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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)**

## **PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE**

### **PROPOSED ISSUE OF CONVERTIBLE BONDS**

On 22 January 2016, the Company (as issuer) and the Investor (as subscriber) entered into the Subscription Agreement, pursuant to which the Company agreed to issue, and the Subscriber agreed to subscribe for, the Series 1 CB in the principal amount of HK\$200 million. In addition, upon the fulfillment of certain conditions in the Subscription Agreement, the Company has the option to issue, and the Investor has the option to subscribe for, the Series 2 CB in the principal amount of HK\$100 million.

\* For identification purposes only

CB Holders will be entitled to convert the outstanding principal amount of the Convertible Bonds into Conversion Shares at the Conversion Price, subject to adjustment in the manner provided in the CB Instruments. Assuming exercise in full of the Conversion Rights at the initial Conversion Price of HK\$1.00 per Conversion Share, an aggregate of 300,000,000 Conversion Shares will be issued, representing approximately 10.94% of the issued share capital of the Company as at the date of this announcement and approximately 9.86% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming there was no repurchase of Shares or issue of other new Shares).

The Conversion Shares to be issued upon the conversion of the Convertible Bonds will rank pari passu in all respects with the Shares then in issue on the relevant conversion date.

It is expected that the net proceeds (net of fees, commissions and expenses) raised through the CB Issue will be used to finance the expansion and operation of the theatrical exhibitions in the PRC and the acquisition of cinema multiplex not listed on any stock exchange.

#### **LISTING RULES IMPLICATIONS**

The Convertible Bonds, and Conversion Shares into which they are convertible, will be issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 5 June 2015. The issue of the Convertible Bonds is not subject to the approval of the Shareholders.

**The closings under the Subscription Agreement are subject to fulfillment and/or waiver of the conditions precedent under the Subscription Agreement. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the section headed “The Subscription Agreement” below for further information.**

**Accordingly, the Convertible Bonds may or may not be issued and/or the Conversion Shares may or may not be issued or listed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

#### **PROPOSED ISSUE OF THE CONVERTIBLE BONDS**

On 22 January 2016, the Company (as issuer) and the Investor (as subscriber) entered into the Subscription Agreement, pursuant to which the Company agreed to issue, and the Investor agreed to subscribe for, the Series 1 CB in the principal amount of HK\$200 million. In addition, upon the fulfillment of certain conditions in the Subscription Agreement, the Company has the option to issue, and the Investor has the option to subscribe for, the Series 2 CB in the principal amount of HK\$100 million.

Details of the Subscription Agreement are set out below.

## **THE SUBSCRIPTION AGREEMENT**

### **Date:**

22 January 2016

### **Parties:**

1. The Company (as issuer); and
2. The Investor (as subscriber), which to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, is an independent third party not connected with the Company or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates.

### **Subject Matter:**

The Company has agreed to issue, and the Investor has agreed to subscribe for, the Series 1 CB in the principal amount of HK\$200 million. In addition, the Company has the option to issue, and the Investor has the option to subscribe for, the Series 2 CB in the principal amount of HK\$100 million.

### **Series 1 CB Conditions Precedent:**

The obligations of the Investor to subscribe for the Series 1 CB from the Company are subject to the fulfilment (or waiver) of the following Series 1 CB Conditions Precedent on or before the Series 1 Closing Date:

- (a) all necessary regulatory filings, notifications and approvals to the relevant Government Authorities to enter into the Transaction Documents with respect to the Series 1 CB and perform the Company's obligations thereunder having been made and obtained, and such filings, notifications and approvals remaining valid and effective, and no Government Authority having taken or initiated any action which would prohibit the transactions contemplated under the Transaction Documents with respect to the Series 1 CB;
- (b) since the date of the Subscription Agreement, there having been, in the opinion of the Investor, no Material Adverse Change;
- (c) there having been no Event of Default under the Series 1 CB Instrument (as if the Series 1 CB Instrument has been executed), and no Event of Default under the Series 1 CB Instrument (as if the Series 1 CB Instrument has been executed) would result from the proposed issue of the Series 1 CB by the Company to the Investor;
- (d) all obligations under the Transaction Documents required to be performed by the Company on or before the Series 1 Closing Date having been performed, and no breach of any provision of any Transaction Document by the Company;

