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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)

(1) MAJOR TRANSACTION DEEMED DISPOSAL OF EQUITY INTEREST IN OSGH (CHINA) AND (2) POSSIBLE MAJOR TRANSACTIONS POSSIBLE ACQUISITION AND POSSIBLE DISPOSAL IN RELATION TO THE GRANT OF OPTIONS

THE SUBSCRIPTION AGREEMENT

On 15 March 2016, City Entertainment, OSGH (China) and the Investors entered into the Subscription Agreement, pursuant to which the Investors subscribed for an aggregate of 13.79% of the entire equity interest in OSGH (China) (as enlarged by completion of the Subscription Agreement) for an aggregate consideration of RMB400 million.

LISTING RULES IMPLICATIONS

(1) Deemed Disposal

As one or more of the applicable percentage ratios for the Subscription under the Subscription Agreement is more than 25% and each of them is less than 75%, the Subscription under the Subscription Agreement constitutes a deemed major disposal for the Company under Chapter 14 of the Listing Rules. Accordingly, the Subscription under the Subscription Agreement is subject to the reporting, announcement and the shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Subscription Agreement and would be required to abstain from voting on the resolutions in connection with the Subscription under the Subscription Agreement if the Company were to convene a general meeting for the approval of the Subscription Agreement and the transactions contemplated thereunder.

* For identification purpose only

(2) The City Entertainment Buy-back Options

Pursuant to Rule 14.75 of the Listing Rules, upon the acquisition or the grant of an option which is exercisable at the discretion of the Group, only the premium will be taken into consideration for the purpose of classification of notifiable transactions. The premium for the acquisition or the grant of the City Entertainment Buy-back Options is nil.

If the Group intends to exercise the City Entertainment Buy-back Options through City Entertainment, the Company will comply with the requisite requirements under the Listing Rules.

(3) The Anti-Dilution Rights

Pursuant to Rule 14.75 of the Listing Rules, upon the acquisition or the grant of an option which is exercisable at the discretion of the Group, only the premium will be taken into consideration for the purpose of classification of notifiable transactions. The premium for the acquisition or the grant of the Anti-Dilution Rights is nil.

If the Group intends to conduct any trigger event of the exercise of the Anti-Dilution Rights through City Entertainment and OSGH (China), the Company will comply with the requisite requirements under the Listing Rules.

(4) Possible Major Transactions

The Investors' Buy-back Options

Pursuant to Rule 14.74 of the Listing Rules, the grant of the Investors' Buy-back Options will be classified as if the options had been exercised. As one or more of the applicable percentage ratios is more than 25% and each of them is less than 75%, the grant of the Investors' Buy-back Options pursuant to the Subscription Agreement constitutes a possible major acquisition of the Company that is subject to the reporting, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Investors' Buy-back Options and would be required to abstain from voting on the resolutions in connection with the Investors' Buy-back Options if the Company were to convene a general meeting for the approval of the Investors' Buy-back Options and the transactions contemplated thereunder.

The Liquidation Distribution Options

Pursuant to Rule 14.74 of the Listing Rules, the grant of the Liquidation Distribution Options will be classified as if the options had been exercised. As one or more of the applicable percentage ratios is more than 25% and each of them is less than 75%, the grant of the Liquidation Distribution Options pursuant to the Subscription Agreement constitutes a possible major disposal of the Company that is subject to the reporting, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Liquidation Distribution Options and would be required to abstain from voting on the resolutions in connection with Liquidation Distribution Options if the Company were to convene a general meeting for the approval of the Liquidation Distribution Options and the transactions contemplated thereunder.

(5) Shareholders' approval of the Subscription Agreement and the transactions contemplated thereunder including the Investors' Buy-back Options and the Liquidation Distribution Options

Pursuant to the Listing Rules, shareholders' approval is required for major transactions. As no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Subscription Agreement and the transactions contemplated thereunder, including the Investors' Buy-back Options and the Liquidation Distribution Options, the Company has obtained a written approval of the Subscription Agreement and the transactions contemplated thereunder, including the Investors' Buy-back Options and the Liquidation Distribution Options, from a closely allied group of Shareholders, holding in aggregate approximately 67.15% of the entire issued share capital in the Company as at the date of this announcement, pursuant to Rule 14.44 of the Listing Rules.

Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of approving the Subscription Agreement and the transactions contemplated thereunder, including the Investors' Buy-back Options and the Liquidation Distribution Options.

