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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)**

**DISCLOSEABLE TRANSACTION  
STRATEGIC INVESTMENT IN LEGENDARY  
AND  
RESUMPTION OF TRADING**

The Board is pleased to announce that on 23 September 2010 (PDT), OSGH (US) (a wholly-owned subsidiary of the Company) has entered into the P&S Agreement with Legendary, pursuant to which Legendary agreed to sell and OSGH (US) agreed to purchase an aggregate of 33,333.33 Common Units newly issued by Legendary, equivalent to approximately 3.33% of the Common Units of Legendary on a fully diluted basis after giving effect to the Transaction, at a cash consideration of USD25 million.

In connection with the P&S Agreement, on 23 September 2010 (PDT), OSGH (US) also entered into (i) the Reorganization Agreement with Legendary and Other Investors in relation to the Reorganization; and (ii) the LLC Agreement with Legendary and Other Investors in relation to governing the rights and obligations of each Common Unitholder of Legendary after completion of the Transaction.

The Transaction contemplated under the Transaction Documents was completed simultaneously on 23 September 2010 (PDT).

The Transaction constitutes a discloseable transaction for the Company under the Listing Rules as the calculations of the assets ratio, the consideration ratio, the revenue ratio and the dividend ratio (as an alternative test) are within the range of 5% and 25%. The dividend ratio is used as an alternative test pursuant to Rule 14.20 of the Listing Rules.

Trading in the securities of the Company was suspended at the request of the Company with effect from 9:30 a.m. on 24 September 2010 pending the issue of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the securities of the Company with effect from 9:30 a.m. on 27 September 2010.

\* For identification purposes only

## THE TRANSACTION

The Board is pleased to announce that on 23 September 2010 (PDT), OSGH (US) (a wholly-owned subsidiary of the Company) entered into a purchase and sale agreement (the “**P&S Agreement**”) with Legendary, pursuant to which Legendary agreed to sell and OSGH (US) agreed to purchase an aggregate of 33,333.33 Common Units newly issued by Legendary, equivalent to approximately 3.33% of the Common Units of Legendary on a fully diluted basis after giving effect to the Transaction, at a cash consideration of USD25 million which was paid at completion (i.e. 23 September 2010). The Consideration was determined on normal commercial terms and arrived at after arm’s length negotiations between the parties with reference to the valuation of market comparables with respect to Legendary that are publicly traded in the North America market, and such valuation information can be accessible in Bloomberg.

In connection with the transactions contemplated by the P&S Agreement, on 23 September 2010 (PDT), OSGH (US) also entered into (i) the Agreement and the Plan of Reorganization of Legendary (the “**Reorganization Agreement**”) with Legendary and Other Investors in relation to the Reorganization; and (ii) the Third Amended and Restated Limited Liability Company Agreement (the “**LLC Agreement**”) with Legendary and Other Investors in relation to governing the rights and obligations of each Common Unitholder of Legendary after completion of the Transaction. Legendary will apply the proceeds from the sale of the Common Units to the Company to finance its Reorganization.

Under the LLC Agreement, OSGH (US), as a strategic investor in Legendary, is entitled to appoint one director to the board of directors of Legendary which will initially consists of six members (including the one appointed by OSGH (US)). Common Unitholders (including OSGH (US)) are entitled to distributions on pro rata in accordance with the number of Common Units held by such holders. Transfers of Common Units by OSGH (US) to (i) third parties that are competitors of Legendary or participants in Legendary’s industry (other than through other financial, non-strategic investments) or (ii) other members of Legendary or affiliates of other members of Legendary are subject to transfer restrictions set forth in the LLC Agreement.

The Transaction contemplated under the Transaction Documents was completed simultaneously on 23 September 2010 (PDT).

## NON-BINDING MOU

On 23 September 2010 (PDT), the Company signed a non-binding Memorandum of Understanding (“**MOU**”) with Legendary, pursuant to which the two parties intend to explore the possibility of engaging in strategic opportunities with respect to the co-production of local language motion pictures intended for theatrical exhibition in China (subject to the approvals of applicable Chinese authorities), the development of online, mobile and video games, and the Company’s theatrical distribution in China, provided that each of the foregoing is subject to any applicable approval and consent rights of Legendary’s co-production, co-financing and other partners and third parties owning or controlling rights in such motion pictures, games and other properties.

