
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities of Golden Harvest Entertainment (Holdings) Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank manager, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

CIMB

CIMB-GK Securities (HK) Limited

A letter from the Independent Board Committee to the Independent Shareholders is set out on page 12 of this circular and a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 21 of this circular.

A notice convening the special general meeting of Golden Harvest Entertainment (Holdings) Limited to be held at 3/F., Tang Room, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Tsimshatsui, Hong Kong on Wednesday, 16 August 2006 at 3:00 p.m. is set out on pages 29 to 30 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

31 July 2006

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	
A. Introduction	4
B. Subscription Agreements	5
C. Information relating to the Company	9
D. Information relating to the Subscribers	9
E. Reasons for and benefits of issuing the Notes	9
F. Listing Rules implications	10
G. SGM.....	10
H. Poll procedure	10
I. Recommendation	11
J. Additional information	11
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	12
LETTER FROM CIMB-GK SECURITIES (HK) LIMITED	13
APPENDIX I – GENERAL INFORMATION	22
NOTICE OF SPECIAL GENERAL MEETING	29

DEFINITIONS

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

“Announcement”	the announcement dated 11 July 2006 issued by the Company
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors, including independent non-executive Directors of the Company
“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

DEFINITIONS

“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, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and Independent Shareholders
“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
“Latest Practicable Date”	25 July 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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 the Announcement
“Noteholder(s)”	holder(s) of the Notes

DEFINITIONS

“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

LETTER FROM THE BOARD



Golden Harvest

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

Executive Directors:

Raymond Chow Ting Hsing (*Chairman*)

Phoon Chiong Kit

David Chan Sik Hong

Roberta Chin Chow Chung Hang

Lau Pak Keung

(alternate to Phoon Chiong Kit)

Non-executive Director:

Eric Norman Kronfeld

Independent Non-executive Directors:

Paul Ma Kah Woh

Frank Lin

Prince Chatrichalerm Yukol

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Place of Business

in Hong Kong:

16th Floor

The Peninsula Office Tower

18 Middle Road

Tsimshatsui

Kowloon

Hong Kong

31 July 2006

To the Shareholders and for information only

to the holders of share options and Series I Notes

Dear Sirs,

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

A. INTRODUCTION

The Board announced 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.

LETTER FROM THE BOARD

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 purpose of this circular is to provide you with further information in relation to the issue of the Notes, to set out the letter containing the recommendations of the Independent Board Committee, the letter from the Independent Financial Adviser and other information as required under the Listing Rules.

B. SUBSCRIPTION AGREEMENTS

Date:

10 July 2006

Issuer:

The Company

Subscribers:

- (1) Quick Target Limited, a company incorporated in the British Virgin Islands;
- (2) Pleasant Villa Investments Limited, a company incorporated in the British Virgin Islands;
- (3) Garex Resources Limited, a company incorporated in the British Virgin Islands; and
- (4) Typhoon Music (PRC) Limited, a company incorporated in the British Virgin Islands.

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.

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.

LETTER FROM THE BOARD

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 an 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 the 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.

LETTER FROM THE BOARD

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 the 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.

LETTER FROM THE BOARD

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).

Changes to 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 Shareholder	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%

LETTER FROM THE BOARD

C. INFORMATION RELATING TO THE COMPANY

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.

D. INFORMATION RELATING TO THE SUBSCRIBERS

- (a) Quick Target Limited is an investment holding company 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 Latest Practicable Date hold any Shares;
- (b) Pleasant Villa Investments Limited is an investment holding company which is wholly-owned by Mr Chow and accordingly a connected person of the Company;
- (c) Garex Resources Limited is an investment holding company 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
- (d) Typhoon Music (PRC) Limited is 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.

E. REASONS FOR AND BENEFITS OF ISSUING THE NOTES

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.

LETTER FROM THE BOARD

F. LISTING RULES IMPLICATIONS

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.

G. SGM

A notice convening the SGM at which ordinary resolutions will be proposed to the Shareholders to consider, and if thought fit, to approve the Subscription Agreements, the issue of the Notes and the Conversion Shares and all matters relating thereto is set out on pages 29 to 30 of this circular. Mr Chow, Mr Li Ka-shing, Typhoon Music (PRC) Limited and their respective associates will abstain from voting in respect of the ordinary resolutions proposed to approve the Subscription Agreements and the issue of the Notes and the Conversion Shares at the SGM.

A form of proxy for use at the SGM is also enclosed. Such form of proxy is also published on the website of the Stock Exchange (www.hkex.com.hk). Whether or not you are able to attend the SGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the meeting if they so wish.

