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**Golden Harvest**

# **GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED**

*(Incorporated in Bermuda with limited liability)*  
(Stock Code: 1132)

## **1. MAJOR TRANSACTION AND POSSIBLE VERY SUBSTANTIAL ACQUISITION: PROPOSED ACQUISITION BY A WHOLLY-OWNED SUBSIDIARY OF 40% (OR MORE) OF THE CAPITAL INTEREST IN WARNER VILLAGE CINEMA CO., LTD. AND RELATED SHAREHOLDERS LOANS**

## **2. DISCLOSEABLE TRANSACTION: PAYMENT OF A DEPOSIT BY A WHOLLY-OWNED SUBSIDIARY TO THE SELLERS**

### **Proposed acquisition by Golden Sky of 40% of the capital interest in Warner Village Taiwan and related Shareholders Loans**

Golden Sky, a wholly-owned subsidiary of the Company, together with two other purchasers which are Independent Third Parties, and the Company entered into the Agreement dated 18 October 2004, which became effective as of 19 October 2004, with Warner Bros. and Village Cinemas under which the Purchasers have conditionally agreed to acquire the Sellers' combined 100% capital interest in Warner Village Taiwan and Shareholders Loans of the current aggregate amounts of NT\$429 million (approximately HK\$98.67 million) and US\$59 million (approximately HK\$459.02 million), for an aggregate consideration of US\$38 million (approximately HK\$295.64 million). Of the interests in the capital interest in Warner Village Taiwan and the Shareholders Loans agreed to be purchased by the Purchasers, Golden Sky will acquire a 40% interest at the pro-rated consideration of US\$15.2 million (approximately HK\$118.26 million). On the basis of a purchase of a 40% interest of the capital interest in Warner Village Taiwan and related Shareholders Loans, the Acquisition amounts to a major transaction of the Company for the purposes of the Listing Rules.

### **Possible very substantial acquisition by Golden Sky of additional capital interest in Warner Village Taiwan and related Shareholders Loans**

The Agreement entitles each Purchaser to step-in and purchase additional capital interest in Warner Village Taiwan at completion should the other Purchaser(s) decide not to fulfil its/their obligations under the Agreement at completion. If one or both of the other Purchasers fail(s) to complete its/their purchase and if Golden Sky elects to step-in and purchase the capital interest of such Purchaser(s) by agreeing to undertake the respective purchase obligations of such Purchaser(s) under the Agreement at completion, the Acquisition may become a very substantial acquisition of the Company for the purposes of the Listing Rules. The Company will make a further announcement as required under the Listing Rules if the Acquisition becomes a very substantial acquisition of the Company.

Warner Village Taiwan, a company owned by Warner Bros. and Village Cinemas in equal portions, currently operates a network of cinemas with a total of 83 screens in Taiwan. The Directors have been informed by the Sellers that the screens operated by Warner Village Taiwan in Taiwan in 2003 accounted for approximately 27% and 30% of the total cinema box office receipts in Taipei and the whole of Taiwan, respectively.

**Payment of a deposit by Golden Sky to the Sellers**

Subject to the fulfilment of certain conditions under the Agreement and as detailed below, Golden Sky shall procure the payment of US\$4.56 million (approximately HK\$35.48 million) to the Sellers as a deposit for its proportion of the Purchase Price, no later than the seventh day prior to the completion date. The requirement for Golden Sky to pay the said deposit is a separate obligation under the Agreement which is independent of its obligation to complete the Acquisition.

**Shareholders' approval**

The Acquisition contemplated under the Agreement constitutes a major transaction of the Company and, if Golden Sky elects to step-in and purchase the interests which the other Purchaser(s) has/have contracted to purchase under the Agreement but which such other Purchaser(s) fail(s) to purchase at completion, may constitute a very substantial acquisition, under the Listing Rules, whilst the payment of the deposit by Golden Sky (which is a separate obligation independent of its obligation to complete the Acquisition) constitutes a discloseable transaction of the Company under the Listing Rules. Completion of the Acquisition as contemplated under the Agreement will be subject to (among other conditions) the approval of the Shareholders. Based on the above, a circular (following the requirements of disclosure for a very substantial acquisition under the Listing Rules) containing, amongst other things, the details of the Agreement and the Acquisition and the payment terms of the deposit payable by Golden Sky, the requisite financial information and a notice convening the Special General Meeting will be sent to Shareholders as soon as practicable.

