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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)

DISCLOSEABLE TRANSACTION IN RELATION TO CAPITAL INCREASE IN A JOINT VENTURE COMPANY

BACKGROUND

As at the date of this announcement, the JV Company is owned as to approximately 35.70% by Golden Sky Entertainment (an indirect wholly-owned subsidiary of the Company), 0.01% by GH Investment (an indirect wholly-owned subsidiary of the Company), 30.00% by CMC Companies, 25% by Bau Tzuoh Companies and 9.29% by Da Xiang respectively. The JV Company is currently accounted as an associated company in the Group's accounts.

On 3 October 2022, the JV Company passed a board resolution to issue 11,000,000 additional JV Company Shares and increase the total issued JV Company Shares from 89,000,000 JV Company Shares to 100,000,000 JV Company Shares. As such, the JV Company invited the JV Company Shareholders to subscribe for the additional JV Company Shares in proportionate to their respective existing shareholding in the JV Company.

FURTHER CAPITAL INCREASE

The Board is pleased to announce that, on 14 October 2022, the Subscribers submitted subscription notices to the JV Company for the subscription of an aggregate of 3,928,053 JV Company Shares at NT\$10 (equivalent to approximately HK\$2.5) per JV Company Share, with an aggregate subscription price of NT\$39,280,530 (equivalent to approximately HK\$9,820,133). The JV Partners are eligible to subscribe for an aggregate of 7,071,947 JV Company Shares at NT\$10 (equivalent to approximately HK\$2.5) per JV Company Share, with an aggregate subscription price of NT\$70,719,470 (equivalent to approximately HK\$17,679,868). Assuming the JV Company Shareholders will subscribe for the additional JV Company Shares in full, such subscription will constitute a pro-rata capital increase in the JV Company and the shareholding of the JV Company Shareholders in the JV Company shall remain the same. Assuming only the Subscribers subscribe for the additional 3,928,053 JV Company Shares, upon the Further Capital Increase, the JV Company will be owned as to approximately 38.41% by Golden Sky Entertainment, 0.01% by GH Investment, 28.73% by CMC Companies, 23.94% by Bau Tzuoh Companies and 8.90% by Da Xiang respectively.

The Subscribers shall pay the consideration of the Further Capital Increase to the JV Company on or before 15 December 2022.

The consideration of the Further Capital Increase was determined based on arm's length negotiation between the Subscribers and the JV Company with reference to the funding needs of the JV Company for the development of its business in Taiwan, details of which are set out in the section headed "Reasons for and Benefits of the Further Capital Increase" in this announcement.

Golden Sky Entertainment and GH Investment shall collaborate with the JV Company for completing relevant procedures required by the laws and governmental authorities of Taiwan in relation to the Further Capital Increase. Completion of the Further Capital Increase shall take place upon the completion of the relevant procedures.

The Further Capital Increase is expected to be completed on 26 December 2022. The Further Capital Increase will be funded by the Group's internal resources.

PREVIOUS DE MINIMIS CAPITAL INCREASE

On 15 March 2022, the Subscribers submitted subscription notices to the JV Company for the subscription of an aggregate of 3,213,861 JV Company Shares at NT\$10 (equivalent to approximately HK\$2.6) per JV Company Share, with an aggregate subscription price of NT\$32,138,610 (equivalent to approximately HK\$8,356,039). By 18 March 2022, the JV Partners also submitted subscription notices to the JV Company for the subscription of an aggregate of 5,786,139 JV Company Shares at NT\$10 (equivalent to approximately HK\$2.6) per JV Company Share, with an aggregate subscription price of NT\$57,861,390 (equivalent to approximately HK\$15,043,961). Such subscription of additional JV Company Shares by the JV Company Shareholders constitutes a pro-rata capital increase in the JV Company. The Previous De Minimis Capital Increase was completed on 31 May 2022. The consideration of the Previous De Minimis Capital Increase was determined based on arm's length negotiation between the Subscribers and the JV Company with reference to the funding needs of the JV Company for the development of its business in Taiwan.

INFORMATION ON THE PARTIES

Information on the Group, Golden Sky Entertainment and GH Investment

The Company is an investment holding company incorporated in Bermuda. The Company and its subsidiaries and its joint venture principally engaged in theatrical exhibition, cinema operation, film, video and television production and distribution business in Hong Kong, Taiwan and Singapore, and live entertainment in the PRC.

Golden Sky Entertainment is a company incorporated in Malaysia with limited liability, which is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

GH Investment is a company incorporated in Malaysia with limited liability, which is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

Information on the JV Company

The JV Company is a company incorporated under the laws of Taiwan with limited liability and is principally engaged in theatre operation and investment holding. As at the date of this announcement, the JV Company is owned as to approximately 35.70% by Golden Sky Entertainment (an indirect wholly-owned subsidiary of the Company), 0.01% by GH Investment (an indirect wholly-owned subsidiary of the Company), 30.00% by CMC Companies, 25% by Bau Tzuoh Companies and 9.29% by Da Xiang respectively.

