

**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.

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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 AND CONNECTED TRANSACTION  
ACQUISITION OF PROPERTIES IN THE PRC  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**



Capitalised terms used in this cover page shall have the same meanings as those defined in this circular. A letter from the Board is set out on pages 6 to 20 of this circular. A letter from the Independent Board Committee is set out on page 21 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 39 of this circular. A notice convening the SGM to be held at 24th Floor, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong on Friday, 23 November 2018 at 11:00 a.m. is set out on pages 65 to 66 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 branch share registrar and transfer office of the Company 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 48 hours before the time appointed for 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 if you so wish.

\* For identification purposes only

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## DEFINITIONS

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

- “Acquisition” means the acquisition of the Target Properties by the Purchaser from the Seller, as contemplated under the Sale and Purchase Agreement;
- “Announcement” means the announcement of the Company dated 29 August 2018 in respect of the Acquisition;
- “Beijing Orange Land” means Beijing Orange Land Cinema Investment Management Company Limited\* (北京橙地影院投資管理有限公司), a company established in the PRC with limited liability and is owned as to 90% by Beijing Orange Sky;
- “Beijing Orange Sky” means Beijing Orange Sky Cinema Investment Management Company Limited\* (北京橙天影院投資管理有限公司), a company established in the PRC with limited liability and is owned as to 99% by Mr. Wu and as to 1% by Ms. Wu;
- “Board” means the board of directors of the Company;
- “Civil Air Defence Underground Area” means the civil air defence area of the Underground Area;
- “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 completion of the Acquisition;
- “Complex” means the complex comprises of two buildings and the Underground Area, with total gross floor area of approximately 93,137.68 square meters, located at south of Wuxing Road, west of Xiadong Road, Xiagang Street, Jiangyin, the PRC (中國江陰市夏港街道五星路南、夏東路西側);
- “Conditions Precedent” means the conditions precedent to Target Properties Delivery set out in the “Letter from the Board” under the section headed “The Sale and Purchase Agreement — E. Conditions Precedent”;
- “Consideration” means the consideration payable by the Purchaser to the Seller in respect of the Acquisition amounting to RMB560 million;

## DEFINITIONS

“Delivery Date”	means the date of the Target Properties Delivery;
“Director”	means a director of the Company;
“Discharge”	means the discharge of the Mortgage;
“Disposal”	means the disposal of the entire issued share capital of City Entertainment Corporation Limited by Giant Harvest Limited to True Vision Limited;
“Effective”	means the Sale and Purchase Agreement being effective upon the opening of the account of the Purchaser;
“Filing Procedures”	means the filing procedures in relation to the Acquisition as required by the Jiangyin City Real Estate Management Department in the PRC (江陰市房地產管理部門);
“First Supplemental Agreement”	means the supplemental agreement dated 2 December 2014 entered into by the Seller and OSGH China in relation to the Tenancy Agreement;
“Guarantee”	means the personal guarantee granted by Mr. Wu to the Purchaser dated 29 August 2018 to guarantee the due performance of the Seller of its obligations under the Sale and Purchase Agreement;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	means the independent board committee of the Company, comprising all the independent non-executive Directors, namely Mr. Leung Man Kit, Ms. Wong Sze Wing and Mr. Fung Chi Man, Henry, formed to advise the Independent Shareholders as to the Acquisition;
“Independent Financial Adviser” or “Somerley”	means Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder;
“Independent Shareholders”	means Shareholders other than Mr. Wu and Ms. Wu;

## DEFINITIONS

“Latest Practicable Date”	means 18 October 2018, which is the latest practicable date for inclusion of information in this circular;
“Leased Properties”	means three floors at the Target Properties leased by OSGH China pursuant to the Tenancy Agreement;
“Leased Properties Delivery”	means the delivery of the Leased Properties by the Seller to OSGH China pursuant to the Tenancy Agreement;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“Mortgage”	means the mortgage of the Land Use Rights (as defined below in the “Letter from the Board” under the first subparagraph of paragraph (A) of the section headed “The Sale and Purchase Agreement”) to Wuxi branch of the Bank of Communications to secure a loan of RMB49 million owed by the Seller to the Bank of Communications;
“Mr. Wu”	means Mr. Wu Kebo, the executive Director and a controlling Shareholder, who is indirectly interested in 71.28% of the entire issued share capital of the Company;
“Ms. Wu”	means Ms. Wu Keyan, the executive Director and the sister of Mr. Wu;
“Non-Civil Air Defence Underground Area”	means the Underground Area (excluding the Civil Air Defence Underground Area);
“Non-Civil Air Defence Underground Area Registrations”	means the Registrations of the Non-Civil Air Defence Underground Area;
“Orange Sky Land”	Orange Sky Land Holdings Company Limited* (橙天地控股有限公司), a company established in the PRC with limited liability, which is indirectly wholly-owned by Mr. Wu;
“OSGH China”	means Orange Sky Golden Harvest Cinemas (China) Co. Ltd.* (橙天嘉禾影城(中國)有限公司), a company established in the PRC, which was previously a subsidiary of the Group and was sold in July 2017;
“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;

## DEFINITIONS

“Prepayment”	means an amount equivalent to RMB46.5 million, being the rental prepayment and deposit paid by OSGH China to the Seller pursuant to the Tenancy Agreement;
“Primary Registration”	means the primary registration of property rights in the PRC (產權初始登記) of the Target Properties;
“Property Dispute”	means any dispute arising from the Tenancy Agreement;
“Property Dispute Settlement”	means the handing down of a court judgement or an arbitral award on the Claim (as defined below in the “Letter from the Board” under paragraph (C)(b) of the section headed “The Sale and Purchase Agreement”) or the reaching of a settlement agreement on the Claim between the respective parties of the Claim;
“Purchaser”	means Jiangyin Orange Sky Golden Harvest Liuliu Property Co., Ltd* (江陰橙天嘉禾六六房產有限公司), an indirect wholly-owned subsidiary of the Company;
“Real Estate Certificate”	means the real estate certificate in the PRC (不動產權證書) of the Target Properties evidencing that the Purchaser is the registered owner of the Target Properties;
“Registrations”	means, collectively, the Primary Registration, the Filing Procedures and the Title Registration;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	means the sale and purchase agreement dated 29 August 2018 entered into by the Purchaser and the Seller in relation to the Acquisition;
“Second Supplemental Agreement”	means the supplemental agreement dated 22 June 2016 entered into by the Seller and OSGH China in relation to the Tenancy Agreement and the First Supplemental Agreement;
“Seizure Order”	means the order of the court or other relevant authorities to seize the Target Properties;
“Seller”	means Jiangyin Orange Land Cinema Development Management Co., Ltd.* (江陰橙地影院開發管理有限公司), a company established in the PRC with limited liability, which is owned as to 25% by Beijing Orange Land and 75% by Orange Sky Land;

## DEFINITIONS

“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	means a special general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder;
“Shareholder”	means the holder of Shares;
“Shares”	means ordinary share(s) of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Target Properties”	means the Land Use Rights and the Complex;
“Target Properties Delivery”	means the delivery of the Target Properties from the Seller to the Purchaser;
“Tenancy Agreement”	means the tenancy agreement dated 25 September 2012 entered into by the Seller as landlord and OSGH China as tenant to lease the Leased Properties as amended and supplemented by the First Supplemental Agreement and the Second Supplemental Agreement;
“Title Registration”	means the registration of title of the Target Properties under the name of the Purchaser and the obtaining of the Real Estate Certificate;
“Underground Area”	means the underground area within the Complex, which comprises the Civil Air Defence Underground Area and the Non-Civil Air Defence Underground Area;
“Underground Area Registrations”	means the Registrations of the Underground Area; and
“%”	means per cent.

\* *For identification purposes only*

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. Li Pei Sen

Ms. Wu Keyan

Ms. Chow Sau Fong, Fiona

*Independent Non-executive Directors:*

Mr. Leung Man Kit

Ms. Wong Sze Wing

Mr. Fung Chi Man, Henry

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Principal Place of Business:*

24th Floor

Capital Centre

151 Gloucester Road

Wan Chai

Hong Kong

23 October 2018

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION AND CONNECTED TRANSACTION  
ACQUISITION OF PROPERTIES IN THE PRC  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

On 29 August 2018, the Company disclosed in the Announcement that the Purchaser, an indirectly wholly-owned subsidiary of the Company, and the Seller entered into the Sale and Purchase Agreement, pursuant to which, the Seller conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the Target Properties subject to the terms and conditions set out therein. On 29 August 2018, Mr. Wu as the guarantor entered into the Guarantee in connection with the Sale and Purchase Agreement to guarantee the due performance of the Seller of its obligations under the Sale and Purchase Agreement.

\* For identification purposes only



## LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, further details of the Acquisition and such other information as required under the Listing Rules.

### THE SALE AND PURCHASE AGREEMENT

Date: 29 August 2018

Parties: (1) the Purchaser; and

(2) the Seller.

As of the Latest Practicable Date, the Company indirectly holds the entire equity interests in the Purchaser and hence, the Purchaser is an indirectly wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, the Seller is owned as to 75% by Orange Sky Land and 25% by Beijing Orange Land. Orange Sky Land is indirect wholly-owned by Mr. Wu. Beijing Orange Land is owned as to 90% by Beijing Orange Sky, which is in turn owned as to 99% by Mr. Wu and 1% by Ms. Wu. Mr. Wu is the Director and controlling Shareholder, and Ms. Wu is the Director and the sister of Mr. Wu and is an associate of Mr. Wu under Chapter 14A of the Listing Rules. Accordingly, the Seller is an associate of Mr. Wu and a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

#### A. Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Seller conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Target Properties. The Target Properties are situated at south of Wuxing Road, west of Xiadong Road, Xiagang Street, Jiangyin, the PRC (中國江陰市夏港街道五星路南、夏東路西側). The Target Properties comprise (i) the Complex with two buildings with 7 and 11 floors respectively and the Underground Area with 2 floors for commercial, hotel and cinema use with total gross floor area of approximately 93,137.68 square meters; and (ii) the land use rights of land with total site area of approximately 23,334 square meters ("**Land Use Rights**").

**LETTER FROM THE BOARD**



*Photo of the Target Properties*



*Photo of the Entertainment Complex*

## LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Land Use Rights were acquired by the Seller on 4 April 2011 at the original acquisition cost of RMB61,800,000 and the Complex was subsequently constructed and developed by the Seller. The construction of the Complex was completed on 20 December 2016.

### **B. Consideration**

The Consideration for the Acquisition is RMB560 million. The Consideration was determined after arm's length negotiation between the Seller and the Purchaser under normal commercial terms having considered, among other things,

- (a) market value of comparable properties similar to the Target Properties;
- (b) the future appreciation potential of the Target Properties and the Target Properties' potential in generating stable cash inflow; and
- (c) with reference to the property valuation of the Target Properties at RMB640 million as of 31 July 2018, as carried out by an independent professional valuer.

The Directors have reviewed the property valuation report of the Target Properties as set out in Appendix III to this circular and the valuation methodology adopted by Cushman & Wakefield. The Directors note that the original acquisition cost for the Land Use Rights paid by the Seller in 2011 was RMB61,800,000 and the Complex was subsequently constructed and developed by the Seller. As the subject matter of the Acquisition is the Target Properties, as set out in the property valuation report in Appendix III to this circular, Cushman & Wakefield carried out the valuation of the market value of the Target Properties and assessed the value of the Land Use Rights and the Complex as a whole. The Directors also discussed the comparables used by Cushman & Wakefield with Cushman & Wakefield. The Directors are of the view that the valuation methodology adopted by Cushman & Wakefield is appropriate, the comparable properties selected and referenced by Cushman & Wakefield are relevant and the estimated market value of the Target Properties is fair and reasonable.

In light of the above, and taking into account the reasons as set out in the paragraph headed "Reasons and Benefits of the Acquisition" in this circular as well as the Consideration representing a discount of approximately 12.5% of the property valuation of the Target Properties at RMB640 million as at 31 July 2018, the Directors consider that the Consideration is fair and reasonable.

The Consideration will be funded by the Company's internal resources.