**Suspension and resumption of trading of Shares**

At the request of the Company, the Shares were suspended from trading on the Stock Exchange from 10:51 a.m. on 19 October 2004 pending publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 25 October 2004.

**THE ACQUISITION****Agreement dated 18 October 2004 and effective as of 19 October 2004****Parties**

1. Warner Bros. Entertainment Inc., a company incorporated in Delaware, USA.
2. Village Cinemas International Pty Ltd., a limited company incorporated in Australia.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Sellers and their respective ultimate beneficial owners is an Independent Third Party.

3. Golden Sky, a wholly-owned subsidiary of the Company incorporated in Hong Kong.
4. Two Taiwan corporations.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of these two Taiwan corporations and their respective ultimate beneficial owners is an Independent Third Party.

5. The Company (as guarantor of the obligations of Golden Sky).

**Assets to be acquired under the Agreement**

Pursuant to the Agreement, Golden Sky has agreed to acquire a 40% interest, and the other two Purchasers have agreed to acquire 55% and 5% interests respectively, in:-

1. the Sale Shares
2. the Shareholders Loans.

**Consideration and security**

The aggregate consideration payable by the Purchasers to the Sellers in respect of the Sale Shares and the Shareholders Loans is US\$38 million (approximately HK\$295.64 million).

The portion of the consideration payable by Golden Sky for its acquisition of a 40% interest in the Sale Shares and the Shareholders Loans is US\$15.2 million (approximately HK\$118.26 million). In order to provide funds for payment of a premium to secure certain Lease Amendments to be entered into by the respective landlords and Warner Village Taiwan after the completion of the Acquisition with respect to two existing leases, each Purchaser has undertaken to provide (if required) an advance to Warner Village Taiwan upon completion of the Agreement in an amount equal to such proportion of NT\$135 million (approximately HK\$31.05 million) as its percentage of Sales Shares and related Shareholders Loans bears to

100%. In this regard, based on the acquisition by Golden Sky of a 40% interest in the Sale Shares and the Shareholders Loan, the pro-rata amount to be advanced by Golden Sky to Warner Village Taiwan would be NT\$54 million (approximately HK\$12.42 million).

The obligations of the Purchasers under the Agreement are secured by their payment of deposits totalling US\$11.4 million (approximately HK\$88.69 million). The other two Purchasers paid their deposits (totalling US\$6.84 million, or approximately HK\$53.22 million) on or before the date of the Agreement, and Golden Sky is required to pay its deposit of US\$4.56 million (approximately HK\$35.48 million) no later than the seventh day prior to the completion date. The obligations of Golden Sky to pay the deposit under the Agreement are secured by a Charge also dated 18 October 2004 under which a wholly-owned subsidiary of the Company has charged in favour of the Sellers, inter alia, its 50% shareholding in and loans to Dartina Development Limited, an associated company of the Company (in which an associate of Village Cinemas holds the other 50% shareholding). The Company has also given a guarantee in favour of the Sellers to secure the obligations of Golden Sky under the Agreement which is limited to US\$4.56 million (approximately HK\$35.48 million).

Under a side letter dated 18 October 2004 between Warner Bros., Village Cinemas and Golden Sky, Golden Sky has the option, by serving a written notice to the Sellers within 14 days after the execution of the Agreement, to defer the payment of part of the portion of the consideration payable by Golden Sky upon terms to be negotiated in good faith between the parties (failing which agreement, the portion of the consideration payable by Golden Sky will be payable in one lump sum at completion of the Acquisition).

The Directors intend that the portion of the consideration payable by Golden Sky in the amount of US\$15.2 million (approximately HK\$118.26 million ) and the portion of the advance to secure the Lease Amendments payable by Golden Sky in the amount of NT\$54 million (approximately HK\$12.42 million) will be funded by a combination of the following means: internal resources of the Group, bank loans and/or proceeds from a possible issue of new shares by the Company. As at the date of this announcement, the Directors have not made a final determination in this regard. The Company will make a further announcement as required under the Listing Rules if there is any material development with the possible share issue proposal.

The aggregate consideration has been determined on an arm's length basis between the Sellers and the Purchasers having regard to factors including the audited net value of assets of Warner Village Taiwan to be acquired by the Purchasers in the amount of approximately NT\$1.82 billion (approximately HK\$418.55 million), the total investment made by the Sellers in Warner Village Taiwan in the amount of approximately NT\$2 billion (approximately HK\$460 million), the market position achieved by Warner Village Taiwan, the net income recorded by that company, the potential of the film exhibition industry in Taiwan and the costs of replicating a similar network of theatres in Taiwan.

