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Golden Harvest

## **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)**

### **CONTINUING CONNECTED TRANSACTION AGENCY AGREEMENT**

The Board is pleased to announce that on 6 November 2013, OSGH (China) (an indirect wholly-owned subsidiary of the Company) entered into the Agency Agreement with Beijing OSOL in relation to the appointment of Beijing OSOL as the agent of OSGH (China) for a period of 3 years commencing from 6 November 2013. Beijing OSOL shall be responsible for sourcing opportunities for leasing and purchase of cinema properties for OSGH (China) in the territory of the PRC. Beijing OSOL shall also explore opportunities for OSGH (China) for franchising of the brand name “Orange Sky Golden Harvest”.

OSGH (China) is an indirect wholly-owned subsidiary of the Company. Beijing OSOL is a connected person of the Company by virtue of being an associate of Mr. Wu (who is the chairman, a Director and a controlling shareholder of the Company) as Mr. Wu indirectly owns 59.4% equity interest in Beijing OSOL. Hence, the transactions under the Agency Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the Caps are more than 0.1% but less than 5%. Accordingly, the Agency Agreement is subject to the reporting, announcement and annual review requirements but is exempt from independent shareholders’ approval requirement under Rule 14A.34 of the Listing Rules.

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\* For identification purposes only

The transactions under the Agency Agreement constitute continuing connected transactions under the Listing Rules. The principal terms of the Agency Agreement are as follows:

## **AGENCY AGREEMENT**

**Date:** 6 November 2013

**Parties:** **Principal:** OSGH (China), an indirect wholly-owned subsidiary of the Company.

**Agent:** Beijing OSOL, a connected person.

**Scope of Service:** OSGH (China) appoints Beijing OSOL as its (non-exclusive) agent for sourcing of opportunities for leasing and purchase of cinema properties in 1st, 2nd and 3rd tier cities (except Chengdu, Chongqing, Hefei and Shenyang) in the PRC. Beijing OSOL shall also assist OSGH (China) in the negotiation of contracts and procure the execution of relevant contracts.

Beijing OSOL shall provide OSGH (China) with the opportunities to lease and/or acquire cinema properties and provide assistance in relation to the execution of contracts.

Beijing OSOL shall also explore opportunities for OSGH (China) for the franchising of the brand name “Orange Sky Golden Harvest”.

Within the term of the Agency Agreement, OSGH (China) undertakes to, on a priority basis upon the same terms and conditions, appoint Beijing OSOL as its agent for cinemas business development and to pass the project information to Beijing OSOL for follow up.

**Term:** For a period of 3 years commencing from 6 November 2013.

OSGH (China) and Beijing OSOL shall negotiate in good faith the renewal of the Agency Agreement provided that Beijing OSOL has no material default.

Payment Term (Lease):

If Beijing OSOL successfully procures the execution of a lease agreement for the cinema project which it refers to OSGH (China), OSGH (China) shall pay the following service fees to Beijing OSOL:

1. Basic service fee of RMB50,000 (approximately equivalent to HK\$63,500) per screen;
2. Additional service fee in accordance with the rent free periods so agreed in the relevant lease agreement, as follows:
  - a. For 1st tier cities, if the rent free period exceeds 6 months, OSGH (China) shall pay to Beijing OSOL an additional fee being 30% of the corresponding rental (exclusive of management fee) of the excess rent free period, subject to a cap of RMB400,000 (approximately equivalent to HK\$508,000);
  - b. For 2nd tier cities, if the rent free period exceeds 9 months, OSGH (China) shall pay to Beijing OSOL an additional fee being 20% of the corresponding rental (exclusive of management fee) of the excess rent free period, subject to a cap of RMB200,000 (approximately equivalent to HK\$254,000);
  - c. For 3rd tier cities, if the rent free period exceeds 12 months, OSGH (China) shall pay to Beijing OSOL an additional fee being 20% of the corresponding rental (exclusive of management fee) of the excess rent free period, subject to a cap of RMB200,000 (approximately equivalent to HK\$254,000).