- (e) the Investor having performed all necessary external, internal and corporate approvals and checks under all applicable Laws regarding the Transaction Documents with respect to the Series 1 CB, including but not limited to its investment committee approval, anti-money laundering checks and know-your-client checks;
- (f) the Investor having been satisfied with the results of its commercial, financial and legal due diligence on the Company and any other Group Company in its sole discretion;
- (g) the Issuer Warranties remaining true, accurate and not misleading in each case in accordance with their terms;
- (h) the Investor having received from the Investor's legal advisors: (a) a legal opinion as to the laws of Hong Kong addressed to the Investor in relation to, amongst other things, the legal, valid, binding and enforceable nature of the provisions of the Transaction Documents governed by the laws of Hong Kong; (b) a legal opinion as to the laws of Bermuda addressed to the Investor in relation to, amongst other things, the due incorporation, capacity and authority of the Company, each in a form satisfactory to the Investor;
- (i) the value of the net assets of the Group (as set out in the Company's most recent published consolidated interim financial accounts or audited consolidated annual accounts, as applicable) is not less than HK\$1,550,000,000; and
- (j) the ratio of (A) the sum of: (i) the value of the non-current assets of the Group; and (ii) the value of the current assets of the Group, (each as set out in the Company's most recent published consolidated interim financial accounts or audited consolidated annual accounts, as applicable) to (B) the value of the net assets of the Group (as set out in the Company's most recent published consolidated interim financial accounts or audited consolidated annual accounts, as applicable) does not exceed 2.2.

The Investor may, at its discretion, waive satisfaction of any of the above Series 1 CB Conditions Precedent.

As at the date of this announcement, all of the above conditions precedent to the completion of the Subscription Agreement are yet to be satisfied and/or (as the case may be) waived.

It is the intention of the Company to satisfy or procure the satisfaction of the above conditions precedent to completion of the Subscription Agreement as soon as practicable.

#### **Closing of Series 1 CB Issue:**

The Series 1 CB Closing shall take place on the date which is the third (3rd) Business Day after, and excluding, the date upon which the last of the Series 1 CB Conditions Precedent (other than Series 1 CB Conditions Precedent in paragraphs (b), (e) and (f) above which shall be satisfied on the Series 1 CB Closing Date) has been satisfied or waived (or if already satisfied/waived before such date, remain satisfied or waived as of such date), or such other date as the parties may agree in writing ("**Series 1 CB Closing Date**"). In any event, the Series 1 CB Closing Date shall not be later than 10:00 a.m. on the Series 1 CB Long Stop Date. Otherwise, the Subscription Agreement shall automatically terminate.

## **Series 2 CB Conditions Precedent:**

The obligations of the Subscriber to subscribe for the Series 2 CB from the Company which are subject to the fulfilment (or waiver) of the following Series 2 CB Conditions Precedent on or before the Series 2 Closing Date:

- (a) all necessary regulatory filings, notifications and approvals to the relevant Government Authorities to enter into the Transaction Documents with respect to the Series 2 CB and perform the Company's obligations thereunder having been made and obtained, and such filings, notifications and approvals remaining valid and effective, and no Government Authority having taken or initiated any action which would prohibit the transactions contemplated under the Transaction Documents with respect to the Series 2 CB;
- (b) since the date of the Subscription Agreement, there having been, in the opinion of the Investor, no Material Adverse Change;
- (c) there having been no Event of Default under the Series 2 CB Instrument (as if the Series 2 CB Instrument has been executed), and no Event of Default under the Series 2 CB Instrument (as if the Series 2 CB Instrument has been executed) would result from the proposed issue of the Series 2 CB by the Company to the Investor;
- (d) all obligations under the Transaction Documents required to be performed by the Company on or before the Series 2 Closing Date having been performed, and no breach of any provision of any Transaction Document by the Company;
- (e) the Investor having performed all necessary external, internal and corporate approvals and checks under all applicable Laws regarding the Transaction Documents with respect to the Series 2 CB, including but not limited to its investment committee approval, anti-money laundering checks and know-your-client checks;
- (f) the Investor having been satisfied with the results of its commercial, financial and legal due diligence on the Company and any other Group Company in its sole discretion;
- (g) the Issuer Warranties remaining true, accurate and not misleading in each case in accordance with their terms;
- (h) NAV:
  - (i) in the event that the Series 2 CB Closing Date is prior to the date on which the Company's audited consolidated financial statements for the year ended 31 December 2015 are published, the value of the net assets of the Group (as set out in the Company's most recent published consolidated interim financial accounts or audited consolidated annual accounts, as applicable) (excluding any changes in the fair value of the Series 1 CB) is not less than HK\$1,550,000,000; and
  - (ii) in the event that the Series 2 CB Closing Date is on or after the date on which the Company's audited consolidated financial statements for the year ended 31 December 2015 are published, the value of the net assets of the Group (as set out in the Company's most recent published consolidated interim financial accounts or

audited consolidated annual accounts, as applicable) (excluding any changes in the fair value of the Series 1 CB and the costs associated with the Share Option Scheme) is not less than HK\$1,550,000,000;

