THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealers in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Orange Sky Golden Harvest Entertainment (Holdings) Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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)

(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF CITY ENTERTAINMENT CORPORATION LIMITED AND (2) RE-ELECTION OF RETIRING DIRECTORS AND (3) NOTICE OF SPECIAL GENERAL MEETING

Sole Financial Advisor to the Company

BNP PARIBAS

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "*Definitions*" in this circular.

A notice convening the SGM of the Company to be held at the principal office of the Company at 24th Floor, AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong on Tuesday, 28 March 2017 at 11:00 a.m. is set out on pages 85 to 87 of this circular.

Whether or not you are able to attend the SGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the principal office of the Company at 24th Floor, AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

A letter from the Board is set out on pages 9 to 28 of this circular.

* *For identification purposes only*

13 March 2017

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In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

"Adjustment Amount"	means the absolute value of the difference between the Joint Amount and the Third Guarantee Amount;
"Alternative Content"	means non-movie entertainment content;
"Application"	means the application for the registration of the change of shareholder of OSGH (China) in respect of the Proposed Xin Ye Transfer;
"Application Date"	means the date of the Application, being the tenth Business Day following the date of the Completion;
"AR/VR"	means augmented and virtual reality;
"Audited Accounts"	means the audited combined financial statements of OSGH (China) Group as at 31 December 2016;
"Authorised Trademarks"	means the trademarks which are granted for the use of the Purchaser in respect of the operation of cinema in the PRC by the Remaining Group;
"BNPP Securities"	means BNP Paribas Securities (Asia) Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Company in respect of the Disposal;
"Board"	means the board of Directors;
"Business Days"	means any day (other than a Saturday, Sunday and public holiday in Hong Kong and the PRC or a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. and remains in effect after 12:00 p.m. on such day);
"Closing"	means the closing of the Disposal pursuant to the terms and conditions pursuant to the Sale and Purchase Agreement;

"Closing Account"	means the audited (i) combined balance sheet as at the Closing Date and (ii) combined profit or loss statement and cash flow statement for the period from 1 January 2017 to the Closing Date of the OSGH (China) Group conducted by the independent auditors appointed by the Parties within 6 months from the Closing Date;
"Closing Date"	means the next Business Day following the Registration Date (if condition (vi) under the section "Conditions Precedent" above has not been waived by the Purchaser) or the tenth Business Day following the date of Completion (if condition (vi) under the section "Conditions Precedent" above has been waived by the Purchaser);
"Company"	means 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 (stock code: 1132);
"Completion"	means the satisfaction (or subject to waiver) of all the Conditions Precedent;
"Conditions Precedent"	means the conditions precedent to Closing under the Sale and Purchase Agreement;
"connected person(s)"	has the same meaning ascribed thereto in the Listing Rules;
"Consideration"	means the Initial Consideration subject to the adjustments made with reference to the Net Debt Adjustment and the cash expenditure in respect of the investment on new cinema projects from 31 December 2016 to the Closing Date and the additional amount of consideration for the Xin Ye Shares that the Purchaser should pay pursuant to the Proposed Xin Ye Agreement if Closing occurs after 15 September 2017;
"Corporate Income Tax"	means the corporate income tax in the PRC payable by the Remaining Group pursuant to the Disposal;
"Dadi Cinema"	means 大地影院管理有限公司 (Dadi Cinema Management Company Limited*), being the wholly-owned subsidiary of Nan Hai and the nominee of the Purchaser;
"Deposit"	means the amount equivalent in USD of not less than RMB200 million payable by the Purchaser to the Offshore Bank Account on the next Business Day following the Signing Date;

"Directors"	means the Directors of the Company;
"Disposal"	means the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement;
"Disposed Business"	means the theatrical exhibition, cinema operation, management and investment holding business of the Group in the PRC which owns, operates and manages 76 cinemas with a total of 531 screens in the PRC as at the Latest Practicable Date;
"Disposed Companies"	means 北京橙天嘉禾橙食品有限公司 (Beijing Orange Sky Golden Harvest Food Limited Company*), Jiashi, 北京橙天嘉禾三里屯影城管理有限公司 (Orange Sky Golden Harvest Sanlitun (Beijing) Cinema Management Company Limited*), 北京司響無限文化傳媒有限公司 (Beijing Sixiang Wuxian Culture Media Limited Company*), 深圳市粵凰數碼科技有限公司 (Shenzhen City Phoenix Digital Company Limited*) and OSGH Finance Limited (BVI);
"Earnest Money"	means a sum of RMB10 million which has been paid by the Purchaser to the Vendor pursuant to the Memorandum of Understanding;
"Enterprise Value"	means the amount of approximately RMB3.387 billion, being the enterprise value of the Target Group as at 30 September 2016 (which includes the Xin Ye Shares Consideration);
"Escrow Account"	means the onshore bank account for holding the Total Guarantee Amount which is operated by the Escrow Agent;
"Escrow Agent"	means the escrow agent, being an independent third party, appointed by the Parties for the purpose of managing the Escrow Account;
"First Guarantee Amount"	means the amount of RMB190 million payable by the Purchaser to the Onshore Bank Account on the next Business Day following the Signing Date;
"Group"	means the Company and its subsidiaries;
"HK$"	means Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	means the Hong Kong Special Administrative Region of the People's Republic of China;

"Initial Consideration"	means the consideration of the Sale Shares which is determined by the Enterprise Value subject to certain adjustments made with reference to among others the Net Debt Value in the Audited Accounts;
"Jiashi"	means 上海橙天嘉影實業有限公司 (Shanghai Orange Sky Jiayin Shiye Company Limited*), being the subsidiary of the Vendor;
"Jining Cinema"	means 濟寧影城 (Jining Cinema*) located at Guhuai Road, Shi Zhong District, Jining City, Shandong Province, the PRC;
"Joint Amount"	means the amount of RMB300 million being paid to the Joint Bank Account by the Purchaser to the Vendor at the Closing Date;
"Joint Bank Account"	means the onshore bank account designated by the Vendor and the Purchaser;
"Latest Practicable Date"	means 9 March 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
"Listing Rules"	means The Rules Governing the Listing of Securities on the Stock Exchange;
"Loan Repayment Agreement"	means the agreement dated 25 January 2017 entered into between OSGH (China), Jiashi and Nan Hai in respect of the repayment of a loan in the amount of RMB250 million owed by OSGH (China) or its related party to Jiashi;
"Long Stop Date"	means 12 months from the Signing Date;
"Memorandum of Understanding"	means the memorandum of understanding dated 21 December 2016 entered into between the Vendor and Dadi Cinema (HK Limited);
"Nan Hai"	means Nan Hai Corporation Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Stock Exchange (stock code: 680), the indirect holding company of the Purchaser;
"Net Debt Adjustment"	means the adjustment made to the Initial Consideration with reference to the difference of the Net Debt Value in the Audited Accounts and the Closing Accounts;

"Net Debt Adjustment Amount"	means the absolute value of the difference between the Net Debt Value in the Audited Accounts and the Closing Accounts;
"Net Debt Value"	means the amount equivalent to the aggregate value of bank loans, finance leases and amount payable for the completed acquisition of cinemas, which such acquisitions have been completed, of the OSGH (China) Group, deducting the aggregate value of cash equivalents (excluding the Xin Ye Shares Consideration) and advanced payment for the acquisition of cinemas, which such acquisitions have not been completed, of the OSGH (China) Group;
"Offshore Bank Account"	means the offshore bank account designated by the Vendor;
"Offshore Consideration Payment"	means the amount equivalent in USD of not less than RMB1.92 billion to the Offshore Bank Account;
"Online Appointment Notice"	means the online appointment notice received upon submission of the Application on the Application Date;
"Onshore Bank Account"	means the onshore bank account of Jiashi;
"OSGH (China)"	means 橙天嘉禾影城(中國)有限公司 (Orange Sky Golden Harvest Cinemas (China) Company Limited*), a company with limited liability established in the PRC, which is owned as to 92.59% by the Vendor and 7.41% by Xin Ye;
"OSGH (China) Group"	means OSGH (China) and its subsidiaries;
"Outstanding Amount"	means the outstanding amount in the Onshore Bank Account which has not been transferred to the Offshore Bank Account after 12 months from the Closing Date;
"Parties"	means the Vendor and the Purchaser;
"PRC"	means the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
"PRC Tax Payment"	means the amount equivalent to the Corporate Income Tax which will be paid by the Purchaser on behalf of the Vendor;

"Proposed Xin Ye Agreement"	means the proposed agreement anticipated to be entered into between the Dadi Cinema (being the nominee of the Purchaser), Nan Hai (as the guarantor of Dadi Cinema), the Target Company (as the controlling shareholder of OSGH (China)) and Xin Ye in respect of the Proposed Xin Ye Transfer;
"Proposed Xin Ye Transfer"	means the proposed transfer of the Xin Ye Shares from Xin Ye to the Purchaser (or its nominee) pursuant to the Proposed Xin Ye Agreement;
"Purchaser"	means True Vision Limited, a company incorporated in Hong Kong, being an indirect wholly-owned subsidiary of Nan Hai;
"Registration"	means the registration of the change of shareholder of OSGH (China) in respect of the Proposed Xin Ye Transfer;
"Registration Date"	means the date of the completion of the Registration;
"Remaining Group"	means the Group (excluding the Target Company and the OSGH (China) Group);
"RMB"	means Renminbi, the lawful currency of the PRC;
"Sale and Purchase Agreement"	means the sale and purchase agreement dated 25 January 2017 entered into between the Vendor, the Company, the Purchaser and Nan Hai in respect of the Disposal;
"Sale Shares"	means the entire issued share capital of the Target Company;
"Second Guarantee Amount"	means the Initial Consideration deducting the Offshore Consideration Payment, the Deposit, the Total First Guarantee Amount, the Joint Amount and the PRC Tax Payment;
"SFO"	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	means the special general meeting to be convened for the purpose of considering and, if thought fit, approve, among other things, the Disposal and the Transaction Documents;
"Share(s)"	means the ordinary share(s) of HK$0.1;
"Shareholders"	means the shareholders of the Company;

"Signing Date"	means the date of the signing of the Sale and Purchase Agreement;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"subsidiary(ies)"	has the same meaning ascribed thereto in the Companies Ordinance (Chapter 622);
"Supplemental Agreement"	means the supplemental agreement dated 7 March 2017 entered into between the Vendor, the Company, the Purchaser and Nan Hai amending and adding certain terms to the Sale and Purchase Agreement;
"Target Company"	means 橙天嘉禾影城有限公司 (City Entertainment Corporation Limited), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company;
"Target Group"	means the Target Company and its subsidiaries (excluding the Disposed Companies);
"Third Guarantee Amount"	means the Consideration deducting the Deposit, the Offshore Payment Consideration, the Total First Guarantee Amount, the Second Guarantee Amount and the PRC Tax Payment;
"Total First Guarantee Amount"	means the aggregate amount of the First Guarantee Amount and the Earnest Money (which will be transferred to the Onshore Bank Account on the next Business Day following the Signing Date);
"Total Guarantee Amount"	means the Total First Guarantee Amount, the Second Guarantee Amount and the Third Guarantee Amount;
"Total Offshore Consideration"	means the aggregate amount of the Offshore Consideration Payment and the Deposit;
"Trademark License Agreements"	means the trademark licence agreements to be entered into between the licensors under the Remaining Group and the licensees under the Target Group;
"Transactions"	means the Disposal and the repayment of the loan in the amount of RMB250 million by OSGH (China) to Jiashi pursuant to the Loan Repayment Agreement;
"Transaction Documents"	means the Sale and Purchase Agreement and the Trademark License Agreement;

"USD"	means United States dollar, the lawful currency of the United States of America;
"Vendor"	means Giant Harvest Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company;
"Wan Ke Hong Cinema"	means 萬科紅影城 (Wan Ke Hong Cinema*) located at Wankehong Shenghuo Square, Bujijinlong Road, Long Gang District, Shenzhen, the PRC;
"Xin Ye"	means 嘉興信業創贏肆號投資合夥企業(有限合夥) (Jiaxing Credit Prosperity Investment Enterprise (Limited Partnership)*), a limited partnership established in the PRC;
"Xin Ye Conditions Precedent"	means the conditions precedent pursuant to the Proposed Xin Ye Agreement;
"Xin Ye Deposit"	means the deposit in the amount of RMB5 million payable by Dadi Cinema to Xin Ye pursuant to the Proposed Xin Ye Agreement;
"Xin Ye Long Stop Date"	means 24 January 2017 (or such date as agreed by the parties under the Proposed Xin Ye Agreement), being the long stop date under the Proposed Xin Ye Agreement;
"Xin Ye Shares"	means the 7.41% registered capital of OSGH (China) owned by Xin Ye; and
"Xin Ye Shares Consideration"	means the consideration of the Xin Ye Shares pursuant to the Proposed Xin Ye Agreement amounting to RMB240 million.

* *for identification purposes only*

Unless otherwise stated, for the purpose of this circular, the exchange rate of RMB1.00 = HK$1.13 has been used for currency translation, including, for the avoidance of doubt, the computation of the applicable percentage ratios pursuant to Chapter 14 of the Listing Rules. Such exchange rates are for the purposes of illustration only and do not constitute a representation that any amount in RMB or HK$ have been, or could have been or may be converted at such or any other rates.

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)

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
Mr. Fung Chi Man, Henry
Ms. Wong Sze Wing

Registered Office
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business
24th Floor
AXA Centre
151 Gloucester Road
Wan Chai
Hong Kong

13 March 2017

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF CITY ENTERTAINMENT CORPORATION LIMITED AND (2) RE-ELECTION OF RETIRING DIRECTORS AND (3) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the (i) announcement of the Company dated 9 February 2017 in relation to the entering into of the Sale and Purchase Agreement between the Vendor, an indirect wholly-owned subsidiary of the Company, the Company, as the guarantor of the Vendor, the Purchaser and Nan Hai, as the guarantor of the Purchaser, pursuant to which, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares at the Consideration of approximately RMB3.286 billion (subject to certain

* *For identification purposes only*

adjustments) and (ii) the announcement of the Company dated 7 March 2017 in relation to the entering into of the Supplemental Agreement, pursuant to which, the parties have further agreed to amend and add certain terms to the Sale and Purchase Agreement.

The purpose of this circular is to provide the Shareholders with further details of the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated therein, together with such other information as required by the Listing Rules and the notice of the SGM at which resolutions are proposed for the Shareholders to consider and, if thought fit, approve, among others, the Disposal and the Transaction Documents.

SALE AND PURCHASE AGREEMENT

The main terms of the Sale and Purchase Agreement are summarised as follows:

Date	:	25 January 2017
Vendor	:	Giant Harvest Limited
Vendor's Guarantor	:	Orange Sky Golden Harvest Entertainment (Holdings) Limited
Purchaser	:	True Vision Limited
Purchaser's Guarantor	:	Nan Hai Corporation Limited

As at the date of this circular, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser, Nan Hai and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Assets to be disposed of

As at the date of this circular, the Vendor owns the Sale Shares, being the entire issued share capital of the Target Company. Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares at the Consideration.

The Target Company is a company incorporated in Hong Kong, which in turn owns 92.59% of the registered capital of OSGH (China). The Target Group engages in the theatrical exhibition, cinema operation, management and investment holding business of the Group in the PRC.

Payment of Deposit and Total First Guarantee Amount

At the next Business Day following the Signing Date, the Purchaser shall pay the Deposit in the amount equivalent in USD of RMB200 million to the Offshore Bank Account and the First Guarantee Amount of RMB190 million to the Onshore Bank Account. The Earnest Money of RMB10 million received by the Vendor pursuant to the Memorandum of Understanding shall be transferred to the Onshore Bank Account and will form part of the payment of the Total First Guarantee Amount.

Consideration and payment

Consideration

Pursuant to the Sale and Purchase Agreement, the Initial Consideration of the Sale Shares is determined by the Enterprise Value, subject to certain adjustments with reference to among others the Net Debt Value in the Audited Accounts. The Enterprise Value was originally proposed by the Purchaser. The Company has compared offers provided by various bidders in a confidential competitive bid auction process prior to selecting the Purchaser based on the valuation of its offer and certainty of execution. In analysing the valuation of the offers, the Company has also made reference to comparable transactions and companies in the cinema business in the PRC and internationally.

Based on the management accounts of the OSGH (China) Group as at 31 December 2016, the Initial Consideration shall be approximately RMB3.286 billion.

To determine the Consideration, the Initial Consideration will be subject to the following further adjustments:

(i) Net Debt Adjustment, the Initial Consideration will be subject to the following further adjustments:

   (a) the addition of the Net Debt Adjustment Amount in the event that the Net Debt Value in the Audited Accounts exceeds the Net Debt Value in the Closing Accounts;

   (b) the deduction of the Net Debt Adjustment Amount in the event that the Net Debt Value in the Closing Accounts exceeds the Net Debt Value in the Audited Accounts;

(ii) the addition of the cash expenditure in respect of the investment in new cinema projects from 31 December 2016 to the Closing Date; and

(iii) the deduction of the additional amount of consideration for the Xin Ye Shares that the Purchaser should pay pursuant to the Proposed Xin Ye Agreement if Closing occurs after 15 September 2017.

The Consideration in the amount of approximately RMB3.286 billion is determined based on the assumption that no further adjustment will be made to the Initial Consideration.

Further announcements will be made by the Company to disclose the amount of the final consideration and the details of adjustments made as and when appropriate.

Payment of Total Offshore Consideration, Second Guarantee Amount and Joint Amount

In the event that condition (vi) under the section "Conditions Precedent" below has not been waived by the Purchaser:

(i) at the next Business Day following the date of receiving the Online Appointment Notice, the Purchaser shall pay the Offshore Consideration Payment in the amount equivalent in USD of not less than RMB1.92 billion to the Escrow Account; and

(ii) at the Closing Date (as the case may be), (1) the Purchaser shall pay the Second Guarantee Amount to the Onshore Bank Account and the Joint Amount of RMB300 million to the Joint Bank Account, (2) the Deposit will become part of the payment of the Consideration and (3) the Offshore Consideration Payment shall be transferred from the Escrow Account to the Offshore Bank Account and in the event that the Closing does not take place, the amount equivalent to the Offshore Consideration Payment in the Escrow Account will be transferred to the designated bank account of the Purchaser.

