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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)

**MAJOR TRANSACTION
CONNECTED TRANSACTION
AND
CONTINUING CONNECTED TRANSACTION
IN RELATION TO
THE LEASE AGREEMENTS**

References are made to the announcements of the Company dated 29 August 2018, 10 October 2018, 24 October 2018, 23 November 2018 and 8 March 2019, the circular of the Company dated 23 October 2018 and the notice of the special general meeting of the Company dated 23 October 2018 in relation to the Acquisition.

On 28 June 2019, the Tenant entered into the Cinema Lease Agreement and the Hotel Lease Agreement with the Landlord in respect of leasing the Cinema Premises and the Hotel Premises with a term of 15 years commencing from the date following the Cinema Delivery Date and the Hotel Delivery Date for cinema and hotel operation respectively.

As at the date of the announcement, the Landlord is owned as 75% by Orange Sky Land and 25% by Beijing Orange Land. Orange Sky Land is indirect wholly-owned by Mr. Wu. Beijing Orange Land is owned as to 100% by Beijing Orange Sky. Zeng Qingxin (who holds the shareholding interests in Beijing Orange Sky in accordance to the instructions of Mr. Wu) and Ms. Wu hold as to 99% and 1% of the equity interest of Beijing Orange Sky respectively. Mr. Wu is the Director and controlling shareholder and is interested in an aggregate of approximately 71.28% of the equity interests of the Company. Ms. Wu is the Director and the sister of Mr. Wu. Accordingly, the Landlord, being the associate of Mr. Wu is a connected person of the Company.

* For identification purpose only

Pursuant to HKFRS 16, the entering into of the Lease Agreements as a lessee will require the Group to recognise the Premises as the right-of-use assets in relation to the Fixed Cinema Lease Amount and the Hotel Rent, thus the entering into of the Lease Agreements with the Fixed Cinema Lease Amount and the Hotel Rent and the transactions contemplated thereunder will be regarded as deemed acquisition of assets and connected transactions by the Group. As certain applicable percentage ratios calculated for the purpose of Chapter 14 and Chapter 14A of the Listing Rules in respect of the right-of-use assets of the Premises in relation to the Fixed Cinema Lease Amount and the Hotel Rent exceeds 25% and are less than 100%, the Fixed Cinema Lease Amount under the Cinema Lease Agreements, the Hotel Rent under the Hotel Lease Agreement and the transactions contemplated thereunder constitute a major transaction and connected transactions for the Company under Chapter 14 and Chapter 14A of the Listing Rules and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Pursuant to HKFRS 16, the entering into of the Cinema Lease Agreement as a lessee will require the Group to recognise the Variable Cinema Lease Amount linked to sales to be recognised as expenses incurred by the Group over the term of the Cinema Lease Agreement, thus the entering into of the Cinema Lease Agreement with the Variable Cinema Lease Amount and the transactions contemplated thereunder will be regarded as a continuing connected transaction under Rule 14A.31 of the Listing Rules. In addition, the provision of property management services at the Cinema Premises by the Cinema Property Manager appointed by the Landlord under the Cinema Lease Agreement also constitutes continuing connected transactions under Rule 14A.31 of the Listing Rules. As all of the relevant percentage ratios in respect of the aggregate annual cap for the Cinema Property Management Fees and the Variable Cinema Lease Amount under the Cinema Lease Agreement payable by the Tenant to the Landlord exceed 0.1% but are less than 5%, such transactions under the Lease Agreements and the relevant annual cap are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the Independent Shareholders' approval requirement.

In addition, pursuant to Rule 14A.52 of the Listing Rules, as the term of the Lease Agreements exceeds 3 years, the Company has engaged the Independent Financial Adviser to explain why the Lease Agreements require a longer period and to confirm that it is a normal business practice for agreements of these type of transactions to be of such duration.

The voting in respect of the entering into of the Lease Agreements at the SGM will be conducted by way of poll. In view of the interests above, Mr. Wu and Ms. Wu are required to abstain from voting in respect of the resolution(s) approving the Lease Agreements and the transactions contemplated thereunder at the SGM.

Save for the aforesaid and to the Directors' best knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, no other Shareholder has a material interest in the Lease Agreements and therefore no other Shareholder is required to abstain from voting on the resolution(s) approving the Lease Agreements and the transactions contemplated thereunder at the SGM.

GENERAL

An Independent Board Committee has been formed to advise the Independent Shareholders on whether the terms of the Lease Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the resolutions to be proposed at the SGM to approve the Lease Agreements and the transactions contemplated thereunder. Somerley Capital Limited, the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Lease Agreements; (ii) the financial information of the Company; (iii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Lease Agreements; (iv) a letter of advice from the Independent Financial Adviser advising the Independent Board Committee and the Independent Shareholders in respect of the Lease Agreements; (v) the valuation report of the Premises; and (vi) a notice convening the SGM is expected to be despatched to the Shareholders on or before 30 August 2019 as additional time is required for the preparation of the relevant information, including but not limited to the final valuation report of the Premises, for inclusion in the circular.

