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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)

ANNOUNCEMENT

(1) CONNECTED TRANSACTIONS – DISPOSAL OF 100% EQUITY INTEREST IN PANASIA CINEMEDIA (SHENZHEN) CO. LTD. AND DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL AND SHAREHOLDER’S LOAN OF PANASIA CINEMA ADVERTISING LIMITED

(2) CONTINUING CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS – DISPOSAL OF 100% EQUITY INTEREST IN PANASIA CINEMEDIA (SHENZHEN) CO. LTD. AND DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL AND SHAREHOLDER’S LOAN OF PANASIA CINEMA ADVERTISING LIMITED

On 8 December 2010, the Vendor, an indirect wholly-owned subsidiary of the Company, as vendor has entered into an equity interest transfer agreement and a transfer agreement with the PRC Purchaser and the HK Purchaser as purchasers respectively whereby the Vendor has agreed to transfer 100% equity interest in Panasia Cinemedia to the PRC Purchaser and the entire issued share capital and shareholder’s loan of Panasia Cinema to the HK Purchaser at the aggregate consideration of approximately HK\$20,360,000.

Both the PRC Purchaser and the HK Purchaser are indirect wholly-owned subsidiaries of Orange Sky, being a substantial shareholder of the Company as at the date of this announcement. Under the Listing Rules, Orange Sky and its associates (including without limitation, the PRC Purchaser and the HK Purchaser) are connected persons of the Company, and hence, the PRC Equity Transfer and the HK Transfer constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the PRC Equity Transfer and the HK Transfer are more than 0.1% but less than 5% on an aggregate basis, the PRC Equity Transfer and the HK Transfer constitute connected transactions exempted from the independent shareholders’ approval requirement for the Company under Rule 14A.32 of the Listing Rules.

* *For identification purposes only*

CONTINUING CONNECTED TRANSACTIONS

On 30 March 2010, OSGH (China) and Panasia Cinemedia have entered into the Shenzhen Advertising Agreement in relation to certain rights granted by OSGH (China) to Panasia Cinemedia for the PRC Screen Advertisements and the PRC In-foyer Advertisements at Golden Harvest Shenzhen Cinema operated by OSGH (China). In addition, on 25 April 2010, OSGH (China) and Panasia Cinemedia have entered into the PRC Master Screen Advertising Agreement in relation to certain rights granted by OSGH (China) to Panasia Cinemedia for the PRC Screen Advertisements at 40 cinemas operated or to be operated by OSGH (China) Group in the PRC. It is a term of the PRC Equity Transfer that the PRC Advertising Supplemental Agreement be entered into between OSGH (China) and Panasia Cinemedia upon completion of the PRC Equity Transfer to, inter alia, amend and fix the term of the Shenzhen Advertising Agreement and the PRC Master Screen Advertising Agreement so that they will expire on 31 December 2013 and to broaden the coverage of the PRC Master Screen Advertising Agreement to include any other cinemas to be operated by OSGH (China) Group in the PRC prior to 31 December 2013.

On 1 December 2010, City Entertainment and Panasia Cinema have entered into the HK Advertising Agreement in relation to the appointment of Panasia Cinema as the exclusive agent of City Entertainment to procure the HK Screen Advertisements and the HK In-foyer Advertisements for the cinemas operated and managed by City Entertainment in Hong Kong.

Under the Listing Rules, Orange Sky, being a substantial shareholder of the Company as at the date of this announcement, and its associates are connected persons of the Company. Upon completion of the PRC Equity Transfer and the HK Transfer, Panasia Cinemedia and Panasia Cinema will become indirect wholly-owned subsidiaries of Orange Sky and thus become connected persons of the Company. As such, after completion of the PRC Equity Transfer and the HK Transfer, the transactions as contemplated under the Shenzhen Advertising Agreement and the PRC Master Screen Advertising Agreement (as amended and supplemented by the PRC Advertising Supplemental Agreement) and the HK Advertising Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the Caps of the transactions contemplated under the Shenzhen Advertising Agreement and the PRC Master Screen Advertising Agreement (as amended and supplemented by the PRC Advertising Supplemental Agreement) and the HK Advertising Agreement are expected to exceed 0.1% but less than 5% on an annual basis, such transactions are only subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

On 8 December 2010, the Vendor, an indirect wholly-owned subsidiary of the Company, as vendor has entered into an equity interest transfer agreement and a transfer agreement with the PRC Purchaser and the HK Purchaser as purchasers respectively whereby the Vendor has agreed to transfer 100% equity interest in Panasia Cinemedia to the PRC Purchaser and the entire issued share capital and shareholder's loan of Panasia Cinema to the HK Purchaser at the aggregate consideration of approximately HK\$20,360,000.