A circular containing, among other things, details of the Subscription Agreement and the transactions contemplated thereunder, including the Investors' Buy-back Options and the Liquidation Distribution Options, and other general information relating to the Company, will be despatched to the Shareholders in accordance with the requirements of the Listing Rules on or before 8 April 2016.

Shareholders and potential investors should note that Completion is subject to, among other things, the satisfaction (or where appropriate, waiver) of the conditions precedents under the Subscription Agreement and therefore, the Subscription Agreement and the transactions contemplated thereunder may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

A. INTRODUCTION

On 15 March 2016, City Entertainment, OSGH (China) and the Investors entered into the Subscription Agreement, pursuant to which the Investors subscribed for an aggregate of 13.79% of the entire equity interest of OSGH (China), as enlarged by the increase in registered capital pursuant to the Subscription Agreement.

Following completion of the Subscription Agreement, OSGH (China) will remain an indirect subsidiary of the Company, which will hold 86.21% (as enlarged by Completion) of OSGH (China).

B. THE SUBSCRIPTION AGREEMENT

The main terms of the Subscription Agreement are summarised as follows:

Date	15 March 2016
Parties	(1) City Entertainment; (2) OSGH (China); (3) Investor 1; (4) Investor 2; and (5) Investor 3.

(for the purposes of this section headed “*B. The Subscription Agreement*”, collectively referred to as the “**Parties**”)

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Investors and their ultimate beneficial owners are independent third parties to the Company.

Percentage of Equity Interest Subscribed For

The Investors shall subscribe for an aggregate of 13.79% of the entire equity interest in OSGH (China), as enlarged by Completion.

Immediately upon Completion, the respective shareholdings of the relevant Parties in OSGH(China) shall be as follows:

Shareholder	Percentage of equity interest held in OSGH (China) immediately upon completion of the Subscription
City Entertainment	86.21%
Investor 1	6.9%
Investor 2	5.17%
Investor 3	1.72%

Consideration payable by the Investors

An aggregate of RMB400 million, to be paid in lump sums by each of the Investors.

The respective consideration amounts payable by each of the Investors under the Subscription Agreement are as follows:

Shareholder	Consideration Payable
Investor 1	RMB200 million
Investor 2	RMB150 million
Investor 3	RMB50 million
Total	RMB400 million

The consideration for the Subscription Agreement, as well as the sums payable under the Investors' Buy-back Options and the Liquidation Distribution Options, were determined after arm's length negotiations between the Parties after taking into consideration, among other things, (i) the strong branding and extensive network of OSGH (China) in the PRC market; (ii) the growth potential and future development of cinema operation industry in the PRC; and (iii) the prevailing market prices with reference to the recent similar transactions within the industry.

The Directors, including the independent non-executive Directors, consider that the consideration payable by the Investors under the Subscription Agreement, as well as the sums payable under the Investors' Buy-back Options and the Liquidation Distribution Options, are fair and reasonable.

Conditions Precedent The completion of the Subscription Agreement is conditional upon, among other things, the following main conditions being satisfied:

- (1) the legally valid execution of the Subscription Agreement by each of the Parties;
- (2) the obtaining of all necessary approvals and authorisations from the relevant competent authorities by each of the parties to the Subscription Agreement in accordance with the relevant laws, regulations and constitutional documents applicable to each of them;
- (3) the approval of the Subscription Agreement by the board of directors of each of the Company and OSGH (China) and the approval of the Subscription Agreement and the transactions contemplated thereunder by the Shareholders;
- (4) the approval of the transactions contemplated under the Subscription Agreement by the competent commerce authorities in the PRC to OSGH (China);
- (5) the entering into of a mutually agreed joint venture agreement by the Parties to the Subscription Agreement (the “**Joint Venture Agreement**”) and the articles of association of OSGH (China);
- (6) receipt by the Investors of a legal opinion from the legal advisors to OSGH (China) in respect of the Subscription Agreement, the contents of which having been considered reasonably satisfactory by the Investors prior to its issuance.

Following satisfaction of all conditions precedent to the Subscription Agreement, OSGH (China) or its PRC legal counsel shall deliver a notice to the Investors providing that such conditions precedent have been satisfied, and the Investors shall, within 5 Business Days, reasonably conclude whether such conditions precedent have been so satisfied.

