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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)**

### **CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS MASTER ADVERTISING AGREEMENT**

Reference is made to the announcement of the Company dated 8 December 2010 in relation to, inter alia, the PRC Master Screen Advertising Agreement and the Shenzhen Advertising Agreement entered into between OSGH (China) (an indirect wholly-owned subsidiary of the Company) and Panasia Advertising. The PRC Master Screen Advertising Agreement and the Shenzhen Advertising Agreement will expire on 31 December 2013.

The Board is pleased to announce that on 6 November 2013, OSGH (China) entered into the Master Advertising Agreement with Panasia Advertising in relation to certain rights granted by OSGH (China) to Panasia Advertising for the Screen Advertisements at cinemas operated and to be operated by OSGH (China) Group in the PRC and the In-foyer Advertisements at OSGH Cinemas Shenzhen operated by OSGH (China) for a period of 3 years commencing from 1 January 2014.

Pursuant to the Master Advertising Agreement, Panasia Advertising shall also purchase movie tickets from OSGH (China) with total face value of RMB2,000,000 (approximately equivalent to HK\$2,540,000) and pay the said RMB2,000,000 to OSGH (China) on or before 31 December 2013.

OSGH (China) is an indirect wholly-owned subsidiary of the Company. Panasia Advertising is a wholly-owned subsidiary of Orange Sky, a substantial shareholder of the Company and a company in which 80% equity interest is in turn owned by Mr. Wu, the chairman and a Director and the controlling shareholder of the Company. Panasia Advertising therefore is a connected person of the Company by virtue of its being an associate of Mr. Wu and Orange Sky. Hence, the transactions for the Purchase of Tickets under the Master Advertising Agreement constitute connected transactions and the transactions for the Screen Advertisements and the In-foyer Advertisements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

\* For identification purposes only

The relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the Purchase of Tickets and the Caps are more than 0.1% but less than 5%. Accordingly, the connected transactions and continuing connected transactions under Master Advertising Agreement are subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirement under Rule 14A.32 (in respect of the connected transactions) and Rule 14A.34 (in respect of the continuing connected transactions) of the Listing Rules.

Reference is made to the announcement of the Company dated 8 December 2010 in relation to, inter alia, the PRC Master Screen Advertising Agreement and the Shenzhen Advertising Agreement entered into between OSGH (China) (an indirect wholly-owned subsidiary of the Company) and Panasia Advertising. The PRC Master Screen Advertising Agreement and the Shenzhen Advertising Agreement will expire on 31 December 2013.

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Pursuant to the Master Advertising Agreement, Panasia Advertising shall also purchase movie tickets from OSGH (China) with total face value of RMB2,000,000 (approximately equivalent to HK\$2,540,000) and pay the said RMB2,000,000 to OSGH (China) on or before 31 December 2013.

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

#### **MASTER ADVERTISING AGREEMENT**

- Date: 6 November 2013
- Parties: OSGH (China), an indirect wholly-owned subsidiary of the Company.  
Panasia Advertising, a connected person.
- Subject matter: Panasia Advertising shall be granted the exclusive rights of screening, releasing, agency, representation and settlement in relation to the Screen Advertisements at each of the cinemas operated and to be operated by OSGH (China) Group.  
Panasia Advertising will also be granted the exclusive rights of screening, releasing, agency, representation and settlement in relation to the In-foyer Advertisements at OSGH Cinemas Shenzhen operated by OSGH (China).

**Term:** For a period of 3 years commencing from 1 January 2014 until 31 December 2016.

Upon the expiry of term, Panasia Advertising shall have a pre-emptive right of renewal upon the same terms and conditions (being negotiated with third party(ies)).

**Fees:** During the term of the Master Advertising Agreement, Panasia Advertising shall pay to OSGH (China) an exclusive agency fee being the sum of (i) the higher of the Annual Guaranteed Fee or the Actual Annual Fee in the relevant year and (ii) the Advertising Subsidy in the relevant year.

**Annual Guaranteed Fee:** The Annual Guaranteed Fee for the year 2014 shall be RMB11,878,000 (approximately equivalent to HK\$15,085,060).

The Annual Guaranteed Fee for the years 2015 and 2016 shall be equivalent to the Annual Guaranteed Fee for the previous year with an upward adjustment of not less than 5% but not more than 10% of the box office income for the previous year.

