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Golden Harvest

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liabilities)

(Stock Code: 1132)

ISSUE OF NEW SHARES AND CONNECTED TRANSACTION – FORMATION OF JOINT VENTURE AND SUSPENSION AND RESUMPTION OF TRADING OF SHARES

On 14 July, 2004, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company has conditionally agreed to issue and allot to the Subscriber, and the Subscriber has conditionally agreed to subscribe for, 155,000,000 New Shares at a price of HK\$0.25 per Share. The New Shares to be subscribed represent approximately 17.53% of the existing issued share capital of the Company and approximately 14.91% of the issued share capital of the Company as enlarged by the issue of the New Shares.

The Subscription is conditional, among other things, on the approval of the listing of, and permission to deal in, the New Shares being granted by the Listing Committee of the Stock Exchange.

The net proceeds from the Subscription are estimated to be approximately HK\$38 million. The Directors intend to apply such net proceeds for general working capital purposes (including paying down certain indebtedness of the Group), as capital contribution towards the JV Company and for any future investment opportunities in the film financing, film distribution and/or cinema operation business as and when these opportunities arise.

In addition, on 14 July, 2004, GHECL, Abba and the Subscriber entered into the Joint Venture Agreement, pursuant to which the parties conditionally agreed to establish a company solely to make loans for Chinese language motion picture production. As the Subscriber will upon completion of the Subscription become a connected person of the Company for Listing Rules purposes, the formation of the joint venture under the Joint Venture Agreement will amount to a connected transaction for the Company for the purposes of the Listing Rules.

Reference is made to the announcements of the Company dated 30 May, 11 July, 18 August, 24 September, 23 October, 21 November, 19 December, 2003, 16 January, 19 February, 19 March, 19 April, 20 May, and 23 June, 2004. The Directors wish to state that, following the signing of the Subscription Agreement, the Company intends to continue to pursue its discussions with other independent third parties about the possibility of their acquisition of new shares in the Company. However, no terms have been reached yet as a result of such discussions and such discussions may or may not lead to any agreement.

At the request of the Company, the Shares were suspended from trading on the Stock Exchange from 12:01 p.m. on 14 July, 2004 pending publication of this announcement. An application has been made to the Stock Exchange for resumption of trading of the Shares from 9:30 am on 19 July, 2004.

A. SUBSCRIPTION AGREEMENT DATED 14 JULY, 2004

1. Parties to the Subscription Agreement

Issuer

The Company

Subscriber

Typhoon Music (PRC) Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Subscriber and its ultimate beneficial shareholders currently is a third party independent of the Company and connected persons of the Company (as defined under the Listing Rules).

2. Number of New Shares

155,000,000 New Shares, representing approximately 17.53% of the existing issued share capital of the Company of 884,287,500 Shares. The New Shares also represent approximately 14.91% of the issued share capital of the Company of 1,039,287,500 Shares as enlarged by the issue and allotment of such 155,000,000 New Shares.

3. General mandate to issue New Shares

The New Shares will be issued under the general mandate granted to the Directors pursuant to a resolution passed by the shareholders of the Company at the Company's annual general meeting held on 26 November, 2003. The Company has not issued any new shares under such general mandate.

4. Ranking

The New Shares, when fully paid, will rank pari passu in all respects with the existing Shares of the Company in issue as at the date of issue of the New Shares, and will be free and clear of any encumbrance or any other limitation or restriction.

5. Subscription Price

The Subscription Price of HK\$0.25 per New Share represents a discount of approximately 11.97% to the average of the closing prices of HK\$0.284 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 14 July, 2004 and a discount of approximately 13.79% to the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on 14 July, 2004, being the last dealing day for the Shares before dealings in Shares on the Stock Exchange were suspended pending the issue of this announcement.