**City Entertainment
Buy-back Options**

Under the Subscription Agreement, City Entertainment may exercise certain options with respect to the equity interest in OSGH (China) held by the Investors following Completion in the manner as summarised as follows:

- (1) Within 182 calendar days of Completion, should City Entertainment enter into any written agreement for the disposal of more than 50% of the entire equity interest in OSGH (China) to a third party purchaser (“**Third Party Agreement Date**”), City Entertainment shall have the option to deliver a written notice within 30 calendar days following the Third Party Agreement Date to the Investors, requiring the sale of all of the equity interest in OSGH (China) held by the Investors at such relevant time for the aggregate consideration of RMB440 million (the “**First Option Notice**”). Within 30 calendar days of receipt of the First Option Notice, or such shorter period as required by the provisions of such third party agreement, the Investors shall sell the entire equity interest in OSGH (China) held by them to City Entertainment and complete all requisite transfer procedures,
- (2) During the period between 183 calendar days and 365 calendar days (inclusive) following Completion, should City Entertainment enter into any written agreement for the disposal of more than 50% of entire equity interest in OSGH (China) to a third party purchaser (“**Second Third Party Agreement Date**”), City Entertainment shall have the option to deliver a written notice within 30 calendar days following the Second Third Party Agreement Date to the Investors, requiring the sale of all of the entire equity interest in OSGH (China) held by the Investors at such relevant time for the aggregate consideration of RMB480 million (the “**Second Option Notice**”). Within 30 calendar days of receipt of the Second Option Notice, or such shorter period as required by the provisions of such third party agreement, the Investors shall sell the entire equity interest in OSGH (China) held by them to City Entertainment and complete all requisite transfer procedures,

(collectively, the “**City Entertainment Buy-back Options**”).

- (3) Should the third party agreements described in subparagraphs (1) and (2) above fail to be completed due to any failure to complete the requisite registration procedures for the transfer in equity interest as required by the relevant competent authorities in the PRC, all arrangements made by City Entertainment and the Investors pursuant to the First Option Notice or the Second Option Notice shall be rescinded in full, and none of the Parties shall assume any liability whatsoever for the rescission of such arrangements.

Anti-Dilution Rights

The Parties agree that, following Completion and prior to any Qualified IPO of OSGH (China), should:

- (a) OSGH (China) invite investment through subscription of new registered capital in OSGH (China) by further investors (the “**New Investors**”) (other than the Investors or their associates) (the “**New Subscription Exercise**”), and
- (b) at such relevant time, the consideration payable in respect of such New Subscription Exercise by the New Investors in proportion to the new proposed shareholdings is lower than the price paid by the Investors in proportion to the Investors’ respective shareholdings under the Subscription Agreement (the “**Lower Subscription Price**”),

upon completion of such New Subscription Exercise, City Entertainment shall adjust the shareholdings of Investors in OSGH (China) through transfer of its equity interest in OSGH (China) for the nominal consideration of RMB1.00 to the Investors, such that the revised shareholding of each of the Investors reflects the proportional shareholding that they would hold, had they subscribed for equity interest in OSGH (China) on the basis of the Lower Subscription Price under the Subscription Agreement,

(collectively, the “**Anti-Dilution Rights**”).

Investors' Buy-back Options

The Parties agree that, save as otherwise provided in the Subscription Agreement, the Investors may exercise the following options:

- (a) following the expiry of 3 full calendar years after the date of Completion, if (i) OSGH (China) is unable to satisfy the qualifications for a Qualified IPO, or (ii) OSGH (China) is able to satisfy the qualifications for a Qualified IPO but the preparation for application for a Qualified IPO has not yet commenced due to City Entertainment; or
- (b) following the expiry of 4 full calendar years after the date of Completion, OSGH (China) is unable to achieve a Qualified IPO; or
- (c) following the expiry of 4 full calendar years after the date of Completion, OSGH (China) is unable to achieve a Qualified IPO, but it has commenced trading on the National Equities Exchange and Quotations system in the PRC,

the Investors shall have the option to require City Entertainment to purchase the equity interest subscribed for by them pursuant to the Subscription Agreement (and which has not been transferred to another party) by delivery of written notice to City Entertainment (the “**Option Notice**”) within 10 Business Days following the events described in sub-paragraphs (a) to (c) above, at a consideration being the sum of the following:

- (i) the declared but unpaid dividends of OSGH (China) to its shareholders, based on the portion of equity interest subscribed for by the Investors pursuant to the Subscription Agreement and still held by the Investors at the relevant time (which shall, in any event, not exceed RMB80 million); and
- (ii) the value of the equity interest held by the Investors at such relevant time, which shall represent the consideration paid by the Investors under the Subscription Agreement in respect of such equity interest (and shall not include the consideration sums paid for any equity interest in OSGH (China) that has been transferred by the Investors to another party), together with an interest of 11% per annum on such proportionate sums during the period between Completion and the date of the Option Notice,

(collectively, the “**Investors' Buy-back Options**”).

