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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1132)**

#### **DISCLOSEABLE AND CONNECTED TRANSACTION –**

#### **ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF**

**(1) GH PICTURES (CHINA) LIMITED,**

**(2) GH MEDIA MANAGEMENT PTE LTD AND**

**(3) GH MEDIA MANAGEMENT LIMITED**

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



**CIMB-GK Securities (HK) Limited**

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A letter from the Independent Board Committee to the Independent Shareholders is set out on page 17 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 18 to 23 of this circular.

A notice convening the special general meeting of Golden Harvest Entertainment (Holdings) Limited to be held at Function Room – Cherry, InterContinental Hong Kong, 18 Salisbury Road, Kowloon, Hong Kong on Thursday, 30 November 2006 at 11:00 a.m. is set out on pages 34 to 36 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.

7 November 2006

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## DEFINITIONS

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

“Acquisition”	the acquisition of all the Sale Shares pursuant to the Sale and Purchase Agreements
“Announcement”	the announcement dated 17 October 2006 issued by the Company
“associate”	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
“Completion”	completion of the transfer of the Sale Shares on the date of Completion in accordance with the Sale and Purchase Agreements
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Designated Stock Exchange”	a stock exchange which is an appointed stock exchange for the purposes of the Act in respect of which the shares of the Company are listed or quoted and where such appointed stock exchange deems such listing or quotation to be the primary listing or quotation of the shares of the Company
“Director(s)”	Director(s) of the Company
“EBC”	Eastern Broadcasting Co., Ltd, a company incorporated in Taiwan
“GHCL”	Golden Harvest (China) Limited, a company incorporated in Hong Kong

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## DEFINITIONS

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“GHMML”	GH Media Management Limited, a company incorporated in the British Virgin Islands
“GHMML Agreement”	the sale and purchase agreement entered into between SIM, MetLife, LAIB, WMG, the Purchaser and GHCL in respect of the sale and purchase of the entire issued capital of GHMML
“GHMMPL”	GH Media Management Pte Ltd, a company incorporated in Singapore
“GHMMPL Agreement”	the sale and purchase agreement entered into between SIM, MetLife, LAIB, WMG, the Purchaser and GHCL in respect of the sale and purchase of the entire issued capital of GHMMPL
“GHPCL”	GH Pictures (China) Limited, a company incorporated in the Cayman Islands
“GHPCL Agreement”	the sale and purchase agreement entered into between SIM, EBC, MetLife, LAIB, WMG, the Purchaser and GHCL in respect of the sale and purchase of the entire issued capital of GHPCL
“Group”	the Company and its subsidiaries
“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 Messrs. Paul Ma Kah Woh, Frank Lin and Prince Chatrichalerm Yukol, who are the Company’s independent non-executive Directors, which has been appointed by the Board for the purpose of advising the Independent Shareholders in relation to the Acquisition
“Independent Financial Adviser”	CIMB-GK Securities (HK) Limited
“Independent Shareholders”	shareholders of the Company other than Mr. Chow and his associates

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## DEFINITIONS

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“LAIB”	Latin American Investment Bank Bahamas Limited, a company incorporated in the Commonwealth of the Bahamas
“Latest Practicable Date”	2 November 2006
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MetLife”	Metropolitan Life Insurance Company, a company incorporated in the State of New York, USA
“Mr. Chow”	Mr. Raymond Chow Ting Hsing, the Chairman of the Board and a substantial shareholder of the Company
“Purchase Consideration”	the aggregate purchase consideration for the Sale Shares
“Purchaser”	Golden Harvest Films Distribution Holding Limited, a company incorporated in the British Virgin Islands with limited liability which is a wholly-owned subsidiary of the Company
“Sale and Purchase Agreements”	collectively, the GHPCL Agreement, the GHMMPL Agreement and the GHMML Agreement
“Sale Shares”	all the issued ordinary shares in the capital of the respective Target Companies
“SGM”	a special general meeting of the Company to be held to consider and, if thought fit, approve the Sale and Purchase Agreements and the respective transactions contemplated thereunder
“Shareholders”	shareholders of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“SIM”	SIM China Productions Limited, a company incorporated in the British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Target Companies”	collectively, GHPCL, GHMMPL and GHMML
“Vendors”	collectively, SIM, MetLife, LAIB, WMG and EBC (only in respect of the GHPCL Agreement)
“WMG”	World Media Group Limited, a company incorporated in the British Virgin Islands
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“S\$”	Singapore dollars, the lawful currency of Singapore
“%”	per cent.

*Note:* For the purpose of this circular, unless otherwise specified, the following exchange rate has been used for conversion into HK\$ for indication only:

S\$1 = HK\$4.92

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## LETTER FROM THE BOARD

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### **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

7 November 2006

*To the Shareholders and for information only  
to the holders of share options and convertible notes*

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION –  
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF  
(1) GH PICTURES (CHINA) LIMITED,  
(2) GH MEDIA MANAGEMENT PTE LTD AND  
(3) GH MEDIA MANAGEMENT LIMITED**

**A. INTRODUCTION**

On 17 October 2006, the Directors announced that the Purchaser, a wholly-owned subsidiary of the Company, had entered into the Sale and Purchase Agreements in respect of the Acquisition. Pursuant to the Sale and Purchase Agreements, the Purchaser conditionally agreed to acquire the Sale Shares from the Vendors. The aggregate consideration for the Acquisition is approximately HK\$22.6 million, which was determined after arm's length negotiations between the parties.

