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Golden Harvest

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

ISSUE OF UP TO HK\$100,000,000 4 PER CENT. CONVERTIBLE NOTES DUE 2008 SERIES II: CONNECTED TRANSACTION AND RESUMPTION OF TRADING OF SHARES

The Directors are pleased to announce that on 10 July 2006, the Company and each of Quick Target Limited, Pleasant Villa Investments Limited, Garex Resources Limited and Typhoon Music (PRC) Limited entered into the Subscription Agreements, under which, subject to certain conditions, the Company agreed to issue, and the Subscribers agreed to subscribe for, the Notes with an aggregate principal amount of HK\$100,000,000.

The Notes are convertible into Shares at a conversion price of HK\$0.22 per Share. The Conversion Shares to be issued upon conversion of the Notes will be issued under the Special Mandate to be sought from Shareholders. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be issued upon conversion of the Notes.

Upon full conversion of the Notes, and based on the Conversion Price (assuming no adjustment to the Conversion Price), a total of 454,545,454 new Shares will be issued, representing approximately 34.17% of the existing issued share capital of the Company and (assuming the Series I Notes are converted in full) 24.23% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The net proceeds of the issue of the Notes are estimated to be an aggregate amount of approximately HK\$99,000,000. The Group intends to apply the net proceeds for the Group's acquisitions and investment in new businesses, expansion of existing businesses and to discharge the Group's current outstanding liabilities.

As three of the Subscribers, Pleasant Villa Investments Limited, Garex Resources Limited and Typhoon Music (PRC) Limited are connected persons of the Company, the issue of the Notes constitutes a connected transaction of the Company under the Listing Rules and is conditional upon, among others, the approval of the Independent Shareholders at the SGM. An Independent Board Committee has been appointed to advise the Independent Shareholders of the Company on the issue of the Notes and the Conversion Shares. The Company has appointed CIMB-GK Securities (HK) Limited as independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the issue of the Notes and the Conversion Shares.

A circular containing, among other things, further particulars relating to the issue of the Notes, a letter containing the recommendations of the Independent Board Committee, a letter from the Independent Financial Adviser and a notice convening the SGM will be dispatched to Shareholders as soon as practicable.

At the request of the Company, trading in the Shares was suspended on the Stock Exchange from 9.30 a.m. on 11 July 2006 pending the release of this announcement. Application for the resumption of trading in the Shares has been made by the Company to the Stock Exchange to the effect that trading in the Shares will resume at 9.30 a.m. on 12 July 2006.

SUBSCRIPTION AGREEMENTS

Date:

10 July 2006

Issuer:

The Company

Notes to be issued:

An aggregate of HK\$100,000,000 4 per cent. convertible notes due 2008 Series II to be issued as follows:

- (1) HK\$50,000,000 of Notes to be issued to Quick Target Limited;
- (2) HK\$20,000,000 of Notes to be issued to Pleasant Villa Investments Limited;
- (3) HK\$20,000,000 of Notes to be issued to Garex Resources Limited; and
- (4) HK\$10,000,000 of Notes to be issued to Typhoon Music (PRC) Limited.

Subscribers of the Notes:

- (1) Quick Target Limited, an investment holding company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of Hanny Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. To the best knowledge, information and belief of the Directors, Quick Target Limited and its ultimate beneficial owner are third parties independent of the Company and any connected person of the Company and not a connected person of the Company, and does not as at the date of this announcement hold any Shares;
- (2) Pleasant Villa Investments Limited, an investment holding company incorporated in the British Virgin Islands which is wholly-owned by Mr Chow and accordingly a connected person of the Company;
- (3) Garex Resources Limited, an investment holding company incorporated in the British Virgin Islands which is ultimately beneficially owned by Mr Li Ka-shing who through his associates currently holds an approximately 16.73% shareholding in the Company, and accordingly a connected person of the Company; and
- (4) Typhoon Music (PRC) Limited, a company jointly and indirectly owned by EMI Group Plc and Mr Norman Cheng, chairman of EMI Music Asia. Typhoon Music (PRC) Limited currently holds an approximately 11.65% shareholding in the Company and is accordingly a connected person of the Company.