- (i) the ratio of (A) the sum of: (i) the value of the non-current assets of the Group; and (ii) the value of the current assets of the Group, (each as set out in the Company's most recent published consolidated interim financial accounts or audited consolidated annual accounts, as applicable) to (B) the value of the net assets of the Group (as set out in the Company's most recent published consolidated interim financial accounts or audited consolidated annual accounts, as applicable) (excluding any changes in the fair value of the Series 1 CB and the costs associated with the Share Option Scheme) does not exceed 2.2;
- (j) the revenue of the Company (as set out in the audited consolidated annual accounts for the financial year ended 2015) is not less than HK\$1,300,000,000; and
- (k) as at 31 December 2016, the Group operates not less than 80 cinema multiplexes in the PRC.

The Investor may, at its discretion, waive satisfaction of any of the Series 2 CB Conditions Precedent above.

#### **Closing of Series 2 CB Issue:**

The Series 2 Closing shall take place on the date which is the third (3rd) Business Day after, and excluding, the date upon which the last of the Series 2 CB Conditions Precedent (other than Series 2 CB Conditions Precedent in paragraphs (b), (e) and (f) above which shall be satisfied on the Series 2 CB Closing Date) has been satisfied or waived (or if already satisfied/waived before such date, remain satisfied or waived as of such date), or such other date as the parties may agree in writing (“**Series 2 CB Closing Date**”). In any event, the Series 2 CB Closing Date shall not be later than the Series 2 Long Stop Date. Otherwise, the provisions of the Subscription Agreement with respect to Series 2 CB shall automatically terminate.

#### **Termination:**

If, at any time prior to Series 1 CB Closing, there is a breach by the Company of any provision of the Subscription Agreement and/or the Investor receives a notification by the Company pursuant to the Subscription Agreement which states that the Company has become aware of anything which will or is reasonably likely to prevent any of the Series 1 CB Conditions from remaining satisfied, the Investor may terminate the Subscription Agreement by giving notice in writing to the Company.

If, at any time prior to Series 2 CB Closing, there is a breach by the Company of any provision of the Subscription Agreement and/or the Investor receives a notification by the Company pursuant to the Subscription Agreement which states that the Company has become aware of anything which will or is reasonably likely to prevent any of the Series 2 CB Conditions from remaining satisfied, the Investor may terminate the provisions of the Subscription Agreement with respect to the Series 2 CB by giving notice in writing to the Company.

## PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are arrived at arm's length negotiations between the Company and the Investor. Set out below is a summary of the principal terms of the Convertible Bonds:

Principal amount	<p>An aggregate of HK\$300 million of Convertible Bonds are to be issued, comprising:</p> <ul style="list-style-type: none"><li>(a) the Series 1 CB in an aggregate principal amount of HK\$200 million</li><li>(b) the Series 2 CB in an aggregate principal amount of HK\$100 million</li></ul>
Issue Price	100% of the principal amount of the Convertible Bonds.
Interest	The Convertible Bonds shall bear interest from the Issue Date at 5% per annum on the principal amount of the Convertible Bonds outstanding from time to time, payable semi-annually in arrears.
Maturity Date	The date falling on the third anniversary of the Issue Date, or if such date is not a Business Day, the Business Day immediately following such date.
Initial Conversion Price	<p>HK\$1.00 per Conversion Share.</p> <p>The initial Conversion Price represents:</p> <ul style="list-style-type: none"><li>(i) a premium of approximately 112.8% of the closing price of HK\$0.470 per Share as quoted on the Stock Exchange on the Last Trading Day;</li><li>(ii) a premium of approximately 106.2% of the average closing price of HK\$0.485 per Share as quoted on Stock Exchange for the 5 trading days up to and including the Last Trading Day; and</li><li>(iii) a premium of approximately 94% of the average closing price of HK\$0.516 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;</li></ul>

Adjustments to Conversion Price

The Conversion Price will be subject to adjustment for, among other things,

- i. distributions;
- ii. bonus issues;
- iii. alteration to nominal value of the Shares;
- iv. shares, rights, share-related securities issued to Shareholders;
- v. issues of other securities to Shareholders;
- vi. issue of Shares at less than 95% of the current market price of the Shares;
- vii. Share-related securities issued other than to Shareholders at less than 95% of the current market price of the Share;
- viii. amendment of terms of rights or Share-related securities; and
- ix. demerger.