(A) *DISPOSAL OF 100% EQUITY INTEREST IN PANASIA CINEMEDIA*

On 8 December 2010, an equity interest transfer agreement was entered into between the Vendor as vendor and the PRC Purchaser as purchaser whereby the Vendor has agreed to transfer 100% equity interest in Panasia Cinemedia at the consideration of RMB16,000,000 (equivalent to approximately HK\$18,560,000) to the PRC Purchaser. The principal terms of the PRC Equity Transfer Agreement are set out below:–

- Date:** 8 December 2010
- Parties:** The Vendor as vendor
The PRC Purchaser as purchaser
- Subject matter:** 100% equity interest in Panasia Cinemedia (being RMB6,000,000 of the registered capital as at the date of the PRC Equity Transfer Agreement)
- Consideration:** RMB16,000,000 (equivalent to approximately HK\$18,560,000), which shall be payable by the PRC Purchaser in the following manner:–
- (i) 20% of the consideration in the sum of RMB3,200,000 to be paid in cash by the PRC Purchaser within 5 days from the date of signing of the PRC Equity Transfer Agreement;
 - (ii) 30% of the consideration in the sum of RMB4,800,000 to be paid in cash by the PRC Purchaser within 5 days from the date when the parties apply to the relevant government authorities for the approval and registration of the PRC Equity Transfer; and
 - (iii) the balance of the consideration in the sum of RMB8,000,000 to be paid in cash by the PRC Purchaser within 5 days after the handover of the management right of Panasia Cinemedia to the PRC Purchaser or before 31 December 2010 (whichever is the earlier).

Completion:

The PRC Equity Transfer will be completed upon full payment of the consideration and the handover of the management right of Panasia Cinemedia to the PRC Purchaser. The parties shall apply to the relevant government authorities for the approval and registration of the PRC Equity Transfer within 5 days from the date of signing of the PRC Equity Transfer Agreement. In the event that the consideration is fully paid by the PRC Purchaser prior to 31 December 2010 pursuant to the PRC Equity Transfer Agreement, the PRC Purchaser shall be entitled to the rights, and shall assume the obligations, of Panasia Cinemedia after 31 December 2010.

In the event that the PRC Equity Transfer Agreement and the relevant supplemental agreement become invalid or cannot be further performed due to the failure in obtaining the approval from the relevant authorities, the Vendor shall refund to the PRC Purchaser the consideration for the PRC Equity Transfer already received and the PRC Purchaser shall handover the management right of Panasia Cinemedia back to the Vendor within 15 business days from the date when the parties confirm that the PRC Equity Transfer Agreement and the relevant supplemental agreement become invalid or cannot be further performed.

On the same date, a supplemental agreement was entered into between the Vendor, the PRC Purchaser, OSGH (China) and Panasia Cinemedia which amended and supplemented the PRC Equity Transfer Agreement. Under the PRC Equity Transfer Supplemental Agreement, inter alia:—

- (a) the Vendor has authorized Panasia Cinemedia to use (on a non-exclusive basis) the name of Panasia Cinemedia and the Company's logo in the PRC in a specified format in its lawful business operations within its current business scope for no consideration for 3 years after the completion of the PRC Equity Transfer, provided that the Vendor shall be entitled to terminate such authorization if the PRC Purchaser disposes of all or any of its equity interest in Panasia Cinemedia to any independent third parties (being natural person or companies which are not associated with Orange Sky); and
- (b) OSGH (China) and Panasia Cinemedia agreed that they would enter into a supplemental agreement to the Shenzhen Advertising Agreement and the PRC Master Screen Advertising Agreement upon completion of the PRC Equity Transfer to, inter alia, amend and fix the term of the Shenzhen Advertising Agreement and the PRC Master Screen Advertising Agreement so that they will expire on 31 December 2013 and to broaden the coverage of the PRC Master Screen Advertising Agreement to include any other cinemas to be operated by OSGH (China) Group in the PRC prior to 31 December 2013.

Definitive agreements have been or will be entered into between each of the companies which operates the relevant cinemas and Panasia Cinemedia from time to time in relation to the transactions contemplated under the PRC Master Screen Advertising Agreement upon and subject to the terms and conditions of the PRC Master Screen Advertising Agreement. OSGH (China) will also procure each of the companies which operates the relevant cinemas to enter into supplemental agreements with Panasia Cinemedia to amend and fix the term of the definitive agreements which have been entered into between the relevant parties so that they will expire on 31 December 2013.

Information of Panasia Cinemedia

Panasia Cinemedia is principally engaged in the provision of distribution and agency services for advertisements and is a party to some advertising agency contracts with several established or to be established cinemas. As at 31 October 2010, a sum of approximately RMB1,872,000 was due to the Vendor from Panasia Cinemedia and a net sum of approximately RMB3,483,000 was due from other members of the Group to Panasia Cinemedia, which are repayable upon demand.

The financial highlights of Panasia Cinemedia are set out below:–

	For the year ended 31 December 2008	For the year ended 31 December 2009	For the 10 months ended 31 October 2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total assets value	9,337	10,629	11,825
Net assets	7,403	8,039	8,228
Profit before taxation	1,453	852	124
Profit after taxation	1,090	636	189

Note: The financial figures for each of the two financial years ended 31 December 2008 and 31 December 2009 were based on the audited accounts of Panasia Cinemedia which were prepared in accordance with accounting principles and practices generally accepted in PRC and the financial figures for the 10 months ended 31 October 2010 were prepared based on the unaudited accounts of Panasia Cinemedia which were prepared in accordance with accounting principles and practices generally accepted in PRC.

Upon completion of the PRC Equity Transfer, the Group will cease to hold any equity interest in Panasia Cinemedia and accordingly Panasia Cinemedia will cease to be a subsidiary of the Company.

