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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
THE DISPOSAL OF THE TARGET COMPANIES GROUP**

THE DISPOSAL

The Board is pleased to announce that on 20 December 2024 (after trading hours), the Vendor, being a wholly-owned subsidiary of the Company as at the date of this announcement, entered into the Sale and Purchase Agreement with the Purchaser. Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase the Sale Shares at a consideration of HK\$2,700,000. The Sale Shares represent 100% of the total issued capital of OSGH Investment and OSGH 360.

Upon completion of the Disposal, the Target Companies Group will cease to be subsidiaries of the Company and their financial results will no longer be consolidated in the Group's financial statements.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser, taking into account the independent valuation of approximately HK\$2.7 million of the Target Companies Group as at the Valuation Date.

TRADEMARK LICENSING AGREEMENT

Upon completion of the Disposal, it is expected that the Target Companies Group will continue in the operation of 360-stage performance projects in the PRC. As part and parcel of the Disposal, GH Marks and the Purchaser have separately entered into the Trademark Licensing Agreement. Pursuant to the Trademark Licensing Agreement, GH Marks has agreed to license the trademarks relating to the operations of the Target Companies Group to the Purchaser for a period of three years at nil consideration to support the operations of the Projects.

* For identification purposes only

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in relation to the Disposal exceeds 5% but is less than 25%, the Disposal constitutes discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules, and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, (i) Mr. Wu Kebo is the chairman, an executive Director and the controlling Shareholder of the Company, and is interested in 1,998,578,497 Shares, representing approximately 71.39% of the entire issued Share capital of the Company; and (ii) considering that the Purchaser is 100% beneficially owned by Mr. Wu Kebo, the Purchaser is an associate of Mr. Wu Kebo under the Listing Rules.

Since Mr. Wu Kebo and the Purchaser are connected persons of the Company, the Disposal constitutes a connected transaction of the Company, and the transactions contemplated under the Trademark Licensing Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio for the Disposal is less than 25% and the Consideration is less than HK\$10,000,000, the Disposal is only subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and Shareholders' approval requirements pursuant to Rule 14A.76(2)(b) of the Listing Rules.

As the highest applicable percentage ratio for the transactions under the Trademark Licensing Agreement is less than 0.1%, the transactions contemplated under the Trademark Licensing Agreement constitute de minimis transactions and are fully exempt from reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save for Mr. Wu Kebo (who has abstained from voting at the board meeting), none of the other Directors had material interests in the Transaction and thus none of the other Directors was required to abstain from voting on the board resolution(s) to approve the Transaction at the Board meeting.

THE DISPOSAL

The Board is pleased to announce that on 20 December 2024 (after trading hours), the Vendor, being a wholly-owned subsidiary of the Company as at the date of this announcement, entered into the Sale and Purchase Agreement with the Purchaser. Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase the Sale Shares at a consideration of HK\$2,700,000. The Sale Shares represent 100% of the total issued capital of OSGH Investment and OSGH 360.

Upon completion of the Disposal, the Target Companies Group will cease to be subsidiaries of the Company and their financial results will no longer be consolidated in the Group's financial statements.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarized as follows:

- Date : 20 December 2024 (after trading hours)
- Parties : (i) Orange Sky Golden Harvest Entertainment Company Limited (as the Vendor); and
(ii) Majestic Dragon International Limited (as the Purchaser)
- Subject Matter : Pursuant to the Sale and Purchase Agreement, the Purchaser shall purchase and the Vendor shall sell all of the Sale Shares at a consideration of HK\$2,700,000. The Sale Shares represent 100% of the total issued capital of each of the Target Companies.
- Consideration : The consideration for the Sales Shares is HK\$2,700,000, which shall be payable in cash on the Completion Date.

For the basis of the Consideration, please refer to the section headed “Basis of the Consideration” in this announcement.
- Completion : The completion shall take place on the Completion Date.
- Profit Sharing Mechanism : After the second anniversary of the Completion Date, the Vendor and the Purchaser will appoint an independent accounting firm to perform an audit on the financial statements of the Target Companies Group on a combined basis for the two years ending on the Valuation Date (the “**Combined Financial Statements**”).