Shareholders and potential investors should note that the effectiveness of the terms of Lease Agreements, the Cinema Premises Delivery and the Hotel Premises Delivery are subject to, among other things, the satisfaction of certain conditions under the Lease Agreements and therefore, the Lease Agreements and the transactions contemplated thereunder may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

INTRODUCTION

References are made to the announcements of the Company dated 29 August 2018, 10 October 2018, 24 October 2018, 23 November 2018 and 8 March 2019, the circular of the Company dated 23 October 2018 and the notice of the special general meeting of the Company dated 23 October 2018 in relation to the Acquisition.

On 28 June 2019, the Tenant entered into the Cinema Lease Agreement and the Hotel Lease Agreement (the “**Lease Agreements**”) with the Landlord in respect of leasing the Cinema Premises and the Hotel Premises with a term of 15 years commencing from the date following the Cinema Delivery Date and the Hotel Delivery Date for cinema and hotel operation respectively.

CINEMA LEASE AGREEMENT

The principal terms of the Cinema Lease Agreement proposed to be entered into are summarized as follows:

- Date: 28 June 2019
- Parties: The Landlord and the Tenant
- Premises: Floors 5, 6 and 7 of the building units 597 and 599, located at Wuxing Road, Xiagang Street, Jiangyin, PRC (中國江陰市夏港街道五星路), with a total gross floor area of approximately 17,124.49 square meters.
- Lease Term: A term of 15 years, commencing from the date following the Cinema Delivery Date.
- Rent: The amount payable by the Tenant to the Landlord for a particular rental year during the Cinema Lease Term is equivalent to (1) the yearly Fixed Cinema Lease Amount, (2) the yearly Fixed Cinema Lease Amount and the Variable Cinema Lease Amount or (3) the yearly Fixed Cinema Lease Amount and the De Minimis Amount (as the case may be) (collectively, the “**Cinema Rent**”).

(a) Fixed Cinema Lease Amount

A rate at RMB1.35 per square meter per day (the “**Initial Cinema Rent Rate**”) for the first three years from the date following the Cinema Premises Delivery (the “**Cinema Lease Initial Period**”). During the Cinema Lease Initial Period, the yearly Fixed Cinema Lease Amount (1) for the first rental year during the Cinema Lease Term shall amount to approximately RMB5,625,394.97 (inclusive of tax) taking into consideration of the Cinema Rent Exemption Period and (2) for the second and third rental year during the Cinema Lease Term shall amount to approximately RMB8,438,092.45 (inclusive of tax) per year.

The Initial Cinema Rent Rate will be increased by 8% every three years from the end of the Cinema Lease Initial Period during the Cinema Lease Term (the “**Subsequent Cinema Rent Rate**”).

(b) Variable Lease Amount

In the event that the yearly Cinema Commission Amount exceeds the yearly Fixed Cinema Lease Amount for a particular rental year during the Cinema Lease Term, an amount equivalent to the difference between the yearly Cinema Commission Amount and the yearly Fixed Cinema Lease Amount shall be payable by the Tenant to the Landlord.

(c) De Minimis Amount

Notwithstanding the above, in the event that (1) the yearly Cinema Commission Amount exceeds the yearly Fixed Cinema Lease Amount and (2) the yearly Variable Cinema Lease Amount exceeds the De Minimis Amount for a particular rental year during the Cinema Lease Term, the Tenant shall pay an amount equivalent to (1) the yearly Fixed Cinema Lease Amount and (2) the De Minimis Amount to the Landlord for the relevant rental year.

Payment of Cinema Rent:

The Fixed Cinema Lease Amount shall be pre-paid by the Tenant to the Landlord every three months during the Cinema Lease Term.

During the Cinema Rent Exemption Period, no Fixed Cinema Lease Amount is payable by the Tenant to the Landlord for the first four rental months from the date following the Cinema Delivery Date. Within 3 Business Days prior to the end of the third rental month of the Cinema Lease Term, the Tenant shall pre-pay the Landlord the Fixed Cinema Lease Amount for the fifth and the sixth rental month of the Cinema Lease Term, an amount equivalent to two-third of the Fixed Cinema Lease Amount, amounting to RMB1,406,348.74.

The Fixed Cinema Lease Amount for the seventh to the ninth rental month of the Cinema Lease Term, amounting to RMB2,109,523.11, shall be pre-paid by the Tenant to the Landlord within 3 Business Days prior to the end of the sixth rental month of the Cinema Lease Term. The subsequent Fixed Cinema Lease Amount for the next three month rental period shall be pre-paid by the Tenant within 3 Business Days prior to the end of the previous three month rental period to the Landlord (i.e. the Tenant shall pre-pay the Fixed Cinema Lease Amount for the tenth to twelfth rental month within 3 Business Days prior to the end of the ninth rental month of the Cinema Lease Term). The remaining Fixed Cinema Lease Amount shall be payable by the Tenant to the Landlord in accordance with the same payment cycle as mentioned above for the rest of the Cinema Lease Term.

The Variable Lease Amount or the De Minimis Amount (as the case may be and if applicable) is payable by the Tenant to the Landlord on a yearly basis within 3 Business Days after the Determination Date.

Rent Exemption Period:

The Tenant is exempted from payment of the Cinema Rent for a period of four months from the date following the Cinema Delivery Date.