In the event that condition (vi) under the section "Conditions Precedent" below has been waived by the Purchaser:

(i) at the Closing Date (as the case may be), the Purchaser shall pay (1) the Offshore Consideration Payment in the amount equivalent in USD of not less than RMB1.92 billion to the Offshore Bank Account, (2) the Second Guarantee Amount to the Onshore Bank Account and (3) the Joint Amount of RMB300 million to the Joint Bank Account; and the Deposit will become part of the payment of the Consideration.

Payment of Third Guarantee Amount

On the next Business Day following six months from the Closing Date:

(i) in the event that the Third Guarantee Amount is equivalent to the Joint Amount, the Joint Amount shall be transferred from the Joint Bank Account to the Onshore Bank Account;

(ii) in the event that the Third Guarantee Amount exceeds the Joint Amount, the Joint Amount shall be transferred from the Joint Bank Account to the Onshore Bank Account and the Adjustment Amount shall be paid by the Purchaser to the Onshore Bank Account;

(iii) in the event that the Joint Amount exceeds the Third Guarantee Amount, an amount equivalent to the Third Guarantee Amount shall be transferred from the Joint Bank Account to the Onshore Bank Account and the amount equivalent to the Adjustment Amount in the Joint Bank Account shall be returned to the Purchaser; and

(iv) in the event the Third Guarantee Amount is a negative value, the Vendor shall pay an amount equivalent to the absolute value of the Third Guarantee Amount to the Purchaser and the Joint Amount in the Joint Bank Account shall be returned to the Purchaser.

The Total Guarantee Amount shall be used to guarantee the Purchaser's obligation to transfer (in full or in part) the amount equivalent in USD of the Total Guarantee Amount from the Onshore Bank Account to the Offshore Bank Account (the "**Transfer**") within 12 months from the Closing Date. Subject to the obtaining of the approval in respect of the transfer of such amount to the Offshore Bank Account (the "**Approved Amount**") from the relevant foreign exchange authority in the PRC and the confirmation from the handling bank in respect of having sufficient foreign exchange in USD, the Vendor shall transfer the Approved Amount from the Onshore Bank Account to the designated bank account of the Purchaser and the Purchaser shall transfer an amount equivalent in USD of the Approved Amount to the Offshore Bank Account. If the Transfer in full does not take place within 12 months from the Closing Date, the Purchaser shall pay interest of 0.02% per day in respect of the Outstanding Amount, until the transfer of the full amount equivalent in USD of the Total Guarantee Amount from the Onshore Bank Account to the Offshore Bank Account.

Upon the receipt by the Vendor of the payment of the amount equivalent in USD of not less than the Total Guarantee Amount and the Total Offshore Consideration from the Purchaser, the Purchaser's payment obligation of the Consideration under the Sale and Purchase Agreement will be fulfilled.

The Consideration of the Sale Shares in respect of the Disposal was determined after a confidential competitive bid process organised by the Company and arm's length negotiations between the Vendor and the Purchaser with reference to, among others, the valuation of the offers and certainty of execution by various bidders and comparable transactions and companies in the same industry as the Target Company in the PRC and internationally. The Directors consider that the Consideration of the Sale Shares is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Conditions Precedent

Closing is subject to the satisfaction of the following conditions:

(i) the Disposal having been considered and approved at the SGM of the Company in accordance with the Listing Rules;

(ii) no obligation on the part of the Company being triggered in respect of any matters concerning the sufficient level of operation or asset value and/or cash company issue under the Listing Rules, and no indication has been received from the Stock Exchange concerning the objection, suspension, cancellation, revocation and withdrawal of the continuous listing status of the Shares for any reason due to the Disposal contemplated by the Transaction Documents (under (including but not limited to) Rules 13.24 and 14.82 of the Listing Rules) or no enquiry has been raised by the Stock Exchange in respect of the foregoing matters;

(iii) the Vendor having obtained all necessary consents and approvals from third parties, including but not limited to the Target Group's creditors, parties to which the Target Group has entered into any contracts with, investors of the Target Group (other than the Vendor) (if necessary), in respect of the Disposal, and such consents and approvals remaining effective;

(iv) the Disposal having been considered and approved at the SGM of Nan Hai in accordance with the Listing Rules (if required);

(v) the anti-trust approval, if required, from the competent PRC authority in respect of the Disposal having been obtained;

(vi) the Target Company, Dadi Cinema and Nan Hai having signed an agreement with Xin Ye in respect of the purchase of the Xin Ye Shares and the Proposed Xin Ye Transfer being approved by the competent commerce authorities of the foreign investment enterprise in the PRC;

(vii) the completion of the transfer of the following members of the Target Group to a third party outside of the Target Group designated by the Vendor and the change of shareholder registration of the following members of the Target Group:

(a) 北京橙天嘉禾橙食品有限公司 (Beijing Orange Sky Golden Harvest Food Limited Company*);

(b) Jiashi;

(c) 北京橙天嘉禾三里屯影城管理有限公司 (Orange Sky Golden Harvest Sanlitun (Beijing) Cinema Management Company Limited*);

(d) 北京司響無限文化傳媒有限公司 (Beijing Sixiang Wuxian Culture Media Limited Company*);

(viii) the following companies becoming the subsidiary of the OSGH (China) Group:

(a) 北京美林華映影院管理有限公司 (Meilin (Beijing) Cinema Management Company Limited*) (which holds 51% shareholding interest of 景德鎮橙天嘉禾金鼎影城有限責任公司 (Orange Sky Golden Harvest Jinding (Jingdezhen) Cinema Company LLC*);

(b) 北京橙天嘉禾上地影城有限公司 (Orange Sky Golden Harvest Shangdi (Beijing) Cinema Company Limited*);

(ix) the Target Group having entered into the termination agreement in respect of the acquisition of Wan Ke Hong Cinema and Jining Cinema;

(x) the Target Company having completed the following:

(a) the relevant financial accounting treatment, including but not limited to the clearance of all outstanding debts (excluding payments and shareholders' loan between the Target Company and OSGH (China)). Upon the clearance of all outstanding debts (the "**Clearance Date**"), the Vendor and the Purchaser shall appoint an independent auditor to audit/review the accounts of the Target Company and such accounts will be binding on the Parties provided that no additional debt has been incurred from the Clearance Date to the Closing Date;

(b) the disposal of assets which (i) the Vendor plans to dispose of, (ii) are held by the Target Company and (iii) are irrelevant to the usual daily operation of the OSGH (China) Group;

(c) the transfer of 深圳市粵凰數碼科技有限公司 (Shenzhen City Phoenix Digital Company Limited*) and OSGH Finance Limited (BVI) to a third party;

(d) the signing of a novation agreement in relation to a tenancy agreement of a cinema in Hong Kong among the Target Company, a subsidiary of the Company in the Remaining Group and the lessor, and the signing of a management services agreement in respect of the management of the cinema between the Target Company and a subsidiary of the Company in the Remaining Group; and

(e) the termination of the assignment of dividends and guarantee agreements entered into between the Target Company with Standard Chartered Bank and CCB International (Holdings) Limited.

In respect of condition (iii) above, the Vendor and the Purchaser shall liaise with the Target Group's creditors under the bank loan agreements and finance lease agreements (the "**Creditors**") in respect of the changing of the guarantors in such agreements to the Purchaser or its related party before the Closing Date. If the Creditors disagree with the change of the guarantor, the Target Company shall repay the debts (including interests) under such bank loan agreements and finance lease agreements. The Purchaser shall bear any penalty interest and additional costs incurred due to the above arrangements.

In the event that all the Conditions Precedent (apart from condition (vi) above) have been satisfied, the Purchaser shall be entitled to waive condition (vi) above before the Long Stop Date (the "**Xin Ye Waiver**").

In the event that the Target Company and Xin Ye have signed the Proposed Xin Ye Agreement, and the Purchaser (or its nominee) or Nan Hai refused to sign the Proposed Xin Ye Agreement, the Purchaser shall not be entitled to exercise the Xin Ye Waiver. The Purchaser shall assist in obtaining the approval from the competent commerce authorities of the foreign investment enterprise in the PRC in respect of the Proposed Xin Ye Transfer and Nan Hai shall continue to be the guarantor of the Purchaser or its nominee pursuant to the Proposed Xin Ye Agreement. The Purchaser shall also indemnify the Vendor's or the Company's losses in connection to any claims from Xin Ye against the Vendor.

If as a result of:

(i) the Purchaser's act or omission, such that any of the Conditions Precedent is not fulfilled by the Long Stop Date, or when all the Conditions Precedent are fulfilled (including where the Purchaser has exercised the Xin Ye Waiver and all the other Conditions Precedent (except for waiver condition (vi)) are fulfilled), the Disposal has not completed or the Purchaser or its nominee has not paid the consideration in respect of the Xin Ye Shares in accordance to the payment arrangement under the Proposed Xin Ye Agreement, the Vendor shall be entitled to forfeit the Deposit and the Total First Guarantee Amount;

(ii) the Vendor's act or omission, such that the Conditions Precedent are not fulfilled by the Long Stop Date, or when all the Conditions Precedent are fulfilled, the Disposal has not completed, the Vendor has to return the Deposit and the Total First Guarantee Amount to the Purchaser and has to pay the Purchaser an amount of RMB400 million; and

(iii) the reasons other than the Purchaser's or the Vendor's act or omission, by the Long Stop Date, the Conditions Precedent are not fulfilled or the Registration has not been completed (such as not being able to obtain the anti-trust approval from the competent PRC authority in respect of the Disposal for reasons other than the Purchaser's act or omission), the Vendor shall return the Deposit and the Total First Guarantee Amount to the Purchaser,

the Parties shall have no obligation to proceed with the sale and purchase of the Sale Shares and the Sale and Purchase Agreement shall be terminated and shall cease to be of effect.

As at the Latest Practicable Date, (i) the transfer of 北京橙天嘉禾橙食品有限公司 (Beijing Orange Sky Golden Harvest Food Limited Company*), 北京橙天嘉禾三里屯影城管理有限公司 (Orange Sky Golden Harvest Sanlitun (Beijing) Cinema Management Company Limited*) and 北京司響無限文化傳媒有限公司 (Beijing Sixiang Wuxian Culture Media Limited Company*) to a third party outside of the Target Group designated by the Vendor and the change of shareholder registration of them have been completed, and (ii) the Target Company, a subsidiary of the Company in the Remaining Group and the lessor have entered into a novation agreement in relation to a tenancy agreement of a cinema in Hong Kong. Save as disclosed above, none of the other conditions under the paragraph "Conditions Precedent" has been fulfilled.

Leases

Pursuant to the Sale and Purchase Agreement, the Vendor shall procure the renewal of an existing lease of the Target Group (the "**Existing Lease**") on such terms which are not less favourable than the renewal terms set out in the Sale and Purchase Agreement (the "**Agreed Renewal Terms**") during the period from the Signing Date to the Closing Date (unless otherwise agreed by the Purchaser) (the "**Renewal Period**") and the Vendor and Purchaser shall procure the renewal of the Existing Lease from the Closing Date to the expiry of the Existing Lease (the "**Expiry Date**") in such terms as agreed by the Parties.

The Vendor shall also procure the entering into of new lease agreements of certain cinemas (the "**New Leases**") by the Target Group on such terms which are not less favourable than the lease terms of certain cinemas as set out in the Sale and Purchase Agreement (the "**Agreed Lease Terms**") and, subject to further agreement with the Purchaser, such other lease agreements of other cinemas (the "**Other Leases**") during the period from the Signing Date to 31 December 2018 (the "**Period**").

A payment will be made from the Purchaser to the Vendor, or a refund will be received by the Purchaser from the Vendor, depending on (1) whether (i) the Vendor is able to renew the Existing Lease in accordance with the Agreed Renewal Terms within the Renewal Period, (ii) the Vendor or the Purchaser is able to renew the Existing Lease on such terms as agreed by the Parties from the Signing Date to the Expiry Date and (iii) the Vendor is able to enter into the New Leases by the Target Group in accordance with the Agreed Lease Terms and the Other Leases within the Period and (2) the agreed economic value of the Existing Lease, the New Leases and the Other Leases. The maximum amount of refund received by the Purchaser from the Vendor shall be RMB380 million. On the basis that none of the agreements in relation to the Other Leases have been executed, the maximum amount to be received from the Vendor by the Purchaser is expected to be RMB17 million.

Non-compete Undertaking

Apart from the business operation of the Target Group, the Renewal of the Existing Lease and the entering into of the New Leases and the Other Leases as set out in the paragraph headed "Leases" above:

(i) within 24 months from the Closing Date, unless otherwise agreed by the Purchaser in writing, the Company shall not and shall procure its subsidiaries not to engage in the investment in and the operation of the cinema business in the PRC; and

(ii) from the Closing date to the termination of the Trademark License Agreements, unless otherwise agreed by the Purchaser in writing, the Company shall not, through other entities which are not its subsidiaries, use any Authorised Trademarks to engage in the investment in and operation of any cinema business in the PRC.

Post-Closing Obligations

Pursuant to the Sale and Purchase Agreement, the Vendor and/or the Purchaser has/have agreed to perform the following post-Closing obligations in respect of certain operational arrangements, including, among others:

(i) the Vendor and the Purchaser shall liaise with the landlord of an Existing Lease to release the guarantee of the Company under such lease;

(ii) the Vendor shall be responsible for handling the ongoing litigation between OSGH (China) and certain lessors. The Vendor shall be responsible for the payment of damages (if any) or shall be entitled to the compensation fees (if any) arising from such litigations;

(iii) the Vendor and the Purchaser shall enter into amicable negotiations in respect of the cinema circuit alliance agreements entered into by the Target Group;

(iv) the Vendor and the Purchaser shall notify the landlords of the existing leases of the Target Group in respect of the Disposal (if required); and

(v) the Vendor shall be entitled to the continued use of certain vehicles, which were owned by the Remaining Group but were registered under the name of the Target Company and the Purchaser, and the Vendor shall ensure the effective renewal of such license plates.

Closing

Subject to the satisfaction of the Conditions Precedent (which is subject to the exercise of the Xin Ye Waiver) and other terms and conditions of the Sale and Purchase Agreement, the Closing of the Sale and Purchase Agreement shall take place on the Closing Date at 10:00 a.m. or such time as may be agreed by the Parties at the Hong Kong office and the Beijing office of the Vendor's legal counsel. Upon Closing, the Target Group will cease to be subsidiaries of the Vendor and the Company and the results, assets and liabilities of the Target Group will cease to be consolidated into the financial statements of the Company.

Guarantee

The Company has agreed to (i) guarantee the performance of the obligations of the Vendor under the Sale and Purchase Agreement and the obligations of the licensors under the Remaining Group pursuant to the Trademark License Agreements and (ii) warrant to compensate the Purchaser's losses, damages, litigation costs and expenses in connection with, among others, any breach of obligations of the Vendor under the Sale and Purchase Agreement or the obligations of the licensors under the Remaining Group pursuant to the Trademark License Agreements.

Nan Hai has agreed to (i) guarantee the performance of the obligations of the Purchaser under the Sale and Purchase Agreement and the obligations of the licensees under the Target Group pursuant to the Trademark License Agreements and (ii) warrant to compensate the Vendor's losses, damages, litigation costs and expenses in connection with, among others, any breach of obligations of the Purchaser under the Sale and Purchase Agreement or the obligations of the licensees under the Target Group.

SUPPLEMENTAL AGREEMENT

On 7 March 2017, the Vendor, the Company, the Purchaser and Nan Hai entered into the Supplemental Agreement, pursuant to which, the parties agreed that, conditional upon the Target Company, Dadi Cinema, Nan Hai and Xin Ye entering into the Proposed Xin Ye Agreement, to amend and add certain terms to the Sale and Purchase Agreement. As at the Latest Practicable Date, the Proposed Xin Ye Agreement has not been executed.

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

Default of Dadi Cinema

If Dadi Cinema defaults under the Proposed Xin Ye Agreement, the Vendor shall be entitled to deem that the Purchaser or its nominee has not paid the consideration in respect of the Xin Ye Shares in accordance to the payment arrangement under the Proposed Xin Ye Agreement, and the Vendor shall be entitled to forfeit the Deposit and the Total First Guarantee Amount.

In addition, the Vendor shall be entitled to request to acquire the Xin Ye Shares, i.e. the Vendor (or its nominee) shall become the legal and beneficial owner of the Xin Ye Shares. The Purchaser and the Vendor (or its nominee) shall cooperate to (a) terminate the Proposed Xin Ye Transfer and (b) do all acts and things to complete the transfer of the Xin Ye Shares (including but not limited to executing necessary agreements and legal documents, passing necessary resolutions, completing the registration of the change of shareholder of OSGH (China) in respect of the transfer with the relevant industry and commerce department in the PRC and obtaining the approval from the competent commerce authorities in respect of the transfer) to the Vendor (or its nominee).

Default of Xin Ye

If as a result of (a) Xin Ye's act or omission, any of the Xin Ye Conditions Precedent is not fulfilled by the Xin Ye Long Stop Date or (b) Xin Ye's failure to assist OSGH (China) in completing the Registration progress (including but not limited to the provision of necessary legal documents) or Xin Ye's withdrawal of the Registration application, the Proposed Xin Ye Transfer cannot be completed by the Xin Ye Long Stop Date, it is anticipated that, under the Proposed Xin Ye Agreement, Xin Ye has to, among others, (a) return the Xin Ye Deposit and the actual amount paid by Dadi Cinema to the joint bank account jointly managed by Xin Ye, Dadi Cinema and the Target Company (an amount equivalent to the Xin Ye Consideration deducting the Xin Ye Deposit amount) to Dadi Cinema and (b) pay an additional amount of RMB5 million to Dadi Cinema which would be set out in the Proposed Xin Ye Agreement, on the second Business Day following the Xin Ye Long Stop Date (the "**Payment Obligations**").

In the event that Xin Ye fails to perform the Payment Obligations, the Purchaser shall be entitled to serve the payment notice to the Company requesting the Company or its nominee to pay an amount equivalent to the amount payable by Xin Ye pursuant to the Payment Obligations (the "**Amount Payable**") to Dadi Cinema within 10 Business Days following the date of serving the payment notice. Upon paying the Amount Payable to Dadi Cinema, the Company or its nominee shall in turn be entitled to make a claim against Xin Ye in respect of its breach of the Payment Obligations.

