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Golden Harvest

**ORANGE SKY GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED**

**橙天嘉禾娛樂（集團）有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1132)**

**MAJOR TRANSACTION  
SETTLEMENT AGREEMENT IN RELATION  
TO INTEREST IN LEGENDARY**

Reference is made to the announcements dated 27 September 2010 and 29 October 2010 of the Company in relation to the discloseable transaction of its strategic investment in Legendary (the “**Announcements**”).

As mentioned in the Announcements, on 23 September 2010, the Company (through OSGH (US), which is a wholly-owned subsidiary of the Company) acquired its interest in Legendary pursuant to the Purchase Agreement and signed the MOU with Legendary on the basis that the Company considered that investing in an international studio with a proven track record is a commercially viable business model and represented one of the best available opportunities to the Company for perfecting its strategy. However, since that time, the opportunities discussed between the Company and Legendary for co-operation and collaboration have not resulted in any concluded deals or projects. The Board announces that on 26 August 2011, the Company, OSGH (US) entered into the Settlement Agreement with Legendary in relation to the Proposed Settlement in order to transfer the Transferred Interest to Legendary and to discharge the obligations of the parties to the Purchase Agreement and the MOU respectively. Pursuant to the Settlement Agreement, amongst other things, the Company, OSGH (US) and Legendary agreed to undertake the following: (i) the Purchase Agreement and the MOU shall be unconditionally terminated; (ii) OSGH (US) shall withdraw as a member of Legendary and shall transfer, free and clear of all liens, the Transferred Interest to Legendary, which represents 3.33% of the Common Units of Legendary on a fully diluted basis; (iii) Mr. Wu shall resign as a director of Legendary and LPF; and (iv) OSGH (on behalf of themselves and the OSGH Releasing Parties) shall release and discharge Legendary and the Legendary Released Parties from any and all of the OSGH’s Claims; and Legendary (on behalf of itself and the Legendary Releasing Parties) shall release and discharge OSGH and the OSGH Released Parties from any and all of the Legendary’s Claims. Legendary shall pay to OSGH (US) US\$25 million as consideration for OSGH (US) withdrawing as a member of Legendary and the transfer of the Transferred Interest while Legendary shall pay to the Company US\$5 million as settlement amount.

\* For identification purposes only

As one or more of the applicable percentage ratios for the Proposed Settlement is more than 25% and each of them is less than 75%, the Proposed Settlement constitutes a major transaction for the Company under the Listing Rules and is subject to the reporting, disclosure and Shareholders' approval requirements as stipulated under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Proposed Settlement and would be required to abstain from voting on the resolutions in connection with the Proposed Settlement if the Company were to convene a general meeting for the approval of the Proposed Settlement. Written Shareholders' approval has been obtained in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The closely allied group of Shareholders, holding in aggregate approximately 63.75% of the existing issued share capital of the Company as at the date of this announcement, has given its written approval in respect of the Proposed Settlement. Accordingly no extraordinary general meeting of the Company will be convened for the purpose of approving the Proposed Settlement.

A circular containing, among other things, details of the Proposed Settlement and the transactions contemplated thereunder 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 19 September 2011.

**Shareholders and potential investors should note that Completion is subject to, among other things, the satisfaction of the conditions precedents, and may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## INTRODUCTION

Reference is made to the announcements dated 27 September 2010 and 29 October 2010 of the Company in relation to the discloseable transaction of its strategic investment in Legendary (the "Announcements").

As mentioned in the Announcements, on 23 September 2010, the Company (through OSGH (US), which is a wholly-owned subsidiary of the Company) acquired its interest in Legendary pursuant to the Purchase Agreement and signed the MOU with Legendary on the basis that the Company considered that investing in an international studio with a proven track record is a commercially viable business model and represented one of the best available opportunities to the Company for perfecting its strategy. However, since that time, the opportunities discussed between the Company and Legendary for co-operation and collaboration have not resulted in any concluded deals or projects. The Board announces that on 26 August 2011, the Company, OSGH (US) entered into the Settlement Agreement with Legendary in relation to the Proposed Settlement in order to transfer the Transferred Interest to Legendary and to discharge the obligations of the parties to the Purchase Agreement and the MOU respectively.

