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Golden Harvest Entertainment (Holdings) Limited
嘉禾娛樂事業(集團)有限公司
(Incorporated in Bermuda with limited liability)
(Stock code : 1132)

MAJOR AND CONNECTED TRANSACTION

Financial adviser to Golden Harvest Entertainment (Holdings) Limited



MAJOR AND CONNECTED TRANSACTION

The Purchaser, a wholly-owned subsidiary of the Company, has conditionally agreed to acquire from the Vendors the Transferred Assets for an aggregate consideration of up to RMB80 million (equivalent to approximately HK\$90.2 million), subject to adjustment. The Acquisition Consideration will be partly satisfied by cash of RMB32 million (equivalent to approximately HK\$36.1 million) and the issue of the first tranche of Convertible Notes to CT of RMB8 million (equivalent to approximately HK\$9.0 million), upon Completion and the remaining of up to RMB40 million (equivalent to approximately HK\$45.1 million) will be satisfied by the issue of the second tranche of Convertible Notes to CT in accordance with the Deferred Consideration Arrangement.

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. The Vendors are Mr. Wu, Ms. Wu and CT, who are connected persons of the Company under the Listing Rules by virtue of being either a substantial Shareholder or a Director. Accordingly, the Acquisition also constitutes a connected transaction for the Company. The Agreement, including the issue of the Convertible Notes and the Conversion Shares, is subject to the reporting, announcement and independent shareholders' approval requirements under

Chapters 14 and 14A of the Listing Rules. The Vendors and their respective associates are required to abstain from voting on the relevant resolution approving the Agreement and the transactions contemplated thereunder, including the issue of the Convertible Notes and the Conversion Shares at the SGM.

An Independent Board Committee will be established to advise the Independent Shareholders in respect of the Agreement, including the issue of the Convertible Notes and the Conversion Shares. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. A circular containing, among other things, details of the Acquisition, a letter from the independent financial adviser, a letter from the Independent Board Committee, an accountants' report on the Transferred Assets and a notice to convene the SGM will be despatched to the Shareholders as soon as practicable.

INTRODUCTION

The Purchaser, a wholly-owned subsidiary of the Company, has conditionally agreed to acquire from the Vendors the Transferred Assets for an aggregate consideration of up to RMB80 million (equivalent to approximately HK\$90.2 million), subject to adjustment. The Acquisition Consideration will be partly satisfied by cash of RMB32 million (equivalent to approximately HK\$36.1 million) and the first tranche of Convertible Notes to CT of RMB8 million (equivalent to approximately HK\$9.0 million) upon Completion and the remaining of up to RMB40 million (equivalent to approximately HK\$45.1 million) will be satisfied by the issue of the second tranche of Convertible Notes to CT in accordance with the Deferred Consideration Arrangement.

THE AGREEMENT

Date: 15 June 2009

Parties

- (i) Purchaser: Golden Harvest Motion Pictures Company Limited, a wholly-owned subsidiary of the Company
- (ii) Vendors: Mr. Wu, Ms. Wu and CT

Assets to be acquired

The Purchaser has conditionally agreed to acquire the entire equity interest of Chengtian Zhihong and the CT Contracts from the Vendors. In addition, each of Mr.

Wu and CT has undertaken to conduct Reorganisation which includes (i) procure the Bohong Advertisements Contracts to be assigned or novated (as the case may be) to Chengtian Zhihong; and (ii) procure Zhihong Technology Contracts to be assigned or novated (as the case may be) to Chengtian Zhihong, on or prior to Completion.

Information on the Transferred Assets

Upon completion of the Reorganisation, which is for reorganising and centralising the films and television programmes related business of CT and is a condition precedent to the Agreement, the Transferred Assets will comprise the entire equity interest in Chengtian Zhihong, the CT Contracts, the Bohong Advertisements Contracts and the Zhihong Technology Contracts.

Chengtian Zhihong was established on 9 June 2004 under the laws of the PRC and commenced business in 2005 with a registered capital of RMB3 million. As at the date of this announcement, Mr. Wu is the legal holder of 90% and the Transferors (as defined below) are the legal holders of 10% equity interest in Chengtian Zhihong and CT is the beneficial owner of the entire equity interest in Chengtian Zhihong. As at the date of this announcement, Mr. Wu has entered into an equity transfer agreement with one of the Transferors in respect of the transfer of 5% of the equity interest held by such Transferor in Chengtian Zhihong to Mr. Wu. The parties are in the process of handling the relevant procedures with the PRC regulatory authorities. Similarly, Ms. Wu has entered into an equity transfer agreement with one of the Transferors in respect of the transfer of 5% of the equity interest held by such Transferor in Chengtian Zhihong to Ms. Wu. The parties are in the process of handling the relevant procedures with the PRC regulatory authorities.

CT is owned as to 80% by Mr. Wu and 20% by Avex, a company listed on Tokyo Stock Exchange First Section, which is engaged in the communication and content creation business in Japan and overseas. Mr. Wu is the Chairman, an executive director and the controlling shareholder of the Company. Chengtian Zhihong principally engages in the investment, production (either by itself or through cooperation with other entities and foreign producers), distribution and marketing of Chinese-language films and television programmes in the PRC. Major involvement in film business by Chengtian Zhihong in recent years includes, “Red Cliff” (“赤壁”) and “Warlords” (“投名狀”), which cast international artists including Jet Lee, Andy Lau, Tony Leung and Takeshi Kaneshiro. Chengtian Zhihong also produced a number of television series including “Make Sure Be Happy” (“你一定要幸福”), “Stage Sisters” (“舞台姐妹”) and “Bald Beautiful Woman” (“光頭美女”). Films and television programmes produced by Chengtian Zhihong are screened and broadcasted in the PRC and other major cities in Asia.

