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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 or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**ORANGE SKY GOLDEN HARVEST
ENTERTAINMENT (HOLDINGS) LIMITED**

橙天嘉禾娛樂(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

MAJOR TRANSACTION

SETTLEMENT AGREEMENT IN RELATION TO INTEREST IN LEGENDARY

* For identification purposes only

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

“Board”	the board of Directors
“Common Units”	limited liability company interests in Legendary having rights and obligations set forth in the LLC Agreement
“Company”	Orange Sky Golden Harvest Entertainment (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Consents Received Notice”	the written notice to be given by Legendary to the Company upon the receipt by Legendary of the requisite approvals for the consummation of the Settlement Closing
“Consideration”	the aggregate consideration payable by Legendary to OSGH for the Proposed Settlement
“Cyber International”	Cyber International Limited, a company owned by an associate of Mr. Wu, which is interested in 180,000,000 Shares, representing 6.66% of the entire issued share capital of the Company
“Directors”	the directors of the Company
“First Sub-Leased Premises”	an office premise with a total floor area of approximately 166.49 square metres at Part of First Floor and Second Floor of House No.3, No.1 Anjialou, Xiaoliangmaqiao Ave, Chaoyang District, Beijing, the PRC
“Group”	the Company together with its subsidiaries
“HK\$”	the lawful currency in Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Investment”	OSGH’s investment in Legendary, its holding of limited liability company interests of Legendary, or the transfer of the Transferred Interest to Legendary pursuant to the Settlement Agreement
“Latest Practicable Date”	16 September 2011, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“Legendary”	Legend Pictures, LLC, a Delaware limited liability company

DEFINITIONS

“Legendary’s Claims”	any and all claims that any of the Legendary Releasing Parties has ever had, may now have, or may later assert, that in any way are based upon, arise from or relate to the Investment or Mr. Wu’s position, status, rights or obligations as a director of Legendary and LPF
“Legendary Released Parties/ Legendary Releasing Parties”	Legendary and each of Legendary’s past, present and future affiliates, directors, officers, employees, managers, shareholders, members, partners, representatives, agents, attorneys, insurers, accountants, heirs, executors, administrators, conservators and successors and assigns
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“LLC Agreement”	The Fourth Amended and Restated Limited Liability Company Agreement dated 18 March 2011 entered into among OSGH (US), Legendary and other investors
“LPF”	Legendary Pictures Funding, LLC, a Delaware limited liability company and wholly-owned subsidiary of Legendary
“Mainway Enterprises”	Mainway Enterprises Limited, a company wholly owned by Mr. Wu, which is interested in 408,715,990 Shares, representing 15.12% of the entire issued share capital of the Company
“MOU”	a non-binding Memorandum of Understanding dated 23 September 2010 entered into between the Company and Legendary
“Mr. Wu”	Mr. Wu Kebo, a director of the Company
“NT\$”	New Taiwan dollars, the lawful currency of Taiwan
“Orange Sky Entertainment”	Orange Sky Entertainment Group (International) Holding Company Limited, a company which is 80% owned by Mr. Wu, which is interested in 565,719,948 Shares, representing 20.92% of the entire issued share capital of the Company
“OSGH”	the Company and OSGH (US)
“OSGH’s Claims”	any and all claims of whatever kind or nature that any of the OSGH Releasing Parties has ever had, may now have, or may later assert, that in any way are based upon, arise from or relate to the Investment or Mr. Wu’s position, status, rights or obligations as a director of Legendary and LPF