## LETTER FROM THE BOARD

### C. Payment

The Consideration shall be payable by the Purchaser and/or its designated third party in the PRC (the “**Designated Party**”) in the following manner:

- (a) within 10 days from the date of signing of the Sale and Purchase Agreement and the Sale and Purchase Agreement being Effective,
  - (i) in the event that the Purchaser is able to directly settle the Deposit (as defined below) with RMB funds derived from the settlement of foreign exchange capital, the Purchaser shall directly pay 10% of the Consideration amounting to RMB56 million (the “**Deposit**”) to the Seller; or
  - (ii) in the event that the Purchaser is unable to directly settle the Deposit with RMB funds derived from the settlement of foreign exchange capital due to the incompleteness of the Filing Procedures, the Designated Party shall settle the Deposit on behalf of the Purchaser;
- (b) subject to the Retention (as defined below), within 10 days from (1) the completion of the Title Registration and (2) the initiation of legal proceedings against the Seller or the Purchaser by OSGH China seeking for the return of the Repayment amount and the payment of damages arising from the Property Dispute (the “**Claim**”) or the Property Dispute Settlement,
  - (i) in the event that the Purchaser has directly settled the Deposit pursuant to paragraph (C)(a)(i) above, the Purchaser shall pay 85% of the Consideration amounting to RMB476 million (the “**First Payment**”) to the Seller and the Deposit shall become part of the payment of the Consideration; or
  - (ii) in the event that the Designated Party has settled the Deposit on behalf of the Seller pursuant to paragraph (C)(a)(ii) above, the Purchaser shall pay 95% of the Consideration amounting to RMB532 million (the “**Deposit and First Payment**”) to the Seller and upon the receipt of the Deposit and First Payment from the Purchaser, the Seller shall repay an amount equivalent to the Deposit amounting to RMB56 million (the “**Repayment Amount**”), without any interest, to the Designated Party; and
- (c) within 10 days after 12 months of the completion of all of the following conditions, the Purchaser shall pay the remaining 5% of the Consideration amounting to RMB28 million (the “**Second Payment**”) to the Seller:
  - (i) the Title Registration having been completed;
  - (ii) the Target Properties Delivery having been completed; and
  - (iii) in the event that the Designated Party has settled the Deposit on behalf of the Seller pursuant to paragraph (C)(a)(ii) above, the Repayment Amount having been paid by the Seller to the Designated Party without any interest.

## LETTER FROM THE BOARD

In the event that the Purchaser is unable to settle the Consideration with RMB funds derived from the settlement of foreign exchange capital (the “**Settlement**”) due to foreign exchange control in the PRC, any delay in payment of the Consideration (including the Deposit) to the Seller by the Purchaser shall not be considered as a breach of payment obligations under the Sale and Purchase Agreement. Under such circumstances, the Purchaser shall pay to the Seller interest (which is shall be calculated in accordance with the interest rate of bank loans issued by the People’s Bank of China during the corresponding period) in respect of any outstanding amount of the Consideration due and payable by the Purchaser to the Seller.

In the event that the Purchaser is unable to complete the Settlement due to foreign exchange control in the PRC within 2 years from the date of the completion of Title Registration, the Purchaser shall be entitled to notify the Seller in writing to terminate the Sale and Purchase Agreement and such act shall not be considered as breach of the Sale and Purchase Agreement and the Purchaser has no liability for the breach of the Sale and Purchase Agreement. Upon the receipt of the termination notice from the Purchaser to the Seller, the Seller shall return all amount received under the Sale and Purchase Agreement to the Purchaser or its Designated Party (as the case may be) (if any).

### **D. Registrations and filings**

The Purchaser and the Seller agreed that:

- (a) within 7 months of the date of the signing of the Sale and Purchase Agreement, the Seller shall complete the Primary Registration and obtain the Real Estate Certificates;
- (b) within 30 days of the Discharge and the completion of the Primary Registration, the Purchaser and the Seller shall cooperate and complete the Filing Procedure;
- (c) subject to the approval from the board and shareholders of the Company in relation to the Acquisition (the “**Approvals**”), within 30 days from the completion of the Filing Procedures, the Purchaser and the Seller shall cooperate and complete the Title Registration; and
- (d) in the event that the incompleteness of the Underground Area Registrations is due to certain restrictions imposed by the PRC governmental authorities (which is not caused by the Seller), the Seller shall not be required to complete the Underground Area Registrations. The Purchaser and the Seller shall however cooperate and complete the Non-Civil Air Defence Underground Area Registrations within 60 days from the date of the Sellers’ notification of the lifting of such governmental restrictions regarding the Non-Civil Air Defence Underground Area Registrations. The Seller shall notify the Purchaser of the lifting of such governmental restrictions regarding the Non-Civil Air Defence Underground Area Registrations within 3 days upon the Seller becoming aware of so. Despite the incompleteness of the Underground Area Registrations, upon the Target Properties Delivery, the Purchaser shall be entitled to the exclusive right to (i) occupy, use, dispose and earn from the Non-Civil Air Defence Underground Area and (ii) occupy, use and earn from the Civil Air Defence Underground Area.

## LETTER FROM THE BOARD

### **E. Conditions Precedent**

The Target Properties Delivery is conditional upon:

- (a) the satisfaction of certain delivery conditions and technical specifications as set out in the Sale and Purchase Agreement which should have been independently confirmed by third party organisation recognised or engaged by the Purchaser;
- (b) the Target Properties not being mortgaged, seized or subject to any other restrictions to the rights under the Target Properties;
- (c) save for the Property Dispute as disclosed by the Seller to the Purchaser prior to the signing of the Sale and Purchase Agreement, there being no unsettled disputes in relation to the Target Properties;
- (d) the State-owned Land Use Certificate and the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (建築工程竣工驗收備案表) obtained by the Seller in respect of the Target Properties remaining to be valid; and
- (e) the Title Registration having been completed.

Pursuant to the Sale and Purchase Agreement, the satisfaction of part of the delivery conditions and technical specifications referred to in item (a) above shall be confirmed upon a physical inspection of the Target Properties and the Purchaser shall have the right to decide whether to accept the aforesaid delivery conditions in case that any imperfections (except any minor imperfections) are identified during such physical inspection. Save for the above, neither the Seller nor the Purchaser has a right to waive any of the above conditions to which the Target Properties Delivery is subject.

In relation to item (b) above, the Land Use Rights have been mortgaged to the Wuxi branch of the Bank of Communications Limited to secure a loan of RMB49 million owed by the Seller to the Bank of Communications Limited as at the Latest Practicable Date. Under the Sale and Purchase Agreement, the Seller shall discharge the Mortgage within 90 days from the settlement of the Deposit.

The completion of the Title Registration is conditional upon the obtaining of the Approvals. In the event that the Approvals have not been obtained, the Sale and Purchase Agreement shall be terminated and the Seller shall return all amount received under the Sale and Purchase Agreement (including the Deposit) to the Purchaser or its Designated Party (as the case may be) (if any). Furthermore, the completion of the Title Registration is subject to the discharge of any Target Properties Restrictions (as defined below) as advised by our PRC legal adviser.

As at the Latest Practicable Date, the conditions precedent as set out in the paragraphs (c) and (d) above have been and remain fulfilled.

## LETTER FROM THE BOARD

### **F. Target Properties Delivery**

Subject to fulfilment of the Conditions Precedents, the Target Properties Delivery shall take place within 20 days from the date of the settlement of the First Payment or the Deposit and First Payment (as the case may be pursuant to paragraph (C)(b) above).

### **G. Discharge of Mortgage**

As of the Latest Practicable Date, the Land Use Rights have been mortgaged to the Wuxi branch of the Bank of Communications Limited to secure a loan of RMB49 million owed by the Seller to the Bank of Communications Limited.

It has been agreed that within 90 days from the settlement of the Deposit by the Purchaser or the Designated Party (as the case may be) pursuant to paragraph C(a) above, the Seller shall discharge the Mortgage.

### **H. Existing tenancy and potential dispute**

#### *Background of the existing tenancy*

Reference is made to the announcements of the Company dated 25 September 2012, 25 June 2014, 2 December 2014 and 22 June 2016, respectively. On 25 September 2012, the Seller and OSGH China entered into the Tenancy Agreement to lease the Leased Properties for a term of 240 months from the expiry of 4 months from the date of the Leased Property Delivery. Since the Complex was still under construction, the initial date of the Leased Property Delivery was expected to be around 31 December 2014 at the time of the signing of the Tenancy Agreement. Subsequently, in 2014 and 2016, OSGH China entered into the First Supplemental Agreement and the Second Supplemental Agreement to extend the date of the Leased Property Delivery to on or before 30 June 2017, for (i) the multiple amendments to the interior design plan by the Seller and (ii) the delay in completion of construction and obtaining of the necessary permits, approvals and licenses by the Seller. Pursuant to the Second Supplemental Agreement, OSGH China paid the Prepayment in amount of RMB46.5 million to the Seller. In July 2017, OSGH China was sold by the Group and ceased to be a subsidiary of the Group as part of the disposal of the theatrical exhibition, cinema operation, management and investment holding business of the Group in the PRC, for, among other things, the redeployment of the Group's resources through Disposal. For further details of Disposal, please refer to the circular of the Company published on 13 March 2017.

Subsequent to the Disposal, the Leased Properties were not delivered to OSGH China under the Tenancy Agreement due to its non-acceptance of the Seller's Leased Properties Delivery notification. On 20 June 2018, OSGH China delivered a notice to the Seller to terminate the Tenancy Agreement, of which such termination of the Tenancy Agreement was subsequently accepted by the Seller. As at the Latest Practicable Date, the Tenancy Agreement has been terminated.

## LETTER FROM THE BOARD

### *Potential Property Dispute*

Since the Tenancy Agreement has been terminated, the Seller shall be responsible for all obligations, responsibilities, risks and disputes arising from the Tenancy Agreement. In the event that the Purchaser suffered any loss or was subject to any disputes, litigations or claims arising from the Tenancy Agreement, the Seller shall indemnify and compensate the Purchaser for an amount equivalent to such loss or claim, even after the Completion. As advised by our PRC legal adviser, since the Tenancy Agreement has been terminated, the Purchaser will not be liable under the Property Dispute as the Purchaser is not a party to the Tenancy Agreement.

Before the completion of the Title Registration, in the event that the Property Dispute resulted in litigations, claims or Seizure Order, the Seller shall be responsible for (i) all costs, obligations and liabilities arising from the Property Dispute, (ii) using reasonable commercial endeavours to settle the Property Dispute, (iii) discharging the Seizure Order within 30 days from the receipt of such order or prior to the completion of the Title Registration (whichever is earlier) and (iv) the completion of the Title Registration and the Target Properties Delivery. The aforesaid obligation of the Seller shall continue after the Completion.

### *Retention arrangement*

In the event of the Property Dispute, the Purchaser shall be entitled to retain an amount equivalent to the amount claimed by OSGH China during the legal proceedings arising from the Property Dispute or the Property Dispute Settlement amount (the “**Retained Amount**”) upon the payment of the First Payment (the “**Retention**”). The Retained Amount shall be payable by the Purchaser to the Seller in the following manner:

- (a) as the Tenancy Agreement has been terminated prior to the completion of the Title Registration, the Purchaser shall pay the Retained Amount to the Seller within 10 days after the completion of the Title Registration and the Property Dispute Settlement (if any) and the Purchaser shall have the right to deduct from the Retained Amount an amount equivalent to any losses caused to the Purchaser arising from the Property Dispute; and
- (b) notwithstanding paragraph (a) above, if OSGH China or any other third party has applied to the court to seize the Target Properties or to impose any restrictions on the Target Properties (the “**Target Properties Restrictions**”) in the Property Dispute, the Purchaser shall be entitled to deposit an amount equivalent to all or part of the Retained Amount to the designated account of the court (the “**Court Deposit**”) as guarantee to discharge the Seizure Order or the Target Properties Restrictions, and the Purchaser shall be deemed to have paid all or part of the Retained Amount to the Seller upon the Court Deposit. In the event that the court subsequently returns the Court Deposit, the Seller shall be entitled to receive the Court Deposit returned by the court.



## LETTER FROM THE BOARD

### *Termination*

In the event that the Retained Amount exceeds 30% of the Consideration, the Seller shall have the right to terminate the Sale and Purchase Agreement and such termination shall not constitute a breach of the Sale and Purchase Agreement. In such case, the Seller shall return all amount received under the Sale and Purchase Agreement (including the Deposit) to the Purchaser or its Designated Party (as the case may be) (if any).

In the event that the actual loss or the reasonably estimated loss of the Purchaser, based on the size of the Claim, exceeds 85% of the Consideration, the Independent Board Committee shall have the right to decide whether the Purchaser shall proceed with the Acquisition and in such case, the Purchaser shall have the right to terminate the Sale and Purchase Agreement.

### **I. Warranties**

Pursuant to the Sale and Purchase Agreement, the Seller has warranted and/or undertaken to the Purchaser that:

- (a) the relevant land premium and other related taxes have been settled;
- (b) the relevant construction and development costs due and payable in relation to the Target Properties up to the date of the Sale and Purchase Agreement have been settled; and
- (c) the relevant construction and development work performed in relation to the Target Properties is in compliance with the rules and regulations in the PRC.

### **PERSONAL GUARANTEE**

On 29 August 2018, Mr. Wu as the guarantor entered into the Guarantee to guarantee the due performance of the Seller of its obligations under the Sale and Purchase Agreement.

Pursuant to the Guarantee, Mr. Wu irrevocably and unconditionally:

- (a) guarantees to the Purchaser punctual performance by the Seller of all its obligations under the Sale and Purchase Agreement;
- (b) undertakes with the Purchaser that, whenever the Seller does not pay any amount when due under or in connection with the Sale and Purchase Agreement, he must, immediately on demand by the Purchaser, pay that amount (in the currency in which it is due) as if he was the principal debtor in respect of that amount; and
- (c) agrees with the Purchaser that if, for any reason, any amount claimed by the Purchaser is not recoverable from him on the basis of a guarantee, he will be liable as a principal debtor and primary obligor to indemnify the Purchaser in respect of any loss it incurs as a result of the Seller failing to pay any amount expressed to be payable by it under the Sale and Purchase Agreement on the date when it ought to

## LETTER FROM THE BOARD

have been paid. The amount payable by Mr. Wu under this indemnity will not exceed the amount it would have had to pay had the amount claimed been recoverable on the basis of a guarantee.

