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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)

ANNOUNCEMENT

CONNECTED TRANSACTIONS — ACQUISITION OF ENTIRE ISSUED SHARE CAPITAL OF PANASIA CINEMA ADVERTISING LIMITED

Reference is made to the announcement of the Company dated 8 December 2010 in relation to, among others, the disposal of the entire equity interest and the shareholder's loan of Pansia Cinema by the Purchaser to the Vendor at the consideration of approximately HK\$1.8 million.

TRANSFER AGREEMENT

The Board is pleased to announce that on 31 May 2017, the Vendor has entered into a transfer agreement with the Purchaser, pursuant to which, the Vendor has agreed to transfer the entire issued share capital of Pansia Cinema to the Purchaser at the consideration which shall not exceed HK\$71 million.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wu Kebo is the controlling shareholder of the Company holding approximately 67.13% of the equity interests in the Company and the controlling shareholder of Orange Sky holding approximately 80% of the equity interests in Orange Sky. The Vendor is an indirect wholly-owned subsidiary of Orange Sky, which is the substantial shareholder of the Company.

Under the Listing Rules, Orange Sky and the Vendor, being an associate of Orange Sky, are connected persons of the Company, and hence, the Transfer constitutes connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the Transfer are more than 0.1% but less than 5%, the Transfer constitutes connected transaction exempted from the independent shareholders' approval requirement for the Company under Rule 14A.32 of the Listing Rules.

* For identification purpose only

Reference is made to the announcement of the Company dated 8 December 2010 in relation to, among others, the disposal of the entire equity interest and the shareholder's loan of Panasia Cinema by the Purchaser to the Vendor at the consideration of approximately HK\$1.8 million.

TRANSFER AGREEMENT

The Board is pleased to announce that on 31 May 2017, the Vendor has entered into a transfer agreement with the Purchaser, pursuant to which, the Vendor has agreed to transfer the entire issued share capital of Panasia Cinema to the Purchaser at the consideration which shall not exceed HK\$71 million.

The principal terms of the Transfer Agreement are set out below:-

Date: 31 May 2017

Parties: The Vendor as vendor
The Purchaser as purchaser
Panasia Cinema

Subject matter: 10,000 ordinary shares representing the entire issued share capital of Panasia Cinema.

Consideration: The consideration for the Transfer shall not exceed HK\$71 million which shall be payable by the Purchaser in the following manner:-

- (i) 20% of the consideration in the sum of HK\$14.2 million as deposit, to be paid in cash by the Purchaser on the date of signing of the Transfer Agreement;
- (ii) 60% of the consideration in the sum of HK\$42.6 million to be paid in cash by the Purchaser on the Completion Date (or such other date as may be agreed between the Parties); and
- (iii) the remaining amount of the consideration for the Transfer to be paid in cash by the Purchaser on the tenth business day following the completion of the Review which shall be calculated based on the following formula:

$$R = A \times 2 \times 10 - \text{HK\$}56.8 \text{ million}$$

Key:

A = the net profit of Panasia Cinema for the 6 months ended 30 June 2017 based on the accounts of Panasia Cinema as at 30 June 2017 pursuant to the Review or HK\$3.55 million (whichever amount is lower)

R = the remaining amount of the consideration for the Transfer payable by the Purchaser

Note:

If R is less than or equals to HK\$0 pursuant to the above formula, no additional payment will be made by the Purchaser to the Vendor and vice versa.

If the Transfer Agreement has been terminated by the Purchaser in accordance to the Transfer Agreement, any payment made by the Purchaser to the Vendor shall be refunded.

Conditions Precedent: The completion of the Transfer is subject to the repayment of the Shareholder's Loan by Panasia Cinema and the repayment of all outstanding amount payable by the Vendor to Panasia Cinema.

Completion: The Transfer will be completed on the Completion Date provided that the conditions precedent set out above has been satisfied.

REASONS AND BENEFITS FOR THE TRANSFER

It is the Group's strategy to expand its advertising business. The Directors believe that the Transfer will facilitate the Group's expansion of its advertising business and will promote synergistic growth to the Group on the whole. The Directors also believe that the Transfer would enable the Group to achieve a reasonable return from the profitable business operated by Panasia Cinema upon the completion of the Transfer.

The consideration for the Transfer was determined after arm's length negotiation between the Vendor and the Purchaser based on normal commercial terms and with reference to the historical financial performance of Panasia Cinema on an overall basis, which after taking into account of the price-to-earnings ratio of 10 computed based on the audited net profits of Panasia Cinema for the year ended 31 December 2016 which has a lower price-to-earnings ratio as compared to the price-to-earnings ratio of 10.29 computed based on the pro forma net profits for the year ended 31 December 2009 in respect of the Initial Transfer). As such, the Board considered the consideration of the Transfer to be fair and reasonable for the business of Panasia Cinema. The consideration for the Transfer will be settled by internal resources of the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Transfer are on normal commercial terms and in the ordinary and usual course of business of the Company and are fair and reasonable to the Company and in the interests of the Company and the shareholders of the Company as a whole.

SPONSORSHIP AGENCY AGREEMENT

Reference is made to the announcement of the Company dated 4 September 2014 in respect of the entering into of the Sponsorship Agency Agreement by M Cinemas and Panasia Cinema for the appointment of Panasia Cinema 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) which constituted a continuing connected transaction of the Company.

