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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)

**FURTHER ANNOUNCEMENT REGARDING
CONTINUING CONNECTED TRANSACTION
LEASING OF PROPERTY**

Reference is made to the Previous Announcements dated 25 September 2012, 25 June 2014 and 2 December 2014 in relation to the Lease Agreement, the Memorandum to the Lease Agreement and the First Supplemental Agreement entered into between OSGH (China), an indirect wholly-owned subsidiary of the Company, and Jiangyin Orange Land in respect of the leasing of the Leased Property at Jiangyin Orange Land Cultural Complex for a period of 240 months commencing from the Commencement Date as stated in the announcement of the Company dated 25 September 2012.

On 22 June 2016, OSGH (China) and Jiangyin Orange Land entered into the Second Supplemental Agreement, pursuant to which Jiangyin Orange Land agreed to deliver the Leased Property at Jiangyin Orange Land Cultural Complex to OSGH (China) on or before 30 June 2017. OSGH (China) agreed to prepay Base Rental of RMB50,000,000 to Jiangyin Orange Land. Save and except the changes mentioned above, all terms in the Lease Agreement (as varied or supplemented as aforesaid) shall remain unchanged.

Reference is made to the announcements of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the “Company”) dated 25 September 2012, 25 June 2014 and 2 December 2014 (the “Previous Announcements”) in relation to the Lease Agreement, the Memorandum to the Lease Agreement and the Supplemental Agreement (the “First Supplemental Agreement”) entered into between OSGH (China), an indirect wholly-owned subsidiary of the Company, and 江陰橙地影院開發管理有限公司 (Jiangyin Orange Land Cinema Development Management Co., Ltd.*) (“Jiangyin Orange Land”), a company which is 80% beneficially owned by Mr. Wu and Ms. Wu Keyan through Beijing Orange Land, in respect of the leasing of the Leased Property at Jiangyin Orange Land Cultural Complex for a period of 240 months commencing from the Commencement Date as stated in the announcement of the Company dated 25 September 2012.

* For identification purposes only

Unless otherwise specified, capitalised terms used herein shall have the same meaning as those defined in the Previous Announcements.

On 22 June 2016, OSGH (China) and Jiangyin Orange Land entered into another supplemental agreement (the “Second Supplemental Agreement”), pursuant to which Jiangyin Orange Land agreed to deliver the Leased Property at Jiangyin Orange Land Cultural Complex to OSGH (China) on or before 30 June 2017. OSGH (China) agreed to prepay Base Rental of RMB50,000,000 to Jiangyin Orange Land.

SECOND SUPPLEMENTAL AGREEMENT TO THE LEASE AGREEMENT

The principal terms of the Second Supplemental Agreement are as follows:

- Date : 22 June 2016
- Parties : Jiangyin Orange Land and OSGH (China)
- Delivery Date : Jiangyin Orange Land shall notify OSGH (China) in writing the formal delivery time 90 days in advance. The delivery time shall not be later than 30 June 2017 (the “Extended Delivery Date”). If Jiangyin Orange Land fail to deliver the Leased Property to OSGH (China) on the Extended Delivery Date, Jiangyin Orange Land shall provide a letter to OSGH (China) stating the reason for the failure. If OSGH (China) accept the explanation provided by Jiangyin Orange Land, Jiangyin Orange Land shall deliver the Leased Property to OSGH (China) within the latest delivery period, i.e. 90 days from the Extended Delivery Date, failure of which will be subject to further negotiation for settlement between the parties. If conclusion cannot be reached within 3 months after the Extended Delivery Date, OSGH (China) will be entitled to terminate the Lease Agreement unilaterally by a written notice to Jiangyin Orange Land.
- Prepayment : OSGH (China) agreed to pay an amount of RMB50,000,000 (equivalent to approximately HK\$60,000,000), representing approximately 40.2% of the total amount of the Base Rental for the term of the Lease Agreement, to Jiangyin Orange Land as Base Rental prepayment according to the following schedule:
- (i) RMB30,000,000 (equivalent to approximately HK\$36,000,000) shall be payable within 10 business days after the execution of the Second Supplemental Agreement;
 - (ii) RMB15,000,000 (equivalent to approximately HK\$18,000,000) shall be payable within 3 months after the execution of the Second Supplemental Agreement;
 - (iii) RMB5,000,000 (equivalent to approximately HK\$6,000,000) shall be payable by 30 June 2017.

Other terms : If Jiangyin Orange Land fails to deliver the Leased Property by the Extended Delivery Date as stipulated in the agreement without proper reason, the parties shall further negotiate in a friendly manner. If conclusion cannot be reached within 3 months, OSGH (China) will be entitled to terminate the Lease Agreement unilaterally by a written notice to Jiangyin Orange Land, and Jiangyin Orange Land is obliged to refund to OSGH (China) the full amount of the Base Rental prepayment and the Security Deposit within 6 months of the termination of the Lease Agreement. Interest will be calculated based on the People's Bank of China benchmark lending rates for one-year term loan and the amount of interest will be changed according to the fluctuation of such interest rate. Interest of the Base Rental will be accrued from the date the Base Rental prepayment was made by OSGH (China) in accordance with the terms for Base Rental prepayment set out in the Second Supplemental Agreement. Interest of the Security Deposit will be accrued from the date such amount was paid by OSGH (China).

Save and except the changes mentioned above, all terms in the Lease Agreement (as varied or supplemented as aforesaid) shall remain unchanged. The Deed of Guarantee executed by Beijing Orange Land in favour of OSGH (China) to guarantee certain of Jiangyin Orange Land's obligations under the Lease Agreement shall also remain the same.