The Directors have evaluated the credit worthiness and the financial conditions of Mr. Wu. As at the Latest Practicable Date, Mr. Wu is interested in total 1,995,718,497 Shares, representing approximately 71.28% of the total issued Shares. Based on the closed price of the Shares of HK\$0.315 as at the Latest Practicable Date, the estimate market value of the 1,995,718,497 Shares of Mr. Wu is approximately HK\$629 million. The Directors also note that Mr. Wu has personal investments other than his investment in the Company. In light of the above, the Directors consider that Mr. Wu is able to meet all his payment obligations under the Guarantee.

### REASONS AND BENEFITS OF THE ACQUISITION

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

As set out in the Company's 2018 interim report, the Group has been actively seeking investment opportunities in the regional media, entertainment and technology sectors that are related to the Group's existing business, and at the same time be prepared to seek other new businesses that shall add value to our Shareholders, such as live show performance and entertainment center operations. In order to capitalise the goodwill and brand equity of the Group, leverage its resources, innovation and experience of its management team in the entertainment industry, and commercialise its intellectual properties, it has been a part of the core strategy for the Company to identify a suitable opportunity to launch our first entertainment center under our own brand in the Greater China Region since the Disposal. Having considered the strong cash position of the Group after the completion of the Disposal, the Group intends to operate a leisure and entertainment complex ("**Entertainment Complex**") and a movie-themed hotel ("**Movie-themed Hotel**") targeted to attract local residents and tourists with multifunctional movie theatres, virtual reality (VR) and augmented reality (AR) experiencing facilities, kid-land, game centres, amusement arcades, lifestyle and fashion shops and themed restaurants. It is anticipated that themed events and various performances at the Entertainment Complex will provide customers with a brand new shopping experience with an aim to gain customer loyalty and advocacy. It is also anticipated that the Movie-themed Hotel will help to widen the customer base of and provide a steady customer flow to the Entertainment Complex.

The Company has researched on the growth rate and the consumption pattern in Jiangyin, the area which the Target Properties are situated at. The Company is of the view that Jiangyin, being one of the top-ranked city amongst the top 100 economically developed cities in the PRC, is a rapidly developing city with high consumption power and is a popular place for domestic tourists to visit. The Target Properties benefit from their excellent location as there are several high-end residential estates near the Entertainment Complex and the Movie-themed Hotel and local residents around the area are generally well-off with sufficient leisure time. Having considered the above factors, the Company is of the view that (i) there is strong market

## LETTER FROM THE BOARD

potential to operate an entertainment center at Jiangyin as it is in line with the local consumption pattern and (ii) the operation of the Entertainment Complex and the Movie-themed Hotel at the Target Properties can benefit from the Target Properties' excellent location. It is anticipated that the Entertainment Complex will be a more attractive and distinctive place for local residents and tourists to visit as compared to a conventional retail shopping mall.

The Board will be responsible for the overall strategic planning and overseeing the operation management of the Entertainment Complex and the Movie-themed Hotel. We have also built a professional team to support the Board. The professional team is comprised of knowledgeable professionals with a proven track record in the hospitality and entertainment industry and currently consists of 15 members headed by professionals of average over 12 years of related experience in the hospitality and/or entertainment industry.

The Company has also conducted a review on its financial position. The interior renovation of the Entertainment Complex and the Movie-themed Hotel is expected to commence upon the Target Properties Delivery. We expect the operation of the Entertainment Complex and the Movie-themed Hotel to commence in the fourth quarter of 2019 and generate cash inflow thereafter. Taking into account (i) the cash and cash equivalents in the amount of approximately HK\$1.5 billion of the Company as at 30 June 2018; (ii) the Group's gearing ratio standing at 34.2% as at 30 June 2018; (iii) the Group's net cash position of HK\$219 million as at 30 June 2018; and (iv) the cash inflow to be generated from the operation of the Entertainment Complex and the Movie-themed Hotel, the Directors consider that the Company has sufficient working capital to fund such operation as well as the Acquisition.

In order to provide one-stop entertainment experiences, the Company also intends to either (i) lease the Leased Properties to a third party cinema operator for the purpose of operating a cinema or (ii) operate a cinema at the Leased Properties upon the expiry of the non-compete undertaking to engage in the operation of cinema business in the PRC on 28 July 2019 pursuant to the sale and purchase agreement dated 25 January 2017 entered into between Giant Harvest Limited, the Company, True Vision Limited and Nan Hai Corporation Limited in respect of the Disposal.

Having considered the abovementioned factors, the Directors are of the view that (i) it is appropriate for the Company to launch its first entertainment center in Jiangyin and such operation will provide a valuable opportunity for the Group to broaden its revenue source and to bring long-term stable cash flow to the Group; and (ii) the Acquisition will enable the Company to operate permanently at the Target Properties and the Company will not be subject to any rental increment. The Acquisition will also increase the property management profits of the Group, enhance its brand recognition and realise the value of the Target Properties, which its value cannot be realised by operating the entertainment complex through leasing the Target Properties.

In view of the above and taking into account the Consideration representing a discount of approximately 12.5% of the property valuation of the Target Properties at RMB640 million as at 31 July 2018, the Board considered that the terms and conditions of the Acquisition are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## LETTER FROM THE BOARD

### FINANCIAL EFFECTS OF THE ACQUISITION OF THE GROUP

Based on the “Unaudited pro Forma Financial Information of the Group” as set out in Appendix II to this circular, the unaudited pro forma consolidated non-current assets of the Group as at 30 June 2018 would be increased by approximately HK\$666 million to approximately HK\$3.2 billion upon completion of the Acquisition, assuming that the Acquisition had taken place on 30 June 2018. Accordingly, the unaudited pro forma consolidated current assets would be decreased by approximately HK\$634 million to approximately HK\$1,009 million and the unaudited pro forma consolidated current liabilities would be increased by approximately HK\$32.2 million to approximately HK\$701 million. Also, the unaudited pro forma consolidated net current assets would be decreased by approximately HK\$666 million to approximately HK\$309 million.

The Group’s earnings are expected to increase as a result of the Acquisition upon the commencement of the operation of the Movie-themed Hotel and Entertainment Complex.

### INFORMATION ABOUT THE PARTIES OF THE ACQUISITION

#### The Purchaser

The Purchaser is a company established in the PRC and is an indirect wholly-owned subsidiary of the Company. Its principal business activity is real estate development, enterprise management services (excluding investment and asset management), property management, corporate marketing planning, conference services, exhibition services, daily necessities, hardware products and sales of electronic products.

#### The Seller

The Seller is a company established in the PRC and is the developer of the Target Properties. Its principal business activity is property development.

### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) exceeds 25% and each of them is less than 100%, the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and the Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, the Seller is owned as 75% by Orange Sky Land and 25% by Beijing Orange Land. Orange Sky Land is indirectly wholly-owned by Mr. Wu. Beijing Orange Land is owned as to 90% by Beijing Orange Sky, which is in turn owned as to 99% by Mr. Wu and 1% by Ms. Wu. Mr. Wu is the Director and controlling Shareholder and is interested in an aggregate of approximately 71.28% of the total issued Shares of the Company. Ms. Wu is the Director and the sister of Mr. Wu. Accordingly, the Seller, being the associate of Mr. Wu, is a connected person of the Company and the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder constitute a connected transaction of

## LETTER FROM THE BOARD

the Company pursuant to Chapter 14A of the Listing Rules and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the interests above, Mr. Wu and Ms. Wu are required to abstain from voting in respect of the resolution(s) approving the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder at the SGM.

Save for the aforesaid and to the Directors' best knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder has a material interest in the Acquisition and therefore no other Shareholder is required to abstain from voting on the resolution(s) approving the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder at the SGM.

### **SGM**

The SGM will be convened and held for the Independent Shareholders to, among other things, consider and, if thought fit, approve the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder. The voting in respect of the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder at the SGM will be conducted by way of poll.

A notice convening the SGM to be held at 24th Floor, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong on Friday, 23 November 2018 at 11:00 a.m. is set out on pages 65 to 66 of this circular for the purpose of considering and, if thought fit, approving the ordinary resolution set out therein.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the branch share registrar of the Company, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). 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 (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

### **RECOMMENDATION**

Your attention is drawn to the letter of the Independent Board Committee set out on page 21 of this circular, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder set out on pages 22 to 39 of this circular.

The Independent Board Committee, comprising of all the independent non-executive Directors, namely Mr. Leung Man Kit, Ms. Wong Sze Wing and Mr. Fung Chi Man, Henry, having taken into account the advice of the Independent Financial Adviser, is of the view that

## LETTER FROM THE BOARD

(i) the terms of the Sale and Purchase Agreement and the Guarantee which have been reached after arm's length negotiations among the parties thereto, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Sale and Purchase Agreement and the Guarantee is in the ordinary and usual course of the business of the Group, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM for approving the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder.

The Board (excluding Mr. Wu, Ms. Wu and the members of the Independent Board Committee) considers that the terms of the Sale and Purchase Agreement and the Guarantee, which have been reached after arm's length negotiations among the parties thereto, are on normal commercial terms, fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole. Mr. Wu and Ms. Wu, who have material interests in the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder, have abstained from voting on the Board resolutions approving the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder. Accordingly, the Board (excluding Mr. Wu, Ms. Wu and the members of the Independent Board Committee) recommends the Independent Shareholders to vote in favour of the ordinary resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices on this circular.

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



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)**

23 October 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION AND CONNECTED TRANSACTION  
ACQUISITION OF PROPERTIES IN THE PRC**

We refer to the circular of the Company to the Shareholders dated 23 October 2018 (“**Circular**”), to which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter have the same meanings as defined in the Circular.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

We wish to draw your attention to the letter of advice from Somerley, the Independent Financial Adviser, appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder, as set out on pages 22 to 39 of the Circular and the letter from the Board set out on pages 6 to 20 of the Circular.

Having considered the information contained in the letter from the Board, and the factors and reasons considered by, and the opinion and recommendation of, Somerley as stated in its letter of advice and the principal factors and reasons taken into consideration by them in arriving at their opinion, we consider that the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We further consider that the entering into of the Sale and Purchase Agreement and the Guarantee is in the ordinary and usual course of the business of the Group, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM for approving the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder.

Yours faithfully,

*The Independent Board of Committee*

**Mr. Leung Man Kit**

**Ms. Wong Sze Wing**

**Mr. Fung Chi Man, Henry**

*Independent non-executive Directors*

\* *For identification purposes only*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.*



**SOMERLEY CAPITAL LIMITED**  
20th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

23 October 2018

*To: the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **MAJOR AND CONNECTED TRANSACTION ACQUISITION OF PROPERTIES IN THE PRC**

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder, details of which are contained in the letter from the Board in the circular issued by the Company to the Shareholders dated 23 October 2018 (the “**Circular**”), of which this letter forms a part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 29 August 2018, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Seller entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire the Target Properties from the Seller, at a total consideration of RMB560 million. On the same day, Mr. Wu entered into the Guarantee in favour of the Purchaser, pursuant to which, among others, Mr. Wu guarantees the due performance of the Seller and its obligations under the Sale and Purchase Agreement.

As at the Latest Practicable Date, the Seller is owned as to 75% by Orange Sky Land and 25% by Beijing Orange Land. Orange Sky Land is indirect wholly-owned by Mr. Wu. Beijing Orange Land is owned as to 90% by Beijing Orange Sky, which is in turn owned as to 99% by Mr. Wu and 1% by Ms. Wu. Mr. Wu is a Director and the controlling Shareholder and is interested in an aggregate of approximately 71.3% of the total issued Shares, while Ms. Wu is a Director and the sister of Mr. Wu. As the Seller, being the associate of Mr. Wu, is a connected person of the Company, the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) exceeds 25% but is less than 100%, the Sale and



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Purchase Agreement, the Guarantee and the transactions contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules. As such, the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under the Listing Rules.