Bohong Advertisements, Zhihong Technology and Chengtian Zhihong are beneficially wholly owned by CT. Bohong Advertisements is principally engaged in the marketing and advertising services including films and television programmes related advertisements. The business activities of Zhihong Technology are pre-production and investment in films and television programmes.

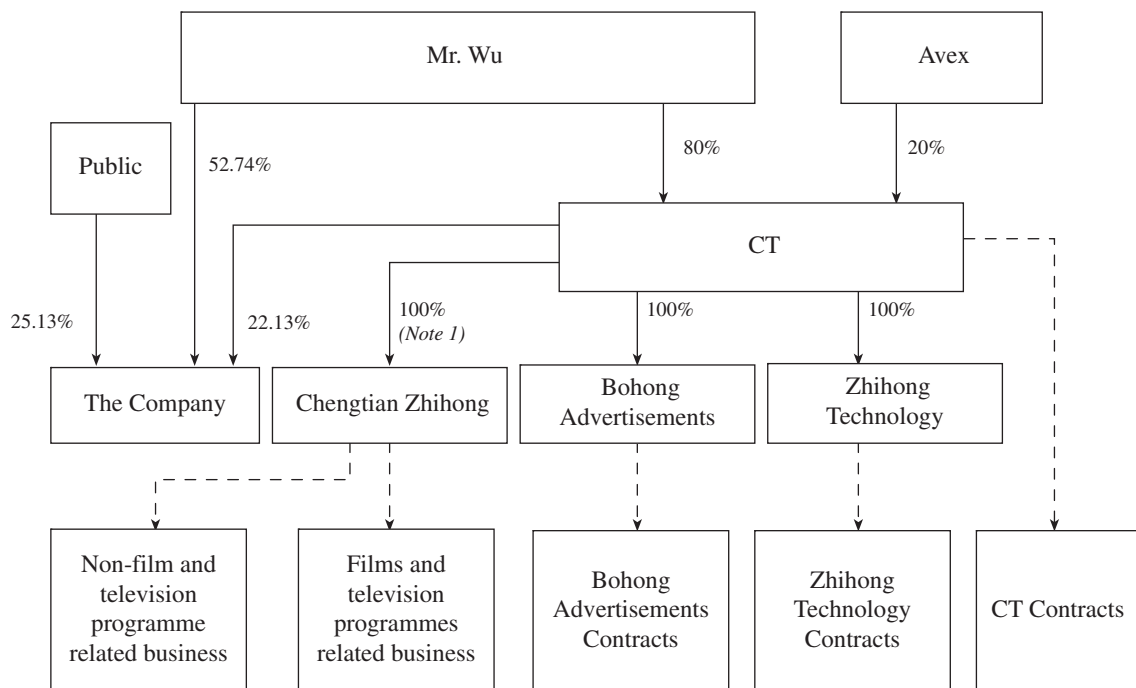
Reorganisation

Pursuant to the Reorganisation, the films and television programmes related business of CT, through its subsidiaries or companies controlled by it (collectively, the “CT Group”) will be reorganised and centralised under Chengtian Zhihong, while all the non-film and television programme related business of Chengtian Zhihong will be regrouped and transferred back to CT Group. Accordingly each of Mr. Wu and CT has undertaken to the Purchaser to procure, on or prior to Completion, (i) Bohong Advertisements to novate or assign (as the case may be) the Bohong Advertisements Contracts to Chengtian Zhihong; and (ii) Zhihong Technology to novate or assign (as the case may be) the Zhihong Technology Contracts to Chengtian Zhihong.