In connection with the grant of such Investors' Buy-back Options, the Company executed a letter of undertaking in favour of the Investors, providing that the performance of City Entertainment's obligations pursuant to the exercise of the Investors' Buy-back Options shall be guaranteed by the Company.

Tag-along right and pre-emption right of the Investors

Following Completion and prior to any Qualified IPO of OSGH (China), the Investors shall be entitled to a pre-emption right in respect of the equity interests of the City Entertainment in OSGH (China). In the event that City Entertainment proposes to sell its equity interests in the OSGH (China) to any third party (where the Investors choose not to exercise its pre-emption right pursuant to the Subscription Agreement), such Investor may exercise its tag-along right to sell its equity interest in OSGH (China) to the same party proportionate to its shareholding in OSGH (China) on the same terms and conditions as those offered by City Entertainment.

City Entertainment has undertaken to the Investors that, without the Investors' written consent, it will not create any charge over or option on its equity interest in OSGH (China), or set up any entrustment arrangements over its equity interest in OSGH (China).

**Liquidation
Distribution
Options**

The Parties agree that:

(A) In the event that OSGH (China) commences liquidation procedures (due to including, but not limited to, the revocation of the business license of OSGH (China) or the dissolution of OSGH (China) by a resolution of the OSGH (China) Board) (“**Liquidation**”), within four calendar years of Completion, following the payment by OSGH (China) of all liquidation expenses, salaries, social insurance premiums and other legal compensations in accordance with the applicable priority laws, at the time of the distribution of distributable assets to the shareholders of OSGH (China):

(i) the Investors shall have the right to require an amount representing the sum of

(a) the value of the equity interest held by the Investors at such relevant time, which shall represent the consideration paid by the Investors under the Subscription Agreement in respect of such equity interest (and shall not include the consideration sums paid pursuant to the Subscription Agreement for any equity interest in OSGH (China) that has been transferred by the Investors to another party), together with an interest of 11% per annum on such proportionate sums during the period between Completion and the date of payment of such sums; and

(b) the declared but unpaid dividends OSGH (China) to its shareholders, based on the portion of equity interest subscribed by the Investors pursuant to the Subscription Agreement and still held by the Investors at the relevant time (which shall, in any event, not exceed RMB80 million),

to be paid out of the remaining assets distributable to the shareholders of OSGH (China) ahead of other shareholders of OSGH (China) on a priority basis; and

(ii) with respect to the remaining assets of OSGH (China) that would be available for distribution following the distribution of the amounts under subparagraph (i) above, if any, the Investors may require that such remaining assets be distributed to the Investors in proportion to their respective portions of equity interest in OSGH (China) subscribed for by them pursuant to the Subscription Agreement (and still held by the Investors at such relevant time), together with the other shareholders of OSGH (China); and

(B) In the event that OSGH (China) commences Liquidation after the expiry of 4 full calendar years following Completion, following the payment by OSGH (China) of all liquidation expenses, salaries, social insurance premiums and other legal compensations in accordance with the applicable priority laws, the Investors shall have the right to require an amount representing the sum of:

(a) the value of the equity interest held by the Investors at such relevant time, which shall represent the consideration paid by the Investors under the Subscription Agreement in respect of such equity interest (and shall not include the consideration sums paid pursuant to the Subscription Agreement for any equity interest in OSGH (China) that has been transferred by the Investors to another party); and

(b) the declared but unpaid dividends of OSGH (China) to its shareholders, based on the portion of equity interest subscribed for by the Investors pursuant to the Subscription Agreement and still held by the Investors at the relevant time (which shall, in any event, not exceed RMB80 million),

to be paid out of the remaining assets distributable to the shareholders of OSGH (China) to the Investors ahead of other shareholders of OSGH (China) on a priority basis,

(collectively, the “**Liquidation Distribution Options**”).

**Completion of the
Share Subscription**

Completion shall take place within 10 Business Days of the satisfaction (or where appropriate, waiver) of all conditions precedent under the Subscription Agreement as reasonably concluded by the Investors in accordance with the terms and conditions thereunder, or at such other date as mutually agreed in writing between the Parties.

The Parties further agree that each party to the Subscription Agreement shall use its best endeavours to procure Completion within 180 calendar days of the date of the Subscription Agreement.