DEFINITIONS

“OSGH Released Parties/ OSGH Releasing Parties”	OSGH and each of OS GH’s past, present and future affiliates, directors, officers, employees, managers, shareholders, members, partners, representatives, agents, attorneys, insurers, accountants, heirs, executors, administrators, conservators and successors and assigns
“OSGH (US)”	OSGH (US) Investment Limited, a company incorporated in the State of Delaware with limited liability and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Taiwan and Macao
“Proposed Settlement”	the proposed settlement pursuant to the terms of the Settlement Agreement
“Purchase Agreement”	the purchase and sale agreement dated 23 September 2010 entered into between OS GH (US) and Legendary in relation to the purchase by OS GH (US) of an aggregate of 33,333.33 Common Units issued by Legendary and appointment of Mr. Wu as a director of Legendary and LPF
“RMB”	Renminbi, the lawful currency of the PRC
“S\$”	Singapore dollars, the lawful currency of Singapore
“Second Sub-Leased Premises”	an office premise with a total floor area of approximately 1,354.95 square metres at Part of First Floor and Second Floor of House No.3 at No.1 Anjialou, Xiaoliangmaqiao Ave, Chaoyang District, Beijing, the PRC
“Settlement Agreement”	the settlement, withdrawal and release agreement dated 26 August 2011 entered into among the Company, OS GH (US), and Legendary
“Settlement Closing”	the closing of the settlement pursuant to the Settlement Agreement
“SFO”	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of issued Shares of the Company
“Skyera International”	Skyera International Limited, a company wholly owned by Mr. Wu, which is interested in 569,458,130 Shares, representing 21.06% of the entire issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Transferred Interest”	100% of OSGH’s limited liability company interest in Legendary, which represents an aggregate of 33,333.33 Common Units of Legendary, or approximately 3.33% of the Common Units of Legendary on a fully diluted basis
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

LETTER FROM THE BOARD



Golden Harvest

**ORANGE SKY GOLDEN HARVEST
ENTERTAINMENT (HOLDINGS) LIMITED**
橙天嘉禾娛樂(集團)有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1132)

Chairman and Executive Director:

Mr. Wu Kebo

Executive Directors:

Mr. Mao Yimin

Mr. Tan Boon Pin Simon

Mr. Li Pei Sen

Ms. Wu Keyan

Independent Non-executive Directors:

Mr. Leung Man Kit

Mr. Huang Shao-Hua George

Ms. Wong Sze Wing

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Head Office:

16th Floor

The Peninsula Office Tower

18 Middle Road

Tsimshatsui

Kowloon

Hong Kong

19 September 2011

To the shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

SETTLEMENT AGREEMENT IN RELATION TO INTEREST IN LEGENDARY

1. INTRODUCTION

Reference is made to the announcements dated 27 September 2010 and 29 October 2010 of the Company in relation to the discloseable transaction of its strategic investment in Legendary. Reference is also made to the announcements dated 26 August 2011 and 29 August 2011 of the Company in relation to the Proposed Settlement (together, the “**Announcements**”).

As mentioned in the Announcements, on 23 September 2010, the Company (through OSGH (US), which is a wholly-owned subsidiary of the Company) acquired its interest in Legendary pursuant to the Purchase Agreement and signed the MOU with Legendary on the basis that the Company considered that investing in an international studio with a proven track record is a commercially viable business model and represented one of the best available opportunities to the Company for perfecting its strategy.

* For identification purposes only

LETTER FROM THE BOARD

However, since that time, the opportunities discussed between the Company and Legendary for co-operation and collaboration have not resulted in any concluded deals or projects. The Board announces that on 26 August 2011, the Company, OSGH (US) entered into the Settlement Agreement with Legendary in relation to the Proposed Settlement in order to transfer the Transferred Interest to Legendary and to discharge the obligations of the parties to the Purchase Agreement and the MOU respectively.

2. SETTLEMENT AGREEMENT

Date: 26 August 2011

Parties:

The Company

OSGH (US)

Legendary

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, other than the interests under the Purchase Agreement and the MOU, Legendary and its ultimate beneficial owner are third parties independent of the Company and any connected persons of the Company.

Terms of the Settlement Agreement

Pursuant to the Settlement Agreement and conditional upon fulfilment of the conditions precedent to the Settlement Closing, the Company, OSGH (US) and Legendary agreed to undertake the following actions:

- (i) the Purchase Agreement and the MOU shall be unconditionally terminated;
- (ii) OSGH (US) shall withdraw as a member of Legendary and shall transfer, free and clear of all liens, the Transferred Interest to Legendary, which represents 3.33% of the Common Units of Legendary on a fully diluted basis;
- (iii) Mr. Wu shall resign as a director of Legendary and LPF; and
- (iv) OSGH (on behalf of themselves and the OSGH Releasing Parties) shall release and discharge Legendary and the Legendary Released Parties from any and all of the OSGH's Claims, and Legendary (on behalf of itself and the Legendary Releasing Parties) shall release and discharge OSGH and the OSGH Released Parties from any and all of the Legendary's Claims.