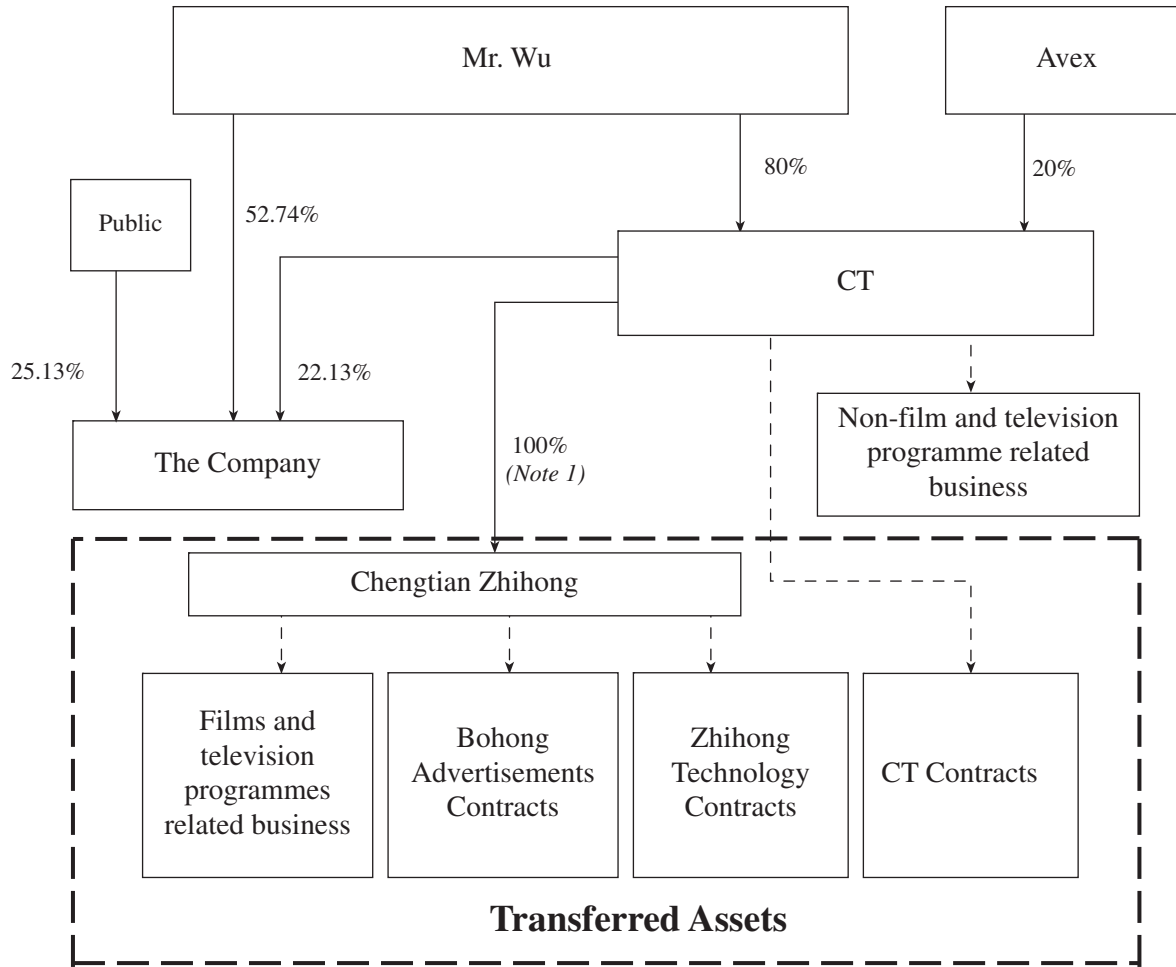
After completion of the Reorganisation and the Acquisition, the Restructured Group will principally be engaged in investment, production and worldwide distribution of films and videos, film exhibition in Hong Kong, the PRC, Taiwan and Singapore, provision of films and television programmes related advertising and consultancy services.

Set out below is the simplified shareholding structure of the Transferred Assets before and after the Acquisition:

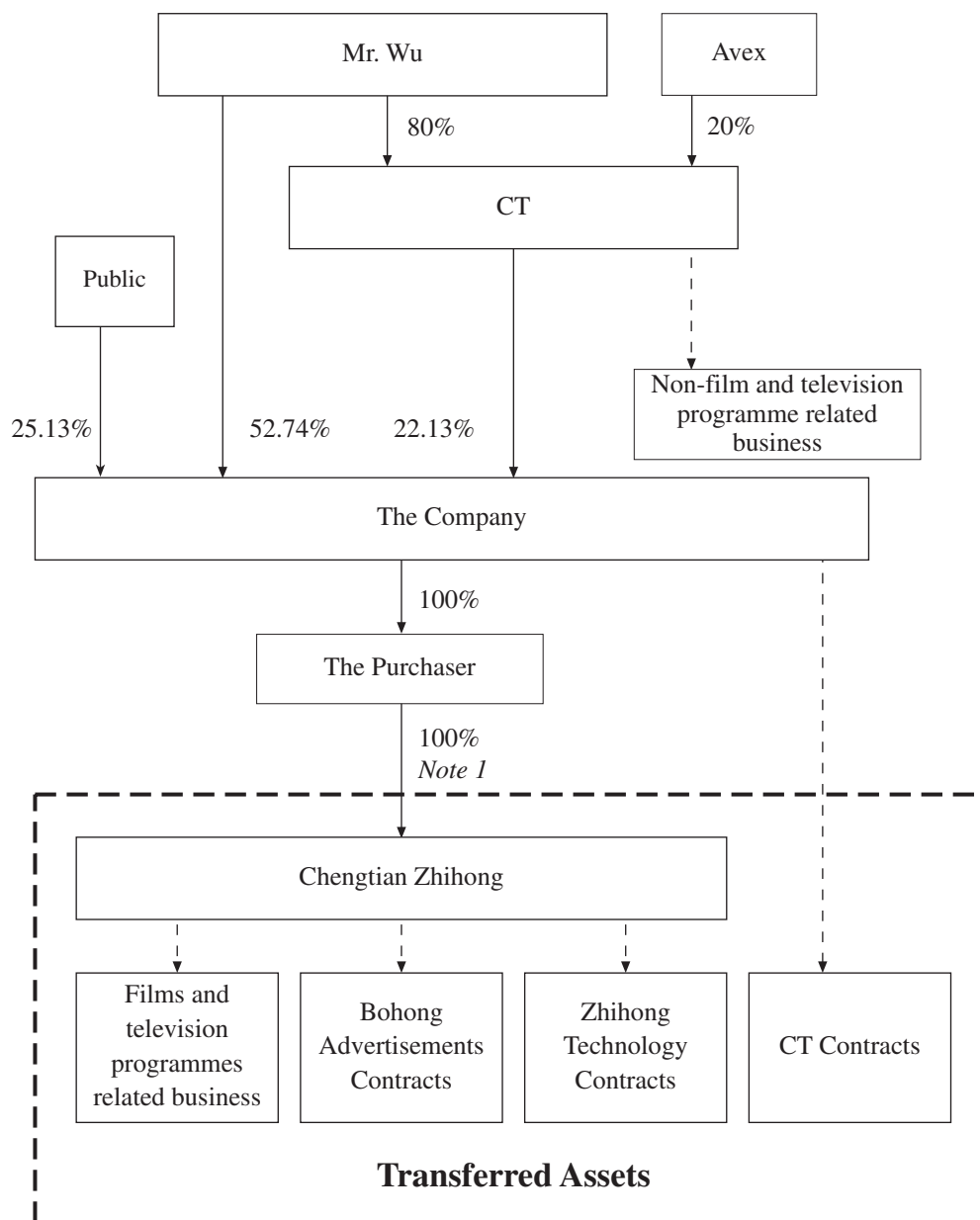
(i) Immediately before the Reorganisation