The Company will seek approval from the Independent Shareholders in respect of the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder by way of a resolution taken by a poll at the SGM. In view of the interests above, Mr. Wu and Ms. Wu are required to abstain from voting in respect of the ordinary resolution approving the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder at the SGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Leung Man Kit, Ms. Wong Sze Wing and Mr. Fung Chi Man, Henry, has been formed to advise the Independent Shareholders on whether the terms of the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. We, Somerley, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, we have not acted as an independent financial adviser to the independent board committee and/or independent shareholders of the Company. As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley and (b) the Group, the Seller, or their respective substantial shareholders, subsidiaries and associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group, the Seller, or their respective substantial shareholders, subsidiaries or associates.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group and have assumed that they are true, accurate and complete in all material aspects at the time they were made. We have conducted a site visit to the Target Properties and have reviewed published information on the Company, including but not limited to, the annual report of the Company for the year ended 31 December 2017 (the "**2017 Annual Report**"), the interim report of the Company for the six months ended 30 June 2018 (the "**2018 Interim Report**"), and the information contained in the Circular, including the property valuation report of the Target Properties as at 31 July 2018 as contained in Appendix III to the Circular (the "**Valuation Report**"). We have discussed with Cushman & Wakefield Limited, an independent valuer (the "**Valuer**"), the bases and assumptions for their Valuation Report. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been omitted or withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

that the information we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business, affairs and financial position of the Group, the Seller and their respective subsidiaries and associates, nor have we carried out any independent verification of the information supplied.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder, we have taken into account the principal factors and reasons set out below:

#### 1. Background to, reasons for and benefits of the Acquisition

##### (i) *The Group*

###### *Business and recent development*

The Group is currently principally engaged in theatrical exhibition, cinema operation, film, video and television production and distribution business in Hong Kong, the PRC, Taiwan and Singapore. As at 30 June 2018, the Group operated 31 cinemas in Hong Kong, Singapore and Taiwan, with a total of 250 screens. In addition, the Group owns certain 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. Shares of the Company have been listed on the Stock Exchange since 1994 and the Company had a market capitalisation of approximately HK\$881.9 million as at the Latest Practicable Date.

In prior years, the Group’s overall profitability has been negatively impacted by its exhibition and cinema business in the PRC, which was sub-scale compared to its competitors in the PRC. In order to unlock value for the Shareholders and strengthen the Group’s financial position, the Group completed the Disposal in July 2017, selling its approximately 92.6% interest in OSGH China, which held the Group’s PRC cinema business. The consideration of the Disposal of approximately RMB3.3 billion represented a substantial cash inflow to the Group, relative to its deposit and cash level of approximately HK\$152 million and net assets of approximately HK\$1.6 billion as at the end of 2016.

Since completion of the Disposal and with significant cash reserves available, the Group has been exploring business opportunities bringing positive cash flow to the Group. In October 2017, the Group completed an acquisition of the remaining 50% equity interest in its Singapore cinema chain operations (“**Singapore Cinema Business**”) at a consideration of approximately S\$175 million.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Financial results*

Set out below is a summary of the consolidated financial results of the Group for the three years ended 31 December 2015, 2016 and 2017, and for the six months ended 30 June 2017 and 2018, as extracted and summarised from the Company's annual reports and the 2018 Interim Report:

	<b>For the six months</b>		<b>For the year ended 31 December</b>		
	<b>ended 30 June</b>		<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	520,321	618,893	1,006,599	1,291,819	1,277,132
Gross profit	324,594	375,019	602,109	768,353	728,928
Profit/(loss) for the year	48,307	(110,530)	2,238,313	(65,237)	(181,218)
<b>Profit/(loss)</b>					
<b>attributable to equity</b>					
<b>holders of the</b>					
<b>Company</b>	<b>48,442</b>	<b>(108,601)</b>	<b>2,242,136</b>	<b>(59,078)</b>	<b>(180,471)</b>

Revenue of the Group primarily represents income from the sale of film rights, video rights and television rights, film and TV drama distribution, theatre operation, promotion and advertising services. As shown above, the total revenue of the Group remained stable in 2015 and 2016, but declined to approximately HK\$1,007 million in 2017, as a result of the Disposal in July 2017, partly offset by the increase in revenue contributions from the Group's Singapore Cinema Business. For the six months ended 30 June 2018, the Group recorded revenue of approximately HK\$520 million, representing a decrease compared to the same period in 2017, due to the reasons stated above.

The Group incurred losses for the years 2015 and 2016, but a profit attributable to the Shareholders of approximately HK\$2,242 million was recorded in 2017, mainly as a result of a gain of approximately HK\$2,201 million arising from the Disposal. For the first half of 2018, the Group recorded a profit attributable to the Shareholders of approximately HK\$48 million.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Financial position*

Set out below is a summary of the consolidated financial position of the Group as at 31 December 2015, 2016, and 2017 and as at 30 June 2018, as extracted and summarised from the Company's annual reports and the 2018 Interim Report:

	<b>As at 30 June 2018</b>	<b>As at 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)	(audited)
Non-current assets	2,521,901	2,530,294	637,587	2,132,899
Current assets	<u>1,642,870</u>	<u>2,146,475</u>	<u>2,518,278</u>	<u>732,294</u>
<b>Total assets</b>	<b>4,164,771</b>	<b>4,676,769</b>	<b>3,155,865</b>	<b>2,865,193</b>
Current liabilities	668,308	784,169	974,334	885,250
Non-current liabilities	<u>1,319,204</u>	<u>1,049,918</u>	<u>591,496</u>	<u>386,728</u>
<b>Total liabilities</b>	<b>1,987,512</b>	<b>1,834,087</b>	<b>1,565,830</b>	<b>1,271,978</b>
<b>Equity attributable to equity holders of the Company</b>	<b>2,177,715</b>	<b>2,843,013</b>	<b>1,531,602</b>	<b>1,579,837</b>

As at 30 June 2018, the Group recorded total assets of approximately HK\$4,165 million, which mainly included (i) deposits and cash (excluding pledged deposit) of approximately HK\$1,505 million, (ii) goodwill and intangible assets of approximately HK\$1,182 million, mainly arising from the acquisition of additional equity interest in Singapore Cinema Business in 2017, and (iii) leasehold land and other property, plant and equipment of approximately HK\$984 million.

As at 30 June 2018, the Group recorded total liabilities of approximately HK\$1,988 million, of which approximately HK\$1,423 million or 71.6% represented the outstanding borrowings of the Group. The Group's gearing ratio, calculated on the basis of total borrowings divided by total assets, amounted to approximately 34.2% as at 30 June 2018, which is, in the view of the Directors, a healthy level, bearing in mind the Group's deposits and cash.

Equity attributable to equity holders of the Company was approximately HK\$2,178 million as at 30 June 2018, representing a decrease when compared to that of 31 December 2017, mainly due to the payment of a special dividend of approximately HK\$708 million in February 2018.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note from the above that the Group has cash reserves on hand, currently placed in the form of deposits earning a low level of interest income, and is able to fund the existing business and operations and/or potential acquisitions of profitable business opportunities.

### *(ii) The Target Properties*

The Target Properties are for mixed-use development, comprising (i) the Complex (i.e. two buildings with 7 and 11 floors respectively, and the Underground Area with 2 floors, for commercial, hotel and cinema use) with total gross floor area of approximately 93,137.7 square meters and (ii) the Land Use Rights, with total site area of approximately 23,334 square meters. The Target Properties are situated at Wuxing South Road, Xiagang Street, Jiangyin and west to Xidong Road (中國江陰市夏港街道五星路南、夏東路西側). Set out below is a photo of the Target Properties:



*Source: the Company*

As advised by the management of the Group, the construction of the Complex, including foundation and superstructure work, was completed on 20 December 2016. The Group intends to operate (i) a leisure and entertainment complex (the “**Entertainment Complex**”) and (ii) a movie-themed hotel (the “**Movie-themed Hotel**”), targeted to attract local residents and tourists with multifunctional movie theatres, virtual reality and augmented reality experiencing facilities, kid-land, game centres, amusement arcades, lifestyle and fashion shops and themed restaurants.

The interior renovation of the Entertainment Complex and the Movie-themed Hotel is expected to commence upon the Target Properties Delivery, and the Group expects to commence the operation in the fourth quarter of 2019, according to the letter from the Board in the Circular. Management of the Group informed us that the estimated capital

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

commitments (including the renovation costs) for the Entertainment Complex and the Movie-themed Hotel are approximately RMB200 million, which will be funded by internal resources of the Group.

### *(iii) Reasons for and benefits of the Acquisition*

As advised by the management of the Group, proceeds from the Disposal significantly improved its financial position, and allowed the Group to focus on strengthening and expanding its existing businesses and operations in Hong Kong, Singapore and Taiwan. After the acquisition of the remaining equity interest in the Group's Singapore Cinema Business, and the payments of special dividends, the Group remained in an advantageous cash position, holding deposits and cash of approximately HK\$1.6 billion as at 30 June 2018.

Against this background, the Group has been actively seeking investment opportunities in the regional media, entertainment and technology sectors that are related to the Group's existing business, and any new business that adds value to the Shareholders, such as entertainment centre operations. The Directors has stated in the 2018 Interim Report that the Group will continue to strengthen its core competencies, while at the same time focus on reviewing its upcoming cinema expansion strategy as well as seek out further opportunities of new investment projects, such as theatrical performances, which serves to widen the Group's existing business scope.

We further understand that the Group has been exploring ways to leverage on the Group's resources and the innovation and experience of its management team in the entertainment industry, and that, subsequent to the Disposal, it has been a part of the core strategy for the Group to identify a suitable opportunity to launch its first and self-owned brand entertainment centre in the PRC. As mentioned above, the Group owns a number of trademarks, content-related intellectual property and other licenses, which are expected to be used for the operation of the Entertainment Complex and the Movie-themed Hotel.

Jiangyin City has first came to the Directors' attention in 2012 when the Group, through OSGH China, entered into the 20-year Tenancy Agreement in respect of the cinema area of the Target Properties. The Group researched on the growth rate and the consumption pattern in Jiangyin City, and that Jiangyin City is a popular destination for domestic tourists, local residents have strong consumption power, and the Target Properties are situated next to several high-end residential estates in the vicinity, as set out in the letter from the Board in the Circular. Having considered the above factors, the Company is of the view that there is a strong market potential to operate an entertainment centre in Jiangyin City.

We have also conducted research and noted that Jiangyin City, which is situated in the geometrical centre of the Yangtze Delta, is conveniently connected to nearby cities in Jiangsu province, including Wuxi, Suzhou and Shanghai, through several expressways. The nearest major airport is located in Wuxi City, approximately one hour's drive from Jiangyin City. The estimated resident population in Jiangyin City was approximately 1.7 million as of the end of 2017, according to the website of the Jiangyin City Government.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the same source above, for the year 2017, the Gross Domestic Product growth in Jiangyin City was approximately 7.2%, slightly above the national average of 6.9%, while the total retail sales of consumer goods amounted to approximately RMB86.3 billion, representing an increase of approximately 11.3% as compared to the year 2016. In addition, the per capita disposable income of residents of Jiangyin City amounted to approximately RMB50,000 in 2017 (as released in the website of the Jiangyin City Government), almost twice the national average of approximately RMB26,000 in 2017 (as released in the website of the National Bureau of Statistics).

According to the management of the Group, the Group has set up a team of 15 members headed by professionals with an average of over 12 years' related experience in the hospitality and/or entertainment industry. Such team is responsible for the overall development planning, tenant selection, implementation of the strategic plans and maintenance in relation to the Entertainment Complex and the Movie-themed Hotel.

In addition, as set out in the letter from the Board in the Circular, in order to offer one-stop entertainment experiences to the customers, the Group currently intends to either (i) lease the Leased Properties to a third party cinema operator, or (ii) open its own cinema at the Leased Properties upon expiry of the relevant non-compete undertaking by 28 July 2019, provided by the Group under the sale and purchase agreement in respect of the Disposal.

With the strong cash position of the Group, we concur with the Directors' view that the operation of the Entertainment Complex and the Movie-themed Hotel would provide an opportunity for the Group to leverage on its financial resources and on the innovation and experience of its management team, and is in line with the Group's expansion strategy to seek out further opportunities of new investment projects including those in the entertainment sector, and to diversify its earnings stream to achieve sustainable growth.

## **2. The Sale and Purchase Agreement**

Set out below is a summary of the principal terms of the Sale and Purchase Agreement. Independent Shareholders are advised to read the further details of the Sale and Purchase Agreement set out in the letter from the Board in the Circular.

### ***(i) Subject matter***

Pursuant to the Sale and Purchase Agreement, the Purchaser (an indirect wholly-owned subsidiary of the Company) conditionally agreed to acquire the Target Properties, situated in Jiangyin, with a total gross floor area of approximately 93,137.7 square meters.

### ***(ii) Consideration***

As set out in the letter from the Board in the Circular, the Consideration of RMB560 million was determined after arm's length negotiation between the Seller and the Purchaser under normal commercial terms. The Consideration represented a discount of 12.5% to the property valuation of the Target Properties at RMB640 million as at 31 July 2018.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Consideration shall be payable by the Purchaser and/or its designated third party in the PRC (the “**Designated Party**”) to the Seller in the following manner:

- (a) 10% of the Consideration amounting to RMB56 million (the “**Deposit**”) shall be payable within 10 days from the date of signing the Sale and Purchase Agreement and the opening of the foreign exchange capital account by the Purchaser for the purpose of the Acquisition, which had been paid as at the Latest Practicable Date;
- (b) 85% of the Consideration amounting to RMB476 million (the “**First Payment**”) shall be payable, and the Deposit shall become part of the payment of the Consideration, within 10 days from:
  - (1) the completion of the Title Registration, i.e. the registration of the Target Properties’ title under the name of the Purchaser, and the obtaining of the relevant Real Estate Certificate. We understand from the management of the Group that the above represent the formal transfer of the Target Properties’ title to the Purchaser; and
  - (2) the initiation of legal proceedings against the Seller or the Purchaser by OSGH China seeking for the return of the Repayment amount and the payment of damages arising from the Property Dispute (the “**Claim**”) or the Property Dispute Settlement, subject to the Retention (as defined below). Please refer to the section below headed “The Tenancy Agreement and the Property Dispute” for further details relating to the Property Dispute;
- (c) the remaining 5% of the Consideration amounting to RMB28 million (the “**Second Payment**”) shall be payable within 10 days after 12 months of the completion of all of the following conditions: (i) the Title Registration having been completed; (ii) the Target Properties Delivery having been completed; and (iii) in the event that the Designated Party has settled the Deposit on behalf of the Seller, the Repayment Amount (equivalent to the amount of the Deposit) having been paid by the Seller to the Designated Party without any interest.