Default of the Target Company

If due to (a) the reasons caused by the Target Company, the Vendor or its subsidiaries, any of the Xin Ye Conditions Precedent is not fulfilled before the Xin Ye Long Stop Date or (b) the Target Company's failure to procure OSGH (China) to complete the Registration with the relevant industry and commerce department in the PRC, Xin Ye or Dadi Cinema terminates the Proposed Xin Ye Agreement, the Purchaser shall have the right to require the Target Company to compensate its actual losses incurred under the Proposed Xin Ye Agreement.

In such event, the Vendor shall be deemed to have failed to complete the Disposal under the Sale and Purchase Agreement and, pursuant to the Sale and Purchase Agreement, the Vendor has to (a) return the Deposit and the Total First Guarantee Amount to the Purchaser and (b) pay the Purchaser an additional amount of RMB400 million.

In the event that the Proposed Xin Ye Transfer has been completed by the Xin Ye Long Stop Date:

(i) due to the reasons caused by the Target Company, the Vendor or its subsidiaries, the Disposal under the Sale and Purchase Agreement cannot be completed and Closing cannot take place by the Xin Ye Long Stop Date (or such other date as may be agreed by the parties under the Sale and Purchase Agreement), the Company shall or shall procure the Target Company, to repurchase the Xin Ye Shares at the same consideration agreed under the Proposed Xin Ye Agreement (the "**Repurchase**") on the second Business Day following (1) the breach of the Target Company, the Vendor or its subsidiaries or (2) the Xin Ye Long Stop Date (whichever date is earlier) (the "**Repurchase Date**"). The Repurchase shall be completed within four months from the Repurchase Date (or such date as agreed by the parties if a delay in the completion of the Repurchase is due to the PRC authority approval process of the Repurchase). The Vendor shall procure OSGH (China) to complete the registration of the change of shareholder of OSGH (China) in respect of the Repurchase with the relevant industry and commerce department in the PRC and obtain the approval from the competent commerce authorities in respect of the Repurchase and the Purchaser shall procure Dadi Cinema to assist in the registration and approval process by providing necessary legal documents; and

(ii) due to reasons caused by Dadi Cinema, its shareholders or its subsidiaries, the Disposal under the Sale and Purchase Agreement cannot be completed and Closing cannot take place by the Xin Ye Long Stop Date (or such other date as may be agreed by the parties under the Sale and Purchase Agreement), the Company and/or the Vendor shall be entitled to request the Purchaser to procure Dadi Cinema to sell the Xin Ye Shares to the Target Company and/or the nominee of the Company at the same consideration agreed under the Proposed Xin Ye Agreement (the "**Sale**") on the second Business Day following (1) the breach of Dadi Cinema, its shareholders or its subsidiaries or (2) the Xin Ye Long Stop Date (whichever day is earlier) (the "**Sale Date**"). The Sale shall be completed within four months from the Sale Date (or such date as agreed by the parties if a delay in the completion of the Sale is due to the PRC authority approval process of the Sale). The Vendor shall procure OSGH (China) to complete the registration of the change of shareholder of OSGH (China) in respect of the Sale with the relevant industry and commerce department in the PRC and obtain the approval from the competent commerce authorities in respect of the Sale and the Purchaser shall procure Dadi Cinema to assist in the registration and approval process by providing necessary legal documents.

LOAN REPAYMENT AGREEMENT

On 25 January 2017, OSGH (China), Jiashi and Nan Hai entered into the agreement in respect of the repayment of a loan in the amount of RMB250 million owed by OSGH (China) or its related party to Jiashi after Closing. Conditional upon Closing having occurred, Nan Hai shall guarantee OSGH (China)'s repayment obligation of such loan to Jiashi.

INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company which is indirectly wholly-owned by the Company. The Target Group engages in theatrical exhibition, cinema operation and the management and investment holding business in the PRC which owns, operates and manages 76 cinemas with a total of 531 screens in the PRC as at the Latest Practicable Date.

Set out below is the financial information of the Target Group as extracted from its unaudited combined financial statements for the two years ended 31 December 2015, prepared under Hong Kong Financial Reporting Standards:

	Year ended 31 December	
Results	**2014**	**2015**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue	821,780	991,151
Loss before taxation	(20,950)	(172,653)
Loss after taxation	(28,093)	(169,805)

Based on the unaudited combined financial statements of the Target Group as at 30 September 2016, the combined net liabilities amount of the Target Group was HK$35,718,000.

INFORMATION ON THE GROUP AND THE REMAINING GROUP AND REASONS FOR THE DISPOSAL

The Group

The Company is an investment holding company. The Group is principally engaged in theatrical exhibition, cinema operation and the film, video and television production and distribution business in Hong Kong, the PRC, Taiwan and Singapore.

The Remaining Group

Following the Disposal, the Company, through the Remaining Group, will continue to own and engage in the following businesses:

(a) Its entire operations in Hong Kong, which engage in theatrical exhibition and the film, video and television production and distribution business in Hong Kong (the "**HK Business**");

(b) The film, video and television production and distribution business in the PRC through its remaining 100% owned PRC entities which mainly focuses on purchasing films from the overseas market to distribute to the local Hong Kong and PRC markets (the "**PRC Production & Distribution Business**");

(c) 50.00% of the operations in Singapore, which engage in the theatrical exhibition and film distribution business in Singapore; and

(d) 35.71% of the operations in Taiwan, which engage in the theatrical exhibition and film distribution business in Taiwan.

The Remaining Group will continue to manage and receive investment income from the cinema operation businesses in Singapore and Taiwan. As at the Latest Practicable Date, the Remaining Group operated 23 screens in 6 cinemas in Hong Kong, 91 screens in 11 cinemas in Singapore and 127 screens in 13 cinemas in Taiwan. The Remaining Group also retains its trademarks (including "Golden Harvest", "Golden Village", "嘉禾", "The Sky", and "Vie Show" in Hong Kong, Singapore and Taiwan), content-related intellectual property and other licenses, which can be further monetised in the future.

The Reasons for the Disposal and the Execution of the Supplement Agreement

The Disposed Business is currently sub-scale compared to its competitors in the PRC and the Company believes that a larger strategic player in the PRC would be able to better grow the Disposed Business and realise its full value and potential. The Company believes that significant investment would be required to grow the Disposed Business in order to compete with the larger players, which may lead to the Company incurring a significant amount of additional financing and depreciation expenses that would adversely impact the Company's profitability in the future.

The Target Group incurred losses for the two years ended 31 December 2015 which exerted pressure on the overall profitability of the Group. As such, the Disposal will relieve the pressure on the overall profitability of the Group due to the Target Group's losses for the two years ended 31 December 2015.

The redeployment of the Group's resources through the Disposal would also enable the Remaining Group to further grow its business and operations. Part of the net proceeds received from the Disposal is expected to be used to expand the HK Business and the PRC Production & Distribution Business. In particular, the Remaining Group expects to continue to produce and seek investment opportunities in quality film production projects with the potential for high box office returns by either actively leading the production process or passively investing in such films as a minority investor. For more details, please refer to the paragraph headed "Use of proceeds" below.

The Directors believe that the Disposal would not affect the operations of the Company's PRC Production & Distribution Business, as the various films under the PRC Production & Distribution Business are substantially distributed through independent third-party cinemas and screens, as compared to the cinemas and screens of the Target Group. In any event, the Disposal will not prevent the Company from distributing films through the cinemas and screens of the Target Group after Closing.

Given the recent trend in increasing consolidation in the film exhibition industry in the PRC, the Directors are of the view that it is in the interest of the Group and Shareholders to seize the opportunity to sell the Disposed Business at an attractive valuation, as the Consideration in respect of the Disposal is significantly higher than the current market capitalisation of the Company. The Company believes that a full sale of the Disposed Business at an attractive valuation will unlock value for the Shareholders and better realise the fair value of the Group's assets.

In light of the Purchaser's intention to acquire the entire interest of OSGH (China) and the condition precedent to Closing that the Proposed Xin Ye Agreement is entered into, the Vendor, the Company, the Purchaser and Nan Hai have entered into the Supplemental Agreement, so as to set out the obligations of each of the parties under the Sale and Purchase Agreement upon default of the Proposed Xin Ye Agreement, and to assist in the satisfaction of the Conditions Precedent and the Closing of the Disposal.

Based on the above, the Directors are also of the view that the terms and conditions of the Sale and Purchase Agreement, the Supplemental Agreement the Loan Repayment Agreement and the transactions contemplated thereunder are fair, just and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PURCHASER

The Purchaser is principally engaged in investment holding and is the indirect wholly-owned subsidiary of Nan Hai. Nan Hai is a listed company, the shares of which are listed and traded on the Stock Exchange. Nan Hai principally engages in culture and media services (mainly in the cinema business on a nationwide basis in the PRC in addition to film distribution and other media related businesses), property development and corporate IT application services. In 2015, Nan Hai and its subsidiaries also started to tap into new business segments such as "New Media" and "Innovative Business". To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser, Nan Hai and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

FINANCIAL EFFECT OF THE DISPOSAL

It is expected that, the Company will record a gain from the Disposal of approximately HK$2.3 billion, which is calculated based on (i) the excess of the Consideration (subject to price adjustment and audit) over the unaudited combined net asset value of the Target Group (after taking into account the increase in the share capital of the Target Company through the capitalisation of the intercompany loans due from the Target Company to the Vendor, to fulfil one of the conditions precedent as stated in the Sales and Purchase Agreement) and (ii) the release of the cumulative exchange reserve attributable to the Target Group. Shareholders should note that the exact amount of the gain on the Disposal to be recorded in the combined statement of profit or loss of the Group for the year ending 31 December 2017 will be subject to audit and the relevant price adjustment, and will be calculated based on the net asset value of the Target Group as at Closing and net of any incidental expenses, tax expenses, transaction costs and any exchange rate fluctuation before Closing and therefore may vary from the figures provided above.

USE OF PROCEEDS

The total proceeds from the Transactions are approximately RMB3.536 billion (approximately HK$3.996 billion). This includes the proceeds from the Disposal of approximately RMB3.286 billion (approximately HK$3.713 billion) and the proceeds from the repayment of the loan by OSGH (China) to Jiashi pursuant to the Loan Repayment Agreement of RMB250 million (approximately HK$282.5 million).

The Group intends to apply the total net proceeds of approximately RMB3.177 billion (approximately HK$3.590 billion) from the Transactions as follows:

(a) Approximately HK$1 billion will be allocated to a special dividend payment to the Shareholders;

(b) Approximately HK$680 million will be allocated to the repayment of existing third party debts;

(c) Approximately HK$1.3 billion will be allocated to substantially expand existing operations at the Remaining Group within two to three years after Closing and to increase the future profitability of the Company through, including but not limited to, the following:

(i) Investing into the film exhibition business in Hong Kong by opening on average one or two new cinemas in Hong Kong each year after Closing by competing for existing cinema sites currently run by other cinema operators upon their lease expiry, identifying populated areas currently not served by any cinema to explore opportunities to open new cinemas, and/or acquiring existing cinema sites of other cinema operators depending on the availability of new sites in the market and the feasibility of the commercial terms;

(ii) Ramping up the film, video and TV production business in Hong Kong and the PRC by producing and/or co-investing in an average of two or three new mid-to large scale films every year after Closing by leveraging on the following:

(1) Remaking films from the Company's film library

The Company's film library has 135 Chinese and English films and the Company has identified around 20 films which have the market potential for film remake. The Company plans to use part of the net proceeds from the Disposal to invest in mid-to-large scale movie productions;

(2) Film production from existing scripts

The Company owns or has rights to approximately eight scripts that are readily available for film and TV productions;

(3) Co-investing in Chinese films

The Company plans to co-invest in Chinese films with other third parties to produce new films, videos and TV productions;

(iii) Ramping up the distribution business in Hong Kong and the PRC by acquiring distribution rights to four to five films every year after Closing for distribution in Hong Kong and the PRC depending on availability, quality and potential profitability of such opportunities; and

(iv) Purchasing cinema operations or businesses in the Asia region (excluding the PRC).

The Company will continue to search for new cinema investment and film investment opportunities that can be executed shortly after Closing.

(d) Approximately HK$200 million will be allocated for:

(i) Future investments in the regional media, entertainment and technology sectors which are related to the Remaining Group's existing businesses, including but not limited to:

(1) Regional film exhibition businesses outside the PRC

By investing in regional film exhibition businesses outside the PRC, the Company believes that this would enable the Company to strengthen its existing film exhibition business positioning in the region and its brand name and would also enable the Company to enjoy stronger purchasing power and achieve additional cost savings from the enlarged scale of its business in the region;

(2) Film and video content libraries, and film, video and television production and distribution businesses

By investing in and/or acquiring distribution rights of third-party film and video content libraries, and film, video and television production and distribution businesses, the Company will gain access to an increased amount of film and video content as well as talent and capabilities to produce high quality film, video and television productions in the future. This will help further boost the Company's branding and the scale of its existing production and distribution business, leading to further scale economies;

(3) Alternative Content investment, exhibition and distribution

The Company plans to invest in and/or to acquire distribution rights of the Alternative Content including, among others, live concerts, sports events and online games content which can potentially be exhibited in cinemas and distributed by the Company's distribution business. Exhibiting Alternative Content in cinemas will increase utilisation of the existing cinema venues to generate non-movie income, to increase ticket price premiums by introducing unique contents, and to attract new group of customers in addition to moviegoers. This will therefore boost revenue and profitability of the Company's cinema business. Additionally, the acquired Alternative Content can be distributed by the Company's distribution business, further driving revenue growth of the Company's distribution business. The Company has historically, exhibited Alternative Content in its Hong Kong, Singapore and Taiwan cinemas, and plans to take a more active role to acquire distribution rights of such contents at a larger scale with part of the net proceeds from the Disposal;

(4) AR/VR technologies

The Company plans to invest in and/or deploy AR/VR technologies i.e. hardware and/or content, such as headsets and pods that display interactive, short videos in the open areas of its cinemas to cater for customers' increased appetite for AR/VR experiences. Investment and implementation of the AR/VR technologies in cinemas can help differentiate customer experience, increase customer loyalty and engagement for the Company's cinema exhibition business, ultimately leading to higher box office and non-box office revenues. The Company intends to invest in and/or deploy AR/VR technologies in its cinema environment in order to adapt to the increased demand for immersive film and content experiences and to enrich customer experience;

(ii) Potential investments in low-risk financial products such as short-term deposits, investment grade bonds and money market funds. The Company believes that it would be prudent and good corporate governance to temporarily deploy a portion of the net proceeds into low-risk financial investment products that would generate a steady and higher return for the Company than cash, as it searches for potential investments in the regional media, entertainment and technology sectors. The investments in low-risk financial products are temporary and the main focus of the HK$200 million of the net proceeds will be for principal investments in regional media, entertainment and technology targets complementary to the Remaining Group businesses; and

(e) Approximately HK$410 million for general working capital purposes for the Remaining Group.

As at the date of the Latest Practicable Date, other than the Sale and Purchase Agreement, the Company has not entered into any agreement, arrangement, understanding, intention, negotiation (concluded or otherwise) in relation to (i) any disposal, termination, or scaling-down of any part of its existing business; (ii) injection of any new business; (iii) any change in its shareholding structure; and (iv) any new cinema investment or film investment opportunities, nor has it identified any specific new cinema investment or film investment opportunities.

Should the Company have any outstanding net proceeds after three years from Closing as a result of unsuccessfully deploying the proceeds towards potential investment opportunities indicated in paragraphs (c) and (d) above or any other investment opportunities complementary to the Remaining Group businesses, the Company may consider to issue a special dividend payment from the outstanding net proceeds to its Shareholders.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the relevant applicable percentage ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal are 75% or more, the Disposal constitutes a very substantial disposal for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

BNPP Securities has been appointed as the sole financial adviser to the Company in respect of the Disposal.

RE-ELECTION OF DIRECTORS

In accordance with Bye-law 86(2) of the Bye-laws of the Company, Ms. Chow Sau Fong, Fiona ("**Ms. Chow**") who was appointed as executive Director of the Company and Mr. Fung Chi Man, Henry ("**Mr. Fung**") who was appointed as an independent non-executive Director of the Company with effect from 3 June 2016, all of whom to fill casual vacancies or as an addition to the Board, shall respectively hold office until the first general meeting of the Company after his or her appointment and shall then be eligible for re-election at the SGM.

Brief biographical and other details of Ms. Chow and Mr. Fung are set out in Appendix IV to this circular.

SGM

A notice convening the SGM to be held at the principal office of the Company at 24th Floor, AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong on Tuesday, 28 March 2017 at 11:00 a.m. is set out on pages 85 to 87 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the SGM.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among others, (i) the Sale and Purchase Agreement, the Supplemental Agreement, the Loan Repayment Agreement and the transactions contemplated thereunder; and (ii) the re-election of Ms. Chow as executive Director and Mr. Fung as an independent non-executive Director.

To the best of the Directors' knowledge, no Shareholder has a material interest in the Disposal and accordingly, no Shareholder is required to abstain from voting in respect of the ordinary resolution to approve the Disposal at the SGM.

RECOMMENDATION

Having considered the reasons set out herein, the Directors are of the opinion that (i) the terms and conditions of the Sale and Purchase Agreement, the Supplemental Agreement, the Loan Repayment Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable (ii) the re-election of Ms. Chow as executive Director and Mr. Fung as an independent non-executive Director, are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution(s) as set out in the notice of SGM.

ADDITIONAL INFORMATION

Your attention is drawn towards the information set out in the appendices to this circular.

In case of any inconsistency between the English and Chinese versions of this circular, the English version shall prevail.

Yours faithfully,
By order of the board of directors of
Orange Sky Golden Harvest
(Entertainment) Holdings Limited
Wu Kebo
Chairman and Executive Director

1. FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2015, 2014 and 2013 are disclosed in the following documents, which has been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.osgh.com.hk):

- annual report of the Company for the year ended 31 December 2015, on pages 61 to 125;
- annual report of the Company for the year ended 31 December 2014, on pages 65 to 129; and
- annual report of the Company for the year ended 31 December 2013, on pages 64 to 135.