Property Management
Service Fee:

A rate at RMB0.5 per square meter per day (the “**Initial Cinema Property Management Fee Rate**”) for the property management services at the Cinema Premises provided by the Property Manager appointed by the Landlord (“**Cinema Property Manager**”) during the Cinema Lease Initial Period, which amounts to (1) approximately RMB2,083,479.62 (inclusive of water and air conditioning bills and tax) for the first rental year during the Cinema Lease Term taking into account of the Cinema Rent Exemption Period and (2) approximately RMB3,125,219.43 (inclusive of water and air conditioning bills and tax) per year for the second and third rental year during the Cinema Lease Term.

The Initial Cinema Property Management Fee Rate will be increased by 8% every three years from the end of the Cinema Lease Initial Period (the “**Increased Cinema Property Management Fee Rate**”).

Payment of Property
Management Service
Fee:

The Property Management Service Fee shall be pre-paid by the Tenant to the Landlord every three months during the Cinema Lease Term.

During the Cinema Rent Exemption Period, no Property Management Service Fee is payable by the Tenant to the Landlord for the first four months from the date following the Cinema Delivery Date. Within 3 Business Days prior to the end of the date following the end of the Cinema Rent Exemption Period, the Tenant shall pre-pay the Landlord the Property Management Service Fee for the fifth to the sixth rental month of the Cinema Lease Term, an amount equivalent to two-third of the Property Management Service Fee, amounting to RMB520,869.90.

The Property Management Service Fee for the seventh to the ninth rental month of the Cinema Lease Term, amounting to RMB781,304.86, shall be pre-paid by the Tenant to the Landlord within 3 Business Days prior to the end of the sixth rental month of the Cinema Lease Term. The subsequent Property Management Service Fee for the next three month rental period shall be pre-paid by the Tenant within 3 Business Days prior to the end of the previous three month rental period to the Landlord (i.e. the Tenant shall pre-pay the Property Management Service Fee for the tenth to the twelfth rental month within 3 Business Days prior to the end of the ninth rental month of the Cinema Lease Term). The remaining Property Management Service Fee shall be payable by the Tenant to the Landlord in accordance with the same payment cycle as mentioned above for the rest of the Cinema Lease Term.

Fixed Cinema Lease
Amount and Cinema
Property Management
Fee Adjustment:

The Tenant has a right every three years during the Cinema Lease Term to appoint an independent valuer to evaluate the Fixed Cinema Lease Amount and/or the Cinema Property Management Fee of that particular year. If the market rate is lower than the yearly Fixed Cinema Lease Amount and/or the yearly Cinema Property Management Fee for that year, the subsequent yearly Fixed Cinema Lease Amount and/or the yearly Cinema Property Management Fee payable by the Tenant should be adjusted accordingly.

In the event that the market rate of the third rental year evaluated by the independent valuer (the “**Cinema Third Year Market Rate**”) is lower than the yearly Fixed Cinema Lease Amount and/or Cinema Property Management Fee paid by the Tenant to the Landlord during the first three rental years, the yearly Fixed Cinema Lease Amount and/or Cinema Property Management Fee payable by the Tenant for the fourth to the sixth rental year during the Cinema Lease Term will be adjusted to a rate not higher than the Cinema Third Year Market Rate. In the event that the market rate of the sixth rental year evaluated by the independent valuer (the “**Cinema Sixth Year Market Rate**”) is lower than the yearly Fixed Cinema Lease Amount and/or Cinema Property Management Fee paid by the Tenant to the Landlord during the fourth to the sixth rental year of the Cinema Lease, the yearly Fixed Cinema Lease Amount and/or Cinema Property Management Fee payable by the Tenant for the seventh to the ninth rental year during the Cinema Lease Term will be adjusted to a rate not higher than the Cinema Sixth Year Market Rate.

Use of Premises:

The Cinema Premises shall be used for the purpose of cinema operation.

Deposit:

A rental deposit of RMB4,219,046.22 is payable by the Tenant to the Landlord within 10 Business Days from the date of the Cinema Lease Agreement being Effective.

If no payment is due from the Tenant to the Landlord under the Cinema Lease Agreement, upon the termination of the Cinema Lease Agreement for whatever reason, the Landlord shall return the Cinema Lease Deposit to the Tenant within 10 days from the date of the termination of the Cinema Lease Agreement.

Sub-letting:

Upon the submission of a written notification to the Landlord, the Tenant has a right to sub-let the Cinema Premises (in part or in whole) to any party.