As confirmed by the management of the Group, it is expected that the Consideration will be financed by internal resources of the Group.

### *(iii) Registrations and filings*

Although the construction of the Target Properties has been completed, the relevant primary registration of the property rights of the Target Properties has not been completed by the Seller, and the Real Estate Certificate has not been obtained, as at the Latest Practicable Date. It is agreed under the Sale and Purchase Agreement that:

- (a) the Seller shall complete the Primary Registration and obtain the Real Estate Certificates, within 7 months of the date of the signing of the Sale and Purchase Agreement;



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) the Purchaser and the Seller shall cooperate and complete the Filing Procedure, within 30 days of the Discharge and the completion of the Primary Registration; and
- (c) the Purchaser and the Seller shall cooperate and complete the Title Registration, within 30 days from the completion of the Filing Procedure, subject to the approval from the board and shareholders of the Company in relation to the Acquisition.

Based on our discussion with the management of the Group, it is currently expected that the Title Registration would be completed by the second quarter of 2019.

### *(iv) The Target Properties Delivery*

The Target Properties Delivery is conditional upon:

- (a) the satisfaction of certain delivery conditions and technical specifications as set out in the Sale and Purchase Agreement to be independently confirmed by a third party organisation recognised or engaged by the Purchaser;
- (b) the Target Properties not being mortgaged, seized or subject to any other restrictions to the rights under the Target Properties;
- (c) save for the Property Dispute, there being no unsettled disputes in relation to the Target Properties;
- (d) the State-owned Land Use Certificate and the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (建築工程竣工驗收備案表) obtained by the Seller in respect of the Target Properties remaining to be valid; and
- (e) the Title Registration having been completed.

Pursuant to the Sale and Purchase Agreement, the parties shall conduct a physical inspection of the Target Properties to confirm whether certain technical specifications are satisfied under item (a) above, and the Purchaser shall have the right to decide whether to accept the aforesaid delivery conditions and technical specifications, in the case of any imperfections (except for minor imperfections) being identified during such physical inspection.

In relation to item (b) above, the Land Use Rights have been mortgaged to the Wuxi branch of the Bank of Communications Limited to secure a loan of RMB49 million owed by the Seller to the Bank of Communications Limited as at the Latest Practicable Date. Under the Sale and Purchase Agreement, the Seller shall discharge the Mortgage within 90 days from the settlement of the Deposit.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The completion of the Title Registration is conditional upon the obtaining of the approvals from the board and shareholders of the Company in relation to the Acquisition. If such approvals have not been obtained, the Sale and Purchase Agreement shall be terminated and the Seller shall return all amounts received under the Sale and Purchase Agreement (including the Deposit) to the Group.

As at the Latest Practicable Date, the conditions precedent as set out in the paragraphs (c) and (d) above have been and remain fulfilled.

### *(v) Other warranties and undertaking by the Seller*

Pursuant to the Sale and Purchase Agreement, the Seller has warranted and/or undertaken to the Purchaser that:

- (a) the relevant land premium and other related taxes have been settled;
- (b) the relevant construction and development costs due and payable in relation to the Target Properties up to the date of the Sale and Purchase Agreement have been settled; and
- (c) the relevant construction and development work performed in relation to the Target Properties is in compliance with the rules and regulations in the PRC.

### *(vi) The Tenancy Agreement and the Property Dispute*

In 2012, the Seller and OSGH China (at that time owned as to approximately 92.6% by the Group) entered into the 20-year Tenancy Agreement, for OSGH China to lease the Leased Properties, representing three floors at the Target Properties for the purpose of cinema business. A Prepayment of RMB46.5 million was paid by OSGH China to the Seller. Following completion of the Disposal in July 2017 of the Group's interest in OSGH China to a third party, the tenant under the Tenancy Agreement has since been beneficially owned by the purchaser of OSGH China.

Pursuant to the Tenancy Agreement, the Leased Properties were expected to be delivered to OSGH China on or before the end of 2014. Two supplemental agreements were subsequently entered into, and the expected delivery date of the Leased Properties was agreed to be no later than 30 June 2017. As stated in the letter from the Board in the Circular, the Leased Properties have not been delivered to OSGH China due to its non-acceptance of the Seller's Leased Properties Delivery notification. Further, the Seller has received a notice from OSGH China, dated 20 June 2018, intending to terminate the Tenancy Agreement (the "**Termination Notice**").

We have discussed with the management of the Group regarding the status of the Tenancy Agreement and the Property Dispute, and understand that on 6 September 2018, the Seller has served a notice to OSGH China, accepting the termination of the Tenancy Agreement (the "**Acceptance Notice**").

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We have also discussed the Property Dispute with King & Wood Mallesons (“KWM”) legal advisers to the Company, and reviewed the PRC legal opinion (the “**PRC Legal Opinion**”) as issued by KWM on the Acquisition. According to the PRC Legal Opinion, on the basis of the serving of the Termination Notice and the Acceptance Notice, KWM is of the view that the Tenancy Agreement has been terminated, whether or not OSGH China or the Seller has unilateral power to terminate and whether or not there exists any unsettled payment obligations. KWM, based on the above, is also of the view that OSGH China has no right to claim against the Purchaser in respect of the termination of the Tenancy Agreement or the related dispute, and that the Purchaser will not be liable under the Property Dispute as the Purchaser is not a party to the Tenancy Agreement.

Despite the above, as the Property Dispute has not been resolved as at the Latest Practicable Date, there is a risk that the Group, through purchasing the Target Properties, would be involved in the Property Dispute. There are specific terms and characteristics of the Acquisition, intended to minimise any possible risk to the Group, as follows:

### *Payment of the Consideration*

The First Payment, representing 85% of the Consideration, will only be made by the Purchaser within 10 days from (i) the completion of the Title Registration, and (ii) either the Property Dispute Settlement or the initiation of legal proceedings against the Seller or the Purchaser by OSGH China seeking the Claim. As such, the Property Dispute would have been settled by way of a settlement agreement or decided by way of a court judgment or an arbitral award on the Claim, or at least, the amount of the Claim would have been known, before a majority portion of the Consideration is to be paid by the Purchaser. In the latter scenario, we understand from the management of the Group that the Directors who have no material interest in the Acquisition would assess the reasonableness of such Claim, and likelihood of any potential loss to the Group. In the event that the actual loss or the reasonably estimated loss of the Purchaser, based on the size of the Claim, exceeds 85% of the Consideration, the Independent Board Committee shall have the right to decide whether the Purchaser shall proceed with the Acquisition and in such case, the Purchaser shall have the right to terminate the Sale and Purchase Agreement.

### *Responsibility of the Seller*

As stated in the letter from the Board in the Circular, since the Tenancy Agreement has been terminated, the Seller shall be responsible for all obligations, responsibilities, risks and disputes arising from the Tenancy Agreement. In the event that the Purchaser suffers any loss or becomes subject to any disputes, litigation or claims arising from the Tenancy Agreement, the Seller shall indemnify and compensate the Purchaser for an amount equivalent to such loss or claim, even after the Completion.

Based on our discussion with the management of the Group, although there is a risk that OSGH China or any other third party can apply to the court for a Seizure Order or to impose any Target Properties Restriction, it is stipulated in the Sale and Purchase Agreement that, among others, before the completion of the Title

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Registration, in the event that the Property Dispute resulted in litigation, claims or Seizure Order, the Seller shall be responsible for (i) all costs, obligations and liabilities arising from the Property Dispute, (ii) using reasonable commercial endeavours to settle the Property Dispute, (iii) discharging the Seizure Order prior to the completion of the Title Registration, and (iv) the completion of the Title Registration and the Target Properties Delivery. In addition, the completion of the Title Registration is subject to the discharge of any Target Properties Restrictions, and the obligations of the Seller mentioned above shall continue after the Completion, according to the letter from the Board.

As further discussed in the section below headed “The Guarantee”, Mr. Wu irrevocably and unconditionally guarantees to the Purchaser, pursuant to the Guarantee, punctual performance by the Seller of all its obligations under the Sale and Purchase Agreement, including the above responsibilities of the Seller relating to the Property Dispute.

### *Retention of the Consideration*

In order to further protect the Group against any possible loss arising from the Property Dispute, it is stipulated in the Sale and Purchase Agreement that upon the payment of the First Payment, the Purchaser shall be entitled to retain, in the event of the Property Dispute, the Retained Amount, equivalent to the amount as claimed by OSGH China during the legal proceedings arising from the Property Dispute or the Property Dispute Settlement amount.

It is further provided in the Sale and Purchase Agreement that, as the Tenancy Agreement has been terminated prior to the completion of the Title Registration, the Purchaser shall repay the Retained Amount to the Seller within 10 days after (i) the completion of the Title Registration; and (ii) the Property Dispute Settlement (if any). The Purchaser shall have the right to deduct an amount equivalent to any losses caused to the Purchaser arising from the Property Dispute from the Retained Amount.

Notwithstanding the above, if OSGH China or any other third party applied to the court to seize the Target Properties or to impose any Target Properties Restrictions in the Property Dispute, the Purchaser shall be entitled to utilise the Retained Amount to deposit an amount equivalent to the claim by OSGH China into a designated account of the Court as the Court Deposit, as guarantee to discharge the Seizure Order or the Target Properties Restrictions, and the Purchaser shall be deemed to have paid all or part of the Retained Amount to the Seller upon the making of the Court Deposit. In the event that the court subsequently returns the Court Deposit, the Seller shall be entitled to receive the Court Deposit returned by the court.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Our view on the Property Dispute and the relevant mitigating measures*

Based on our discussion with the management of the Group, and confirmed by the PRC Legal Opinion, as long as both the Termination Notice and Acceptance Notice have been served, the Tenancy Agreement should be viewed as terminated, and eventually the Property Dispute should only be a matter between the Seller and OSGH China, and not be related to the Purchaser. Independent Shareholders should note, however, that the proposed Acquisition raises the theoretical possibility of the Group being drawn to the Property Dispute, as the acquirer of the Target Properties, which includes the Leased Properties. The above terms of the Sale and Purchase Agreement, as regards payment of the Consideration, the Seller's responsibility, the Guarantee provided by Mr. Wu (as further analysed below), and the Retention Amount, are in place in order to address such potential risks. Having considered the above, we are of the view that the potential risks, albeit low as estimated by the management of the Group, would be substantially mitigated by the above measures.

Regarding the future intention of the area relating to the Leased Properties, we understand that the Company intends to either (i) lease the Leased Properties to a third party cinema operator for the purpose of operating a cinema, or (ii) operate a cinema at the Leased Properties upon the expiry of the non-compete undertaking relating to the Disposal by 28 July 2019. Based on our further discussion with the management of the Group, it is likely that the Group would opt to operate the cinema itself upon expiry of the above non-compete undertaking. According to the latest estimation by the Group, completion of the Target Properties Delivery would occur in the second quarter of 2019. As such, it is expected that there would not be any significant delay arising from the operation of the non-compete undertaking before its expiry in July 2019.

Separately, we note that the Group announced on 4 September 2018 that it has commenced legal proceedings against True Vision Limited and Nan Hai Corporation, the purchaser of OSGH China and the guarantor of True Vision Limited respectively under the sale and purchase agreement in respect of the Disposal, claiming a sum of approximately US\$37.4 million and seeking other remedies. The parties to the above litigation and the Property Dispute are currently the same group of companies, but in our view the issues involved are otherwise separate.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 3. The Guarantee

On 29 August 2018, Mr. Wu (as the guarantor) entered into a personal guarantee in favour of the Purchaser, pursuant to which Mr. Wu irrevocably and unconditionally:

- (a) guarantees to the Purchaser punctual performance by the Seller of all its obligations under the Sale and Purchase Agreement;
- (b) undertakes with the Purchaser that, whenever the Seller does not pay any amount when due under or in connection with the Sale and Purchase Agreement, he must, immediately on demand by the Purchaser, pay that amount (in the currency in which it is due) as if he was the principal debtor in respect of that amount; and
- (c) agrees with the Purchaser that if, for any reason, any amount claimed by the Purchaser is not recoverable from him on the basis of a guarantee, he will be liable as a principal debtor and primary obligor to indemnify the Purchaser in respect of any loss it incurs as a result of the Seller failing to pay any amount expressed to be payable by it under the Sale and Purchase Agreement on the date when it ought to have been paid. The amount payable by Mr. Wu under this indemnity will not exceed the amount he would have had to pay had the amount claimed been recoverable on the basis of a guarantee.