The Directors are of the view that the terms and conditions of the Subscription are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

6. Conditions

The Subscription by the Subscriber of the New Shares is conditional upon:

- (a) all actions by or in respect of or filings with any governmental body, agency, official or authority required to permit the consummation of the Subscription shall have been taken, made or obtained, including the granting of the listing of, and permission to deal in, the New Shares by the Listing Committee of the Stock Exchange; and
- (b) the Company having obtained any shareholders' approval to consummate the Subscription, if such approval is required under the Listing Rules.

7. Completion of the Subscription

Completion of the Subscription will take place at a time to be fixed between the Subscriber and the Company upon the satisfaction of the conditions to the Subscription, which in any event shall be no later than the tenth business day immediately following the date on which such conditions have been satisfied, or such later date as the parties to the Subscription Agreement may agree provided that such date shall not be later than 31 August, 2004. If the Subscription Agreement is not completed by such date, the Company and the Subscriber shall have the right to terminate the Subscription Agreement and the Subscription Agreement shall cease to have effect (save in respect of claims arising from any willful failure by either party to fulfil the conditions precedent or losses incurred by the other party arising from the breach of any representation or warranty resulting in the termination).

8. Application for listing

The Company will submit an application to the Stock Exchange for the listing of, and permission to deal in, the New Shares in due course.

9. Fund raising activities within the 12 months preceding the date of this announcement

Date of issuance of securities		Net proceeds (approximate)	Intended and actual use of net proceeds	Amount of net proceeds used as at the date of this announcement
1 August, 2003	Event Placing of 83,400,000 new Shares at the price of HK\$0.28 per Share	HK\$22.4 million	General working capital purposes (including repayment to trade creditors of the Group)	Fully utilised

10. Reasons for the Subscription and intended use of proceeds

The Directors believe that the Subscription will enable the Group to strengthen its financial position by providing additional general working capital. The net proceeds from the Subscription, after deducting legal fees and other miscellaneous expenses which will be borne by the Company, are estimated to be approximately HK\$38 million. The proceeds are intended to be used for general working capital purposes (including paying down certain indebtedness of the Group), as capital contributions towards the JV Company (as described in section B of this announcement) and for any future investment opportunities in the film financing, film distribution and/or cinema operation business as and when these opportunities arise. The Directors believe that there will be no material adverse impact on the financial conditions of the Group should the Subscription Agreement fail to be completed.

The Subscriber is a company jointly owned by EMI Group plc and Mr. Norman Cheng, chairman and chief executive officer of EMI Music South East Asia. The Subscriber's principal business is the creation and distribution of music products and related rights. The Directors intend that, with the Subscriber's strategic investment in the Company, the Group will explore the synergies between its film production and distribution business and the Subscriber's music business. The existing composition of the board of Directors of the Company will not be altered as a result of the Subscription. The Directors will consider appointing as an additional Director a person to be nominated for this purpose by the Subscriber, although no such nomination has been agreed by the parties in the Subscription Agreement and no such nomination has been received from the Subscriber for the time being.

11. Shareholding of substantial shareholders and Directors

Assuming and immediately upon completion of the Subscription, the Subscriber will become the third largest substantial shareholder of the Company. The percentage shareholdings of the substantial shareholders (as defined in the Listing Rules) of the Company and the Directors is as follows:

Name	Number of Shares (Note 1)	Percentage of shareholding in the Company
Chow Ting Hsing, Raymond (Note 2)	250,537,223	24.11%
Li Ka-shing (Note 3)	178,054,000	17.13%
Subscriber	155,000,000	14.91%
PAMA Group Inc.	123,284,027	11.86%
Phoon Chiong Kit	6,000,000	0.58%
Chu Siu Tsun, Stephen	5,959,375	0.57%
Chan Sik Hong, David	5,859,375	0.56%

Note 1: Save for the Subscriber, shareholding details are based on disclosures made under Part XV of the Securities and Futures Ordinance received by the Company and registered in the Company's registers maintained pursuant to such Ordinance as at the date of this announcement.