LETTER FROM THE BOARD

Consideration

Legendary shall pay to OSGH (US) US\$25 million as consideration for OSGH (US) withdrawing as a member of Legendary and the transfer of the Transferred Interest while Legendary shall pay to the Company US\$5 million as settlement amount. The Consideration shall be satisfied by wire transfer in immediately available funds to a bank account designated in writing by the Company.

The Consideration was determined on normal commercial terms between the Company, OSGH (US) and Legendary after arm's length negotiations between the parties, having taken into account various factors, including, the consideration paid for the acquisition of the Transferred Interest in 2010, the expected gain on the Proposed Settlement which results from the investment in Legendary and the impact on each party in termination of the MOU.

Conditions Precedent to Settlement Closing and Settlement Closing

The Proposed Settlement is subject to the receipt of the relevant approvals from the lender, member and the board of Legendary for the consummation of the Settlement Closing by Legendary, and the provision of the Consents Received Notice by Legendary to the Company. The conditions precedent has been satisfied and the Settlement Closing has taken place on 7 September 2011.

Upon Settlement Closing, neither the Company nor OSGH (US) shall be a member of Legendary or the holder of any interest whatsoever in Legendary or any of its subsidiaries or affiliates, and the Transferred Interest shall be terminated and cancelled.

3. INFORMATION ON THE COMPANY, OSGH (US) AND LEGENDARY

The Company

The Company is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange.

The principal business activities of the Group are in production, financing, distribution and theatrical exhibition of motion pictures. As of 30 June 2011, the Group operated 40 cinemas with 305 screens across Mainland China, Hong Kong, Taiwan and Singapore and is a leading distributor in the region.

OSGH (US)

OSGH (US) is a company incorporated in the State of Delaware with limited liability and a wholly-owned subsidiary of the Company. Its principal business activity is investment holding.

Legendary

Legendary is an independent production company founded in 2004 to create, develop, co-produce and co-finance major motion pictures. Since Legendary's incorporation in 2004, it has co-financed 22 motion pictures that have produced an aggregate worldwide box office of in excess of US\$5.9 billion. During the 2010 calendar year, 5 motion pictures co-financed by Legendary were

LETTER FROM THE BOARD

released. They produced an aggregated worldwide box office in excess of US\$1.7 billion. Productions to date include *Inception*, *Clash of the Titans*, *The Dark Knight*, *300* and *The Hangover*.

4. FINANCIAL INFORMATION OF LEGENDARY

The Company has applied to the Stock Exchange for a waiver from the disclosure requirements under Rules 14.58(6) and 14.58(7) of the Listing Rules to disclose the value of the assets and net profits of Legendary. The Stock Exchange has granted such waiver on 8 September 2011.

5. REASONS FOR THE PROPOSED SETTLEMENT

The Board believes that the disposal of the Transferred Interest pursuant to the Settlement Agreement will provide a timely opportunity for the Company to improve its cashflow, in view of the Group's ongoing cinema expansion and investment in motion picture production in the PRC. The proceeds of the Proposed Settlement will thus be used for general working capital and for future investment opportunities of the Company.

Further, the Board takes the view that there has been a change in circumstances regarding the original reasons why the Company acquired its interest in Legendary. In its announcement dated 27 September 2010, the Company stated that it had acquired its interest in Legendary on the basis that the Company considered that investing in an international studio with a proven track record is a commercially viable business model. The Board believed that Legendary, with its outstanding track record and promising pipeline of motion pictures, represented one of the best available opportunities to the Company for perfecting its strategy. Since that time, however, the opportunities discussed between the Company and Legendary for co-operation and collaboration have not resulted in any concluded deals or projects.

In view of all the above reasons, the Company has decided to dispose of its interest in Legendary. The Company will continue on pursuing partnership opportunities with foreign production companies to enter the PRC motion picture market in relation, amongst other things, to the production, distribution and theatrical exhibition of motion pictures in the PRC.

Having carefully reviewed and considered the terms of conditions of the Settlement Agreement, the Directors are of the view that the terms of the Settlement Agreement are on normal commercial terms and are fair and reasonable and the entering into of the Settlement Agreement is in the best interests of the Company and its Shareholders as a whole.