The purpose of the Guarantee given by Mr. Wu in favour of the Purchaser is to create additional security and/or protection to the Group, in the event that the Seller fails to perform its obligations under the Sale and Purchase Agreement, in particular in the event that the Claim materialised in the future. In addition, as set out in the letter from the Board, having evaluated the credit worthiness and the financial conditions of Mr. Wu, the Directors consider that Mr. Wu is able to meet his payment obligations under the Guarantee. We consider such arrangement to be in the interest of the Company and its Shareholders. According to an opinion letter issued by KWM with regard to the Guarantee, KWM is of the view that, among others, the obligations of Mr. Wu under the Guarantee are valid, binding and enforceable, and that the execution and delivery by Mr. Wu of the Guarantee and the performance of his obligations thereunder has not violated and will not contravene the laws of Hong Kong.

### 4. Valuation of the Target Properties and evaluation of the Consideration

The Target Properties have been valued by the Valuer. Based on the Valuation Report, the text of which is set out in Appendix III to the Circular, the valuation of the Target Properties as at 31 July 2018 was RMB640 million (the “**Valuation**”).

As mentioned in the section headed “Background to, reasons for and benefits of the Acquisition”, the Target Properties are for mixed-use development, for commercial, hotel, carpark and cinema theatre uses. Based on our discussions with the Valuer, the direct comparison approach has been adopted as the principal approach when arriving at the Valuation, to assess the market value of the Target Properties with reference to the comparable sales evidence available in the market that the Valuer has identified, taking into adjustment factors to reflect the differences, including locations, sizes and internal decoration, between

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

such comparable sales evidences and the Target Properties. As a secondary check, the Valuer has also made reference to the investment approach, capitalizing the potential rental of the Target Properties.

We further understand that the Valuation is based on the aggregate amount of the assessed values for different intended uses of the Target Properties, and the Valuer has collected and analysed comparable sales evidences in Jiangyin City for each of the intended uses, and made adjustment for the differences, including locations, sizes and internal decoration. We have reviewed and discussed with the Valuer the underlying bases and assumptions adopted for the Valuation, including comparable sales evidences used and the adjustments made by the Valuer.

Having considered the above, the direct comparison approach is, in our opinion, a reasonable and acceptable approach in establishing the open market value of the Target Properties. We note that the Valuer has carried out a site inspection of the Target Properties and made relevant enquiries and searches in the context of the Valuation. We have also performed work as required under note (1)(d) to the Listing Rule 13.80 in relation to the Valuer and its work as regards the Valuation.

As mentioned above, the Target Properties have been valued by the Valuer at RMB640 million as at 31 July 2018. The Consideration is RMB560 million, which is RMB80 million lower than, or at a 12.5% discount to, such Valuation. We are of the view that such discount is a favourable factor to the Group, to be taken into account in the overall assessment of the Acquisition.

### **5. Financial effect on the Group**

#### *Earnings*

As set out in the section headed “The Target Properties”, it is currently expected that the operation of the Entertainment Complex and the Movie-themed Hotel will commence in the fourth quarter of 2019. On the basis of the above, the Acquisition is expected to start contributing to the Group’s revenue stream following the commencement of operation in late 2019.

#### *Net assets*

As advised by the management of the Group, following completion of the Target Properties Delivery, the operation of the Movie-themed Hotel will be carried out by the Group itself, while the commercial portion of the Entertainment Complex, save for a portion to be operated by the Group, will be leased to other third-party operators for rental income. As set out in the unaudited pro forma consolidated statement of assets and liabilities of the Group as set out in Appendix II to the Circular, the total amount of the Consideration and related costs amounted to approximately HK\$665.9 million, out of

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

which (i) approximately HK\$328.2 million would be accounted for as property, plant and equipment (representing the Movie-themed Hotel and a portion of the Entertainment Complex to be operated by the Group) and to be stated at cost less accumulated depreciation and impairment losses, and (ii) approximately HK\$337.7 million would be accounted for as investment properties (representing the remaining portion of the Entertainment Complex to be leased out for rental income) and to be stated at fair value. Subsequent changes in the fair value of the Entertainment Complex will be reflected in the Group's future consolidated income statement.

### *Gearing and working capital*

The Group currently intends to finance the Consideration and related costs of approximately HK\$665.9 million and the estimated capital commitments for the development of the Entertainment Complex and the Movie-themed Hotel of approximately RMB200 million by its internal resources. In this respect, we note that as at 30 June 2018, the Group had deposits and cash of approximately HK\$1,505 million (excluding pledged bank deposits), capital commitments of approximately HK\$39 million (mainly for the acquisition of property, plant and equipment, excluding its share of joint ventures' capital commitments), and future minimum property lease payments of approximately HK\$376 million. Based on unaudited pro forma consolidated statement of assets and liabilities of the Group in Appendix II to the Circular, assuming the Acquisition had been completed on 30 June 2018, the Group's deposits and cash would be approximately HK\$871.3 million (excluding pledged bank deposits). The Directors have confirmed that the Group will have sufficient working capital to sustain its requirements for at least 12 months from the date of the Circular.

Having considered (i) the above financial information of the Group as at 30 June 2018 and in particular its significant cash reserves after payment of the Consideration and related costs of approximately HK\$665.9 million and additional renovation costs of approximately RMB200 million, (ii) the Group's outstanding capital commitment and future minimum lease payments of approximately the Group of approximately HK\$415 million as at 30 June 2018, and (iii) the net cash generated from the Group's operating activities of approximately HK\$128 million and HK\$45 million in 2017 and the first half of 2018 respectively, we concur with the Directors' view as regards the sufficiency of the Group's working capital.



**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

**OPINION AND RECOMMENDATION**

Having taken into account the above principal factors and reasons, we consider that the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We consider the entering into of the Sale and Purchase Agreement and the Guarantee are in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**John Wong**  
*Director*

*Mr. John Wong is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.*

**SUMMARY OF FINANCIAL INFORMATION**

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2017, 2016 and 2015 are disclosed in the following documents, which have 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 2017, on pages 64 to 154:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0426/LTN20180426727.pdf>

- annual report of the Company for the year ended 31 December 2016, on pages 62 to 140:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0426/LTN201704261637.pdf>

- annual report of the Company for the year ended 31 December 2015, on pages 61 to 125:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0427/LTN201604271467.pdf>

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2018 are disclosed in the following document, which has been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.osgh.com.hk>):

- interim report of the Company for the six months ended 30 June 2018, on pages 11 to 46:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0829/LTN20180829635.pdf>

**WORKING CAPITAL**

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the financial resources available to the Group including internally generated funds, the Group will have sufficient working capital for its requirements for at least the 12 months from the date of publication of this circular.

**STATEMENT OF INDEBTEDNESS**

At the close of business on 31 August 2018, 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 August 2018, the Group had aggregate outstanding bank borrowings of approximately HK\$1,394,580,000, details of which are set out below:

	<i>HK\$</i>
Bank borrowings — secured and guaranteed	1,364,580,000
Bank borrowings — secured and unguaranteed	0
Bank borrowings — unsecured and guaranteed	<u>30,000,000</u>
 Total bank borrowings	 <u><u>1,394,580,000</u></u>

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

**Obligations under finance leases**

As at 31 August 2018, the Group had unguaranteed finance lease obligations with outstanding principal amount of approximately HK\$75,000. Such obligations under finance leases are secured by the assets under the finance leases.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, at the close of business on 31 August 2018, 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 acceptance (other than normal trade payables) or acceptance credits, guarantee or other material contingent liabilities.

**FINANCIAL AND TRADING PROSPECT OF THE GROUP**

The Acquisition represents one of the Group's investment initiatives to maintain the Group's sustainable growth and to deliver long-term value to its Shareholders. The Group will continue to focus on seizing valuable investment opportunities and capitalizing its assets, both tangible and intangible, to enhance its businesses in theatrical exhibition, cinema operation, film and TV programme distribution and production in Hong Kong, the PRC, Singapore and Taiwan. 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.

In Hong Kong, the Group will invest in the film exhibition business by opening new cinemas. It will also cooperate with a variety of business partners to offer events from live broadcasting of Japanese and Korean mini-concerts to fans meeting in the cinemas. It is expected that the growth of demand for alternative shows will continue to bring considerable profit to the Group. At the same time, the Group will selectively invest in film and video production and distribution business as well as high return projects.

In the PRC, following the Acquisition, the Group will expand its presence in Jiangyin and the Yangtze River region. Being a secondary city in the PRC, Jiangyin is rapidly developing with high consumption power and market potential. The Group envisages to gain a first mover advantage secondary markets in the PRC to broaden its revenue sources and enhance its brand equity. The Acquisition will also complement with the Group's strategies to explore opportunities to produce and/or co-invest in an average target of one to two new mid-to-large scale films every year by remaking films from the Group's film library, and/or engage in new film production from existing scripts and co-investing in PRC's films.

In Singapore, the Group will continue to grow by actively pursuing suitable cinema sites that bring additional steady cash flow. It is expected a cinema in Funan will be launched in the upcoming years. The Group will also introduce advanced features such as motion seat hall and couple seat to offer an extraordinary movie experience as well as conventional halls to cater to the mass market in some of its new sites. The Group envisages that these innovative initiatives can help the Group diversify its earnings stream to achieve sustainable growth.

In Taiwan, to maintain the market leading position in the region and the profit contribution to the Group, the Group will explore potential sites for new cinemas and cooperation opportunities in the coming few years.

Through organic growth in different regions as well as future potential acquisitions, together with the anticipated improvement in the efficiency of its mature cinemas, the improving scale and profitability of the Group and better returns to the Shareholders is expected.

## **PROFIT AND LOSS STATEMENT AND VALUATION OF THE TARGET PROPERTIES**

Pursuant to Rule 14.67(6)(b)(i) of the Listing Rules, on an acquisition of revenue generating assets with identifiable income stream or assets valuation, the Company is required to include in this circular a profit and loss statement and valuation (where available) for the 3 preceding financial years on the identifiable income stream in relation to such assets which must be reviewed by the auditor or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records.

As disclosed in the paragraph headed “H. Existing tenancy and potential dispute” in this circular, although OSGH China paid the Prepayment to the Seller pursuant to the Tenancy Agreement, the Leased Properties were not delivered to OSGH China under the Tenancy Agreement and the Tenancy Agreement has subsequently been terminated. As such, the term of the lease under the Tenancy Agreement had not commenced prior to such termination and the Prepayment has not been recognised as revenue generated by the Leased Properties. Furthermore, as disclosed, while the construction of the Complex was completed on 20 December 2016, its interior renovation and operation are expected to commence upon the Target Properties Delivery and in the fourth quarter of 2019, respectively. As such, no revenue has been generated from the Target Properties as at the Latest Practicable Date. Accordingly, the Target Properties do not have identifiable income stream for the 3 preceding financial years and therefore no profit and loss statement is included pursuant to Rule 14.67(6)(b)(i) of the Listing Rules.

No valuation of the Target Properties for the 3 preceding financial years is available. Separately, the valuation of the Target Properties as at 31 July 2018 as appraised by Cushman & Wakefield Limited, an independent valuer appointed by the Company, is prepared and set out in the Appendix III of this circular.

#### **MATERIAL CHANGE**

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017 (being the date to which the latest published audited financial statements of the Company have been made up) and up to and including the Latest Practicable Date.

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP****(1) Introduction**

The unaudited pro forma statement of assets and liabilities of the Group (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors in accordance with Paragraphs 4.29 and 14.67 of the Listing Rules for the purpose of illustrating the effect on the financial position of the Group as at 30 June 2018 as if the acquisition of properties situated in Jiangyin (the “**Target Properties**”) by the Group (the “**Acquisition**”) had been completed on 30 June 2018.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2018 as set out in the interim report of the Company for the six months ended 30 June 2018, after making certain pro forma adjustments that are (i) directly attributable to the Acquisition and not relating to other future events or decisions and (ii) factually supportable, as further described in the accompanying notes.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Acquisition 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 2018 and other financial information included elsewhere in this circular.