H. POLL PROCEDURE

The votes to be taken at the SGM in relation to the Subscription Agreements and the issue of the Notes and the Conversion Shares will be taken on by a poll, the results of which will be announced after the SGM. Pursuant to Bye-law 66 of the Bye-laws of the Company, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required under the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded by:

- (a) the chairman of such meeting; or
- (b) at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or

LETTER FROM THE BOARD

- (c) any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting; or
- (d) any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (e) if required by the listing rules of any Designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent. (5%) or more of the total voting rights at such meeting.

In accordance with Rule 13.39(4) of the Listing Rules, the Chairman will demand a poll in relation to the resolution approving the Subscription Agreements and the issue of the Conversion Shares at the SGM.

I. RECOMMENDATION

Your attention is drawn to the advice of the Independent Board Committee set out in its letter set out on page 12 of this circular. Your attention is also drawn to the letter of advice from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreements and the issue of the Conversion Shares set out on pages 13 to 21 in this circular. The Independent Board Committee, having taken into account the advice of Independent Financial Adviser, considers that the Subscription Agreements and the issue of the Conversion Shares are on normal commercial terms and are in the best interest of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the Subscription Agreements and the issue of the Conversion Shares are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Subscription Agreements and the issue of the Conversion Shares at the SGM.

J. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
on behalf of the Board
Phoon Chiong Kit
Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Golden Harvest

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

31 July 2006

To the Independent Shareholders

Dear Sir or Madam,

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

We have been appointed as the Independent Board Committee to advise you in connection with the terms of the Subscription Agreements, details of which are set out in the letter from the Board contained in the circular of the Company dated 31 July 2006 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Subscription Agreements and the advice of the Independent Financial Adviser in relation thereto as set out on pages 13 to 21 of the Circular, we are of the view that the terms thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, so far as the Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the SGM to approve the Subscription Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Paul Ma Kah Woh

Independent

Non-executive Director

Frank Lin

Independent

Non-executive Director

Prince Chatrichalerm Yukol

Independent

Non-executive Director

LETTER FROM CIMB-GK SECURITIES (HK) LIMITED

The following is the full text of the letter of advice to the Independent Board Committee from the Independent Financial Adviser dated 31 July 2006 prepared for incorporation in this circular.

CIMB

CIMB-GK Securities (HK) Limited

25/F., Central Tower
28 Queen's Road Central
Hong Kong

31 July 2006

*To the Independent Board Committee and the Independent Shareholders of
Golden Harvest Entertainment (Holdings) Limited*

Dear Sirs,

CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the issue of the Notes (the "Issue"), details of which are set out in the Announcement and this circular of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in this circular unless the context otherwise requires.

An independent board committee comprising Messrs. Paul Ma Kah Woh, Frank Lin and Prince Chatrichalerm Yukol, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Issue.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and senior management of the Company. The Directors have declared in a responsibility statement set out in the Appendix I to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the Directors' representations contained or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the dispatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been withheld or omitted from the Circular.

LETTER FROM CIMB-GK SECURITIES (HK) LIMITED

We consider that we have reviewed sufficient information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to satisfy ourselves that we have a reasonable basis to assess the fairness and reasonableness of the terms of the Issue in order to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company or any of their respective subsidiaries, associates, or jointly controlled entities.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the terms of the Issue and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

Background and Rationale

Recent financial performance

The Company is an investment holding company. 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. Set out below is a summary of the audited consolidated results of the Group for the two years ended 30 June 2004 and 2005 and the unaudited consolidated results for the six months ended 31 December 2004 and 2005:

	Years ended 30 June		Six months ended 31 December	
	2004 (HK\$'000)	2005 (HK\$'000)	2004 (HK\$'000) <i>(unaudited)</i>	2005 (HK\$'000) <i>(unaudited)</i>
Turnover	218,477	203,239	98,343	265,200
Gross profit	124,384	100,032	48,331	142,921
Net profit/(loss)				
attributable to Shareholders	(11,663)	(12,938)	(17,503)	5,063

LETTER FROM CIMB-GK SECURITIES (HK) LIMITED

For the financial year ended 30 June 2005 (“FY2005”), the Group’s turnover decreased by approximately 7.0% as compared to the previous year. As noted in the 2005 annual report of the Company, the decrease in turnover was a result of the adverse affect on the Group’s local exhibition, distribution and the processing businesses, arising from an insufficient supply of quality Chinese language films. The Group’s audited net loss attributable to Shareholders for FY2005 increased slightly from approximately HK\$11.7 million as recorded in the previous year to approximately HK\$12.9 million. The increase in net loss was a result of the decline of films available for the Group to distribute and to screen in the Group’s cinemas in Hong Kong.