(B) DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL AND SHAREHOLDER'S LOAN OF PANASIA CINEMA

On 8 December 2010, a transfer agreement was entered into between the Vendor as vendor and the HK Purchaser as purchaser whereby the Vendor has agreed to transfer the entire issued share capital and shareholder's loan of Panasia Cinema at the total consideration of HK\$1,800,000 to the HK Purchaser. It is intended that Panasia Cinema will carry on the operation of the cinema advertising business previously carried on by the Vendor and for this purpose, certain fixed assets and the employment of its employees in relation to its cinema advertising business have been transferred by the Vendor to Panasia Cinema and the rights and obligations in all existing cinema advertising services agency agreements entered into by the Vendor with other cinemas will be transferred to Panasia Cinema. As from 1 December 2010, any new agreements in relation to the cinema advertising business of the Group will be entered into by Panasia Cinema instead of the Vendor.

The principal terms of the HK Transfer Agreement are set out below:–

- Date:** 8 December 2010
- Parties:** The Vendor as vendor
The HK Purchaser as purchaser
Panasia Cinema
- Subject matter:** (i) 10,000 ordinary shares of HK\$1 each representing the entire issued share capital of Panasia Cinema; and
- (ii) all amounts, whether principal or interest, owing by Panasia Cinema to the Vendor as at completion of the HK Transfer.
- Consideration:** The total consideration of the HK Sale Shares and the HK Sale Loan is HK\$1,800,000, which shall be payable by the HK Purchaser in the following manner:–
- (i) 50% of the consideration in the sum of HK\$900,000 to be paid in cash by the HK Purchaser within 5 days from the date of signing of the HK Transfer Agreement; and
- (ii) the balance of the consideration in the sum of HK\$900,000 to be paid in cash by the HK Purchaser upon completion of the HK Transfer or on 31 December 2010 (whichever is the earlier).
- Completion:** The HK Transfer will be completed on 31 December 2010 or such other date as may be agreed between the parties.

Others:

The Vendor has agreed to endeavour to transfer all cinema advertising services agency agreements between the Vendor and other cinemas to Panasia Cinema before completion of the HK Transfer. Panasia Cinema shall be entitled to the benefits, and shall assume the obligations and risks, of such cinema advertising services agency agreements from the date of the transfer. However, if any cinema advertising services agency agreement between the Vendor and other cinemas cannot be transferred to Panasia Cinema before completion of the HK Transfer, the Vendor shall hold the rights of such agreements in trust for Panasia Cinema and Panasia Cinema shall at its own cost and for its own benefit perform and fulfil such agreements and be responsible for the liabilities and risks thereunder as from the date of completion of the HK Transfer until completion of the transfer of such agreement.

In relation to the existing advertising agreements between the Vendor and the advertisers (other than the cinema advertising services agency agreements), the Vendor has appointed Panasia Cinema to continue the performance of the same, but the Vendor shall be entitled to the benefits, and shall assume the obligations and risks, of such advertising agreements. In consideration of the performance of such agreements by Panasia Cinema for and on behalf of the Vendor, the Vendor shall reimburse Panasia Cinema the fees which it has to pay to the relevant cinemas and other relevant direct expenses (including production expenses) for the purpose of performing such agreements for and on behalf of the Vendor and Panasia Cinema shall receive 15% of the gross profit which may be gained by the Vendor out of the contract sums of such agreements which are yet to be received by the Vendor. Most of such agreements do not have a contract term beyond June 2011. The performance of such agreements by Panasia Cinema for and on behalf of the Vendor will constitute continuing connected transactions of the Company after completion of the HK Transfer, but as the applicable percentage ratios for the transaction amount are expected to be less than 0.1% on an annual basis, such transactions are exempt from the reporting, announcement, annual review and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Vendor has agreed to allow Panasia Cinema to use (on a non-exclusive basis) the Company's logo in Hong Kong in a specified format in its lawful business operations within its current business scope for 3 years after the completion of the HK Transfer, provided that the Vendor shall be entitled to terminate such authorization if the HK Purchaser disposes of all or any of its equity interests in Panasia Cinema to any independent third parties (being natural person or companies which are not associated with Orange Sky).

Information of Panasia Cinema

Panasia Cinema is a company newly incorporated in November 2010 with the intention that Panasia Cinema will carry on the operation of the cinema advertising business previously carried on by the Vendor. For this purpose, certain fixed assets and the employment of its employees in relation to its cinema advertising business have been transferred by the Vendor to Panasia Cinema and the rights and obligations in all existing cinema advertising services agency agreements entered into by the Vendor with other cinemas will be transferred to Panasia Cinema.

Based on the unaudited accounts of Panasia Cinema as at 30 November 2010 which were prepared in accordance with accounting principles and practices generally accepted in Hong Kong, the unaudited total assets of Panasia Cinema was approximately HK\$679,000 and the unaudited net assets of Panasia Cinemas was HK\$10,000. No profit or loss has been recorded in the unaudited accounts of Panasia Cinema as at 30 November 2010.

The following unaudited pro forma financial highlights of Panasia Cinema, based on the judgments and assumptions of the Directors, have been prepared to illustrate the effect of the transfer of the cinema advertising business from the Vendor to Panasia Cinema, as if the transfer had taken place on 1 January 2008 and Panasia Cinema had only run the cinema advertising business for the financial periods.

	Pro forma For the year ended 31 December 2008 (HK\$'000)	Pro forma For the year ended 31 December 2009 (HK\$'000)	Pro forma For the 10 months ended 31 October 2010 (HK\$'000)
Profit before taxation	736	1	113
Profit after taxation	736	1	113

Note: The financial figures are for illustration purposes only, and because of its hypothetical nature, it does not purport to describe the actual financial performance of Panasia Cinema for the above financial periods or in the future.

