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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)

INSIDE INFORMATION ON POTENTIAL CINEMA BUSINESS MERGER

This announcement is made by Orange Sky Golden Harvest Entertainment (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

POTENTIAL CINEMA BUSINESS MERGER

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to inform the shareholders of the Company and potential investors that on 9 December 2020, the Company entered into a Heads of Agreement (the “**Heads of Agreement**”) with mm2 Asia Limited (“**mm2**”), a company incorporated in Singapore whose shares are listed on the Main Board of The Singapore Exchange Securities Trading Limited (“**SGX-ST**”), for the possible merger of its cinema business in Singapore with mm2’s cinema business in Singapore and Malaysia.

The Company conducts a movie distribution, screen advertising and ownership and operation of cinema business through, Dartina Development Ltd, its wholly-owned subsidiary, with 13 operating cinemas in Singapore under the “Golden Village” brand (collectively the “**OSGH Cinema Business**”).

mm2 conducts its screen advertising and ownership and operation of cinema business through mm CONNECT PTE LTD (“**mm Connect**”), a wholly-owned subsidiary of mm2. mm Connect operates 8 cinemas in Singapore under the “Cathay” brand and 14 cinemas in Malaysia under the “Cathay Cineplexes Malaysia”, “Mega Cinemas” and “Lotus Fivestar” brands (the “**mm2 Connect Business**”). mm2 also operates a movie film distribution business and an online streaming business (together with the mm2 Connect Business, the “**mm2 Cinema Business**”).

* For identification purposes only

PRINCIPAL TERMS OF THE HEADS OF AGREEMENT

The Heads of Agreement sets out the principal terms on which the parties will pursue a possible merger of the OSGH Cinema Business and the mm2 Cinema Business (the “**Merger**”), on the basis that the parties will bring in one or more new investors (the “**New Investors**”) to inject capital into the merged businesses (together with the Merger, the “**Proposed Transaction**”).

Under the Heads of Agreement, the parties will undertake an initial financial, tax, legal and business due diligence review of the other party’s business, and discuss and negotiate the terms of the definitive agreement relating to the Proposed Transaction (the “**Definitive Agreement**”).

The Definitive Agreement will contain all the salient terms and conditions for the Merger which shall include the basis upon which the parties will inject their respective businesses into the combined entity. The Heads of Agreement provides that the injection will be at a valuation to be agreed, which shall take into account the respective pre-International Financial Reporting Standard 16, *Leases* EBITDA (*Earnings Before Interest, Tax, Depreciation and Amortisation*) values of the OSGH Cinema Business and the mm2 Cinema Business, based on the latest audited accounts of all entities under OSGH Cinema Business for the financial year ended 31 December 2019 and all entities under the mm2 Cinema Business for the pro-forma 12-months period from 1 January 2019 to 31 December 2019, subject to mutually agreed adjustments, including adjustments for net debt, property value, discontinued operations after 31 December 2019, additional operations after 31 December 2019 and revenue or cost that is non-recurring in nature.

The Proposed Transaction is subject to the requisite approvals being sought and obtained including (without limitation):

- (i) the approval of the shareholders of the Company;
- (ii) the approval of the shareholders of mm2;
- (iii) the approval of the Stock Exchange;
- (iv) the approval of the SGX-ST; and
- (v) the requisite approvals or rulings from the applicable governmental authorities, including the Competition and Consumer Commission of Singapore (“**CCCS**”) in relation to anti-trust issues.

At the same time, it is intended that the parties will shortly initiate a submission to the CCCS relating to the Merger.

If the terms of the Definitive Agreement cannot be agreed, or the conditions for the Proposed Transaction satisfied, by 31 December 2021, the Heads of Agreement will terminate and neither of the parties shall have any claim against the others for costs, damage, compensation or otherwise.

REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTION

The Board is of the view that the Proposed Transaction, if materialised, would be beneficial to the Group for the following reasons:

- (i) the Merger would further solidify the leading market position of the OSGH Cinema Business in Singapore and provide advantageous economies of scale;
- (ii) the Merger would allow the Group to expand into a new market in Malaysia for the movie exhibition and distribution businesses, and gain immediate access to an established online content streaming application;
- (iii) given the challenges faced by, among others, cinema operators since the COVID-19 outbreak, the Merger would provide more financial and operating stability to the OSGH Cinema Business;
- (iv) there has been general disruption to the movie and cinema business, with the advent of content streaming apps and the growth of video content on social media. The Merger would result in a stronger platform for the operation of the respective cinema businesses of the Group and mm2; and
- (v) the cash investment by the New Investors would also provide additional working capital for the combined business to meet, among others, its operating costs, and strengthen the financial position of the combined business.

In addition, mm2 announced on 1 December 2020 that it was evaluating a spinoff of its cinema business by way of a listing on the Catalist Board of the SGX-ST (“**IPO**”) and has appointed United Overseas Bank Limited and other professional advisers to advise on the IPO. The Board understand that the proposed spinoff by mm2 is being proceeded with in parallel with the work on the Proposed Transaction. In the event that the IPO is completed successfully, the Company and mm2 will discuss in good faith the basis on which the Merger and the Proposed Transaction would take place, taking into account the listed spinoff business.

The Board wish to emphasise that while the Heads of Agreement is stated to be binding, the Proposed Transaction is subject to the Definitive Agreement being negotiated and agreed. As at the date of this announcement, (i) all salient terms and conditions for the Proposed Transaction are still being negotiated and have not been finalised; and (ii) the Definitive Agreement has not been entered into by the Company. Shareholders of the Company and potential investors are reminded that the Proposed Transaction may or may not materialise. If the Proposed Transaction materialises, it may constitute a notifiable transaction on the part of the Company under Chapter 14 of the Listing Rules. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. Further announcement(s) relating to the Proposed Transaction will be made by the Company as and when appropriate in accordance with the Listing Rules.

By Order of the Board
Orange Sky Golden Harvest Entertainment (Holdings) Limited
Cheung Hei Ming
Company Secretary

Hong Kong, 9 December 2020

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

Chairman and Executive Director:

Mr. Wu Kebo

Executive Directors:

Mr. Li Pei Sen

Ms. Chow Sau Fong, Fiona

Ms. Go Misaki

Mr. Peng Bolun

Independent Non-executive Directors:

Mr. Leung Man Kit

Ms. Wong Sze Wing

Mr. Fung Chi Man, Henry