If there is a positive net profit in the Combined Financial Statements (the “**Reference Net Profit**”), the Vendor will be entitled to receive 20% of the Reference Net Profit (the “**Profit Sharing Amount**”), and the Purchaser will pay to the Vendor the Profit Sharing Amount within 60 days from the date when the Combined Financial Statements are issued. For the avoidance of doubt, there will not be any sharing if there is a net loss in the Combined Financial Statements.
- Cost and Profit Allocation after the Valuation Date : The Parties agree that the Purchaser will bear all operational costs, expense and losses and enjoy all operational income and revenue of the Target Companies from the day immediately following the Valuation Date.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser, taking into account the independent valuation of approximately HK\$2.7 million of the Target Companies Group as at the Valuation Date.

Details of the valuation of the Target Companies Group

(I) Valuation approach

The Valuer has considered three valuation approaches, namely income approach, market approach and asset based approach. In the appraisal regarding the fair value of the Target Companies Group, the Valuer applied the asset based approach due to the following reasons:

Income approach is considered inappropriate as plenty of assumptions were involved in formulating the financial projections of the Target Companies Group, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target Companies Group. With respect to its historical performance, the Target Companies Group has been loss-making since its operation. In addition, there are three more theatres which have not yet commenced operation and require additional capital expenditure, while the capital expenditure amount required and the corresponding profitability of these theatres after commencing operation are not certain due to the early stage of business. Therefore, considering the sluggish recovery of movie and entertainment market following the pandemic and the fact that the existing theatre has not yet generated stable and sustainable profits, it is considered that income approach is not applicable in this valuation.

Fair value arrived from market approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Market approach is also considered not appropriate due to the particular condition of the Target Companies Group (i.e. the existing theatre remains loss making as well as additional uncertainties associated with the theatres which have not yet commenced operation). Under such uncertain situation, together with the slowly recovering movie and entertainment market in the PRC, neither historical nor forecast financial data of the Target Companies Group is considered appropriate to be benchmarked to market multiples of comparable companies in determining the value of the Target Companies Group. Hence, market approach is not adopted in this appraisal.

Fair value arrived from asset based approach is based on the principle that the sum of each asset and liability component represents the overall value of the Target Companies Group. It has been assumed that the fair value of the Target Companies Group will be equal to the sum of each of the components of assets and liabilities are individually valued, and their sum represents the value of the Target Companies Group. Since income approach and market approach are both considered not appropriate, while the current value of the Target Companies Group is considered to be best represented by the net asset value of the Target Companies Group given its early stage of development, asset based approach is adopted in the valuation.

(II) Key assumptions

In arriving at the opinion by the Valuer, the key assumptions adopted in the valuation included, but not limited to, the following:

1. the information provided and the estimations/representations made by the management of the Company and the Target Companies Group regarding the valuation are complete, accurate and reliable;
2. the public and statistical information obtained are deemed to be reputable, accurate and reliable;
3. there will be no major changes in the existing political, legal, fiscal and economic conditions in the country that the Target Companies Group is operating;
4. there are no material changes in the relevant corporate tax rate, interest rate, long-term borrowing rate, and exchange rate from that currently prevailing in the country or district(s) that the Target Companies Group is operating which may significantly impact its business;
5. there will be no substantial fluctuation in the economic outlook and specific industry outlook affecting the businesses of the Target Companies Group and the fair values of the underlying shares;
6. there will be no material changes as to the management, business strategies and operational structure, which will continue to be operated under the current existing and expected business model; and
7. the Valuer has assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, the Valuer assumes no responsibility for changes in market conditions after the Valuation Date.

(III) Valuation methodology

Set out below is a summary of the book value and appraised value of the assets and liabilities of the Target Companies Group as at the Valuation Date:

| | Book Value <i>HK\$'000</i> | Appraised Value <i>HK\$'000</i> |
|---|--------------------------------------|---|
| Trade receivables | 677 | 677 |
| Inventories | 752 | 752 |
| Other receivables, deposits and prepayments | 21,148 | 21,148 |
| Cash and cash equivalents | <u>2,711</u> | <u>2,711</u> |
| Total current assets | 25,288 | 25,288 |
| Right-of-use (“ROU”) assets | <u>493,480</u> | <u>493,480</u> |
| Total non-current assets | 493,480 | 493,480 |
| Total assets | <u>518,768</u> | <u>518,768</u> |
| Bank loans | 3,210 | 3,210 |
| Other payables and accrued charges | 16,597 | 16,597 |
| Deferred income | 28,832 | 28,832 |
| Amount due to related companies | <u>901</u> | <u>901</u> |
| Total current liabilities | 49,540 | 49,540 |
| Deferred income | <u>466,563</u> | <u>466,563</u> |
| Total non-current liability | 466,563 | 466,563 |
| Total liabilities | <u>516,103</u> | <u>516,103</u> |
| Net asset value | <u><u>2,665</u></u> | <u><u>2,665</u></u> |

1) Receivables, deposits and prepayments

These items are appraised by the Valuer after assessing the aging schedules provided by the management of the Company, and/or assessment of breakdown of balances.

