holders of the Company	1,339,391	1,462,552
Non-controlling interests	<u>(1,212)</u>	<u>(1,246)</u>
TOTAL EQUITY	<u>1,338,179</u>	<u>1,461,306</u>

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 2024 but are extracted from that interim financial report.

The interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial information*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 29 August 2024.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements as set out in note 2.

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

The interim financial information contains condensed consolidated financial information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

During the six months ended 30 June 2024, the Group recorded a loss for the period of HK\$81,048,000. As at 30 June 2024, the Group had net current liabilities of HK\$334,209,000, primarily as a result of bank loans amounting to HK\$414,859,000 classified as current liabilities, as the Group did not fulfil certain financial covenants under the Group's banking facilities. As at 30 June 2024, the Group had cash and cash equivalents and pledged bank deposits totalling HK\$421,648,000 which may not be sufficient to finance its future working capital, capital expenditure and financing requirements in full unless the Group is able to generate sufficient net cash inflows from its operations and/or other sources.

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

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

- implementing various strategies to improve the Group's exhibition, distribution and production income to generate additional operating cash inflows;
- obtained a one-off waiver from the banks subsequent to reporting period for the fulfilment of financial covenants for the period ended 30 June 2024; and
- discuss with certain existing bank lenders to refinance the existing banking facilities.

Based on the directors' intentions and the cash flow forecast, assuming the success of the above measures, the directors are of the opinion that the Group is able to meet its financial obligations as and when they fall due. Accordingly, it is appropriate to prepare the Group's interim financial report for the six months ended 30 June 2024 on a going concern basis. Should the Group not be able to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these interim financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE

Revenue, which are 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 and stage operations, promotion and advertising services and agency services.

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 is adjusted operating result after taxation where net finance costs, exchange differences and extraordinary items (including impairment losses and gain/loss on disposal of non-financial assets) 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 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)											
	Continuing operations								Discontinued operations			
	Hong Kong		Mainland China		Singapore		Sub-total		Taiwan		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:												
Revenue												
— Exhibition	69,837	97,369	-	-	287,072	304,270	356,909	401,639	126,246	218,363	483,155	620,002
— Distribution and production	3,861	4,354	-	-	38,154	11,417	42,015	15,771	1,222	2,047	43,237	17,818
— 360 Stage	-	-	10,788	-	-	-	10,788	-	-	-	10,788	-
— Corporate	294	602	-	253	-	-	294	855	-	-	294	855
Reportable segment revenue	<u>73,992</u>	<u>102,325</u>	<u>10,788</u>	<u>253</u>	<u>325,226</u>	<u>315,687</u>	<u>410,006</u>	<u>418,265</u>	<u>127,468</u>	<u>220,410</u>	<u>537,474</u>	<u>638,675</u>
Reportable segment (loss)/profit after taxation	<u>(16,442)</u>	<u>(7,967)</u>	<u>(34,110)</u>	<u>(844)</u>	<u>20,041</u>	<u>21,915</u>	<u>(30,511)</u>	<u>13,104</u>	<u>(8,984)</u>	<u>10,846</u>	<u>(39,495)</u>	<u>23,950</u>

Reconciliations of reportable segment revenue and profit or loss

	Continuing operations		Discontinued operations	
	Year ended 30 June		Year ended 30 June	
	Unaudited		Unaudited	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Reportable segment revenue	410,006	418,265	127,468	220,410
Share of revenue from a joint venture in Taiwan	-	-	(127,468)	(220,410)
Elimination of intra-segment revenue	(20,857)	(8,129)	-	-
Others	(11,585)	(13,934)	-	-
Consolidated revenue	<u>377,564</u>	<u>396,202</u>	<u>-</u>	<u>-</u>
(Loss)/profit before taxation				
Reportable (loss)/profit after taxation from external customers	(30,511)	13,104	(8,984)	10,846
Other operating income/(expenses), net	(333,510)	(42,972)	291,957	(5,328)
Income tax expense	6,945	6,559	-	-
Consolidated (loss)/profit before taxation	<u>(357,076)</u>	<u>(23,309)</u>	<u>282,973</u>	<u>5,518</u>