Assignment of rights and obligations:	Upon the submission of a written notification to the Landlord, the Tenant may assign all of its rights and obligations under the Cinema Lease Agreement to its associate(s).
Right to Renew:	The Tenant has the priority to renew the lease on the same terms as offered by other parties for the leasing of the Cinema Premises. Upon the renewal of the lease under the Cinema Lease Agreement, the Company will re-comply with the requirements under the Listing Rules.
Right of First Refusal:	In the event of the disposal of the Cinema Premises by the Landlord, the Tenant shall have the right of first refusal to acquire the Cinema Premises from the Landlord on the same terms and conditions as offered by other parties. The Landlord undertook that in the event that the Landlord disposes the Cinema Premises to a third party, the Tenant shall continue to lease the Cinema Premises from such third party under the same terms of the Cinema Lease Agreements (the “ Cinema Undertaking ”) and that it will indemnify the Tenant from all losses arising from the breach of the Cinema Undertaking.
Conditions Precedent:	The terms under the Cinema Lease Agreement will be Effective upon the Company having fulfilled its obligations under the Listing Rules, including but not limited to obtaining the approval from the Independent Shareholders.
Termination:	In the event that certain terms under the Cinema Lease Agreement have been breached by the Landlord, the Tenant has the right to early terminate the Cinema Lease Agreement and the Landlord will be required to pay an amount equivalent to twice the amount of the Cinema Lease Deposit, the amount pre-paid by the Tenant to the Landlord for such period after the early termination of the Cinema Lease Agreement and any loss suffered by the Tenant arising from such breach of the Landlord.

HOTEL LEASE AGREEMENT

The principal terms of the Hotel Lease Agreement proposed to be entered into are summarized as follows:

Date:	28 June 2019
Parties:	The Landlord and the Tenant
Premises:	Orange Sky Land Square One, Jiangyin, PRC*, (中國江陰市橙天地廣場1號), with a total gross floor area of approximately 14,188.57 square meters.

Lease Term: A term of 15 years, commencing from the date following the Hotel Delivery Date.

Rent: A rate at RMB1.4 per square meter per day (the “**Initial Hotel Rent Rate**”) for the first three years from the date following the Hotel Premises Delivery (the “**Hotel Lease Initial Period**”). During the Hotel Lease Initial Period, the yearly Hotel Rent (1) for the first rental year during the Hotel Lease Term shall amount to approximately RMB4,833,572.85 (inclusive of tax) taking into consideration of the Hotel Rent Exemption Period and (2) for the second and third rental year during the Hotel Lease Term shall amount to approximately RMB7,250,359.27 per year.

The Initial Hotel Rent Rate will be increased by 8% every three years from the end of the Hotel Lease Initial Period during the Hotel Lease Term (the “**Subsequent Hotel Rent Rate**”).

Payment of Hotel Rent: The Hotel Rent shall be pre-paid by the Tenant to the Landlord every three months during the Hotel Lease Term.

During the Hotel Rent Exemption Period, no Hotel Rent is payable by the Tenant to the Landlord for the first four rental months from the date following the Hotel Delivery Date. Within 3 Business Days prior to the end of the third rental month of the Hotel Lease Term, the Tenant shall pre-pay the Landlord the Hotel Rent for the fifth to the sixth month of the Hotel Lease Term, an amount equivalent to two-third of the Hotel Rent, amounting to RMB 1,208,393.21.

The Hotel Rent for the seventh to the ninth month of the Hotel Lease Term, amounting to RMB1,812,589.82, shall be pre-paid by the Tenant to the Landlord within 3 Business Days prior to the end of the sixth rental month of the Hotel Lease Term. The subsequent Hotel Rent for the next three month rental period shall be pre-paid by the Tenant within 3 Business Days prior to the end of the previous three month rental period to the Landlord (i.e. the Tenant shall pre-pay the Hotel Rent for the tenth to the twelfth rental month within 3 Business Days prior to the end of the ninth rental month of the Hotel Lease Term). The remaining Hotel Rent shall be payable by the Tenant to the Landlord in accordance with the same payment cycle as mentioned above for the rest of the Hotel Lease Term.

Rent Exemption Period: The Tenant is exempted from payment of the Hotel Rent for four months from the date following the Hotel Delivery Date.

Hotel Rent Adjustment: The Tenant has a right every three years during the Hotel Lease Term to appoint an independent valuer to evaluate the Hotel Rent of that particular year. If the market rate is lower than the yearly Hotel Rent for that year, the subsequent yearly Hotel Rent payable by the Tenant should be adjusted accordingly.

In the event that the market rate of the third rental year evaluated by the independent valuer (the “**Hotel Third Year Market Rate**”) is lower than the yearly Hotel Rent paid by the Tenant to the Landlord during the first three rental years, the yearly Hotel Rent payable by the Tenant for the fourth to the sixth rental year during the Hotel Lease Term will be adjusted to a rate not higher than the Hotel Rent Third Year Market Rate. In the event that the market rate of the sixth rental year evaluated by the independent valuer (the “**Hotel Sixth Year Market Rate**”) is lower than the yearly Hotel Rent paid by the Tenant to the Landlord during the fourth to the sixth rental year of the Hotel Lease, the yearly Hotel Rent payable by the Tenant for the seventh to the ninth rental year during the Hotel Lease Term will be adjusted to a rate not higher than the Hotel Sixth Year Market Rate.

Deposit: A rental deposit of RMB3,625,179.64 is payable by the Tenant to the Landlord within 10 Business Days from the date of the Hotel Lease Agreement being Effective.

If no payment is due from the Tenant to the Landlord under the Hotel Lease Agreement, upon the termination of the Hotel Lease Agreement for whatever reason, the Landlord shall return the Hotel Lease Deposit to the Tenant within 10 days from the date of the termination of the Hotel Lease Agreement.

Sub-letting: Upon the submission of a written notification to the Landlord, the Tenant has a right to sub-let the Hotel Premises (in part or in whole) to any party.