2) Inventories

Inventories are appraised through confirming and analyzing the nature of the inventories with the management of the Company.

3) *Cash and cash equivalents*

Cash and cash equivalents are appraised through assessment of the bank statements provided by the management of the Company.

4) *ROU assets*

ROU assets represent a government grant in the form of a lease over a piece of land in Suzhou for a lease period of 20 years. In valuing the ROU assets, the Valuer has carried out an assessment of the lease schedule provided by the management of the Company.

5) *Deferred income*

Deferred income mainly represented a government grant in the form of a lease over a piece of land in Suzhou for a lease period of 20 years. Similar to the ROU assets, it is considered that the amounts are bounded by the lease agreement and the net book values are deemed to have fully reflected their fair values without any discount or premium to be applied.

6) *Other liabilities*

For other liabilities items, the Valuer has checked to the underlying documents or confirmed with the management of the Company regarding the obligation and timing of settlement. They are appraised at the book values as they are current in nature and the book values are deemed to have fully reflected their fair values without any discount or premium to be applied.

(IV) Valuation conclusion

Based on the information reviewed and the valuation methodologies employed by the Valuer, the Valuer considers the fair value of the Target Companies Group as at the Valuation Date is HK\$2,665,000.

The Board had reviewed and analyzed the assumptions and methodology of the valuation, and enquired into the valuation and its assumptions and methodology, which included but not limited to the asset based approach and key assumptions adopted for the preparation of the valuation. In view of the aforesaid, the Board considered that the assumptions and methodology of the valuation to be fair and reasonable.

TRADEMARK LICENSING AGREEMENT

Upon completion of the Disposal, it is expected that the Target Companies Group will continue in the operation of 360-stage performance projects in the PRC. As part and parcel of the Disposal, GH Marks and the Purchaser have separately entered into the Trademark Licensing Agreement. Pursuant to the Trademark Licensing Agreement, GH Marks has agreed to license the trademarks relating to the operations of the Target Companies Group to the Purchaser for a period of three years at nil consideration to support the operations of the Projects.

INFORMATION OF THE TARGET COMPANIES GROUP

OSGH Investment is a limited company incorporated under the laws of Hong Kong and is principally engaged in development of stage show business. OSGH 360 is a limited company incorporated under the laws of Hong Kong and is principally engaged in investment holding.

The Target Companies Group is engaged in the operation of 360-stage performance projects in Suzhou and Xi'an in the PRC, namely the Suzhou Projects and the Xi'an Projects. It currently operates a 360-stage project in Suzhou. These 360-degree stages of the Projects are equipped with advanced rotating auditoriums and projection panels that can open up to 180 degrees, creating panoramic views for the audience. The shows also showcase traditional local Chinese stories through live performance, offering audiences a remarkable theatrical experience.

Set out below is the unaudited combined financial information of the Target Companies Group for the two years ended 31 December 2022 and 2023 and the six months ended 30 June 2024:

| | For the year ended 31 December 2022 Unaudited HK\$'000 | For the year ended 31 December 2023 Unaudited HK\$'000 | For the six months ended 30 June 2024 Unaudited HK\$'000 |
|-----------------|---|---|---|
| Revenue | 7.9 | 7,004.5 | 8,314.6 |
| Loss before tax | 175.5 | 32,563.2 | 341,093.1 |
| Loss after tax | 175.5 | 32,565.4 | 341,090.9 |

As at 30 June 2024, the unaudited combined net asset value of the Target Companies Group is approximately HK\$10.2 million.

Based on the valuation of the Target Companies Group prepared by the Valuer as at the Valuation Date, the appraisal value of the Target Companies Group is approximately HK\$2.7 million.

INFORMATION OF THE PURCHASER

The Purchaser is an investment holding company which was incorporated in the British Virgin Islands. As at the date of this announcement, the Purchaser is 100% beneficially owned by Mr. Wu Kebo.

As at the date of this announcement Mr. Wu Kebo is the Chairman and an executive Director and the controlling Shareholder of the Company, and is interested in 1,998,578,497 Shares, representing approximately 71.39% of the entire issued Share capital of the Company.