OSGH (China) shall make a one off payment of the aforesaid service fees to Beijing OSOL within 10 working days from the date on which the relevant lease agreement comes into effect.

Payment Term (Acquisition):

If Beijing OSOL successfully procures the execution of a property purchase agreement for the cinema project which it refers to OSGH (China), OSGH (China) shall pay to Beijing OSOL a service fee of 1% of the total consideration of the purchase price of the relevant property.

OSGH (China) shall make a one off payment of the aforesaid service fee to Beijing OSOL within 10 working days from the date on which the relevant property purchase agreement comes into effect.

Payment Term (Franchising): If Beijing OSOL successfully procures the execution of a franchising agreement by OSGH (China) and a franchisee, OSGH (China) shall pay to Beijing OSOL a one off service fee of 10% of the franchising fee. If pursuant to the relevant franchising agreement the franchising fee exceeds RMB200,000 (approximately equivalent to HK\$254,000), OSGH (China) shall pay to Beijing OSOL an additional service fee being 20% of the excess part.

OSGH (China) shall make a one off payment of the aforesaid service fees to Beijing OSOL within 10 working days from the date on which the relevant franchising agreement comes into effect.

### **ANNUAL CAPS AND BASIS FOR DETERMINING THE ANNUAL CAPS**

The annual caps in respect of the transactions contemplated under the Agency Agreement for the years ending 31 December 2013, 31 December 2014, 31 December 2015 and 31 December 2016 shall be as follows:

(a)	For the year ending 31 December 2013 (from 6 November 2013 to 31 December 2013)	Approximately RMB4,000,000 (equivalent to HK\$5,080,000)
(b)	For the year ending 31 December 2014 (from 1 January 2014 to 31 December 2014)	Approximately RMB16,000,000 (equivalent to HK\$20,320,000)
(c)	For the year ending 31 December 2015 (from 1 January 2015 to 31 December 2015)	Approximately RMB16,500,000 (equivalent to HK\$20,955,000)
(d)	For the year ending 31 December 2016 (from 1 January 2016 to 5 November 2016)	Approximately RMB17,000,000 (equivalent to HK\$21,590,000)

The terms of the Agency Agreement were negotiated on arm's length basis and are on normal commercial terms. The Caps are determined based on the estimated service fee and additional service fee payable by OSGH (China) to Beijing OSOL for the latter's agency services in sourcing opportunities for the leasing and/or acquiring certain number of screens, procuring execution of cinema property lease agreement(s) with additional rent free period, procuring acquisition of cinema property and procuring execution of franchising agreement(s).

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE AGENCY AGREEMENT**

Beijing OSOL is a company incorporated in the PRC. Its principal business activity is to provide agency services for the exploration of business development opportunities for cinemas operation.

Beijing OSOL possesses extensive network and first hand information about the property market for cinemas operation in the PRC and the appointment of Beijing OSOL to provide the agency services by entering into of the Agency Agreement will assist the Group to source and secure suitable premises at prime location in priority basis for the development of its cinemas operation in the PRC. Depending on its business strategy and development plan, the Group may lease or acquire such properties for cinemas operation.

The granting of franchises to potential franchisees to use the brand name “Orange Sky Golden Harvest” will extend the brand awareness and business scale within the region. It will also enable the Group to explore future business development opportunity.

The Directors (including the independent non-executive Directors) are of the view that the Agency Agreement has been entered into in the ordinary and usual course of business of the Group and is on normal commercial terms and is fair and reasonable and in the interests of the Company and its shareholders as a whole. The Directors (including the independent non-executive Directors) also believe that the Caps of the Agency Agreement are fair and reasonable.

## **INFORMATION REGARDING THE COMPANY, OSGH (CHINA) AND BEIJING OSOL**

### **The Company**

The Company is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange.

The principal business activities of the Group are in production, financing, distribution and theatrical exhibition of motion pictures. As of 6 November 2013, the Group operated 74 cinemas with 552 screens across China, Hong Kong, Taiwan and Singapore and is a leading distributor in the region.