Assignment of rights and obligations: Upon the submission of a written notification to the Landlord, the Tenant may assign all of its rights and obligations under the Hotel Lease Agreement to its associate(s).

Right to Renew: The Tenant has the priority to renew the hotel lease on the same terms as offered by other parties for the leasing of the Hotel Premises. Upon the renewal of the lease under the Hotel Lease Agreement, the Company will re-comply with the requirements under the Listing Rules.

Right of First Refusal: In the event of the disposal of the Hotel Premises by the Landlord, the Tenant shall have the right of first refusal to acquire the Hotel Premises from the Landlord on the same terms and conditions as offered by other parties.

The Landlord undertook that in the event that the Landlord disposes the Hotel Premises to a third party, the Tenant shall continue to lease the Hotel Premises from such third party under the same terms of the Hotel Lease Agreements (the “**Hotel Undertaking**”) and that it will indemnify the Tenant from all losses arising from the breach of the Hotel Undertaking.

Conditions Precedent: The terms under the Hotel Lease Agreement will be Effective upon the Company having fulfilled its obligations under the Listing Rules, including but not limited to obtaining the approval from the Independent Shareholders.

Termination: In the event that certain terms under the Hotel Lease Agreement have been breached by the Landlord, the Tenant has the right to early terminate the Hotel Lease Agreement and the Landlord will be required to pay an amount equivalent to twice the amount of the Hotel Lease Deposit, the amount pre-paid by the Tenant to the Landlord for such period after the early termination of the Hotel Lease Agreement and any loss suffered by the Tenant arising from such breach of the Landlord.

The terms of the Lease Agreements (including the Cinema Rent, the Hotel Rent and the Cinema Property Management Fees) and the basis of the 8% increment on the Fixed Cinema Lease Amount, the Hotel Rent and the Cinema Property Management Fees for every 3 years from the end of the Cinema Lease Initial Period and the Hotel Lease Initial Period, were determined after arm’s length negotiations between the parties having taken into consideration of the historical property market trend, the current property environment and future prospects of cinema and hotel market.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the land use rights in respect of the Complex were acquired by the Landlord on 4 April 2011 at the original acquisition cost of RMB61,800,000 and the Complex was constructed and developed by the Landlord. The construction of the Complex was completed on 20 December 2016.

ANNUAL CAP

The proposed annual cap for the Cinema Property Management Fees and the Variable Cinema Lease Amount during the Cinema Lease Term is set out below:

For the year ending:	Cinema Property Management Fees (RMB)	Variable Lease Amount (RMB)	Total (RMB)
2019	3,125,219.43	2,631,578.07	5,756,797.50
2020	3,125,219.43	2,631,578.07	5,756,797.50
2021	3,125,219.43	2,631,578.07	5,756,797.50
2022	3,375,236.98	2,631,578.07	6,006,815.05
2023	3,375,236.98	2,631,578.07	6,006,815.05
2024	3,375,236.98	2,631,578.07	6,006,815.05
2025	3,645,255.94	2,631,578.07	6,276,834.01
2026	3,645,255.94	2,631,578.07	6,276,834.01
2027	3,645,255.94	2,631,578.07	6,276,834.01
2028	3,936,876.41	2,631,578.07	6,568,454.48
2029	3,936,876.41	2,631,578.07	6,568,454.48
2030	3,936,876.41	2,631,578.07	6,568,454.48
2031	4,251,826.53	2,631,578.07	6,883,404.60
2032	4,251,826.53	2,631,578.07	6,883,404.60
2033	4,251,826.53	2,631,578.07	6,883,404.60
2034	4,251,826.53	2,631,578.07	6,883,404.60

In arriving at the above proposed annual cap, the Directors have taken into account the following factors: (a) the fixed Initial Cinema Property Management Fee, (b) the fixed 8% increment of the Initial Cinema Property Management Fee every three years from the Cinema Lease Initial Period and (c) RMB2,631,578.07, being the amount which constitutes a fully-exempt continuing connected transaction pursuant to Rule 14A.76(1)(c) of the Listing Rules, being less than 5% and the total consideration being less than HK\$3,000,000.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT

The Company is an investment holding company and the Group is principally engaged in theatrical exhibition, cinema operation, film, video and television production, distribution and entertainment businesses in Hong Kong, the PRC, Taiwan and Singapore. As the non-compete undertaking of the Group to engage in the operation of cinema business in the PRC pursuant to the sale and purchase agreement dated 25 January 2017 entered into between Giant Harvest Limited, the Company, True Vision Limited and Nan Hai Corporation Limited in respect of the Disposal will soon expire, the Group intends to develop a new form of multifunctional cinema business in the PRC. As such, the operation of a cinema at the Cinema Premises and the entering into of the Cinema Lease Agreement facilitates the Group's development of cinema business with a new direction. For further information of the non-compete undertaking of the Company, please refer to the announcement of the Company dated 9 February 2017.