(ii) *Immediately after the Reorganisation but before the Completion*



(iii) *Immediately after the Completion of the Acquisition but before any exercise of the Convertible Notes*



Note 1: As at the date of this announcement, Mr. Wu is the legal holder of 90% equity interest in Chengtian Zhihong and two other PRC nationals (“Transferors” and “Transferor” means either of them) are the legal holders of the remaining 10% equity interest; and CT is the beneficial owner of the entire equity interest in Chengtian Zhihong. Mr. Wu has entered into an equity transfer agreement with one of the Transferors in respect of the transfer of 5% of the equity interest held by such Transferor in Chengtian Zhihong to Mr. Wu. The parties are in the process of handling the relevant procedures with the PRC regulatory authorities. Similarly, Ms. Wu has entered into an equity transfer agreement with one of the Transferors in respect of the transfer of 5% of the equity interest held by such Transferor in Chengtian Zhihong to Ms. Wu. The parties are in the process of handling the relevant procedures with

the PRC regulatory authorities. Mr. Wu and Ms. Wu have undertaken to the Purchaser to execute the Contractual Arrangements (as defined below) on Completion. Mr. Wu and Ms. Wu have undertaken to the Purchaser to procure the Transferors to transfer 5% equity interest in Chengtian Zhihong to Mr. Wu and 5% equity interest in Chengtian Zhihong to Ms. Wu prior to Completion.

The Transferred Assets have an unaudited net asset value of approximately RMB38 million as at 31 December 2008, and the unaudited combined profits for each of the two years ended 31 December 2008 were as follows:

	Financial year ended 31 December	
	2007	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Profit from operations and before taxation	25,035	4,970
Profit for the year	19,002	4,970

Following Completion, the accounts of the Transferred Assets will be fully consolidated into the consolidated financial statements of the Group through the Contractual Arrangements.

The investment cost of the Vendors in the Transferred Assets was amounted to RMB16.5 million as at 31 December 2008.

Contractual arrangements regarding the equity interests in Chengtian Zhihong

PRC regulations currently have certain restrictions on the foreign ownership of companies involved in certain businesses or operational areas of the film and television industry. Upon Completion, the Group does not have direct equity interest in Chengtian Zhihong which was established under the law of the PRC and continued to be wholly-owned by PRC citizens (i.e. Mr. Wu and Ms. Wu). The Group's effective management, control and beneficial interest in Chengtian Zhihong will be protected through the following contractual arrangements.

Mr. Wu and Ms. Wu have undertaken, and CT shall procure Mr. Wu and Ms. Wu, to execute (i) the equity pledge agreement in respect of the equity interest in Chengtian Zhihong in favour of a wholly foreign owned enterprise of the Group on terms satisfactory to the Purchaser; (ii) the exclusive option agreement in respect of the equity interest in Chengtian Zhihong in favour of a wholly foreign owned enterprise of the Group whereby an exclusive option will be granted to a wholly foreign owned enterprise of the Group to acquire the equity interest in Chengtian Zhihong at

nominal consideration in accordance with the applicable laws and on terms satisfactory to the Purchaser; and (iii) a proxy agreement in favour of a wholly foreign owned enterprise of the Group on terms satisfactory to the Purchaser (collectively, “the Contractual Arrangements”).

As part of the Completion obligation as set out in the Agreement, the Vendors have to deliver on or prior to Completion a PRC legal opinion in a form satisfactory to the Purchaser, in relation to, among other things, the legality and enforceability of the Contractual Arrangements. Further details of the Contractual Arrangements and the associated risks relating to such arrangements will be set out in the circular of the Company.

