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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
SPONSORSHIP AGENCY AGREEMENT**

On 4 September 2014, M Cinemas (an indirect wholly-owned subsidiary of the Company) entered into the Sponsorship Agency Agreement with PCA in relation to the appointment of PCA by M Cinemas as the non-exclusive agent to procure Sponsorships within Hong Kong for a period of 3 years commencing from 4 September 2014 to 3 September 2017 (both days inclusive).

M Cinemas is an indirect wholly-owned subsidiary of the Company. PCA is a company in which 80% equity interest is indirectly owned by Mr. Wu, the chairman and an executive Director and the controlling shareholder of the Company. PCA is therefore a connected person of the Company by virtue of its being an associate of Mr. Wu. Hence, the transactions contemplated under the Sponsorship Agency Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios (except profits ratio) under Rule 14.07 of the Listing Rules in respect of the cap for each of the years ending 31 December 2014, 2015 and 2016 and the period from 1 January 2017 to 3 September 2017 under the Sponsorship Agency Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Sponsorship Agency Agreement is subject to the reporting, announcement and annual review requirements but is exempt from independent shareholders' approval requirement under the Listing Rules.

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* For identification purpose only

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

SPONSORSHIP AGENCY AGREEMENT

- Date: 4 September 2014.
- Parties: M Cinemas, an indirect wholly-owned subsidiary of the Company.
PCA, a connected person.
- Subject matter: PCA shall, during the term of the Sponsorship Agency Agreement, be appointed as a non-exclusive agent of M Cinemas to procure Sponsorships for the films to be exhibited during the Term within Hong Kong. PCA and M Cinemas may, from time to time and as necessary, enter into separate sponsorship agreement(s), with or without individual sponsor(s), for implementation of the Sponsorship Agency Agreement. The terms of such sponsorship agreement(s) will be governed by the Sponsorship Agency Agreement and as such will not constitute as new category of connected transactions.
- Term: For a period of 3 years commencing from 4 September 2014 to 3 September 2017 (both days inclusive).
- Fee and payment terms: PCA shall pay to M Cinemas a sponsorship fee representing 70% of the gross sponsorship revenue generated out of the sponsorship agreement(s) from the Sponsorships within Hong Kong. Payment of the sponsorship fee by PCA to M Cinemas will be settled by way of cash transfer within 45 days after PCA's receipt of M Cinemas' invoice(s), or such other manners as agreed by the parties and in accordance with the agreed timing and manner as specified in the sponsorship agreement(s) to be entered into between PCA and M Cinemas and, if required, the individual sponsor(s).

HISTORICAL AMOUNTS AND PROPOSED CAPS AND BASIS OF DETERMINATION

For the year ended 31 December 2013 and the seven months ended 31 July 2014, the sponsorship fees received from PCA by the Group were approximately HK\$998,900 and HK\$690,000 (unaudited), respectively. Up to the date of this announcement, as each of the relevant percentage ratios (except profits ratio) in respect of the sponsorship fees calculated pursuant to Rule 14.07 of the Listing Rules was less than 0.1%, such transactions were de minimis transactions exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The transactions contemplated under the Sponsorship Agency Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of M Cinemas and PCA. To regulate the procurement of Sponsorships for the films to be exhibited within Hong Kong between PCA and M Cinemas, the Company proposes to set caps in respect of the sponsorship fees receivable from PCA under the Sponsorship Agency Agreement for the years ending 31 December 2014, 2015 and 2016 and the period from 1 January 2017 to 3 September 2017 at HK\$32,000,000, HK\$32,000,000, HK\$32,000,000 and HK\$21,000,000 respectively.

The sponsorship fees payable under the Sponsorship Agency Agreement is determined based on arm's length discussion and is no less favourable than those offered to the Group by independent third parties from provision of similar services. In determining the caps in respect of the sponsorship fees receivable from PCA under the Sponsorship Agency Agreement, the Company has taken into account a number of factors, including the past performances of Sponsorships, upcoming films to be exhibited within Hong Kong, the anticipated growth in Sponsorships and hence the growth trends of the sponsorship fees to be generated from Sponsorships. Given that the growth in the sponsorship fees from Sponsorships is market-driven in nature which is considered to be difficult for the Company to estimate, the Board believes that it is reasonable to set the caps in manner set out above, so as to allow more room for further expansion of the sponsorship fees from Sponsorships between PCA and M Cinemas, to enable the Group to take full benefit of the growth in Sponsorships and to maximise the Group's revenue generated from Sponsorships.

REASONS FOR, AND BENEFITS OF, ENTERING INTO THE SPONSORSHIP AGENCY AGREEMENT

PCA engages and is proficient in the business of sourcing advertisements for cinema operators in Hong Kong. It possesses a large base of valuable advertisers. M Cinemas operates and manages cinemas to exhibit movies and other related business in Hong Kong. Therefore, the Board is of the view that PCA can help M Cinemas to source the Sponsorships to be launched at the Group's cinemas in Hong Kong. The appointment of PCA as an agent (on a non-exclusive basis) to procure the Sponsorships will enable the Group to maintain and develop its long-term relationship with PCA and in turn provide an important source of revenue in terms of Sponsorships for the Group.