5 LOSS BEFORE TAXATION

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

	Six months ended 30 June 2024 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2023 <i>HK\$'000</i> (Unaudited)
(a) Finance costs		
Interest on bank loans	14,464	14,298
Interest on lease liabilities	9,053	9,651
Other ancillary borrowing costs	1,351	1,353
	<u> </u>	<u> </u>
Total finance costs on financial liabilities not at fair value through profit or loss	24,868	25,302
Less: finance cost capitalised into construction in progress*	(5,252)	(6,654)
	<u> </u>	<u> </u>
	<u>19,616</u>	<u>18,648</u>
* <i>The finance costs have been capitalised at rates ranging from 6.30% to 6.80% (ranging from 4.77% to 6.51% per annum for the six months ended 30 June 2023) per annum for the six months ended 30 June 2024.</i>		
(b) Staff costs (excluding directors' emoluments)		
Salaries, wages and other benefits (<i>note (i)</i>)	51,451	48,071
Contributions to defined contribution retirement plans	4,314	4,697
	<u> </u>	<u> </u>
	<u>55,765</u>	<u>52,768</u>
(c) Other items		
Cost of inventories	18,457	18,754
Cost of services provided	122,582	119,800
Depreciation charge		
— owned property, plant and equipment	27,423	20,855
— right-of-use assets	63,956	63,941
Amortisation of intangible assets (<i>note (ii)</i>)	8,369	—
Amortisation of film rights (<i>note (ii)</i>)	522	1,013
Loss on disposals of property, plant and equipment	2,146	127
Impairment losses on non-financial assets		
— 360 Stage-related fixed assets (<i>note (iii)</i>)	225,978	—
— development costs of 360 Stage (<i>note (iii)</i>)	87,355	—
Exchange loss, net	10,137	16,488
Interest income from bank deposits	(508)	(931)
Gain on lease modification	(11,717)	—
Government subsidies (<i>note (iv)</i>)	(19,104)	(12,211)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

Notes:

- (i) The amount includes provision for long service payments.
- (ii) The amortisation of film rights and development costs of 360 Stage for the period are included in “Cost of sales” in the consolidated income statement.
- (iii) The Group conducted impairment review on the recoverable amount of the 360 Stage-related fixed assets and development costs of 360 Stage based on value-in-use calculations of the 360 Stage segment in Mainland China. The calculation uses cash flow projections of the 360 Stage covering the remaining lease terms with a pre-tax discount rate of 15%. An impairment loss of HK\$313,333,000 was recognised in “other operating expenses” during the period ended 30 June 2024 (six months ended 30 June 2023: nil).
- (iv) The amount included the support in Hong Kong, Singapore and Mainland China from local government.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
<i>Current income tax</i>		
Provision for Hong Kong tax	–	–
Provision for overseas tax	<u>4,686</u>	<u>3,934</u>
	4,686	3,934
<i>Deferred tax — overseas</i>		
Origination and reversal of temporary differences	<u>2,259</u>	<u>2,625</u>
Actual tax expense	<u>6,945</u>	<u>6,559</u>

No provision for Hong Kong Profits Tax has been made as the Group sustained a loss for Hong Kong Profits Tax for both periods.

No provision for Mainland China Corporate Income Tax has been made as the Group sustained a loss for calculation of Mainland China Corporate Income Tax for both periods.

The provision for Singapore Corporate Income Tax of the subsidiaries established in Singapore is calculated at 17% (2023: 17%) of the estimated taxable profits for the period.

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

7 (LOSS)/PROFIT PER SHARE

(a) Basic (loss)/profit per share

The calculation of basic (loss)/profit per share has been based on the following (loss)/profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding.

(i) Weighted average number of ordinary shares (basic)

	2024	2023
	Number of shares (Unaudited)	Number of shares (Unaudited)
Issued ordinary share and weighted average number of ordinary shares as at 30 June	<u>2,799,669,050</u>	<u>2,799,669,050</u>

(ii) (Loss)/profit attributable to equity holders

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
(Loss)/profit attributable to equity holders		
— Continuing operations	(364,021)	(29,868)
— Discontinued operations	<u>282,973</u>	<u>5,518</u>
	<u>(81,048)</u>	<u>(24,350)</u>

(b) Diluted loss per share

The Company does not have any dilutive potential ordinary shares at 30 June 2023 and 2024. Diluted loss per share for the six months ended 30 June 2023 and 2024 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 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Within 1 month	29,541	13,718
Over 1 month but within 2 months	2,772	2,364
Over 2 months but within 3 months	921	761
Over 3 months	4,855	1,719
	<u>38,089</u>	<u>18,562</u>

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 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Within 3 months	83,608	55,509
4 to 6 months	595	230
7 to 12 months	398	7,214
Over 1 year	10,498	10,629
	<u>95,099</u>	<u>73,582</u>

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 a cinema chain that operates across Hong Kong and Singapore. To date, the Group owns a movie library of over 140 movies.