INFORMATION OF THE GROUP

The Vendor, Orange Sky Golden Harvest Entertainment Company Limited, is a Hong Kong incorporated company and is an investment holding company. As at the date of this announcement, the Vendor is a wholly-owned subsidiary indirectly held by the Company.

GH Marks is an investment holding company which was incorporated in the British Virgin Islands. GH Marks is an indirectly wholly-owned subsidiary of the Company.

The Company is an investment holding company. The principal activities of the Group consist of worldwide film and video distribution, film exhibition and the provision of advertising and consultancy services in Hong Kong and Singapore.

Following the completion of the Transaction, the Group will own and engage in the following businesses:

- (i) its operations in Hong Kong, which engages in theatrical exhibition, film, video and television distribution business in Hong Kong; and
- (ii) the exhibition and film distribution business in Singapore.

As at the date of this announcement, the Group operates 33 screens in 8 cinemas in Hong Kong, and 125 screens in 16 cinemas in Singapore.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Target Companies Group has entered into agreements with local PRC governments in Suzhou and Xi'an to operate the Suzhou Projects and the Xi'an Projects respectively. Initially, the Projects were expected to launch in different stages from 2021 to 2022. However, the development progress of the Projects was severely affected by the delay in delivery of the stages of the Projects caused by the main contractor. The first show under the Suzhou Projects was launched in the second half of 2023, but after the first year of operation, the attendance of the first show remains unsatisfactory, which was partly attributable to the aftermath of the pandemic and its effects on the theatre market. The remaining Projects have not been launched. As at the date of this announcement, the Directors estimate that additional investment of not less than RMB150 million will be required to complete the remaining three Projects. For the year ended 31 December 2023, the Target Companies Group only recorded revenue of approximately HK\$7.0 million (which was generated from the income of the first show in Suzhou). The Target Companies Group recorded net losses of approximately HK\$32.6 million for the year ended 31 December 2023.

Under the relevant agreements with each of the Suzhou government and the Xi'an government, the Target Companies Group is obligated to invest in construction of the stages in the theatres and development of the stage shows. If the Projects are unable to achieve any satisfactory income in the future, the Target Companies Group will have to contribute more capital for the creations of new shows for the Projects.

The Directors believe that the completion of the Transaction would not affect the operations of the Group's remaining business. The Directors also consider that the Disposal will allow the Group to be released from the burden of the development of the Projects and focus its resources on its principal business. Taking also into account that, in particular, (i) the Consideration was determined based on, among others, the independent valuation of the Target Companies Group as at the Valuation Date; (ii) the Target Companies Group is still obligated to develop and operate the Projects, the development and performance of which had been affected by the pandemic and the delay in delivery of the stages of the Projects; (iii) the first show of the Suzhou Projects commenced viewing in 2023, which was later than expected and resulted in unexpected losses; and (iv) the profit sharing mechanism under the Sale and Purchase Agreement, the Directors (including the independent non-executive Directors) consider that although the Transaction is not in the ordinary and usual course of business of the Group, the terms of the Transaction are on normal commercial terms and are fair and reasonable, and the Transaction is in the interests of the Company and the Shareholders as a whole.

Based on current information, the Directors estimate that the Target Companies Group would require additional capital investment in order to achieve potential profits. The Directors consider that the profit sharing mechanism under the Sale and Purchase Agreement serves as a safeguard mechanism for the Company to avoid the Group from losing out on any potential profits that the Target Companies Group may generate in the near future (if any). Also, the involvement of an independent accounting firm to audit the Combined Financial Statements enhances transparency of the profit sharing mechanism under the Sale and Purchase Agreement.

FINANCIAL EFFECT OF THE DISPOSAL

Upon completion of the Disposal, the Target Companies Group will cease to be subsidiaries of the Company and their financial results will no longer be consolidated in the Group's financial statements.

It is expected that the Company will record a gain from the Disposal of approximately HK\$35,000.

The proceeds from the Disposal will be utilised by the Group as general working capital.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in relation to the Disposal exceeds 5% but is less than 25%, the Disposal constitutes discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules, and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, (i) Mr. Wu Kebo is the chairman, an executive Director and the controlling Shareholder of the Company, and is interested in 1,998,578,497 Shares, representing approximately 71.39% of the entire issued Share capital of the Company; and (ii) considering that the Purchaser is 100% beneficially owned by Mr. Wu Kebo, the Purchaser is an associate of Mr. Wu Kebo under the Listing Rules.

