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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)

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

Reference is made to the circular of the Company dated 14 June 2016, and the announcements of the Company dated 15 March 2016, 1 April 2016, 5 September 2016, 15 September 2016 and 29 November 2016, in respect of, amongst others, the Subscription Agreement entered into in relation to the deemed disposal of interests in OSGH (China) (together, the “**Announcements**”). Unless otherwise defined, terms used in this announcement shall have the same meanings as those that were set out in the Announcements.

XIN YE SPA

On 19 April 2017, Xin Ye, Dadi Cinema, Nan Hai and City Entertainment entered into the Xin Ye SPA, pursuant to which, City Entertainment has conditionally agreed to waive its Right of First Refusal and Xin Ye has conditionally agreed to sell and Dadi Cinema has conditionally agreed to purchase the Xin Ye Shares at the Xin Ye Share Consideration.

The Xin Ye Share Consideration is determined as follows:

- (i) in the event that Closing takes place no later than 15 September 2017, the Xin Ye Share Consideration shall be RMB240 million; or
- (ii) in the event that Closing takes place after 15 September 2017, the Xin Ye Share Consideration shall be the aggregate amount of RMB240 million and the amount equivalent to rate of return of 20% per annum based on the amount of RMB200 million charged on a daily basis for the period from 16 September 2017 to the actual date of Closing.

* For identification purposes only

Rights under the Agreements

Upon Closing, the rights and obligations of Xin Ye under the Subscription Agreement, the First Supplemental Agreement, the Joint Venture Agreement and the existing articles of association of OSGH (China) shall be terminated and shall cease to be of effect and OSGH (China) shall have no obligation towards Xin Ye under the Agreements unless:

- (i) Closing does not take place by the Agreed Date due to reasons caused by the relevant PRC authorities in the approval process of the Xin Ye Transfer or such other reasons that are not caused by the parties to the Xin Ye SPA; and
- (ii) as a result of the failure of the parties to the Sale and Purchase Agreement to confirm that all the conditions precedent under the Sale and Purchase Agreement have been satisfied, Xin Ye and City Entertainment receive a notification (the “**Termination Notification**”) from Dadi Cinema before the Agreed Date to consequently terminate the Xin Ye SPA. If Xin Ye and City Entertainment do not receive the Termination Notification from Dadi Cinema before the Agreed Date, the parties to the Xin Ye SPA shall continue to perform their obligations under the Xin Ye SPA.

XIN YE AGREEMENT

On 19 April 2017, City Entertainment, the Company and Xin Ye entered into the Xin Ye Agreement. Pursuant to the Xin Ye Agreement, in the event that all the conditions precedent under the Xin Ye SPA have been satisfied but Dadi Cinema fails to pay the Xin Ye Shares Consideration in accordance to the payment arrangement under the Xin Ye SPA (the “**Dadi Default**”), Xin Ye may elect to:

- (i) serve a payment notice to the Company and City Entertainment within ten Business Days from the Dadi Default, requesting the Company or its nominee to pay an amount equivalent to the Xin Ye Shares Consideration to Xin Ye (the “**Consideration Payment**”) within ten Business Days from the date of serving the payment notice (the “**Payment Date**”); upon receiving the Consideration Payment, Xin Ye shall unconditionally assist in the completion of the registration and approval procedures in the PRC in respect of the transfer of the Xin Ye Shares to the Company or its nominee within 3 months (or such later date as agreed by the parties to the Xin Ye Agreement if a delay in the completion of the PRC registration and approval procedures is due to a delay in the approval process of the relevant PRC authorities); or
- (ii) remain as a holder of 7.41% shares of OSGH (China) and continue to be entitled to the rights and obligations under the Agreements or such related documents.

In the event of the termination of the Xin Ye Transfer, upon obtaining compensation and/or damages from True Vision, Nan Hai or its nominee in respect of the Disposal, the Company or its nominee shall pay RMB5 million to Xin Ye as the compensation for the termination of the Xin Ye Transfer within 30 days from the date of receiving compensation and/or damages in respect of the Disposal.

REASONS FOR AND BENEFITS OF ENTERING INTO THE XIN YE AGREEMENT AND THE XIN YE SPA

Reference is made to the announcements of the Company dated 9 February 2017 and 7 March 2017, and the circular dated 13 March 2017, in relation to the entering into of Sale and Purchase Agreement.

Pursuant to the Subscription Agreement, during the period 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, City Entertainment has the option to require the sale of all the equity interest held by Xin Ye at RMB220 million (the “**City Entertainment Buy-back Option**”).

Taking into consideration that:

- (i) upon the completion of the Sale and Purchase Agreement, the Company will cease to have any beneficial interest in City Entertainment and hence OSGH (China); and
- (ii) if City Entertainment were to exercise the City Entertainment Buy-back Option prior to the completion of the Sale and Purchase Agreement, the PRC authorities will only be able to process the approval required for the Sale and Purchase Agreement after the transfers under the City Entertainment Buy-back Option (which will also have to be approved by the PRC authorities) have been completed, and will significantly increase the time required for all conditions precedent under the Sale and Purchase Agreement to be satisfied,

City Entertainment has requested Xin Ye, and Xin Ye has agreed that:

- (i) City Entertainment may exercise the City Entertainment Buy-back Option by requiring Xin Ye to sell all the its equity interest in OSGH (China) directly to Dadi Cinema at the consideration of RMB240 million, and City Entertainment shall procure OSGH (China) to assist in completing the Registration, for avoidance of doubt, should the city Entertainment Buy-Back Option not been exercised, Xin Ye shall continue to own 7.41% equity interests in OSGH (China); and
- (ii) in the event in the event that all the conditions precedent under the Xin Ye SPA have been satisfied but Dadi Cinema fails to pay the Xin Ye Shares Consideration in accordance to the payment arrangement under the Xin Ye SPA, Xin Ye may choose to serve the payment notice to the Company requesting the Company or its nominee to pay an amount equivalent to the Xin Ye Shares Consideration to Xin Ye within ten Business Days from the date of serving the payment notice.