With the 2023 Hollywood writers and actors strikes resulting in a lack of blockbusters in a thin release schedule, similar to other cinema operators, we were expecting a steep decrease in box office, attendance and ultimately revenue. During the period, the Group's revenue has decreased by 5% to HK\$377.6 million (2023: HK\$396.2 million) due to lack of strong titles. While 2024 was a challenging year for film industry, the Group believes that the cinema industry worldwide is demonstrating resilience after the pandemic but with mixed results across different geographic markets.

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.

During the period, the Group has closed 1 cinema with 2 screens in Hong Kong. On 21 June 2024, the Group has disposed its interest in Vie Show to Wanin International Co., Ltd at a total consideration of NT\$1,249,047,485 (the "Disposal"). The Disposal represents approximately 35.69% of the total issued capital of Vie Show and the Group has recognised a net gain on disposal of HK\$285.6 million and exchange reserve of HK\$8.7 million has been realised.

The Group's first 360 stage in Suzhou was opened in the second half of 2023. The Group's 360 stages all feature an advanced rotating auditorium surrounded by projection panels capable of opening up to 180 degrees and panoramic stages, coupled with traditional local Chinese stories recreated in live performance format provide audiences with a stunning theatrical experience. However, the result is unsatisfactory after one year of operation. The Group has reassessed the discount cashflow forecast with the assistance of external valuation specialist, and impairment losses of HK\$313.3 million had been provided on its investments in 360 stages.

Film Exhibition

The Group's film exhibition business remained the key revenue driver, which accounted for 90% of the Group's total segment revenue for the period ended 30 June 2024.

As of 30 June 2024, the Group maintained its network of 24 cinemas and 158 screens across Hong Kong and Singapore as of 30 June 2024. During the year, the Group's Singapore Golden Village Cinemas remained as the undisputed market leader locally with 52% respective share in local box office respectively.

Film exhibition revenue of Hong Kong and Singapore regions have decreased by 11% to HK\$356.9 million during the period. The decrease was primarily contributed by 6% reduced in total admissions from 3.5 million in the same period last year to 3.3 million resulted from lack of strong titles released during the six months period ended 30 June 2024. Average ticket price for the regions has decreased from HK\$72 to HK\$68 during the period.

The major Hollywood blockbusters released during the period ended 30 June 2024 were *Dune: Part Two* (沙丘瀚戰：第二章), *Godzilla X Kong: The New Empire* (哥斯拉 x 金剛：新帝國), *Kingdom of the Planet of the Apes* (猿人爭霸戰：猩凶帝國), *Inside Out 2* (玩轉腦朋友 2), *Despicable Me 4* (壞蛋獎門人 4). The major Chinese language blockbusters for the year were *Twilight of the Warriors: Walled In* (九龍城寨之圍城), *Table For Six 2* (飯戲攻心2) and *Crisis Negotiators* (談判專家) from Hong Kong, *Money No Enough 3* (錢不夠用3) from Singapore.

Operating Statistics of the Group's Cinemas

(For the six months ended 30 June 2024)

	Hong Kong	Singapore
Number of cinemas*	8	16
Number of screens*	33	125
Admissions (million)	0.9	2.4
Net average ticket price (HK\$)	64	70

* at 30 June 2024

Hong Kong

Operating Statistics of the Group's Cinemas in Hong Kong (For the six months ended 30 June 2024)

	2024	2023
Number of cinemas*	8	10
Number of screens*	33	37
Admissions (<i>million</i>)	0.9	1.1
Net average ticket price (<i>HK\$</i>)	64	71
Box office receipts (<i>HK\$ million</i>)	58	79

* at 30 June 2024

The Group has closed 1 cinema with 2 screens during the period. Our Hong Kong operations branded under Golden Harvest Cinemas operated 8 cinemas and 33 screens as of the period end.

Apart from the dearth of blockbuster titles, Hong Kong cinema industry has also been greatly worsened by Hong Kong's disappointing post-pandemic economic performance, outwards migration of Hong Kong's younger population to foreign countries and the changed spending habits in the post-pandemic era with people spending more money abroad than locally. In addition, the local asset and stock markets are in a very challenging position and appear unlikely to improve in near future, making consumers in general reluctant to spend. Against this backdrop, Hong Kong exhibition business has shown a declined revenue resulting mainly from a reduction in admissions from 1.1 million for the first half of 2023 to 0.9 million in corresponding period of 2024. Although successful local titles released during the period *Twilight of the Warriors: Walled In* (九龍城寨之圍城) has helped to increase cinemas admissions, the poor Hong Kong economy and lack of other strong Hollywood blockbusters still inevitably hurt the Group's Hong Kong film exhibition business. Resulting from fewer admissions, box office receipts decreased by 27% to HK\$58.0 million from HK\$79.0 million during the six months period ended 30 June 2024. The average ticket price has also decreased to HK\$64 (2023: HK\$71) where such decrease of average ticket price was to attract patrons to return to cinemas. Meanwhile, Hong Kong operations continue to suffer from high rental and related premises costs, Hong Kong operations recorded a segmental loss of HK\$16.4 million (2023: HK\$8.0 million) during the period.