For the six months ended 31 December 2005, the turnover of the Group increased by approximately 169.7% as compared to the previous period. The Group recorded an unaudited net profit attributable to Shareholders for the six months ended 31 December 2005 of approximately HK\$5.1 million, as compared to an unaudited net loss of approximately HK\$17.5 million for the previous period. As stated in the interim report of the Group for the six months ended 31 December 2005, the improvement was principally due to the implementation of various investment decisions, including the acquisition of the largest cinema chain in Taiwan, increased stake in one of the Malaysian cinema operators, and opening of a flagship cinema in Shenzhen as well as the encouraging results of the Group’s distribution business across the region. According to the requirements of new accounting standard, the Group has proportionately consolidated the financial statements of the new investment in Taiwan and one of the Malaysian cinemas operators which, as mentioned above, became a jointly-controlled entity of the Group during the six months ended 31 December 2005. Although the results of the Group have not been affected, the turnover, cost of sales and selling and distribution costs have all significantly increased as a result of this proportionate consolidation.

As at 31 December 2005, the unaudited aggregate cash and bank balances of the Group were approximately HK\$58.2 million and the unaudited aggregate bank and other borrowings of the Group were approximately HK\$93.4 million, whilst the unaudited net current liabilities and net assets value of the Group as at 31 December 2005 amounted to approximately HK\$81.3 million and HK\$413.7 million respectively.

Recent fund raising activities

As mentioned in the Letter from the Board of the Circular, in May 2006, the Company issued the Series I Notes to an independent third party and raised net proceeds of approximately HK\$19 million. As advised by the Directors, all proceeds of the Series I Notes have been used as general working capital, which was in line with the stated usage of proceeds as set out in the Company’s announcement dated 8 May 2006. Save for the above, the Company has not carried out any fund raising activities during the 12-month period immediately preceding the date of the Announcement.

LETTER FROM CIMB-GK SECURITIES (HK) LIMITED

Use of proceeds

The net proceeds of approximately HK\$99 million to be raised from the Issue are expected to be utilized as to approximately HK\$49 million for the Group's acquisitions and investments which we note are in line with the Group's existing business, and to repay the Group's current outstanding liabilities of approximately HK\$50 million which are payable on demand. With the additional proceeds from the Issue, we concur with the view of the Directors that the liquidity of the Group would be enhanced and additional resources would be made available for the expansion of the Group's business.

Fund raising alternatives

As advised by the Directors, the existing short-term US\$ and HK\$ denominated borrowings of the Group bear interest in the range of 8.15% to 11.0% per annum as compared to the 4.0% coupon rate and approximately 6.0% effective annualized interest cost (which is the sum of the coupon rate and the annualized redemption price at maturity) of the Notes. The Directors consider that given the existing financial position of the Group and the trend of the interest rates, it would be difficult for the Group to obtain external borrowings at a comparable interest rate as that of the Notes.

The Directors advise that given the amount of the funds to be raised, the issue price of any share placement or rights issue in accordance with normal market terms will be at a discount to the existing market price of the Shares. Furthermore, the Directors also advise that taking into account the relatively thin liquidity of the Shares, it will take considerable time for the Company to identify an underwriter(s) for any proposed share placement or rights issue and there is no assurance that an underwriter(s) can be identified.

Having taken into account the above, we concur with the views of the Directors that the Issue would improve the working capital position of the Group, provide additional resources for further expansion of the Group's business, and would enlarge the capital base of the Company upon conversion of the Notes, and is in the interests of the Company and the Shareholders as a whole.

Terms of the Notes

Interest

The Notes bear interest from the Issue Date at the rate of 4.0% per annum with interest payable in semi-annually in arrears.

LETTER FROM CIMB-GK SECURITIES (HK) LIMITED

Conversion price

The 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 closing price of HK\$0.15 per Share on 10 July 2006 being the last trading day prior to the issue of the Announcement ("Last Trading Day").

