

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Golden Harvest

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

DISCLOSEABLE AND CONNECTED TRANSACTION – ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF (1) GH PICTURES (CHINA) LIMITED, (2) GH MEDIA MANAGEMENT PTE LTD AND (3) GH MEDIA MANAGEMENT LIMITED AND SUSPENSION AND RESUMPTION OF TRADING

The Directors are pleased to announce that on 16 October 2006, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreements in respect of the Acquisition. Pursuant to the Sale and Purchase Agreements, the Purchaser conditionally agreed to acquire the Sale Shares from the Vendors. The aggregate consideration for the Acquisition is approximately HK\$22.6 million, which was determined after arm's length negotiations between the parties.

The Company is, through its wholly-owned subsidiary, acquiring interests in the Target Companies from independent third parties and WMG, an associate of Mr. Chow and a substantial shareholder of the Target Companies. Accordingly, the Acquisition constitutes a connected transaction of the Company under the Listing Rules and is subject to, among other things, the approval of the Independent Shareholders at a general meeting of the Company. An Independent Board Committee will be appointed to advise the Independent Shareholders in connection with the Acquisition and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in that connection. The Acquisition is also a discloseable transaction for the Company under the Listing Rules.

A circular containing, among other things, (1) further information on the Acquisition; (2) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (3) the recommendation of the Independent Board Committee to the Independent Shareholders; and (4) a notice convening the SGM will be despatched to shareholders of the Company as soon as practicable.

At the request of the Company, trading in the Shares was suspended on the Stock Exchange from 9:33 a.m. on 17 October 2006 pending the release of this announcement. Application for the resumption of trading in the Shares has been made by the Company to the Stock Exchange to the effect that trading in the Shares will resume at 9:30 a.m. on 18 October 2006.

1. THE SALE AND PURCHASE AGREEMENTS

There were three Sale and Purchase Agreements, each dated 16 October 2006.

A. GHPCL Agreement

Date: 16 October 2006

Parties:

- (1) Golden Harvest Films Distribution Holding Limited (the Purchaser)
- (2) SIM China Productions Limited (SIM)
- (3) Metropolitan Life Insurance Company (MetLife)
- (4) Latin American Investment Bank Bahamas Limited (LAIB)
- (5) World Media Group Limited (WMG)
- (6) Eastern Broadcasting Co. Ltd (EBC)

(parties (2) to (6), the Vendors, further details of which are set out in paragraph 2 below)

- (7) Golden Harvest (China) Limited (GHCL)

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, apart from WMG which is an associate of Mr. Chow, each of the Vendors is a third party independent of the Company, its subsidiaries and its connected persons, is not a connected person of the Company and does not have any shareholding interest in the Company.

Shares to be acquired:

Pursuant to the GHPCL Agreement, the Purchaser will be acquiring the respective Sale Shares as set out against the name of each Vendor below:

Vendor	Respective Sale Shares	Percentage of Shareholding in the capital of GHPCL	Respective Purchase Consideration (HK\$)
SIM	1,000,000	28.2%	5,060,874
WMG	1,000,000	28.2%	5,060,874
EBC	545,455	15.4%	2,762,760
MetLife	500,000	14.1%	2,529,540
LAIB	500,000	14.1%	2,529,540
Total	<u>3,545,455</u>	<u>100%</u>	<u>17,943,588</u>

B. GHMMPL Agreement

Date: 16 October 2006

Parties:

- (1) Golden Harvest Films Distribution Holding Limited (the Purchaser)
- (2) SIM China Productions Limited (SIM)
- (3) Metropolitan Life Insurance Company (MetLife)
- (4) Latin American Investment Bank Bahamas Limited (LAIB)
- (5) World Media Group Limited (WMG)

(parties (2) to (5), the Vendors)

- (6) Golden Harvest (China) Limited

Shares to be acquired:

Pursuant to the GHMMPL Agreement, the Purchaser will be acquiring the respective Sale Shares as set out against the name of each Vendor below:

Vendor	Respective Sale Shares	Percentage of Shareholding in the capital of GHMMPL	Respective Purchase Consideration (S\$)/(HK\$)
WMG	56,000	40%	71,680/352,666
SIM	42,000	30%	53,760/264,499
MetLife	21,000	15%	26,880/132,250
LAIB	21,000	15%	26,880/132,250
Total	<u>140,000</u>	<u>100%</u>	<u>179,200/881,665</u>

C. GHMML Agreement

Date: 16 October 2006

Parties:

- (1) Golden Harvest Films Distribution Holding Limited (the Purchaser)
- (2) SIM China Productions Limited (SIM)
- (3) Metropolitan Life Insurance Company (MetLife)
- (4) Latin American Investment Bank Bahamas Limited (LAIB)
- (5) World Media Group Limited (WMG)

(parties (2) to (5), the Vendors)

- (6) Golden Harvest (China) Limited

Shares to be acquired:

Pursuant to the GHMML Agreement, the Purchaser will be acquiring the respective Sale Shares as set out against the name of each Vendor below:

Vendor	Respective Sale Shares	Percentage of Shareholding in the capital of GHMML	Respective Purchase Consideration (HK\$)
WMG	40	40%	1,514,148
SIM	30	30%	1,135,611
MetLife	15	15%	567,806
LAIB	15	15%	567,806
Total	<u>100</u>	<u>100%</u>	<u>3,785,371</u>

Consideration:

The aggregate Purchase Consideration payable by the Purchaser to the Vendors for the Acquisition is approximately HK\$22.6 million. Pursuant to the Sale and Purchase Agreements, the Purchase Consideration is payable at Completion. The Group intends, and the Directors are of the view that the Group has sufficient resources, to finance the Acquisition out of the internal resources of the Group.

The original acquisition cost of WMG's Respective Sale Shares was HK\$6,927,688. The Purchase Consideration was determined after arm's length negotiations with reference to the net asset value of the Target Companies as at 30 June 2006 as adjusted for fair value.

Conditions for the Acquisition:

Completion of the Acquisition is conditional upon fulfilment of, among others, the following conditions:

- (a) Concurrent completion of the GHPCL Agreement, GHMMPL Agreement and GHMML Agreement; and
- (b) The passing by the requisite majority required under the Listing Rules of the shareholders of the Company (being the ultimate holding company of the Purchaser) in general meeting (excluding any shareholders who are not entitled to vote by reason of applicable provisions in the Listing Rules) of a resolution for the approval, confirmation and ratification of the Purchaser's entry into the GHPCL Agreement, GHMMPL Agreement and GHMML Agreement, and the performance of the transactions contemplated therein by the Purchaser.

Following the Acquisition, each Target Company will be accounted for in the Group's financial results as a subsidiary of the Company.

2. INFORMATION ON THE VENDORS

(1) SIM

SIM is an investment holding company incorporated in the British Virgin Islands.

SIM currently owns 28.2%, 30% and 30% of the share capital of GHPCL, GHMMPL and GHMML, respectively.

(2) EBC

EBC is a company incorporated in Taiwan and is one of the dominant cable television content providers in Taiwan with plans to become Taiwan's first fully digital broadcaster and to transmit its signal worldwide. EBC operates cable television channels and co-branded multimedia outlets under the "ETTV" name. In 2002, EBC began rolling out ETTV channel content to the rest of Asia and the Americas, and has plans to move into Europe as well to become the world's leading privately-owned Chinese-language broadcaster.

EBC currently owns 15.4% of the share capital of GHPCL.

(3) MetLife

MetLife is a company incorporated in the State of New York and is engaged in the business of providing insurance and financial services in the United States.

MetLife currently owns 14.1%, 15% and 15% of the share capital of GHPCL, GHMMPL and GHMML, respectively.

(4) LAIB

LAIB is an investment holding company incorporated in the Commonwealth of the Bahamas.

LAIB currently owns 14.1%, 15% and 15% of the share capital of GHPCL, GHMMPL and GHMML, respectively.

(5) WMG

WMG is an investment holding company incorporated in the British Virgin Islands.

WMG currently owns 28.2% , 40% and 40% of the share capital of GHPCL, GHMMPL and GHMML, respectively.

3. INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company. The companies in which the Purchaser invests in are principally engaged in the sale of film rights, distribution of motion pictures and film exhibition.

4. INFORMATION ON THE TARGET COMPANIES

(1) GHPCL

GHPCL is a company incorporated in the Cayman Islands and is primarily engaged in film investment in Asia. The unaudited net tangible assets of GHPCL as at 30 June, 2005 and 2006 were HK\$1,513,000 and nil, respectively whilst the unaudited net assets value of GHPCL as at 30 June, 2005 and 2006 were HK\$22,513,000 and HK\$17,940,000, respectively (based on accounts prepared in accordance with the Hong Kong Accounting Standards).