## **SETTLEMENT AGREEMENT**

**Date:** 26 August 2011

**Parties:**

The Company

OSGH (US)

Legendary

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, other than the interests under the Purchase Agreement and the MOU, Legendary and its ultimate beneficial owner are third parties independent of the Company and any connected persons of the Company.

### **Terms of the Settlement Agreement**

Pursuant to the Settlement Agreement and conditional upon fulfilment of the conditions precedent to the Settlement Closing, the Company, OSGH (US) and Legendary agreed to undertake the following actions:

- (i) the Purchase Agreement and the MOU shall be unconditionally terminated;
- (ii) OSGH (US) shall withdraw as a member of Legendary and shall transfer, free and clear of all liens, the Transferred Interest to Legendary, which represents 3.33% of the Common Units of Legendary on a fully diluted basis;
- (iii) Mr. Wu shall resign as a director of Legendary and LPF; and
- (iv) OSGH (on behalf of themselves and the OSGH Releasing Parties) shall release and discharge Legendary and the Legendary Released Parties from any and all of the OSGH's Claims, and Legendary (on behalf of itself and the Legendary Releasing Parties) shall release and discharge OSGH and the OSGH Released Parties from any and all of the Legendary's Claims.

### **Consideration**

Legendary shall pay to OSGH (US) US\$25 million as consideration for OSGH (US) withdrawing as a member of Legendary and the transfer of the Transferred Interest while Legendary shall pay to the Company US\$5 million as settlement amount. The Consideration shall be satisfied by wire transfer in immediately available funds to a bank account designated in writing by the Company.

The Consideration was determined on normal commercial terms between the Company, OSGH (US) and Legendary after arm's length negotiations between the parties, having taken into account various factors, including, the return generated from the investment in Legendary.

### **Conditions Precedent to Settlement Closing**

The Proposed Settlement is subject to the receipt of the relevant approvals from the lender, member and the board of Legendary for the consummation of the Settlement Closing by Legendary, and the provision of the Consents Received Notice by Legendary to the Company.

### **Settlement Closing**

Subject to fulfilment of the conditions precedent to Settlement Closing, the Settlement Closing shall take place on the business day following the date of the Consents Received Notice.

If the Settlement Closing does not take place by 5:00 p.m. (Los Angeles time) on 9 September 2011, the Settlement Agreement shall terminate automatically.

Upon Settlement Closing, neither the Company nor OSGH (US) shall be a member of Legendary or the holder of any interest whatsoever in Legendary or any of its subsidiaries or affiliates, and the Transferred Interest shall be terminated and cancelled.

## **INFORMATION ON THE COMPANY, OSGH (US) AND LEGENDARY**

### **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 December 2010, the Group operated 33 cinemas with 250 screens across China, Hong Kong, Taiwan and Singapore and is a leading distributor in the region.

### **OSGH (US)**

OSGH (US) is a company incorporated in the State of Delaware with limited liability and a wholly-owned subsidiary of the Company. Its principal business activity is investment holding.

### **Legendary**

Legendary is an independent production company founded in 2004 to create, develop, co-produce and co-finance major motion pictures. Since Legendary's incorporation in 2004, it has co-financed 22 motion pictures that have produced an aggregate worldwide box office of in excess of US\$5.9 billion. During the 2010 calendar year, 5 motion pictures co-financed by Legendary were released. They produced an aggregated worldwide box office in excess of USD1.7 billion. Productions to date include *Inception*, *Clash of the Titans*, *The Dark Knight*, *300* and *The Hangover*.