Non-compete undertakings

Subject to Completion, each of Mr. Wu and CT undertakes to and for the benefit of the Purchaser that, save and except through their respective interests in the Company and Chengtian Zhihong, they will not and shall use their best endeavors to ensure that they will not, whether as principal or agent and whether undertaken directly or indirectly (including through any affiliate, body corporate, partnership, joint venture or other contractual arrangement), carry on, engage in or make any investment, whether for profit, reward or otherwise, in any business relating to the Restricted Business. Such undertakings shall survive and remain in full force and effect from Completion. For the purposes of Mr. Wu, such undertakings shall survive and remain in full force and effect for so long as Mr. Wu directly and/or indirectly holds 30% or more of the total issued share capital of the Company. For the purposes of CT, such undertaking shall survive and remain in full force and effect for so long as CT, directly and /or indirectly holds 10% or more of the shareholding interest in the Company or is controlled by Mr. Wu.

Acquisition Consideration

The maximum aggregate Acquisition Consideration is up to RMB80 million (equivalent to approximately HK\$90.2 million) which will be partly satisfied by cash of RMB32 million (equivalent to approximately HK\$36.1 million) funded by the internal resources of the Group and by the issue of the first tranche of the Convertible Notes by the Company to CT of RMB8 million (equivalent to approximately HK\$9.0 million) upon Completion and the remaining of up to RMB40 million (equivalent to approximately HK\$45.1 million) will be satisfied by the issue of the second tranche Convertible Notes by the Company to CT in accordance with the Deferred Consideration Arrangement set out below:

- (i) RMB40 million (equivalent to approximately HK\$45.1 million) shall be paid to CT or such other entities as designated by CT, of which RMB32 million

(equivalent to approximately HK\$36.1 million) will be in cash within one Business Day (after deducting the costs arising out of or in connection with the preparation, negotiation and implementation of the Agreement that needs to be borne by CT), from the Completion Date or such other time as agreed to by the Purchaser and CT in writing and RMB8 million (equivalent to approximately HK\$9.0 million) by way of issuing the first tranche Convertible Notes within five Business Days from the Completion Date; and

- (ii) Up to RMB40 million (equivalent to approximately HK\$45.1 million) shall be paid to CT by way of issuing the second tranche Convertible Notes in accordance with the Deferred Consideration Arrangement.

The Acquisition Consideration was determined after arms' length negotiation between the Company and the Vendors after taking into consideration the financial position of the Transferred Assets; the prospects of the films and television programmes related business in the PRC; and the Guaranteed Profit. The Directors, excluding the independent non-executive Directors, consider that the Acquisition Consideration is fair and reasonable.

Deferred Consideration Arrangement

Pursuant to the Agreement, CT has undertaken to the Purchaser that the consolidated profit after taxation and minority interests (but excluding any extraordinary or exceptional or non-recurring items, e.g. any gain or loss arising due to acquisition and disposal of assets/shares; any event or transaction that is outside its ordinary course of business and any tax arising as a result of such items) of or derived from the Transferred Assets for the Guaranteed Period prepared and presented in accordance with the HKFRS shall not be less than RMB20 million (equivalent to approximately HK\$22.6 million).

- (i) In the event that the Aggregate Net Profits for 2009 and 2010 are equal to or more than the Guaranteed Profit of RMB20 million, a sum equal to RMB40 million (equivalent to approximately HK\$45.1 million) shall be payable by the Purchaser to CT by procuring the Company to issue the Convertible Notes within 15 Business Days from 30 April 2011.
- (ii) In the event that the Aggregate Net Profits for 2009 and 2010 are positive but less than the Guaranteed Profit of RMB20 million, a sum equal to the Aggregate Net Profits multiplied by a factor of two shall be payable by the Purchaser to CT by procuring the Company to issue the Convertible Notes within 15 Business Days from 30 April 2011. No amount shall be payable by the Purchaser where the Aggregate Net Profits are equal to or less than zero.

Convertible Notes

The principal terms of the Convertible Notes to be issued by the Company will be as follows:-

Principal amount: The Convertible Notes will be issued in two tranches with the maximum principal amount of approximately HK\$54.1 million (equivalent to RMB48 million). The Convertible Notes are denominated in HK\$. The HK\$ equivalent of the Convertible Notes are calculated based on the exchange rate of RMB to HK\$ at the rate of RMB1: HK\$1.128.

Maturity date: Unless previously converted, the outstanding principal amount of the Convertible Notes will be repaid by the Company on 31 December 2015.

Coupon: Nil

Conversion: The whole or any part (in authorised denominations) of the outstanding principal amount of Convertible Notes are convertible from time to time and at any time over the term of the Convertible Notes at a conversion price of HK\$3.38 per Share (subject to adjustment).

The conversion price of the Convertible Notes is subject to adjustment provisions standard for convertible securities of similar type. Adjustment events will include changes in the share capital of the Company, such as consolidation or sub-division of shares, capitalisation of profits or reserves, capital distributions in cash or specie, or subsequent issue of securities in the Company at a discount to market.

The holder of the Convertible Notes undertakes to the Company that it will not exercise its conversion rights to convert the Convertible Notes into Conversion Shares in such a way that it will render the Company being not able to comply with the requirements on public float of the Listing Rules.

Redemption: To the extent not previously converted, the Company shall redeem the Convertible Notes in cash at 100% of the outstanding principal amount on 31 December 2015.