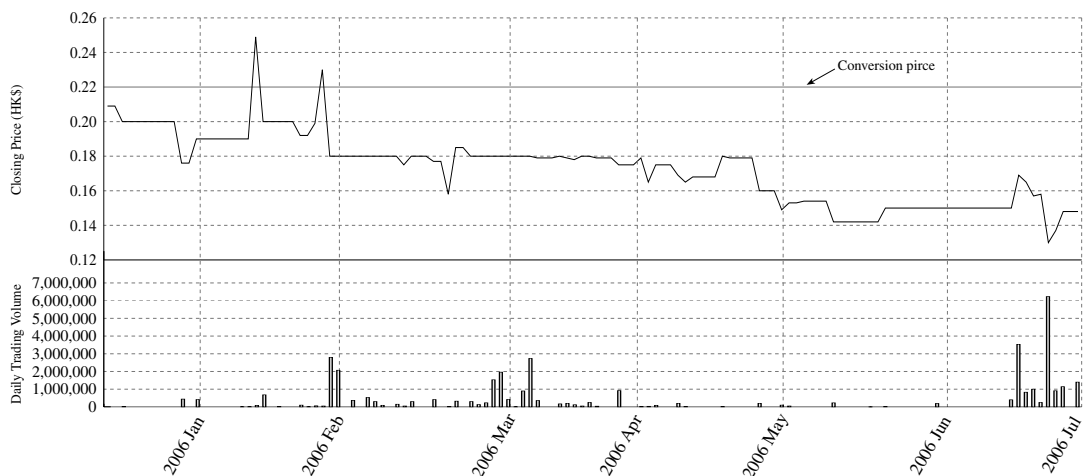
The Conversion Price represents:

- a premium of approximately 46.7% to the closing price of HK\$0.15 per Share (based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day);
- a premium of approximately 46.7% to the average closing price of HK\$0.15 per Share (based on the average closing price per Share for the five trading days up to and including the Last Trading Day);
- a premium of approximately 47.7% to the average closing price of HK\$0.149 per Share (based on the average closing price per Share for the 30 trading days up to and including the Last Trading Day);
- a premium of approximately 48.6% to the closing price of HK\$0.148 per Share (based on the closing price per Share as quoted on the Stock Exchange on the Latest Practicable Date);
- a discount of approximately 29.0% to the unaudited consolidated net asset value per Share of approximately HK\$0.31 as at 31 December 2005; and
- a discount of approximately 12.0% to the unaudited consolidated net tangible asset value ("NTA") per Share of approximately HK\$0.25 as at 31 December 2005, calculated by dividing the unaudited NTA as at 31 December 2005 of approximately HK\$334.3 million (excluding the trademark of approximately HK\$79.4 million from the net asset value of the Group) by the number of issued Shares as at the date of the Announcement.

LETTER FROM CIMB-GK SECURITIES (HK) LIMITED

Share price performance

The following chart illustrates the closing price and daily trading volume of the Shares on the Stock Exchange in the last six months (the “Six-month Period”) preceding to the date of the Announcement and up to and including the Latest Practicable Date (the “Review Period”):



Source: Bloomberg

For the Six-month Period, the closing price of the Shares were within a range of HK\$0.142 to HK\$0.249 per Share. Following the release of the Announcement, the closing price of the Shares were within a range of HK\$0.130 to HK\$0.169 per Share and closed at HK\$0.148 per Share as of the Latest Practicable Date. Except for a short period of time in February 2006, the Shares were traded at below the Conversion Price at all time during the Six-month Period. The trading volume of the Shares in general remained thin for most of the Review Period.

Redemption

The Notes are due on the second anniversary of the Issue Date. Unless previously converted or purchased or redeemed pursuant to the Conditions, the Notes shall be redeemed by the Company at 104 % of their principal amount on the Maturity Date.

LETTER FROM CIMB-GK SECURITIES (HK) LIMITED

Issue Comparables

In order to assess the fairness and reasonableness of the key terms of the Notes, we have identified, to the best of our knowledge, the recent 2-year issues of Hong Kong dollars denomination convertible bonds/notes (the “Issue Comparables”) as announced by listed companies in Hong Kong during the period from 1 January 2006 and up to the date of the Announcement. Set out below is a summary of the key terms of the Issue Comparables (the “Comparables Range”).

Company	Date of announcement	Principal amount <i>(HK\$ million)</i>	Coupon rate <i>(%)</i>	Conversion premium/ (discount) to share price as of the last trading date prior to the date of the announcement <i>(%)</i>	Redemption price at maturity <i>(%)</i>	Effective annualized interest cost <i>(%)</i>
VST Holdings Limited	16-Feb-06	66	0	16.1	115.9	7.6
China Merchants Dichain (Asia) Limited	23-Mar-06	30	4	(67.7)	100.0	4.0
New Times Group Holdings Limited	30-Mar-06	5	2	(17.5)	100.0	2.0
Golden Harvest Entertainment (Holdings) Limited	8-May-06	20	4	25.7	104.0	6.0
Bestway International Holdings Limited	12-Jun-06	46.5	4	31.4	100.0	4.0
Average				(2.4)	104.0	4.7
The Company		100	4	46.7	104.0	6.0

Source: www.hkex.com.hk, and the respective announcements/circulars containing details of the Issue Comparables. However, we cannot state with certainty that the list is exhaustive.