ANNUAL CAPS

The annual caps in respect of the Lease Agreement (as varied or supplemented as aforesaid) for each of the three financial years ending 31 December 2016, 2017 and 2018 are set at RMB45,000,000 (equivalent to approximately HK\$54,000,000), RMB8,730,000 (equivalent to approximately HK\$10,476,000) and RMB3,730,000 (equivalent to approximately HK\$4,476,000) respectively.

Upon the expiry of the Caps, the Company will re-comply with all applicable requirements under the Listing Rules, including (where required) the obtaining of approval of the independent shareholders of the Company. If at any time during the term of the Lease Agreement (as varied or supplemented as aforesaid), the transactions under the Lease Agreement (as varied or supplemented as aforesaid) cannot continue to comply with the requirements under the Listing Rules, OSGH (China) has the right to terminate the Lease Agreement with 6 months' notice without any compensation to Jiangyin Orange Land.

BASES OF THE ANNUAL CAPS

The terms of the Lease Agreement (as varied or supplemented as aforesaid) were negotiated on arm's length basis and are on normal commercial terms and were determined by reference to the prevailing market rent of similar properties in nearby locations. The Caps represent, for the year ending 31 December 2016, the amount of Base Rental prepayment; for the year ending 31 December 2017, the amount of Base Rental prepayment and possible rental and expenses; and for the year ending 31 December 2018, the amount of possible rental and expenses, payable by OSGH (China) to Jiangyin Orange Land in such periods under the Lease Agreement (as varied or supplemented as aforesaid).

REASONS FOR ENTERING INTO THE SECOND SUPPLEMENTAL AGREEMENT

The principal business activities of the Group are in production, financing, distribution and theatrical exhibition of motion pictures. The Group is planning to establish a cinema in Jiangyin City, Jiangsu Province, the PRC. The operation of a cinema will require security premises suitable for the establishment of screens and situated at an appropriate location. As disclosed in the Company's announcement dated 25 June 2014, as the Group has not yet established any cinema in Jiangyin City, the leasing of the Leased Property, which is in a suitable location in Jiangyin City may offer a good opportunity for the Group to expand its cinema network in Jiangyin City. The Directors consider that the entering into of the Second Supplemental Agreement can save the Company from incurring time and costs in sourcing alternate site for the establishment of a cinema in Jiangyin City and negotiating other lease with another landlord. The Directors believe that cinema entertainment business in the Jiangyin City has strong development potential and will generate considerable return and increase the income of the Group.

The Directors (including the independent non-executive Directors) believe that the Lease Agreement (as varied or supplemented as aforesaid) has been entered into in the ordinary and usual course of business of the Group and is on normal commercial terms and is fair and reasonable and in the interests of the Company and its shareholders as a whole. The Directors (including the independent non-executive Directors) also believe that the Caps of the Lease Agreement (as varied or supplemented as aforesaid) are fair and reasonable. Whilst reaching these views, the Directors have considered, amongst other factors, the amount of Base Rental prepayment which OSGH (China) is required to pay under the Second Supplemental Agreement, the costs of funding for such prepayment and the substantively discounted rate of rental under the Second Supplemental Agreement compared to rental charged in the market.

LISTING RULES IMPLICATIONS

The transactions under the Lease Agreement (as varied or supplemented as aforesaid) constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Mr. Wu and Ms. Wu Keyan beneficially owned 80% interest in Jiangyin Orange Land through Beijing Orange Land. Mr. Wu is the chairman, a Director and a controlling shareholder of the Company who is interested in an aggregate of approximately 67.15% of the total issued share capital of the Company, and Ms. Wu Keyan is a Director of the Company. Accordingly, Jiangyin Orange Land is a connected person of the Company and the Lease Agreement (as varied or supplemented as aforesaid) and the transactions contemplated thereunder constitute continuing connected transactions of the Company. Besides, Ms. Wu Keyan is the sister of Mr. Wu and is an associate of Mr. Wu under Chapter 14A of the Listing Rules.

The relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the Caps are more than 0.1% but less than 5%, the Lease Agreement (as varied or supplemented as aforesaid) is subject to the reporting, announcement and annual review requirement but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In view of their interests above, Mr. Wu and Ms. Wu Keyan have abstained from voting on the relevant board resolution for approving the Second Supplemental Agreement and the transaction contemplated under the Second Supplemental Agreement. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, other than Mr. Wu and Ms. Wu Keyan, none of the Directors has material interest in the transaction and none of them is required to abstain from voting on the relevant board resolution.

INFORMATION REGARDING THE COMPANY, OSGH (CHINA) AND JIANGYIN ORANGE LAND

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 May 2016, the Group operated 100 cinemas with 737 screens across China, Hong Kong, Taiwan and Singapore and is a leading distributor in the region.

OSGH (China)

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

Jiangyin Orange Land

Jiangyin Orange Land is a company incorporated in the PRC and is a holding company of the land on which Jiangyin Orange Land Cultural Complex is situated. Its principal business activities are the development and construction of Jiangyin Orange Land Cultural Complex.

Jiangyin Orange Land is a connected person of the Company by virtue of being an associate of Mr. Wu, the chairman, a Director and a controlling shareholder of the Company, and Ms. Wu Keyan, a Director of the Company.

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
Leung Wing Chong
Company Secretary

Hong Kong, 22 June 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

Ms. Chow Sau Fong, Fiona

Independent Non-executive Directors:

Mr. Leung Man Kit

Ms. Wong Sze Wing

Mr. Fung Chi Man, Henry