- Listing:* No application will be made for the listing of the Convertible Notes on any stock exchange. Application will be made for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.
- Ranking of the Convertible Notes* The Convertible Notes constitute (subject to the terms and conditions of the Convertible Notes) unsecured obligations of the Company and ranking pari passu with other unsecured obligation of the Company.
- Conversion Shares:* On the basis of the principal amount of HK\$54.1 million and the initial conversion price of HK\$3.38 per Share, a total of 16,018,934 Conversion Shares will be issued upon full conversion of the Convertible Notes. The Conversion Shares shall upon issue rank pari passu in all respects with the then issued Shares.
- Transferability:* The Convertible Notes will not be assignable or transferable which is not a subsidiary or holding company of the holders of the Convertible Notes except with the prior written consent of the Company. The Convertible Notes may not be assigned or transferred to a connected person of the Company without the prior written consent of the Company. Save as aforesaid, there is no other restriction applicable to the subsequent sale of the Convertible Notes and the Conversion Shares.

The initial conversion price of the Convertible Notes of HK\$3.38 per Share has been determined after arms' length negotiation between the Purchaser and the Vendors with reference to the recent daily closing price of the Shares.

The initial conversion price of HK\$3.38 per Share:

- (i) a premium of approximately 12.667% over the closing price of HK\$3.0 per Share as quoted on the Stock Exchange on 15 June 2009, being the last trading day immediately prior to the release of this announcement;
- (ii) a premium of approximately 11.331% over the average closing price of HK\$3.036 per Share as quoted on the Stock Exchange over the last 10 trading days up to and including 15 June 2009;
- (iii) a premium of approximately 8.787% over the average closing price of HK\$3.107 per Share as quoted on the Stock Exchange over the last 30 trading days up to and including 15 June 2009;

- (iv) a premium of approximately 4.969% over the average closing price of HK\$3.220 per Share as quoted on the Stock Exchange since the Company resumed trading on 14 April 2009 up to and including 15 June 2009;
- (v) a premium of approximately 2.238% over the audited consolidated net tangible assets value (excluding minority interest) of the Group of HK\$3.306 per Share as at 30 June 2008; and
- (vi) a premium of approximately 0.118% over the unaudited consolidated net tangible assets value (excluding minority interest) of the Group of HK\$3.376 per Share as at 31 December 2008.

The Acquisition Consideration was determined after taking into account, among other things, that (i) the Convertible Notes is zero coupon, has no premium on redemption, no put option, no re-set provision and a conversion price (subject to adjustment) which reflects a premium over recent market prices and approximately equal to the latest unaudited consolidated net tangible asset value of about HK\$3.376 per Share as at 31 December 2008; and (ii) that there is no immediate dilution effect on the shareholding interests of the Independent Shareholders.

Conditions of the Agreement

The Agreement is subject to and conditional upon the fulfillment of, inter alia, the following conditions precedent on or before the Long Stop Date:

- (i) completion of satisfactory legal, financial and business due diligence in respect of the Transferred Assets by the Purchaser;
- (ii) the obtaining of all consents which are necessary or desirable for the implementation of the transactions contemplated by the parties under the Agreement, including without limitation, approval of the Shareholders, if required, in relation to the Agreement and the transactions contemplated thereunder and any other approvals or notifications required pursuant to the requirements of the Listing Rules, including the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in the Conversion Shares to be issued pursuant to the conversion of the Convertible Notes;
- (iii) all consents, in form and substance reasonably satisfactory to the Purchaser, to the performance by the Vendors of their obligations under the Agreement as are required under any law and regulation or arrangement (contractual or otherwise) having been obtained and remaining in full force and effect;
- (iv) none of the warranties and representations being found to be, or no event occurring or matter arising which may render or renders any of the warranties and representations, untrue or inaccurate or misleading on and as at the Completion Date; and

(v) completion of Reorganisation, to the reasonable satisfaction of the Purchaser.

The Purchaser may at its absolute discretion waive in writing the conditions mentioned above (other than condition ii above). If any of the above conditions shall not have been fulfilled in full (or, where applicable, waived by the Purchaser in writing) on or before the Long Stop Date, then the Agreement shall lapse and no party shall make any claim against the other in respect hereof, save for any antecedent breach.

Completion

Completion is to take place after five Business Days after fulfillment (or, where applicable, waived by the Purchaser in writing) of the conditions referred to above.

Effect on the shareholding structure of the Company

The following is a summary of the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after full conversion of the first tranche of the Convertible Notes to be issued upon Completion; and (iii) immediately after full conversion of the maximum issued amounts of Convertible Notes (assuming no other changes in shareholding before then):

Shareholders	As at the date of this announcement		After full conversion of the first tranche of Convertible Notes issue upon Completion		Immediately after full conversion of the maximum issued amounts of Convertible Notes	
	No. of Shares	Approximate percentage (%)	No. of Shares	Approximate percentage (%)	No. of Shares	Approximate percentage (%)
CT	40,553,060	22.13%	43,222,882	23.24%	56,571,994	28.38%
Mr. Wu (<i>Note 1</i>)	<u>96,670,412</u>	<u>52.74%</u>	<u>96,670,412</u>	<u>51.99%</u>	<u>96,670,412</u>	<u>48.51%</u>
CT and Mr. Wu	137,223,472	74.87%	139,893,294	75.23%	153,242,406	76.89%
Public Shareholders	<u>46,050,518</u>	<u>25.13%</u>	<u>46,050,518</u>	<u>24.77%</u>	<u>46,050,518</u>	<u>23.11%</u>
Total:	<u>183,273,990</u>	<u>100%</u>	<u>185,943,812</u>	<u>100%</u>	<u>199,292,924</u>	<u>100%</u>

Note:

- Mr. Wu through his 100% beneficial holding in Skyera International Limited, Mainway Enterprises Limited and Cyber International Limited holds 96,670,412 Shares. Of these Shares, (a) 37,798,813 Shares were held by Skyera International Limited; (b) 40,871,599 Shares were held by Mainway Enterprises Limited; and (c) 18,000,000 Shares were held by Cyber International Limited.