Conversion Period

The period beginning on, and including, the Issue Date and ending on, and including the earlier to occur of:

- i. 5:00 p.m. on the day which is five (5) Business Days before the Maturity Date; and
- ii. If such Convertible Bonds have been called for redemption before Maturity Date in accordance with the conditions of the CB Instruments, 5:00 p.m. on the day which is five (5) Business Days before the proposed date of redemption thereof, as set out in the notice of early redemption or the notice of default redemption (as the case may be).

Conversion Right

Each CB Holder has the right to convert all or any part (which shall be an integral multiple of the authorised denomination, except where the conversion relates to a CB Holder's entire holding of the Convertible Bonds) of the principal amount of the Convertible Bonds into Shares at any time during the Conversion Period.

Ranking of the Conversion Shares	Conversion Shares issued upon conversion shall be fully paid, free from any encumbrance and rank pari passu in all respects with all other Shares in issue on the date of conversion and the holder shall be entitled in respect of its Conversion Shares to all dividends, and other distributions the record date for which falls on a date on or after the conversion date which is the Trading Day immediately following the deposit of conversion notice.
Voting rights	The Convertible Bonds do not confer on its holders any right to attend or vote at any meetings of the Company by reason only being of the CB Holder.
Financial covenants	<p>For so long as any Convertible Bonds remains outstanding, the Company shall procure that at all time:</p> <p>(i) (a) from the Issue Date to the date on which the Company's audited consolidated financial statements for the year ended 31 December 2015 are published, the value of the net assets of the Group (as set out in the Company's most recent published consolidated interim financial accounts or audited consolidated annual accounts, as applicable) (excluding any changes in the fair value of the Series 1 CB and the Series 2 CB (if issued)) shall not be less than HK\$1,550,000,000; and</p> <p>(b) from the date on which the Company's audited consolidated financial statements for the year ended 31 December 2015 are published, the value of the net assets of the Group (as set out in the Company's most recent published consolidated interim financial accounts or audited consolidated annual accounts, as applicable) (excluding any changes in the fair value of the Series 1 CB, the Series 2 CB (if issued) and the costs associated with the Share Option Scheme) shall not be less than HK\$1,550,000,000; and</p> <p>(ii) the ratio of:</p> <p>(a) the sum of: (i) the value of the non-current assets of the Group; and (ii) the value of the current assets of the Group, (each as set out in the Company's most recent published consolidated interim financial accounts or audited consolidated annual accounts, as applicable); to</p>

- (b) the value of the net assets of the Group (as set out in the Company's most recent published consolidated interim financial accounts or audited consolidated annual accounts, as applicable) (excluding any changes in the fair value of the Series 1 CB and the Series 2 CB (if issued) and the costs associated with the Share Option Scheme),

shall not exceed 2.2.

(the “**Financial Covenants**”)

#### Events of Default

An event of default (an “**Event of Default**”) including:

1. a change of control in the Company, without prior CB Holders' approval;
2. any disposal, sale, assignment or transfer by the Group of all or substantial part of its business or assets without prior CB Holders' approval;
3. merger or consolidation of the Company with any person outside the Group, without prior CB Holders' approval;
4. the Company fails to pay any amount of principal in respect of the Convertible Bonds on the due date for payment thereof or fails to pay any amount of interest in respect of or in connection with the Convertible Bonds on the due date for payment thereof;
5. The Company breaches the Financial Covenants;
6. The Company defaults in the performance or observance of any term of any Transaction Document which is binding on it, or of its other obligations under or in respect of the Convertible Bonds or any Transaction Document;
7. Any Financial Indebtedness of the Company or any Group Company in excess of HK\$50 million in each case is not paid when due or as the case may be) within any applicable grace period and a specific waiver has not been obtained and currently effective from the counterparty to such Financial Indebtedness;
8. Any such Financial Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the relevant Group Company;