6. EXPECTED GAIN ON THE PROPOSED SETTLEMENT

The Directors expect that the Company will record a gain before tax of approximately US\$4.1 million on the Proposed Settlement. The gain is calculated with reference to the difference between the Consideration and the carrying value of the Transferred Interest as at 30 June 2011, without taking into consideration the effects of tax and relevant expenses to be incurred. The actual gain on the Proposed Settlement shall be subject to the payment of tax determined by the relevant tax authorities and the final review by the auditors of the Company.

LETTER FROM THE BOARD

7. USE OF PROCEEDS

The net proceeds from the Proposed Settlement, being the Consideration net of relevant expenses, are estimated to be approximately US\$29.8 million. The Company intends to use the net proceeds as general working capital and to finance the cinema projects in Mainland China and other expansion investment opportunities.

8. FINANCIAL EFFECTS OF THE PROPOSED SETTLEMENT

As mentioned above, the Group expects to recognise a gain before tax of approximately US\$4.1 million on the Proposed Settlement. The actual gain on the Proposed Settlement shall be subject to the payment of tax determined by the relevant tax authorities and the final review by the auditors of the Company. The Group expects that the earnings of the Group would be improved after the Proposed Settlement due to the gain on the Proposed Settlement. Except for the gain on the Proposed Settlement to be recorded, it is expected that the Proposed Settlement will not impose a material impact on the earnings of the Group for the year ending 31 December 2011. It is expected that the net asset value of the Group will be increased due to the gain on the Proposed Settlement.

9. FINANCIAL AND TRADING PROSPECTS

The Group has focused on strengthening and expanding both the exhibition and distribution networks in the territories where the Group operates, especially in Mainland China market. The Group's long term goal is to become one of the leading exhibitors in Mainland China. As of 30 August 2011, the Group operated 21 cinemas with 153 screens and had entered into lease agreements to open another 41 new cinemas with 320 screens in Mainland China by the end of 2013, although the number may vary due to the actual handover date, the progress of internal decoration and application of relevant licenses.

The Group believes that the film industry will continue to be benefited from premium priced 3D products, including films and live shows. Upon the consummation of the Settlement Closing, the Group will make use of the proceeds as general working capital and to finance the cinema projects in Mainland China and other expansion investment opportunities.

The Group will also look for strategic opportunities with foreign production companies to enter into the PRC motion picture market in relation to, amongst other things, the production, distribution and theatrical exhibition of motion pictures in the PRC.

10. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios for the Proposed Settlement is more than 25% and each of them is less than 75%, the Proposed Settlement constitutes a major transaction for the Company under the Listing Rules and is subject to the reporting, disclosure and Shareholders' approval requirements as stipulated under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Proposed Settlement and would be required to abstain from voting on the resolutions in connection with the Proposed Settlement if the Company were to convene a general meeting for the approval of the Proposed Settlement. Written Shareholders' approval has been obtained in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing

LETTER FROM THE BOARD

Rules. The closely allied group of Shareholders, holding in aggregate approximately 63.76% of the existing issued share capital of the Company as at the date of this circular, has given its written approval in respect of the Proposed Settlement. The closely allied group of Shareholders consists of (i) Skyera International (a company wholly owned by Mr. Wu, which is interested in 569,458,130 Shares, representing 21.06% of the entire issued share capital of the Company); (ii) Mainway Enterprises (a company wholly owned by Mr. Wu, which is interested in 408,715,990 Shares, representing 15.12% of the entire issued share capital of the Company); (iii) Orange Sky Entertainment (a company which is 80% owned by Mr. Wu, which is interested in 565,719,948 Shares, representing 20.92% of the entire issued share capital of the Company); and (iv) Cyber International (a company owned by an associate of Mr. Wu, which is interested in 180,000,000 Shares, representing 6.66% of the entire issued share capital of the Company). Accordingly no extraordinary general meeting of the Company will be convened for the purpose of approving the Proposed Settlement.

11. RECOMMENDATION

The Directors consider that the Proposed Settlement is on normal commercial terms and fair and reasonable, and it is in the interests of the Company and the Shareholders as a whole. Given that Shareholders' approval is required for the Proposed Settlement, the Company has obtained written approvals from the closely allied group of Shareholders representing in aggregate over 50% of the total voting rights of the Company under recommendation from the Directors. The Directors also recommend the other Shareholders to vote in favour of the Proposed Settlement should a general meeting be required to hold.

12. ADDITIONAL INFORMATION

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

This circular is issued for Shareholders' information.