### **Conditions**

Completion of the Acquisition is subject to the following conditions being satisfied:

- (a) all authorisations, approvals or permits, if any, of any governmental authority or regulatory body of Taiwan that are required in connection with the lawful sale of the Sale Shares and the Shareholders Loans, being the approval of the Taiwan Investment Commission for transfer of the Sale Shares to the Purchasers and the approval of the Taiwan Fair Trade Commission for the transfer of the Sale Shares and the Shareholders Loans;
- (b) approval of the Acquisition by the Shareholders as required under the Listing Rules;
- (c) the Purchasers not having given written notice to the Sellers stating that they do not wish to proceed with the purchase of the Sale Shares and the Shareholders Loans because the Purchasers have become aware of some matter, fact or circumstance which is or is likely to constitute a material adverse change under the Agreement;
- (d) the release of the guarantees given by the Sellers to HSBC in connection with a guarantee facility extended by HSBC to Warner Village Taiwan for the maximum of NT\$180 million (approximately HK\$41.40 million) or the Purchasers having provided to the Sellers cash collateral in an amount equal to the amount of guarantees then outstanding; and
- (e) the Purchasers having executed and delivered a letter indemnifying and holding harmless each of the current directors of Warner Village Taiwan against any claims or losses of any nature whatsoever that such directors may incur as a result of their directorship in Warner Village Taiwan.

### **Payment of a deposit by Golden Sky to the Sellers**

If the conditions set out in (a) and (c) above have been satisfied, Golden Sky shall procure the payment of US\$4.56 million (approximately HK\$35.48 million) to the Sellers as a deposit for the portion of the Purchase Price payable by Golden Sky no later than the seventh day prior to the completion date. The requirement for Golden Sky to pay this deposit is a separate obligation under the Agreement, independent of its obligation to complete the Acquisition.

### **Consequences if certain conditions are not satisfied**

If the conditions set out in (a) and (c) above have not been satisfied by 5:30 p.m. on 31 March 2005, the Agreement shall automatically terminate and no party shall have any claim against any other party in respect thereof save for any accrued rights and obligations at the date of termination.

If the Agreement is not completed (1) as a result of a breach by any Purchaser or (2) the conditions set out in (a) and (c) above have been satisfied but any of the other conditions set out in (b), (d) or (e) above has not been satisfied by 5:30 p.m. on 28 February 2005, the Sellers would be entitled to retain the deposits paid by the Purchasers.

If the Agreement cannot be completed or is terminated otherwise than for the reasons specified above, the Sellers shall return the deposits to the Purchasers.

### **Possible acquisition of additional interests in Warner Village Taiwan**

In the event that any Purchaser fails to perform its obligations to purchase its relevant proportion of Sale Shares and Shareholders Loans at completion (“**Affected Purchaser**”), and if any of the other Purchasers agrees to undertake the obligations of the Affected Purchaser at completion (the “**Step-in Purchaser**”), the Agreement shall proceed to completion by the Step-in Purchaser(s) paying the Sellers an amount equal to the Purchase Price that would otherwise have been payable by the Affected Purchaser less the amount of the deposit already paid by such Affected Purchaser. In the event that the other Purchasers do not undertake the obligations of the Affected Purchaser and the Agreement cannot be completed, the Sellers shall retain the deposits paid by the Purchasers.

Accordingly, if one or both of the other Purchasers fail(s) to complete its/their purchase and if Golden Sky elects to become the Step-in Purchaser, it will be acquiring additional interests in the Sale Shares and the Shareholders Loans at the pro-rated portion of the Purchase Price less the deposit(s) already paid by the Affected Purchaser(s). In that event, the obligations of Golden Sky under the Agreement would also increase by an amount determined by reference to the additional interest Golden Sky is acquiring in Warner Village Taiwan, to be financed by the same means as under the current proposed purchase of a 40% interest in the Sale Shares and Shareholders Loans of Warner Village Taiwan. However, as at the date of this announcement, the Company does not have an intention to purchase additional capital interests in Warner Village Taiwan.

### **Completion**

Completion of the Acquisition will take place on the later of (i) seven days after satisfaction of all the above-mentioned conditions; and (ii) the date which falls three months after the date of the Agreement (neither date being later than 31 March 2005), or on such other date as the parties to the Agreement may agree.