**Actual Annual Fee:** The Actual Annual Fee shall base on certain percentage rates ranging from 2% to 5% of the actual annual box office income of the relevant cinemas in the relevant year.

**Advertising Subsidy:** The amount of subsidy shall be 5% of the Actual Annual Fee in the relevant year.

**Cap of Actual Annual Fee:** For the year 2014, the total sum of the Actual Annual Fee for all cinemas (inclusive of the Advertising Subsidy) shall be capped at RMB17,804,700 (approximately equivalent to HK\$22,611,969).

For the years 2015 and 2016, the cap of the total sum of the Actual Annual Fee for all cinemas (inclusive of the Advertising Subsidy) shall be with an upward adjustment of not less than 5% but not more than 10% of the cap of the previous year.

**Payment terms:** To be settled quarterly. Panasia Advertising shall pay to the relevant cinemas of OSGH (China) Group the annual fee four times a year.

Panasia Advertising shall pay to the relevant cinemas of OSGH (China) Group the annual fee for the first quarter of the term of the Master Advertising Agreement within 25 days from the commencement of the term. In the last month of each quarter during the term of the Master Advertising Agreement, OSGH (China) shall provide to Panasia Advertising a list of cinemas settlement for confirmation. After confirmation, Panasia Advertising shall pay to the relevant cinemas of OSGH (China) Group between the 20th and 25th day of the same month the guaranteed fee for the next quarter. On or before 15 January in the next year, OSGH (China) shall provide the actual annual box office income of the relevant cinemas for that year and the parties shall on this basis calculate the Actual Annual Fee payable. After confirmation by the parties, Panasia Advertising shall pay to the relevant cinemas of OSGH (China) Group the relevant fee for the 4th quarter of the relevant year between the 20th and the 25th day in the next month.

Payment for each of the first three quarters shall be 25% of the Annual Guaranteed Fee in the relevant year in respect of the cinemas which had formally commenced business in the relevant quarter as confirmed by the parties. The fee payable for the 4th quarter shall be equivalent to the Actual Annual Fee less the fees paid in the first three quarters.

The Advertising Subsidy shall be settled on or before 31 January in the next year and shall be directly paid by Panasia Advertising to the relevant cinemas of OSGH (China) Group.

In addition, if there is time overrun in the screening of the Screen Advertisements, overrun charges will be imposed by OSGH (China) Group.

Special agreement on  
purchase of tickets:

Panasia Advertising shall purchase movie tickets from OSGH (China) with total face value of RMB2,000,000 (approximately equivalent to HK\$2,540,000) and pay the said RMB2,000,000 to OSGH (China) on or before 31 December 2013 (hereinafter referred to as the "Purchase of Tickets").

Others:

Panasia Advertising shall have the right to determine the contents of the Screen Advertisements which shall be in accordance with the relevant laws and regulations stipulated by the State Administration for Industry and Commerce of the PRC and shall be approved by OSGH (China) Group before screening. OSGH (China) Group is entitled to refuse to screen, or to request for amendments to be made to any Screen Advertisements which are not in compliance with the forms and contents under the mandatory requirements of the relevant laws and regulations.

Further, OSGH (China) Group shall not screen any advertisements of any other party(ies) without the consent of Panasia Advertising.

If agreed and authorized by OSGH (China) Group, Panasia Advertising shall have the right to act as the agent of OSGH (China) Group in soliciting other media-related businesses for the cinemas, including press conferences for film stars, file premiere, etc.

## **SPECIAL AGREEMENT ON PURCHASE OF TICKETS**

Panasia Advertising is principally engaged in the provision of distribution and agency services for advertisements and is providing advertising agency services to OSGH (China) Group. It is intended that the tickets will be distributed to the existing and potential customers of Panasia Advertising for the purpose of market promotion.

## **ANNUAL CAPS AND BASIS FOR DETERMINING THE ANNUAL CAPS**

The aggregate amounts paid by Panasia Advertising under the PRC Master Screen Advertising Agreement and the Shenzhen Advertising Agreement for each of the financial years ended 31 December 2011 and 31 December 2012 were approximately RMB5,780,375 (approximately equivalent to HK\$7,341,076) and RMB10,554,707 (approximately equivalent to HK\$13,404,478) respectively.