Yours faithfully,
By order of the Board of
**Orange Sky Golden Harvest
Entertainment (Holdings) Limited**
Mao Yimin
Executive Director

1. PREVIOUS FINANCIAL INFORMATION

The financial information of the Group for (i) for the six months ended 30 June 2011 is disclosed in the interim report of the Company for the six months ended 30 June 2011 published on 9 September 2011, from page 10 to 40; (ii) for the year ended 31 December 2010 is disclosed in the annual report of the Company for the year ended 31 December 2010 published on 12 April 2011, from page 65 to 140; (iii) for the eighteen months ended 31 December 2009 is disclosed in the annual report of the Company for the year ended 31 December 2009 published on 29 April 2010, from page 63 to 141; and (iv) for the year ended 30 June 2008 is disclosed in the annual report of the Company for the year ended 30 June 2008 published on 29 October 2008, from page 68 to 223. All of which have been published on the website of the Stock Exchange (www.hkex.com.hk).

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 July 2011, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had bank loans of approximately HK\$328.2 million which were all secured. Among which, the guaranteed bank loans amounted to HK\$271.3 million while the unguaranteed bank loans amounted to HK\$56.9 million. The bank loans were secured and/or guaranteed by the following:

- (i) property, plant and equipment of a jointly controlled entity at carrying values of HK\$107.7 million;
- (ii) time deposits of subsidiaries of HK\$21.8 million; and
- (iii) corporate guarantees of HK\$279.6 million and HK\$0.5 million from the Company and a related company of the Group, respectively.

Certain subsidiaries of the Group are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the Directors are of the opinion that even if the claims are found to be valid, there will be no material adverse effect on the financial position of the Group.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorized or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 31 July 2011.

3. WORKING CAPITAL STATEMENT

The Directors, after due and careful consideration, are of the opinion that after taking into account the financial resources available to the Group including internally generated funds and the available banking facilities, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of any unforeseen circumstances.

1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company 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. INTEREST IN SECURITIES

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

As at the Latest Practicable Date, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), and the details of any right to subscribe for shares in the Company, which had 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 which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Director/Chief Executive	Capacity	Note	Number of Shares	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)	63.76%
			180,000,000 (S)	—	180,000,000 (S)	6.66%
	Beneficial owner	2	5,410,000 (L)	—	5,410,000 (L)	0.20%
	Beneficial owner	3	—	60,000,000 (L)	60,000,000 (L)	2.22%
Wu Keyan	Beneficial owner	3	—	700,000 (L)	700,000 (L)	0.026%
Li Pei Sen	Beneficial owner	3	—	200,000 (L)	200,000 (L)	0.007%
Leung Man Kit	Beneficial owner	3	—	200,000 (L)	200,000 (L)	0.007%
Huang Shao-Hua George	Beneficial owner	3	—	1,200,000 (L)	1,200,000 (L)	0.044%
Tan Boon Pin Simon	Beneficial owner	3	—	2,000,000 (L)	2,000,000 (L)	0.074%
				1,200,000 (L)	1,200,000 (L)	0.044%

* This percentage has been compiled based on the total number of Shares in issue (i.e. 2,703,929,248) as at the Latest Practicable Date.

Notes:

- By virtue of the SFO, Mr. Wu was deemed to be interested in a total of 1,723,894,068 Shares, of which (i) 569,458,130 Shares were held by Skyera International Limited (a company wholly-owned by Mr. Wu) (“Skyera”); (ii) 408,715,990 Shares were held by Mainway Enterprises Limited (a company wholly owned by Mr. Wu) (“Mainway”); (iii) 565,719,948 Shares held by Orange Sky Entertainment Group (International) Holding Company Limited (“Orange Sky Entertainment”) (a company 80% owned by Mr. Wu) amongst which 160,189,348 Shares were issued to Orange Sky Entertainment on 3 June 2011 pursuant to the zero coupon convertible notes with the principal amount in aggregate of HK\$54,144,000; and (iv) 180,000,000 Shares were held by Cyber International Limited (a company owned by an associate of Mr. Wu) (“Cyber”).

2. Mr. Wu was interested in 5,410,000 Shares in his own name.
3. 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 28 November 2001 (the "2001 Share Option Scheme") and 11 November 2009 (the "2009 Share Option Scheme"). Please refer to the table below in relation to the share options granted to the Directors pursuant to the 2001 Share Option Scheme and 2009 Share Option Scheme.

