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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)

CONTINUING CONNECTED TRANSACTIONS CINEMA IN-FOYER ADVERTISING SALES AGENCY SERVICES

The Board announces that OSGH (China) entered into the Cinema Ad Sales Agency Agreement with Panasia Advertising on 1 September 2011 in respect of the Cinemas.

The Transactions constitute continuing connected transactions under the Listing Rules. As the applicable percentage ratios in respect of the Caps are more than 0.1% but less than 5%, the Transactions are subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board announces that OSGH (China) entered into the Cinema Ad Sales Agency Agreement with Panasia Advertising on 1 September 2011 in respect of the Cinemas.

The Transactions constitute continuing connected transactions under the Listing Rules. The principal terms of the Cinema Ad Sales Agency Agreement are as follows:

CINEMA AD SALES AGENCY AGREEMENT

Date: 1 September 2011

Parties: OSGH (China), a wholly-owned subsidiary of the Company
Panasia Advertising, a wholly-owned subsidiary of Orange Sky

* For identification purposes only

Subject matter: OSGH (China) shall engage Panasia Advertising on an exclusive basis to provide cinema in-foyer advertising sales agency services (including the procurement and solicitation of in-foyer advertisements and collection of advertising fees from in-foyer advertising customers for the Cinemas) to OSGH (China) in respect of the advertisements to be displayed at the Cinemas by using the foyer and advertising facilities of the Cinemas.

Consideration: The advertising fees payable by the customers for the in-foyer advertising at the Cinemas shall be shared between OSGH (China) (as to 60%) and Panasia Advertising (as to 40%). OSGH (China)'s share of the advertising fees shall be paid by Panasia Advertising to OSGH (China) on a monthly basis. In the event that the OSGH (China)'s share of advertising fees in aggregate in respect of an individual Cinema pursuant to the foregoing profit-sharing arrangements falls below the profit guarantee as calculated in accordance with the below paragraph at the end of the relevant year, Panasia Advertising shall pay OSGH (China) the shortfall amount.

Profit guarantee: Panasia Advertising agreed to provide an annual profit guarantee in favour of OSGH (China) in connection with each of the Cinemas. The profit guarantee for each of the Cinemas shall be calculated by multiplying the aggregate box office income of that Cinema before tax for that year by 2%, subject to the following adjustments:

1. In the event that the foyer and advertising facilities of the Cinemas cannot be utilised in full, and are subject to certain limitations of advertising (e.g. prohibition of holding motor shows, real estate exhibitions or the foyer not being situated in an enclosed area), the profit guarantee amount in connection with the relevant Cinema for the relevant year shall be deducted by an amount equivalent to 5% of the profit guarantee for each of such in-foyer advertising projects, subject to a maximum deduction of 20%.
2. In the event that there have been any existing in-foyer advertising projects, the profit guarantee amount in connection with the relevant Cinema for the relevant year shall be deducted by an amount equivalent to the higher of the aggregate amount of the advertising fees of all such existing in-foyer advertising projects or 5% of the profit guarantee for each of such existing in-foyer advertising projects.
3. In the event that the Cinema refuses to display any advertisement as procured by Panasia Advertising, the profit guarantee amount in connection with the relevant Cinema for the relevant year shall be deducted by an amount equivalent to 5% of the profit guarantee for each of such refusals.

4. In the event that any Cinema undertakes an in-foyer advertising project without the consent of Panasia Advertising, Panasia Advertising is entitled to refuse to provide the profit guarantee of the relevant year in respect of the defaulting Cinema if, after two written warnings by Panasia Advertising, such Cinema fails to rectify the default at the request of Panasia Advertising.
5. If the relevant Cinema is unable to meet 30% of the target aggregate box office income for each year, no profit guarantee will be provided by Panasia Advertising in respect of that Cinema for that particular year.

Term: A term commencing from 1 September 2011 to 31 December 2013 which may be renewed by the parties subject to mutual agreement to be reached within 6 months before the expiration of the said term. In the event that the parties are unable to reach the agreement to renew at the expiration of the said term, the parties may continue the negotiation for a period of 3 months after the date of expiration of the said term, during which the Cinema Ad Sales Agency Agreement shall remain valid and enforceable.

ANNUAL CAPS

The annual caps in respect of the Transactions for the three years ending 31 December 2013 shall be RMB2,000,000 (equivalent to approximately HK\$2,400,000), RMB10,000,000 (equivalent to approximately HK\$12,000,000) and RMB17,000,000 (equivalent to approximately HK\$20,400,000), respectively.

