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Golden Harvest

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

VERY SUBSTANTIAL DISPOSAL DISPOSAL OF INTEREST IN GOLDEN SCREEN CINEMAS SDN BHD AND SUSPENSION AND RESUMPTION OF TRADING

The Directors announce that on 28 November 2006, the Company, the Seller (a wholly-owned subsidiary of the Company), and the Purchaser entered into the Share Sale Agreement in respect of the Disposal. Pursuant to the Share Sale Agreement, the Seller conditionally agreed to sell, and the Purchaser (an existing shareholder of GSC with a shareholding of 54.19%) conditionally agreed to purchase, the Seller's entire interest in GSC representing 40.22% of the issued and paid up share capital of GSC. The aggregate consideration to be paid by the Purchaser for the Sale Shares is RM91 million (approximately HK\$189 million) which was determined after arm's length negotiations between the Parties on a "willing buyer-willing seller" basis. Upon Completion, the Company will have disposed of all its interest in GSC which will cease to be an associated company of the Company.

Pursuant to Rule 14.06 of the Listing Rules, the Disposal constitutes a very substantial disposal of the Company and requires the approval of the shareholders of the Company at the SGM to be convened for such purpose.

A circular containing, among other things, (1) further information on the Disposal; and (2) 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 9.30 a.m. on 29 November 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 30 November 2006.

1. THE SHARE SALE AGREEMENT

Date: 28 November 2006

Parties:**(1) *PPB Leisure Holdings Sdn Bhd (the Purchaser)***

The Purchaser is a company incorporated in Malaysia and a wholly-owned subsidiary of PPB Group Berhad, which is a listed company on the Bursa Malaysia. The Purchaser is an investment holding company with investments in exhibition and distribution of cinematography films, properties, software development and maintenance and amusement centre operations.

(2) *Golden Harvest Films Distribution Holding Limited (the Seller)*

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

(3) *Golden Harvest Entertainment (Holdings) Limited*

The Company is an investment holding Company incorporated in Bermuda. The principal activities of the Group, its jointly controlled entities and associated companies consist of worldwide film and video distribution, film exhibition in Hong Kong, mainland China, Taiwan, Singapore and Malaysia, and the operation of a film processing business in Hong Kong.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Purchaser, a third party independent of the Group and its connected persons, is not a connected person of the Company and does not have any shareholding interest in the Company.

Interest to be disposed of:

The Sale Shares, being 12,269,466 ordinary shares of RM1.00 each, represent approximately 40.22% of the issued and paid up share capital of GSC and are the Group's entire interest in GSC.

The aggregate investment costs of the Sale Shares after the restructuring of the Group in 1994 was approximately HK\$81.5 million. According to the audited financial statements of GSC as at 31 December 2005, the book value of the Sale Shares was RM20.3 million (approximately HK\$42.2 million).

Consideration:

The consideration payable by the Purchaser to the Seller for the Disposal is RM91 million (approximately HK\$189 million). Pursuant to the Share Sale Agreement, the purchase consideration is payable in one lump sum at Completion.

The consideration was determined after arm's length negotiations on a "willing buyer-willing seller" basis and represents an excess of HK\$118 million over the carrying value of the Sale Shares of HK\$71 million as at 30 June 2006.

Conditions for the Disposal:

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

- (a) The approval of the Foreign Investment Committee of Malaysia for the sale, purchase and transfer of the Sale Shares under the terms of the Share Sale Agreement having been obtained; 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 Seller) 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 Seller's and the Company's entry into the Share Sale Agreement, and the performance of the transactions contemplated therein by the Company.

Following Completion, GSC will cease to be an associated company of the Company.

2. INFORMATION ON GSC

GSC is a company incorporated in Malaysia. It is principally engaged in the distribution and exhibition of cinematography films.

The existing shareholders of GSC are the Purchaser, the Seller and several minor shareholders with a shareholding of 54.19%, 40.22% and an aggregate of 5.59% respectively.

3. FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS

The audited net profits attributable to the Sale Shares (i.e. 40.22% of the total audited net profits) for the two financial years immediate preceding the Disposal prepared under generally accepted accounting practices in Malaysia are set out below:

	31 December 2004	31 December 2005
Net profits before taxation	HK\$9.0 million	HK\$11.7 million
Net profits after taxation	HK\$5.5 million	HK\$6.4 million

Assuming the Disposal had been completed as 30 June 2006, the net asset value of the Group (excluding its interests in GSC) would have increased by HK\$139 million and the estimated profit on the sale of Sale Shares would be approximately HK\$116 million, representing the consideration less the carrying value of GSC recorded by the Group as at 30 June 2006 (approximately HK\$71 million) and certain costs and expenses associated with the Disposal (approximately HK\$2 million). The actual profit will be recognised upon Completion and may vary from the estimated profit depending on the results of GSC from 1 July 2006 to Completion and fluctuations in the exchange rate between RM and HK\$.