Upon completion of the HK Transfer, the Group will cease to hold any shareholding interests in Panasia Cinema and accordingly Panasia Cinema will cease to be a subsidiary of the Company.

REASONS AND BENEFITS FOR THE PRC EQUITY TRANSFER AND THE HK TRANSFER

In view of the pace of the Group's development in cinema operation in the PRC, the Group has put its focus in terms of effort and financial resources in the management and operation of cinemas. Besides, Orange Sky has substantial experience in the provision of advertising agency services in the television, film and radio industry. After taking into account the benefits which may be brought by the business specialization and integration after the

PRC Equity Transfer and the HK Transfer and the fact that Panasia Cinemedia and Panasia Cinema will continue to serve the cinemas operated by the Group pursuant to the PRC Master Screen Advertising Agreement and the Shenzhen Advertising Agreement (as amended and supplemented by the PRC Advertising Supplemental Agreement) and the HK Advertising Agreement, the Board considers that it will be to the benefit of the Group to enter into the PRC Equity Transfer and the HK Transfer.

The consideration for the PRC Equity Transfer and the HK Transfer was determined after arm's length negotiation between the Vendor, the PRC Purchaser and the HK Purchaser based on normal commercial terms and with reference to the historical financial performance of Panasia Cinemedia and Panasia Cinema on an overall basis, after taking into account price-to-earnings ratio of 28.05 and 10.29 computed based on the pro forma net profits for the financial years ended 31 December 2008 and 31 December 2009 respectively, which are considered by the Board to be fair and reasonable for the business of Panasia Cinemedia and Panasia Cinema.

The Company estimates that the expected gain of the PRC Equity Transfer and the HK Transfer to the Group is approximately HK\$10,606,000 based on the net assets of Panasia Cinemedia of approximately HK\$9,544,000 as at 31 October 2010, the net assets of Panasia Cinema of HK\$10,000 as at 30 November 2010 and the estimated transaction costs. The Company intends to use the net proceeds (after deducting relevant expenses in connection with the PRC Equity Transfer and the HK Transfer) as general working capital of the Group. Pending the use for these purposes, the Directors intend to place the net proceeds of the PRC Equity Transfer and the HK Transfer on bank deposit.

The Directors (including the independent non-executive Directors) are of the view that the terms of the PRC Equity Transfer and the HK Transfer are on normal commercial terms and are fair and reasonable to the Company and in the interests of the Company and the shareholders of the Company as a whole.

INFORMATION OF THE GROUP, THE PRC PURCHASER AND THE HK PURCHASER

The Company is 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 consist of worldwide film and video distribution, film exhibition in Hong Kong, Mainland China, Taiwan and Singapore and films and television programmes production, provision of advertising and consulting services in Mainland China. 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.

The PRC Purchaser is established under the laws of the PRC with limited liability and is principally engaged in the marketing and advertising services in the PRC.

The HK Purchaser is incorporated in Hong Kong with limited liability and its principal activity is investment holding.

IMPLICATIONS UNDER THE LISTING RULES

Both the PRC Purchaser and the HK Purchaser are indirect wholly-owned subsidiaries of Orange Sky, being a substantial shareholder of the Company as at the date of this announcement. Under the Listing Rules, Orange Sky and its associates (including without limitation, the PRC Purchaser and the HK Purchaser) are connected persons of the Company, and hence, the PRC Equity Transfer and the HK Transfer constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the PRC Equity Transfer and the HK Transfer are more than 0.1% but less than 5% on an aggregate basis, the PRC Equity Transfer and the HK Transfer constitute connected transactions exempted from the independent shareholders' approval requirement for the Company under Rule 14A.32 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(A) SHENZHEN ADVERTISING AGREEMENT

On 30 March 2010, OSGH (China) and Panasia Cinemedia have entered into the Shenzhen Advertising Agreement in relation to certain rights granted by OSGH (China) to Panasia Cinemedia for the PRC Screen Advertisements and the PRC In-foyer Advertisements at Golden Harvest Shenzhen Cinema operated by OSGH (China). It is a term of the PRC Equity Transfer that the PRC Advertising Supplemental Agreement be entered into between OSGH (China) and Panasia Cinemedia upon completion of the PRC Equity Transfer. The principal terms of the Shenzhen Advertising Agreement (as amended and supplemented by the PRC Advertising Supplemental Agreement) will be as follows:–

Parties:	OSGH (China) Panasia Cinemedia
Subject matter:	Panasia Cinemedia will be granted the exclusive right to screen and procure the PRC Screen Advertisements and PRC In-foyer Advertisements at Golden Harvest Shenzhen Cinema (嘉禾深圳影城) operated by OSGH (China), and be entitled to receive payments in relation thereto.
Duration:	From 1 April 2010 to 31 December 2013, which may be renewed by the parties subject to mutual agreement to be reached within 3 months before the expiration of the said term.
Annual fees:	The annual fees payable by Panasia Cinemedia for the grant of the aforementioned rights for the first two years commencing from 1 April 2010 shall be RMB2,200,000 and RMB2,400,000 respectively. The annual fees payable by Panasia Cinemedia for the grant of the aforementioned rights for subsequent periods commencing from 1 April 2012 and ending on 31 December 2013 shall be subject to an increment of 10%.