Singapore

Operating Statistics of the Group's Cinemas in Singapore (For the six months ended 30 June 2024)

	2024	2023
Number of cinemas*	16	15
Number of screens*	125	119
Admissions (<i>million</i>)	2.36	2.44
Net average ticket price (<i>S\$</i>)	12.1	12.5
Net box office receipts (<i>S\$ million</i>)	29	30

* at 30 June 2024

Singapore has been the main revenue contributor to the Group, attributing to 78% and 75% of the Group's consolidated revenue in first half of 2024 and 2023 respectively. The Group's Singapore operations under the Golden Village brand remained the undisputed market leader locally operating a network of 16 cinemas and 125 screens, attributing to 46% of total installed screens in the country, but represented 52% 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.

During the period, Golden Village reported net box office receipts of S\$28.5 million (2023: S\$30.4 million), representing a 6% decrease compared with 2023. The decline arose primarily from the lack of blockbusters releases during the period which resulted in 3% lower admissions amounting to 2.36 million (2023: 2.44 million). There had also been a decline in net average ticket price by 3% to S\$12.1 in 2024 from S\$12.5 in 2023. Golden Village concessions income also decreased by 4% from S\$13.0 million in 2023 to S\$12.4 million in 2024 along with the decrease in admissions and net box office receipts. Singapore operations recorded a segmental profit of HK\$20.0 million (2023: HK\$21.9 million) for the period ended 30 June 2024.

Golden Village will expand cinemas from a single-use movie-viewing theatre to become an integrated entertainment hub featuring other lifestyle offerings such as live music, e-sports, collectibles, and food and beverages. It opened a new concept six-house cinema with an event space that features live music, art showcases and interactive screenings to provide customised unique experience to our patrons through collaboration with a local boutique cinema circuit. 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 introduce more alternative contents, live streaming, and special movie screenings. Golden Village also offered movie vouchers and gift cards, unique merchandise items, promotions in partnership with landlords, and launched e-commerce websites to add in more variety of our revenues. 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.

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 and Singapore. On an aggregated basis the Group's film distribution and production business recorded revenue of HK\$43.2 million (30 June 2023: HK\$17.8 million), representing an increase of 143% compared to same period last year. Key titles distributed by the Group included *Rob N Roll* (臨時械劫) in Hong Kong. The famous releases outside Hong Kong was *How To Make Millions Before Grandma Dies* (全職乖孫) and *Money No Enough 3* (錢不夠用3) in Singapore.

For the production sector, the Group continued to remain prudent in investment decisions in film productions but is 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 decreased by 5% to HK\$377.6 million (2023: HK\$396.2 million) along with 6% lower total admission in the year. With the reduced in revenue and margin, gross profit for the period amounted to HK\$227.6 million, compared with HK\$256.6 million in 2023, representing a 11% decrease over the period.

Other revenue of HK\$37.4 million represents primarily subsidies from governments of HK\$19.1 million. Interest income during the period reduced to HK\$0.5 million from HK\$0.9 million in 2023 since the Group has partly repaid its bank loans during the period leading to a reduction in cash and bank balance during the period.

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\$14.5 million, compared with HK\$14.3 million in last period. The increase in finance costs is mainly due to the higher interest rate.

The Group's joint venture in Taiwan recorded a net loss during the period, in which the Group's share of loss amounted to HK\$11.3 million (2023: share of profit of HK\$5.5 million). On 21 June 2024, the Group has disposed its interest in Vie Show and has recognised a net gain on disposal of HK\$285.6 million and has realised an exchange reserve of HK\$8.7 million.

Depreciation expense for the period amounted to HK\$91.4 million (2023: HK\$84.8 million). The Group has made impairment losses on non-financial assets of HK\$313.3 million (2023: Nil) for the period ended 30 June 2024.

As a result, loss attributable to equity holders was HK\$81.0 million, compared with HK\$24.4 million in the last period.

FINANCIAL RESOURCES AND LIQUIDITY

The Group's financial position remained healthy with net assets of HK\$1,338.2 million as of 30 June 2024.