### **INFORMATION ON WARNER VILLAGE TAIWAN**

Warner Village Taiwan is one of the leading film exhibition operators in Taiwan and currently operates a total of 83 screens at 8 sites in Taiwan. It opened the first 17 screen megaplex theatre in the Taipei’s Hsin-Yi district in 1998. The Directors have been informed by the Sellers that the screens operated by Warner Village Taiwan in Taiwan in 2003 accounted for approximately 27% and 30% of the total cinema box office receipts in Taipei and the whole of Taiwan, respectively.

Prior to Warner Village Taiwan’s entry into the Taiwan market, the film exhibition industry was relatively underdeveloped compared to the United States, Australia and most parts of Western Europe. The Taiwan market was dominated by independent theatres typically with non-stadium seating.

Warner Village Taiwan’s multiplex theatres range from 5 to 17 screens and have auditoriums ranging from approximately 100 to 400 seats. Many of the theatres feature modern amenities such as wall-to-wall screens, digital stereo surround-sound, multi-station concessions stands, computerized ticketing systems, plush stadium seating with cup holders and retractable armrests, neon-enhanced interiors and exteriors and video game areas adjacent to the theatre lobby. Warner Village Taiwan has thus provided a new cinema-going experience for audiences in Taiwan.

Based on the audited accounts of Warner Village Taiwan for the year ended 30 June 2004, the total shareholders’ deficits of Warner Village Taiwan stood at NT\$908,120,044 (approximately HK\$208.87 million).



For the two years ended 30 June 2003 and 2004, respectively, Warner Village Taiwan recorded an audited net loss (pre-tax and after tax) of NT\$257,459,902 (approximately HK\$59.22 million) and an audited net income (pre-tax and after tax) of NT\$7,694,857 (approximately HK\$1.77 million) respectively.

Following completion of the Acquisition, the Group is not required to make additional capital contributions to Warner Village Taiwan.

#### **INFORMATION ON THE SELLERS**

Village Cinemas is principally engaged in the cinema exhibition industry in Australia, and together with its strategic partners, currently operates over 1000 screens in Australia, Europe, Asia, New Zealand and South America.

Warner Bros. is a fully integrated, broad-based entertainment company and a global leader in the creation, production, distribution, licensing and marketing of all forms of entertainment and their related businesses, ranging from feature films to television, home video/DVD, animation, comic books, interactive entertainment and games, product and brand licensing, international cinemas and broadcasting.

#### **REASONS FOR THE ACQUISITION**

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

As one of the Group's core businesses, subsidiaries and associated companies of the Group now operate a total of 218 screens in 36 cinemas in Hong Kong, Singapore (accounting for 44% in total box office receipts in Singapore for the year ended 30 June 2004) and Malaysia (accounting for 83% of total box office receipts in Malaysia for the year ended 30 June 2004). The Acquisition will extend the cinema network of the Group to Taiwan which is an important market for Chinese language movies as well as English language ones. The addition of a substantial cinema operation in Taiwan would greatly enhance the Group's overall position as a major film distributor and cinema operator in Southeast Asia.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Acquisition, including the provision of the Charge and the Guarantee, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

#### **SPECIAL GENERAL MEETING**

On the basis that Golden Sky will be purchasing a 40% interest in the Sale Shares and the Shareholders Loans, and taking into account its obligations to make a corresponding advance of 40% of the amount payable to secure the Lease Amendments, the Acquisition constitutes a major transaction of the Company, and if Golden Sky elects to step-in and purchase the interests which the other Purchaser(s) has/have contracted to purchase but which such other Purchaser(s) fail(s) to purchase at completion, may constitute a very substantial acquisition, under the Listing Rules. Accordingly, completion of the Acquisition as contemplated under the Agreement will be subject to, among other conditions, the approval of the Shareholders at the Special General Meeting. Based on the above, a circular (following the requirements of disclosure for a very substantial acquisition under the Listing Rules) will be dispatched to Shareholders as soon as practicable containing, amongst other things, (1) details of the Agreement and the Acquisition; (2) the requisite financial information, and (3) a notice convening the Special General Meeting.

The payment of a deposit by Golden Sky, which amounts to a separate obligation of Golden Sky in the Agreement, constitutes a discloseable transaction of the Company under the Listing Rules. Details of the payment terms of such deposit will also be set out in the above-mentioned circular to Shareholders.

