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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 LEASING OF PROPERTY

The Board is pleased to announce that on 25 September 2012, OSGH (China) (an indirect wholly-owned subsidiary of the Company) entered into the Lease Agreement with Jiangyin Orange Land in relation to the leasing of the Leased Property at the Jiangyin Orange Land Cultural Complex for a period of 240 months commencing from the Commencement Date. The Jiangyin Orange Land Cultural Complex is situated in Jiangyin City, an affluent city in the Jiangsu Province, the PRC which will include a shopping mall and other ancillary facilities. The Company intends to operate a cinema with approximately 25 separate screens in the Leased Property as part of its expansion plan in the region. On the same day, Beijing Orange Land executed the Deed of Guarantee in favour of OSGH (China) to guarantee certain of Jiangyin Orange Land's obligations under the Lease Agreement.

Jiangyin Orange Land 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. Hence, the transactions under the Lease Agreement constitute continuing connected transactions for the Company under Rule 14A.34 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 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.

The Board is pleased to announce that on 25 September 2012, OSGH (China) (an indirect wholly-owned subsidiary of the Company) entered into the Lease Agreement with Jiangyin Orange Land in relation to the leasing of the Leased Property at the Jiangyin Orange Land Cultural Complex. The Jiangyin Orange Land Cultural Complex is situated in Jiangyin City, an affluent city in the Jiangsu Province, the PRC which will include a shopping mall and other ancillary facilities. The Company intends to operate a cinema with approximately 25

* *For identification purposes only*

separate screens in the Leased Property as part of its expansion plan in the region. On the same day, Beijing Orange Land executed the Deed of Guarantee in favour of OSGH (China) to guarantee certain of Jiangyin Orange Land's obligations under the Lease Agreement.

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

LEASE AGREEMENT

Date: 25 September 2012

Parties: Landlord: Jiangyin Orange Land, a connected person

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

Leased Property: Portion of 3rd, 4th and 5th Floors of Block 2 of the Jiangyin Orange Land Cultural Complex, with a total floor area of approximately 17,561 square metres.

Term: For a period of 240 months commencing from the Commencement Date.

OSGH (China) has a pre-emptive right to renew the tenancy for a further period of 120 months upon expiry. The rent payable for the renewal term shall be negotiated according to prevailing market rate.

Decoration period (rent-free): For a period of 4 months from the date of delivery of the Leased Property to OSGH (China), which is expected to be on or before 31 December 2014, to the date immediately before the Commencement Date (which may be extended in accordance with the Lease Agreement). During the decoration period, OSGH (China) will be responsible for the payment of government tax and levies, management fee and other outgoings incurred (including water, electricity, gas and telephone charges).

Rental: During the term of the Lease Agreement, OSGH (China) shall pay to Jiangyin Orange Land an annual rent which is the higher of (a) an yearly turnover rent based on certain percentage rates ranging from 12% to 15% of the net box office income generated from the operation of the cinema by OSGH (China) at the Leased Property in the relevant year and (b) the Base Rental for the relevant year under the Lease Agreement.

- Base Rental:** The yearly base rental under the Lease Agreement, being RMB3,000,000 (equivalent to approximately HK\$3,660,000) for the first year of the term of the Lease Agreement, with an upward adjustment of 5% per annum for each of the 2nd to the 5th year of the term, and RMB5,000,000 (equivalent to approximately HK\$6,100,000) for the sixth year of the term, with an upward adjustment of 5% per annum for each of the 7th to 20th year of the term; the total base rental in aggregate for the entire period of the Lease Agreement shall be RMB124,470,000 (equivalent to approximately HK\$151,853,400).
- Prepayment:** An amount of RMB100,000,000, representing approximately 80% of the total amount of the Base Rental for the term of the Lease Agreement, is payable by OSGH (China) to Jiangyin Orange Land as Base Rental prepayment in the following manner:
- (a) a sum of RMB40,000,000 shall be payable within 10 business days after the execution of the Lease Agreement;
 - (b) a sum of RMB40,000,000 shall be payable by 31 January 2013; and
 - (c) a sum of RMB20,000,000 shall be payable by 31 January 2014.
- Payment term:** The Base Rental shall be settled by offsetting the Base Rental prepayment and the payment of a sum of RMB1,223,500 at the beginning of every year during the term of the Lease Agreement. If in any year, the yearly turnover rent is higher than the relevant Base Rental, OSGH (China) shall pay the difference to Jiangyin Orange Land within 15 business days after the difference is agreed by the parties before the 15th day of the month following the end of that year.
- OSGH (China) shall pay the utility charges and management fee incurred during the term of the Lease Agreement.
- If the Lease Agreement is terminated prior to the end of the term, Jiangyin Orange Land is obliged to refund to OSGH (China) the amount of the Base Rental prepayment less the amount of rent actually incurred (without interest) within 6 months of the termination (in case of termination caused by breach of the Lease Agreement by OSGH (China), after deducting damages which Jiangyin Orange Land is entitled to under PRC law).
- Security deposit:** A further sum of RMB1,500,000 (equivalent to approximately HK\$1,830,000) shall be payable by OSGH (China) to Jiangyin Orange Land as security deposit within 10 business days after the execution of the Lease Agreement. The security deposit shall be refunded to OSGH (China) within 15 business days after the vacant possession of the Leased Property is returned to Jiangyin Orange Land by OSGH (China).