The Board considers that it will be to the benefit of the Group to enter into the Sponsorship Agency Agreement.

PRICING POLICY AND CONTROL MEASURES

The Directors and senior management of the Company will monitor closely and review regularly the transactions on Sponsorships contemplated under the Sponsorship Agency Agreement. The Company will adopt a series of control measures and endeavour to maintain, in relation to the transactions on Sponsorships, the independence of the Company, the fairness of the terms of the transactions, and the right of the Company to obtain agency service for Sponsorships from independent third parties other than PCA.

The control measures to be taken by the Company include:

- (a) the transactions contemplated under the Sponsorship Agency Agreement will be conducted on a non-exclusive basis.
- (b) the finance department of the Company is responsible for the information gathering and monitoring of those connected transactions. The Company will carry out reference checking on the sponsorship fees of the similar Sponsorships offered by at least two other agencies to ensure that the Sponsorships being procured is/are at a higher rating (within the same industry) and sponsorship fee.
- (c) the Company will strictly review the sponsorship agreements made pursuant to the Sponsorship Agency Agreement and that PCA shall be required to, on or before the 6th day of each calendar month during the term of the Sponsorship Agency Agreement, provide M Cinemas with a monthly report setting forth details of the Sponsorships that concluded for the preceding month.
- (d) the independent non-executive Directors and the Company's external auditors will review annually the enforcement status of the agreements, in order to review the fairness and reasonableness of the terms of the transactions on Sponsorships with PCA.

VIEW OF THE BOARD

The Directors (including the independent non-executive Directors) are of the view that the Sponsorship Agency Agreement has been entered into in the ordinary and usual course of business of the Group, is on normal commercial terms (on arm's length basis) and that the terms are fair reasonable and in the interests of the Company and its shareholders as a whole. Further, having taken into consideration the fact that the sponsorship fee to be generated from Sponsorships is market-driven in nature and may vary significantly depending on the prevailing market condition, the Directors (including the independent non-executive Directors) also consider that the Sponsorship Agency Agreement are in the interests of the Company and its shareholders as a whole.

INFORMATION REGARDING THE COMPANY, M CINEMAS AND PCA

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 4 September 2014, the Group operates 80 cinemas with 592 screens across the PRC, Hong Kong, Taiwan and Singapore and is a leading distributor in the region.

M Cinemas

M Cinemas is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company.

PCA

PCA is a company incorporated in Hong Kong and 80% of its equity interest is indirectly owned by Mr. Wu, the chairman and an executive Director and the controlling shareholder of the Company. The principal activity of PCA is to provide distribution and agency services for advertisements.

LISTING RULES IMPLICATIONS

PCA is a company in which 80% equity interest is indirectly owned by Mr. Wu, the chairman and an executive Director and the controlling shareholder of the Company. PCA is therefore a connected person of the Company by virtue of being an associate of Mr. Wu. Accordingly, the transactions contemplated under the Sponsorship Agency Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios (except profits ratio) under Rule 14.07 of the Listing Rules in respect of the cap for each of the years ending 31 December 2014, 2015 and 2016 and the period from 1 January 2017 to 3 September 2017 under the Sponsorship Agency Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Sponsorship Agency Agreement is subject to the reporting, announcement and annual review requirements but is exempt from independent shareholders' approval requirement under the Listing Rules.

Mr. Wu is the chairman, an executive Director and the controlling shareholder of the Company. Ms. Wu Keyan (also being an executive Director) is the sister of Mr. Wu and therefore 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 resolutions for approving the Sponsorship Agency Agreement. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Directors (other than Mr. Wu and Ms. Wu Keyan) has material interest in the transaction contemplated under the Sponsorship Agency Agreement and none of them is required to abstain from voting on the relevant board resolutions.

DEFINITIONS

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

“Board”	the board of Directors
“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 PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“M Cinemas”	M Cinemas Company Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Mr. Wu”	Mr. Wu Kebo, the chairman, an executive Director and the controlling shareholder of the Company and is interested in an aggregate of approximately 65.24% of the total issued share capital of the Company as at the date of this announcement
“PCA”	Panasia Cinema Advertising Limited, a company incorporated in Hong Kong and 80% of its equity interest is indirectly owned by Mr. Wu
“PRC”	The People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Taiwan and Macao
“Sponsorships”	events featuring sponsor’s brands, products, services and/or promotional activities and include but is not limited to the form of “product implant into the film”, “promotional video production”, “brand’s image promotion”, “product sponsor” and “screen advertisement”, etc.

“Sponsorship Agency Agreement”	the sponsorship agency agreement entered into between PCA and M Cinemas dated 4 September 2014 in connection with the procurement of the Sponsorships within Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	Percent

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

Hong Kong, 4 September 2014

List of all Directors as at the date of this announcement:

Chairman and Executive Director:

Mr. Wu Kebo

Executive Directors:

Mr. Mao Yimin

Mr. Li Pei Sen

Ms. Wu Keyan

Independent Non-executive Directors:

Mr. Leung Man Kit

Mr. Huang Shao-Hua George

Ms. Wong Sze Wing