The terms of the Cinema Ad Sales Agency Agreement were negotiated on an arms' length basis, on normal commercial terms and were determined by reference to the prevailing market profit sharing arrangements in respect of cinema in-foyer advertising sales agency services in the PRC. The Caps were determined based on the estimated advertising fees receivable for foyer and advertising facilities of the Cinemas having regard to (a) the expected number of Cinemas to be operated by the Group in the three financial years ending 31 December 2013; (b) the expected level of seasonal fluctuation in the rental income of the in-foyer advertising in respect of the Cinemas; and (c) the profit guarantee to be provided by Panasia Advertising in respect of the Cinemas under the Cinema Ad Sales Agency Agreement.

INFORMATION OF THE COMPANY AND PANASIA ADVERTISING

The Company is an investment holding company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of the Group comprise worldwide film and video distribution, film exhibition in Hong Kong, PRC, Taiwan and Singapore and films and television programmes production, provision of advertising and consulting services in the PRC.

Panasia Advertising is principally engaged in the provision of distribution and agency services for advertisements.

REASONS FOR ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS

Due to growth and expansion of the Group's operations in the PRC and the increasing number of Cinemas operated and to be operated by the Group, the Board considers that the engagement of Panasia Advertising to provide cinema advertising sales agency services to the Group will facilitate the Group to concentrate its resources on the management and operation of the Cinemas, meanwhile, enable the Group to enhance its revenue from the provision of cinema in-foyer advertising space for rental.

The Directors (including the independent non-executive Directors) consider that the entering into of the Cinema Ad Sales Agency Agreement and that the terms thereof are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Wu, a Director and substantial shareholder of the Company, was interested in an aggregate of approximately 63.95% of the issued share capital of the Company as at the date of this announcement through his direct holding of approximately 0.19% of the issued share capital of the Company, and through Orange Sky, Skyera, Mainway and Cyber. As a result, under the Listing Rules, Mr. Wu and his associates are connected persons of the Company. As Panasia Advertising is a wholly-owned subsidiary of Orange Sky, Panasia Advertising is an associate of Mr. Wu. Accordingly, Panasia Advertising is a connected person of the Company and the Transactions constitute continuing connected transactions under Chapter 14 of the Listing Rules.

As the applicable percentage ratios in respect of the Caps are more than 0.1% but less than 5%, the Transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Ms. Wu Keyan is the sister of Mr. Wu and is an associate of Mr. Wu under Chapter 14A of the Listing Rules. In view of the interests of Mr. Wu and Ms. Wu Keyan in Panasia Advertising as mentioned above, they have abstained from voting on the relevant resolution of the Board approving the Transactions. Save for Mr. Wu and Ms. Wu Keyan, none of the Directors have a material interest in the Transactions.

DEFINITIONS

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

“associate(s)”	the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Caps”	for the purpose of Chapter 14A of the Listing Rules, means the proposed annual caps of the Transactions for the three years ending 31 December 2013 as set out in the section headed “Annual Caps” in this announcement
“Cinemas”	all cinemas operated or to be operated by OSGH (China) in the PRC (other than the Golden Harvest Shenzhen Cinema (嘉禾深圳影城) and the cinema in Sanlitun, Beijing (北京三里屯橙 Cinema 影城)
“Cinema Ad Sales Agency Agreement”	the agreement dated 1 September 2011 entered into between OSGH (China) and Panasia Advertising pursuant to which OSGH (China) appointed Panasia Advertising to provide cinema in-foyer advertising sales agency services to OSGH (China)
“Company”	Orange Sky Golden Harvest Entertainment (Holdings) Limited (橙天嘉禾娛樂(集團)有限公司*), a limited liability company incorporated in Bermuda, the shares of which are listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Cyber”	Cyber International Limited, a company which is owned by an associate of Mr. Wu and is holding approximately 6.66% of the total issued share capital of the Company as at the date of this announcement
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mainway”	Mainway Enterprises Limited a company which is wholly owned by Mr. Wu and is holding approximately 15.12% of the total issued share capital of the Company as at the date of this announcement

“Mr. Wu”	Mr. Wu Kebo, a Director and substantial shareholder of the Company
“Orange Sky”	Orange Sky Entertainment Group (International) Holding Company Limited (橙天娛樂集團(國際)控股有限公司), a company which is 80% beneficially owned by Mr. Wu and is holding approximately 20.92% of the total issued share capital of the Company as at the date of this announcement
“OSGH (China)”	橙天嘉禾影城(中國)有限公司 (Orange Sky Golden Harvest (China) Cinemas Co., Ltd.), a company established in the PRC and is a wholly owned subsidiary of the Company
“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”	People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“Skyera”	Skyera International Limited, a company which is wholly owned by Mr Wu and is holding approximately 21.06% of the total issued share capital of the Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	the meaning ascribed to it in the Listing Rules
“Transactions”	transactions contemplated under the Cinema Ad Sales Agency Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

In this announcement, the exchange rate of RMB1 to HK\$1.2 is used for reference only.

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

Hong Kong, 1 September 2011

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. 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