The table below sets out certain financial information on GHPCL (based on the management accounts of GHPCL) for the two years ended 31 March, 2006:–

	Year ended 31 March, 2006 (unaudited) HK\$'000	Year ended 31 March, 2005 (unaudited) HK\$'000
Turnover	275	781
Loss before taxation and extraordinary items	(4,588)	(2,219)
Taxation	–	–
Loss after taxation and extraordinary items	(4,588)	(2,219)

(2) GHMMPL

GHMMPL is a company incorporated in Singapore and its principal activity is the provision of management services to both GHPCL and GHMML in respect of their day to day operations. The unaudited net tangible assets and net assets of GHMMPL as at 30 June, 2005 and 2006 was S\$99,875 (approximately HK\$491,385) and S\$166,167 (approximately HK\$817,542) (based on accounts prepared in accordance with the Singapore Financial Reporting Standards).

The table below sets out certain financial information on GHMMPL (based on the accounts of GHMMPL prepared in accordance with the Singapore Financial Reporting Standards) for the two years ended 31 March, 2006:–

	Year ended 31 March, 2006 (unaudited) S\$'000/HK\$'000	Year ended 31 March, 2005 (audited) S\$'000/HK\$'000
Turnover	314/1,545	486/2,392
Profit/(Loss) before taxation and extraordinary items	66/325	(8)/(39)
Taxation	–/–	–/–
Profit/(Loss) after taxation and extraordinary items	66/325	(8)/(39)

(3) GHMML

GHMML is a company incorporated in the British Virgin Islands and its principal activity is the provision of management services to GHPCL in respect of its day to day operations. The unaudited net tangible assets and net assets of GHMML as at 30 June, 2005 and 2006 were HK\$3,825,995 and HK\$3,785,370, respectively (based on accounts prepared in accordance with the Hong Kong Accounting Standards).

The table below sets out certain financial information on GHMML (based on the management accounts of GHMML) for the two years ended 31 March, 2006:–

	Year ended 31 March, 2006 (unaudited) HK\$'000	Year ended 31 March, 2005 (unaudited) HK\$'000
Turnover	–	840
Profit/(Loss) before taxation and extraordinary items	(41)	178
Taxation	–	(31)
Profit/(Loss) after taxation and extraordinary items	(41)	147

5. INFORMATION ON GHCL

GHCL is a company incorporated in Hong Kong and wholly-owned by Mr. Chow and which is principally engaged in film investment. Pursuant to three trust deeds in identical form in respect of each of the Target Companies executed by GHCL in favour of WMG, GHCL declared that it holds WMG's Respective Sale Shares on trust for WMG.

6. REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activities of the Group, its jointly controlled entities and associates consist of worldwide film distribution, film exhibition in Hong Kong, Malaysia, Singapore, Taiwan and mainland China and the operation of a film processing business in Hong Kong.

Film distribution is one of the Group's core business. The Group currently owns a film library of approximately 100 Chinese language titles for worldwide distribution. GHPCL owns a film library comprising 39 film titles. Some of them are best-selling titles, such as "The Accidental Spy" starring Jackie Chan, "The Soong Sisters" starring Michelle Yeoh and Maggie Cheung and "The Stormriders" starring Aaron Kwok. The Directors believe that the Acquisition will enlarge the Group's film library and strengthen our existing film distribution business and is expected to yield good return.

The terms of the Sale and Purchase Agreements have been agreed after arm's length negotiations between the Parties. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) consider that the Sale and Purchase Agreements are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

7. LISTING RULES IMPLICATIONS FOR THE COMPANY

Mr. Chow together with his associates is indirectly interested in an aggregate 22.03% of the issued shares of the Company. Mr. Chow is also the beneficial owner of 66.67% of the issued shares of WMG. As a result WMG, being an associate of Mr. Chow, is a connected person of the Company for Listing Rules purposes. Therefore the Acquisition constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the Listing Rules. Accordingly, the Acquisition is subject to, among other things, the approval of the Independent Shareholders at a general meeting of the Company. Apart from being a connected transaction of the Company, the Acquisition constitutes a discloseable transaction of the Company for Listing Rules purposes.

The Independent Board Committee will be established to advise the Independent Shareholders on the Acquisition. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this connection.

8. SPECIAL GENERAL MEETING

The SGM will be convened as soon as practicable at which a resolution will be proposed to approve the Acquisition, and the ancillary transactions contemplated under the Sale and Purchase Agreements. Mr. Chow and his associates will abstain from voting at the SGM in respect of the resolution to be proposed to approve the Acquisition.

9. GENERAL

A circular containing, among other things, (1) further information on the Acquisition; (2) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (3) the recommendation of the Independent Board Committee to the Independent Shareholders; and (4) a notice convening the SGM, will be despatched to shareholders of the Company as soon as practicable.