After completion of the Reorganization, the management of Legendary has agreed to use its reasonable efforts to procure a legally binding status of the Company as a preferred partner of Legendary, under which the Company will be offered the first right to negotiate and the right to match with respect to Legendary's commercial ventures in China relating to the strategic opportunities contemplated by the MOU and described in this announcement, as both parties deepen their business engagement.

The MOU is not intended to be, and does not constitute, a legally binding agreement between the parties with respect to the matters addressed therein.

## **INFORMATION ABOUT 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 June 2010, the Group operates 29 multiplexes with collectively 229 screens across Mainland 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 a Delaware limited liability company. The principal business activity of Legendary is the co-financing and production of theatrical motion pictures.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Company has been engaged in film production, financing, distribution and exhibition business for decades. It has been always the strategy of the Company to fully integrate into the value chain of the motion picture business. Given the uncertainty of returns in connection with film production and financing, the Company has considered that investing in international studio with a proven track record is a commercially viable business model.

The Board believes that Legendary, with its outstanding track record and promising pipeline motion pictures, represents one of the best available opportunities to the Company for perfecting its strategy.

The Board considers the terms and conditions contained in each of the Transaction Documents and the Transaction contemplated thereunder are fair and reasonable, and believe that the Transaction is a viable investment which will broaden the asset and earning base of the Group, and as a result beneficial to and in the interests of the Group and its shareholders as a whole. In addition, the strategic partnership with Legendary, if materialized, will open to the Group new opportunities to tap the nascent PRC motion picture market, and bring notable benefits for the Group. The Group funded the Transaction by internal cash surplus.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Legendary and the Other Investors and their respective ultimate beneficial owner(s) are independent third parties of the Company and its connected persons.

The Transaction constitutes a discloseable transaction for the Company under the Listing Rules as the calculations of the assets ratio, the consideration ratio, the revenue ratio and the dividend ratio (as an alternative test) are within the range of 5% and 25%. The dividend ratio is used as an alternative test pursuant to Rule 14.20 of the Listing Rules.

The Company has applied to the Stock Exchange for a waiver of the disclosure requirements under Rules 14.58(6) and 14.58(7) of the Listing Rules and as of the date hereof, the Stock Exchange is still considering such waiver application. The Company will continue its discussions with the Stock Exchange in relation to such waiver application and, if required, will make further announcement after the Stock Exchange has reached its final decision regarding such waiver application.

## **SUSPENSION AND RESUMPTION OF TRADING**

Trading in the securities of the Company was suspended at the request of the Company with effect from 9:30 a.m. on 24 September 2010 pending the issue of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the securities of the Company with effect from 9:30 a.m. on 27 September 2010.

## **DEFINITIONS**

“Board”	the board of Directors
“Common Unitholder”	holder of Common Units
“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

“Consideration”	USD25 million, the consideration of acquiring the Common Units
“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
“Legendary”	Legend Pictures, LLC, a Delaware limited liability company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Other Investors”	other investors of Legendary who are parties to the Transaction
“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
“PDT”	Pacific Daylight Time
“PRC”	the People’s Republic of China
“Reorganization”	the reorganization of Legendary contemplated under the Reorganization Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transactions contemplated under the Transaction Documents
“Transaction Documents”	the P&S Agreement, the Reorganization Agreement and the LLC Agreement
“USD”	United States dollars, the currency of the United States of America
“%”	per cent.

*For the purposes of this announcement, unless otherwise specified, conversions of USD into Hong Kong dollars are based on the exchange rate of USD1.00 to HK\$7.78, for the purposes of illustration only. No representation is made that any amount in USD or Hong Kong dollars could have been or could be converted at the above rate or at any other rates.*

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

Hong Kong, 27 September 2010

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

*Chairman and Executive Director:*

Mr. Wu Kebo

*Executive Directors:*

Mr. Chang Tat Joel

Mr. Tan Poon 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