9. Any Group Company fails to pay when due any amount payable by it under any guarantee of any indebtedness involving an amount of more than HK\$50 million (or its equivalent in any other currency or currencies) in each case is not paid when due or (as the case may be) within any applicable grace period and a specific waiver has not been obtained and currently effective from the counterparty to such guarantee;
10. One or more judgment(s) or order(s) for the payment of any amount of more than HK\$30,000,000 (or its equivalent in any other currency or currencies), whether individually or in the aggregate, is rendered against any Group Company and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment;
11. Any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened against any Group Company or any of their respective assets (or against the directors of any Group Company) arising from their carrying out of duties as directors of the related Group Company) which are reasonably likely to be adversely determined and, if so determined, could reasonably be expected to have a negative cash impact of HK\$30,000,000 or more;
12. An event has occurred which is, or which may with the taking of any step or the passage of time become, an insolvency event in relation to the Company or any Principal Subsidiary;
13. An order is made or an effective resolution is passed for the winding up, liquidation or dissolution of any Principal Subsidiary;
14. Any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Convertible Bonds, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Transaction Documents admissible in evidence in the courts of Bermuda and/or Hong Kong is not taken, fulfilled or done;

15. It is or will become unlawful for the Company to perform or comply with any of its obligations under or in respect of the Transaction Documents;
16. There is a material breach of any applicable Law (including the Listing Rules) by any Group Company or any director or senior officers of the Company when acting for and on behalf of the Company where such breach has or could reasonably be expected to have a Material Adverse Effect;
17. (i) all or any substantial part of the undertaking, assets and revenues of any Group Company is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) any Group Company is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues;
18. The Shares shall cease to be listed on the Stock Exchange or steps are taken by or on behalf of the Company to effect such cessation;
19. Trading in the Shares on the Stock Exchange has been suspended for five (5) consecutive Trading Days other than for reasons of pending the issue of an announcement of the Issuer pursuant to chapter 14 or chapter 14A of the Listing Rules; or
20. The Company fails to publish its annual report as required under the Listing Rules within 10 Business Days from the date being the last day for the Company to issue its annual report or fails to obtain an unqualified audit report.

#### Redemption at Maturity

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem all the outstanding Convertible Bonds held by a CB Holder on the Maturity Date, at an amount (the “**Maturity Redemption Amount**”) equal to the aggregate of:

- (i) the aggregate principal amount of such outstanding Convertible Bonds held by Convertible Bonds Holder;
- (ii) any accrued but unpaid interest on such outstanding Convertible Bonds;

- (iii) any outstanding amounts due under the Transaction Documents (including, without limitation, default interest); and
- (iv) an amount that would yield an Internal Rate of Return of 11% on the aggregate principal amount of the Convertible Bonds calculated from the Issue Date until the Maturity Date.

Early Redemption by the Company

The Company has the right at any time on or after 2 years from the Issue Date, provided that no Event of Default has occurred as at such time and subject to the CB Holders' Approval, the Company has the right to redeem the outstanding Convertible Bonds (in full but not in part) held by a CB Holder at an amount equal to the aggregate of:

- i. the aggregate principal amount of the outstanding Convertible Bonds held by such Convertible Bonds Holder;
- ii. any accrued but unpaid interest on the Convertible Bonds;
- iii. any outstanding amounts due under the Transaction Documents (including, without limitation, default interest); and
- iv. an amount that would yield an Internal Rate of Return of 11% on the aggregate principal amount of the Convertible Bonds calculated from the Issue Date until the early redemption date.

Default Redemption

Upon occurrence of an Event of Default, unless such Event of Default is remedied according to the CB instruments, each CB Holder shall have the right to require the Company to redeem its Convertible Bonds in full at an amount equal to the aggregate of:

- (i) the aggregate principal amount of such outstanding Convertible Bonds held by such CB Holder;
- (ii) any accrued but unpaid interest on such outstanding Convertible Bonds;
- (iii) any outstanding amounts due under the Transaction Documents (including, without limitation, default interest); and

- (iv) an amount that would yield an Internal Rate of Return of 18% on the aggregate principal amount of the Convertible Bonds calculated from the Issue Date until the default redemption date.

Transferability	Transfers of the Convertible Bonds and the Conversion Shares to the Company's competitors and joint venture partners are subject to restrictions.
Listing	No application will be made for the listing of, and permission to deal in, the Conversion Bonds on the Stock Exchange or any other stock exchange. The Company shall apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Neither the Convertible Bonds nor the Conversion Shares have been offered or sold and they may not be offered or sold in Hong Kong to the public within the meaning of the Companies Ordinance.

Neither the Convertible Bonds nor the Conversion Shares have been and they will not be registered under the United States Securities Act of 1933, as amended, and will not be offered or sold within the United States.