Conversion of the Convertible Notes may result in the Company failing to meet the minimum public float requirement as prescribed under Rule 8.08 of the Listing Rules. According to the terms of the Convertible Notes, CT will only be able to exercise the conversion rights as to such number of Shares if, upon conversion, the percentage of the Shares held by the public will still meet the minimum public float requirement under Rule 8.08 of the Listing Rules. A total of 16,018,934 Conversion Shares to be issued upon full conversion of the maximum issued amounts of Convertible Notes represents approximately 8.74% of the existing share capital of the Company and approximately 8.04% of the share capital of the Company as enlarged by the Conversion Shares.

INFORMATION ON THE COMPANY AND CT

The Group is principally engaged in worldwide film and video distribution, film exhibition in Hong Kong, the PRC, Taiwan and Singapore.

CT was incorporated in the British Virgin Islands with limited liability and was founded by Mr. Wu in 2004. CT is principally engaged in films and television programmes and production, music and musical production, artist management and advertising businesses in the PRC. CT is owned as to 80% by Mr. Wu and 20% by Avex, a company listed on Tokyo Stock Exchange First Section, which engages in communication and content creation business in both Japan and overseas.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition will provide an opportunity for the Group to expand its entertainment business in the PRC in accordance with its strategy to redeploy resources to grow and strengthen its presence in the PRC. The Group currently operates cinema and digital screen/in-theatre advertising business in Shenzhen, the PRC and is actively expanding the film exhibition business in other cities of the PRC. The Board thus believes the Acquisition will further develop the Group's business network and capabilities in the PRC, which cover not just developing and distributing Chinese-language contents, but also understanding the local customers' tastes and marketing the Group's offerings to their needs. The Group can leverage, upon Completion, on Chengtian Zhihong's operation platform which covers the areas of film and media production, film distribution and advertising service businesses to grow the Group's market in the PRC.

The Directors (excluding the independent non-executive Directors) are of the view that the transactions contemplated under the Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole. The independent non-executive Directors have reserved their position pending advice from an independent financial adviser to be appointed by the Company. The view of the independent non-executive Directors on the terms of the Agreement will be set out in the circular to be sent to the Shareholders in relation to the Acquisition.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Both Mr. Wu, the Chairman and executive director of the Company, and CT are substantial shareholders of the Company, and Ms. Wu is an alternate Director to Mr. Wu. Accordingly, the Acquisition constitutes a connected transaction for the Company. The Agreement, including the issue of the Convertible Notes and the Conversion Shares, is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

GENERAL

The SGM will be convened by the Company at which resolutions will be proposed to seek approval of, among other things, the Agreement and the transactions contemplated thereunder, including the issue of the Convertible Notes and the Conversion Shares. At such meeting, the votes of the Independent Shareholders in relation to the Agreement, including the issue of the Convertible Notes and the Conversion Shares will be taken by poll on which the Vendors and their respective associates will abstain from voting. An Independent Board Committee will be formed to advise the Independent Shareholders in respect of the Agreement, including the issue of the Convertible Notes and the Conversion Shares. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Acquisition, a letter from the independent financial adviser, a letter from the Independent Board Committee, an accountants' report on the Transferred Assets and a notice to convene the SGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisition”	the proposed acquisition of the Transferred Assets by the Purchaser pursuant to the Agreement
“Acquisition Consideration”	the consideration for the Acquisition pursuant to the Agreement
“Aggregate Net Profits”	the audited consolidated profit after taxation and minority interests (but excluding any extraordinary or exceptional or non-recurring items that is outside the ordinary course of business) of and derived from the Transferred Assets in aggregate for the two years ending 31 December 2010 expressed in RMB prepared and presented in accordance with the HKFRS.
“Agreement”	the equity transfer agreement dated 15 June 2009 entered into between the Vendors and the Purchaser in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Avex”	Avex Group Holdings Inc., a substantial shareholder of CT and a company listed on Tokyo Stock Exchange First Section
“Board”	board of Directors
“Bohong Advertisements”	北京橙天博鴻廣告有限公司 (Beijing Chengtian Bohong Advertisement Co., Ltd.), a company established under the laws of the PRC with limited liability and beneficially owned by CT
“Bohong Advertisements Contracts”	contracts and Deposits relating to the Restricted Business entered into by Bohong Advertisements up to the date of Completion
“Business Day”	a day (other than Saturday or Sunday) on which banks in Hong Kong are generally open for business
“Chengtian Entertainment Contracts”	contracts related to the Restricted Business entered into by CT up to the date of Completion