Within 60 calendar days following Completion, OSGH (China) must apply for, and complete, all requisite registration and filing procedures with the State Administration for Industry and Commerce of the PRC.

**Post-completion
Covenants**

The Parties agreed that following the completion of registration procedures for changes in relation to the Subscription Agreement by OSGH (China) and subject to the issuance of business license by the State Administrative Department for Industry and Commerce of the PRC, upon the fulfillment (or where appropriate, waiver) of the conditions precedent under the Subscription Agreement as reasonably determined by the Investors:

- (1) the OSGH (China) Board shall comprise seven directors, and City Entertainment shall be entitled to appoint six directors to the OSGH (China) Board while the Investors shall be entitled to jointly appoint one director to the OSGH (China) Board;
- (2) the following key matters of OSGH (China), among others, shall be subject to approval of more than 70% of the OSGH (China) Board, including the approval of the director appointed to the OSGH (China) Board by the Investors:
 - (a) any amendment to the articles of association of OSGH (China) or the Joint Venture Agreement;
 - (b) any increase or reduction in the registered capital of OSGH (China);
 - (c) any issuance or repurchase of securities, including the submission, suspension or termination of any Qualified IPO application by OSGH (China);
 - (d) any merger, consolidation, spin-off, reorganisation, of OSGH (China) and its material assets or any other consolidation by OSGH (China) (save in respect of the exercise of the repurchase options of City Entertainment pursuant to the Subscription Agreement, which, for the avoidance of doubt, shall not require the approval of the director appointed to the OSGH (China) Board);

- (e) the approval of, and any material modification of OSGH (China)'s annual budget, capital expenditure plans, loans and business plans; and
- (f) any appointment or change of auditors of OSGH (China).

**Non-competition
Undertakings**

City Entertainment has undertaken not to compete, directly or indirectly, in whatever manner, with OSGH (China) or engage in any business similar to or in competition with the main business of OSGH (China) without the consent of the Investors for a period of 5 years of entering into the Subscription Agreement.

**Lock-up
Undertakings of
Investors**

Save as permitted pursuant to the exercise of the City Entertainment Buy-back Options by City Entertainment in accordance with the Subscription Agreement:

- (1) The Investors undertake not to transfer any of the equity interest in OSGH (China) subscribed for by them pursuant to the Subscription Agreement within 365 calendar days following Completion, save in respect of transfers by the Investors to their associates;
- (2) Following the expiry of 365 calendar days after Completion, the Investors may transfer the equity interest in OSGH (China) held by them to third parties, without prejudice to the statutory pre-emption rights of the other shareholders of OSGH (China); and
- (3) Notwithstanding the provisions set out above, save pursuant to the exercise of the City Entertainment Buy-back Options and the arrangements contemplated thereunder, the Investors may not, under any circumstances, transfer any part of the equity interest in OSGH (China) to any competitors to the businesses of OSGH (China). The Investors further undertake to procure that any transferees of their equity interest in OSGH (China) shall be bound by the same undertaking as described in this subparagraph (3).

C. FINANCIAL INFORMATION ON OSGH (CHINA)

Set out below is the unaudited consolidated net loss of OSGH (China) for the six months ended 30 June 2014 and 2015 respectively:

	For six months ended 30 June 2015	For six months ended 30 June 2014
	<i>RMB</i>	<i>RMB</i>
Net loss (before taxation)	27,080,902	683,441
Net loss (after taxation)	27,045,117	5,904,417

The unaudited consolidated net assets value of OSGH (China) as at 31 December 2015 is approximately RMB453,966,951.

D. LISTING RULE IMPLICATIONS

(1) Deemed Disposal

As one or more of the applicable percentage ratios for the Subscription under the Subscription Agreement is more than 25% and each of them is less than 75%, the Subscription under the Subscription Agreement constitutes a deemed major disposal for the Company under Chapter 14 of the Listing Rules. Accordingly, the Subscription under the Subscription Agreement is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

(2) The City Entertainment Buy-back Options

Since the right of exercise of the City Entertainment Buy-back Options lies with City Entertainment, a wholly-owned subsidiary of the Company, the exercise of the City Entertainment Buy-back Options is at the Group's discretion. Pursuant to Rule 14.75 of the Listing Rules, upon the acquisition or the grant of an option which is exercisable at the discretion of the Group, only the premium will be taken into consideration for the purpose of classification of notifiable transactions. The premium for the acquisition or the grant of the City Entertainment Buy-back Options is nil.