The Caps in respect of the transactions contemplated under the Master Advertising Agreement for the years ending 31 December 2014, 31 December 2015 and 31 December 2016 are set out as follows:

	<b>Caps for the year ending 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Aggregate amount payable by Panasia Advertising to OSGH (China) Group for transactions contemplated under the Master Advertising Agreement	18,000	26,000	33,000
<i>Approximately equivalent to HK\$ ('000)</i>	<i>22,860</i>	<i>33,020</i>	<i>41,910</i>

The above Caps are determined by reference to the historical revenue generated from the PRC Master Screen Advertising Agreement and the Shenzhen Advertising Agreement, projected revenue which may be generated from the Master Advertising Agreement as well as revenue sharing ratios offered by Panasia Advertising to the Group, with the consideration of the number of new cinemas to be established.

The terms of the Master Advertising Agreement were negotiated on arm's length basis and are on normal commercial terms.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER ADVERTISING AGREEMENT**

From the Group's past experience, the pace of growth of screen advertising income is slower than that of box office, so the Group plans to focus more on the management and operation on cinemas. The subject continuing connected transactions will continue to generate stable income to the Group by receiving annual fees from Panasia Advertising. The Board considers that it will be to the benefit of the Group to enter into the Master Advertising Agreement.

In respect of the connected transactions regarding the purchase of movie tickets under the Master Advertising Agreement, Panasia Advertising intends to purchase the movie tickets for distribution to its existing and potential customers for the purpose of market promotion, which can help promote the cinemas and the brand name of OSGH (China) Group. This will in turn attract more advertisements for Panasia Advertising and OSGH (China) Group and creates a win-win situation for the parties.

The Directors (including the independent non-executive Directors) are of the view that the Master Advertising Agreement has been entered into in the ordinary and usual course of business of the Group and is on normal commercial terms and is fair and reasonable and in the interests of the Company and its shareholders as a whole. The Directors (including the independent non-executive Directors) also believe that the Caps of the Master Advertising Agreement are fair and reasonable.

## **INFORMATION REGARDING THE COMPANY, OSGH (CHINA) AND PANASIA ADVERTISING**

### **The Company**

The Company is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange.

The principal business activities of the Group are in production, financing, distribution and theatrical exhibition of motion pictures. As of 6 November 2013, the Group operated 74 cinemas with 552 screens across China, Hong Kong, Taiwan and Singapore and is a leading distributor in the region.

### **OSGH (China)**

OSGH (China) is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company.

### **Panasia Advertising**

Panasia Advertising is a company incorporated in the PRC which provides advertising agency services including advertisements at cinemas.

## LISTING RULES IMPLICATIONS

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

Panasia Advertising is a wholly owned subsidiary of Orange Sky, a company in which 80% equity interest is in turn held by Mr. Wu. Orange Sky is a substantial shareholder of the Company holding approximately 21.11% of the issued share capital of the Company as at the date of this announcement. Panasia Advertising therefore is a connected person of the Company by virtue of being an associate of Mr. Wu and Orange Sky. Accordingly, the Master Advertising Agreement and the transactions contemplated thereunder constitute connected transactions and continuing connected transactions of the Company.

As the relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the Purchase of Tickets and the Caps are more than 0.1% but less than 5% respectively, the Master Advertising Agreement is subject to the reporting, announcement and annual review requirements but is exempt from independent shareholders' approval requirement under Rule 14A.32 (in respect of the connected transactions) Rule 14A.34 (in respect of the continuing connected transactions) of the Listing Rules.

Ms. Wu Keyan (also being a Director) is the sister of Mr. Wu and is an associate of Mr. Wu under Chapter 14A of the Listing Rules. In view of their interests above, Mr. Wu and Ms. Wu Keyan have abstained from voting on the relevant board resolution for approving the Master Advertising Agreement. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, other than Mr. Wu and Ms. Wu Keyan, none of the Directors has material interest in the transactions contemplated under the Master Advertising Agreement and none of them is required to abstain from voting on the relevant board resolution.