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2016 are disclosed in the following document which has been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.osgh.com.hk):

- interim report of the Company for the period ended 30 June 2016, on pages 11 to 37.

2. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the effect of the Disposal and the financial resources available to the Group including internally generated funds and other financial resources, the Group will have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of publication of this circular, in the absence of unforeseeable circumstances.

3. STATEMENT OF INDEBTEDNESS

At the close of business on 31 January 2017, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness are as follows:

Bank borrowings

As at 31 January 2017, the Group had aggregate outstanding bank borrowings of approximately HK$611,049,000, details of which are set out below:

	HK$
Bank borrowings — secured and guaranteed	403,904,000
Bank borrowings — unsecured and guaranteed	207,145,000
Total bank borrowings	611,049,000

The bank borrowings granted to the Group were secured by pledged cash, an office property and the equity interests in two subsidiaries of the Company.

Convertible bond

As at 31 January 2017, the Group had an unsecured and guaranteed convertible bond in a principal amount of HK$200,000,000 issued to an independent third party which will mature on 1 February 2019. The convertible bond is interest bearing at 5% per annum which is repayable semi-annually in arrears. The convertible bond will be redeemed at its outstanding principal amount plus any accrued but unpaid interest and an amount that would yield an internal rate of return of 11%.

The outstanding carrying amount and principal amount of such convertible bond as at 31 January 2017 were approximately HK$181,411,000 and HK$200,000,000 respectively.

On 27 May 2016, the Target Company entered into a corporate guarantee with the holder of the convertible bond and agreed to guarantee the holder punctual performance by the Company of all its obligations under the terms and conditions as stated in the subscription agreement of the convertible bond.

Obligations under finance leases

As at 31 January 2017, the Group had guaranteed finance lease obligations with an outstanding aggregate principal amount of approximately HK$51,188,000. Such obligations under finance leases are secured by the leased assets.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, at the close of business on 31 January 2017, the Group did not have any material mortgages, charges, debentures, loan capital, debt securities, term loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade payables) or acceptance credits, guarantees or other material contingent liabilities.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

After the Disposal, the Group will continue to focus on strengthening and expanding its film exhibition business in the Hong Kong market and its film, video and television production and distribution business in the Hong Kong and the PRC market. The Group's long term goal is to become one of the leading film exhibitors in the Asia Pacific region and a leading film, video and television production and distribution player in the Hong Kong and the PRC market.

The Remaining Group will continue to expand its current cinema operations. Our high calibre teams in different regions will actively pursue high quality potential new sites, acquisition targets and cooperation opportunities in the market. The Group is expected to open on average one or two new cinemas in Hong Kong each year depending on availability of new sites in the market and the feasibility of the commercial terms. Through organic growth in different regions as well as potential acquisitions, plus the improvement in the efficiency of its mature cinemas, the scale and profitability of the Group is expected to improve.

The Remaining Group also plans to ramp up its film, video and TV production business in Hong Kong and the PRC by producing and/or co-investing in an average of two to three new mid-to-large scale films every year by remaking films from the Group's film library, new film production from existing scripts and co-investing in Chinese films. The Group also plans to ramp up its distribution business in Hong Kong and the PRC by acquiring distribution rights to four to five films every year for distribution in Hong Kong and the PRC depending on availability, quality and potential profitability of such opportunities. Through producing successful mid-to-large scale films and profitably acquiring distribution rights to films for distribution in Hong Kong and the PRC, the scale and profitability of the Group's HK and PRC Production & Distribution business is expected to improve.

Going forward, the Remaining Group will continue to seek suitable investment opportunities in order to generate further profits and better returns to the shareholders.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015 (being the date of the latest published audited financial statements of the Group were made up to) and up to and including the Latest Practicable Date.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Following the Disposal, the Remaining Group will continue to carry out its existing businesses. Set out below is the management discussion and analysis of the Remaining Group for the six months ended 30 June 2016 and each of the years ended 31 December 2013, 2014 and 2015 (the "**Reporting Periods**"), prepared on the basis that the Target Group is not consolidated, and the Company has no ownership interest in the Target Group. The financial data in respect of the Remaining Group, for the purpose of this circular, is derived from the consolidated financial statements of the Company for the Reporting Periods.

For the six months ended 30 June 2016

Financial and Operational Review

For the six months ended 30 June 2016, the Remaining Group recorded revenue of HK$144 million, which represented an increase in revenue of 2.5% year-on-year. The increase in revenue is resulted from the increase of distribution income in Hong Kong and Mainland China. The revenue of the cinemas operations in Hong Kong remained stable. For the same period, the Remaining Group recorded a net profit attributable to shareholders of the Company of HK$13 million. The net profit represented a decrease of 66.3% year-on-year, respectively, due primarily to the additional finance costs and expenses incurred for the issuance of the convertible bonds.

Looking ahead, the Remaining Group will continue to expand its cinema operations. Our high calibre team in different regions will keep analysing potential sites, acquisition targets and cooperation opportunities in the market. Through organic growth in different regions as well as potential acquisitions, plus the improvement of efficiency of mature cinemas and cost control strategies, the profitability of the Remaining Group is expected to improve.

Film Exhibition

As at 30 June 2016, the Remaining Group operated 29 cinemas with 239 screens across Hong Kong, Taiwan and Singapore, a year-on-year slight decrease of 3.3% and 1.6% respectively from 30 cinemas with 243 screens as at 30 June 2015. The Remaining Group's cinemas served approximately 13.9 million guests during the six months ended 30 June 2016. The major Hollywood blockbusters released during this period were Deadpool, Captain America 3: Civil War, Zootopia, Batman v Superman: Dawn of Justice and X-Men: Apocalypse. The major Chinese language blockbusters were The Mermaid, From Vegas to Macau III, Ip Man 3 in Hong Kong, The M Riders Finding Pangu in Taiwan and The Jungle Book in Singapore.

Film & TV Programme Production & Distribution

During the six months ended 30 June 2016, the Remaining Group's film production and distribution business recorded revenue of approximately HK$23 million, a year-on-year increase of 71.2%. The distribution revenue was mainly generated by distributing movies including Selfless in Mainland China and From Vegas to Macau 3, Anniversary and House of Wolves in the Hong Kong region. The Remaining Group's film library with perpetual distribution rights continued to generate steady licensing income to the Remaining Group.

The Remaining Group will continue to produce film and TV series by self-investment and co-production with local and overseas studios and TV producers, and to acquire distribution rights of local and foreign films in the region.

The Remaining Group will continue to expand the scale of its distribution and production business through sourcing a variety of movie genres for distribution and searching good scripts for Chinese language film and TV drama series co-production. Through producing successful mid-to-large scale films and profitably acquiring distribution rights to films for distribution, the scale and profitability of the Group's film production and distribution business is expected to improve.

Financial Resources and Liquidity

As at 30 June 2016, the Remaining Group had cash and cash equivalents amounting to HK$192 million. The Remaining Group's outstanding bank loans and convertible bonds amounted to HK$467 million, comprising interest bearing bank borrowings of HK$295 million and convertible bonds of HK$172 million. As at 30 June 2016, the gearing ratio (measured as total borrowings to total assets) was 21.6%.

Foreign Currency Risk

The Remaining Group's assets and liabilities are principally denominated in Hong Kong dollars and Renminbi, except for certain assets and liabilities associated with the investments in Singapore and Taiwan. The overseas joint ventures of the Remaining Group are operating in their local currencies and are subject to minimal exchange risk. The directors will continue to assess the exchange risk exposure of the Remaining Group, and will consider potential hedging measures in order to minimise the risk at a reasonable cost, should the need arise.

Contingent Liabilities

The Remaining Group did not have any significant contingent liabilities or off-balance sheet obligations as at 30 June 2016.

Capital Structure

As at 30 June 2016, the share capital of the Company comprised ordinary shares only.

Capital Expenditure

As at 30 June 2016, the Remaining Group did not have any significant capital commitments.

Charge on Assets

Save as disclosed above, the Remaining Group did not have any other pledge of assets as at 30 June 2016.

Employees and Remuneration Policy

As at 30 June 2016, the Remaining Group had 314 permanent employees. The Remaining Group remunerates its employees mainly by reference to industry practice. In addition to salaries, commissions and discretionary bonuses, share options will be granted to employees based on individual performance and contribution to the Remaining Group. The Remaining Group also provided other employee benefits including bonuses, mandatory provident fund scheme and medical scheme during the six months ended 30 June 2016.

Material Acquisitions and Disposals

During the six months ended 30 June 2016, the Remaining Group had no material acquisitions or disposals of subsidiaries and associates.

As at 30 June 2016, the Remaining Group had no future plans for any material acquisitions or investments in capital assets in the coming year.

For the year ended 31 December 2015

Financial and Operational Review

For the year ended 31 December 2015, the Remaining Group recorded revenue of HK$287 million, which represented an increase in revenue of 9.6% year-on-year. The increase of revenue mainly resulted from the improvement of operations in Hong Kong which recorded steady growth in box office receipts, in line with the market compared with the year ended 31 December 2014. For the same period, the Remaining Group recorded a net loss attributable to the shareholders of the Company of HK$11 million. The net loss was mainly due to the impairment losses of approximately HK$35 million in aggregate provided for accounts receivable, goodwill and film rights, and share option expenses of approximately HK$29 million incurred for share options granted to eligible participants

Film Exhibition

As at 31 December 2015, the Remaining Group operated 30 cinemas with 242 screens across Hong Kong, Taiwan and Singapore, a year-on-year increase of 7.1% and 7.6% respectively from 28 cinemas with 225 screens as at 31 December 2014. The Remaining Group's cinemas served over 29 million guests during the year ended 31 December 2015, an increase of 13.5% as compared with the year ended 31 December 2014. The major Hollywood blockbusters released during the year ended 31 December 2015 were Avengers: Age of Ultron (復仇者聯盟2: 奧創紀元), Jurassic World (侏羅紀世界), Fast & Furious 7 (狂野時速7), Mission Impossible: Rogue Nation (職業特工隊: 叛逆

帝國), Ant-Man (蟻俠) and The Martian (火星任務). The major Chinese-language blockbusters were Little Big Master (五個小孩的校長) and From Vegas To Macau II (賭城風雲II) in Hong Kong, Our Times (我的少女時代) and The Wonderful Wedding (大囍臨門) in Taiwan and Ah Boys To Men 3: Frogmen (新兵正傳3: 蛙人傳) in Singapore.

Looking forward, the Remaining Group will continue to expand its cinema operations. Our high calibre team in different regions will keep analysing potential sites, acquisition targets and cooperation opportunities in the market. Through organic growth in different regions as well as potential acquisitions, plus the improvement in efficiency of mature cinemas, the profitability of the Remaining Group is expected to improve.

Film & TV Programme Production & Distribution

During the year ended 31 December 2015, the Remaining Group's film production and distribution business recorded revenue of approximately HK$44 million, representing a decrease of 26.6% compared to the year ended 31 December 2014. The distribution revenue was mainly generated from movies such as Little Big Master (五個小孩的校長), From Vegas to Macau II (賭城風雲II), Full Strike (全力扣殺), and a number of local releases in Hong Kong. The Remaining Group's film library with perpetual distribution rights also continued to generate steady licensing income to the Remaining Group.

The Remaining Group will continue to expand the scale of its distribution and production business through sourcing a variety of movie genres for distribution and searching good scripts for Chinese language film and TV drama series co-production. Through producing successful mid-to-large scale films and profitably acquiring distribution rights to films for distribution, the scale and profitability of the Group's film production and distribution business is expected to improve.

Financial Resources and Liquidity

As at 31 December 2015, the Remaining Group had cash and cash equivalents amounting to HK$124 million. The Remaining Group's outstanding loans amounted to HK$359 million, comprising mainly interest bearing bank borrowings. As at 31 December 2015, the gearing ratio (measured as total borrowings to total assets) was 17.9%

Foreign Currency Risk

The Remaining Group's assets and liabilities are principally denominated in Hong Kong dollars and Renminbi, except for certain assets and liabilities associated with the investments in Singapore and Taiwan. The overseas joint ventures of the Remaining Group are operating in their local currencies and are subject to minimal exchange risk.

Contingent Liabilities

The Remaining Group did not have any significant contingent liabilities or off-balance sheet obligations as at 31 December 2015.

Capital Structure

As at 31 December 2015, the share capital of the Company comprised ordinary shares only.

Capital Expenditure

As at 31 December 2015, the Remaining Group did not have any significant capital commitments.

Charge on Assets

Save as disclosed above, the Remaining Group did not have any other pledge of assets as at 31 December 2015.

Employees and Remuneration Policy

As at 31 December 2015, the Remaining Group had 303 permanent employees. The Remaining Group remunerates its employees mainly by reference to industry practice. In addition to salaries, commissions and discretionary bonuses, share options will be granted to employees based on individual performance and contribution to the Remaining Group. The Remaining Group also provided other employee benefits including bonuses, mandatory provident fund scheme and medical scheme during the year ended 31 December 2015.

Material Acquisitions and Disposals

During the year ended 31 December 2015, the Remaining Group had no material acquisitions or disposals of subsidiaries and associates.

As at 31 December 2015, Remaining Group had no future plans for any material acquisitions or investments in capital assets in the coming year.

For the year ended 31 December 2014

Financial and Operational Review

For the year ended 31 December 2014, the Remaining Group recorded revenue of HK$262 million, which represented a decrease in revenue of 9.8% year-on-year due primarily to a drop in performance of the film production and distribution business when compared to 2013, which was a fruitful year with significant contribution from the Remaining Group's invested movie No Man's Land (無人區). For the year ended 31 December 2014, the Remaining Group recorded net profits of HK$42 million. The net profit represented a decrease of 57.6% year-on-year due primarily to both the decrease of production and distribution income and the decrease of TV drama sales when compared to 2013.

Film Exhibition

As at 31 December 2014, the Remaining Group operated 28 cinemas with 225 screens across Hong Kong, Taiwan and Singapore. There was no year-on year change in the number of cinemas while there was a year-on-year increase in the number of screens of 2.3% from 220 screens as at 31 December 2013. The Remaining Group's cinemas served close to 26 million guests during the year ended 31 December 2014, a decrease of 4.2% as compared with the year ended 31 December 2013. The major Hollywood blockbusters released during the year ended 31 December 2014 were Transformers: Age of Extinction, X-Men: Days of Future Past, Captain America: The Winter Soldier, The Amazing Spider-Man 2, Step Up 5 and Frozen from Disney. The major Chinese-language blockbusters were From Vegas to Macau 1 (賭城風雲1) in Hong Kong, KANO in Taiwan and Filial Party (我是孝子) in Singapore.

Looking forward, the Remaining Group will continue to expand its cinema operations. Our high calibre team in different regions will keep analysing potential sites, acquisition targets and cooperation opportunities in the market. Through organic growth in different regions as well as potential acquisitions, plus the improvement in efficiency of mature cinemas, the profitability of the Remaining Group is expected to improve.

Film & TV Programme Production & Distribution

The production and distribution business underperformed during the year ended 31 December 2014 compared to the year ended 31 December 2013. The production and distribution business recorded revenue of approximately HK$60 million, representing a decrease of 48.4% compared to the year ended 31 December 2013. The decrease in revenue and profit from the Remaining Group's film distribution business was mainly due to fewer audience-drawing films being distributed in both Hong Kong and Mainland China and also less revenue generated from the sales of TV drama series as compared with the year ended 31 December 2013, which had a significant contribution from the Remaining Group's invested movie No Man's Land (無人區). Despite the drawback during the year ended 31 December 2014, the Remaining Group continued to focus on distributing high quality films from overseas and extend local film financing projects. The Remaining Group's film library with perpetual distribution rights also continued to contribute steady licensing income to the Remaining Group in 2014.

The Remaining Group will continue to expand the scale of its distribution and production business through sourcing a variety of movie genres for distribution and searching good scripts for Chinese language film and TV drama series co-production. Through producing successful mid-to-large scale films and profitably acquiring distribution rights to films for distribution, the scale and profitability of the Group's film production and distribution business is expected to improve.

Financial Resources and Liquidity

As at 31 December 2014, the Remaining Group had cash and cash equivalents amounting to HK$86 million. The Remaining Group's outstanding loans amounted to HK$295 million, comprising mainly interest bearing bank borrowings. As at 31 December 2014, the gearing ratio (measured as total borrowings to total assets) was 15.3%.

Foreign Currency Risk

The Remaining Group's assets and liabilities are principally denominated in Hong Kong dollars and Renminbi, except for certain assets and liabilities associated with the investments in Singapore and Taiwan. The overseas joint ventures of the Remaining Group are operating in their local currencies and subject to minimal exchange risk.

Contingent Liabilities

The Remaining Group did not have any significant contingent liabilities or off-balance sheet obligations as at 31 December 2014.

Capital Structure

As at 31 December 2014, the share capital of the Company comprised ordinary shares only.

Capital Expenditure

As at 31 December 2014, the Remaining Group did not have any significant capital commitments.

Charge on Assets

Save as disclosed above, the Remaining Group did not have any other pledge of assets as at 31 December 2014.

Employees and Remuneration Policy

As at 31 December 2014, the Remaining Group had 297 permanent employees. The Remaining Group remunerates its employees mainly by reference to industry practice. In addition to salaries, commissions and discretionary bonuses, share options will be granted to employees based on individual performance and contribution to the Remaining Group. The Remaining Group also provided other employee benefits including bonuses, mandatory provident fund scheme and medical scheme during the year ended 31 December 2014.

Material Acquisitions and Disposals

During the year ended 31 December 2014, the Remaining Group had no material acquisitions or disposals of subsidiaries and associates.

As at 31 December 2014, Remaining Group had no future plans for any material acquisitions or investments in capital assets in the coming year.

For the year ended 31 December 2013

Financial and Operational Review

For the year ended 31 December 2013, the Remaining Group recorded revenue of HK$290 million, which represented a decrease in revenue of 3.2% compared to the year ended 31 December 2012. This is due primarily to the closure of GH Mongkok and the temporary closure of two other cinemas for renovation. For the year ended 31 December 2013, the Remaining Group recorded net profits of HK$99 million. The net profit represented an increase of 29.2% year-on-year, respectively, due primarily to the strong result from the Remaining Group's Production and Distribution business with invested films such as No Man's Land and the distributed overseas films Colombiana and Iron Lady.