#### **EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF THE CONVERSION OF THE CONVERTIBLE BONDS**

Assuming exercise in full of the Conversion Rights at the initial Conversion Price of HK\$1.00 per Share, an aggregate of 300,000,000 Conversion Shares will be issued, representing approximately 10.94% of the issued share capital of the Company as at the date of this announcement and approximately 9.86% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming there was no repurchase of Shares or issue of other new Shares).

#### **REASONS FOR THE CB ISSUE AND THE USE OF PROCEEDS**

The Directors consider the CB Issue offers a good opportunity for the Company to raise capital for expansion of theatrical exhibitions and potential acquisition opportunity of cinema business in the PRC region. In addition, the subscription of the Convertible Bonds will strengthen the Group's financial position in line with its business strategies. The Group plans to accelerate the construction of cinemas in the next 3 years, with the increase in the number of screens not less than 20% on average each year. In the meantime, the Group actively looks for quality projects for participation in production to enhance the overall profitability of the Group. The gross proceeds raised from the CB Issue will be HK\$300 million. The estimated net proceeds from the CB Issue (after deducting all related expenses) of approximately HK\$299,155,000.

Based on the estimate net proceeds of HK\$299,155,000 and the 300,000,000 Shares which may fall to be issued upon conversion in full of the Convertible Bonds at the initial Conversion Price, the net price to the Company for each Conversion Share is approximately HK\$0.997.

Pursuant to the Subscription Agreement, the Company shall use the proceeds raised through the CB Issue to finance the expansion and operation of the theatrical exhibitions in the PRC and the acquisition of cinema multiplex which is not listed on any stock exchange.

The Directors (including independent non-executive Directors) consider that the terms of the Subscription Agreement and the transactions contemplated thereunder (including the CB Issue and the allotment and issue of the Conversion Shares) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the allotment and issue of only the Series 1 CB Conversion Shares upon full conversion of the Series 1 CB at the initial Conversion Price; and (iii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Series 1 CB and the Series 2 CB at the initial Conversion Price (assuming that there is no other change in the issued share capital of the Company from the date of this announcement and up to the Closing Date are set out below:

Name of Shareholders	As at the date of this announcement		Assuming full conversion of Series 1 CB at the initial Conversion Price		Assuming full conversion of Series 1 CB and Series 2 CB at the initial Conversion Price	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Skyera International Limited (“Skyera”)	439,791,463	16.04%	439,791,463	14.95%	439,791,463	14.45%
Mainway Enterprises Limited (“Mainway”)	408,715,990	14.90%	408,715,990	13.89%	408,715,990	13.43%
Noble Biz International Limited (“Noble Biz”)	129,666,667	4.73%	129,666,667	4.41%	129,666,667	4.26%
Orange Sky Entertainment Group (International) Holding Company Limited (“OSEG”)	565,719,948	20.63%	565,719,948	19.23%	565,719,948	18.59%
Cyber International Limited (“Cyber”)	180,000,000	6.56%	180,000,000	6.12%	180,000,000	5.92%
WU Kebo (“Mr. Wu”) <sup>Notes</sup>	1,723,894,068	62.86%	1,723,894,068	58.59%	1,723,894,068	56.66%
Investor	117,775,000	4.29%	117,775,000	4.00%	117,775,000	3.87%
Other Public Shareholder	—	—	200,000,000	6.80%	300,000,000	9.86%
	900,850,180	32.85%	900,850,180	30.61%	900,850,180	29.61%
<b>Total</b>	<b>2,742,519,248</b>	<b>100%</b>	<b>2,942,519,248</b>	<b>100%</b>	<b>3,042,519,248</b>	<b>100%</b>

*Notes:*

1. By virtue of the Securities and Futures Ordinance, Mr. Wu was deemed to have interest in a total of 1,723,894,068 Shares, of which (i) 439,791,463 Shares were held by Skyera; (ii) 408,715,990 Shares were held by Mainway; (iii) 129,666,667 Shares were held by Noble Biz; (iv) 565,719,948 Shares were held by OSEG (a company 80% owned by Mr. Wu) and (v) 180,000,000 Shares were held by Cyber.

In addition, Mr. Wu had interest in 117,775,000 Shares as at date of this announcement which were beneficially held in his own name.