Name or category of participant	Date of grant of share option	Exercise price per Share HK\$	Exercise period	Number of share options outstanding as at the Latest Practicable Date
Director				
Huang Shao-Hua George	12 April 2007	0.393	1 July 2007 to 30 October 2011	1,000,000
	23 September 2009	0.453	23 September 2009 to 22 September 2014	200,000
Wu Kebo	23 September 2009	0.453	23 September 2009 to 22 September 2014	60,000,000
Wu Keyan	23 September 2009	0.453	23 September 2009 to 22 September 2014	700,000
Li Pei Sen	23 September 2009	0.453	23 September 2009 to 22 September 2014	200,000
Leung Man Kit	23 September 2009	0.453	23 September 2009 to 22 September 2014	200,000
Tan Boon Pin Simon	12 April 2007	0.393	1 July 2007 to 30 October 2011	2,000,000
	23 September 2009	0.453	23 September 2009 to 22 September 2014	1,200,000

Abbreviations:

"L" stands for long position

"S" stands for short position

Mr. Wu was also the beneficial owner of the entire issued share capital of Golden Harvest Film Enterprises Inc., which beneficially held 114 million non-voting deferred shares of Orange Sky Golden Harvest Entertainment Company Limited, a wholly owned subsidiary of the Company.

In addition to the above, Mr. Wu had non-beneficial equity interests in certain subsidiaries of the Company which were held for the benefit of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) and the details of any right to subscribe for shares in the Company which had 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 the Director and the chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

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 shareholder	Capacity	Note	Number of Shares	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)	63.76%
			180,000,000 (S)	—	1,800,000,000 (S)	6.66%
	Beneficial owner	2	5,410,000 (L)	—	5,410,000 (L)	0.20%
	Beneficial owner	7		60,000,000 (L)	60,000,000 (L)	2.22%
Skyera International Limited (“Skyera”)	Beneficial owner	3	569,458,130 (L)	—	569,458,130 (L)	21.06%
			180,000,000 (S)	—	180,000,000 (S)	6.66%
Mainway Enterprises Limited (“Mainway”)	Beneficial owner	4	408,715,990 (L)	—	408,715,990 (L)	15.12%

Name of shareholder	Capacity	Note	Number of Shares	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 (“Orange Sky Entertainment”)	Beneficial owner	5	565,719,948 (L)	—	565,719,948 (L)	20.92%
Cyber International Limited (“Cyber”)	Beneficial owner	6	180,000,000 (L)	—	180,000,000 (L)	6.66%
NEC Corporation	Beneficial owner		360,000,000 (L)	—	360,000,000 (L)	13.32%

* This percentage has been compiled based on the total number of Shares in issue (i.e. 2,703,929,248) as at the Latest Practicable Date.

Notes:

- By virtue of the SFO, Mr. Wu was deemed to be interested in a total of 1,723,894,068 Shares, of which (i) 569,458,130 Shares were held by Skyera International Limited (a company wholly-owned by Mr. Wu) (“Skyera”); (ii) 408,715,990 Shares were held by Mainway Enterprises Limited (a company wholly owned by Mr. Wu) (“Mainway”); (iii) 565,719,948 Shares held by Orange Sky Entertainment amongst which 160,189,348 Shares were issued to Orange Sky Entertainment on 3 June 2011 pursuant to the zero coupon convertible notes with the principal amount in aggregate of HK\$54,144,000; and (iv) 180,000,000 Shares were held by Cyber International Limited (a company owned by an associate of Mr. Wu) (“Cyber”).
- Mr. Wu was interested in 5,410,000 Shares in his own name.
- Skyera is a company wholly-owned by Mr. Wu, who is also a director of Skyera.
- Mainway is a company wholly-owned by Mr. Wu, who is also a director of Mainway.
- Orange Sky Entertainment (a company which is 80% owned by Mr. Wu) is interested in 565,719,948 Shares. Mr. Wu is a director of Orange Sky Entertainment and Mr. Li Pei Sen is the associate chairman of Orange Sky Entertainment.
- Cyber is a company owned by an associate of Mr. Wu.
- These underlying of Shares represented the Shares which may be issued upon the exercise share options granted by the Company under the 2001 Share Option Scheme and 2009 Share Option Scheme.

