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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)

**TERMINATION OF
EXISTING CONTINUING CONNECTED TRANSACTION
AND
UPDATE ON VERY SUBSTANTIAL DISPOSAL IN RELATION
TO THE DISPOSAL OF CITY ENTERTAINMENT
CORPORATION LIMITED**

Reference is made to the announcements of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the “**Company**”) dated 6 November 2013 and 19 May 2016 in relation to, among others, the Lease Agreement entered into between OSGH (China) (a 92.59% 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 Announcements**”). Unless otherwise specified, capitalised terms used herein shall have the same meaning as those defined in the Previous Announcements.

Reference is also made to the announcements of the Company dated 9 February 2017, 7 March 2017, 19 April 2017 and the circular of the Company dated 13 March 2017 in relation to, among others, the sale and purchase agreement between Giant Harvest Limited, an indirect wholly-owned subsidiary of the Company, the Company, True Vision Limited (the “**Purchaser**”) and Nan Hai Corporation Limited (the “**Sale and Purchase Agreement**”).

* *For identification purpose only*

BACKGROUND

The Company has received a notice from the Purchaser on 26 May 2017, requesting the Company to terminate the Lease Agreement (as amended by the Supplemental Agreement)(together, the “**Amended Lease Agreement**”). On 21 June 2017, OSGH (China) and Beijing Orange Sky Cinema entered into an agreement (the “**Termination Agreement**”) to terminate the Amended Lease Agreement.

The principal terms of the Termination Agreement are set out below:

Date:	21 June 2017
Parties:	OSGH (China) Beijing Orange Sky Cinema
Leased Property:	Portions of 4th Floor under household no. 100040001, 5th Floor under household no. 100050001 and 6th Floor under household nos. 100060001 and 100060003 (collectively referred to as Unit 4108) of Bohai New World Shopping Centre of No. 88 Xinhua West Road, Tangshan City, Hebei Province, the PRC, with a total gross floor area of approximately 5,504.43 square metres
Compensation for early termination:	A total sum of RMB11,822,476.09 is payable by OSGH (China) to Beijing Orange Sky Cinema as compensation payment for the early termination of the Amended Lease Agreement. The compensation will be settled by OSGH (China) through its own resources. Upon the receipt of the compensation payment from OSGH (China), the ownership of the decoration and equipment within the Leased Property shall belong to OSGH (China).

The terms of the Termination Agreement have been agreed by the parties after arm’s length negotiation and on normal commercial terms.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TERMINATION AGREEMENT

The Termination Agreement was entered into as the Company was notified by the Purchaser that it no longer wish to lease the Leased Property to Beijing Orange Sky Cinema. Pursuant to the terms of the Sale and Purchase Agreement, compensation payment will be bourne by the Group.

The sum of RMB11,822,476.09 represents the value of total cost incurred by Beijing Orange Sky Cinema on the assets established in the Leased Property, and it covers among others, the renovation fees, equipment fees, management fees actually incurred by Beijing Orange Sky Cinema for the establishment of the cinema at the Leased Property (taking into consideration that the cinema has not yet commenced operations), which was further supported by a valuation report issued by an intermediary institution.

Based on the foregoing, the Directors (including the independent non-executive Directors) are of the view that the terms of the Termination Agreement 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.

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.

Beijing Orange Sky Cinema

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

LISTING RULES IMPLICATIONS

Mr. Wu and Ms. Wu Keyan (“**Ms. Wu**”) owns 100% equity interest in Beijing Orange Sky Cinema. Mr. Wu is the chairman, a Director and a controlling shareholder of the Company and is interested in an aggregate of approximately 67.13% of the total issued share capital of the Company as at the date of this announcement, and Ms. Wu is a Director of the Company. Accordingly, Beijing Orange Sky Cinema is a connected person of the Company and the Termination Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. In addition, Ms. Wu 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 Termination Agreement is subject to the reporting, announcement and annual review requirements but is exempt from independent shareholders’ approval requirement under Rule 14A.32 of the Listing Rules.

In view of their interests above, Mr. Wu and Ms. Wu have abstained from voting on the relevant board resolution(s) for approving the Termination Agreement and the transactions contemplated thereunder. Other than Mr. Wu and Ms. Wu, 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.

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

Hong Kong, 21 June 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