GUARANTEE BY BEIJING ORANGE LAND

On 25 September 2012, Beijing Orange Land executed the Deed of Guarantee in favour of OSGH (China) to guarantee the following obligations of Jiangyin Orange Land under the Lease Agreement (i) to deliver the Leased Property to OSGH (China) on or before 31 December 2014 (or any later date extended in accordance with the Lease Agreement) and (ii) upon early termination by OSGH (China) in accordance with the provisions of the Lease Agreement, to repay the unincurred Base Rental prepayment, to perform (and/or to procure Jiangyin Orange Land to perform and comply with) the obligation(s) of Jiangyin Orange Land under the Lease Agreement and to compensate OSGH (China) for any damages.

ANNUAL CAPS

The annual caps in respect of the Lease Agreement for each of the three financial years ending 31 December 2012, 2013 and 2014 are set at RMB41,500,000 (equivalent to approximately HK\$50,630,000), RMB42,000,000 (equivalent to approximately HK\$51,240,000) and RMB30,000,000 (equivalent to approximately HK\$36,600,000) respectively.

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. If at any time during the term of the Lease Agreement, the transactions under the Lease Agreement cannot continue to comply with the requirements under the Listing Rules, OSGH (China) has a right to terminate the Lease Agreement with 6 months' notice without any compensation to Jiangyin Orange Land.

Bases of the Annual Caps

The terms of the Lease Agreement were negotiated on 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 represent, for the year ending 31 December 2012, the amount of Base Rental prepayment and the security deposit and, for the two years ending 31 December 2013 and 2014, the amount of Base Rental prepayment and possible rental and expenses, payable by OSGH (China) to Jiangyin Orange Land in such periods under the Lease Agreement.

TC CAPITAL'S VIEW ON AND REASONS FOR THE LEASE AGREEMENT EXCEEDING THREE YEARS

As required by Rule 14A.35 of the Listing Rules, the period for non-exempt continuing connected transactions must not exceed three years, except in special circumstances which are limited to cases where the nature of the transaction requires the contract to be of a duration longer than three years.

To comply with the requirements of the Listing Rules, the Board has appointed TC Capital as the independent financial adviser to advise them in relation to the terms of the Lease Agreement to be entered into between the Jiangyin Orange Land and OSGH (China), which stipulates that the tenure of the Leased Property used for cinema purposes will have a duration of twenty years.

TC Capital has discussed with a representative of the Company and was advised that the main reasons for such long term leases are as follows:

- (i) the long duration of lease agreements of cinemas will enable the Group to prevent the recurrence of expensive initial investment costs such as initial set up cost and interior decoration in the short term;
- (ii) the business nature as a cinema operator requires the Group to enter into the long term tenancy agreements to secure strategic and prime location in highly competitive entertainment industry. Based on the normal business practice of the Group, all of the Group's lease agreements for cinema premises in various cities and provinces in the PRC are in the range of 10 to 20 years. According to the Group, the long term nature of the lease agreements of cinema premises will enhance customers' loyalty and maintain stable sales revenues for the Group; and
- (iii) the long duration of the lease agreements of cinema premises will insulate the Group from the fluctuation of the market rent.

In considering whether it is normal business practice for lease agreements of cinema business to have duration longer than three years, TC Capital have reviewed the leases entered into between the Company and independent third parties in the PRC (the "Sample Leases"). TC Capital noted that the Sample Leases typically have duration in excess of three years, with a period ranging from 10 to 20 years. Accordingly, TC Capital consider that the lease for premises mainly used for cinema in the PRC with a duration not exceeding twenty years to be entered into under the Lease Agreement, fall within the range of the duration of the Sample Leases.

In view of the above, TC Capital is of the opinion that for premises mainly used for cinema in the PRC, a lease agreement with a duration not exceeding twenty years to be entered into under the Lease Agreement, is in line with normal business practices for lease agreements of this type.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT

The principal business activities of the Group are the production, financing, distribution and theatrical exhibition of motions pictures. The Group is planning to establish a cinema in Jiangyin City, Jiangsu Province, the PRC. The operation of a cinema will require security premises suitable for the establishment of screens and situated at an appropriate location. The Directors are of the view that the entering into of the Lease Agreement represents a good opportunity for the Group and will enable the Group to secure suitable premises at an appropriate location on a long-term basis at a attractive rate of rental. The Directors believe that cinema entertainment business in the Jiangyin City has strong development potential and will generate considerable return and increase the income of the Group.