As of 30 June 2024, the Group has total cash and bank balances amounted to HK\$421.6 million (2023: HK\$160.3 million), within which pledged bank balances amounted to HK\$32.7 million (2023: HK\$35.5 million). The increased in cash on hand arose from a non-recurring net gain of HK\$285.6 million during the period ended 30 June 2024 on disposal of the shares of the Group's joint venture during the period. From a net cash angle (total bank borrowing less total cash and bank balances), the Group's net cash has increased from net debt of HK\$279.1 million as of 31 December 2023 to net cash of HK\$6.8 million as of 30 June 2024.

The Group's gearing ratio, calculated on the basis of bank borrowings over total assets stood at a healthy level of 13.0% (31 December 2023: 12.8%). Net gearing ratio calculated on the basis of net cash over total assets stood at a healthy level of 0.2% (31 December 2023: net borrowings over total assets of 8.1%) and our cash to bank borrowings ratio at 101.6% (31 December 2023: 36.5%). The Group at this moment has reasonable financial leverage. Meanwhile, the Group believes that its current cash holding along with its available financial facilities shall provide sufficient resources for its working capital requirements.

The Group's assets and liabilities are principally denominated in United States dollars, Hong Kong dollars, Renminbi and Singapore dollars, except for the investment costs in Taiwan. The Group's bank borrowings are denominated in Hong Kong dollars, Renminbi 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 2024 (31 December 2023: 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. With interest rates hikes in first half of 2024 and the impact of the Russia-Ukraine war and Israeli-Palestinian conflict, these have affected market sentiment and consumer spending. The Group will therefore take a conservative approach on its future expansion plan during the year.

In Hong Kong, the Group will be prudent in operation decisions given the interest rate hikes, worsened market sentiments and global conflict are still creating uncertainties to the economy, making consumers cautious with their spending. For its distribution business, the Group will look for investment opportunities in quality film distribution projects in the territory with a conservative approach. The Group will also explore all possible options to minimise the Group's operating loss from Hong Kong region.

In Singapore, the Group will continue to look for other expansion opportunities only when the return is attractive whilst balancing the investment risk. 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 Mainland China, 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 believes 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 improve the immersive experience will further enhance cinemas competitiveness in the future.

Looking ahead, the Group will continue to seek investment opportunities in the regional media, entertainment, technology and lifestyle sectors that are creating synergies to the Group's existing businesses and add values to the shareholders.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group employed 410 (31 December 2023: 441) 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 2024, 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 2024 (30 June 2023: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its listed securities during the period ended 30 June 2024. 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 2024.

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 2024, the Company has complied with the code provisions of CG Code, with the exception of code provision 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 26 June 2024 (the “AGM”) due to other work commitment.

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 on 26 June 2024 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 2024.

**EXTRACT OF THE REVIEW REPORT FROM THE DRAFT INTERIM
FINANCIAL REPORT OF THE GROUP FOR THE PERIOD ENDED 30 JUNE
2024**

As disclosed in note 1 to the interim financial information reported in this announcement, during the six months ended 30 June 2024, the Group recorded a loss for the period of HK\$81,048,000. As at 30 June 2024, the Group had net current liabilities of HK\$334,209,000, primarily as a result of bank loans amounting to HK\$414,859,000 classified as current liabilities, as the Group did not fulfil certain financial covenants under the Group's banking facilities. As at 30 June 2024, the Group had cash and cash equivalents and pledged bank deposits totalling HK\$421,648,000 which may not be sufficient to finance its future working capital, capital expenditure and financing requirements in full. This indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The Company's auditor has indicated to the Company that, if the conditions at that time continue to indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, then it expects to draw attention to this matter in the review report in the form set out below:

“Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

Material uncertainty related to going concern

We draw attention to note 1 to the interim financial report which describes that the Group incurred a loss for the period of HK\$81,048,000 for the six months ended 30 June 2024 and as at that date, had net current liabilities of HK\$334,209,000, including current bank loans amounting to HK\$414,859,000. The Group had cash and cash equivalents and pledged deposits totalling HK\$421,648,000 as at 30 June 2024, which may not be sufficient to finance its future working capital, capital expenditure and financing requirements in full unless it is able to generate sufficient net cash inflows from future operations and/or other sources. As stated in note 1, these facts and circumstances, along with other matters set forth in note 1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

PUBLICATION OF 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 2024 will be dispatched to the shareholders and made available on the same websites in due course.

APPRECIATION

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

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

Hong Kong, 29 August 2024

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