If the Group intends to exercise the City Entertainment Buy-back Options through City Entertainment, the Company will comply with the requisite requirements under the Listing Rules.

(3) The Anti-Dilution Rights

City Entertainment, a wholly-owned subsidiary of the Company, is the sole shareholder of OSGH (China) before Completion and will, following Completion, control six out of seven positions of the OSGH (China) Board. As such, the Group will have control over whether, and when, the Anti-Dilution Rights will be triggered. Therefore, the Anti-Dilution Rights shall be classified as an option which

is exercisable at the discretion of the Group. Pursuant to Rule 14.75 of the Listing Rules, upon the acquisition or the grant of an option which is exercisable at the discretion of the Group, only the premium will be taken into consideration for the purpose of classification of notifiable transactions. The premium for the acquisition or the grant of the Anti-Dilution Rights is nil.

If the Group intends to conduct any trigger event of the exercise of the Anti-Dilution Rights through City Entertainment and OSGH (China), the Company will comply with the requisite requirements under the Listing Rules.

(4) Possible Major Transactions

The Investors' Buy-back Options

As disclosed in the section headed “*B. The Subscription Agreement*” above, the exercise of the Investors' Buy-back Options is at the discretion of the Investors. Accordingly, pursuant to Rule 14.74 of the Listing Rules, the grant of the Investors' Buy-back Options will be classified as if the option had been exercised.

As one or more of the applicable percentage ratios is more than 25% and each of them is less than 75%, the grant of the Investors' Buy-back Options pursuant to the Subscription Agreement constitutes a possible major acquisition of the Company that is subject to the reporting, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Liquidation Distribution Options

As disclosed in the section headed “*B. The Subscription Agreement*” above, the exercise of the Liquidation Distribution Options is at the discretion of the Investors. Accordingly, pursuant to Rule 14.74 of the Listing Rules, the grant of the Liquidation Distribution Options will be classified as if the option had been exercised.

As one or more of the applicable percentage ratios is more than 25% and each of them is less than 75%, the grant of the Liquidation Distribution Options pursuant to the Subscription Agreement constitutes a possible major disposal of the Company that is subject to the reporting, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

(5) Shareholders' approval of the Subscription Agreement and the transactions contemplated thereunder, including the Investors' Buy-back Options and the Liquidation Distribution Options

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Subscription Agreement or the transactions contemplated thereunder, including the Investors' Buy-back Options and the Liquidation Distribution Options, and would be required to abstain from voting on the resolutions in connection with the Subscription Agreement and the transactions contemplated thereunder, including the Investors' Buy-back Options and the Liquidation Distribution Options, if the Company were

to convene a general meeting for the approval of the Subscription Agreement and the transactions contemplated thereunder, including the Investors' Buy-back Options and the Liquidation Distribution Options.

Pursuant to the Listing Rules, shareholders' approval is required for major transactions. As no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Subscription Agreement and the transactions contemplated thereunder, including the Investors' Buy-back Options and the Liquidation Distribution Options, the Company has obtained a written approval of the Subscription Agreement and the transactions contemplated thereunder, including the Investors' Buy-back Options and the Liquidation Distribution Options, from a closely allied group of Shareholders, holding in aggregate approximately 67.15% of the entire issued share capital in the Company as at the date of this announcement, pursuant to Rule 14.44 of the Listing Rules. Such closely allied group of Shareholders consists of: (i) Mr. Wu, (ii) Skyera International; (iii) Mainway Enterprises; (iv) Orange Sky Entertainment; (v) Cyber International; and (vi) Noble Biz.

Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of approving the Subscription Agreement and the transactions contemplated thereunder, including the Investors' Buy-back Options and the Liquidation Distribution Options.

E. FINANCIAL EFFECTS OF THE TRANSACTIONS AND USE OF PROCEEDS BY OSGH (CHINA)

Following Completion, OSGH (China) will remain an indirect subsidiary of OSGH (China) of the Company, which will hold approximately 86.21% (as enlarged by Completion) of OSGH (China), and the accounts of OSGH (China) will continue to be consolidated into the financial statements of the Group.

The Company is not expected to record in the consolidated income statement any gain or loss arising from the deemed major disposal under the Subscription Agreement. Upon Completion of the Subscription Agreement, OSGH (China) is expected to receive proceeds of RMB400 million.