Abbreviations:

“L” stands for long position

“S” stands for short position

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' employment with substantial shareholder

Mr. Wu is a director of, and Mr. Li Pei Sen (“**Mr. Li**”), an executive Director of the Company, is the associate chairman of Orange Sky Entertainment, which has an interest and/or short position in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

2.4 Interests in 10% or more of shares in subsidiaries

As at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than a member of the Group or a Director or chief executive of the Company) who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the subsidiaries of the Company or in any options in respect of such capital.

3. DIRECTORS' SERVICE CONTRACTS

Mr. Wu entered into a service agreement with Company as an executive Director for a period of three years from 22 September 2009 to 21 September 2012. Mr. Wu is entitled to a director's fee in the amount of S\$105,312 per annum in his capacity as an executive Director with effect from 1 July 2011. Mr. Wu is also entitled to housing allowance, motor vehicle allowance and bonus subject to the discretion of the Company by reference to his individual and the Company's performance and the profitability of the Company.

Mr. Li entered into a service agreement with the Company for a term of three years commencing from 26 April 2010 to 25 April 2013, under which Mr. Li is entitled to a director's fee in the amount of HK\$240,000 on an annual basis, share options and discretionary bonus subject to the discretion of the Company by reference to his individual and the Company's performance and the profitability of the Company.

Mr. Mao Yimin (“**Mr. Mao**”), an executive Director of the Company, entered into a service agreement with the Company as the chief executive officer and chief financial officer of the Group for a term of three years commencing from 6 May 2011 to 5 May 2014, under which Mr. Mao is entitled to an annual salary of RMB1,476,400, together with monthly housing allowance of RMB20,000, share options and discretionary bonus subject to the discretion of the Company by reference to his individual and the Company's performance and the profitability of the Company. Mr. Mao does not receive any remuneration in his capacity as an executive Director.

Mr. Tan Boon Pin Simon (“**Mr. Tan**”), an executive Director of the Company, entered into a service agreement with the Company as the senior vice president and acting chief operation officer of the Group for a term of three years commencing from 23 August 2010 to 22 August 2013. Mr. Tan’s remuneration package under the service agreement includes salary and housing allowance in the aggregate amount of approximately HK\$1.3 million (equivalent to approximately NT\$4.7 million) on an annual basis, share options and discretionary bonus subject to the discretion of the Company by reference to his individual and the Company’s performance and the profitability of the Company. Mr. Tan does not receive any remuneration in his capacity as an executive Director.

Ms. Wu Keyan (“**Ms. Wu**”), an executive Director of the Company, entered into an employment agreement with the Company as a senior manager of Administration and Human Resource Department of the Company since 1 January 2008. As a senior manager of the Company, Ms. Wu receives an annual salary of HK\$561,886 with share options and discretionary bonus subject to the discretion of the Company by reference to her individual and the Company’s performance and the profitability of the Company. Ms. Wu does not receive any remuneration in his capacity as an executive Director.

Save as disclosed above, none of the other Directors have entered into any service contracts with the Company.

4. COMPETING INTERESTS

Save and except for Mr. Wu’s interest in Orange Sky Entertainment and Mr. Li, an executive Director of the Company, being the associate chairman of Orange Sky Entertainment, 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. OTHER ARRANGEMENTS INVOLVING DIRECTORS

- (a) Orange Sky Golden Harvest (China) Cinemas Co. Ltd. (a wholly-owned subsidiary of the Company) (“**OSGH (China)**”) and Pansia Cinemedia (Shenzhen) Co., Ltd. (an indirect wholly-owned subsidiary of Orange Sky Entertainment) (“**Pansia Cinemedia**”) entered into a screen advertising agreement dated 30 March 2010 and a supplemental agreement dated 31 December 2010 pursuant to which certain rights have been granted by OSGH (China) to Pansia Cinemedia for procurement of the screen advertising and in-foyer advertising at the Golden Harvest Shenzhen Cinemas operated by OSGH (China).

By a master screen advertising agreement dated 25 April 2010 and a supplemental agreement both between OSGH (China) and Pansia Cinemedia, certain rights have been granted by OSGH (China) to Pansia Cinemedia for procurement of the screen advertising at all cinemas (other than the Golden Harvest Shenzhen Cinemas) in the PRC operated and to be operated by OSGH (China) and/or its subsidiaries or affiliates.