The Directors (including the independent non-executive Directors) believe that the Lease 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 Lease Agreement are fair and reasonable. Whilst reaching these views, the Directors have considered, amongst other

factors, the amount of Base Rental prepayment which OSGH (China) is required to pay under the Lease Agreement, the costs of funding for such prepayment, the substantively discounted rate of rental under the Lease Agreement compared to rental charged in the market and the opinion of an independent financial adviser. TC Capital, the independent financial adviser which has been appointed to advise the Directors on the Lease Agreement has opined that the Lease Agreement is on normal commercial terms and is fair and reasonable.

The Directors are of the view that the long duration of the Lease Agreement will enable the Group to prevent the recurrence of expensive initial investment costs such as initial set up cost and interior decoration in the short term and insulate the Group from the fluctuation of the market rent. Also, the business nature of a cinema operator requires the Group to enter into long term tenancy agreements to secure strategic and prime location in the highly competitive entertainment industry. Therefore, the Directors consider that it is normal commercial practice to have a long-term tenancy arrangement for cinema operation in the PRC and the 20 years' term of the tenancy is to the best interest of the Group.

INFORMATION REGARDING THE COMPANY, OSGH (CHINA) AND JIANGYIN ORANGE LAND

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 25 September 2012, the Group operated 61 cinemas with 464 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.

Jiangyin Orange Land

Jiangyin Orange Land is a company incorporated in the PRC and is a holding company of the land on which Jiangyin Orange Land Cultural Complex is situated. Its principal business activities are the development and construction of Jiangyin Orange Land Cultural Complex.

LISTING RULES IMPLICATIONS

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

Mr. Wu indirectly owns 84.19% equity interest in Jiangyin Orange Land. 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, Jiangyin Orange Land is a connected person of the Company and the Lease 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 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.

Ms. Wu Keyan 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 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.

DEFINITIONS

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

“Base Rental”	The yearly base rental under the Lease Agreement as set out in the section headed “Lease Agreement – Base Rental” in this announcement
“Beijing Orange Land”	北京橙地影院投資管理有限公司 (Beijing Orange Land Cinema Investment Management Company Limited*), a company established in the PRC and 84.19% beneficially owned by Mr. Wu, and directly owns 100% equity interest in Jiangyin Orange Land
“Board”	The board of Directors
“Caps”	For the purpose of Chapter 14A of the Listing Rules, means the proposed annual caps of the transaction under the Lease Agreement for the three years ended 31 December 2012, 2013, 2014 as set out in the section headed “Annual Caps” in this announcement
“Commencement Date”	The date after the expiry of the decoration period as set out in the section headed “Lease Agreement — Decoration period (rent-free)” 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

“Deed of Guarantee”	The deed of guarantee dated 25 September 2012 executed by Beijing Orange Land in favour of OSGH (China) to guarantee certain of Jiangyin Orange Land’s obligations under the Lease Agreement
“Directors”	The directors of the Company
“Group”	The Company together with its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Jiangyin Orange Land Cultural Complex”	The commercial and cultural complex to be constructed and operated by Jiangyin Orange Land on a parcel of land situated at the Xiagang Development Zone, Jiangyin City, Jiangsu Province, PRC with a site area of approximately 23,334 square metres
“Jiangyin Orange Land”	江陰橙地影院開發管理有限公司 (Jiangyin Orange Land Cinema Development Management Co., Ltd.*) a company which is 84.19% beneficially owned by Mr. Wu through Beijing Orange Land
“Lease Agreement”	The lease agreement entered into between OSGH (China) and Jiangyin Orange Land dated 25 September 2012 in connection with the leasing of the Leased Property
“Leased Property”	Portion of 3rd, 4th and 5th Floors of Block 2 of the Jiangyin Orange Land Cultural Complex, with a total floor area of approximately 17,561 square metres
“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

“TC Capital” TC Capital Asia Limited, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and appointed as the independent financial adviser to the Company

“%” per cent.

In this announcement, the exchange rate of RMB1 to HK\$1.22 is used for reference only.

By Order of the Board
**Orange Sky Golden Harvest
Entertainment (Holdings) Limited**
Yuen Kwok On
Company Secretary

Hong Kong, 25 September 2012

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

Chairman and Executive Director:

Mr. Wu Kebo

Executive Directors:

Mr. Li Pei Sen

Mr. Mao Yimin

Mr. Tan Boon Pin Simon

Ms. Wu Keyan

Independent Non-executive Directors:

Mr. Leung Man Kit

Mr. Huang Shao-Hua George

Ms. Wong Sze Wing