Note 2: Chow Ting Hsing, Raymond is interested in 250,537,223 Shares by virtue of his 100% beneficial holding in each of Planet Gold Associates Limited and Net City Limited, which hold 146,568,473 Shares (approximately 14.11%) and 103,968,750 Shares (approximately 10.00%), respectively.

Note 3: Li Ka-shing is interested in 178,054,000 Shares by virtue of his 100% beneficial holding in a company which in turn owns the entire interest in each of Garex Resources Limited, which holds 150,414,000 Shares (approximately 14.47%), Podar Investment Limited, which holds 25,000,000 Shares (approximately 2.41%), and Oscar Resources Limited, which holds 2,640,000 Shares (approximately 0.25%).

B. CONNECTED TRANSACTION – FORMATION OF JOINT VENTURE

1. Introduction

On 14 July, 2004, GHECL, Abba and the Subscriber entered into Joint Venture Agreement to establish a company solely to make loans for Chinese language motion picture production.

2. Joint Venture Agreement dated 14 July, 2004

a. Parties

- (1) GHECL, a wholly-owned subsidiary of the Company
- (2) Abba

Abba has previously co-operated with the Group on a number of Chinese language motion picture projects. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Abba and its ultimate beneficial shareholders currently is a third party independent of the Company and connected persons of the Company (as defined under the Listing Rules).

- (3) the Subscriber

Assuming completion of the Subscription, the Subscriber will become a substantial shareholder of the Company.

- (4) the JV Company

The JV Company will accede to the Joint Venture Agreement immediately upon the completion of the Subscription.

b. Nature of business

The business of the JV Company and/or its subsidiaries shall be solely to make loans for Chinese language motion picture production.

c. Conditions

The rights and obligations of each party to the Joint Venture Agreement are conditional upon the completion of the Subscription Agreement.

d. Share capital of the JV Company

The JV Company shall have an initial paid-up share capital of HK\$10 million. As at the date of this announcement, the parties to the Joint Venture Agreement do not intend to subscribe for further amounts in the share capital of the Company or provide further equity investment to the JV Company, such that their aggregate equity investment will exceed HK\$10 million. Subject to the Joint Venture Agreement becoming unconditional, the parties to the Joint Venture Agreement shall subscribe in cash the following amounts for shares in the JV Company immediately upon the completion of the Subscription:

Party	Subscription amount	Percentage of shareholding in the JV Company
GHECL	HK\$6 million	60%
Abba	HK\$3 million	30%
Subscriber	HK\$1 million	10%

As at the date of this announcement, GHECL does not have any other financial commitment towards the JV Company except for its commitment to contribute HK\$6 million towards the initial paid-up capital of the JV Company. As mentioned above, it is intended that the Group will apply part of the net proceeds of the Subscription towards its HK\$6 million capital contribution to the JV Company. Any dividend distribution by the JV Company to its shareholders shall be in accordance with their respective shareholding interests in the JV Company at that time.

e. Management

The board of directors of the JV Company will consist of five directors, three of whom will be nominated by GHECL, one of whom will be nominated by the Subscriber and the remaining director will be nominated by Abba.

3. Reasons and benefits

The Directors believe that the formation of the JV Company may put GHECL in a better position to negotiate with the producers of Chinese language motion pictures who have borrowed from the JV Company for the distribution rights in respect of the motion pictures. As part of the arrangements relating to the proposed joint venture and to enable the parties to effectively exploit the business opportunities created by the ability of the JV Company to make loans for Chinese language motion picture production, GHECL and the Subscriber have agreed that the Subscriber will have the right to negotiate with the producers of Chinese language motion pictures who have borrowed from the JV Company for the soundtrack and merchandising rights in respect of the motion pictures, and GHECL will have the right to negotiate with the producers of Chinese language motion pictures who have borrowed from the JV Company for the distribution rights in respect of the motion pictures (other than soundtrack and merchandising rights).

Abba is principally engaged in the entertainment business and has co-operated with the Group on a number of Chinese language motion picture projects successfully. The Company and Abba intend to extend their existing co-operation to further explore business opportunities created by the ability of the JV Company to make loans for the production of Chinese language motion pictures.