LETTER FROM CIMB-GK SECURITIES (HK) LIMITED

As noted from the above, the coupon rate of the Notes is comparable to most of the Issue Comparables. For the (discount)/premium of the conversion price to the respective last trading date, the Comparables Ranges are from approximately (67.7)% to 31.4%. We note that the 46.7% premium of the Conversion Price to the Last Trading Day is above that of the highest premium of the Issue Comparables. Furthermore, the effective annualized interest cost of the Notes of approximately 6.0% is identical to the Series I Notes, which were recently placed by the Company in May 2006 to an independent third party, and also falls within the Comparables Range.

NTA

The Conversion Price represents a discount of approximately 12.0% to the unaudited NTA of approximately HK\$0.25 per Share as at 31 December 2005. We have reviewed the unaudited financial statements for the six months ended 31 December 2005 of the Company and noted that the Group had net current liabilities of approximately HK\$81.3 million as at 31 December 2005. The Group's assets mainly comprised of revenue generating fixed assets including property, plants and equipment, and interests in associates (in relation to cinemas and cinema chains). We also note that the closing prices of the Shares during the Review Period represented a discount in the range of approximately 0.4% to 48.0% to its unaudited NTA per Share as at 31 December 2005. Having considered (i) the net current liabilities position and the assets composition of the Group; (ii) the fact that the closing prices of the Shares have remained at a discount to the Company's unaudited NTA per Share throughout the Review Period; and (iii) the significant premium of the Conversion Price to the market price of the Shares as at the Last Trading Day, we are of the view that the approximately 12.0% discount of the Conversion Price to the unaudited NTA per Share is acceptable.

Views

Having taken into account of the above, we consider that the terms of the Notes are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Dilution effects of the Issue

Upon full conversion of the Notes at the Conversion Price and assuming no adjustments to the Conversion Price during the Conversion Period, 454,545,454 new Shares will be issued, which represent approximately 34.17% of the existing issued share capital of the Company, and approximately 24.23% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares (assuming full conversion of Series I Notes and the Notes).

LETTER FROM CIMB-GK SECURITIES (HK) LIMITED

Assuming full conversion of Series I Notes and the Notes, the shareholding interest of the public Shareholders will be diluted by approximately 29.07%, from approximately 40.32% to approximately 28.60%. Taking into account the feasibilities of other fund raising alternatives as discussed in the sub-section headed “Fund raising alternatives” of this letter, and the fairness of the terms of the Notes as mentioned in the section headed “Terms of the Notes” of this letter, we consider the potential dilution to shareholding of the public Shareholders acceptable.

Financial effects of the Issue

NTA

As at 31 December 2005, the Group had an unaudited NTA of approximately HK\$334.3 million. Upon completion of the Issue, the NTA of the Group will remain substantially unchanged. Assuming full conversion of the Notes, the unaudited NTA of the Group will be increased by HK\$100 million, being the aggregate principal amount of the Notes, but the NTA per Share will be decreased upon the issue of the Conversion Shares.

Working capital

As approximately HK\$50.0 million of the net proceeds of the Issue are intended to be utilized for repayment of the Group’s current outstanding liabilities and the remaining balance of the proceeds will be available for the expansion of the Group’s businesses, we consider that the Issue would have a positive impact on the working capital of the Group.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that the Issue is in the interests of the Company and the Independent Shareholders as a whole and the terms of the Notes are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Issue.

Yours faithfully,

For and on behalf of

CIMB-GK Securities (HK) Limited

Alex Lau

Flavia Hung

Executive Vice President

Senior Vice President

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Disclosure of interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (the “SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) and which have been notified to the Company and the Stock Exchange were as follows:

(i) Directors’ interests in Shares

Name of Director	Nature of Interest	Notes	Number of Shares (L) = Long position (S) = Short position	Number of underlying Shares (L) = Long position (S) = Short position	Approximate %
Raymond Chow Ting Hsing	Interest of controlled corporations	1 and 5	293,121,527 (L)	0 (L)	22.03
			235,585,591 (S)	0 (S)	17.70
Raymond Chow Ting Hsing	Interest of controlled corporations	1 and 5	0 (L)	90,909,090 (L)	6.83
Phoon Chiong Kit	Beneficial owner	2 and 6	7,500,000 (L)	0 (L)	0.58
Phoon Chiong Kit	Beneficial owner	2 and 6	0 (L)	37,000,000 (L)	2.85
David Chan Sik Hong	Beneficial owner	3 and 6	5,859,375 (L)	0 (L)	0.45
David Chan Sik Hong	Beneficial owner	3 and 6	0 (L)	6,250,000 (L)	0.48
Roberta Chin Chow Chung Hang	Beneficial owner	5	1,642,000 (L)	0 (L)	0.12
Lau Pak Keung (alternate to Phoon Chiong Kit)	Beneficial owner	6	1,600,000 (L)	0 (L)	0.12
Eric Norman Kronfeld	Beneficial owner	4 and 5	0 (L)	350,000 (L)	0.03
Paul Ma Kah Woh	Beneficial owner	4 and 5	0 (L)	350,000 (L)	0.03
Frank Lin	Beneficial owner	4 and 5	0 (L)	350,000 (L)	0.03
Prince Chatrichalerm Yukol	Beneficial owner	4 and 5	0 (L)	350,000 (L)	0.03