The annual fees for the grant of the aforementioned rights shall be paid by Panasia Cinemedia to OSGH (China) on a quarterly basis.

In addition, if there is time overrun in the screening of the PRC Screen Advertisements, overrun charges will be imposed by OSGH (China).

Others:

Panasia Cinemedia shall have the right to determine the contents of the PRC Screen Advertisements and the PRC In-foyer Advertisements, which shall be in accordance with the relevant laws and regulations stipulated by the State Administration for Industry and Commerce of the PRC and shall be approved by OSGH (China) before screening or display. OSGH (China) is entitled to refuse to screen, or to request for amendments be made to, any PRC Screen Advertisements and PRC In-foyer Advertisements which are not in compliance with the forms and contents under the mandatory requirements of the relevant laws and regulations.

Further, OSGH (China) shall not screen any advertisements (other than those for the promotion of the films, the cinema and those for promotion of charity as arranged by the government) without the consent of Panasia Cinemedia.

If agreed and authorized by OSGH (China), Panasia Cinemedia shall have the right to act as OSGH (China)'s agent in soliciting other media-related businesses for the cinema, including press conferences for film stars, film premiere, etc.

During the term of the Shenzhen Advertising Agreement, Panasia Cinemedia shall provide OSGH (China) with equipments for screening and displaying digital films for the purpose of those PRC Screen Advertisements and PRC In-foyer Advertisements which are in digital format.

Basis of the fees payable by Panasia Cinemedia under the Shenzhen Advertising Agreement (as amended):

The annual fees payable by Panasia Cinemedia under the Shenzhen Advertising Agreement (as amended) have been negotiated on arm's length basis and on normal commercial terms and with reference to the historical and the projected revenue which may be generated from the PRC Screen Advertisements and the PRC In-foyer Advertisements at Golden Harvest Shenzhen Cinema as well as revenue sharing ratios offered by Panasia Cinemedia to other cinemas.

Historical amounts:

The aggregate amounts paid by Panasia Cinemedia to OSGH (China) under the Shenzhen Advertising Agreement in respect of the 10 months ended 31 October 2010 were approximately RMB1,460,000.

(B) PRC MASTER SCREEN ADVERTISING AGREEMENT

On 25 April 2010, OSGH (China) and Panasia Cinemedia have entered into the PRC Master Screen Advertising Agreement in relation to certain rights granted by OSGH (China) to Panasia Cinemedia for the PRC Screen Advertisements at 40 cinemas operated or to be operated by OSGH (China) Group in the PRC. It is a term of the PRC Equity Transfer that the PRC Advertising Supplemental Agreement be entered into between OSGH (China) and Panasia Cinemedia upon completion of the PRC Equity Transfer. The principal terms of the PRC Master Screen Advertising Agreement (as amended and supplemented by the PRC Advertising Supplemental Agreement) will be as follows:–

- Parties:** OSGH (China)
Panasia Cinemedia
- Subject matter:** Panasia Cinemedia will be granted the exclusive right to screen and procure the PRC Screen Advertisements at all cinemas operated or to be operated by OSGH (China) Group in the PRC prior to 31 December 2013, and be entitled to receive payments in relation thereto.
- Duration:** From 1 May 2010 to 31 December 2013, which may be renewed by the parties subject to mutual agreement to be reached within 3 months before the expiration of the said term.
- Annual fees:** The annual fees payable by Panasia Cinemedia for the grant of the aforementioned rights for the first two years commencing from 1 May 2010 or the date of commencement of business of the relevant cinema(s) (whichever is the later) (“**Original Term**”) have been agreed for 33 cinemas operated or to be operated by OSGH (China) Group (the “**Identified Cinemas**”).

The aggregate annual fees payable by Panasia Cinemedia for the grant of the aforementioned rights at the Identified Cinemas for the first year of their commencement of business shall be approximately RMB8,790,000, which shall be subject to an increment of 10% or such other sum as specified in the PRC Master Screen Advertising Agreement after the first year and an increment of 10% after the second year.

The annual fees payable by Panasia Cinemedia for the grant of such rights for other cinemas to be operated by OSGH (China) Group in the PRC prior to 31 December 2013 shall be negotiated on arm's length basis and on normal commercial terms.

The annual fees for the grant of the aforementioned rights shall be paid by Panasia Cinemedia to OSGH (China) Group in advance on a quarterly basis, save that if the date of commencement of business of a cinema is subsequent to the relevant payment date, the relevant payment can be paid together with the next quarterly payment.

In addition, if there is time overrun in the screening of the PRC Screen Advertisements, overrun charges will be imposed by OSGH (China) Group.

Others:

Panasia Cinemedia shall have the right to determine the contents of the PRC Screen Advertisements, which shall be in accordance with the relevant laws and regulations stipulated by the State Administration for Industry and Commerce of the PRC and shall be approved by OSGH (China) Group before screening. OSGH (China) Group is entitled to refuse to screen, or to request for amendments be made to, any PRC Screen Advertisement which are not in compliance with the forms and contents under the mandatory requirements of the relevant laws and regulations.

Further, OSGH (China) Group shall not screen any advertisements (other than those for the promotion of the films, the cinemas and those for promotion of charity as arranged by the government) without the consent of Panasia Cinemedia.

