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Golden Harvest

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

PROPOSED CAPITAL REORGANISATION INVOLVING REDUCTION OF SHARE PREMIUM, CONSOLIDATION OF SHARE CAPITAL AND CHANGE IN BOARD LOT SIZE

The Board announces that the Company proposes to effect the Capital Reorganisation which involves:

- (a) a reduction of the Company's share premium account by an amount of HK\$500,000,000 which will be transferred to the contributed surplus account; and
- (b) a consolidation of every ten (10) Shares of HK\$0.10 each in both the issued and unissued share capital of the Company into one (1) Consolidated Share of HK\$1.00.

The amount of HK\$500,000,000 transferred as aforesaid will increase the balance standing to the credit of the contributed surplus account of the Company from approximately HK\$192,000,000 to approximately HK\$692,000,000 (based on the management accounts of the Company). An amount equal to approximately HK\$420,000,000 in the Company's contributed surplus account will then be applied to set off the Company's accumulated deficit of approximately HK\$420,000,000 as at 28 February 2007.

Currently, the Shares are traded on the Stock Exchange in board lot size of 2,000 Shares. The Board also proposes that subject to and upon the Share Consolidation becoming effective, the board lot size be changed from 2,000 Shares to 1,000 Consolidated Shares.

The Share Premium Reduction and the Share Consolidation are subject to the approval of the Shareholders at a general meeting and the fulfillment of the respective conditions stated in the section headed "Conditions of the Capital Reorganisation" below. The Board Lot Change is conditional upon the Share Consolidation becoming effective.

A Circular containing further details of the Capital Reorganisation, the Board Lot Change and a notice convening a special general meeting to be held for approving the Capital Reorganisation will be despatched to the Shareholders as soon as practicable. Prior to the despatch of the Circular, the Company will issue an announcement containing further details on the expected timetable for the implementation of the Capital Reorganisation.

CAPITAL REORGANISATION

The Company proposes to effect the Capital Reorganisation in the following manner:

- (a) the share premium of the Company will be reduced by an amount of HK\$500,000,000; and
- (b) every ten (10) Shares of HK\$0.10 each in both the issued and unissued share capital of the Company be consolidated into one (1) Consolidated Share of HK\$1.00.

Share Premium Reduction

The Share Premium Reduction will be effected by transferring an amount of HK\$500,000,000 in the share premium account of the Company to the contributed surplus account of the Company. As at 28 February 2007, based on the management accounts of the Company, approximately HK\$192,000,000 stood to the credit of the contributed surplus account of the Company. Subject to the Share Premium Reduction being effected, the contributed surplus of the Company will be increased to approximately HK\$692,000,000. An amount equal to approximately HK\$420,000,000 in the contributed surplus account will then be applied to set off the Company's accumulated deficit of approximately HK\$420,000,000 as at 28 February 2007. Save as mentioned above, the Directors do not intend to apply the credit arising from the Share Premium Reduction for any other purposes.

The Share Premium Reduction will be subject to, inter alia, the passing of a special resolution by the Shareholders at the SGM as set out in the paragraph "Conditions of the Capital Reorganisation" below.

Share Consolidation

As at the date of this announcement, the authorised share capital of the Company is HK\$600,000,000 divided into 6,000,000,000 Shares of HK\$0.10 each, of which 1,315,645,375 Shares have been issued and are fully paid. Options granted by the Company pursuant to the Share Option Schemes entitling the holders to subscribe for up to 44,650,000 Shares are currently outstanding. Other than the options granted under the Share Option Schemes, the Series I Convertible Note and the Series II Convertible Notes, the Company had no outstanding subscription options, warrants or derivatives as at the date of this announcement.

Upon the Share Consolidation becoming effective, the authorised share capital of the Company will be HK\$600,000,000 divided into 600,000,000 Consolidated Shares of HK\$1.00 each, of which not less than 131,564,537 Consolidated Shares will be in issue and fully paid, which figure will be adjusted for any Shares issued between the date of this announcement and the date on which the Share Consolidation becomes effective.