Upon the completion of the Transfer, Panasia Cinema will become a subsidiary of the Company. As such, the procurement of the Sponsorships within Hong Kong pursuant to the Sponsorship Agency Agreement will no longer constitute a continuing connected transaction of the Company.

INFORMATION OF THE PARTIES

The Group

The Company is an investment holding company. The Group is principally engaged in theatrical exhibition, cinema operation, film, video and television production and distribution business in Hong Kong, the PRC, Taiwan and Singapore.

The Vendor

The Vendor is incorporated in Hong Kong with limited liability and its principal activity is investment holding. It is an indirect wholly-owned subsidiary of Orange Sky, a substantial shareholder of the Company holding approximately 20.62% of the issued share capital of the Company as at the date of this announcement.

The Purchaser

The Purchaser is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company as at the date of this announcement. The Purchaser is principally engaged in the distribution of motion pictures and provision of promotion, advertising agency and consultancy services.

Panasia Cinema

Panasia Cinema is a company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Vendor. The principal activity of Panasia Cinema is to provide distribution and agency services for advertisements.

Set out below is the audited financial information of Panasia Cinema for each of the years ended 31 December 2015 and 2016, respectively:

	For the year ended	
	31 December	
	2015	2016
	(audited)	(audited)
	<i>HK\$</i>	<i>HK\$</i>
Net profit before tax	234,511	7,789,880
Net profit after tax	234,511	7,102,140

The unaudited total assets and net assets of Panasia Cinema were approximately HK\$9 million and HK\$0.17 million, respectively, as at the date of this announcement.

Upon completion of the Transfer, Panasia Cinema will become an indirect wholly-owned subsidiary of the Company and the assets, liabilities and results of Panasia Cinema will be consolidated into the consolidated financial statements of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wu Kebo is the controlling shareholder of the Company holding approximately 67.13% of the equity interests in the Company and the controlling shareholder of Orange Sky holding approximately 80% of the equity interests in Orange Sky. The Vendor is an indirect wholly-owned subsidiary of Orange Sky.

Under the Listing Rules, Orange Sky and the Vendor, being an associate of Orange Sky, are connected persons of the Company, and hence, the Transfer constitutes connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the Transfer are more than 0.1% but less than 5%, the Transfer constitutes connected transaction exempted from the independent shareholders' approval requirement for the Company under Rule 14A.32 of the Listing Rules.

Mr. Wu Kebo, being a Director, is the controlling shareholder and director of Orange Sky and Ms. Wu Keyan is the sister of Mr. Wu Kebo and is an associate of Mr. Wu Kebo under Chapter 14A of the Listing Rules. In view of their interests above, Mr. Wu Kebo and Ms. Wu Keyan have abstained from voting on the relevant board resolution(s) for approving the Transfer and the transactions contemplated thereunder. Other than Mr. Wu Kebo and Ms. Wu Keyan, none of the Directors has a material interest in the relevant matters and none of them is required to abstain from voting on the relevant board resolutions under the bye-laws of the Company or the Listing Rules.

DEFINITIONS

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

“associate(s)”	the meaning ascribed to it in the Listing Rules;
“Board” or “Director(s)”	the board of directors of the Company;
“Company”	Orange Sky Golden Harvest Entertainment (Holdings) Limited (橙天嘉禾娛樂(集團)有限公司*), a company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange;
“Completion Date”	as soon as possible after the date of the signing of the Transfer Agreement;
“connected person(s)”	the meaning ascribed to it in the Listing Rules;
“Group”	the Company and its subsidiaries;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Initial Transfer”	the disposal of the entire equity interest in Panasia Cinema by the Purchaser to the Vendor pursuant to the transfer agreement dated 8 December 2010 entered into between the Vendor, the Purchaser and Panasia Cinema;
“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;
“Orange Sky”	Orange Sky Entertainment Group (International) Holding Company Limited, a company incorporated in the British Virgin Islands which is a substantial shareholder of the Company holding approximately 20.62% of the issued share capital of the Company as at the date of this announcement;
“Panasia Cinema”	Panasia Cinema Advertising Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Vendor prior to completion of the Transfer;
“Parties”	the Vendor and the Purchaser;
“Purchaser”	Panasia Films Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company;
“Review”	the review of the accounts of Panasia Cinema as at 30 June 2017 by the independent auditors appointed by the Parties;
“Sale Shares”	10,000 ordinary shares in Panasia Cinema, representing the entire issued share capital of Panasia Cinema, owned by the Vendor prior to completion of the Transfer;
“Shareholder’s Loan”	all outstanding amounts, whether principal or interest, owing by Panasia Cinema to the Vendor prior to the completion of the Transfer;
“Sponsorship”	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 Panasia Cinema 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;
“substantial shareholder”	the meaning ascribed to it in the Listing Rules;
“Transfer”	the transfer of the Sale Shares by the Vendor to the Purchaser pursuant to the terms of the Transfer Agreement;
“Transfer Agreement”	the transfer agreement entered into between the Vendor, the Purchaser and Panasia Cinema dated 31 May 2017 in relation to the Transfer;
“Vendor”	Orange Sky Entertainment International Holdings Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Orange Sky; and
“%”	per cent.

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

Hong Kong, 31 May 2017

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

Chairman and executive Director:

Mr. Wu Kebo

Executive Directors:

Mr. Mao Yimin

Mr. Li Pei Sen

Ms. Wu Keyan

Ms. Chow Sau Fong, Fiona

Independent non-executive Directors:

Mr. Leung Man Kit

Ms. Wong Sze Wing

Mr. Fung Chi Man, Henry