2. Skyera is a company wholly owned by Mr. Wu, who is also a director of Skyera.
3. Mainway is a company wholly owned by Mr. Wu, who is also a director of Mainway.
4. Nobal Biz is a company wholly owned by Mr. Wu, who is also a director of Nobal Biz.
5. OSEG (a company 80% owned by Mr. Wu) was interested in 565,719,948 Shares. Mr. Wu is a Director of OSEG and Mr. Li Pei Sen is the associate Chairman of OSEG.
6. Cyber is a company owned by an associate of Mr. Wu.

## **INFORMATION ON THE INVESTOR**

The Investor is a limited liability business company incorporated under the laws of the British Virgin Islands and an indirectly wholly-owned special purpose vehicle of CCB International (Holdings) Limited. CCB International (Holdings) Limited is an investment services flagship which is wholly-owned by China Construction Bank Corporation, a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 0939) and the Shanghai Stock Exchange (stock code: 601939).

## **INFORMATION ON THE COMPANY AND THE GROUP**

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 and distribution of films and television programs and theatrical exhibitions.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PRIOR TO THE DATE OF THIS ANNOUNCEMENT**

There had not been any equity fund raising activity conducted by the Group in the past 12 months immediately preceding the date of this announcement.

## **GENERAL**

The Conversion Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 5 June 2015. Under the General Mandate, a maximum of 548,503,849 new Shares may fall to be allotted and issued.

The General Mandate has not been previously utilised prior to the date of this announcement. As such, the General Mandate will be sufficient for, and no further Shareholders' approval is required for, the allotment and issue of the Conversion Shares. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the Conversion Rights.

**Closing of the Subscription Agreement is subject to fulfilment and/or waiver of the conditions precedent under the Subscription Agreement. Accordingly, the CB Issue may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the meanings as set out below:

“Board”	The board of Directors
“Business Day”	a day on which commercial banks and foreign exchange markets settle payments in Bermuda and Hong Kong, excluding any day in Hong Kong on which a typhoon signal number 8 or above or a “black” rainstorm warning is hoisted
“CB Holders”	holder(s) of the Convertible Bonds, including all subsequent transferees) of the Convertible Bonds
“CB Instrument(s)”	collectively, the Series 1 CB Instrument and the Series 2 CB Instrument
“CB Issue”	the issue of the Convertible Bonds pursuant to the terms of the Subscription Agreement
“Closing”	the closing of the subscription of the Convertible Bonds pursuant to the terms of the Subscription Agreement
“Closing Date”	in respect of the Series 1 CB, the Series 1 Closing Date; and in respect of the Series 2 CB, the Series 2 Closing Date
“Closing Price”	for the Shares for any Trading Day, the price per Share published in the Daily Quotation Sheet published by the Stock Exchange for such day
“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
“Conversion Price”	HK\$1.00 per Conversion Share, subject to adjustment in the manner provided in the CB Instruments

“Conversion Share(s)”	the Conversion Shares issuable upon conversion of the Convertible Bonds
“Convertible Bonds”	the Series 1 CB and the Series 2 CB, or either of them, as the case may be
“Directors”	the directors of the Company
“Financial Indebtedness”	<p>any indebtedness of the Group (other than the convertible bonds) for or in respect of:</p> <ul style="list-style-type: none"> <li>(a) moneys borrowed;</li> <li>(b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;</li> <li>(c) any amount raised pursuant to any note purchase facility, Series 1 CB, debentures, loan stock or any similar instrument;</li> <li>(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;</li> <li>(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);</li> <li>(f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;</li> <li>(g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);</li> <li>(h) any amount raised by the issue of shares that are redeemable at the option of the holder;</li> <li>(i) any counter-indemnity obligation in respect of a guarantee, indemnity, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and</li> <li>(j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above</li> </ul>

“General Mandate”	the general mandate granted to the Directors at the annual general meeting on 5 June 2015 to allot, issue and deal with not more than 548,503,849 Shares
“Government Authority”	any national, provincial, municipal, city or local government or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government
“Group”	The Company and its subsidiaries and “member of the Group” and “Group Company” shall be construed accordingly
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong Dollars, the lawful currency in Hong Kong
“Internal Rate of Return”	<p>in respect of any portion of the Series 1 CB held by a Series 1 CB Holder, the annual rate based on a 365-day period used to, at any relevant reference point in time, discount the cash flows in respect of such portion of the Series 1 CB (such cash flow to include the subscription consideration and cash received by the Series 1 CB Holder as a result of any redemption of such Series 1 CB (if any)) to the Issue Date such that the present value of such aggregate cash flows equals zero. In particular:</p> <ul style="list-style-type: none"> <li>(a) the Internal Rate of Return will be calculated with reference to the period from the Issue Date to the relevant Redemption Date;</li> <li>(b) the calculation of the Internal Rate of Return shall take into account the interest amounts on the principal amount of the Series 1 CB which have accrued and have been paid pursuant, such interest amounts to be considered as cash flow received by the Series 1 CB Holder in the calculation of the Internal Rate of Return;</li> <li>(c) the calculation of the Internal Rate of Return shall not take into account the Default Interest which have accrued and have been paid pursuant to the CB Instruments; and</li> <li>(d) the calculation of the Internal Rate of Return shall be net of the any transaction costs and any applicable taxes</li> </ul>