In order to capitalise the goodwill and brand equity of the Group, to leverage its resources, innovation and experience of its management team in the entertainment industry, and to commercialise its intellectual properties, the Company intends to operate a movie-themed hotel and to attract local residents and tourists with multifunctional movie theatres, virtual reality (VR) and augmented reality (AR) experiencing facilities, game centers and themed restaurants. It is also anticipated that the operation of the movie-themed hotel at the Hotel Premises will help to widen the customer base and provide a steady customer flow to the cinema at the Cinema Premises.

The Company has researched on the growth rate and the consumption pattern in Jiangyin, the area which the Premises are situated at. The Company is of the view that Jiangyin, being one of the top-ranked city amongst the top 100 economically developed cities in the PRC, is a rapidly developing city with high consumption power and is a popular place for domestic tourists to visit. The Premises benefit from its excellent location as there are several high-end residential estates near the Premises and local residents around the area are generally well-off with sufficient leisure time to visit the cinema and the movie-themed hotel to be operated at the Premises by the Group. Having considered the above factors, the Company is of the view that there is strong market potential to operate a cinema and the movie-themed hotel at the Premises given the ideal location and the size of the Premises.

In view of such, the Directors (excluding the independent non-executive Directors) are of the view that the transactions contemplated under the Lease Agreements are conducted (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms, and that (iii) the terms contemplated under the Lease Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE TENANT

The Tenant is a company established in the PRC and is an indirect wholly-owned subsidiary of the Company. Its principal business activity is real estate development, enterprise management services (excluding investment and asset management), property management, corporate marketing planning, conference services, exhibition services, daily necessities, hardware products and sales of electronic products.

INFORMATION ON THE LANDLORD

The Landlord is a company established in the PRC and is the developer of the Premises. Its principal business activity is property development.

FINANCIAL INFORMATION OF THE PREMISES

Pursuant to the HKFRS 16, the Fixed Cinema Lease Amount payable by the Tenant to the Landlord for leasing the Cinema Premises leased under the Cinema Lease Agreement and the Hotel Rent payable by the Tenant to the Landlord for leasing the Hotel Premises leased under the Hotel Lease Agreement will be recognised as right-of-use assets, in which the aggregate value of approximately RMB95.7 million and RMB82.2 million for recognising the Cinema Premises and the Hotel Premises as right-of-use assets pursuant to the Cinema Lease Agreement and the Hotel Lease Agreement respectively would be calculated with reference to the aggregated present value of the Fixed Cinema Lease Amount and the Hotel Rent during the entire terms of the Cinema Lease Agreement and the Hotel Lease Agreement. The right-of-use asset of RMB95.7 million and RMB82.2 million and a lease liability amounting to RMB95.7 million and RMB82.2 million under the Cinema Lease Agreement and the Hotel Lease Agreement will be recognised by the Group respectively.

No revenue has been generated from the Premises as at the date of this announcement. Accordingly, the Premises do not have identifiable net income stream attributable to the right-of-use assets to be acquired in respect of the Premises for the two years ended 31 December 2018.

LISTING RULES IMPLICATIONS

As at the date of the announcement, the Landlord is owned as 75% by Orange Sky Land and 25% by Beijing Orange Land. Orange Sky Land is indirect wholly-owned by Mr. Wu. Beijing Orange Land is owned as to 100% by Beijing Orange Sky. Zeng Qingxin (who holds the shareholding interests in Beijing Orange Sky in accordance to the instructions of Mr. Wu) and Ms. Wu hold as to 99% and 1% of the equity interest of Beijing Orange Sky respectively. Mr. Wu is the Director and controlling shareholder and is interested in an aggregate of approximately 71.28% of the equity interests of the Company. Ms. Wu is the Director and the sister of Mr. Wu. Accordingly, the Landlord, being the associate of Mr. Wu is a connected person of the Company.

Pursuant to HKFRS 16, the entering into of the Lease Agreements as a lessee will require the Group to recognise the Premises as the right-of-use assets in relation to the Fixed Cinema Lease Amount and the Hotel Rent, thus the entering into of the Lease Agreements with the Fixed Cinema Lease Amount and the Hotel Rent and the transactions contemplated thereunder will be regarded as deemed acquisition of assets and connected transactions by the Group. As certain applicable percentage ratios calculated for the purpose of Chapter 14 and Chapter 14A of the Listing Rules in respect of the right-of-use assets of the Premises in relation to the Fixed Cinema Lease Amount and the Hotel Rent exceeds 25% and are less than 100%, the Fixed Cinema Lease Amount under the Cinema Lease Agreements, the Hotel Rent under the Hotel Cinema Lease Agreements and the transactions contemplated thereunder constitute a major transaction and connected transactions for the Company under Chapter 14 and Chapter 14A of the Listing Rules and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Pursuant to HKFRS 16, the entering into of the Cinema Lease Agreement as a lessee will require the Group to recognize the Variable Cinema Lease Amount linked to sales to be recognized as expenses incurred by the Group over the term of the Cinema Lease Agreement, thus the entering into of the Cinema Lease Agreement with the Variable Cinema Lease Amount and the transactions contemplated thereunder will be regarded as a continuing connected transaction under Rule 14A.31 of the Listing Rules. In addition, the provision of property management services at the Cinema Premises by the Cinema Property Manager appointed by the Landlord under the Cinema Lease Agreements also constitutes continuing connected transactions under Rule 14A.31 of the Listing Rules. As all of the relevant percentage ratios in respect of the aggregate annual cap for the Cinema Property Management Fees and the Variable Cinema Lease Amount under the Cinema Lease Agreement payable by the Tenant to the Landlord exceed 0.1% but are less than 5%, such transactions under the Lease Agreements and the relevant annual cap are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the Independent Shareholders' approval requirement.