On 1 December 2010, City Entertainment Corporation Limited (an indirect wholly-owned subsidiary of the Company) (“**City Entertainment**”) entered into a screen advertising agreement with Pansia Cinema Advertising Limited (an indirect wholly-owned subsidiary of

Orange Sky Entertainment) (“**Panasia Cinema**”) pursuant to which Panasia Cinema will be appointed as an exclusive agent to procure the screen advertising and in-foyer advertising at the cinemas in Hong Kong operated and managed by City Entertainment.

On 1 September 2011, OSGH (China) entered into cinema ad sales agency agreement with Panasia Cinema Advertising (Shenzhen) Co., Ltd. (a wholly owned subsidiary of Orange Sky Entertainment) (“**Panasia Advertising**”) pursuant to which OSGH (China) appointed Panasia Advertising as an exclusive agent to provide cinema in-foyer advertising sales agency services to OSGH (China) at all cinemas (other than Golden Harvest Shenzhen Cinemas and the cinema in Sanlitun, Beijing) operated and to be operated by OSGH (China) in the PRC.

As of the Latest Practicable Date, save as disclosed above, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

- (b) On 5 September 2011, Orange Sky Golden Harvest (Beijing) TV & Film Production Company Limited (an indirect wholly-owned subsidiary of the Company) (“**Beijing OSGH**”), as sub-lessee, entered into a sub-lease renewal agreement with Beijing Orange Sky Cinema Investment Management Company Limited (which is wholly-owned by Mr. Wu) (“**Beijing Orange Sky**”), as sub-lessor, in relation to the First Sub-Leased Premises. The rental shall be RMB5.20 per square metre per day, equivalent to an approximate amount of RMB315,998.02 per annum and the management fee shall be RMB0.61 per square metre per day, equivalent to an approximate amount of RMB37,069.00 per annum. On 5 September 2011, Beijing Orange Sky, as sub-lessor, also entered into a sub-lease renewal agreement with OSGH (China), as sub-lessee, in relation to the Second Sub-Leased Premises and sub-leasing of additional floor area of approximately 70 square metre in the same building of the Second Sub-Leased Premises. The rental shall be RMB5.20 per square metre per day, equivalent to an approximate amount of RMB2,704,555.10 per annum and the management fee shall be RMB0.61 per square metre per day, equivalent to an approximate amount of RMB317,265.12 per annum. As at the Latest Practicable Date, save as disclosed above, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2010 (the date to which the latest published audited financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

6. MATERIAL CONTRACT

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

On 8 December 2010, Panasia Films Limited (“**Panasia Films**”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement and a transfer agreement with Orange Sky Entertainment International Holding Limited (“**OS Entertainment**”) and Beijing Orange Sky Bohong Advertisement Company Limited (“**Beijing Bohong**”) as purchasers, respectively, whereby Panasia Films agreed to transfer 100% equity interest in Panasia Cinemedia to Beijing Bohong and the entire issued share capital and shareholder’s loan of Panasia Cinema to OS Entertainment for an aggregate consideration of approximately HK\$20,360,000.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up.

8. LITIGATION

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.

9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Yuen Kwok On. He is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.
- (c) The principal place of business and head office of the Company in Hong Kong is at 16th Floor, The Peninsula Office Tower, 18 Middle Road, Tsimshatsui, Kowloon, Hong Kong.
- (d) The principal share registrar of the Company is Butterfield Fulcrum Group (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke, HM08, Bermuda.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong.

10. GENERAL

In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company at 16th Floor, The Peninsula Office Tower, 18 Middle Road, Tsimshatsui, Kowloon, Hong Kong from the date of this circular up to and including 3 October 2011:

- (a) the bye-laws of the Company;
- (b) the Settlement Agreement;
- (c) the interim report of the Company for the six months ended 30 June 2011; and the annual reports of the Company for the year ended 31 December 2010, for the 18 months ended 31 December 2009 and for the year ended 30 June 2008, respectively;
- (d) the letter of recommendation from the Board, the text of which is set out on page 5 to 10 of this circular;
- (e) the material contract referred to in the section headed “MATERIAL CONTRACT” in this appendix; and
- (f) the service contracts referred to in the section headed “DIRECTORS’ SERVICE CONTRACTS” in this appendix.