If agreed and authorized by OSGH (China) Group, Panasia Cinemedia shall have the right to act as OSGH (China) Group's agent in soliciting other media-related businesses for the cinemas operated or to be operated by OSGH (China) Group, including press conferences for film stars, film premiere, etc.

Basis of the fees payable by Panasia Cinemedia under the PRC Master Screen Advertising Agreement (as amended):

The annual fees payable by Panasia Cinemedia for the grant of the aforementioned rights at the Identified Cinemas for the Original Term and the subsequent periods thereafter have been negotiated on arm's length basis and on normal commercial terms and with reference to the terms offered by an independent third party at the material time for the grant of similar rights by OSGH (China) Group.

The annual fees payable by Panasia Cinemedia for the grant of such rights at other cinemas to be operated by OSGH (China) Group in the PRC prior to 31 December 2013 shall be negotiated on arm's length basis and on normal commercial terms after taking into account the locations of such cinemas, the fee rates paid by Panasia Cinemedia to OSGH (China) Group for existing cinemas and the commencement date of the operation of such cinemas.

Historical amounts:

The aggregate amounts paid by Panasia Cinemedia to OSGH (China) Group under the PRC Master Screen Advertising Agreement in respect of the 10 months ended 31 October 2010 were approximately RMB583,000.

(C) HK ADVERTISING AGREEMENT

On 1 December 2010, City Entertainment and Panasia Cinema entered into the HK Advertising Agreement in relation to the appointment of Panasia Cinema as the exclusive agent of City Entertainment to procure the HK Screen Advertisements and the HK In-foyer Advertisements for the cinemas operated and managed by City Entertainment in Hong Kong. The principal terms of the HK Advertising Agreement will be as follows:–

Parties: City Entertainment
Panasia Cinema

Subject matter: Panasia Cinema will be appointed as the exclusive advertising agent to procure the HK Screen Advertisements and the HK In-foyer Advertisements for the cinemas operated and managed by City Entertainment in Hong Kong.

The materials of the HK Screen Advertisements to be delivered by Panasia Cinema to City Entertainment shall be no more than 8 minutes per screen.

Duration: From 1 December 2010 to 30 November 2012 (both days inclusive), which may be extended by the parties for another 2 years subject to mutual agreement to be reached at least 3 months before the expiration of the said term.

Fees: Panasia Cinema shall pay City Entertainment a share of the advertising revenue which is calculated by multiplying the gross advertising revenue generated from the HK Screen Advertisements and/or the HK In-foyer Advertisements exhibited and/or displayed at the cinemas operated and managed by City Entertainment, with the relevant revenue sharing ratio as agreed by the parties in the HK Advertising Agreement. The revenue sharing ratio of City Entertainment ranges from 60% to 70% of the gross advertising revenue generated from the aforementioned HK Screen Advertisements and/or the HK In-foyer Advertisements.

City Entertainment's share of advertising revenue shall be payable by Panasia Cinema within 45 days after its receipt of the invoice from City Entertainment.

Others:

Panasia Cinema shall use its best endeavours to ensure that:–

- (a) the HK Screen Advertisements and the HK In-foyer Advertisements being procured shall not be indecent or obscene and/or likely to cause offence to the general public. It shall also comply with the censorship rating practice regarding the HK Screen Advertisements, failing which City Entertainment, following consultation with Panasia Cinema, shall have the absolute right to refuse to exhibit and/or display advertisements which contain contents which are likely to offend the general public due to the nature of product and/or service being advertised; and
- (b) materials for the HK In-foyer Advertisements being supplied for display shall be of a quality compatible to be displayed at a first-class cinema and shall not cause damage to the fitting-out materials of the cinemas.

Panasia Cinema shall base on the price list with specified media price range per item provided by City Entertainment in its proposal to customers. Panasia Cinema shall get City Entertainment's approval should the proposed price is lower than the price list.

Unless otherwise provided, City Entertainment shall not during the term of the HK Advertising Agreement appoint any other third parties to perform services identical to, or similar to those provided by Panasia Cinema under the HK Advertising Agreement or which would compete with the business of Panasia Cinema and Panasia Cinema shall not be precluded from providing similar services to other parties during the term of the HK Advertising Agreement.

Basis of the fees payable by Panasia Cinemedia under the HK Advertising Agreement:

The fees payable by Panasia Cinemedia under the HK Advertising Agreement are calculated according to the revenue sharing ratio as agreed by the parties in the HK Advertising Agreement which have been negotiated on arm's length basis and on normal commercial terms and with reference to the projected revenue which may be generated from the HK Screen Advertisements and the HK In-foyer Advertisements at the cinemas operated and managed by City Entertainment and a revenue sharing ratio taking into account the ratios as stipulated in the cinema advertising services agency agreements previously entered into between the Vendor and other cinemas and which are to be transferred to Panasia Cinema.

Historical amounts:

As Panasia Cinema was only incorporated in November 2010, there have not been any historical transactions between Panasia Cinema and City Entertainment which are similar to the transactions contemplated under the HK Advertising Agreement. However, the aggregate amount paid by the Vendor to City Entertainment for being the exclusive advertising agent to procure the HK Screen Advertisements and the HK In-foyer Advertisements for the cinemas operated and managed by City Entertainment in Hong Kong in respect of the 10 months ended 31 October 2010 was approximately HK\$542,000.