In addition, pursuant to Rule 14A.52 of the Listing Rules, as the term of the Lease Agreements exceeds 3 years, the Company has engaged the Independent Financial Adviser to explain why the Lease Agreements require a longer period and to confirm that it is a normal business practice for agreements of these type of transactions to be of such duration.

The voting in respect of the entering into of the Lease Agreements at the SGM will be conducted by way of poll. In view of the interests above, Mr. Wu and Ms. Wu are required to abstain from voting in respect of the resolution(s) approving the Lease Agreements and the transactions contemplated thereunder at the SGM.

Save for the aforesaid and to the Directors' best knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, no other Shareholder has a material interest in the Lease Agreements and therefore no other Shareholder is required to abstain from voting on the resolution(s) approving the Lease Agreements and the transactions contemplated thereunder at the SGM.

GENERAL

An Independent Board Committee has been formed to advise the Independent Shareholders on whether the terms of the Lease Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the resolutions to be proposed at the SGM to approve the Lease Agreements and the transactions contemplated thereunder. Somerley Capital Limited, the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Lease Agreement; (ii) the financial information of the Company; (iii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Lease Agreement; (iv) a letter of advice from the Independent Financial Adviser to advising the Independent Board Committee and the Independent Shareholders in respect of the Lease Agreement; (v) the valuation report of the Premises; and (vi) a notice convening the SGM is expected to be despatched to the Shareholders on or before 30 August 2019 as additional time is required for the preparation of the relevant information, including but not limited to the final valuation report of the Premises, for inclusion in the circular.

Shareholders and potential investors should note that the effectiveness of the term of the Lease Agreements, the Cinema Premises Delivery and the Hotel Premises Delivery are subject to, among other things, the satisfaction of the conditions precedents under the Lease Agreements and therefore, the Lease Agreements and the transactions contemplated thereunder may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Acquisition”	the acquisition of the Complex and the respective land use rights
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing Orange Land”	means Beijing Orange Land Cinema Investment Management Company Limited* (北京橙地影院投資管理有限公司), a company established in the PRC with limited liability and is owned as to 100% by Beijing Orange Sky
“Beijing Orange Sky”	means Beijing Orange Sky Cinema Investment Management Company Limited* (北京橙天影院投資管理有限公司), a company established in the PRC with limited liability. Zeng Qingxin (who holds the shareholding interests in Beijing Orange Sky in accordance to the instructions of Mr. Wu) and Ms. Wu hold as to 99% and 1% of the equity interest of Beijing Orange Sky respectively
“Board”	the board of Directors

“Box Office”	the revenue generated from the cinema operation of the Cinema Premises, based on the calculation method of box office revenue set out by the Film Administration of the State Administration of Press, Publication, Radio, Film and Television in the PRC (國家廣播電影電視總局電影管理局), which includes but is not limited the revenue generated from third-party networks, mobile applications, merchants, pre-paid coupons and on-site tickets sales
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong and PRC
“Cinema Commission Amount”	As the case may be, the amount which is equivalent to: <ul style="list-style-type: none"> (i) 14% of the annual Net Box Office for each rental year during the first to the fifth rental year of the Cinema Lease Term; (ii) 15% of the annual Net Box Office for each rental year during the sixth to the tenth rental year of the Cinema Lease Term; or (iii) 16% of the annual Net Box Office for each rental year during the eleventh to the fifteenth rental year of the Cinema Lease Term
“Cinema Delivery Date”	30 September 2019, being the expected date which the delivery of the Cinema Premises to the Tenant shall takes place, and in any event, the date of the actual delivery of the Cinema Premises by the Landlord to the Tenant should be no later than 31 December 2019, unless otherwise agreed by the Landlord and the Tenant
“Cinema Lease Agreement”	the lease agreement dated 28 June 2019 entered into between the Landlord and the Tenant in respect of the leasing of the Cinema Premises
“Cinema Lease Deposit”	A rental deposit of RMB4,219,046.22 is payable by the Tenant to the Landlord within 10 Business Days from the date of the Cinema Lease Agreement being Effective
“Cinema Lease Term”	the term of 15 years commencing from the date following the Cinema Delivery Date
“Cinema Premises”	Floor 5, 6 and 7 of the building units 597 and 599, located at Wuxing Road, Xiagang Street, Jiangyin, PRC (中國江陰市夏港街道五星路), with a total gross floor area of approximately 17,124.49 square meters