10. SUSPENSION AND RESUMPTION OF TRADING OF SHARES

At the request of the Company, trading in the Shares was suspended on the Stock Exchange from 9:33 a.m. on 17 October 2006 pending the release of this announcement. Application for the resumption of trading in the Shares has been made by the Company to the Stock Exchange to the effect that trading in the Shares will resume at 9:30 a.m. on 18 October 2006.

DEFINITIONS

In this announcement, the following words and phrases have the following meanings:

“Acquisition”	the acquisition of all the Sale Shares pursuant to the Sale and Purchase Agreements
“associate”	has the meaning as defined in the Listing Rules
“Board”	board of Directors of the Company
“Company”	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
“Completion”	completion of the transfer of the Sale Shares on the date of Completion in accordance with the Sale and Purchase Agreements
“connected person”	has the meaning as defined in the Listing Rules
“Director(s)”	the director(s) of the Company
“EBC”	Eastern Broadcasting Co., Ltd, a company incorporated in Taiwan
“GHCL”	Golden Harvest (China) Limited, a company incorporated in Hong Kong
“GHPCL”	GH Pictures (China) Limited, a company incorporated in the Cayman Islands
“GHPCL Agreement”	the sale and purchase agreement entered into between SIM, EBC, MetLife, LAIB, WMG, the Purchaser and GHCL in respect of the sale and purchase of the entire issued capital of GHPCL
“GHMMPL”	GH Media Management Pte Ltd, a company incorporated in Singapore
“GHMMPL Agreement”	the sale and purchase agreement entered into between SIM, MetLife, LAIB, WMG, the Purchaser and GHCL in respect of the sale and purchase of the entire issued capital of GHMMPL
“GHMML”	GH Media Management Limited, a company incorporated in the British Virgin Islands
“GHMML Agreement”	the sale and purchase agreement entered into between SIM, MetLife, LAIB, WMG, the Purchaser and GHCL in respect of the sale and purchase of the entire issued capital of GHMML
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the Peoples’ Republic of China

“Independent Board Committee”	the independent board committee of the Company comprising Messrs. Paul Ma Kah Woh, Frank Lin and Prince Chatrichalerm Yukol, who are the Company’s independent non-executive Directors, which have been appointed by the Board for the purpose of advising the Independent Shareholders in relation to the Acquisition
“Independent Shareholders”	shareholders of the Company other than Mr. Chow and his associates
“LAIB”	Latin American Investment Bank Bahamas Limited, a company incorporated in the Commonwealth of the Bahamas
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“MetLife”	Metropolitan Life Insurance Company, a company incorporated in the State of New York, USA
“Mr. Chow”	Mr. Raymond Chow Ting Hsing, the Chairman of the Board and a substantial shareholder of the Company
“Purchase Consideration”	the aggregate purchase consideration for the Sale Shares
“Purchaser”	Golden Harvest Films Distribution Holding Limited, a company incorporated in the British Virgin Islands with limited liability which is a wholly-owned subsidiary of the Company
“Sale and Purchase Agreements”	collectively, the GHPCL Agreement, the GHMMPL Agreement and the GHMML Agreement
“Sale Shares”	all the issued ordinary shares in the capital of the respective Target Companies
“SGM”	a special general meeting of the Company to be held to consider and, if thought fit, approve the Sale and Purchase Agreements and the respective transactions contemplated thereunder
“SIM”	SIM China Productions Limited, a company incorporated in the British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively, GHPCL, GHMMPL and GHMML
“Vendors”	collectively, SIM, MetLife, LAIB, WMG and EBC (only in respect of the GHPCL Agreement)
“WMG”	World Media Group Limited, a company incorporated in the British Virgin Islands
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“S\$”	Singapore dollars, the lawful currency of Singapore
“%”	per cent.

By Order of the Board
Phoon Chiong Kit
Director

Hong Kong, 17 October 2006

As at the date of this announcement, the executive directors of the Company are Raymond Chow Ting Hsing, Phoon Chiong Kit, David Chan Sik Hong, Roberta Chin Chow Chung Hang and Lau Pak Keung (alternate to Phoon Chiong Kit); the non-executive director is Eric Norman Kronfeld; and the independent non-executive directors are Paul Ma Kah Woh, Frank Lin and Prince Chatrichalerm Yukol.

Note: For the purpose of this announcement, unless otherwise specified, the following exchange rates have been used for conversion into HK\$ for indication only:

S\$1 = HK\$4.92