Notes:

1. Mr Chow is deemed to be interested in 293,121,527 Shares by virtue of his 100% beneficial holding in Planet Gold Associates Limited and Net City Limited which hold 183,210,590 Shares and 109,910,937 Shares respectively. He is also deemed to be interested in 90,909,090 underlying Shares by virtue of his 100% beneficial holding in Pleasant Villa Investments Limited which holds 90,909,090 underlying Shares issuable upon full conversion of the Notes.
2. The 37,000,000 underlying Shares are the Shares issuable upon the exercise of share options granted by the Company to Mr Phoon Chiong Kit under the share option scheme of the Company (the "Share Option Scheme").
3. The 6,250,000 underlying Shares are the Shares issuable upon the exercise of share options granted by the Company to Mr David Chan Sik Hong under the Share Option Scheme.
4. Each of Mr Eric Norman Kronfeld, Mr Paul Ma Kah Woh, Mr Frank Lin and Prince Chatrichalerm Yukol is deemed to be interested in 350,000 underlying Shares issuable upon the exercise of share options granted by the Company to each of them under the Share Option Scheme.
5. The relevant percentage of shareholding in the Company is calculated by expressing the relevant number of Shares as a percentage of total number of issued Shares of 1,330,309,375 as at the Latest Practicable Date.
6. The relevant percentage of shareholding in the Company is calculated by expressing the relevant number of Shares as a percentage of total number of issued Shares of 1,299,109,375 as at 28 January 2005.

(ii) Director's interest in associated corporations

Mr Chow is also the beneficial owner of the entire issued share capital of Golden Harvest Film Enterprises Inc., which beneficially holds 114,000,000 non-voting deferred shares of Golden Harvest Entertainment Company Limited, a wholly-owned subsidiary of the Company.

In addition to the above, Mr Chow has non-beneficial equity interests in certain subsidiaries held for the benefit of the Group.

(iii) Miscellaneous

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Disclosure of interests of Substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Name of Shareholder	Capacity	Notes	Number of		Approximate %
			Number of Shares (L) = Long position (S) = Short position	underlying Shares (L) = Long position (S) = Short position	
Raymond Chow Ting Hsing	Interest of controlled corporations	1 and 7	293,121,527 (L) 235,585,591 (S)	0 (L) 0 (S)	22.03 17.70
Raymond Chow Ting Hsing	Interest of controlled corporations	1 and 7	0 (L)	90,909,090 (L)	6.83
Felicia Chow Yuan Hsi Hua	Spouse's interest	1 and 7	293,121,527 (L) 235,585,591 (S)	0 (L) 0 (S)	22.03 17.70
Felicia Chow Yuan Hsi Hua	Spouse's interest	1 and 7	0 (L)	90,909,090 (L)	6.83
Planet Gold Associates Limited	Beneficial owner	1 and 7	183,210,590 (L) 148,085,591 (S)	0 (L) 0 (S)	13.77 11.13
Net City Limited	Beneficial owner	1 and 7	109,910,937 (L) 87,500,000 (S)	0 (L) 0 (S)	8.26 6.58
Pleasant Villa Investments Limited	Beneficial owner	1 and 7	0 (L)	90,909,090 (L)	6.83
Li Ka-shing	Interest of controlled corporations	2 and 7	222,567,500 (L)	0 (L)	16.73
Li Ka-shing	Interest of controlled corporations	2 and 7	0 (L)	90,909,090 (L)	6.83
Mayspin Management Limited	Interest of controlled corporations	2 and 7	222,567,500 (L)	0 (L)	16.73
Mayspin Management Limited	Interest of controlled corporations	2 and 7	0 (L)	90,909,090 (L)	6.83
Garex Resources Limited	Beneficial owner	2 and 7	188,017,500 (L)	0 (L)	14.13
Garex Resources Limited	Beneficial owner	2 and 7	0 (L)	90,909,090 (L)	6.83
Typhoon Music (PRC) Limited	Beneficial owner	3 and 7	155,000,000 (L)	0 (L)	11.65
Typhoon Music (PRC) Limited	Beneficial owner	3 and 7	0 (L)	45,454,545 (L)	3.42
EMI Group Plc	Interest of controlled corporations	3 and 7	155,000,000 (L)	0 (L)	11.65