## (2) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Group as at 30 June 2018

	The Group as at 30 June 2018 before the Acquisition <i>HK\$'000</i> <i>Note 1</i>	Pro forma adjustments <i>HK\$'000</i> <i>Note 2</i>	The Group as at 30 June 2018 after the Acquisition <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties	50,000	337,715	387,715
Other property, plant and equipment	365,344	328,235	693,579
Leasehold land	<u>618,369</u>		<u>618,369</u>
	1,033,713		1,699,663
Interests in joint ventures	128,630		128,630
Other receivables, deposits and prepayments	40,374		40,374
Intangible assets	524,580		524,580
Goodwill	657,604		657,604
Pledged bank deposits	<u>137,000</u>		<u>137,000</u>
	<u>2,521,901</u>		<u>3,187,851</u>
<b>Current assets</b>			
Inventories	2,702		2,702
Film rights	31,150		31,150
Trade receivables	40,926		40,926
Other receivables, deposits and prepayments	63,065		63,065
Deposits and cash	<u>1,505,027</u>	(633,750)	<u>871,277</u>
	<u>1,642,870</u>		<u>1,009,120</u>

	<b>The Group as at 30 June 2018 before the Acquisition HK\$'000 Note 1</b>	<b>Pro forma adjustments HK\$'000 Note 2</b>	<b>The Group as at 30 June 2018 after the Acquisition HK\$'000</b>
<b>Current liabilities</b>			
Bank loans	275,018		275,018
Trade payables	132,487		132,487
Other payables and accrued charges	158,595	32,200	190,795
Deferred revenue	65,158		65,158
Obligations under finance leases	124		124
Taxation payable	<u>36,926</u>		<u>36,926</u>
	<u>668,308</u>		<u>700,508</u>
<b>Net current assets</b>	<u>974,562</u>		<u>308,612</u>
<b>Total assets less current liabilities</b>	<u>3,496,463</u>		<u>3,496,463</u>
<b>Non-current liabilities</b>			
Bank loans	1,147,519		1,147,519
Deferred tax liabilities	<u>171,685</u>		<u>171,685</u>
	<u>1,319,204</u>		<u>1,319,204</u>
<b>NET ASSETS</b>	<u>2,177,259</u>		<u>2,177,259</u>



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

1. The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2018 as set out in the published interim report of the Company for the six months ended 30 June 2018.
2. The adjustment represents the consideration of RMB560,000,000 (equivalent to HK\$644,000,000) and the incidental costs of approximately HK\$21,950,000 (including deed tax of HK\$19,320,000, stamp duty of HK\$322,000 and legal and other professional fees of HK\$2,308,000) payable in connection with the Acquisition, as if the Acquisition has been completed on 30 June 2018. Such amount is capitalised as part of the costs of the Target Properties upon completion of the Acquisition. The purchase consideration and transaction costs are to be settled by the Group's internal resources.

Pursuant to the Sale and Purchase Agreement, 95% of the consideration amounting to HK\$611,800,000 is payable within 10 days from the completion of the Acquisition. The remaining 5% of the consideration amounting to HK\$32,200,000 is payable within 10 days after 12 months from the completion of the Acquisition.

The Group intends to use the Target Properties to operate a movie-themed hotel and a leisure and entertainment complex. The movie-themed hotel and a portion of the leisure and entertainment complex that are to be self-operated by the Group are classified as other property, plant and equipment. The remaining portion of the leisure and entertainment complex that are to be leased out for generating rental income are classified as investment properties.

Given that the Sale and Purchase Agreement does not provide the purchase consideration of each commercial unit, the directors of the Company estimate the purchase consideration of each commercial unit when allocating the purchase consideration into other property, plant and equipment and investment properties. The estimated purchase consideration of each commercial unit is apportioned by the directors of the Company with reference to the fair value of each commercial unit as at 31 July 2018 valued by Cushman & Wakefield Limited.

The other property, plant and equipment are initially measured at cost of HK\$328,235,000, which comprise allocated purchase consideration of HK\$317,416,000 and transaction costs of HK\$10,819,000. The investment properties are initially measured at cost of HK\$337,715,000, which comprise allocated purchase consideration of HK\$326,584,000 and transaction costs of HK\$11,131,000. The transaction costs of HK\$21,950,000 are allocated into other property, plant and equipment and investment properties based on the estimated purchase consideration of the respective portions of the Target Properties.

3. No other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group subsequent to 30 June 2018.

**(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.*



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

23 October 2018

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON  
THE COMPILATION OF 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 assets and liabilities as at 30 June 2018 and related notes as set out in Part A of Appendix II to the circular dated 23 October 2018 (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 II to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of properties situated in Jiangyin by the Group (the “**Acquisition**”) on the Group's financial position as at 30 June 2018 as if the Acquisition had taken place at 30 June 2018. As part of this process, information about the Group's financial position as at 30 June 2018 has been extracted by the Directors from the consolidated interim financial statements of the Company for the period then ended, on which a review 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 behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA 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 Unaudited 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 purposes 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 2018 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 is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market value in existing state of the Target Properties held by Jiangyin Orange Land Cinema Development Management Co., Ltd.\* (江陰橙地影院開發管理有限公司) (the “Seller”) in the PRC as at 31 July 2018.*



16/F, Jardine House  
1 Connaught Place  
Central  
Hong Kong

23 October 2018

The Board of Directors  
Orange Sky Golden Harvest Entertainment (Holdings) Limited  
24th Floor  
Capital Centre  
151 Gloucester Road  
Wan Chai  
Hong Kong

Dear Sirs,

**Re: The Target Properties — the Land Use Rights of land lot number 006990070254 with total site area of approximately 23,334 square meters and the Complex comprises of two buildings and the Underground Area, with total gross floor area of approximately 93,137.68 square meters, located at south of Wuxing Road, west of Xiadong Road, Xiagang Street, Jiangyin, Wuxi, Jiangsu Province, the People’s Republic of China**

#### INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions from Orange Sky Golden Harvest Entertainment (Holdings) Limited (the “**Company**”) for us to carry out the valuation of the market value of the Target Properties held by Jiangyin Orange Land Cinema Development Management Co., Ltd.\* (江陰橙地影院開發管理有限公司) (the “**Seller**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market value in existing state of the Target Properties as at 31 July 2018 (the “**valuation date**”).

#### DEFINITION OF MARKET VALUE

Our valuation of the Target Properties represents its Market Value which in accordance with the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors (“**HKIS**”) is defined as “the estimated amount for which an asset or liability should exchange

\* For identification only

on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

### **VALUATION BASIS & ASSUMPTIONS**

Our valuations of the Target Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuations of the Target Properties held by the Seller in the PRC, with reference to the PRC legal opinion of the legal adviser, King & Wood Mallesons Law Firm (金杜律師事務所), we have prepared our valuation on the basis that transferable land use rights in respect of the Target Properties for its specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Seller and the PRC legal opinion of the Company's legal adviser, dated 23 October 2018, regarding the titles to the Target Properties and the interests in the Target Properties. In valuing the Target Properties, we have prepared our valuation on the basis that the owners have enforceable title to the Target Properties and have free and uninterrupted rights to use, occupy or assign the Target Properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, pledges or amounts owing on the Target Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Target Properties is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

### **METHOD OF VALUATION**

In valuing the Target Properties, which are held by the Seller for sale in the PRC, we have principally adopted Direct Comparison Approach by making reference to comparable sales evidences as available in the market, or where appropriate with a secondary checking, by Investment Approach by capitalizing the rental potential of the Target Properties.

In valuing the Target Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2017.

### **SOURCE OF INFORMATION**

We have relied to a very considerable extent on the information given by the Seller and the opinion of the PRC legal adviser as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of Target Properties, particulars of occupancy, construction cost, development scheme, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have no reason to doubt the truth and accuracy of the information provided to us by the Seller which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

### TITLE INVESTIGATION

We have been provided by the Seller with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

### SITE INSPECTION

Our Shanghai office valuer, Ms. Sherry Shi (China Real Estate Appraiser), has inspected the exterior and, wherever possible, the interior of the Target Properties in September 2018. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Target Properties is free of rot, infestation or any other structural defects. No tests were carried out to any of the services.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor area of the Target Properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

### CURRENCY

Unless otherwise stated, all sums stated in our valuation is in Renminbi, the official currency of the PRC.

We attach herewith a valuation report.

Yours faithfully,  
For and on behalf of  
**Cushman & Wakefield Limited**  
**Philip C Y Tsang**  
Registered Professional Surveyor (General Practice)  
Registered China Real Estate Appraiser  
*MSc, MHKIS*  
*Director*

*Note:* Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 25 years' experience in the valuation of properties in the PRC.

## VALUATION REPORT

## The Target Properties held by the Seller for sale in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2018																				
The Target Properties — the Land Use Rights of land lot number 006990070254 with total site area of approximately 23,334 square meters and the Complex comprises of two buildings and the Underground Area, with total gross floor area of approximately 93,137.68 square meters, located at south of Wuxing Road, west of Xiadong Road, Xiangang Street, Jiangyin, Wuxi, Jiangsu Province, the PRC	<p>The Target Properties is a mixed-use development including a hotel building and a commercial complex of two buildings with a large theatre comprised of 30 screening halls, erected on a parcel of land with a site area of 23,334 square meters. It was completed in 2016.</p> <p>According to the Construction Project Completion Survey Report provided by the Seller, the Target Properties comprises a total gross floor area of 93,137.68 square meters with details as below:</p> <table border="1"> <thead> <tr> <th><u>Portion</u></th> <th><u>Gross Floor Area</u> (square meters)</th> </tr> </thead> <tbody> <tr> <td colspan="2"><b>1# Commercial Complex</b></td> </tr> <tr> <td>Roof</td> <td>381.56</td> </tr> <tr> <td>L5–L7 theatre</td> <td>17,124.49</td> </tr> <tr> <td>L1–L5 commercial</td> <td><u>34,195.33</u></td> </tr> <tr> <td><b>Sub-total of 1#</b></td> <td><u>51,701.38</u></td> </tr> <tr> <td colspan="2"><b>2# Hotel</b></td> </tr> <tr> <td>L1–L11 &amp; Roof</td> <td>14,188.57</td> </tr> <tr> <td>359 Basement Car Parks</td> <td><u>27,247.73</u></td> </tr> <tr> <td><b>Grand Total:</b></td> <td><u><u>93,137.68</u></u></td> </tr> </tbody> </table>	<u>Portion</u>	<u>Gross Floor Area</u> (square meters)	<b>1# Commercial Complex</b>		Roof	381.56	L5–L7 theatre	17,124.49	L1–L5 commercial	<u>34,195.33</u>	<b>Sub-total of 1#</b>	<u>51,701.38</u>	<b>2# Hotel</b>		L1–L11 & Roof	14,188.57	359 Basement Car Parks	<u>27,247.73</u>	<b>Grand Total:</b>	<u><u>93,137.68</u></u>	As at the valuation date, the Target Properties was vacant and its current interior was bare shell finish.	RMB640,000,000  (RENMINBI SIX HUNDRED FORTY MILLION DOLLAR)
<u>Portion</u>	<u>Gross Floor Area</u> (square meters)																						
<b>1# Commercial Complex</b>																							
Roof	381.56																						
L5–L7 theatre	17,124.49																						
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359 Basement Car Parks	<u>27,247.73</u>																						
<b>Grand Total:</b>	<u><u>93,137.68</u></u>																						

We have valued the Target Properties according to the above-said design uses. L5–L7 of 1# are a tailor-made setting theatre; L1–L5 of 1# are a commercial mall; 2# is a hotel.

The Target Properties is located at south of Wuxing Road and west of Xiadong Road, Jiangyin, Wuxi. Developments nearby are mainly commercial, office and residential development. According to the Seller, the Property is for mixed-use development including a hotel building and a commercial complex with a theatre; there is no environmental issues and litigation dispute; there is no plan to change the use of the Target Properties.

The land use rights of the Target Properties have been granted for a term from 1 March 2011 to 28 February 2051 for commercial, hotel and theatre use.



*Notes:*

- (1) According to Certificate for the Use of State-owned Land No. (2011)6691 dated 4 April 2011, the land use rights of land, comprising a total site area of approximately 23,334 square meters, has been vested to the Seller for a term from 1 March 2011 to 28 February 2051 for commercial, hotel and theatre use.
- (2) According to Completion and Acceptance Certificate for Construction Works No. 3202811603020101-JX-001 dated 26 June 2017, the development of 1# and 2# Building, with a gross floor area of 65,273.74 square meters, basement of 26,623.35 square meters, has been completed on 20 December 2016.
- (3) According to Land Use Rights Grant Contract No. 3202812011CR0069 dated 4 March 2011 and the Supplementary Contract dated 28 October 2014:
  - (i) Grantee : The Seller
  - (ii) Location : South of Wuxing road and west of Xiadong Road,
  - (iii) Site Area : 23,334 square meters
  - (iv) Land Use : Commercial, theatre and hotel
  - (v) Plot Ratio : Not more than 2.8
  - (vi) Land Premium : RMB61,800,000
  - (vii) Land Use Term : 40 years
  - (viii) Building Covenant : To complete the construction before 30 August 2016
- (4) According to Planning Permit for Construction Use of Land No. 320281201200046 dated 5 April 2012, the construction site of land with a total site area of 23,334 square meters is in compliance with the requirements of urban planning requirement.
- (5) According to Planning Permit for Construction Works No. 320281201500014 dated 17 February 2015, the construction works of 1# and 2# Building, with a permitted gross floor area of 65,273.74 sq m, basement of 26,623.35 square meters and plant room of 591.52 square meters, are in compliance with the construction works requirements and have been approved.
- (6) According to Permit for Commencement of Construction Works No. 320281201506290101 dated 29 June 2015, the construction works of 1# and 2# Building, with a permitted gross floor area of 65,273.74 sq m, basement of 26,623.35 square meters and plant room of 591.52 square meters, was in compliance with the requirement of work commencement was permitted to be developed.
- (7) According to Business Licence No. 91320281559348489T, the Seller was established as a limited liability company with a registered capital of RMB50,000,000 for a valid operation period from 5 August 2010 to 4 August 2026.
- (8) According to the PRC legal opinion:
  - (i) The Seller is legally established and effectively existing under the PRC law, with an independent legal person status and qualification;
  - (ii) The Seller has obtained Certificate for the Use of State-owned Land with legal, true and valid ownership;
  - (iii) The Seller has obtained Planning Permit for Construction Use of Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works to develop the Target Properties;
  - (iv) The Seller has obtained Completion and Acceptance Certificate for Construction Works with the completion date of 20 December 2016. The Seller has obtained Land Use Rights Grant Contract and the Supplementary Contract, indicating the completion date is 30 August 2016. In terms of completion date, the Seller failed to observe the provisions in contract. However, the government did not send notice or

require the Seller to pay liquidated damages considering Completion and Acceptance Certificate for Construction Works has been obtained legally. Therefore, this situation will not materially adversely affect the transaction;