The Consolidated Shares will rank *pari passu* in all respects with each other. Fractions of Consolidated Shares arising from and upon the Share Consolidation to which the Shareholders are otherwise entitled will not be issued to them but will be aggregated and sold (less expenses) for the benefit of the Company.

The relevant exercise prices/conversion prices applicable to all outstanding options granted under the Share Option Schemes and underlying shares comprised in such options, the Series I Convertible Note and the Series II Convertible Notes will be adjusted as a result of the Share Consolidation in accordance with the rules of the Share Option Schemes and convertible notes, respectively. Further details will be contained in the Circular and the relevant subsequent announcement(s).

The Share Consolidation will be subject to, inter alia, the passing of an ordinary resolution by the Shareholders at the SGM as set out in the paragraph "Conditions of the Capital Reorganisation" below.

CONDITIONS OF THE CAPITAL REORGANISATION

The Share Premium Reduction is conditional on:

- (a) the passing by the Shareholders at the SGM of a special resolution approving the Share Premium Reduction;
- (b) the publication of a notice of the Share Premium Reduction in Bermuda in accordance with section 46(2)(a) of the Companies Act 1981 of Bermuda; and
- (c) the Directors confirming on the date on which the Share Premium Reduction takes effect, that there are no reasonable grounds for believing that the Company is, or after the Share Premium Reduction would be, unable to pay its liabilities as they fall due.

The Share Consolidation is conditional on:

- (a) the passing by the Shareholders at the SGM of an ordinary resolution approving the Share Consolidation; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares.

The Share Premium Reduction and the Share Consolidation are not inter-conditional on each other.

EFFECTS OF THE CAPITAL REORGANISATION

Other than the expenses incurred or to be incurred for the Capital Reorganisation which is expected to be less than HK\$1,000,000, the Capital Reorganisation will not of itself alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, save for the de minimis impact arising from the treatment of fractional entitlements resulting from the Share Consolidation mentioned above.

Based on the management accounts of the Company, the amounts standing to the credit of the share premium account and contributed surplus account of the Company as at 28 February 2007 were approximately HK\$636,000,000 and HK\$192,000,000 respectively; and the accumulated deficit of the Company as at 28 February 2007 was approximately HK\$420,000,000. As a result of the Share Premium Reduction, such balances standing to the credit of the share premium account and contributed surplus account will become approximately HK\$136,000,000 and HK\$272,000,000 respectively, whereas the accumulated deficit will be eliminated in full.

REASONS FOR THE CAPITAL REORGANISATION

Pursuant to the Bye-Laws of the Company, no dividend shall be paid or distributed out of contributed surplus if the realizable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium accounts. The Directors also consider that it would be inappropriate for the Company to pay dividends while the Group has accumulated deficits. The Share Premium Reduction will allow the Company to eliminate the deficit of the Company and the Group and bring the Company to a position that might permit the payment of dividends if and when the Company's financial position allows and the Directors consider appropriate in the future, although there is no guarantee that a dividend will be declared or paid upon the Capital Reorganisation becoming effective or at any time in the future as this will depend on many different factors.

The Share Consolidation will increase the nominal value of the Shares of the Company, the value of each such Share and the trading price per board lot.

The Directors believe that the Capital Reorganisation is in the best interest of the Company and the Shareholders.

ARRANGEMENTS FOR ODD LOTS

In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares as a result of the Share Consolidation, the Company will, commencing from the effective date of the Share Consolidation, provide a “matching service” to the Shareholders who wish to top-up or sell their holdings of odd lots. Further information in this regard will be set out in the Circular and the relevant subsequent announcement.