APPENDIX I

GENERAL INFORMATION

Name of Shareholder	Capacity	Notes	Number of Shares (L) = Long position (S) = Short position	Number of underlying Shares (L) = Long position (S) = Short position	Approximate %
EMI Group Plc	Interest of controlled corporations	3 and 7	0 (L)	45,454,545 (L)	3.42
Virgin Music Group Ltd.	Interest of controlled corporations	3 and 7	155,000,000 (L)	0 (L)	11.65
Virgin Music Group Ltd.	Interest of controlled corporations	3 and 7	0 (L)	45,454,545 (L)	3.42
EMI Group Worldwide Limited	Interest of controlled corporations	3 and 7	155,000,000 (L)	0 (L)	11.65
EMI Group Worldwide Limited	Interest of controlled corporations	3 and 7	0 (L)	45,454,545 (L)	3.42
Norman Cheng Tung Hon	Interest of controlled corporations	3 and 7	155,000,000 (L)	0 (L)	11.65
Norman Cheng Tung Hon	Interest of controlled corporations	3 and 7	0 (L)	45,454,545 (L)	3.42
Typhoon Records Limited	Interest of controlled corporations	3 and 7	155,000,000 (L)	0 (L)	11.65
Typhoon Records Limited	Interest of controlled corporations	3 and 7	0 (L)	45,454,545 (L)	3.42
Lily Feng Yuen Cheung	Spouse's interest	3 and 7	155,000,000 (L)	0 (L)	11.65
Lily Feng Yuen Cheung	Spouse's interest	3 and 7	0 (L)	45,454,545 (L)	3.42
PAMA Group Inc.	Investment manager	4 and 8	123,284,027 (L)	0 (L)	9.49
See Corporation Limited	Beneficial owner	5 and 7	0 (L)	90,909,090 (L)	6.83
Hanny Holdings Limited	Interest of controlled corporations	6 and 7	0 (L)	227,272,727 (L)	17.08
Hanny Magnetics (B.V.I.) Limited	Interest of controlled corporations	6 and 7	0 (L)	227,272,727 (L)	17.08
Quick Target Limited	Beneficial owner	6 and 7	0 (L)	227,272,727 (L)	17.08

Notes:

- Mr Chow is deemed to be interested in 293,121,527 Shares by virtue of his 100% beneficial holding in Planet Gold Associates Limited and Net City Limited, which holds 183,210,590 Shares and 109,910,937 Shares, respectively. He is also deemed to be interested in 90,909,090 underlying Shares by virtue of his 100% beneficial holding in Pleasant Villa Investments Limited, which holds 90,909,090 underlying Shares issuable upon full conversion of the Notes.

Felicia Chow Yuan Hsi Hua, the spouse of Mr Chow, is deemed to be interested in the same Shares and underlying Shares in which Mr Chow is interested.

- Li Ka-shing is deemed to be interested in 222,567,500 Shares and 90,909,090 underlying Shares by virtue of his 100% beneficial holding in Mayspin Management Limited which in turn owns the entire interest in each of Garex Resources Limited which holds 188,017,500 Shares and 90,909,090 underlying Shares issuable upon full conversion of the Notes, Podar Investment Limited which holds 31,250,000 Shares, and Oscar Resources Limited which holds 3,300,000 Shares.

3. EMI Group Plc has 100% control of Virgin Music Group Limited, which has 100% control of EMI Group Worldwide Limited, which in turn has a 50% shareholding in Typhoon Music (PRC) Limited. Norman Cheng Tung Hon has 100% control of Typhoon Records Limited, which has a 50% shareholding in Typhoon Music (PRC) Limited. Each of EMI Group Plc, Virgin Music Group Limited, EMI Group Worldwide Limited, Norman Cheng Tung Hon and Typhoon Records Limited is deemed to be interested in the 155,000,000 Shares and 45,454,545 underlying Shares issuable upon full conversion of the Notes held by Typhoon Music (PRC) Limited.