Film Exhibition

During the year ended 31 December 2013, the Remaining Group closed the GH Mongkok cinema and temporary closed two other cinemas for renovation. During the same period, the Remaining Group opened "the sky" cinema with 5 houses and a deluxe "Vivo" house in Hong Kong. As at 31 December 2013, the Remaining Group operated 28 cinemas with 220 screens across Hong Kong, Taiwan and Singapore. There was no year-on year change in the number of cinemas while there was a year-on-year decrease in the number of screens of 0.9% from 222 screens as at 31 December 2012. The Remaining Group's cinemas served approximately 27 million guests during the year ended 31 December 2013, an increase of 4.4% as compared with the year ended 31 December 2012. The major Hollywood blockbusters released during the year ended 31 December 2013 were Iron Man 3, Fast & Furious 6, Pacific Rim and Marvel's Thor: The Dark World. The major Chinese language blockbusters were Unbeatable (激戰) in Hong Kong, David Loman (大尾鱸鰻) in Taiwan and Ah Boys to Men: Part 2 (新兵正傳2) in Singapore.

Looking forward, the Remaining Group will continue to expand its cinema operations. Our high calibre team in different regions will keep analysing potential sites, acquisition targets and cooperation opportunities in the market. Through organic growth in different regions as well as potential acquisitions, plus the improvement in efficiency of mature cinemas, the profitability of the Remaining Group is expected to improve.

Film & TV Programme Production & Distribution

During the year ended 31 December 2013, the production and distribution business recorded revenue of HK$116 million, representing an increase of 45.4% compared to the year ended 31 December 2012. In Mainland China, the Remaining Group's invested film No Man's Land was released in early December 2013 after a four-year censorship approval. No Man's Land recorded RMB24 million box office receipts on the first day of launch and topped the box office rankings. The accumulated box office receipts reached over RMB250 million and generated satisfactory earnings to the Remaining Group. For the distribution business, the Remaining Group distributed well received overseas films such as Colombiana and Iron Lady in Mainland China, with gross box office receipts of over RMB55 million in total. In Hong Kong, the Remaining Group distributed several well-received Chinese films like Out Of Inferno, Rigor Mortis and The White Storm during the year. In addition, the Chinese TV drama series Ocean Espionage (諜戰深海) contributed positive returns to the Remaining Group during the year. The Remaining Group's film library with perpetual distribution rights also continued to contribute steady licensing income to the Remaining Group in 2013.

The Remaining Group will continue to expand the scale of its distribution and production business through sourcing a variety of movie genres for distribution and searching good scripts for Chinese language film and TV drama series co-production. Through producing successful mid-to-large scale films and profitably acquiring distribution rights to films for distribution, the scale and profitability of the Group's film production and distribution business is expected to improve.

Financial Resources and Liquidity

As at 31 December 2013, the Remaining Group had cash and cash equivalents amounting to HK$244 million. The Remaining Group's outstanding loans amounted to HK$431 million, comprising mainly interest bearing bank borrowings. As at 31 December 2013, the gearing ratio (measured as total borrowings to total assets) was 21.0%.

Foreign Currency Risk

The Remaining Group's assets and liabilities are principally denominated in Hong Kong dollars and Renminbi, except for certain assets and liabilities associated with the investments in Singapore and Taiwan. The overseas joint ventures of the Remaining Group are operating in their local currencies and subject to minimal exchange risk.

Contingent Liabilities

The Remaining Group did not have any significant contingent liabilities or off-balance sheet obligations as at 31 December 2013.

Capital Structure

As at 31 December 2013, the share capital of the Company comprised ordinary shares only.

Capital Expenditure

As at 31 December 2013, the Remaining Group did not have any significant capital commitments.

Charge on Assets

Save as disclosed above, the Remaining Group did not have any other pledge of assets as at 31 December 2013.

Employees and Remuneration Policy

As at 31 December 2013, the Remaining Group had 263 permanent employees. The Remaining Group remunerates its employees mainly by reference to industry practice. In addition to salaries, commissions and discretionary bonuses, share options will be granted to employees based on individual performance and contribution to the Remaining Group. The Remaining Group also provided other employee benefits including bonuses, mandatory provident fund scheme and medical scheme during the year ended 31 December 2013.

Material Acquisitions and Disposals

During the year ended 31 December 2013, the Remaining Group had no material acquisitions or disposals of subsidiaries and associates.

As at 31 December 2013, Remaining Group had no future plans for any material acquisitions or investments in capital assets in the coming year.

UNAUDITED COMBINED FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the unaudited combined statements of financial position of the Target Group as at 31 December 2013, 2014 and 2015 and 30 September 2016, and the related unaudited combined income statements, unaudited combined statements of comprehensive income, unaudited combined statements of changes in equity and unaudited combined statements of cash flows for the years ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2015 and 2016, and explanatory notes (collectively referred to as the "**Unaudited Combined Financial Information**"). The Unaudited Combined Financial Information has been prepared on the basis set out in Note 2 below and prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Company's auditors, KPMG, have reviewed the Unaudited Combined Financial Information of the Target Group in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditors to obtain assurance that the auditors would become aware of all significant matters that might be identified in an audit. Accordingly, the auditors do not express an audit opinion.

Based on their review, nothing has come to their attention that causes them to believe that the Unaudited Combined Financial Information is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 below.

(A) UNAUDITED COMBINED FINANCIAL INFORMATION OF THE TARGET GROUP

Unaudited combined income statements
For the years ended 31 December 2013, 2014 and 2015
and the nine months ended 30 September 2015 and 2016
(Expressed in Hong Kong Dollars)

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	640,047	821,780	991,151	739,395	778,148
Cost of sales	(240,484)	(322,185)	(404,168)	(308,158)	(318,771)
Gross profit	399,563	499,595	586,983	431,237	459,377
Other revenue	34,649	58,679	35,639	17,256	14,268
Other net income/(loss)	19,755	(574)	(29,312)	(12,701)	(4,603)
Selling and distribution costs	(403,381)	(494,614)	(631,224)	(454,905)	(480,008)
General and administrative expenses	(59,835)	(60,021)	(91,174)	(63,625)	(56,442)
Other operating expenses	(123)	(119)	(14,242)	(89)	(89)
Valuation gains/(losses) on investment properties	51,181	—	(5,141)	—	—
Profit/(loss) from operations	41,809	2,946	(148,471)	(82,827)	(67,497)
Finance costs	(26,867)	(25,323)	(25,762)	(18,779)	(18,704)
Share of (losses)/profits of associates	(266)	1,427	1,580	1,140	828
Profit/(loss) before taxation	14,676	(20,950)	(172,653)	(100,466)	(85,373)
Income tax	1,513	(7,143)	2,848	(3,731)	(11,985)
Profit/(loss) for the year/period	16,189	(28,093)	(169,805)	(104,197)	(97,358)
Attributable to:					
Equity holders of the Target Company	16,133	(29,014)	(169,824)	(105,236)	(95,850)
Non-controlling interests	56	921	19	1,039	(1,508)
Profit/(loss) for the year/period	16,189	(28,093)	(169,805)	(104,197)	(97,358)

Unaudited combined statements of comprehensive income
For the years ended 31 December 2013, 2014 and 2015
and the nine months ended 30 September 2015 and 2016
(Expressed in Hong Kong dollars)

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) for the year/period	16,189	(28,093)	(169,805)	(104,197)	(97,358)
Other comprehensive income for the year/period:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of:					
— foreign subsidiaries	17,261	(8,870)	(33,562)	(16,412)	(7,922)
— foreign associates	208	(176)	(706)	(318)	(209)
	17,469	(9,046)	(34,268)	(16,730)	(8,131)
Total comprehensive income for the year/period	33,658	(37,139)	(204,073)	(120,927)	(105,489)
Total comprehensive income attributable to:					
Equity holders of the Target Company	33,391	(37,916)	(203,378)	(121,556)	(103,930)
Non-controlling interests	267	777	(695)	629	(1,559)
Total comprehensive income for the year/period	33,658	(37,139)	(204,073)	(120,927)	(105,489)

Unaudited combined statements of financial position
At 31 December 2013, 2014 and 2015 and 30 September 2016
(Expressed in Hong Kong dollars)

	31 December			30 September
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Investment properties	111,264	109,788	98,459	96,790
Other property, plant and equipment	1,120,832	1,166,521	1,166,073	1,153,901
Interest in associates	13,713	12,415	11,269	11,738
Other receivables, deposits and prepayments	195,475	83,260	81,937	77,622
Goodwill	—	—	17,969	19,251
Deferred tax assets	29,512	31,782	36,211	36,410
Pledged bank deposits	1,905	1,880	13,570	13,340
	1,472,701	1,405,646	1,425,488	1,409,052
Current assets				
Inventories	3,598	5,238	5,530	12,135
Trade receivables	33,868	55,437	102,775	106,609
Other receivables, deposits and prepayments	100,550	140,910	168,960	182,257
Amounts due from the Remaining Group	40,770	53,813	52,818	43,214
Pledged bank deposits	—	—	23,600	23,200
Deposits and cash	335,617	365,496	135,610	135,694
	514,403	620,894	489,293	503,109
Current liabilities				
Bank loans	85,017	130,702	198,097	196,871
Trade payables	34,143	39,968	45,634	44,104
Other payables and accrued charges	97,018	78,589	136,330	128,156
Amounts due to the Remaining Group	867,081	1,024,988	1,058,732	1,220,153
Deferred revenue	144,462	143,401	134,515	136,561
Obligations under finance leases	8,762	14,311	15,444	16,951
Taxation payable	4,993	8,855	6,710	13,808
	1,241,476	1,440,814	1,595,462	1,756,604

	31 December			30 September
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net current liabilities	(727,073)	(819,920)	(1,106,169)	(1,253,495)
Total assets less current liabilities	745,628	585,726	319,319	155,557
Non-current liabilities				
Bank loans	419,588	298,445	212,761	149,047
Obligations under finance leases	17,000	15,380	36,787	42,228
	436,588	313,825	249,548	191,275
NET ASSETS/(LIABILITIES)	309,040	271,901	69,771	(35,718)
CAPITAL AND RESERVES				
Share capital	311,400	311,400	311,400	311,400
Reserves	(12,766)	(50,682)	(254,060)	(357,990)
Total equity attributable to equity holders of the Target Company	298,634	260,718	57,340	(46,590)
Non-controlling interests	10,406	11,183	12,431	10,872
TOTAL EQUITY/(DEFICIT)	309,040	271,901	69,771	(35,718)

Unaudited combined statements of changes in equity
For the years ended 31 December 2013, 2014 and 2015
and the nine months ended 30 September 2015 and 2016
(Expressed in Hong Kong dollars)

	Attributable to the equity holders of the Target Company						
	Share capital	Reserve funds	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2013	311,400	5,946	26,986	(79,089)	265,243	7,027	272,270
Changes in equity for the year ended 31 December 2013:							
Profit for the year	—	—	—	16,133	16,133	56	16,189
Other comprehensive income	—	—	17,258	—	17,258	211	17,469
Total comprehensive income	—	—	17,258	16,133	33,391	267	33,658
Transfer from/(to) reserves	—	2,051	—	(2,051)	—	—	—
Equity contribution from non-controlling interests	—	—	—	—	—	3,112	3,112
Balance at 31 December 2013 and 1 January 2014	311,400	7,997	44,244	(65,007)	298,634	10,406	309,040
Changes in equity for the year ended 31 December 2014:							
(Loss)/profit for the year	—	—	—	(29,014)	(29,014)	921	(28,093)
Other comprehensive income	—	—	(8,902)	—	(8,902)	(144)	(9,046)
Total comprehensive income	—	—	(8,902)	(29,014)	(37,916)	777	(37,139)
Transfer from/(to) reserves	—	2,096	—	(2,096)	—	—	—
Balance at 31 December 2014 and 1 January 2015	311,400	10,093	35,342	(96,117)	260,718	11,183	271,901

	Attributable to the equity holders of the Target Company						
	Share capital	Reserve funds	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Changes in equity for the year ended 31 December 2015:							
(Loss)/profit for the year	—	—	—	(169,824)	(169,824)	19	(169,805)
Other comprehensive income	—	—	(33,554)	—	(33,554)	(714)	(34,268)
Total comprehensive income	—	—	(33,554)	(169,824)	(203,378)	(695)	(204,073)
Transfer from/(to) reserves	—	2,030	—	(2,030)	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	4,899	4,899
Capital reduction of a subsidiary	—	—	—	—	—	(2,956)	(2,956)
Balance at 31 December 2015	311,400	12,123	1,788	(267,971)	57,340	12,431	69,771
Balance at 1 January 2015	311,400	10,093	35,342	(96,117)	260,718	11,183	271,901
Changes in equity for the nine months ended 30 September 2015:							
(Loss)/profit for the period	—	—	—	(105,236)	(105,236)	1,039	(104,197)
Other comprehensive income	—	—	(16,320)	—	(16,320)	(410)	(16,730)
Total comprehensive income	—	—	(16,320)	(105,236)	(121,556)	629	(120,927)
Transfer from/(to) reserves	—	5,232	—	(5,232)	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	4,899	4,899
Capital reduction of a subsidiary	—	—	—	—	—	(2,956)	(2,956)
Balance at 30 September 2015	311,400	15,325	19,022	(206,585)	139,162	13,755	152,917
Balance at 1 January 2016	311,400	12,123	1,788	(267,971)	57,340	12,431	69,771
Changes in equity for the nine months ended 30 September 2016							
Loss for the period	—	—	—	(95,850)	(95,850)	(1,508)	(97,358)
Other comprehensive income	—	—	(8,080)	—	(8,080)	(51)	(8,131)
Total comprehensive income	—	—	(8,080)	(95,850)	(103,930)	(1,559)	(105,489)
Transfer from/(to) reserves	—	5,032	—	(5,032)	—	—	—
Balance at 30 September 2016	311,400	17,155	(6,292)	(368,853)	(46,590)	10,872	(35,718)

Unaudited combined statements of cash flows
For the years ended 31 December 2013, 2014 and 2015
and the nine months ended 30 September 2015 and 2016
(Expressed in Hong Kong dollars)

	Year ended 31 December			Nine months ended 30 September	
	2013	2014	2015	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating activities					
Profit/(loss) before taxation	14,676	(20,950)	(172,653)	(100,466)	(85,373)
Adjustments for:					
Interest income	(10,607)	(24,884)	(3,348)	(3,139)	(488)
Finance costs	26,867	25,323	25,762	18,779	18,704
Depreciation of property, plant and equipment	96,629	117,731	140,817	102,858	114,277
(Gains)/losses on disposals of property, plant and equipment	(75)	(15)	516	—	5,708
Impairment of property, plant and equipment	—	—	14,122	—	—
Valuation (gains)/losses on investment properties	(51,181)	—	5,141	—	—
Share of losses/(profits) of associates	266	(1,427)	(1,580)	(1,140)	(828)
Exchange (gains)/losses, net	(16,266)	6,597	22,401	18,094	18,692
Operating profit before changes in working capital	60,309	102,375	31,178	34,986	70,692
Increase in inventories	(896)	(1,697)	(361)	(309)	(6,793)
Decrease/(increase) in trade receivables	15,409	(22,148)	(52,593)	(18,551)	(5,673)
(Increase)/decrease in other receivables, deposits and prepayments	(64,597)	68,148	(33,030)	(37,037)	(13,682)
(Decrease)/increase in trade payables	(8,180)	6,317	8,089	(6,589)	(769)
Increase in other payables and accrued charges	(12,863)	(16,797)	21,209	7,255	(10,797)
Increase/(decrease) in amounts due to the Remaining Group, net	69,347	144,913	34,738	(6,628)	171,024
Increase/(decrease) in deferred revenue	59,435	877	(2,835)	(6,511)	4,276

	Year ended 31 December			Nine months ended 30 September	
	2013	2014	2015	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash generated from/(used in) operations	117,964	281,988	6,395	(33,384)	208,278
Interest received	10,842	25,277	3,348	3,139	488
Finance costs paid	(31,762)	(30,569)	(25,291)	(19,065)	(19,624)
Interest element of finance lease rentals paid	(2,129)	(2,695)	(3,243)	(2,486)	(1,602)
Tax paid	(1,166)	(6,136)	(5,864)	(5,864)	(5,375)
Net cash generated from/ (used in) operating activities	93,749	267,865	(24,655)	(57,660)	182,165
Investing activities					
Payment for the purchase of property, plant and equipment	(166,819)	(156,724)	(102,058)	(75,145)	(107,509)
Payment for the purchase of investment properties	(59,265)	—	—	—	—
Acquisition of subsidiaries, net of cash acquired	—	—	(32,602)	(32,602)	—
Prepayment for the acquisition of a subsidiary	—	—	(3,540)	—	—
Proceeds from disposals of property, plant and equipment	538	94	—	—	—
Proceeds from disposal of an associate	—	146	—	—	—
Equity contributions from non-controlling interests	3,112	—	—	—	—
Investment in an associate	(241)	(504)	—	—	—
Increase in pledged bank deposits	—	—	(36,900)	—	—
Increase in time deposits with original maturity of more than three months when acquired	—	—	(8,260)	—	—
(Advance to)/repayment from an associate	(6,654)	2,907	2,020	2,020	(122)
Reduction of equity interest by non-controlling interests	—	—	(2,956)	(2,956)	—
Net cash used in investing activities	(229,329)	(154,081)	(184,296)	(108,683)	(107,631)

	Year ended 31 December			Nine months ended 30 September	
	2013	2014	2015	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financing activities					
Draw down of bank loans	184,750	76,633	135,300	—	30,000
Repayment of bank loans	(79,126)	(146,705)	(129,252)	(106,470)	(91,723)
Capital element of finance lease rentals paid	(6,558)	(9,149)	(22,792)	(16,400)	(10,385)
Net cash generated from/ (used in) financing activities	99,066	(79,221)	(16,744)	(122,870)	(72,108)
Net (decrease)/increase in cash and cash equivalents	(36,514)	34,563	(225,695)	(289,213)	2,426
Cash and cash equivalent at the beginning of the year/period	358,005	335,617	365,496	365,496	127,350
Effect of foreign exchange rate changes	14,126	(4,684)	(12,451)	(7,207)	(2,342)
Cash and cash equivalents in the combined statements of cash flows	335,617	365,496	127,350	69,076	127,434
Analysis of the balance of cash and cash equivalents					
Cash and cash equivalents in the combined statements of financial position	335,617	365,496	135,610	69,076	135,694
Less: Time deposit with original maturity of more than three months when acquired	—	—	(8,260)	—	(8,260)
Cash and cash equivalents in the combined statements of cash flows	335,617	365,496	127,350	69,076	127,434

NOTES TO THE UNAUDITED COMBINED FINANCIAL INFORMATION OF THE TARGET GROUP

1 GENERAL INFORMATION

Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "**Company**") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company and its subsidiaries, associates and joint ventures (together, the "**Group**") are principally engaged in worldwide film and video distribution, film exhibition in Hong Kong, Mainland China, Taiwan and Singapore, film and television programme production in Hong Kong and Mainland China and the provision of advertising and consultancy services in Hong Kong, Mainland China, Taiwan and Singapore.