CAPS AND BASIS OF DETERMINATION OF SUCH CAPS:

The Caps of the transactions contemplated under the PRC Master Screen Advertising Agreement and the Shenzhen Advertising Agreement (as amended and supplemented by the PRC Advertising Supplemental Agreement) are set out as follows:

Caps for the year ending 31 December
2011 **2012** **2013**
(RMB'000) *(RMB'000)* *(RMB'000)*

Aggregate amount payable by Panasia Cinemedia to OSGH (China) Group for transactions contemplated under the PRC Master Screen Advertising Agreement and the Shenzhen Advertising Agreement (as amended and supplemented by the PRC Advertising Supplemental Agreement)	13,000	22,000	33,000
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The above Caps were determined by reference to the average annual fee per screen with the consideration of the location of new screens established and to be established and the number of screens operated and to be operated. As the Group expects to operate about 300 screens more in 2011 and a further addition of 200 screens in each of the years 2012 and 2013, it is expected that the amount payable by Panasia Cinemedia to OSGH (China) Group for transactions contemplated under the PRC Master Screen Advertising Agreement and the Shenzhen Advertising Agreement (as amended and supplemented by the PRC Advertising Supplemental Agreement) will significantly increase from 2011 to 2013.

The Caps of the transactions contemplated under the HK Advertising Agreement are set out as follows:

Caps for the year ending
31 December
2011 **2012**
(HK\$'000) *(HK\$'000)*

Aggregate amount payable by Panasia Cinema to City Entertainment for transactions contemplated under the HK Advertising Agreement	1,000	1,000
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The above Caps were determined by reference to projections based on current level of cinema advertising revenue.

REASONS AND BENEFITS FOR THE PRC MASTER SCREEN ADVERTISING AGREEMENT AND THE SHENZHEN ADVERTISING AGREEMENT (AS AMENDED AND SUPPLEMENTED BY THE PRC ADVERTISING SUPPLEMENTAL AGREEMENT) AND THE HK ADVERTISING AGREEMENT

From the Group's past experience, the pace of growth of screen advertising income is slower than that of box office, so the Group plans to focus more on the management and operation of cinemas. The above continuing connected transactions will continue to generate stable income to the Group by receiving annual fees from Panasia Cinemedia and Panasia Cinema. The Board considered that it will be to the benefit of the Group to enter into the PRC Master Screen Advertising Agreement and the Shenzhen Advertising Agreement (as amended and supplemented by the PRC Advertising Supplemental Agreement) and the HK Advertising Agreement.

The Directors (including the independent non-executive Directors) are of the view that the terms of the PRC Master Screen Advertising Agreement and the Shenzhen Advertising Agreement (as amended and supplemented by the PRC Advertising Supplemental Agreement) and the HK Advertising Agreement are and will be entered into in the ordinary and usual course of business of the Group and are and will be on normal commercial terms and the terms thereof and the Caps are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS:

Under the Listing Rules, Orange Sky, being a substantial shareholder of the Company as at the date of this announcement, and its associates are connected persons of the Company. Upon completion of the PRC Equity Transfer and the HK Transfer, Panasia Cinemedia and Panasia Cinema will become indirect wholly-owned subsidiaries of Orange Sky and thus become connected persons of the Company. As such, after completion of the PRC Equity Transfer and the HK Transfer, the transactions as contemplated under the PRC Master Screen Advertising Agreement and the Shenzhen Advertising Agreement (as amended and supplemented by the PRC Advertising Supplemental Agreement) and the HK Advertising Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the Caps of the transactions contemplated under the PRC Master Screen Advertising Agreement and the Shenzhen Advertising Agreement (as amended and supplemented by the PRC Advertising Supplemental Agreement) and the HK Advertising Agreement are expected to exceed 0.1% but less than 5% on an annual basis, such transactions are only subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Wu Kebo, being a Director, is the controlling shareholder and director of Orange Sky and Ms. Wu Keyan is the sister of Mr. Kebo and is an associate of Mr. Wu Kebo under Chapter 14A of the Listing Rules. In view of their interests above, Mr. Wu Kebo and Ms. Wu Keyan have abstained from voting on the relevant board resolution(s) for approving the PRC Equity

Transfer, the HK Transfer, the PRC Master Screen Advertising Agreement and the Shenzhen Advertising Agreement (as amended and supplemented by the PRC Advertising Supplemental Agreement) and the HK Advertising Agreement and the transactions contemplated thereunder. Other than Mr. Wu Kebo and Wu Keyan, none of the Directors has a material interest in the relevant matters and none of them is required to abstain from voting on the relevant board resolutions under the bye-laws of the Company or the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

“associate(s)”	the meaning ascribed to it in the Listing Rules;
“Board” or “Director(s)”	the board of directors of the Company;
“Caps”	for the purpose of Chapter 14A of the Listing Rules, means the proposed annual caps of the Shenzhen Advertising Agreement and the PRC Master Screen Advertising Agreement (as amended and supplemented by the PRC Advertising Supplemental Agreement) for each of the three financial years ending 31 December 2013 and the proposed annual caps of the HK Advertising Agreement for each of the two financial years ending 31 December 2012 set out under the section headed “CONTINUING CONNECTED TRANSACTIONS” in this announcement;
“City Entertainment”	City Entertainment Corporation Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company;
“Company”	Orange Sky Golden Harvest Entertainment (Holdings) Limited (橙天嘉禾娛樂(集團)有限公司*), a company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange;
“connected person(s)”	the meaning ascribed to it in the Listing Rules;
“Group”	the Company and its subsidiaries;
“HK Advertising Agreement”	the screen advertising agreement entered into between City Entertainment and Panasia Cinema dated 1 December 2010 in relation to the appointment of Panasia Cinema as the exclusive advertising agent to procure the HK Screen Advertisements and the HK In-foyer Advertisements for the cinemas operated and managed by City Entertainment in Hong Kong;