### **OSGH (China)**

OSGH (China) is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company.

### **Beijing OSOL**

Beijing OSOL is a company incorporated in the PRC and its principal business activity is to provide agency services for the development of cinemas projects. It is a joint venture which is 60% owned by 北京橙天影院投資管理有限公司 (Beijing Orange Sky Cinema Investment Management Co., Ltd.\*) (a company owned by Mr. Wu as to 99%), 19% by OSGH (China) and 21% by a PRC citizen (an independent third party).

## LISTING RULES IMPLICATIONS

The transactions under the Agency Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Mr. Wu indirectly owns 59.4% equity interest in Beijing OSOL. Mr. Wu is the chairman, a Director and a controlling shareholder of the Company and is interested in an aggregate of approximately 60.41% of the total issued share capital of the Company as at the date of this announcement. Accordingly, Beijing OSOL is an associate of Mr. Wu and a connected person of the Company and the Agency Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As the relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the Caps are more than 0.1% but less than 5%, the Agency Agreement is subject to the reporting, announcement and annual review requirements but is exempt from independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

Ms. Wu Keyan (a director) is the sister of Mr. Wu and is an associate of Mr. Wu under Chapter 14A of the Listing Rules. In view of their interests above, Mr. Wu and Ms. Wu Keyan have abstained from voting on the relevant board resolution for approving the Agency Agreement. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, other than Mr. Wu and Ms. Wu Keyan, none of the Directors has material interest in the transactions contemplated under the Agency Agreement and none of them is required to abstain from voting on the relevant board resolution.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meaning when used herein:

“Agency Agreement”	The agency agreement entered into between OSGH (China) and Beijing OSOL dated 6 November 2013 in connection with the agency services provided by Beijing OSOL.
“Beijing OSOL”	北京橙天橙地文化諮詢有限公司 (Beijing Orange Sky Orange Land Cultural Consultancy Co., Ltd.*), a company established in the PRC and 59.4% beneficially owned by Mr. Wu.
“Board”	The board of Directors.

“Caps”	For the purpose of Chapter 14A of the Listing Rules, means the proposed annual caps of the transactions contemplated under the Agency Agreement for the year ending 31 December 2013 (from 6 November 2013 to 31 December 2013, the year ending 31 December 2014 (from 1 January 2014 to 31 December 2014), the year ending 31 December 2015 (from 1 January 2015 to 31 December 2015), and the year ending 31 December 2016 (from 1 January 2016 to 5 November 2016) as set out in the section headed “Annual Caps” in this announcement.
“Company”	Orange Sky Golden Harvest Entertainment (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange.
“Director(s)”	The director(s) of the Company.
“Group”	The Company together with its subsidiaries.
“HK\$”	Hong Kong Dollars, the lawful currency in Hong Kong.
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China.
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange.
“Mr. Wu”	Mr. Wu Kebo, chairman, Director and controlling shareholder of the Company and is interested in an aggregate of approximately 60.41% of the total issued share capital of the Company as at the date of this announcement.
“OSGH (China)”	Orange Sky Golden Harvest Cinemas (China) Co. Ltd. (橙天嘉禾影城 (中國) 有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company.
“PRC”	The People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Taiwan and Macao.
“RMB”	Renminbi, the lawful currency in the PRC.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“%”	Per cent.

In this announcement, the exchange rate of RMB1 to HK\$1.27 is used for reference only.

By Order of the Board  
**Orange Sky Golden Harvest  
Entertainment (Holdings) Limited**  
**Wong Kwan Lai**  
*Company Secretary*

Hong Kong, 6 November 2013

*List of all Directors as of the time of issuing this announcement:*

*Chairman and Executive Director:*

Mr. Wu Kebo

*Executive Directors:*

Mr. Mao Yimin

Mr. Tan Boon Pin Simon

Mr. Li Pei Sen

Ms. Wu Keyan

*Independent Non-executive Directors:*

Mr. Leung Man Kit

Mr. Huang Shao-Hua George

Ms. Wong Sze Wing