On 25 January 2017, an indirect wholly-owned subsidiary of the Company, Giant Harvest Limited ("**Giant Harvest**") entered into an agreement (the "**Disposal Agreement**") with True Vision Limited (the "**Purchaser**" or "**True Vision**"), pursuant to which Giant Harvest conditionally agreed to sell, upon the completion of an internal reorganisation (the "**Reorganisation**"), the entire equity interest in City Entertainment Corporation Limited ("**CECL**" or "**Target Company**"), to True Vision (the "**Disposal**"). The Company and its subsidiaries, immediately after the Disposal hereinafter are referred to as the "**Remaining Group**".

Under the Reorganisation, the Target Company undertook to form the "**Target Group**" by:

(i) Transferring out entities that were not engaged in the film exhibition business from CECL including OSGH Finance Limited, Shenzhen City Phoenix Digital Company Limited, Beijing Orange Sky Golden Harvest Food Limited Company, Orange Sky Golden Harvest Sanlitun (Beijing) Cinema Management Company Limited, Beijing Sixiang Wuxian Culture Media Limited Company and Shanghai Orange Sky Jiayin Shiye Company Limited; and

(ii) Acquiring an investment holding entity, Meilin Huaying (Beijing) Cinema Management Co. Ltd from the Remaining Group.

Upon completion of the Disposal (the "**Completion**"), the Target Group will cease to be held by the Company.

The functional currency of the Target Group is Renminbi, while the Unaudited Combined Financial Information of the Target Group for the years ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2015 and 2016 (the "**Relevant Periods**") is presented in Hong Kong dollars for the convenience of the shareholders of the Company in view of its place of listing. All values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

2 BASIS OF PREPARATION OF THE UNAUDITED COMBINED FINANCIAL INFORMATION

The Unaudited Combined Financial Information has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and solely for the purpose of inclusion in this circular to be issued by the Company in connection with the disposal of the Target Group.

Since all entities comprising the Target Group were under common control of the Company during the Relevant Periods (or where the companies comprising the Target Group were acquired/established at a date later than 1 January 2013, for the period from the date of acquisition/establishment to 30 September 2016) but do not constitute a separate legal consolidated group, the Unaudited Combined Financial Information has been prepared using the principle of merger accounting, as if the current group structure had been in existence throughout the Relevant Periods. The principle of merger accounting has been applied from the first day of the Relevant Periods on 1 January 2013 or the earliest date at which the entities within the Target Group were incorporated.

The Unaudited Combined Financial Information of the Target Group has been prepared and measured at the carrying amount of the entities comprising the Target Group reflected in the consolidated financial statements of the Group for the Relevant Periods. It has been prepared by combining the relevant financial statements, including the income statements, statements of comprehensive income, statements of changes in equity and the statements of cash flows of the entities within the Target Group for the Relevant Periods and the statements of financial position of the entities within the Target Group as at 31 December 2013, 2014 and 2015 and 30 September 2016 of the companies comprising the Target Group (collectively, the "**Standalone Financial Statements**") and adjusting for the effects of acquisition of certain entities within the Target Group reflected in the consolidated financial statements of the Group that are directly attributable to the Target Group but are not reflected in the Standalone Financial Statements. All material intra-group transactions and balances have been eliminated when preparing the Unaudited Combined Financial Information.

The Unaudited Combined Financial Information has been prepared in accordance with the same accounting policies as those adopted by the Group in the preparation of the consolidated financial statements of the Group for the Relevant Periods. The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA.

The Unaudited Combined Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting", issued by the HKICPA and should be read in connection with the relevant published annual report of the Company for the Relevant Periods.

The adoption of going concern assumption

As at 30 September 2016, the Target Group's current liabilities exceeded current assets by HK$1,253,495,000, which was primarily due to an amount of HK$1,220,153,000 due to the Remaining Group classified as current liabilities.

The above conditions indicated the existence of a material uncertainty which may cast significant doubt on the Target Group's ability to continue as a going concern.

The Directors have reviewed the Target Group's cash flow projections, which cover a period of twelve months from the end of the latest reporting period. They are of the opinion that, taking into account the following, the Target Group will have sufficient working capital to meet its financial obligations as and when they fall due:

(i) An amount due to the Remaining Group of HK$995,920,000 will be capitalised as part of the equity of the Target Group should the Disposal be completed;

(ii) The Remaining Group will not demand repayment of the amount due from the Target Group before completion of the Disposal if it would render the Target Group unable to meet other financial obligations as and when they fall due; and

(iii) As at 29 November 2016, one of the entities within the Target Group received a capital injection of HK$236,000,000 from an independent third party for subscription of new capital issued by that entity.

In the opinion of the Directors, in light of the above, the Target Group will have sufficient working capital to fulfil its financial obligations as and when they fall due. Accordingly, the Directors are satisfied that it is appropriate to prepare the Unaudited Combined Financial Information on a going concern basis.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. Introduction

The following is a summary of illustrative unaudited pro forma financial information of the Remaining Group in connection with the disposal of the Target Group which was described in the Section headed "Letter from the Board" in this circular. The unaudited pro forma financial information presented below is prepared to illustrate (i) the financial position of the Remaining Group as at 30 June 2016 as if the Disposal had been completed on 30 June 2016; and (ii) the results and cash flows of the Remaining Group for the year ended 31 December 2015 as if the Disposal had been completed on 1 January 2015. The unaudited pro forma financial information is prepared based on the published interim report of the Company for the six months ended 30 June 2016 and annual report of the Company for the year ended 31 December 2015, after giving effect to the pro forma adjustments described in the notes.

The unaudited pro forma financial information is prepared by the Directors of the Company in accordance with Paragraph 4.29 and 14.68(2)(a)(ii) of the Listing Rules and has been prepared by the Directors of the Company for the purpose of illustrating the effect of the Disposal.

Narrative descriptions of the unaudited pro forma adjustments that are directly attributable to the Disposal and factually supportable are summarised in the accompanying notes to the unaudited pro forma financial information.

The unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results, cash flows and financial position of the Remaining Group had the Disposal been completed as of the specified dates or any other dates.

The unaudited pro forma financial information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Company for the six months ended 30 June 2016 and annual report of the Company for the year ended 31 December 2015 and other financial information included elsewhere in this circular.

2. Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group as at 30 June 2016

(Expressed in Hong Kong dollars)

	The Group as at 30 June 2016	Pro forma adjustments				The Remaining Group as at 30 June 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	*Note 2(d)*	
Non-current assets						
Investment properties	138,325	(97,625)				40,700
Other property, plant and equipment	1,259,554	(1,184,436)				75,118
Leasehold land	124,316	—				124,316
	1,522,195	(1,282,061)				240,134
Interests in joint ventures	262,040	—				262,040
Interest in associates	11,486	(11,486)				—
Other receivables, deposits and prepayments	95,986	(79,206)				16,780
Available-for-sale equity security	6,318	—				6,318
Club memberships	2,490	—				2,490
Trademarks	80,524	—				80,524
Goodwill	76,650	(19,417)				57,233
Deferred tax assets	41,177	(35,281)				5,896
Pledged bank deposits	33,455	(13,455)				20,000
	2,132,321	(1,440,906)				691,415
Current assets						
Inventories	9,144	(8,183)				961
Film rights	46,592	—				46,592
Trade receivables	148,216	(91,622)				56,594
Other receivables, deposits and prepayments	219,629	(167,396)				52,233
Pledged bank deposits	73,940	(23,400)				50,540
Deposits and cash	287,893	(166,761)	141,671		3,741,326	4,004,129
	785,414	(457,362)				4,211,049

	The Group as at 30 June 2016		Pro forma adjustments			The Remaining Group as at 30 June 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	*Note 2(d)*	
Current liabilities						
Bank loans	346,587	(128,725)				217,862
Convertible bonds	9,533	—				9,533
Trade payables	95,793	(43,716)				52,077
Other payables and accrued charges	181,128	(135,939)				45,189
Amounts due to the Remaining Group (net)	—	(1,137,591)	141,671		995,920	—
Deferred revenue	130,448	(126,748)				3,700
Obligations under finance leases	14,376	(14,109)				267
Taxation payable	12,393	(10,537)			314,262	316,118
	790,258	(1,597,365)				644,746
Net current (liabilities)/ assets	(4,844)	1,140,003				3,566,303
Total assets less current liabilities	2,127,477	(300,903)				4,257,718
Non-current liabilities						
Bank loans	317,424	(240,958)				76,466
Convertible bonds	162,693	—				162,693
Obligations under finance leases	42,638	(42,228)				410
Deferred tax liabilities	7,367	—				7,367
	530,122	(283,186)				246,936
NET ASSETS	1,597,355	(17,717)				4,010,782

	The Group as at 30 June 2016	Pro forma adjustments				The Remaining Group as at 30 June 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	*Note 2(d)*	
CAPITAL AND RESERVES						
Share capital	274,252					274,252
Reserves	1,311,533				2,424,416	3,735,949
Total equity attributable to equity holders of the Company	1,585,785					4,010,201
Non-controlling interests	11,570			(10,989)		581
TOTAL EQUITY	1,597,355					4,010,782

3. Unaudited Pro Forma Consolidated Income Statement of the Remaining Group for the year ended 31 December 2015

(Expressed in Hong Kong dollars)

	The Group for the year ended 31 December 2015	Pro forma adjustments		The Remaining Group for the year ended 31 December 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 3(a)*	*Note 3(b)*	
Revenue	1,277,132	(991,151)		285,981
Cost of sales	(548,204)	404,168		(144,036)
Gross profit	728,928	(586,983)		141,945
Other revenue	54,518	(35,639)		18,879
Other net loss	(41,964)	29,312		(12,652)
Selling and distribution costs	(775,424)	631,224		(144,200)
General and administrative expenses	(160,024)	91,174		(68,850)
Other operating expenses	(52,415)	14,242		(38,173)
Estimated gain on the disposal	—	—	2,437,603	2,437,603
Valuation losses on investment properties	(5,141)	5,141		—
(Loss)/profit from operations	(251,522)	148,471		2,334,552
Finance costs	(39,635)	25,762		(13,873)
Share of profits of joint ventures	103,398	—		103,398
Share of profits of associates	1,580	(1,580)		—
(Loss)/profit before taxation	(186,179)	172,653		2,424,077
Income tax	4,961	(2,848)		2,113
(Loss)/profit for the year	(181,218)	169,805		2,426,190
Attributable to:				
Equity holders of the Company	(180,471)	169,824		2,426,956
Non-controlling interests	(747)	(19)		(766)
(Loss)/profit for the year	(181,218)	169,805		2,426,190

4. Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group for the year ended 31 December 2015

(Expressed in Hong Kong dollars)

	The Group for the year ended 31 December 2015	Pro forma adjustments		The Remaining Group for the year ended 31 December 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 4(a)*	*Note 4(b)*	
(Loss)/profit for the year	(181,218)	169,805	2,437,603	2,426,190
Other comprehensive income for the year:				
Items that have been reclassified or may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of:				
— overseas subsidiaries	(31,999)	33,562		1,563
— overseas joint ventures	(6,275)	—		(6,275)
— overseas associates	(706)	706		—
Release of exchange reserve upon the Disposal	—	—	(35,343)	(35,343)
	(38,980)	34,268		(40,055)
Total comprehensive income for the year	(220,198)	204,073		2,386,135
Total comprehensive income attributable to:				
Equity holders of the Company	(218,686)	203,378	2,402,260	2,386,952
Non-controlling interests	(1,512)	695		(817)
Total comprehensive income for the year	(220,198)	204,073		2,386,135

5. Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group for the year ended 31 December 2015

	The Group for the year ended 31 December 2015	Pro forma adjustments			The Remaining Group for the year ended 31 December 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 5(a)*	*Note 5(b)*	*Note 5(c)*	
Operating activities					
(Loss)/profit before taxation	(186,179)	172,653	2,437,603		2,424,077
Adjustments for:					
Interest income	(4,804)	3,348			(1,456)
Finance costs	39,635	(25,762)			13,873
Depreciation of property, plant and equipment	159,696	(140,817)			18,879
Losses on disposals of property, plant and equipment	1,625	(516)			1,109
Gain on disposal of subsidiaries	—	—	(2,437,603)		(2,437,603)
Write-off of liabilities	(6,337)	—			(6,337)
Impairment of property, plant and equipment	14,122	(14,122)			—
Impairment of goodwill	16,425	—			16,425
Impairment of film rights	5,119	—			5,119
Write-off of trade receivables	13,782	—			13,782
Equity-settled share-based payment expenses	29,323	—			29,323
Valuation losses on investment properties	5,141	(5,141)			—
Share of profits of joint ventures	(103,398)	—			(103,398)
Share of profits of associates	(1,580)	1,580			—
Exchange loss, net	28,186	(22,401)			5,785

	The Group for the year ended 31 December 2015	Pro forma adjustments			The Remaining Group for the year ended 31 December 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 5(a)*	*Note 5(b)*	*Note 5(c)*	
Operating profit/(loss) before changes in working capital	10,756	(31,178)			(20,422)
(Increase)/decrease in inventories	(171)	361			190
Decrease in film rights	17,854	—			17,854
(Increase)/decrease in trade receivables	(54,596)	52,593			(2,003)
Increase in other receivables, deposits and prepayments	(74,356)	33,030			(41,326)
Increase/(decrease) in trade payables	3,565	(8,089)			(4,524)
Increase in other payables and accrued charges	49,327	(21,209)			28,118
Increase in amount due to the Remaining Group	—	(34,738)		34,738	—
Decrease in deferred revenue	(15,332)	2,835			(12,497)
Cash used in operations	(62,953)	(6,395)			(34,610)
Interest received	4,718	(3,348)			1,370
Finance costs paid	(38,982)	25,291			(13,691)
Interest element of finance lease rentals paid	(3,305)	3,243			(62)
Tax paid	(12,961)	5,864			(7,097)
Net cash used in operating activities	(113,483)	24,655			(54,090)

	The Group for the year ended 31 December 2015	Pro forma adjustments			The Remaining Group for the year ended 31 December 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 5(a)*	*Note 5(b)*	*Note 5(c)*	
Investing activities					
Payment for the purchase of property, plant and equipment	(128,815)	102,058			(26,757)
Acquisition of subsidiaries, net of cash acquired	(32,602)	32,602			—
Payment for the purchase of available-for-sale equity securities	(6,642)	—			(6,642)
Prepayment for the acquisition of a subsidiary	(3,540)	3,540			—
Proceeds from disposals of property, plant and equipment	118	—			118
Net proceeds from the Disposal	—	—	3,875,192		3,875,192
Equity contributions from non-controlling interests	1,500	—			1,500
Increase in pledged bank deposits	(56,150)	36,900			(19,250)
Increase in time deposits with original maturity of more than three months when acquired	(8,260)	8,260			—
Repayment from an associate	2,020	(2,020)			—
Repayment from/(advance to) joint ventures	1,572	—			1,572
Dividends received	91,610	—			91,610
Reduction of equity interest by non-controlling interests	(2,956)	2,956			—
Net cash (used in)/generated from investing activities	(142,145)	184,296			3,917,343

	The Group for the year ended 31 December 2015	Pro forma adjustments			The Remaining Group for the year ended 31 December 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 5(a)*	*Note 5(b)*	*Note 5(c)*	
Financing activities					
Draw down of bank loans	294,770	(135,300)			159,470
Repayment of bank loans	(224,151)	129,252			(94,899)
Capital element of finance lease rentals paid	(23,034)	22,792			(242)
Net cash generated from financing activities	47,585	16,744			64,329
Net (decrease)/increase in cash and cash equivalents	(208,043)	225,695			3,927,582
Cash and cash equivalents at 1 January	406,488				406,488
Effect of foreign exchange rate changes	(11,585)	12,451			866
Cash and cash equivalents at 31 December	186,860				4,334,936

Notes to the Unaudited Pro Forma Financial Information of the Remaining Group:

1. The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2016 as set out in the Company's published interim report for the six months ended 30 June 2016, the audited consolidated income statement, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2015 as set out in the Company's published annual report for the year ended 31 December 2015.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position assuming the Disposal had taken place on 30 June 2016:

   (a) The adjustment represents the exclusion of the assets and liabilities of the Target Group as if the Disposal had taken place on 30 June 2016. The balances are extracted from the unaudited financial information of the Target Group as at 30 June 2016.

   Amounts due to the Remaining Group represent balances between the Remaining Group and the Target Group previously eliminated upon the preparation of the Group's consolidated financial statements for the six months ended 30 June 2016.

   (b) The adjustment represents the repayment of a loan after the completion of the Disposal, in an amount of approximately HK$292,500,000 (denominated in RMB250,000,000 and for the purpose of this unaudited pro forma financial information, translated at the exchange rate of RMB1 to HK$1.17) owed by the Target Group to Jiashi, pursuant to the Loan Repayment Agreement. The loan owed by the Target Group to Jiashi amounted to HK$141,671,000 as at 30 June 2016, which differs from HK$292,500,000 pursuant to the Loan Repayment Agreement. Accordingly, for the purpose of this unaudited pro forma consolidated statement of financial position, the loan repayment has been adjusted to HK$141,671,000 assuming the Disposal had taken place on 30 June 2016.

   (c) The adjustment represents the de-recognition of non-controlling interests in the Target Group, amounting to HK$10,989,000, as if the Disposal had taken place on 30 June 2016.