- (v) The Seller has signed a Tenancy Agreement with Orange Sky Golden Harvest Cinemas (China) Co., Ltd. (橙天嘉禾影城(中國)有限公司) (“OSGH China”) on 25 September 2012. OSGH China leases three floors at the Target Properties (the “**Leased Properties**”) for a term of 240 months. The Tenancy Agreement has been terminated;
  - (vi) The Seller has true ownership of land use rights, completed the construction procedures and obtained Completion and Acceptance Certificates for Construction Works. From a legal perspective, there is no substantial legal barrier to obtain the initial registration of property rights; and
  - (vii) The Land Use Rights have been mortgaged to the Wuxi branch of the Bank of Communications Limited (交通銀行股份有限公司無錫分行). The Seller shall discharge the Mortgage.
- (9) The status of the title and grant of major approvals and licence in accordance with the information provided by the Seller and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Grant Contract and the Supplementary Contract	Yes
Real Estate Certificate	No (Building)
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes
Completion and Acceptance Certificate for Construction Works	Yes

- (10) Jiangyin is a county-level city on the southern bank of the Yangtze River, and is administered by Wuxi, Jiangsu Province. Jiangyin covers an area of 986.87 sq km and had a total population of about 1.65 million in 2017. The 2017 fixed asset investment in real estate was about RMB19.756 billion. The general price range of commercial properties for level 1 are about RMB21,000 to RMB24,000 per sq m; office properties are RMB7,000 to RMB9,000 per sq m and car park RMB80,000 to RMB120,000 per lot.

**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.

**DISCLOSURE OF INTERESTS IN SECURITIES****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	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 as at the Latest Practicable Date <sup>(1)</sup>
Wu Kebo	Interest of controlled corporation <sup>(2)</sup>	1,723,894,068 (L)	—	1,723,894,068 (L)	61.57%
	Beneficial owner <sup>(2)</sup>	271,824,429 (L)	—	271,824,429 (L)	9.71%
Li Pei Sen	Beneficial owner	200,000 (L)	—	200,000 (L)	0.01%
Wu Keyan	Beneficial owner	2,500,000 (L)	—	2,500,000 (L)	0.09%
Leung Man Kit	Beneficial owner	370,000 (L)	—	370,000 (L)	0.01%
Wong Sze Wing	Beneficial owner	170,000 (L)	—	170,000 (L)	0.01%

(L) Long position in the Shares

Notes:

- (1) Calculated based on the total number of issued Shares of 2,799,669,050 as at the Latest Practicable Date.

- (2) By virtue of the SFO, as at the Latest Practicable Date, 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 271,824,429 Shares as at the Latest Practicable Date which were beneficially held by him in his own name.

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.

### 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 Shareholders	Capacity	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 as at the Latest Practicable Date <sup>(1)</sup>
Wu Kebo	Interest of controlled corporation <sup>(2)</sup>	1,723,894,068 (L)	—	1,723,894,068 (L)	61.57%
	Beneficial owner <sup>(2)</sup>	271,824,429 (L)	—	271,824,429 (L)	9.71%
Skyera International Limited (“Skyera”)	Beneficial owner <sup>(3)</sup>	439,791,463 (L)	—	439,791,463 (L)	15.71%
Mainway Enterprises Limited (“Mainway”)	Beneficial owner <sup>(4)</sup>	408,715,990 (L)	—	408,715,990 (L)	14.60%
Noble Biz International Limited (“Noble Biz”)	Beneficial owner <sup>(5)</sup>	129,666,667 (L)	—	129,666,667 (L)	4.63%
Orange Sky Entertainment Group (International) Holding Company Limited (“OSEG”)	Beneficial owner <sup>(6)</sup>	565,719,948 (L)	—	565,719,948 (L)	20.21%
Cyber International Limited (“Cyber”)	Beneficial owner <sup>(7)</sup>	180,000,000 (L)	—	180,000,000 (L)	6.43%

(L) Long position in the Shares

Notes:

- (1) Calculated based on the total number of issued Shares of 2,799,669,050 as at the Latest Practicable Date.

- (2) By virtue of the SFO, as at the Latest Practicable Date, 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 271,824,429 Shares as at the Latest Practicable Date which were beneficially held by him in his own name.
- (3) Skyera is a company wholly owned by Mr. Wu, who is also a director of Skyera.
- (4) Mainway is a company wholly owned by Mr. Wu, who is also a director of Mainway.
- (5) Noble Biz is a company wholly owned by Mr. Wu, who is also a director of Noble Biz.
- (6) 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.
- (7) Cyber is a company owned by an associate of Mr. Wu.

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.

#### **Directors' interests in contracts and assets**

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.

#### **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).

**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.

**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 sale and purchase agreement dated 25 January 2017 entered into between Giant Harvest Limited (“**Giant Harvest**”), the Company, True Vision Limited (“**True Vision**”) and Nan Hai Corporation Limited (“**Nan Hai**”) in respect of the disposal of the entire issued share capital of City Entertainment Corporation Limited (“**City Entertainment**”) by Giant Harvest to True Vision (the “**CE Sale and Purchase Agreement**”) for a consideration of RMB3.387 billion (subject to adjustment);
- (b) the supplemental agreement dated 7 March 2017 entered into between Giant Harvest, the Company, True Vision and Nan Hai amending and adding certain terms to the CE Sale and Purchase Agreement;
- (c) the agreement dated 25 January 2017 entered into between 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;
- (d) the agreement dated 19 April 2017 entered into by City Entertainment, the Company and Xin Ye pursuant to which Xin Ye was granted the option to require the Company or its nominee to repurchase the 7.41% registered capital of OSGH China owned by Xin Ye as at such date;
- (e) the third amendment agreement to the subscription agreement dated 22 January 2016 (the “**CB Subscription Agreement**”) entered into between the Company and Wan Tai Investments Limited (“**Wan Tai**”), in relation to the subscription of 5% Series 1 Convertible Bonds (as defined in the CB Subscription Agreement) due 2019 and the second deed of amendment to the instrument of Series 1 Convertible Bond dated 30 June 2017 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 the light of the Disposal;
- (f) the share sale and purchase agreement dated 29 September 2017 entered into by Golden Screen Limited, Village Cinemas Australia Pty Ltd (“**Village Cinemas**”), the Company and Village Roadshow Limited in relation to the acquisition of 50% equity interest in Dartina Development Limited held by Village Cinemas;
- (g) the Sale and Purchase Agreement; and

(h) the Guarantee.

## LITIGATION

On 27 May 2014, the Company announced that there has been a shareholders' dispute in Vie Show Cinemas Company Limited (“**Vie Show**”), a Taiwan incorporated company which is 35.71% 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), Taijian Investment Holdings Co., Ltd.\* (泰建投資股份有限公司) and Tailuen Investment Holdings Co., Ltd.\* (泰聯投資股份有限公司) (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 of Taiwan and requesting for a forced sale of all of the issued shares of Vie Show held by Bau Tzuoh Companies to Vie Show Shareholders.

On 21 July 2014 and 20 January 2016, the Company further issued announcements (the “**Vie Show Announcements**”) 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, 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 “**Bau Tzuoh Companies Claim**”).

On 30 December 2016, the Court issued judgment and dismissed the Bau Tzuoh Companies Claim. Both the Vie Show Shareholders and the Bau Tzuoh Companies had filed respective appeals against the Court's judgments to the Taiwan High Court. On 19 and 25 October 2017, the Taiwan High Court issued judgements and dismissed both appeals respectively. Both the Vie Show Shareholders and the Bau Tzouh Companies filed appeals against the Taiwan High Court judgement to the Supreme Court of Taiwan on 15 and 30 November 2017, respectively and both cases are now pending in the Supreme Court of Taiwan. As disclosed in the Vie Show Announcements, the Company intends to actively defend the Bau Tzuoh Companies Claim or any other claims that may be brought by the Bau Tzuoh Companies.

On 4 September 2018, the Company announced that Giant Harvest, the indirect wholly-owned subsidiary of the Company, has commenced legal proceedings against True Vision and Nan Hai claiming a sum of US\$37,383,975 (the “**Third Guarantee Amount**”), being the the balance of the total consideration under the CE Sale and Purchase Agreement, and seeking other remedies, including interest and costs.

Pursuant to the CE Sale and Purchase Agreement, on the next business day following six months from the closing date, the Third Guarantee Amount shall be transferred from an escrow account designated by Giant Harvest and True Vision which was operated by an escrow agent (the “**Joint Account**”), to the offshore bank account designated by the Vendor (“**Offshore Bank Account**”). As True Vision did not execute the joint written instructions to the escrow



agent of the Joint Bank Account (the “**Joint Instruction**”) for the purpose of instructing to transfer the Third Guarantee Amount to the Offshore Bank Account, the escrow agent was unable to pay the Third Guarantee Amount to Giant Harvest. Despite repeated demands made by Giant Harvest, True Vision failed to execute the Joint Instruction to enable the escrow agent to pay the Third Guarantee Amount to Giant Harvest. Giant Harvest subsequently demanded Nan Hai, the guarantor of True Vision, to perform the obligations of True Vision by paying the Third Guarantee Amount to Giant Harvest, but Nan Hai has failed to perform such payment obligation.

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.

### EXPERTS AND CONSENTS

The following are the qualification of the experts or professional advisers who have given opinion or advice contained in this circular:

Name	Qualification
Cushman & Wakefield Limited	Property valuer
KPMG	Certified Public Accountants
Somerley	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of Somerley, KPMG and Cushman & Wakefield Limited 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, each of Somerley, KPMG and Cushman & Wakefield Limited did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe securities in any member of the Group. As at the Latest Practicable Date, each of Somerley, KPMG and Cushman & Wakefield Limited 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 Group since 31 December 2017, the date to which the latest audited financial statements of the Company were made up.

### 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 Ms. Cheung Hei Ming, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators respectively.
- (d) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

#### DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:30 a.m. to 6:00 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, Capital 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 2016 and 2017;
- (c) the interim report of the Company for the six months ended 30 June 2018;
- (d) the report from KPMG on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (e) the property valuation report on the Target Properties held by the Seller, the text of which is set out in Appendix III to this circular;
- (f) each of the consent letters referred to in the paragraph headed “Expert and Consent” in this Appendix;
- (g) each of the material contracts as referred to in the paragraph headed “Material Contracts” in this Appendix; and
- (h) this circular.

## NOTICE OF THE SGM



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)

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM”) of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the “Company”) will be held at 24th Floor, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong on Friday, 23 November 2018 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed with or without amendment as ordinary resolution of the Company:

#### ORDINARY RESOLUTION

1. “**THAT:**

- (i) the sale and purchase agreement dated 29 August 2018 (the “**Sale and Purchase Agreement**”) entered into by Jiangyin Orange Sky Golden Harvest Liuliu Property Co., Ltd\* (江陰橙天嘉禾六六房產有限公司) (the “**Purchaser**”) and Jiangyin Orange Land Cinema Development Management Co., Ltd.\* (江陰橙地影院開發管理有限公司) (the “**Seller**”) in relation to the acquisition of two buildings with 7 and 11 floors respectively, the underground area with 2 floors with total gross floor area of approximately 93,137.68 square meters and the land use rights with total site area of approximately 23,334 square meters situated at south of Wuxing Road, west of Xiadong Road, Jiangyin, the PRC (中國江陰市夏港街道五星路南、夏東路西側), the personal guarantee granted by Mr. Wu Kebo to the Purchaser dated 29 August 2018 (the “**Guarantee**”) to guarantee the due performance of the Seller of its obligations under the Sale and Purchase Agreement, copy of which has been tabled before the meeting marked “A” and “B” 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

\* For identification purposes only

## NOTICE OF THE SGM

- (ii) any one director of the Company be and is hereby authorised for and on behalf of the Company to do all such further acts and things and execute all such further documents and take all steps which in his/her opinion may be necessary, desirable or expedient to implement and/or give effect to the Sale and Purchase Agreement, the Guarantee and the transactions contemplated thereunder, and to approve any changes and amendments thereto as he/she may consider to be necessary, desirable or expedient.”

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

Hong Kong, 23 October 2018

*Registered office*  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Principal place of business*  
24th Floor  
Capital Centre  
151 Gloucester Road  
Wan Chai  
Hong Kong

*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.