“Chengtian Zhihong”	北京橙天智鴻影視製作有限公司 (Beijing Chengtian Zhihong Film & TV Production Co. Ltd.), a company established under the laws of the PRC with limited liability and beneficially owned by CT
“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 (Stock Code: 1132)
“Completion”	completion of the Acquisition
“Completion Date”	the date after five Business Days (or such later date as shall be agreed in writing between parties to the Agreement) after the fulfillment of all the conditions precedent to the Agreement
“Conversion Shares”	16,018,934 new Shares which will be issued upon full conversion of the principal amount of the Convertible Notes at the conversion price of HK\$3.38 per Share (subject to adjustment)
“Convertible Notes”	the convertible notes in the maximum principal amount of approximately HK\$54.1 million (equivalent to RMB48 million) to be issued to CT entitling it to convert the outstanding principal amount into Conversion Shares at an exercise price of HK\$3.38 per Share (subject to adjustment) until its maturity date which falls on 31 December 2015
“CT”	Chengtian Entertainment Group (International) Holding Company Limited, a company incorporated in the British Virgin Islands with limited liability which presently holds 40,553,060 Shares, representing approximately 22.13% of the total issued share capital of the Company, as the date hereof
“CT Contracts”	Chengtian Entertainment Contracts and Orange Sky HK Contracts and the Deposits related thereto together with such further contracts related to the Restricted Business (and the related deposits) that may be entered into by Orange Sky HK up to the date of Completion

“Deferred Consideration Arrangement”	the arrangement for settlement of the remaining Acquisition Consideration, which remains outstanding after Completion, of up to RMB40 million in 2011
“Deposits”	the deposits and prepayments paid by CT, Orange Sky HK, Bohong Advertisements and/or Zhihong Technology (as the case may be) to the counterparties of Chengtian Entertainment Contracts, Orange Sky HK Contracts, Bohong Advertisements Contracts and/or Zhihong Technology Contracts (as the case may be) and such further deposits and prepayments that may be paid by CT, Orange Sky HK, Bohong Advertisements and/or Zhihong Technology in relation to the Restricted Business as at Completion
“Director(s)”	Director(s) of the Company
“Group”	the Company and its subsidiaries
“Guaranteed Period”	the two financial years ending 31 December 2009 and 2010
“Guaranteed Profit”	the consolidated profit of RMB20 million (equivalent to approximately HK\$22.6 million) after taxation and minority interests (but excluding any event or transaction that is outside the ordinary course of business) of or derived from the Transferred Assets for the Guaranteed Period as guaranteed by CT pursuant to the terms of the Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of independent non-executive Directors to be established to advise the Independent Shareholders in respect of the terms of the Agreement, including the issue of the Convertible Notes and the Conversion Shares
“Independent Shareholders”	Shareholders other than the Vendors and their respective associates

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 October 2009 or such later date as the Purchaser and CT may agree in writing
“Mr. Wu”	Mr. Wu Kebo, Chairman and executive Director of the Company and the legal holder of 90% equity interest in Chengtian Zhihong and 80% beneficial owner of CT
“Ms. Wu”	Ms. Wu Keyan, alternate Director to Mr. Wu
“Orange Sky HK”	Orange Sky Entertainment International Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CT
“Orange Sky HK Contracts”	contracts related to the Restricted Business entered into by Orange Sky HK as at Completion
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Purchaser”	Golden Harvest Motion Pictures Company Limited, a company incorporated in Hong Kong with limited liabilities and a wholly-owned subsidiary of the Company
“Reorganisation”	the reorganisation undertaken by Mr. Wu and CT to restructure the Restricted Business beneficially owned by CT
“Restricted Business”	any business relating to Chinese-language (in all forms) films and television programmes production, investment, marketing and advertising and/or distribution, including, but not limited to, the related activities in the form of self-financing, co-operation and/or provision of consultancy services
“Restructured Group”	the Group including Chengtian Zhihong after Completion
“RMB”	Renminbi, the lawful currency of the PRC

“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$1.0 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Transferred Assets”	entire equity interest in Chengtian Zhihong, the CT Contracts, the Bohong Advertisements Contracts and the Zhihong Technology Contracts
“US\$”	US dollar, the lawful currency of the United States of America
“Vendors”	Mr. Wu, Ms. Wu and CT, all are connected persons to the Company
“Zhihong Technology Contracts”	contracts and Deposits related to the Restricted Business entered into by Zhihong Technology up to the date of Completion
“Zhihong Technology”	北京橙天智鴻科技發展有限公司 (Beijing Chengtian Zhihong Technology Development Co., Ltd.), a company established under the laws of the PRC and beneficially owned by CT
“%”	per cent.

For the purpose of the announcement, the exchange rate of RMB1.00 = HK\$1.128 has been used for currency translation. Such exchange rates are for the purposes of illustration only and do not constitute a representation that any amount in RMB or HK\$ have been, could have been or may be converted at such or any other rates.

On behalf of the Board
Chan Suet Yin, Winnie
Executive Director

Hong Kong, 15 June 2009

List of all directors of the Company as of the time issuing this announcement:

Chairman and Executive Director:

Mr. Wu Kebo

Non-executive Director:

Mr. Li Pei Sen

Executive Directors:

Ms. Winnie Chan Suet Yin

Ms. Fiona Chow Sau Fong

Ms. Wu Keyan

(alternate to Mr. Wu Kebo)

Independent Non-executive Directors:

Mr. Leung Man Kit

Mr. George Huang Shao-Hua

Mr. Masahito Tachikawa