The terms of the Joint Venture Agreement have been arrived at following arm's length negotiations between the parties. The Directors (including the independent non-executive Directors) believe that the transactions contemplated under the Joint Venture Agreement are on normal commercial terms, and such terms are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

4. Listing Rules implications

The obligations of GHECL to proceed with the Joint Venture Agreement are conditional upon the completion of the Subscription Agreement. Assuming and immediately upon completion of the Subscription, the Subscriber will become a substantial shareholder of the Company, and the transactions contemplated under the Joint Venture Agreement, of which the Subscriber is a party, will constitute a connected transaction for the Company under the Listing Rules. As the transactions contemplated under the Joint Venture Agreement are on normal commercial terms and the total financial commitment towards the JV Company made by GHECL under the Joint Venture Agreement is HK\$6 million, which represents a percentage ratio (other than profits ratio) of less than 2.5%, they are, according to Listing Rule 14A.32(1), only subject to the reporting and announcement requirements set out in rules 14A.45 to 14A.47 and are exempt from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

C. DISCUSSION WITH THIRD PARTIES

It was stated in the announcement dated 30 May, 2003 that the Company had preliminary discussions with a number of independent third parties about the possibility of their acquisition of new shares in the Company which might amount to a possible change in controlling shareholding and which might or might not result in a general offer being made to shareholders of the Company to acquire their shares in the Company.

The Directors wish to state that, following the signing of the Subscription Agreement, the Company intends to continue to pursue its discussions with other independent third parties. However, no terms have been reached yet as a result of such discussions and such discussions may or may not lead to any agreement. Further announcements will be made should there be any significant development of the negotiations as and when appropriate.

D. GENERAL INFORMATION

The principal activities of the Group consist of worldwide film and video distribution, film exhibition in Hong Kong, Malaysia, Singapore and the PRC, film production and television drama series production and the operation of a film processing business in Hong Kong.

As of the date of this announcement, the Company's executive directors are Mr. Chow Ting Hsing, Raymond, Mr. Phoon Chiong Kit, Mr. Chu Siu Tsun, Stephen and Mr. Chan Sik Hong, David and the Company's independent non-executive directors are Mr. Lin, Frank and Prince Yukol, Chatrichalerm.

At the request of the Company, the Shares were suspended from trading on the Stock Exchange from 12:01 p.m. on 14 July, 2004 pending publication of this announcement and an application has been made to the Stock Exchange for resumption of trading of the Shares from 9:30 a.m. on 19 July, 2004.

DEFINITIONS USED IN THIS ANNOUNCEMENT

"Abba"	Abba Movies Company Limited, a company incorporated in Hong Kong with limited liability
"associate"	has the meaning given to this term in the Listing Rules
"Company"	Golden Harvest Entertainment (Holdings) Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
"Directors"	the directors of the Company
"GHECL"	Golden Harvest Entertainment Company Limited, a wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"JV Company"	GH Finance Limited, a company incorporated under the laws of the British Virgin Islands
"Joint Venture Agreement"	the joint venture agreement dated 14 July, 2004 entered into between the GHECL, Abba and the Subscriber, and will be acceded to by the JV Company immediately upon completion of the Subscription, in relation to the formation of the JV Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"New Shares"	the new Shares to be subscribed by the Subscriber under the Subscription Agreement
"PRC"	the People's Republic of China
"Shares"	ordinary shares of nominal value of HK\$0.10 each in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Typhoon Music (PRC) Limited
"Subscription"	the subscription for the New Shares by the Subscriber pursuant to the Subscription Agreement
"Subscription Agreement"	the subscription agreement entered into on 14 July, 2004 between the Company and the Subscriber in relation to the Subscription
"Subscription Price"	HK\$0.25 per Share

On behalf of the Board
Chow Ting Hsing, Raymond
Chairman

Hong Kong, 16 July, 2004

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.