Principal amount of the Notes:

An aggregate of HK\$100,000,000 payable in cash by the Subscribers to the Company on the Issue Date.

Principal terms of the Notes:***Maturity:***

The second anniversary of the Issue Date.

Unless previously converted or purchased or redeemed, the Notes shall be redeemed by the Company at 104% of their principal amount on the Maturity Date.

The Subscribers may also require the Company to redeem all (but not part only) of the outstanding principal amount of the Notes at 104% of the principal amount of their principal amount together with accrued but unpaid interest when (a) any person or persons, acting together acquires control of the Company; or (b) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to another person or persons acquiring control over the Company or the successor entity. In the event of the occurrence of certain events of default such as a failure by the Company to pay the principal or interest on the Note when due, the Subscribers may also require the Company to redeem at 100% of the principal amount of the Note then outstanding plus interest accrued.

Interest:

The Notes bear interest from the Issue Date at the rate of 4 per cent. per annum. Interest is payable semi-annually in arrears.

Transferability:

Subject to the terms and conditions of the Subscription Agreements, the Notes may be transferred to a Nominee. However, the Notes may not be assigned or transferred to a connected person of the Company without the prior written consent of the Company. Any assignment and/or transfer of the Notes is subject to (1) the Listing Rules for so long as the Shares are listed on the Stock Exchange and all applicable laws and regulations and (2) the approval of the Shareholders of the Company in a general meeting if so required and in compliance with the Listing Rules if such assignment and/or transfer is proposed to be made to a connected person of the Company.

Conversion Price:

HK\$0.22 per Share, subject to adjustments under the Conditions.

The initial Conversion Price of HK\$0.22 per Share was arrived at after arm's length negotiations, taking into account both the net asset value of the Company of HK\$0.31 per Share as at 31 December 2005 and the average market price of HK\$0.15 per Share.

The initial Conversion Price represents a discount of approximately 29% to the net asset value of HK\$0.31 per Share as at 31 December 2005, a premium of approximately 47% to the closing price on the Stock Exchange of HK\$0.15 per Share on 10 July 2006, being the last trading day prior to the issue of this announcement, a premium of approximately 47% to the average closing price on the Stock Exchange of HK\$0.15 per Share for the last 5 trading days up to and including 10 July 2006 and a premium of approximately 48% to the average closing price on the Stock Exchange of HK\$0.149 per Share for the last 30 trading days up to and including 10 July 2006.

Conversion Period:

The Noteholder shall have the right at any time during the Conversion Period to convert the Notes held by such Noteholder.

Conversion Shares:

The Notes are convertible into new Shares at the Conversion Price, subject to adjustments, during the Conversion Period. Under the terms of the Notes, adjustments will be made to the Conversion Price if one or more of the following events or circumstances occur: (a) if the Shares by reason of any consolidation or sub-division become of a different nominal amount; (b) if the Company issues (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalization of profits or reserves; (c) if the Company makes any Capital Distribution (as defined in the Notes) to holders of Shares or grants to such holders rights to acquire for cash assets of the Company or any of its subsidiaries; (d) if the Company offers to holders of Shares new Shares for subscription by way of rights or grants to holders of Shares any options or warrants to subscribe for new Shares, at a price which is less than 90% of the Market Price (as defined in the Notes) at the date of the announcement of the terms of the offer or grant; (e) if the Company issues wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined in the Notes) initially receivable for such securities is less than 90% of the Market Price (as defined in the Notes) at the date of the announcement of the terms of issue of such securities or if the rights of conversion or exchange or subscription attached to any such securities are modified so that the total Effective Consideration per Share (as defined in the Notes) initially receivable for such securities shall be less than 90% of the Market Price (as defined in the Notes) at the date of announcement of the proposal; (f) if the Company issues wholly for cash any Shares at a price per Share which is less than 90% of the Market Price (as defined in the Notes) at the date of the announcement of the terms of such issue; and (g) if the Company issues Shares for the acquisition of any asset at a total Effective Consideration per Share (as defined in the Notes) which is less than 90% of the Market Price (as defined in the Notes) as at the date of the announcement of the terms of such issue. Such new Shares which fall to be issued on conversion of the Notes shall rank *pari passu* in all respects with existing Shares in issue on the date of issue of such new Shares.

