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)

SUPPLEMENTAL ANNOUNCEMENT
DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
THE DISPOSAL OF THE TARGET COMPANIES GROUP

Reference is made to the announcement of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 20 December 2024 (the "**Announcement**"). Terms used herein shall have the same meanings as defined in the Announcement unless otherwise stated.

The Company would like to supplement the following information regarding the Announcement:

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company set out an initial plan for the 360-stage performance projects in 2018 when it was licensed an exclusive right for the 360 (Stage Around) technology in the PRC. As disclosed in the Announcement, the Target Companies Group entered into agreements with local PRC governments of Suzhou and Xi'an in 2019 to operate the Suzhou Projects and the Xi'an Projects respectively. For each theatre, it was initially and roughly expected that the Target Companies Group would invest approximately RMB150 million as capital expenditure for the development of the shows, theatres renovation and procurement of the necessary production equipment and the local governments would invest approximately RMB150 million as capital expenditure for theatres construction and procurement of the necessary production equipment. It was therefore estimated that the Target Companies Group would invest approximately RMB600 million for the Projects. The construction of the theatres was expected to complete in 2021 and the Projects were expected to launch at different stages from 2021 to 2022. Based on the estimation under the initial plan, revenue of approximately RMB320 million will be generated for each theatre for the first full year of operation (in the case of full attendance).

* *For identification purposes only*

The first show under the Projects was launched in July 2023 and was opened to the public with an average of 5.3 shows per week during the period from July 2023 to December 2023. It was expected that the show will gradually gain popularity by word-of-mouth, thereby increasing attendance over time. This remains the expectation of the Target Companies Group's new management. Growth in attendance was noted during the peak seasons and national holidays in the PRC. However, as a result of the ongoing economic challenges in the PRC which affected market recovery in the post-pandemic era, the attendance of the show during the non-peak seasons remained unsatisfactory and the overall improvement of financial performance of the Target Companies Group was slower than expected. Consequently, considering the above and that the Target Companies Group had launched operation for almost a year, an impairment assessment was performed when the Company prepared for the interim financial report for the six months ended 30 June 2024.

As disclosed in the Announcement, the development progress of the Projects was severely affected by delays in delivery of the stages of the Projects caused by the main contractor (being the contractor responsible for the specialist stage systems used in the Projects). In addition, the sluggish recovery of the movie, theatre and entertainment market in the PRC following the pandemic resulted in a slower-than-expected recovery in the performance of the Target Companies Group. The overall deteriorating market sentiments contributed to a challenging environment for the Suzhou Project after the opening. Delays in the construction and enhancement of surrounding infrastructure in Suzhou, such as transportation improvements and the development of nearby commercial facilities and residential properties, also affected the Target Companies Group's ability to attract audiences for the existing Project in Suzhou.

As a result of the above, there were differences between the initial plan of the Projects and the estimated performance of the Target Companies Group at the open theatre in Suzhou as at 30 June 2024 which are set out below:

	Estimation under initial plan	**Estimation as at 30 June 2024**
Annual average attendance rate (Approximately)	90% to 100%	32%
Annual average ticket price	RMB700	RMB180
Annual number of shows for each theatre	364	312

As the Target Companies Group was obliged to complete the remaining three Projects under the relevant agreements with each of the PRC local governments and in order to finance the additional investment required by the delay caused by the main contractor, the Company approached potential investors but did not receive any positive feedback. The Company also approached a commercial bank in the PRC for bank borrowings but was not granted the requested amount to finance the additional investment required.

Furthermore, the Target Companies Group continued to record operational losses during the period from 1 July 2024 to 31 October 2024. The Target Companies Group only recorded revenue of approximately HK$7.0 million and HK$8.3 million for the year ended 31 December 2023 and the six months ended 30 June 2024, respectively (which were generated from the income of the first show in Suzhou). The Target Companies Group recorded net losses of approximately HK$32.6 million and HK$341.1 million for the year ended 31 December 2023 and the six months ended 30 June 2024, respectively. As disclosed in the Announcement, the Directors estimate that additional investment of not less than RMB150 million will be required to complete the remaining three Projects. Both the operating losses and the capital expenditure required for the Projects have significant negative impacts on the cash flow of the Target Companies Group.

The above information does not affect other information contained in the Announcement and save as disclosed above, all other information therein remains unchanged.

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

Hong Kong, 14 March 2025

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