“Investor”	WAN TAI INVESTMENTS LIMITED (萬鈦投資有限公司), a limited liability business company incorporated under the laws of the British Virgin Islands and an indirectly wholly-owned special purpose vehicle of CCB International (Holdings) Limited
“Issue Date”	in respect of the Series 1 CB, the Series 1 Issue Date; and in respect of the Series 2 CB, the Series 2 Issue Date
“Issuer Warranties”	the warranties given by the Company as set out in the Subscription Agreement, and each a “Warranty”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	in respect of the Series 1 CB, the Series 1 Long Stop Date; and in respect of the Series 2 CB, the Series 2 Long Stop Date
“Material Adverse Change”	any material adverse change in, or any change in circumstances that has a material adverse effect on, the business, operations, financial position (including any material increase in provisions), earnings, condition prospects of the Group taken as a whole
“Maturity Date”	the date falling on the third anniversary of the Issue Date, or if such date is not a Business Day, the Business Day immediately following such date
“PRC”	The People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Taiwan and Macao Special Administrative Region of the People’s Republic of China
“Principal Subsidiary(ies)”	Giant Harvest Limited, City Entertainment Corporation Limited, Golden Sky Entertainment Limited, GH Investment Limited, Golden Screen Limited, Golden Harvest Entertainment International Limited, Orange Sky Golden Harvest Entertainment Company Limited, Golden Harvest Cinemas Holding Limited, Golden Sky Pacific Limited and Orange Sky Golden Harvest Cinemas (China) Company Limited
“Series 1 CB”	means the HK\$200,000,000 5% convertible bonds with a term of 3 years of the Company constituted by the Series 1 CB Instrument, or as the context may require, any portion of it
“Series 1 Issue Date”	the date on which the Series 1 CB are originally issued in accordance with the Subscription Agreement

“Series 1 Long Stop Date”	means 31 January 2016 or such later date as may be agreed by the Investor and the Company
“Series 2 CB”	means the HK\$100,000,000 5% convertible bonds with a term of 3 years of the Company constituted by the Series 2 CB Instrument, or as the context may require, any portion of it
“Series 2 Issue Date”	the date on which the Series 2 CB are originally issued in accordance with the Subscription Agreement
“Series 2 Long Stop Date”	means 31 December 2016 or such later date as may be agreed by the Investor and the Company
“Share(s)”	ordinary shares of HK\$0.10 each in the capital of the Company, or if there has been a sub-division, consolidation, re-classification or re-construction of the share capital of the Company, shares forming part of the ordinary share capital of the Company of such other nominal amount as shall result from such sub-division, consolidation, re-classification or re-construction
“Share Option Scheme”	the share option scheme of the Company adopted on 11 November 2009 pursuant to which the Board may grant options to subscribe for Shares to any full-time or part-time employee of the Company and/or any subsidiary of the Company; (b) any Director (including executive, non-executive and independent non-executive Director) of the Company and/or any subsidiary of the Company; and (c) any consultant or adviser (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer, and business partner of the Company and/or any subsidiary of the Company who, at the sole determination of the Board, have contributed or will contribute to the Company and/or any subsidiary of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement entered into by the Company and WAN TAI INVESTMENTS LIMITED dated 22 January 2016 pursuant to which, among other matters, the Company agreed to issue the Convertible Bonds to WAN TAI INVESTMENTS LIMITED

“Trading Day”	a day when the Stock Exchange is open for dealing business, provided that, if no Closing Price is reported for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days
“Transaction Documents”	the Subscription Agreement, the CB Instruments, and any other documents relating to the transactions which may be entered into from time to time
“%”	per cent.

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

Hong Kong, 22 January 2016

*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

*Independent Non-executive Directors:*

Mr. Leung Man Kit

Mr. Huang Shao-Hua George

Ms. Wong Sze Wing