The Directors are of the view that the terms of the Xin Ye Agreement and the Xin Ye SPA (in so far as relates to the Company) are on normal commercial terms and are fair and reasonable and the execution of the Xin Ye Agreement and the Xin Ye SPA is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

None of the Directors has any material interest in the Xin Ye Agreement and is not required to abstain from voting on the Board resolutions for approving the Xin Ye Agreement.

This announcement is made pursuant to Rule 14.36 of the Listing Rules. Save as disclosed above, there is no other material variation to the Agreements pursuant to the Xin Ye SPA.

In addition, pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under the Agreements and the Xin Ye SPA will be aggregated and as a result of the aggregation, the highest of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules is more than 5% but less than 25%, constituting a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Agreed Date”	means such date as stipulated under the Xin Ye SPA;
“Agreements”	means the Subscription Agreement, the First Supplemental Agreement and the Joint Venture Agreement;
“Business Days”	means any day (other than a Saturday, Sunday and public holiday in the PRC);
“City Entertainment”	means 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;
“Closing”	means the closing of the Xin Ye Transfer pursuant to the terms and conditions of the Xin Ye SPA;
“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);
“Conditions Precedent”	means the conditions precedent pursuant to the Xin Ye SPA;
“Dadi Cinema”	means 大地影院管理有限公司 (Dadi Cinema Management Company Limited*), being the wholly-owned subsidiary of Nan Hai;
“Directors”	means the Directors of the Company;
“Disposal”	means the disposal of the entire issued share capital of City Entertainment by Giant Harvest to True Vision pursuant to the Sale and Purchase Agreement;

“First Supplemental Agreement”	means the supplemental agreement to the Subscription Agreement dated 1 April 2016 entered into between City Entertainment, OSGH (China), Xin Ye and another investor amending certain terms of the Subscription Agreement;
“Giant Harvest”	means Giant Harvest Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company;
“Hong Kong”	mean the Hong Kong Special Administrative Region of the People’s Republic of China;
“Joint Venture Agreement”	means the agreement dated 5 September 2016 entered into between City Entertainment and Xin Ye setting out, among others, the major terms of the Subscription Agreement applicable between Xin Ye and City Entertainment and the operational arrangements between Xin Ye and City Entertainment in relation to OSGH (China);
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“Nan Hai”	means Nan Hai Corporation Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Stock Exchange (stock code: 680), the indirect holding company of the Purchaser;
“OSGH (China)”	means 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 established in the PRC, which is owned as to 92.59% by City Entertainment and 7.41% by Xin Ye;
“PRC”	means the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Registration”	means the registration of the change of shareholder of OSGH (China) in respect of the Xin Ye Transfer;
“Right of First Refusal”	means the right of first refusal granted to City Entertainment pursuant to the Subscription Agreement which Xin Ye shall first offer to sell its equity interests in OSGH (China) to City Entertainment at the same price and on the same terms and conditions offered by a third party purchaser in respect of the sale of equity interests of Xin Ye in OSGH (China);
“RMB”	means Renminbi, the lawful currency of the PRC;

“Sale and Purchase Agreement”	means the sale and purchase agreement dated 25 January 2017 entered into between Giant Harvest, the Company, True Vision and Nan Hai in respect of the Disposal;
“Subscription Agreement”	means the agreement dated 15 March 2016 entered into between City Entertainment, OSGH (China), Xin Ye and other investors in respect of the subscription of the shares of OSGH (China);
“True Vision”	means True Vision Limited, a company incorporated in Hong Kong, being an indirect wholly-owned subsidiary of Nan Hai;
“Xin Ye”	means 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;
“Xin Ye Agreement”	means the agreement dated 19 April 2017 entered into by City Entertainment, the Company and Xin Ye pursuant to which Xin Ye was granted the option to require the Company or its nominee to repurchase the Xin Ye Shares;
“Xin Ye Shares”	means the 7.41% registered capital of OSGH (China) owned by Xin Ye;
“Xin Ye SPA”	means the sale and purchase agreement dated 19 April 2017 entered into by Xin Ye, Dadi Cinema, Nan Hai and City Entertainment in respect of the Xin Ye Transfer;
“Xin Ye Share Consideration”	means the consideration of the Xin Ye Shares pursuant to the Xin Ye SPA; and
“Xin Ye Transfer”	means the transfer of the Xin Ye Shares from Xin Ye to Dadi Cinema pursuant to the Xin Ye Agreement.

* *For identification purpose only*

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

Hong Kong, 19 April 2017

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

Chairman and Executive Director:

Mr. Wu Kebo

Executive Directors:

Mr. Mao Yimin

Mr. Li Pei Sen

Ms. Wu Keyan

Ms. Chow Sau Fong, Fiona

Independent Non-executive Directors:

Mr. Leung Man Kit

Ms. Wong Sze Wing

Mr. Fung Chi Man, Henry