## DEFINITIONS

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

“Actual Annual Fee”	The actual annual fee under the Master Advertising Agreement as set out in the section headed “Master Advertising Agreement — Actual Annual Fee” in this announcement.
“Advertising Subsidy”	The advertising subsidy under the Master Advertising Agreement as set out in the section headed “Master Advertising Agreement — Advertising Subsidy” in this announcement.
“Annual Guaranteed Fee”	The annual guaranteed fee under the Master Advertising Agreement as set out in the section headed “Master Advertising Agreement — Annual Guaranteed Fee” in this announcement.
“Board”	The board of Directors.
“Caps”	For the purpose of Chapter 14A of the Listing Rules, means the proposed annual caps of the transactions under the Master Advertising Agreement for the three years ended 31 December 2014, 31 December 2015 and 31 December 2016 as set out in the section headed “Annual Caps and Basis for Determining the Annual Caps” in this announcement.
“Company”	Orange Sky Golden Harvest Entertainment (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange.
“Director(s)”	The director(s) of the Company.
“Group”	The Company together with its subsidiaries.
“HK\$”	Hong Kong Dollars, the lawful currency in Hong Kong.
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China.
“In-foyer Advertisements”	The advertisements to be displayed at OSGH Cinemas Shenzhen (深圳橙天嘉禾影城) (formerly known as Golden Harvest Shenzhen Cinema (嘉禾深圳影城)) operated by OSGH (China) by using the foyer and facilities of the cinemas.
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange.



“Master Advertising Agreement”	The master advertising agreement entered into between OSGH (China) and Panasia Advertising dated 6 November 2013 in connection with the advertising agency services provided by Panasia Advertising.
“Mr. Wu”	Mr. Wu Kebo, chairman, Director and controlling shareholder of the Company and is interested in an aggregate of approximately 60.41% of the total issued share capital of the Company as at the date of this announcement.
“Orange Sky”	Orange Sky Entertainment Group (International) Holding Company Limited, a company incorporated in the British Virgin Islands which is a substantial shareholder of the Company holding approximately 21.11% of the issued share capital of the Company as at the date of this announcement.
“OSGH (China)”	Orange Sky Golden Harvest Cinemas (China) Co. Ltd. (橙天嘉禾影城(中國)有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company.
“OSGH (China) Group”	OSGH (China), the OSGH (China)’s subsidiaries and/or such other affiliated companies of OSGH (China) as may be specified by OSGH (China) from time to time.
“Panasia Advertising”	泛亞華影廣告(深圳)有限公司 (Panasia Cinema Advertising (Shenzhen) Co., Ltd.), a company established in the PRC and a wholly owned subsidiary of Orange Sky, and which is engaged in provision of advertising agency services.
“PRC”	The People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Taiwan and Macao.
“PRC Master Screen Advertising Agreement”	The master screen advertising agreement dated 25 April 2010 (as may be supplemented and amended by supplemental agreement(s)) entered into between OSGH (China) and Panasia Advertising in relation to certain rights granted by OSGH (China) to Panasia Advertising for the Screen Advertisements at cinemas operated by OSGH (China) Group in the PRC.
“RMB”	Renminbi, the lawful currency in the PRC.
“Screen Advertisements”	The advertisements to be screened during the 10-minute period prior to the screening of the films in all houses in the cinemas operated or to be operated by OSGH (China) Group in the PRC.

“Shenzhen Advertising Agreement”	The screen advertising agreement (as may be supplemented and amended by supplemental agreement(s)) dated 30 March 2010 entered into between OSGH (China) and Panasia Advertising in relation to certain rights granted by OSGH (China) to Panasia Advertising for the Screen Advertisements and the In-foyer Advertisements at OSGH Cinemas Shenzhen (深圳橙天嘉禾影城) operated by OSGH (China).
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“substantial shareholder”	The meaning ascribed to it in the Listing Rules.
“%”	Per cent.

In this announcement, the exchange rate of RMB1 to HK\$1.27 is used for reference only.

By Order of the Board  
**Orange Sky Golden Harvest  
Entertainment (Holdings) Limited**  
**Wong Kwan Lai**  
*Company Secretary*

Hong Kong, 6 November 2013

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

*Chairman and Executive Director:*

Mr. Wu Kebo

*Executive Directors:*

Mr. Mao Yimin

Mr. Tan Boon Pin Simon

Mr. Li Pei Sen

Ms. Wu Keyan

*Independent Non-executive Directors:*

Mr. Leung Man Kit

Mr. Huang Shao-Hua George

Ms. Wong Sze Wing