“Cinema Premises Delivery”	the delivery of the Cinema Premises from the Landlord to the Tenant subject to certain delivery conditions as stated in the Cinema Lease Agreements
“Cinema Property Management Fee”	the amount pre-paid by the Tenant to the Landlord based on the Initial Property Management Service Fee Rate or the Increased Property Management Service Fee Rate (as the case may be) every three months during the Cinema Lease Term
“Cinema Rent Exemption Period”	the period of four months from the date following the Cinema Delivery Date
“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 (Stock Code: 1132)
“Complex”	the complex with total gross floor area of approximately 93,137.68 square meters, located at Wuxing South Road, Xiagang Street, Jiangyin, PRC and west to Xiadong Road (中國江陰市夏港街道五星路南、夏東路西側)
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Determination Date”	15 days after the end of each rental year during the Cinema Lease Term, which during such period, the Tenant will agree on the annual Net Box Office for such rental year with the Landlord
“De Minimis Amount”	the maximum amount which would render the entering into of the Cinema Lease Agreement with the payment of the Variable Cinema Lease Amount for a particular rental year during the Cinema Lease Term by the Tenant to the Landlord being constituted as a fully exempt continuing connected transaction under Rule 14A.76 of the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	means the disposal of the entire issued share capital of the City Entertainment Corporation Limited by Giant Harvest Limited to True Vision Limited
“Effective”	the Lease Agreements being effective upon obtaining of the necessary approvals from the Directors and the Independent Shareholders in respect of the Lease Agreements and the transactions contemplated thereunder

“Fixed Cinema Lease Amount”	the amount pre-paid by the Tenant to the Landlord based on the Initial Cinema Rent Rate or the Subsequent Cinema Rent Rate (as the case may be) every three months during the Cinema Lease Term
“Group”	the Company and its subsidiaries
“HKFRS”	The Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accounts
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel Delivery Date”	30 September 2019, being the expected date which the delivery of the Hotel Premises to the Tenant shall take place, and in any event, the date of the actual delivery of the Hotel Premises by the Landlord to the Tenant should be no later than 31 December 2019, unless otherwise agreed by the Landlord and the Tenant
“Hotel Lease Agreement”	the lease agreement dated 28 June 2019 entered into between the Landlord and the Tenant in respect of the leasing of the Hotel Premises
“Hotel Lease Deposit”	a rental deposit of RMB3,625,179.64 is payable by the Tenant to the Landlord within 10 Business Days from the date of the Hotel Lease Agreement being Effective
“Hotel Lease Term”	the term of 15 years commencing from the date following the Hotel Delivery Date
“Hotel Premises”	Orange Sky Land Square One, Jiangyin, PRC* (中國江陰市橙天地廣場1號), with a total gross floor area of approximately 14,188.57 square meters
“Hotel Premises Delivery”	the delivery of the Hotel Premises from the Landlord to the Tenant subject to certain delivery conditions as stated in the Hotel Lease Agreement
“Hotel Rent”	the amount pre-paid by the Tenant to the Landlord based on the Initial Hotel Rent Rate or the Subsequent Hotel Rent Rate (as the case may be) every three months during the Hotel Lease Term
“Hotel Rent Exemption Period”	the period of four months from the date following the Hotel Delivery Date
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors (namely, Mr. Leung Man Kit, Ms. Wong Sze Wing and Mr. Fung Chi Man, Henry)

“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company
“Independent Shareholders”	the Shareholders other than the connected persons who are interested in the Lease Agreements and the transactions contemplated thereunder
“Landlord”	means Jiangyin Orange Land Cinema Development Management Co., Ltd.* (江陰橙地影院開發管理有限公司), a company established in the PRC with limited liability, which is owned as to 25% by Beijing Orange Land and 75% by Orange Sky Land
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wu”	means Mr. Wu Kebo, the executive Director and a controlling Shareholder, who is indirectly interested in 71.28% of the entire issued share capital of the Company
“Ms. Wu”	means Ms. Wu Keyan, the executive Director and the sister of Mr. Wu
“Net Box Office”	the Box Office minus the value-added tax and the Special State Film Undertaking Development Fund (國家電影專項資金), amounting to 5% of the Box Office, which may be subject to changes of the relevant regulations of the respective departments in the PRC
“Orange Sky Land”	Orange Sky Land Holdings Company Limited* (橙天地控股有限公司), a company established in Hong Kong with limited liability, which is indirectly wholly-owned by Mr. Wu
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Premises”	the Cinema Premises and the Hotel Premises
“Property Management Service Fee”	the amount pre-paid by the Tenant to the Landlord based on the Initial Cinema Property Management Fee Rate or the Increased Cinema Property Management Fee Rate (as the case maybe) every three months during the Cinema Lease Term
“RMB”	Renminbi, the lawful currency of the PRC

“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened and to approve the Lease Agreements and the transactions contemplated thereunder
“Shareholder”	means the holder of Shares
“Shares”	means ordinary share(s) of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Tenant”	means Jiangyin Orange Sky Golden Harvest Liuliu Enterprise Management Co., Ltd* (江陰橙天嘉禾六六企業管理有限公司), an indirect wholly-owned subsidiary of the Company
“Variable Cinema Lease Amount”	the amount equivalent to the difference between the yearly Cinema Commission Amount and the yearly Fixed Cinema Lease Amount for a particular rental year during the Cinema Lease Term given that the yearly Cinema Commission Amount exceeds the yearly Fixed Cinema Lease Amount for such rental year
“%”	means per cent.

* *For identification purposes only*

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

Hong Kong, 1 July 2019

List of all directors of the Company as of the time 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