The estimated net proceeds of the Disposal amount to approximately HK\$187 million, net of expenses. The Group intends to apply the proceeds for investments in new businesses, expansion of the Group's existing business and general working capital of the Group. The Group has not yet determined the exact allocation of the net proceeds.

Following the Disposal, the principal activities of the Group will remain unchanged. The Directors are of the view that the Disposal will not have a fundamental impact on the revenue and profits of the Group as, for the year ended 30 June 2006, GSC only contributed HK\$7 million to the net profit of the Group as compared to approximately HK\$18 million, approximately HK\$16 million and approximately HK\$7 million contributed by the Group's key associated company and jointly-controlled entity in Singapore, Taiwan and the Group's other joint venture in Malaysia, respectively.

4. REASONS FOR AND BENEFITS OF THE DISPOSAL

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

The Group is a leading cinema operator and film distributor in Asia with a strategic focus on film distribution in Asia supported by cinema operations in key Chinese language markets. In 2005, the Group made a strategic move to extend its cinema network to Taiwan and mainland China by acquiring, together with a few key Taiwanese partners, the largest cinema chain in Taiwan and launching the Group's flagship cinema in Shenzhen, respectively. Returns on investments from these projects are better than the Group's original expectations.

Given the gradual liberalization of the film distribution and exhibition markets in mainland China and the increase in investment opportunities in the territory, the Directors believe that it is an appropriate time for the Group to ride on this trend and redeploy the Group's resources to the Greater China market.

The opening of a number of new cinemas over the last few years has led to a highly competitive cinematic market in Malaysia. The proposed Disposal will release the Group from future capital commitments in GSC and allow the Group to deploy capital resources to the Greater China market. This will allow the Group to concentrate its capital in markets with better returns, improve its strategic focus and sharpen its existing strengths and competitive edge.

The terms of the Share Sale Agreement have been agreed after arm's length negotiations between the Parties. The Directors (including the independent non-executive Directors) consider that the Share Sale Agreement is on normal commercial terms and is fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

5. LISTING RULES IMPLICATIONS FOR THE COMPANY

Based on the latest published results of the Group for the year ended 30 June 2006, the relevant percentage ratios resulting from the Disposal exceed 75%. Accordingly, pursuant to Rule 14.06 of the Listing Rules, the Disposal constitutes a very substantial disposal of the Company and is subject to, among other things, the approval of the shareholders of the Company at the SGM to be convened for the purpose.

To the best knowledge, information and belief of the Directors, no Shareholder is required to abstain from voting at the SGM to approve the Disposal.

6. SPECIAL GENERAL MEETING

The SGM will be convened as soon as practicable at which a resolution will be proposed to approve the Disposal and the ancillary transactions contemplated under the Share Sale Agreement.

7. GENERAL

A circular containing, among other things, (1) further information on the Disposal and (2) a notice convening the SGM, will be despatched to shareholders of the Company as soon as practicable.

8. SUSPENSION AND RESUMPTION OF TRADING OF SHARES

At the request of the Company, trading in the Shares was suspended on the Stock Exchange from 9.30 a.m. on 29 November 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 30 November 2006.

DEFINITIONS

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

“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”	means the completion of the transfer of the Sale Shares
“connected persons”	has the meaning as defined in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Seller pursuant to the Share Sale Agreement
“Group”	the Company and its subsidiaries
“GSC”	Golden Screen Cinemas Sdn Bhd, a company incorporated in Malaysia
“Hong Kong”	the Hong Kong Special Administrative Region of the Peoples’ Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	collectively, the Purchaser, the Seller and the Company
“Purchaser”	PPB Leisure Holdings Sdn Bhd, a company incorporated in Malaysia which is a wholly-owned subsidiary of PPB Group Berhad (a listed company on the Kuala Lumpur Stock Exchange)
“Sale Shares”	12,269,466 ordinary shares of RM1.00 each representing approximately 40.22% of the issued and paid up share capital of GSC
“Seller”	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

“SGM”	a special general meeting of the Company to be held to consider and, if thought fit, approve the Share Sale Agreement and the respective transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Sale Agreement”	the share sale and separation agreement dated 28 November 2006 entered into between the Company, the Purchaser and the Seller in respect of the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RM”	Malaysian Ringgit, the lawful currency of Malaysia
“%”	per cent.

By Order of the Board
Raymond Chow Ting Hsing
Chairman

Hong Kong, 29 November 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 rate has been used for conversion into HK\$ for indication only:

RM1=HK\$2.08