Assuming if the Investors exercise the Liquidation Distribution Options immediately following Completion, the Company is expected to pay approximately RMB400 million to the Investors. If the Liquidation Distribution Options and the Investors' Buy-back Options are exercised by the Investors on the expiry of 4 full calendar years following the Completion, the Company is expected to pay approximately RMB656 million to the Investors. Such possible payments pursuant to the potential exercise of the Liquidation Distribution Options and the Investors' Buy-back Options will be financed by the Company's internal funding. The Company is not expected to record any gain or loss in the consolidated income statement arising from the exercise of Liquidation Distribution Options or the Investors' Buy-back Options during the applicable periods in which such options may be exercised.

The exact financial effects of these transactions are subject to the review of the Company's auditors at the relevant time.

Aside from the immediate financial effect of the Subscription Agreement, as summarised above, the injection of new key players into the management of OSGH (China) is expected to optimise the Group's financial structure as a whole. The proceeds from the Subscription Agreement will support OSGH (China) in building its cinema network in the PRC through acquisition, thereby driving organic expansion through new leases development.

F. REASONS FOR AND BENEFITS OF ENTERING INTO THE SUBSCRIPTION AGREEMENT

The Company is a diversified player in the business of cinema theatres, with business interests in various stages of film and television programmes' production and distribution process. The participation and involvement of strategic investors through the Subscription Agreement provides a strong source of ongoing funds for capital expenditure, to support future development of its cinema operation business. Further, collaboration with such strategic investors will promote the repute and standing of the Group within the cinematic industry, paving its way towards becoming a leading market player in the PRC, and shall also greatly expand its pool of potential opportunities in the PRC capital markets on a long term basis.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Subscription Agreement are fair and reasonable, and that the Subscription Agreement and the transactions contemplated thereunder, including the Investors' Buy-back Options and the Liquidation Distribution Options are in the interests of the Company and the Shareholders as a whole.

G. INFORMATION RELATING TO THE COMPANY, CITY ENTERTAINMENT AND OSGH (CHINA)

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 31 January 2016, the Group operated 99 cinemas with 729 screens across the PRC, Hong Kong, Taiwan and Singapore and is a leading distributor in the region.

City Entertainment

City Entertainment is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company which is principally engaged in investment holding.

OSGH (China)

OSGH (China) is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company which is principally engaged in cinema operation, management and investment holding.

H. INFORMATION RELATING TO THE INVESTORS

(1) Investor 1

Investor 1 is the investment vehicle of the Credit Prosperity Fund Management Co., Ltd.* (“**Credit Prosperity Fund**”). Credit Prosperity Fund is a private fund management company based in the PRC, which is jointly funded by CITIC Securities Co., Ltd and strategic investors, and which specialises in launching, building and managing various investment funds, carrying out the investment and financing activities with self-owned funds and trusted assets, and providing assets management and consulting services. The funds managed by Credit Prosperity Fund include, among others, domestic and cross-border real estate funds, buyout funds, private placement investment funds, private equity investment funds, National Equity Exchanges and Quotations’ based funds, mezzanine funds, infrastructure funds, asset securitization funds, and secondary market funds. Among its investments, the Credit Prosperity Fund has also made heavy investments in technology, media and telecom projects, as well as cultural and entertainment projects. As at the end of February 2016, the accumulated fund management assets of Credit Prosperity Fund has exceeded RMB40 billion.

(2) Investor 2

Investor 2 is an investment entity of Beijing Weiyang Technology Co. Ltd* (“**Beijing Weiyang**”), a company based in Beijing, the PRC, which is principally engaged, among other things, in developing and providing an on-line ticketing platform known as “Wepiao” in the PRC, which has leading market share in the on-line ticketing market in the PRC. Beijing Weiyang was established in the year 2014 by a group of strategic investors, including the China Culture Industrial Investment Fund, as well as investment vehicles established by the Tencent and Wanda brand name conglomerates, all of whom are based in the PRC.

(3) Investor 3

Investor 3 was established in 2015, and is a PRC domestic private investment fund management company. The principal investment spheres of Investor 3 include, but are not limited to, film and television, cultural activities, sustainable energy resources and other emerging industries, as well as private equity investment in the secondary market. The management team of Investor 3 comprises past members of leading domestic banks, brokerages and fund companies, and the past investments under the management of Investor 3 have exceeded RMB20 billion.

I. GENERAL

A circular containing, among other things, details of the Subscription Agreement and the transactions contemplated thereunder, including the Investors' Buy-back Options and the Liquidation Distribution Options, and other general information of the Company, will be despatched to the Shareholders in accordance with the requirements of the Listing Rules on or before 8 April 2016.