## **FINANCIAL INFORMATION OF LEGENDARY**

The Company has applied to the Stock Exchange for a waiver from the disclosure requirements under Rules 14.58(6) and 14.58(7) of the Listing Rules to disclose the value of the assets and net profits of Legendary.

## **REASONS FOR THE PROPOSED SETTLEMENT**

The Board believes that the disposal of the Transferred Interest pursuant to the Settlement Agreement will provide a timely opportunity for the Company to improve its cashflow, in view of the Group's ongoing cinema expansion and investment in motion picture production in the PRC. The proceeds of the Proposed Settlement will thus be used for general working capital and for future investment opportunities of the Company.

Further, the Board takes the view that there has been a change in circumstances regarding the original reasons why the Company acquired its interest in Legendary. In its announcement dated 27 September 2010, the Company stated that it had acquired its interest in Legendary on the basis that the Company considered that investing in an international studio with a proven track record is a commercially viable business model. The Board believed that Legendary, with its outstanding track record and promising pipeline of motion pictures, represented one of the best available opportunities to the Company for perfecting its strategy. Since that time, however, the opportunities discussed between the Company and Legendary for co-operation and collaboration have not resulted in any concluded deals or projects.

In view of all the above reasons, the Company has decided to dispose of its interest in Legendary. The Company will continue on pursuing partnership opportunities with foreign production companies to enter the PRC motion picture market in relation, amongst other things, to the production, distribution and theatrical exhibition of motion pictures in the PRC.

Having carefully reviewed and considered the terms of conditions of the Settlement Agreement, the Directors are of the view that the terms of the Settlement Agreement are on normal commercial terms and are fair and reasonable and the entering into of the Settlement Agreement is in the best interests of the Company and its Shareholders as a whole.

## **EXPECTED GAIN ON THE PROPOSED SETTLEMENT**

The Directors expect that the Company will record a gain before tax of approximately US\$4.1 million on the Proposed Settlement. The gain is calculated with reference to the difference between the Consideration and the carrying value of the Transferred Interest as at 31 December 2010 as shown in the auditor's report in the Company's annual report for the year ended 31 December 2010, without taking into consideration the effects of tax and relevant expenses to be incurred. The actual gain on the Proposed Settlement shall be subject to the payment of tax determined by the relevant tax authorities and the final review by the auditors of the Company.

## USE OF PROCEEDS

The net proceeds from the Proposed Settlement, being the Consideration net of relevant expenses, are estimated to be approximately US\$29.8 million. The Company intends to use the net proceeds as general working capital and for future investment opportunities of the Company.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios for the Proposed Settlement is more than 25% and each of them is less than 75%, the Proposed Settlement constitutes a major transaction for the Company under the Listing Rules and is subject to the reporting, disclosure and Shareholders' approval requirements as stipulated under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Proposed Settlement and would be required to abstain from voting on the resolutions in connection with the Proposed Settlement if the Company were to convene a general meeting for the approval of the Proposed Settlement. Written Shareholders' approval has been obtained in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The closely allied group of Shareholders, holding in aggregate approximately 63.75% of the existing issued share capital of the Company as at the date of this announcement, has given its written approval in respect of the Proposed Settlement. The closely allied group of Shareholders consists of (i) Skyera International; (ii) Mainway Enterprises; (iii) Orange Sky Entertainment; and (iv) Cyber International. Accordingly no extraordinary general meeting of the Company will be convened for the purpose of approving the Proposed Settlement.

A circular containing, among other things, details of the Proposed Settlement and the transactions contemplated thereunder 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 19 September 2011.

