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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)

**FURTHER ANNOUNCEMENT REGARDING
CONTINUING CONNECTED TRANSACTION
LEASING OF PROPERTY**

Reference is made to the Previous Announcement dated 6 November 2013 in relation to the Lease Agreement entered into between OSGH (China) (an indirect wholly-owned subsidiary of the Company) and Beijing Orange Sky Cinema in respect of the leasing of the Leased Property to Beijing Orange Sky Cinema for a period of 12 years commencing from the Delivery Date.

On 12 May 2016, OSGH (China) and Beijing Orange Sky Cinema entered into the Supplemental Agreement, pursuant to which Beijing Orange Sky Cinema agreed the compensation to be made by OSGH (China) by way of extension of the rent-free-period to cover the reasonable loss Beijing Orange Sky Cinema suffered during the time it is unable to commence operation, i.e. OSGH (China) agreed to extend the expiry date of the rent-free-period to 28 February 2019. Moreover, OSGH (China) undertook to deliver the premises which meet the conditions set out in the Lease Agreement to Beijing Orange Sky Cinema and complete the necessary procedures to obtain the relevant certificates by 30 June 2016, failing which OSGH (China) and Beijing Orange Sky Cinema will further negotiate a solution. Save and except for the changes mentioned above, all the terms in the Lease Agreement (as varied or supplemented as aforesaid) remain unchanged.

Reference is made to the announcement of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the “Company”) dated 6 November 2013 in relation to the Lease Agreement entered into between OSGH (China) (an indirect wholly-owned subsidiary of the Company) and Beijing Orange Sky Cinema in respect of the leasing of the Leased Property to Beijing Orange Sky Cinema for a period of 12 years commencing from the Delivery Date (the “Previous Announcement”).

Unless otherwise specified, capitalised terms used herein shall have the same meaning as those defined in the Previous Announcement.

* For identification purposes only

On 12 May 2016, OSGH (China) and Beijing Orange Sky Cinema entered into the Supplemental Agreement, pursuant to which Beijing Orange Sky Cinema agreed the compensation to be made by OSGH (China) by way of extension of the rent-free-period to cover the reasonable loss Beijing Orange Sky Cinema suffered during the time it is unable to commence operation, i.e. OSGH (China) agreed to extend the expiry date of the rent-free-period to 28 February 2019. Moreover, OSGH (China) undertook to deliver the premises which meet the conditions set out in the Lease Agreement to Beijing Orange Sky Cinema and complete the necessary procedures to obtain the relevant certificates before 30 June 2016, failing which OSGH (China) and Beijing Orange Sky Cinema will further negotiate a solution.

SUPPLEMENTAL AGREEMENT TO THE LEASE AGREEMENT

The principal terms of the Supplemental Agreement are as follows:

Date: 12 May 2016

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

Tenant: Beijing Orange Sky Cinema, a connected person

Delivery Date: OSGH (China) undertakes to deliver the premises which meet the conditions set out in the Lease Agreement to Beijing Orange Sky Cinema and complete the necessary procedures to obtain the relevant certificates by 30 June 2016.

Amount and method of compensation: OSGH (China) agrees to compensate for the reasonable loss in the sum of RMB5,418,017.46 suffered by Beijing Orange Sky Cinema as the result of its failure to commence cinema operation before 30 June 2016. Accordingly, Beijing Orange Sky Cinema agrees the compensation to be made by OSGH (China) by way of extension of the rent-free-period to cover the reasonable loss Beijing Orange Sky Cinema suffered during the time it is unable to commence operation, i.e. OSGH (China) agrees to extend the expiry date of the rent-free-period to 28 February 2019. Moreover, OSGH (China) undertakes to deliver the premises which meet the conditions set out in the Lease Agreement to Beijing Orange Sky Cinema and complete the necessary procedures to obtain the relevant certificates before 30 June 2016, failing which OSGH (China) and Beijing Orange Sky Cinema will further negotiate a solution. OSGH (China) shall not be liable for any other default payment, compensation and amount which is in compensatory nature.

Save and except for the changes mentioned above, all the terms in the Lease Agreement (as varied or supplemented as aforesaid) remain unchanged.

ANNUAL CAPS

The annual caps in respect of the Lease Agreement (as varied or supplemented as aforesaid) for each of the three financial years ending 31 December 2016, 2017 and 2018 are RMB1,010,000 (equivalent to approximately HK\$1,212,000), RMB2,080,000 (equivalent to approximately HK\$2,496,000) and RMB2,200,000 (equivalent to approximately HK\$2,640,000) respectively (“Caps”).

Upon the expiry of the Caps, the Company will re-comply with all applicable requirements under the Listing Rules, including (where required) the obtaining of approval of the independent shareholders of the Company.

BASES OF THE ANNUAL CAPS

The terms of the Lease Agreement were negotiated on an arm’s length basis and are on normal commercial terms and were determined by reference to the prevailing market rent of similar properties in nearby locations. The Caps payable by Beijing Orange Sky Cinema to OSGH (China) under the Lease Agreement for the three years ending 31 December 2016, 2017 and 2018 represent the amount of rental fee and brand licensing fee.