The net losses (both before and after taxation) attributable to the equity holders of the JV Company for the two financial years immediately preceding the Further Capital Increase (in accordance with the International Financial Reporting Standards) are as follows:

	For the year ended	
	31 December	
	2021	2020
	(unaudited)	(unaudited)
	<i>NT\$'000</i>	<i>NT\$'000</i>
Net loss before tax	632,356	530,114
Net loss after tax	506,901	418,629

As at 30 June 2022, the unaudited net assets of the JV Company was approximately NT\$474,829,000.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the Subscribers, the JV Company Shareholders and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE FURTHER CAPITAL INCREASE

As disclosed in the 2022 interim report of the Company, the JV Company is the largest cinema chain in Taiwan operating a total of 16 cinemas, comprising of 173 screens as of 30 June 2022, with a leading market share of 44%.

The Group is confident that the performance of the JV Company will quickly return to normal once COVID-19 situation in Taiwan alleviates and blockbuster movies are gradually released. The Group remains committed in the JV Company and will continue to develop the JV Company into a leading comprehensive entertainment operator in Taiwan. In line with the Group's comprehensive entertainment hub strategy, the JV Company has been focusing on expansion into related areas. In particular, the JV Company has already committed to open four new cinemas with 56 screens over 2022 to 2024, which will further increase market shares of the JV Company locally in Taiwan.

The Board is of the view that the Further Capital Increase is beneficial to ensure the continuous and stable operation of the JV Company and support its further business development.

Taking into account the abovementioned reasons and benefits, the Board considers that the terms of the Further Capital Increase are negotiated at arm's length basis and on normal commercial terms and are fair and reasonable and that it is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The applicable percentage ratios (as defined under the Listing Rules) of the Previous De Minimis Capital Increase were less than 5% at the time of the execution of the transaction documents in relation to the Previous De Minimis Capital Increase. As such, the Company was not then subject to any reporting, announcement and shareholders' approval requirement under Chapter 14 of the Listing Rules.

As the Subscribers, being indirect wholly-owned subsidiaries of the Company, conducted the Previous De Minimis Capital Increase and Further Capital Increase within a 12-month period, the Previous De Minimis Capital Increase and Further Capital Increase shall be aggregated as a series of transactions for the Company pursuant to Rule 14.22 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) of the Capital Increase (on an aggregated basis) exceeds 5% but is lower than 25%, the transaction contemplated under the Further Capital Increase shall comply with the reporting and disclosure requirements under Chapter 14 of 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
“Bau Tzuoh Companies”	Bau Tzuoh Investment Co., Ltd.* (寶座投資股份有限公司), Taijian Investment Holdings Co., Ltd.* (泰建投資股份有限公司) and Tailuen Investment Holdings Co., Ltd.* (泰聯投資股份有限公司), companies incorporated under the laws of Taiwan with limited liability based on public search information. Bau Tzuoh Companies are independent third parties to the Company and collectively interested in 25.00% equity interest of the JV Company as at the date of this announcement
“Board” or “Director(s)”	the board of Directors
“Capital Increase”	Previous De Minimis Capital Increase and Further Capital Increase

“CMC Companies”	CHC International Investment Corporation* (中嘉國際投資股份有限公司) and CMC Movie Corporation* (中藝國際影視股份有限公司), companies incorporated under the laws of Taiwan with limited liability based on public search information. CMC Companies are independent third parties to the Company and collectively interested in 30.00% equity interest of the JV Company as at the date of this announcement
“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
“connected person(s)”	the meaning ascribed to it in the Listing Rules
“Da Xiang”	Da Xiang Development Company Limited* (大向開發事業股份有限公司), a company incorporated under the laws of Taiwan with limited liability based on public search information. Da Xing is an independent third party to the Company and interested in 9.29% equity interest of the JV Company as at the date of this announcement
“Directors”	the directors of the Company
“Further Capital Increase”	the capital increase to the JV Company contributed by the Subscribers pursuant to the subscription notices submitted by the Subscribers to the JV Company on 14 October 2022, details of which are disclosed in the section headed “Further Capital Increase” of this announcement
“GH Investment”	GH Investment Limited, a company incorporated under the laws of Malaysia with limited liability and an indirect wholly-owned subsidiary of the Company
“Golden Sky Entertainment”	Golden Sky Entertainment Limited, a company incorporated under the laws of Malaysia with limited liability and an indirect wholly-owned subsidiary of the Company
“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 PRC

“JV Company”	Vie Show Cinemas Co. Ltd.* (威秀影城股份有限公司), a company incorporated under the laws of Taiwan with limited liability and owned as to approximately 35.70% by Golden Sky Entertainment (an indirect wholly-owned subsidiary of the Company), 0.01% by GH Investment (an indirect wholly-owned subsidiary of the Company), 30.00% by CMC Companies, 25.00% by Bau Tzuoh Companies and 9.29% by Da Xiang respectively as at the date of this announcement
“JV Company Share(s)”	share(s) of the JV Company
“JV Company Shareholders”	the Subscribers and the JV Partners
“JV Partners”	CMC Companies, Bau Tzuoh Companies and Da Xiang
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NT\$”	New Taiwan dollar(s), the lawful currency of Taiwan
“Previous De Minimis Capital Increase”	the capital increase to the JV Company contributed by the Subscribers pursuant to the subscription notices submitted by the Subscribers to the JV Company on 15 March 2022, details of which are disclosed in the section headed “Previous De Minimis Capital Increase” of this announcement
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Golden Sky Entertainment and GH Investment
“%”	per cent.

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

Hong Kong, 14 October 2022

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

* *For identification purpose only*