CERTIFICATE FOR THE CONSOLIDATED SHARES

Arrangements will also be made so that subject to the Share Consolidation becoming effective, the Shareholders can submit their existing certificates for Shares in exchange for new certificates for Consolidated Shares free of charge during a certain period after the Share Consolidation has become effective. After the expiry of such period, existing certificates for Shares will be accepted for exchange only on payment of a fee. Existing certificates for Shares will cease to be good for delivery but will continue to be good evidence of legal title to the Consolidated Shares. Details of such exchange arrangements will be set out in the Circular and the relevant subsequent announcement.

BOARD LOT CHANGE

Currently, the Shares are traded on the Stock Exchange in board lot size of 2,000 Shares. The Board also proposes that subject to and upon the Share Consolidation becoming effective, the board lot size be changed from 2,000 Shares to 1,000 Consolidated Shares.

GENERAL

Application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares.

Shareholders are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser if they are in doubt about any of the above matters.

The Circular containing further details of the Capital Reorganisation (including a detailed timetable and trading arrangements), the Board Lot Change and a notice convening the SGM to approve the Capital Reorganisation will be despatched to the Shareholders as soon as practicable. Prior to the despatch of the Circular, the Company will issue an announcement containing further details on the expected timetable for the implementation of the Capital Reorganisation.

DEFINED TERMS IN THIS ANNOUNCEMENT

“Board”	the board of Directors
“Board Lot Change”	the change of the board lot size from 2,000 Shares to 1,000 Consolidated Shares upon the Share Consolidation becoming effective
“Capital Reorganisation”	the proposed Share Premium Reduction and Share Consolidation of the Company as referred to in the section headed “Capital Reorganisation” above
“Company”	Golden Harvest Entertainment (Holdings) Limited, a company incorporated in Bermuda with limited liability with its shares listed on the Main Board of the Stock Exchange
“Consolidated Share(s)”	new ordinary share(s) of HK\$1.00 each in the share capital of the Company following the Share Consolidation

“Circular”	the circular containing further details of the Capital Reorganisation, the Board Lot Change and a notice convening the SGM, to be despatched to the Shareholders as soon as practicable
“Directors”	the directors of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SGM”	the special general meeting of the Company to be held to consider and, if appropriate, approve the Capital Reorganisation
“Series I Convertible Note”	the 4% convertible note in an amount of HK\$20,000,000 issued by the Company to See Corporation Limited in May 2006
“Series II Convertible Notes”	the 4% convertible notes in an aggregate amount of HK\$100,000,000 issued to Quick Target Limited, Pleasant Villa Investments Limited, Garex Resources Limited and Typhoon Music (PRC) Limited in August 2006
“Share(s)”	existing ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Consolidation”	the proposed consolidation of every ten (10) Shares of HK\$0.10 each in both the issued and unissued share capital of the Company into one (1) Consolidated Share of HK\$1.00 as referred to in the paragraph headed “Share Consolidation” in the section headed “Capital Reorganisation” above
“Share Premium Reduction”	the proposed reduction of the Company’s share premium account by an amount of HK\$500,000,000 as referred to in the paragraph headed “Share Premium Reduction” in the section headed “Capital Reorganisation” above
“Share Option Schemes”	the share option schemes of the Company adopted on 2 November 1994 and 28 November 2001
“Shareholders”	the holders of Shares or Consolidated Shares as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
Raymond Chow Ting Hsing
Chairman

Hong Kong, 21 March 2007

As at the date of this announcement, the Directors are:

Executive Directors:

Mr. Raymond Chow Ting Hsing
Mr. Phoon Chiong Kit
Mr. David Chan Sik Hong
Mrs. Roberta Chin Chow Chung Hang
Mr. Lau Pak Keung
(also alternate to Mr. Phoon Chiong Kit)

Non-executive Director:

Mr. Eric Norman Kronfeld

Independent non-executive Directors:

Mr. Paul Ma Kah Woh
Mr. Frank Lin
Mr. George Huang Shao-Hua
Prince Chatrichalerm Yukol