REASONS FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENT

On the date of signing of the Lease Agreement, OSGH (China) delivered the premises to Beijing Orange Sky Cinema for renovation. However, as Bao Sheng Chang (Tangshan) Real Estate Development Company Limited* (寶升昌(唐山)房地產開發有限公司) (“Bao Sheng Chang (Tangshan)”), the developer, failed to provide the relevant certificates of completion and the acceptance documents on fire services which are necessary for the final delivery in accordance with the sale and purchase agreement of the premises, OSGH (China) is not able to conduct relevant procedures with Beijing Orange Sky Cinema. Besides, since Bao Sheng Chang (Tangshan) failed to conduct any reasonable marketing activities, the premises remain closed or partly closed, hence the cinema of Beijing Orange Sky Cinema which has completed renovation has been unable to commence operation as of to-date. In order to carry on the leasing cooperation in a friendly manner, OSGH (China) and Beijing Orange Sky Cinema agreed to enter into the Supplemental Agreement in respect of the period Beijing Orange Sky Cinema being unable to commence its operation and the subsequent performance of the Lease Agreement.

The compensation to be made by OSGH (China) for the failure of Beijing Orange Sky Cinema to commence operation of a cinema is attributable to Bao Sheng Chang (Tangshan), the developer, being unable to provide the relevant certificates of completion and the acceptance documents on fire services which are necessary for the final delivery to OSGH (China). Within 5 working days from the date of this announcement, OSGH (China) will commence litigation in the People’s Court of Chaoyang District of Beijing against Bao Sheng Chang (Tangshan), Bao Sheng Chang (Tangshan) Business Management Company Limited* (寶升昌(唐山)商業管理有限公司) and Hu Jian* (戶健) (an executive director of Bao Sheng Chang (Tangshan)) (collectively the “Joint and Several Liability Guarantors”), claiming from Bao Sheng Chang (Tangshan) damages in the sum of RMB8,906,017.46 of which (1) RMB6,745,026 being the default payment for the period from 1 January 2014 to, tentatively, 30 April 2016, being the date on which Bao Sheng Chang (Tangshan) duly completed the procedures for obtaining the land use right certificates for the subject

property; and (2) RMB2,160,991.46 being the excess of economic loss over the amount of default payment set out in item (1), representing the rental loss arising from the extension of rent-free period to Beijing Orange Sky Cinema, the tenant of the subject property, in compensation for its loss as a result of the unavailability of premises to operate cinemas, and specific performance of the joint obligation by the Joint and Several Liability Guarantors to settle the abovementioned liabilities of Bao Sheng Chang (Tangshan).

On 20 March 2016, Bao Sheng Chang (Tangshan) has commenced litigation against OSGH (China) in the People's Court of Lunan District of Tangshan, claiming OSGH (China) the proceeds of property sales of RMB4,403,544, default payment of RMB500,000 (tentatively), property right registration fees and other costs of RMB15,075, legal costs of RMB80,000, and litigation expenses.

IMPLICATIONS UNDER THE LISTING RULES

The transaction under the Lease Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Mr. Wu and Ms. Wu Keyan hold 99% and 1% equity interest in Beijing Orange Sky Cinema respectively. Mr. Wu is the chairman, a Director and a controlling shareholder of the Company and is interested in an aggregate of approximately 67.15% of the total issued share capital of the Company as at the date of this announcement while Ms. Wu Keyan is a Director of the Company. Accordingly, Beijing Orange Sky Cinema is a connected person of the Company and the Lease Agreement and the transaction contemplated thereunder constitute a continuing connected transaction of the Company. In addition, Ms. Wu Keyan is the sister of Mr. Wu and is an associate of Mr. Wu under Chapter 14A of the Listing Rules.

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 Lease 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.

In view of their interests above, Mr. Wu and Ms. Wu Keyan have abstained from voting on the relevant board resolution for approving the Lease 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 Lease Agreement and none of them is required to abstain from voting on the relevant board resolution.

INFORMATION REGARDING THE COMPANY, OSGH (CHINA) AND BEIJING ORANGE SKY CINEMA

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 production, financing, distribution and theatrical exhibition of motion pictures. As of 30 April 2016, the Group operated 100 cinemas with 737 screens across China, Hong Kong, Taiwan and Singapore and is a leading movie 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 Orange Sky Cinema

Beijing Orange Sky Cinema is a company incorporated in the PRC and its principal businesses are cinema operation and property leasing.

In this announcement, the exchange rate of RMB1 to HK\$1.2 is used for reference only.

By Order of the Board
Orange Sky Golden Harvest Entertainment (Holdings) Limited
Leung Wing Chong
Company Secretary

Hong Kong, 19 May 2016

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

Chairman and Executive Director:

Mr. Wu Kebo

Independent Non-executive Directors:

Mr. Leung Man Kit

Mr. Huang Shao-Hua George

Ms. Wong Sze Wing

Executive Directors:

Mr. Mao Yimin

Mr. Li Pei Sen

Ms. Wu Keyan