Since Mr. Wu Kebo and the Purchaser are connected persons of the Company, the Disposal constitutes a connected transaction of the Company, and the transactions contemplated under the Trademark Licensing Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio for the Disposal is less than 25% and the Consideration is less than HK\$10,000,000, the Disposal is only subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and Shareholders' approval requirements pursuant to Rule 14A.76(2)(b) of the Listing Rules.

As the highest applicable percentage ratio for the transactions under the Trademark Licensing Agreement is less than 0.1%, the transactions contemplated under the Trademark Licensing Agreement constitute de minimis transactions and are fully exempt from reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save for Mr. Wu Kebo (who has abstained from voting at the board meeting), none of the other Directors had material interests in the Transaction and thus none of the other Directors was required to abstain from voting on the board resolution(s) to approve the Transaction at the Board meeting.

DEFINITION

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

| | |
|-------------------------|---|
| “associate” | has the meaning ascribed to it in the Listing Rules |
| “Board” | the board of Directors |
| “Company” | Orange Sky Golden Harvest Entertainment (Holdings) Limited (stock code: 1132), a company incorporated in Bermuda with limited liability, and the shares of which are listed on the main board of the Stock Exchange |
| “Completion” | the completion of the Transaction |
| “Completion Date” | the date of the Completion |
| “connected persons” | has the meaning ascribed to it in the Listing Rules |
| “connected transaction” | has the meaning ascribed to it in the Listing Rules |
| “Consideration” | HKD2,700,000, being the total consideration of the Transaction |
| “Director(s)” | the directors of the Company |
| “Disposal” | the disposal of the Target Companies Group by the Vendor to the Purchaser |

| | |
|-------------------------------|---|
| “GH Marks” | Golden Harvest (Marks) Limited, an indirectly wholly owned subsidiary of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “OSGH 360” | OSGH 360 Holdings Limited, a limited company incorporated under the laws of Hong Kong and a subsidiary wholly owned by the Company prior completion of the Disposal |
| “OSGH 360 Sale Shares” | 10 shares of OS GH 360, representing 100% of the total issued capital of the OS GH 360 |
| “OSGH Investment” | OSGH Investment Limited, a limited company incorporated under the laws of Hong Kong and a subsidiary wholly owned by the Company prior completion of the Disposal |
| “OSGH Investment Sale Shares” | 1 share of OS GH Investment, representing 100% of the total issued capital of the OS GH Investment |
| “Parties” | the Vendor and the Purchaser |
| “PRC” | The People’s Republic of China |
| “Projects” | the Suzhou Projects and the Xi’an Projects |
| “Purchaser” | Majestic Dragon International Limited, a company incorporated in BVI, a wholly owned subsidiary directly held by Mr. Wu Kebo as at the date of this announcement |
| “Sale and Purchase Agreement” | the agreement entered into between the Vendor and the Purchaser on 20 December 2024 in respect of the Disposal |
| “Sale Shares” | OSGH 360 Sale Shares and OS GH Investment Sale Shares |
| “Shareholder(s)” | shareholders of the Company |
| “Shares” | ordinary share(s) of the Company |
| “Singapore” | the Republic of Singapore |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

| | |
|---------------------------------|--|
| “Suzhou Projects” | the projects of the development and operation of the shows in two theatres in Suzhou |
| “Target Companies Group” | OSGH Investment and OSGH 360 and its subsidiaries |
| “Target Company(ies)” | OSGH 360 and OSGH Investment |
| “Trademark Licensing Agreement” | the trademark licensing agreement entered into between GH Marks and the Purchaser on 20 December 2024 |
| “Transaction” | the Disposal and the transactions contemplated under the Trademark Licensing Agreement |
| “Valuation Date” | 31 October 2024 |
| “Valuer” | Avista Valuation Advisory Limited |
| “Vendor” | Orange Sky Golden Harvest Entertainment Company Limited, a Hong Kong incorporated company with limited liability and a subsidiary of the Company as at the date of the Sale and Purchase Agreement |
| “Xi’an Projects” | the projects of the development and operation of the shows in two theatres in Xi’an |

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

Hong Kong, 20 December 2024

List of all directors of the Company as of the time issuing this announcement:

Chairman and Executive Director:

Mr. Wu Kebo

Executive Directors:

Mr. Li Pei Sen

Ms. Chow Sau Fong, Fiona

Ms. Go Misaki

Mr. Peng Bolun

Independent Non-executive Directors:

Mr. Leung Man Kit

Ms. Wong Sze Wing

Mr. Fung Chi Man, Henry