Shareholders and potential investors should note that Completion is subject to, among other things, the satisfaction (or where appropriate, waiver) of the conditions precedents under the Subscription Agreement, and therefore, the Subscription Agreement and the transactions contemplated thereunder may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

J. DEFINITIONS

“Anti-Dilution Rights”	has the meaning given to it in the section headed “ <i>B. Subscription Agreement</i> ” of this announcement
“Board”	the board of Directors
“Business Day”	means working days defined in accordance with the laws and regulations of the PRC, excluding Saturdays, Sundays and public holidays in the PRC
“City Entertainment”	橙天嘉禾影城有限公司 (City Entertainment Corporation Limited), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“City Entertainment Buy-back Options”	has the meaning given to it in the section headed “ <i>B. Subscription Agreement</i> ” of this announcement
“Company”	means 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)
“Completion”	completion of the Subscription Agreement in accordance with the terms and conditions set out thereunder
“Cyber International”	Cyber International Limited, a company owned by an associate of Mr. Wu, which is interested in 180,000,000 Shares, representing 6.56% of the entire issued share capital of the Company
“Director(s)”	Director(s) of the Company
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Investor 1”	嘉興信業創贏肆號投資合夥企業(有限合夥) (Jiaxing Credit Prosperity Investment Enterprise (Limited Partnership)*), a limited partnership established in the PRC
“Investor 2”	上海慧影投資中心(有限合夥) (Shanghai Huiying Investment Centre (Limited Partnership)*), a limited partnership established in the PRC
“Investor 3”	北京青中同創資產管理有限公司 (Beijing Qing Zhong Tong Chuang Asset Management Company Limited*), a company established in the PRC
“Investors”	collectively, Investor 1, Investor 2 and Investor 3
“Investors’ Buy-back Options”	has the meaning given to it in the section headed “ <i>B. Subscription Agreement</i> ” of this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Liquidation Distribution Options”	has the meaning given to it in the section headed “ <i>B. Subscription Agreement</i> ” of this announcement
“Mainway Enterprises”	Mainway Enterprises Limited, a company wholly owned by Mr. Wu, which is interested in 408,715,990 Shares, representing 14.90% of the entire issued share capital of the Company
“Mr. Wu”	Mr. Wu Kebo, the Chairman of the Company and an executive Director, who is beneficial owner of 117,775,000 Shares, representing 4.29% of the entire issued share capital of the Company
“Noble Biz”	Noble Biz International Limited, a company wholly owned by Mr. Wu, which is interested in 129,666,667 Shares, representing 4.73% of the entire issued share capital of the Company
“Orange Sky Entertainment”	Orange Sky Entertainment Group (International) Holding Company Limited, a company which is 80% owned by Mr. Wu, which is interested in 565,719,948 Shares, representing 20.63% of the entire issued share capital of the Company

“OSGH (China)”	橙天嘉禾影城(中國)有限公司 (Orange Sky Golden Harvest Cinemas (China) Company Limited*), a company with limited liability incorporated in the PRC, the entire equity interest in which is held by City Entertainment
“OSGH (China) Board”	the directors of OSGH (China) from time to time
“PRC”	The People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purposes of this announcement
“Qualified IPO”	the listing of OSGH (China) on a stock exchange in the PRC, including but not limited to The Shanghai Stock Exchange (Main Board), The Shenzhen Stock Exchange (including any listing on its Main Board, SME Board, or its ChiNext Market) but excluding any listing on the National Equities Exchange and Quotations system or other similar regional exchange markets of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.1 each in the Company
“Shareholder(s)”	holder(s) of Share(s)
“Skyera International”	Skyera International Limited, a company wholly owned by Mr. Wu, which is interested in 439,791,463 Shares, representing 16.04% of the entire issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of equity interest in OSGH (China) pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 15 March 2016 entered into between City Entertainment, OSGH (China), Investor 1, Investor 2 and Investor 3 in respect of the subscription of OSGH (China) Shares, representing an aggregate 13.79% of the equity interest in OSGH (China) following completion of the Subscription, by Investor 1, Investor 2 and Investor 3 in OSGH (China), in consideration for RMB400 million
“%”	per cent

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.20 has been used for currency translation, including, for the avoidance of doubt, the computation of the applicable percentage ratios pursuant to Chapter 14 of the Listing Rules. Such exchange rates are for the purposes of illustration only and do not constitute a representation that any amount in RMB or HK\$ have been, could have been or may be converted at such or any other rates.

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

Hong Kong, 15 March 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

* *for identification purposes only*