**Shareholders and potential investors should note that Completion is subject to, among other things, the satisfaction of the conditions precedents, and may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“Board”	the board of Directors
“Common Units”	limited liability company interests in Legendary having rights and obligations set forth in the LLC Agreement
“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
“Consents Received Notice”	the written notice to be given by Legendary to the Company upon the receipt by Legendary of the requisite approvals for the consummation of the Settlement Closing
“Consideration”	the aggregate consideration payable by Legendary to OSGH for the Proposed Settlement
“Cyber International”	Cyber International Limited, a company owned by an associate of Mr. Wu, which is interested in 180,000,000 Shares, representing 6.66% of the entire issued share capital of the Company
“Directors”	the directors of the Company
“Group”	the Company together with its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Investment”	OSGH’s investment in Legendary, its holding of limited liability company interests of Legendary, or the transfer of the Transferred Interest to Legendary pursuant to the Settlement Agreement
“Legendary”	Legend Pictures, LLC, a Delaware limited liability company
“Legendary’s Claims”	any and all claims that any of the Legendary Releasing Parties has ever had, may now have, or may later assert, that in any way are based upon, arise from or relate to the Investment or Mr. Wu’s position, status, rights or obligations as a director of Legendary and LPF

“Legendary Released Parties/ Legendary Releasing Parties”	Legendary and each of Legendary’s past, present and future affiliates, directors, officers, employees, managers, shareholders, members, partners, representatives, agents, attorneys, insurers, accountants, heirs, executors, administrators, conservators and successors and assigns
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“LLC Agreement”	The Fourth Amended and Restated Limited Liability Company Agreement dated 18 March 2011 entered into among OSGH (US), Legendary and other investors
“LPF”	Legendary Pictures Funding, LLC, a Delaware limited liability company and wholly-owned subsidiary of Legendary
“Mainway Enterprises”	Mainway Enterprises Limited, a company wholly owned by Mr. Wu, which is interested in 408,715,990 Shares, representing 15.12% of the entire issued share capital of the Company
“MOU”	a non-binding Memorandum of Understanding dated 23 September 2010 entered into between the Company and Legendary
“Mr. Wu”	Mr. Wu Kebo, a director of Legendary, LPF and 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 20.92% of the entire issued share capital of the Company
“OSGH”	the Company and OSGH (US)
“OSGH’s Claims”	any and all claims of whatever kind or nature that any of the OSGH Releasing Parties has ever had, may now have, or may later assert, that in any way are based upon, arise from or relate to the Investment or Mr. Wu’s position, status, rights or obligations as a director of Legendary and LPF
“OSGH Released Parties/ OSGH Releasing Parties”	OSGH and each of OSGH’s past, present and future affiliates, directors, officers, employees, managers, shareholders, members, partners, representatives, agents, attorneys, insurers, accountants, heirs, executors, administrators, conservators and successors and assigns

“OSGH (US)”	OSGH (US) Investment Limited, a company incorporated in the State of Delaware with limited liability and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Taiwan and Macao
“Proposed Settlement”	the proposed settlement pursuant to the terms of the Settlement Agreement
“Purchase Agreement”	the purchase and sale agreement dated 23 September 2010 entered into between OSGH (US) and Legendary in relation to the purchase by OSGH (US) of an aggregate of 33,333.33 Common Units issued by Legendary and appointment of Mr. Wu as a director of Legendary and LPF
“Settlement Agreement”	the settlement, withdrawal and release agreement dated 26 August 2011 entered into among the Company, OSGH (US), and Legendary
“Settlement Closing”	the closing of the settlement pursuant to the Settlement Agreement
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of issued Shares of the Company
“Skyera International”	Skyera International Limited, a company wholly owned by Mr. Wu, which is interested in 569,458,130 Shares, representing 4.06% of the entire issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transferred Interest”	100% of OSGH’s limited liability company interest in Legendary, which represents an aggregate of 33,333.33 Common Units of Legendary, or approximately 3.33% of the Common Units of Legendary on a fully diluted basis
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By Order of the Board  
**Orange Sky Golden Harvest  
Entertainment (Holdings) Limited**  
**Yuen Kwok On**  
*Company Secretary*

Hong Kong, 26 August 2011

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