Conditions and completion:

The obligation of the Subscribers to subscribe for the Notes is conditional upon, amongst others, (i) the passing by the requisite majority required under the Listing Rules of the Shareholders in general meeting (excluding any shareholders who are not entitled to vote by reason of applicable provisions in the Listing Rules) of resolutions for the approval, confirmation and ratification of the Company's entry into each of the Subscription Agreements and the Company's performance of the transactions contemplated therein, including the issue of the Notes and the Conversion Shares; and (ii) the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares.

In addition to the above, as provided only in the Subscription Agreement made between the Company and Garex Resources Limited (but not in the other Subscription Agreements), the obligation of Garex Resources Limited to subscribe for the Notes is also conditional upon the Executive Director of the Corporate Finance Division of the Securities and Futures Commission having made a ruling to the effect that (i) Garex Resources Limited and its ultimate beneficial shareholder would not as a result of Garex Resources Limited entering into the Subscription Agreement between Garex Resources Limited and the Company and consummating the subscription for the relevant Notes in accordance with the terms thereof be regarded as or deemed to be persons acting in concert with Mr Chow and companies controlled by him and (ii) there is no general offer obligation on the part of Garex Resources Limited or its concert party (if any) as a result of the subscription for the relevant Notes. In this regard, the Directors understand that Garex Resources Limited will make an application to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission as soon as practicable.

Completion of the respective Subscription Agreements (including the issue of the Notes) will take place on the third Business Day following fulfilment of the conditions (or such later date as the parties may agree).

Special Mandate:

The Conversion Shares to be issued pursuant to the Notes will be issued under the Special Mandate. The maximum number of new Shares which may be issued upon conversion of the Notes based on the Conversion Price (assuming no adjustment) is 454,545,454, representing approximately 34.17% and (assuming the Series I Notes are converted in full) 24.23% of the existing issued share capital and the issued share capital of the Company as enlarged by the issue of the Conversion Shares, respectively.

USE OF PROCEEDS AND REASONS FOR THE ISSUE OF THE NOTES

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

The net proceeds of the issue of the Notes are estimated to be an aggregate amount of approximately HK\$99,000,000. The Group intends to apply the net proceeds for the Group's acquisitions and investments in new businesses which are complementary to the Group's existing business, such as investments in new cinemas and digital screen advertising business in mainland China, expansion of existing businesses, and to discharge the Group's current outstanding liabilities of approximately HK\$50,000,000 which are due to be paid on demand.

The issue of the Notes will significantly enhance the capital base of the Company (assuming conversion of the Notes sometime in the future) and provide the Group with significant cash resources for application in the manner described above.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) consider the proposed terms of Subscription Agreements to be on normal commercial terms, fair and reasonable and in the overall best interest of the Company and the Shareholders.

LISTING

No application will be made for the listing of, or permission to deal in, the Notes on the Stock Exchange or any other stock exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon conversion of the Notes.

SHAREHOLDING STRUCTURE

The shareholding structure of the Company before any conversion and after conversion in full of the Series I Notes and the Notes:–

Name of Shareholders	Approximate shareholding percentages before any conversion	Approximate shareholding percentages after conversion of the Series I Notes	Approximate shareholding percentages after conversion of the Series I Notes and the Notes in full
Raymond Chow Ting Hsing (and/or associates)	22.03%	20.62%	20.47%
Li Ka-shing (and/or associates)	16.73%	15.66%	16.71%
Typhoon Music (PRC) Limited (and/or associates)	11.65%	10.91%	10.69%
See Corporation Limited	–	6.40%	4.85%
Hanny Holdings Limited (and/or associates)	–	–	12.11%
PAMA Group Inc.	9.27%	8.67%	6.57%
Public	40.32%	37.74%	28.60%
Total percentage:	100%	100%	100%

FUND RAISING IN THE PAST 12 MONTHS

In May 2006, the Company issued the Series I Notes which generated net proceeds of approximately HK\$19 million, all of which has been used as general working capital.