#### **GENERAL INFORMATION**

As of the date of this announcement, the Company's board of directors comprises Mr. Chow Ting Hsing, Raymond, Mr. Phoon Chiong Kit, Mr. Chu Siu Tsun, Stephen, Mr. Chan Sik Hong, David and Mrs. Chin Chow Chung Hang, Roberta (executive Directors), Mr. Kronfeld, Eric Norman (non-executive Director) and Mr. Lin, Frank, Mr. Ma Kah Woh, Paul and Prince Yukol, Chatrichalerm (independent non-executive Directors).

At the request of the Company, the Shares were suspended from trading on the Stock Exchange from 10:51 a.m. on 19 October 2004 pending publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares from 9:30 a.m. on 25 October 2004.

## DEFINITIONS USED IN THIS ANNOUNCEMENT

“Acquisition”	the acquisition by Golden Sky of a 40% interest in the Sale Shares and the Shareholders Loans pursuant to the Agreement
“Agreement”	the agreement dated 18 October 2004 and effective as of 19 October 2004 entered into between Warner Bros., Village Cinemas, the Purchasers and the Company relating to, among other things, the sale and purchase of the Sale Shares and the Shareholders Loans and the Guarantee
“associate”	has the meaning given to this term in the Listing Rules
“Charge”	a charge dated 18 October 2004 under which a wholly-owned subsidiary of the Company has charged its 50% shareholding in Dartina Development Limited, an associated company of the Company (in which an associate of Village Cinemas holds the other 50% shareholding) in favour of the Sellers
“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
“Golden Sky”	Golden Sky Pacific Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee given by the Company to the Sellers under the Agreement in relation to the performance by Golden Sky of its obligations under the Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HSBC”	the Hongkong and Shanghai Banking Corporation Limited
“Independent Third Party”	a party which is not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiary or any of their respective associates and which is not itself otherwise a connected person of the Company within the meaning of the Listing Rules
“Lease Amendments”	the lease amendments referred to under “Consideration and security” in the section headed “the Acquisition” of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NT\$”	New Taiwan dollars, the lawful currency of Taiwan
“Purchasers”	Golden Sky and two Taiwan corporations which are Independent Third Parties, being the purchasers of the Sale Shares and the Shareholders Loans pursuant to the Agreement
“Purchase Price”	the aggregate purchase price for the Sale Shares and related Shareholders Loan in the amount of US\$38 million (approximately HK\$295.64 million)
“Sale Shares”	100% capital interest in Warner Village Taiwan in the aggregate amount of NT\$12 million (approximately HK\$2.76 million)
“Sellers”	Warner Bros. and Village Cinemas which together hold 100% capital interest in Warner Village Taiwan
“Shareholders”	holders of ordinary shares of HK\$0.10 in the share capital of the Company
“Shareholders Loans”	a number of loans in the current aggregate amounts of NT\$429 million (approximately HK\$98.67 million) and US\$59 million (approximately HK\$459.02 million) advanced by Warner Bros. and Village Cinemas to Warner Village Taiwan

“Special General Meeting”	the special general meeting of the Company to be convened to approve, amongst other things, the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“Village Cinemas”	Village Cinemas International Pty Ltd., a limited company incorporated in Australia.
“Warner Bros.”	Warner Bros. Entertainment Inc., a company incorporated in Delaware, USA
“Warner Village Taiwan”	Warner Village Cinemas Co., Ltd., a limited company incorporated under the laws of Taiwan

*Unless otherwise stated, amounts in US\$ have been translated into HK\$ at an exchange rate of US\$1 to HK\$7.78, and amounts in NT\$ have been translated into HK\$ at an exchange rate of NT\$1 to HK\$0.23, for illustration purposes only.*

On behalf of the Board  
**Chow Ting Hsing, Raymond**  
*Chairman*

Hong Kong, 21 October 2004

**List of all Directors of the Company as of the date of this Notice:–**

*Executive Directors:*

Mr. Chow Ting Hsing, Raymond  
Mr. Phoon Chiong Kit  
Mr. Chu Siu Tsun, Stephen  
Mr. Chan Sik Hong, David  
Mrs. Chin Chow Chung Hang, Roberta

*Non-executive Director:*

Mr. Kronfeld, Eric Norman

*Independent non-executive Directors:*

Mr. Lin, Frank  
Mr. Ma Kah Woh, Paul  
Prince Yukol, Chatrichalerm