   (d) The adjustments represent:

      (i) the Initial Consideration of approximately HK$3,844,620,000 (denominated in RMB3,286,000,000 and for the purpose of this pro forma financial information, translated at the exchange rate of RMB1 to HK$1.17), which will be subject to the following further adjustments:

         (1) the addition or deduction of the Net Debt Adjustment Amount, determined by comparing the Net Debt Value in the Audited Accounts and the Net Debt Value in the Closing Accounts;

         (2) the addition of the cash expenditure in respect of the investment in new cinema projects of the Target Group from 31 December 2016 to the Closing Date; and

         (3) the deduction of the additional amount of consideration for the Xin Ye Shares that the Purchaser should pay pursuant to the Proposed Xin Ye Agreement if Closing occurs after 15 September 2017.

      The Initial Consideration of HK$3,844,620,000 is not adjusted for the above adjustments for the purpose of this unaudited pro forma financial information on the basis that:

         (1) the calculation of the Net Debt Adjustment Amount involves financial information of the Target Group at future dates, which is not available at the time of preparation of this unaudited pro forma financial information;

(2) no cash expenditure in respect of the investment in new cinema projects of the Target Group is expected from 31 December 2016 to the Closing Date; and

(3) the Proposed Xin Ye Agreement relates to a deemed disposal of 7.41% of registered capital of OSGH (China) to Xin Ye for a consideration of RMB200,000,000, which was completed on 29 November 2016. No adjustment has been made to reflect the deemed disposal for the purpose of the unaudited pro forma consolidated statement of financial position as the transaction was completed subsequent to 30 June 2016.

(ii) the estimated net gain on the Disposal as if it had taken place on 30 June 2016, which is calculated as follows:

	HK$'000
Total consideration of the Disposal *(Note 2(d)(i))*	3,844,620
Less: Net assets of the Target Group as at 30 June 2016 *(Note (i))*	(6,728)
Capitalisation of amounts due to the Remaining Group as at 30 June 2016 *(Note (ii))*	(995,920)
Estimated professional expenses directly attributable to the Disposal	(99,450)
Estimated tax effects in relation to the gain on the Disposal calculated at the applicable tax rates *(Note (iii))*	(318,106)
Estimated gain on the Disposal before release of exchange reserve attributable to the Target Group	2,424,416
Release of exchange reserve attributable to the Target Group as of 30 June 2016	(2,360)
Estimated net gain on the Disposal	2,422,056

Notes:

(i) Net assets of the Target Group as at 30 June 2016 attributable to the equity holders of the Target Company is calculated as follows:

	HK$'000
Net assets of the Target Group as at 30 June 2016	17,717
Less: Non-controlling interest in the Target Group *(Note 2(c))*	(10,989)
Net assets of the Target Group as at 30 June 2016 attributable to the equity holders of the Target Company	6,728

(ii) The capitalisation of the amounts due to the Remaining Group of approximately HK$995,920,000 relates to fulfilment of one of the conditions precedent as stated in the Sale and Purchase Agreement. The remaining balance of HK$141,671,000 due to the Remaining Group as at 30 June 2016 relates to a loan owed by the Target Group to Jiashi and is repaid pursuant to the Loan Repayment Agreement as set out in Note 2(b).

(iii) The tax effects in relation to the gain on the Disposal are calculated as (i) the People's Republic of China enterprise income tax ("**PRC EIT**") of HK$314,262,000 based on the tax rate of 10% on the total consideration of the Disposal less the cost of equity interest of approximately HK$702,000,000 (denominated in RMB600,000,000 and for the purpose of this unaudited pro forma financial information, translated at the exchange rate of RMB1 to HK$1.17) of OSGH (China) indirectly held by the Vendor as at 30 June 2016; and (ii) Hong Kong stamp duty of approximately HK$3,844,000, estimated based on the tax rate of 0.1% on the total consideration of the Disposal in relation to the transfer of equity interest in the Target Company.

The net cash receipt from the Disposal of HK$3,741,326,000 represents the receipt of the Initial Consideration of HK$3,844,620,000 less the payments of professional expenses of HK$99,450,000 and Hong Kong stamp duty of HK$3,844,000.

The actual financial effects of the Disposal are to be determined based on the consideration and the carrying amount of net assets of the Target Group at the completion date and are therefore subject to change upon the actual completion of the Disposal.

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated income statement assuming the Disposal had taken place on 1 January 2015:

(a) The adjustment represents the exclusion of operating results of the Target Group for the year ended 31 December 2015 as if the Disposal had been completed on 1 January 2015. The amounts are extracted from the unaudited financial information of the Target Group for the year ended 31 December 2015.

(b) The adjustment represents the estimated gain on the Disposal assuming the Disposal had taken place on 1 January 2015.

	HK$'000
Total consideration of the Disposal *(Note (i))*	4,041,780
Less: Net assets of the Target Group as at 1 January 2015 *(Note (ii))*	(260,718)
Capitalisation of amounts due to the Remaining Group as at 1 January 2015	(939,832)
Estimated professional expenses directly attributable to the Disposal *(Note (i))*	(104,550)
Estimated tax effects in relation to the gain on the Disposal calculated at the applicable tax rates *(Note (i))*	(334,420)
Estimated gain on the Disposal before release of exchange reserve attributable to the Target Group	2,402,260
Release of exchange reserve attributable to the Target Group as at 1 January 2015	35,343
Estimated net gain on the Disposal	2,437,603

Notes:

(i) The total consideration of the Disposal and the estimated tax effects in relation to the gain on the Disposal for the purpose of the unaudited consolidated pro forma consolidated income statement and the unaudited consolidated pro forma statement of cash flows are determined on the same bases as those for the unaudited consolidated pro forma statement of financial position as set out in Note 2(d) above except that the consideration denominated in RMB3,286,000,000, the professional expenses directly attributable to the Disposal and the related PRC EIT are translated at the exchange rate of RMB1 to HK$1.23.

(ii) Net assets of the Target Group as at 1 January 2015 attributable to the equity holders of the Target Company is calculated as follows:

	HK$'000
Net assets of the Target Group as at 1 January 2015	271,901
Less: Non-controlling interest in the Target Group	(11,183)
Net assets of the Target Group as at 1 January 2015 attributable to the equity holders of the Target Company	260,718

(iii) The capitalisation of the amounts due to the Remaining Group of approximately HK$939,832,000 as at 1 January 2015 relates to fulfilment of one of the conditions precedent as stated in the Sale and Purchase Agreement. The remaining balance of HK$31,343,000 due to the Remaining Group as at 1 January 2015 relates to a loan owed by the Target Group to Jiashi and is repaid pursuant to the Loan Repayment Agreement as set out in Note 2(b).

The actual financial effects of the Disposal are to be determined based on the consideration and the carrying amount of net assets of the Target Group at the completion date and are therefore subject to change upon the actual completion of the Disposal.

4. The following pro forma adjustment has been made to the unaudited pro forma consolidated statement of comprehensive income assuming the Disposal had taken place on 1 January 2015:

(a) The adjustment represents the exclusion of operating results of the Target Group for the year ended 31 December 2015 as if the Disposal had been completed on 1 January 2015. The amounts are extracted from the unaudited financial information of the Target Group for the year ended 31 December 2015.

(b) According to the Group's accounting policy, the results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of each reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised. The adjustments represent the cumulative amount of the exchange differences relating to the Target Group reclassified to profit or loss as if the Disposal had been completed on 1 January 2015.

5. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of cash flows assuming the Disposal had taken place on 1 January 2015:

(a) The adjustment represents the exclusion of cash flows of the Target Group for the year ended 31 December 2015 as if the Disposal had been completed on 1 January 2015. The amounts are extracted from the unaudited financial information of the Target Group for the year ended 31 December 2015.

(b) The adjustment represents the net cash flow from the Disposal as if the Disposal had taken place on 1 January 2015.

	HK$'000
Total consideration of the Disposal *(Note 3(b))*	4,041,780
Less: Estimated professional expenses directly attributable to the Disposal	(104,550)
Payment of Hong Kong stamp duty	(4,042)
Estimated net proceeds from the Disposal	3,933,188
Less: Cash and cash equivalents held by the Target Group as at 1 January 2015	(365,496)
Add: Receipt of repayment of loan from the Target Group *(Note)*	307,500
Net cash proceeds from completion of the Disposal	3,875,192

Note: The receipt relates to repayment of loan from the Target Group of RMB250,000,000 as set out in Note 2(b), translated at the exchange rate of RMB1 to HK$1.23.

The actual financial effects of the Disposal are to be determined based on the consideration and the carrying amount of net assets of the Target Group at the completion date and are therefore subject to change upon the actual completion of the Disposal.

(c) The adjustment represents the elimination of the intragroup cash flows of HK$34,738,000 between the Remaining Group and the Target Group for the year ended 31 December 2015, as the Target Group is no longer a subsidiary of the Remaining Group after completion of the Disposal.

6. All the above adjustments in respect of the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows above are not expected to have a continuing effect on the Remaining Group.

7. No adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to 30 June 2016 for the unaudited pro forma consolidated statement of financial position and 1 January 2015 for the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

13 March 2017

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Orange Sky Golden Harvest Entertainment (Holdings) Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2016 and the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2015 and related notes as set out in Part A of Appendix III to the circular dated 13 March 2017 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix III to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Disposal (as defined in the Circular) on the Group's financial position as at 30 June 2016 and the Group's financial performance and cash flows for the year ended 31 December 2015 as if the Disposal had taken place at 30 June 2016 and 1 January 2015 respectively. As part of this process, information about the Group's financial position as at 30 June 2016 has been extracted by the Directors from the interim financial report for the six months ended 30 June 2016, on which a review report has been published. Information about the Group's financial performance and cash flows for the year ended 31 December 2015 has been extracted by the Directors from the consolidated financial statements of the Group for the year ended 31 December 2015, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2016 or 1 January 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

The following are the particulars of the two Directors to retire, and proposed to be re-elected at the SGM:

(1) Ms. Chow Sau Fong, Fiona ***(proposed to be re-elected as an Executive Director of the Company)***

Ms. Chow, aged 44, has been an Executive Director of the Company since 3 June 2016. She has been appointed as chief operating officer ("**COO**") of the Group since 24 April 2015 and is responsible for managing the exhibition businesses of the Group in all territories. She has also been assigned as the special assistant to Chairman of the Company since 1 October 2010 and appointed as director of certain subsidiaries of the Company. Formerly, Ms. Chow was appointed as an Executive Director when she first joined the Group on 30 October 2007. She had also held the position of chief financial officer ("**CFO**") of the Company between 1 January 2008 and 31 December 2008. On 22 September 2009, Ms. Chow had been appointed as COO of the Company and she resigned thereafter as Executive Director and COO of the Company with effect from 23 August 2010 for personal reasons. On the same day, she was re-designated as the managing director of the China operation of the Company, which has focused on the development of theatrical exhibition business in China and subsequently she resigned from the position with effect from 30 September 2010.

Ms. Chow holds an M.B.A in Finance and Entrepreneurial Management from the Wharton Business School at the University of Pennsylvania, and a B.A. (Honors) in Business Administration from the Chinese University of Hong Kong.

Ms. Chow has entered into a service agreement with the Company as an Executive Director of the Company and the COO of the Group for a term of 3 years with effect from 3 June 2016 to 2 June 2019 ("**Service Agreement**"). Under the Service Agreement, Ms. Chow is entitled to receive an annual salary of HKD2,000,000 together with discretionary bonus and share options. The discretionary bonus will be determined at the Company's discretion by reference to her individual performance, the Company's performance and the Company's remuneration policy and subject to the approval by the Board. Additionally, Ms. Chow is interested in outstanding options granted to her under share option scheme of the Company adopted on 11 November 2009 entitling her to subscribe for 27,400,000 shares. The Company may also grant share options from time to time to Ms. Chow as an incentive for her services during the term, provided that the maximum total number of share options granted to Ms. Chow during the term shall not be more than 1% of the entire issued share capital of the Company. The number of share options granted to Ms. Chow shall be subject to the approval by the Board. The emolument of Ms. Chow is determined by reference to industry norm and market conditions and with reference to her duties and responsibilities with the Company.

Ms. Chow is subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the provisions of the bye-laws of the Company (the "**Bye-laws**"). Ms. Chow will not receive any remuneration in her capacity as an Executive Director under the Service Agreement.

Save as disclosed herein, as at the Latest Practicable Date, (a) Ms. Chow has not held any directorship in other listed companies in the last three years and does not hold any other positions with the Company or other members of the Group; (b) Ms. Chow does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company; (c) there are no other matters concerning Ms. Chow that need to be brought to the attention of the shareholders of the Company nor any information to be disclosed pursuant to the requirements of Rule 13.51(2)(h)-(v) of the Listing Rules; and (d) Ms. Chow does not have any option or interests in the ordinary shares of the Company within the meaning of Part XV of the SFO.

(2) Mr. Fung Chi Man, Henry ***(proposed to be re-elected as an Independent Non-executive Director of the Company)***

Mr. Fung, aged 48, has been an Independent Non-executive Director of the Company since 3 June 2016. He has over twenty years of experience in the legal profession. He is a partner of Holman Fenwick Willan ("**HFW**") since 1999 and the chief representative of the Shanghai Office of Holman Fenwick Willan LLP. Mr. Fung obtained a degree of Bachelor of Laws and a Postgraduate Certificate in Laws from the University of Hong Kong. He also has a PRC law degree from the China University of Political Science and Law. Mr. Fung is currently a practicing solicitor of the High Courts of Hong Kong and England & Wales. Mr. Fung is also a notary public and a China-appointed attesting officer in Hong Kong. Besides, Mr. Fung is also a civil celebrant of marriages, an HKIAC arbitrator, a member of the Solicitors Disciplinary Tribunal and a chairman of the Appeal Tribunal Panel (Buildings) in Hong Kong.

Mr. Fung has entered into a letter of appointment with the Company commencing from 3 June 2016 for his appointment as an Independent Non-executive Director. He will not have a fixed term of service and will be subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the provisions of the Bye-laws. Mr. Fung is entitled to a Director's fee in the amount of HK$200,000 per annum (or a pro rata amount for the duration of his directorship for an incomplete year) plus a fee of HK$10,000 per regular Board meeting attended which is determined by reference to his duties as an Independent Non-executive Director and a member of the Audit Committee.

Save as disclosed herein, as at the date of Latest Practicable Date, (a) Mr. Fung has not held any directorship in other listed companies in the last three years and does not hold any other positions with the Company or other members of the Group; (b) Mr. Fung does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company; (c) there are no other matters concerning Mr. Fung that need to be brought to the attention of the shareholders of the Company nor any information to be disclosed pursuant to the requirements of Rule 13.51(2)(h)-(v) of the Listing Rules; and (d) Mr. Fung does not have any interests in the ordinary shares of the Company within the meaning of Part XV of the SFO.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS IN SECURITIES

2.1 Interests and short positions of Directors and chief executive in shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Name of Director/ Chief Executive	Capacity	*Note*	Number of Shares held	Number of underlying Shares	Total Number of Shares and underlying Shares	*Approximate percentage of Shares and underlying Shares in the issued share capital of the Company
Wu Kebo	Interest of controlled corporations	1	1,723,894,068 (L)	—	1,723,894,068 (L)	62.85%
	Beneficial owner	1	117,775,000 (L)	—	117,775,000 (L)	4.29%
Wu Keyan	Beneficial owner	2	500,000 (L)	2,000,000 (L)	2,500,000 (L)	0.09%
Li Pei Sen	Beneficial owner	2	200,000 (L)	27,200,000 (L)	27,400,000 (L)	1.00%

Name of Director/ Chief Executive	Capacity	*Note*	Number of Shares held	Number of underlying Shares	Total Number of Shares and underlying Shares	*Approximate percentage of Shares and underlying Shares in the issued share capital of the Company
Leung Man Kit	Beneficial owner	—	370,000 (L)	—	370,000 (L)	0.01%
Mao Yimin	Beneficial owner	2	—	27,400,000 (L)	27,400,000 (L)	1.00%
Wong Sze Wing	Beneficial owner	2	—	170,000 (L)	170,000 (L)	0.01%
Chow Sau Fong, Fiona	Beneficial owner	2	—	27,400,000 (L)	27,400,000 (L)	1.00%

* *Such percentages have been compiled based on the total number of Shares in issue (i.e. 2,743,029,248) as at the Latest Practicable Date.*

Abbreviations:

"L" stands for long position

Notes:

1. By virtue of the SFO, as at the Latest Practicable Date, Mr. Wu Kebo ("**Mr. Wu**") was deemed to be interested in a total of 1,723,894,068 Shares, of which (i) 439,791,463 Shares were held by Skyera International Limited (a company wholly-owned by Mr. Wu); (ii) 408,715,990 Shares were held by Mainway Enterprises Limited (a company wholly-owned by Mr. Wu); (iii) 129,666,667 Shares were held by Noble Biz International Limited (a company wholly owned by Mr. Wu); (iv) 565,719,948 Shares held by Orange Sky Entertainment Group (International) Holding Company Limited (a company 80% owned by Mr. Wu) and (v) 180,000,000 Shares were held by Cyber International Limited (a company owned by an associate of Mr. Wu).

   In addition, Mr. Wu is interested in 117,775,000 Shares as at the Latest Practicable Date which were beneficially held by him in his own name.