Save for the transactions disclosed in this announcement, the Company has not carried out any fund raising activities during the 12-month period immediately preceding the date of this announcement.

GENERAL

As three of the Subscribers, Pleasant Villa Investments Limited, Garex Resources Limited and Typhoon Music (PRC) Limited are connected persons of the Company, the issue of the Notes constitutes a connected transaction of the Company under the Listing Rules and is conditional upon, among others, the approval of the Independent Shareholders at the SGM.

An Independent Board Committee has been appointed to advise the Independent Shareholders of the Company on the issue of the Notes and the Conversion Shares. The Company has appointed CIMB-GK Securities (HK) Limited as independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the issue of the Notes and the Conversion Shares.

A circular containing, among other things, further particulars relating to the issue of the Notes, a letter containing the recommendations of the Independent Board Committee, a letter from the Independent Financial Adviser and a notice convening the SGM will be dispatched to Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING OF SHARES

At the request of the Company, trading in the Shares was suspended on the Stock Exchange from 9.30 a.m. on 11 July 2006 pending the release of this announcement. Application for the resumption of trading in the Shares has been made by the Company to the Stock Exchange to the effect that trading in the Shares will resume at 9.30 a.m. on 12 July 2006.

RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of 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 contained in this announcement, the omission of which would make any statement in this announcement misleading.

DEFINITIONS

Unless otherwise defined herein, capitalised terms used in this announcement shall have the following meanings.

“associates”	has the meaning ascribed to this term under the Listing Rules
“Business Day”	any day other than a Saturday on which banks in Hong Kong are open for business
“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
“Conditions”	the terms and conditions of the Notes, as may be modified or varied from time to time, as set out herein
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Period”	the period commencing on the 7th day after the Issue Date up to and including the date which is 7 days prior to the Maturity Date
“Conversion Price”	means HK\$0.22 per Share, subject to adjustments pursuant to the Conditions
“Conversion Rights”	the rights of the Noteholder(s) to subscribe for fully paid Shares pursuant to the Notes as set out in the Instrument
“Conversion Shares”	Shares to be issued upon conversion of the Notes
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$” (and cents)	Hong Kong dollars (and cents), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, established to advise the Independent Shareholders
“Independent Financial Adviser”	CIMB-GK Securities (HK) Limited
“Independent Shareholders”	Shareholders other than Mr Chow, Mr Li Ka-shing, Typhoon Music (PRC) Limited and their respective associates
“Issue Date”	the date on which the Notes are issued
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the day before the second anniversary of the Issue Date
“Mr Chow”	Mr Raymond Chow Ting Hsing, the Chairman of the Company and who through his associates currently holds an approximately 22.03% shareholding in the Company
“Nominee”	a holding company or subsidiary of the relevant Subscriber
“Notes”	convertible notes with an aggregate principal amount of HK\$100,000,000 to be issued by the Company, the principal terms of which are set out in the section headed “Principal terms of the Notes” of this announcement
“Noteholder(s)”	holder(s) of the Notes
“Series I Notes”	the 4% convertible notes in the aggregate principal amount of HK\$20,000,000 issued by the Company on 23 May 2006

“SGM”	the special general meeting of the Company to be convened to approve the issue of the Notes and the Conversion Shares
“Shareholders”	shareholders of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Special Mandate”	a special mandate proposed to be sought from Shareholders to authorize the Directors to issue the Notes and the Conversion Shares at the forthcoming SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Quick Target Limited, Pleasant Villa Investments Limited, Garex Resources Limited and Typhoon Music (PRC) Limited
“Subscription Agreements”	means collectively the four separate subscription agreements, in substantially identical form and all dated 10 July 2006 entered into by the Company with the respective Subscribers
“subsidiary”	has the meaning given to it under the Listing Rules and “subsidiaries” shall be construed accordingly

List of the Directors of the Company as of the date of this announcement:

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 (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
Prince Chatrichalerm Yukol

On behalf of the Board
Raymond Chow Ting Hsing
Chairman

Hong Kong, 11 July 2006