Lily Feng Yuen Cheung, the spouse of Norman Cheng Tung Hon, is deemed to be interested in the same Shares and underlying Shares in which Norman Cheng Tung Hon is interested.
4. PAMA Group Inc. is the manager of DIF Investment Trust X and DIF Investment Trust XI, which is deemed to be interested in 123,284,027 Shares of the Company.
5. See Corporation Limited is deemed to be interested in 90,909,090 underlying Shares issuable upon full conversion of the Notes.
6. Hanny Holdings Limited is deemed to be interested in 227,272,727 underlying Shares by virtue of its 100% beneficial holding in Hanny Magnetics (B.V.I.) Limited which in turn owns the entire interest in Quick Target Limited which holds 227,272,727 underlying Shares issuable upon full conversion of the Notes.
7. The relevant percentage of shareholding in the Company is calculated by expressing the relevant number of Shares as a percentage of total number of issued Shares of 1,330,309,375 as at the Latest Practicable Date.
8. The relevant percentage of shareholding in the Company is calculated by expressing the relevant number of Shares as a percentage of total number of issued Shares of 1,299,109,375 as at 14 January 2005.

Save as disclosed herein and so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or no person was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or was proposing to enter into, any service contract with any member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTEREST IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective associates had any interest in a business, which competes or may compete with the business of the Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Company and no litigation or arbitration or claim which would materially and adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any member of the Group.

6. MATERIAL CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2005, being the date to which its interim financial statements were made up.

7. INTERESTS IN ASSETS

Since 31 December 2005, the date of the interim financial statements of the Group, none of the Directors or the Independent Financial Adviser has any direct or indirect interest in any assets acquired or disposed of which are of material importance to the Company by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group taken as a whole.

8. COMPANY SECRETARY

Lee So Ching, aged 36, has worked in listed companies in Hong Kong for over 8 years. Ms Lee holds a Master of Business Administration degree from the University of Westminster, England, and is a Fellow of The Association of Chartered Certified Accountants, as well as a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

9. QUALIFICATION AND CONSENT OF EXPERT

The qualifications of the expert who has given opinions in the circular are as follows:

Name	Qualifications	Date of opinion
CIMB-GK Securities (HK) Limited	a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO	31 July 2006

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with copy of its letter and the references to its name included herein in the form and context in which they are respectively included.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in the Company or any other member of the Group or the right, whether legally enforceable or met, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

10. MISCELLANEOUS

- (a) The principal place of business of the Company is at 16th Floor, The Peninsula Office Tower, 18 Middle Road, Tsimshatsui, Kowloon, Hong Kong.
- (b) The Hong Kong branch share registrar of the Company is Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (c) The qualified accountant of the Company is Yuen Kwok On. He is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr Yuen has 15 years' experience in the accounting field. Prior to joining the Group, he worked in international accounting firms for more than 5 years.
- (d) The English text of this circular shall prevail over Chinese text in the case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business in Hong Kong of Morrison & Foerster at 41st Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong up to and including 16 August 2006:–

- (1) Subscription Agreements;
- (2) the letter from the Independent Board Committee, the text of which is set out on page 12 of this circular;
- (3) the letter from the Independent Financial Adviser, the text of which is set out on pages 13 to 21 of this circular; and
- (4) the written consent from the Independent Financial Adviser referred to in the paragraph headed "Qualification and Consent of Expert" in this circular.

NOTICE OF SPECIAL GENERAL MEETING



GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Golden Harvest Entertainment (Holdings) Limited (the “**Company**”) will be held at 3/F., Tang Room, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Tsimshatsui, Hong Kong on Wednesday, 16 August 2006 at 3:00 p.m. for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

“**THAT**

- (a) the issue of HK\$100,000,000 4 per cent. convertible notes (the “Notes”) due 2008 Series II pursuant to the terms of the subscription agreement (the “Subscription Agreements”) entered into between the Company and each of Quick Target Limited, Pleasant Villa Investments Limited, Garex Resources Limited and Typhoon Music (PRC) Limited and the allotment and issue of new shares (each a “Conversion Share”) of HK\$0.10 each in the capital of the Company upon conversion of the Notes, be and are hereby approved; and
- (b) the Directors of the Company are hereby authorised to exercise all the powers of the Company to allot, issue and deal with the Notes and the Conversion Shares in accordance with the Subscription Agreements and the terms and conditions of the Notes and any one or more directors of the Company other than the directors connected to the issue of the Notes be and are hereby authorised to do all such acts and things as they consider necessary or expedient for the purpose of giving effect to the Subscription Agreements and completing the transactions contemplated thereby.”

By Order of the Board

Lee So Ching

Company Secretary

Hong Kong, 31 July 2006

NOTICE OF SPECIAL GENERAL MEETING

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong:

16th Floor
The Peninsula Office Tower
18 Middle Road
Tsimshatsui
Kowloon
Hong Kong

Notes:

1. A form of proxy for use at the Meeting is being dispatched to the shareholders of the Company together with a copy of this notice.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any shareholder entitled to attend and vote at the Meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at the Company's share registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the Meeting convened or any adjourned meeting and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.