“HK In-foyer Advertisements”	the advertisements to be displayed at the cinemas operated and managed by City Entertainment in Hong Kong by using the foyer and facilities of the cinemas, which include but are not limited to the form of “in-foyer display”, “popcorn and drink container advertisements”, “light box or LCD advertisements” and “product sampling and flyer distribution”, etc.;
“HK Purchaser”	Orange Sky Entertainment International Holding Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Orange Sky;
“HK Sale Loan”	all amounts, whether principal or interest, owing by Panasia Cinema to the Vendor as at completion of the HK Transfer;
“HK Sale Shares”	10,000 ordinary shares of HK\$1 each in Panasia Cinema, representing the entire issued share capital of Panasia Cinema, owned by the Vendor prior to completion of the HK Transfer;
“HK Screen Advertisements”	the advertisements to be exhibited by direct projection at cinemas operated and managed by City Entertainment in Hong Kong (which, for the avoidance of doubt, exclude other movie related tie-in promotions procured by City Entertainment);
“HK Transfer”	the transfer of the HK Sale Shares and the HK Sale Loan by the Vendor to the HK Purchaser pursuant to the terms of the HK Transfer Agreement;
“HK Transfer Agreement”	the transfer agreement entered into between the Vendor, the HK Purchaser and Panasia Cinema dated 8 December 2010 in relation to the HK Transfer;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Orange Sky”	Orange Sky Entertainment Group (International) Holding Company Limited, a company incorporated in the British Virgin Islands which is a substantial shareholder of the Company holding approximately 15.95% of the issued share capital of the Company as at the date of this announcement;
“OSGH (China)”	Orange Sky Golden Harvest Cinemas (China) Co. Ltd., a company established in the PRC and an indirect wholly-owned subsidiary of the Company;

“OSGH (China) Group”	OSGH (China), the OS GH (China)’s subsidiaries and/or such other affiliated companies of OS GH (China) as may be specified by OS GH (China) from time to time;
“Panasia Cinema”	Panasia Cinema Advertising Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company prior to completion of the HK Transfer;
“Panasia Cinemedia”	Panasia Cinemedia (Shenzhen) Co. Ltd., a company established in the PRC and an indirect wholly-owned subsidiary of the Company prior to completion of the PRC Equity Transfer;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan);
“PRC Advertising Supplemental Agreement”	a supplemental agreement to be entered into between OS GH (China) and Panasia Cinemedia upon completion of the PRC Equity Transfer to amend and supplement the PRC Master Screen Advertising Agreement and the Shenzhen Advertising Agreement;
“PRC Equity Interest”	100% equity interest in Panasia Cinemedia owned by the Vendor prior to completion of the PRC Equity Transfer, being RMB6,000,000 of the registered capital of Panasia Cinemedia as at the date of the PRC Equity Transfer Agreement;
“PRC Equity Transfer”	the transfer of the PRC Equity Interest by the Vendor to the PRC Purchaser pursuant to the terms of the PRC Equity Transfer Agreement (as amended and supplemented by the PRC Equity Transfer Supplemental Agreement);
“PRC Equity Transfer Agreement”	the equity interest transfer agreement entered into between the Vendor and the PRC Purchaser dated 8 December 2010 in relation to the PRC Equity Transfer;
“PRC Equity Transfer Supplemental Agreement”	the supplemental agreement entered into between the Vendor, the PRC Purchaser, OS GH (China) and Panasia Cinemedia dated 8 December 2010 which amends and supplements the PRC Equity Transfer Agreement;
“PRC In-foyer Advertisements”	the advertisements to be displayed at the Golden Harvest Shenzhen Cinema (嘉禾深圳影城) operated by OS GH (China) by using the foyer and facilities of the cinemas;

“PRC Master Screen Advertising Agreement”	the master screen advertising agreement dated 25 April 2010 entered into between OSGH (China) and Panasia Cinemedia in relation to certain rights granted by OSGH (China) to Panasia Cinemedia for the PRC Screen Advertisements at 40 cinemas operated or to be operated by OSGH (China) Group in the PRC;
“PRC Purchaser”	北京橙天博鴻廣告有限公司, a company incorporated in the PRC and an indirect wholly-owned subsidiary of Orange Sky;
“PRC Screen Advertisements”	the advertisements to be screened during the 10-minute period prior to the screening of the films in all houses in the cinemas operated or to be operated by OSGH (China) Group in the PRC;
“Shenzhen Advertising Agreement”	the screen advertising agreement dated 30 March 2010 entered into between OSGH (China) and Panasia Cinemedia in relation to certain rights granted by OSGH (China) to Panasia Cinemedia for the PRC Screen Advertisements and the PRC In-foyer Advertisements at the Golden Harvest Shenzhen Cinema (嘉禾深圳影城) operated by OSGH (China);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	the meaning ascribed to it in the Listing Rules;
“Vendor”	Panasia Films Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company;
“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\$1.16 is used for reference only.

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

Hong Kong, 8 December 2010

List of all directors of the Company 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