2. These underlying Shares represented the Shares which may be issued upon the exercise of share options granted by the Company under the share option scheme adopted by the Company on 11 November 2009.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

2.2 Notifiable interests and short positions of substantial shareholders and other persons in Shares

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company in accordance with disclosure by the substantial shareholders under Part XV of the SFO, the following substantial shareholders of the Company within the meaning of the Listing Rules and other persons (in each case other than the Directors and chief executive of the Company) had an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director/ Chief Executive	Capacity	*Note*	Number of Shares held	Number of underlying Shares	Total Number of Shares and underlying Shares	*Approximate percentage of Shares and underlying Shares in the issued share capital of the Company
Wu Kebo	Interest of controlled corporations	1	1,723,894,068 (L)	—	1,723,894,068 (L)	62.85%
	Beneficial owner	1	117,775,000 (L)	—	117,775,000 (L)	4.29%
Skyera International Limited (“**Skyera**”)	Beneficial owner	2	439,791,463 (L)	—	439,791,463 (L)	16.03%
Mainway Enterprises Limited (“**Mainway**”)	Beneficial owner	3	408,715,990 (L)	—	408,715,990 (L)	14.90%
Noble Biz International Limited (“**Noble Biz**”)	Beneficial owner	4	129,666,667 (L)	—	129,666,667 (L)	4.73%

Name of Director/ Chief Executive	Capacity	*Note*	Number of Shares held	Number of underlying Shares	Total Number of Shares and underlying Shares	*Approximate percentage of Shares and underlying Shares in the issued share capital of the Company
Orange Sky Entertainment Group (International) Holding Company Limited ("**OSEG**")	Beneficial owner	5	565,719,948 (L)	—	565,719,948 (L)	20.62%
Cyber International Limited ("**Cyber**")	Beneficial owner	6	180,000,000 (L)	—	180,000,000 (L)	6.56%
China Construction Bank Corporation	Interest of controlled corporations	7	—	200,000,000 (L)	200,000,000 (L)	7.29%
Central Huijin Investment Ltd.	Interest of controlled corporations	7	—	200,000,000 (L)	200,000,000 (L)	7.29%
Wan Tai Investments Limited	Beneficial owner	7	—	200,000,000 (L)	200,000,000 (L)	7.29%

* *Such percentages have been compiled based on the total number of Shares in issue (i.e. 2,743,029,248) as at the Latest Practicable Date.*

Abbreviations:

"L" stands for long position

Notes:

1. By virtue of the SFO, as at the Latest Practicable Date, Mr. Wu is deemed to have interest in a total of 1,723,894,068 Shares, of which (i) 439,791,463 Shares were held by Skyera; (ii) 408,715,990 Shares were held by Mainway; (iii) 129,666,667 Shares were held by Noble Biz; (iv) 565,719,948 Shares were held by OSEG (a company 80% owned by Mr. Wu) and (v) 180,000,000 Shares were held by Cyber. In addition, Mr. Wu is interested in 117,775,000 Shares as at the Latest Practicable Date which were beneficially held in his own name.

2. Skyera is a company wholly owned by Mr. Wu, who is also a director of Skyera.

3. Mainway is a company wholly owned by Mr. Wu, who is also a director of Mainway.

4. Noble Biz is a company wholly owned by Mr. Wu, who is also a director of Noble Biz.

5. OSEG (a company 80% owned by Mr. Wu) was interested in 565,719,948 Shares. Mr. Wu is a director of OSEG and Mr. Li Pei Sen is the associate Chairman of OSEG.

6. Cyber is a company owned by an associate of Mr. Wu.

7. These underlying Shares represented the Shares to be issued if Wan Tai, being the bondholder of the convertible bond in the principal amount of HK$200,000,000 issued by the Company (the "**Convertible Bond**"), exercises in full the conversion rights attached to the Convertible Bond, which is considered interests of Wan Tai under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any substantial shareholder of the Company within the meaning of the Listing Rules or other person (in each case other than a Director or chief executive of the Company) who had, as at the Latest Practicable Date, an interest or a short position in Shares or underlying Shares which was required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

2.3 Directors' interests in contracts and assets

(a) On 25 September 2015, Beijing Orange Sky Golden Harvest Xiangyun Management Co. Ltd., an indirect wholly owned subsidiary of the Company, entered into an agreement with Mr. Wu Keguan, Ms. Yan Huimin, Mr. Zhong Guixiong and Jining Yueyinghui Cinema Investment Co., Ltd. ("**Jining**"), a company established in the PRC and 100% beneficially owned by Mr. Wu Keguan, in relation to the acquisition of the entire equity interest in Jining for a consideration of RMB20,000,000 (equivalent to approximately HK$24,000,000). Mr. Wu Keguan is a connected person of the Company by virtue of being an associate of Mr. Wu Kebo, who is the Chairman, a Director and controlling Shareholder of the Company.

(b) On 6 November 2013, OSGH (China), as landlord, and 北京橙天影院投資管理有限公司 (Beijing Orange Sky Cinema Investment Management Co., Ltd) (the "**Beijing Orange Sky**"), wholly owned by Mr. Wu Kebo and Ms. Wu Keyan, as tenant, entered into a lease agreement, pursuant to which Beijing Orange Sky will lease the portions of 4th Floor under household no. 100040001, 5th Floor under household no. 100050001 and 6th Floor under household nos. 100060001 and 100060003 (collectively referred to as Unit 4108) of Bohai New World Shopping Centre of No. 88 Xinhua West Road, Tangshan City, Hebei Province, the PRC, with a total gross floor area of approximately 5,504.43 square metres (the "**Leased Premises**") from OSGH (China) for a period of 12 years ("**Tangshan Lease Agreement**"). On 12 May 2016, OSGH (China) and Beijing Orange Sky entered into the supplemental agreement to the Tangshan Lease Agreement pursuant to which Beijing Orange Sky agreed the compensation to be made by OSGH (China) by way of extension of the rent-free-period to cover the reasonable loss Beijing Orange Sky suffered during the time it is unable to commence operation, i.e. OSGH (China) agreed to extend the expiry date of the rent-free period to 28 February 2019.

(c) OSGH (China) 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 established in the PRC and 80% beneficially owned by Mr. Wu and Ms. Wu Keyan through 北京橙地影院投資管理有限公司 (Beijing Orange Land Cinema Investment Management Company Limited) entered into the lease agreement on 25 September 2012 (the "**Jiangyin Lease Agreement**") in respect of the leasing of the portion of 3rd, 4th and 5th Floors of Block 2 of the Jiangyin Orange Land Cultural Complex situated at the Xiagang Development Zone, Jiangyin City, Jiangsu Province, PRC, with a total floor area of approximately 17,561 square metres (the "**Leased Property**"). On 2 December 2014, OSGH (China) and Jiangyin Orange Land entered into a supplemental agreement to the Jiangyin Lease Agreement, pursuant to which Jiangyin Orange Land agreed to refund the prepayment of RMB100,000,000 and also pay the interest of RMB13,625,000, at a rate of 7.5% per annum on the amounts of base rental prepayment from the respective dates of such payment during the period from October 2012 to November 2014, to OSGH (China) as stated in the announcement of the Company dated 25 June 2014. On 22 June 2016, OSGH (China) and Jiangyin Orange Land entered into another 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.

(d) On 31 August 2016, Beijing Orange Sky, wholly owned by Mr. Wu Kebo and Ms. Wu Keyan, entered into a sub-lease agreement with 北京橙天嘉禾影視製作有限公司 (Orange Sky Golden Harvest (Beijing) TV & Film Production Company Limited) (the "**First Sublease**") in relation to the sub-leasing of the office premises with a total floor area of approximately 6.75 square metres occupying a portion of the second floor of House No. 3 situated at No. 1 Anjialou, Xiaoliangmaqiao Ave, Chaoyang District, Beijing, the PRC for a term commencing from 1 September 2016 and expiring on 31 August 2019 (both dates inclusive) at total rental amounting to RMB46,564.88 and total management fee amounting to RMB5,173.88 paid on a quarterly basis.

On the same day, Beijing Orange Sky and 北京嘉禾影城管理諮詢有限公司 (Golden Harvest (Beijing) Cinema Management Consultancy Company Limited), an indirect wholly owned subsidiary of the Company and a wholly owned subsidiary of OSGH (China), entered into the second sub-lease agreement (the "**Second Sub-Lease**") in relation to the sub-leasing of the office premises with a total floor area of approximately 993.57 square metres occupying a portion of the second floor of House No. 3 situated at No. 1 Anjialou, Xiaoliangmaqiao Ave, Chaoyang District, Beijing, the PRC for a term commencing from 1 September 2016 and expiring on 31 August 2019 (both dates inclusive) at a total rental amounting to RMB6,854,142.65 and total management fee amounting to RMB761,571.41 paid on a quarterly basis.

Save as disclosed above, as at the Latest Practicable Date,

(i) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and

(ii) none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any service contract with any member of the Group which will not expire or be terminable by the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group within two years preceding the Latest Practicable Date, and are or may be material:

(a) the subscription agreement dated 22 January 2016 (the "**CB Subscription Agreement**") entered into by the Company and Wan Tai Investments Limited ("**Wan Tai**") in relation to the issue of the 5% convertible bonds with a term of 3 years of the Company due 2019 in the principal amount of HK$200 million (the "**Series 1 Convertible Bond**"), and the proposed issue of the 5% convertible bonds with a term of 3 years of the Company in the principal amount of HK$100,000,000;

(b) the supplemental agreement to the CB Subscription Agreement dated 31 January 2016 entered into by the Company and Wan Tai whereby the long stop date of Series 1 Convertible Bonds was extended from 31 January 2016 to 5 February 2016;

(c) the subscription agreement dated 15 March 2016 entered into between the Target Group, OSGH (China) and the investors, being Xin Ye, 上海慧影投資中心(有限合夥) (Shanghai Huiying Investment Centre (Limited Partnership) and 北京青中同創資產管理有限公司 (Beijing Qing Zhong Tong Chuang Asset Management Company Limited) (collectively, the "**Investors**") in respect of the subscription of the shares of OSGH (China), representing an aggregate 13.79% of the equity interest in OSGH (China) following completion of the subscription, by the Investors in OSGH (China), in consideration for RMB400 million (the "**Subscription Agreement**");

(d) the first supplemental agreement to the Subscription Agreement dated 1 April 2016, entered into by the Target Company, Xin Ye and 北京微影時代科技有限公司 (Beijing Weiying Technology Co. Ltd*), a company established in the PRC or any of its associates, including 上海慧影投資中心(有限合夥) (Shanghai Huiying Investment Centre (Limited Partnership) pursuant to which the parties have agreed to amend certain terms of the Subscription Agreement in respect of (i) the rights and obligations of the parties between the date of the Subscription Agreement and the date of the completion of the subscription and (ii) the buy-back options provisions regarding the equity interest in OSGH (China);

(e) the second supplemental agreement to the Subscription Agreement dated 1 April 2016, entered into by the Target Company, OSGH (China), and 北京微影時代科技有限公司 (Beijing Weiying Technology Co. Ltd*), a company established in the PRC or any of its associates, including 上海慧影投資中心(有限合夥) (Shanghai Huiying Investment Centre (Limited Partnership)), pursuant to which the parties agreed to amend certain terms of the Subscription Agreement in respect of the termination of the Subscription Agreement between the parties;

(f) the second amendment agreement and the deed of amendment dated 27 May 2016 entered into by the Company and Wan Tai, pursuant to which the parties agree to amend certain terms in the CB Subscription Agreement and the instrument of Series 1 Convertible Bond in light of the issuance of share of OSGH (China);

(g) the joint venture agreement dated 5 September 2016 entered into by the Target Company and Xin Ye, which (a) sets out the major terms of the Subscription Agreement as applicable between the Target Company and Xin Ye and the operational arrangements between the Target Company and Xin Ye in relation to OSGH (China), and (b) further supplements the Subscription Agreement;

(h) the third supplemental agreement dated 5 September 2016 entered into by 北京青中同創資產管理有限公司 (Beijing Qing Zhong Tong Chuang Asset Management Company Limited), the Target Company and OSGH (China), whereby it was agreed, amongst others, that all of the rights and obligations under the Subscription Agreement of 北京青中同創資產管理有限公司 (Beijing Qing Zhong Tong Chuang Asset Management Company Limited) would be terminated, without any claim or liability towards the other parties;

(i) the Sale and Purchase Agreement;

(j) the Supplemental Agreement; and

(k) the Loan Repayment Agreement.

6. PENDING LITIGATION OR CLAIMS

On 27 May 2014, the Company announced that there has been a shareholders' dispute in Vie Show, a Taiwan incorporated company which is 35.70% owned by Golden Sky Entertainment Limited, a wholly-owned subsidiary of the Company ("**GSE**"), and one of the principal businesses of which is operating and managing cinemas in Taiwan, whereby GSE and two other shareholders of Vie Show (the "**Vie Show Shareholders**") served a written notice on Bau Tzuoh Investment Co., Ltd. (寶座投資股份有限公司), 泰建投資股份有限公司 (Taijian Investment Holdings Co., Ltd.*) and 泰聯投資股份有限公司 (Tailuen Investment Holdings Co., Ltd.*) (collectively, "**Bau Tzuoh Companies**") to, among other things, terminate the shareholders' agreement with the Bau Tzuoh Companies with effect on 23 May 2014 according to the laws in Taiwan and requesting for a forced sale of all of the issued shares of Vie Show held by Bau Tzuoh Companies to GSE and two other shareholders of Vie Show. On 21 July 2014 and 20 January 2016 (the "**Vie Show Announcements**"), the Company further announced that, among other things, (i) the Vie Show Shareholders had filed a lawsuit against the Bau Tzuoh Companies with the Taipei District Court of Taiwan (the "**Court**") (the "**Claim**") on 15 July 2014, (ii) on 15 January 2016, the Court issued judgment and dismissed the Claim by the Vie Show Shareholders against the Bao Tzuoh Companies (the "**Judgment**"), and (iii) in November 2014, the Bau Tzuoh Companies filed a separate law suit against the Vie Show Shareholders with the Court, seeking the Court's judgment for a transfer of the entire issued shares held by the Vie Show Shareholders to the Bau Tzuoh Companies (the "**Bao Tzuoh Companies Claim**"). On 30 December 2016, the Court issued judgment and dismissed the Bao Tzuoh Companies Claim. Both the Vie Show Shareholders and the Bau Tzuoh Companies had filed respective appeal to the judgments, these two cases are now pending in the Taiwan High Court. As at the Latest Practicable Date, no judgments have been made by the Taiwan High Court in relation to both the Claim and the Bao Tzuoh Companies Claim. As disclosed in the Vie Show Announcements, the Company intends to actively defend the Bao Tzuoh Companies Claim or any other claims that may be brought by the Bau Tzuoh Companies.

Save for the above matter, as at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

7. EXPERT AND CONSENT

The following is the qualification of the expert or professional adviser who has given opinion or advice contained in this circular:

Name	**Qualification**
KPMG	Certified Public Accountants

As at the Latest Practicable Date, KPMG has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, KPMG did not have any shareholding in any member of the Remaining Group or any right (whether legally enforceable or not) to subscribe for securities in any member of the Remaining Group.

As at the Latest Practicable Date, KPMG was not interested, directly or indirectly, in any assets which have been or are proposed to be acquired or disposed of by or leased to any member of the Remaining Group since 31 December 2015, the date to which the latest audited financial statements of the Company were made up.

8. MISCELLANEOUS

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

(b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The company secretary of the Company is Mr. Man Tak Cheung, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of the Chartered Certified Accountants.

(d) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday except public holidays in Hong Kong, at the principal place of business of the Company in Hong Kong at 24/F, AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong for 14 days from the date of this circular:

(a) the Bye-Laws of the Company;

(b) the annual reports of the Company for the two financial years ended 31 December 2014 and 2015;

(c) the report on review of unaudited combined financial information of the Target Group from KPMG, the text of which is set out in Appendix II to this circular;

(d) the report on the unaudited pro forma financial information on the Remaining Group from KPMG, the text of which is set out in Appendix III to this circular;

(e) the consent letters referred to in the paragraph under the heading "Expert and Consent" in this Appendix to this circular;

(f) each of the material contracts as referred to in the section headed "Material Contracts" in this Appendix;

(g) the circular of the Company dated 14 June 2016 in respect of, among others, the major transaction and deemed disposal of equity interest in OSGH (China); and

(h) this circular.

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)

NOTICE IS HEREBY GIVEN that the special general meeting of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "**Company**") will be held at the principal office of the Company at 24th Floor, AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong on Tuesday, 28 March 2017 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

(1) "**THAT**:

(a) the sale and purchase agreement dated 25 January 2017 (the "**Sale and Purchase Agreement**") entered into by Giant Harvest Limited (the "**Vendor**"), the Company, True Vision Limited (the "**Purchaser**") and Nan Hai Corporation Limited ("**Nan Hai**"), pursuant to which, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of 橙天嘉禾影城有限公司 (City Entertainment Corporation Limited) at the consideration of approximately RMB3.286 billion (subject to certain adjustments), the supplemental agreement dated 7 March 2017 (the "**Supplemental Agreement**") entered into between the Vendor, the Company, the Purchaser and Nan Hai amending and adding certain terms to the Sale and Purchase Agreement, the loan repayment agreement dated 25 January 2017 (the "**Loan Repayment Agreement**") entered into between 橙天嘉禾影城(中國)有限公司 (Orange Sky Golden Harvest Cinemas (China) Company Limited*) ("**OSGH (China)**"), 上海橙天嘉影實業有限公司 (Shanghai Orange Sky Jiayin Shiye Company Limited*) ("**Jiashi**") and Nan Hai in respect of the repayment of a loan in the amount of RMB250 million owed by OSGH (China) or its related party to Jiashi, a copy of which has been tabled before the meeting marked "A", "B" and "C" and initialled by the Chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one or more of the directors of the Company be and is/are hereby generally and unconditionally authorised to do all such acts and things, to sign and execute all such documents for and on behalf of the Company and to take such steps as he/she/they may in his/her/their absolute discretion consider necessary,

* *For identification purposes only*

appropriate, desirable or expedient to give effect to or in connection with the Sale and Purchase Agreement, the Supplemental Agreement, the Loan Repayment Agreement and the transactions contemplated thereunder."

(2) "**THAT**:

(a) Ms. Chow Sau Fong, Fiona be re-elected as an executive director of the Company;

(b) Mr. Fung Chi Man, Henry be re-elected as an independent non-executive director of the Company; and

(c) to authorise the board of directors to fix the remuneration of the respective directors."

By order of the board of directors of
Orange Sky Golden Harvest Entertainment (Holdings) Limited
Wu Kebo
Chairman and Executive Director

Hong Kong, 13 March 2017

Principal place of business in Hong Kong:
24th Floor
AXA Centre
151 Gloucester Road
Wan Chai
Hong Kong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Notes:

(1) Any member entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company but must attend the meeting in person to represent the appointing member.

(2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.

(3) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.

(4) Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(5) In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s). For this purpose, seniority will be determined by the order in which the names stand in the principal or branch register of members of the Company in respect of the joint holding.