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## LETTER FROM THE BOARD

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The Company is, through its wholly-owned subsidiary, acquiring interests in the Target Companies from independent third parties and from WMG, an associate of Mr. Chow and a substantial shareholder of the Target Companies, the Acquisition accordingly constitutes a connected transaction of the Company under the Listing Rules and is subject to, among other things, the approval of the Independent Shareholders at a general meeting of the Company. An Independent Board Committee has been appointed to advise the Independent Shareholders in connection with the Acquisition and an independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection. The Acquisition is also a discloseable transaction for the Company under the Listing Rules.

The purpose of this circular is to provide you with further information in relation to the Acquisition and 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. THE SALE AND PURCHASE AGREEMENTS**

There were three Sale and Purchase Agreements, each dated 16 October 2006.

#### **A. GHPCL Agreement**

**Date:** 16 October 2006

**Parties:**

- (1) Golden Harvest Films Distribution Holding Limited (the Purchaser)
- (2) SIM China Productions Limited (SIM)
- (3) Metropolitan Life Insurance Company (MetLife)
- (4) Latin American Investment Bank Bahamas Limited (LAIB)
- (5) World Media Group Limited (WMG)
- (6) Eastern Broadcasting Co. Ltd (EBC)

(parties (2) to (6) are the Vendors, further details of which are set out in paragraph C below)

- (7) Golden Harvest (China) Limited (GHCL)



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## LETTER FROM THE BOARD

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*Shares to be acquired:*

Pursuant to the GHPCL Agreement, the Purchaser will be acquiring the respective Sale Shares as set out against the name of each Vendor below:

<b>Vendor</b>	<b>Respective Sale Shares</b>	<b>Percentage of Shareholding in the capital of GHPCL</b>	<b>Respective Purchase Consideration (HK\$)</b>
WMG	1,000,000	28.2%	5,060,874
SIM	1,000,000	28.2%	5,060,874
EBC	545,455	15.4%	2,762,760
MetLife	500,000	14.1%	2,529,540
LAIB	500,000	14.1%	2,529,540
<b>Total</b>	<b><u>3,545,455</u></b>	<b><u>100%</u></b>	<b><u>17,943,588</u></b>

**B. GHMMPL Agreement**

**Date:** 16 October 2006

**Parties:**

- (1) The Purchaser
- (2) SIM
- (3) MetLife
- (4) LAIB
- (5) WMG

(parties (2) to (5) are some of the Vendors)

- (6) GHCL

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## LETTER FROM THE BOARD

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### *Shares to be acquired:*

Pursuant to the GHMMPL Agreement, the Purchaser will be acquiring the respective Sale Shares as set out against the name of each Vendor below:

<b>Vendor</b>	<b>Respective Sale Shares</b>	<b>Percentage of Shareholding in the capital of GHMMPL</b>	<b>Respective Purchase Consideration (S\$)/(HK\$)</b>
WMG	56,000	40%	71,680/352,666
SIM	42,000	30%	53,760/264,499
MetLife	21,000	15%	26,880/132,250
LAIB	21,000	15%	26,880/132,250
<b>Total</b>	<b><u>140,000</u></b>	<b><u>100%</u></b>	<b><u>179,200/881,665</u></b>

### C. GHMML Agreement

**Date:** 16 October 2006

**Parties:**

- (1) The Purchaser
- (2) SIM
- (3) MetLife
- (4) LAIB
- (5) WMG

(parties (2) to (5) are some of the Vendors)

- (6) GHCL

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## LETTER FROM THE BOARD

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*Shares to be acquired:*

Pursuant to the GHMML Agreement, the Purchaser will be acquiring the respective Sale Shares as set out against the name of each Vendor below:

<b>Vendor</b>	<b>Respective Sale Shares</b>	<b>Percentage of Shareholding in the capital of GHMML</b>	<b>Respective Purchase Consideration (HK\$)</b>
WMG	40	40%	1,514,148
SIM	30	30%	1,135,611
MetLife	15	15%	567,806
LAIB	15	15%	567,806
<b>Total</b>	<b>100</b>	<b>100%</b>	<b>3,785,371</b>

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, apart from WMG which is an associate of Mr. Chow, each of the Vendors is a third party independent of the Company, its subsidiaries and its connected persons, is not a connected person of the Company and does not have any shareholding interest in the Company.

*Consideration:*

The aggregate Purchase Consideration payable by the Purchaser to the Vendors for the Acquisition is approximately HK\$22.6 million. The part of the Purchase Consideration attributable to those of the Sale Shares to be acquired from WMG is HK\$6,927,688. Pursuant to the Sale and Purchase Agreements, the Purchase Consideration is payable in cash at Completion. The Group intends, and the Directors are of the view that the Group has sufficient resources, to finance the Acquisition out of the internal resources of the Group.

The Purchase Consideration was determined after arm's length negotiations with reference to the net asset value of the Target Companies as at 30 June 2006 as adjusted for fair value.

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## LETTER FROM THE BOARD

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### *Conditions for the Acquisition:*

Completion of the Acquisition is conditional upon fulfilment of, among others, the following conditions:

- (a) Concurrent completion of the GHPCL Agreement, GHMMPL Agreement and GHMML Agreement; and
- (b) The passing by the requisite majority required under the Listing Rules of the shareholders of the Company (being the ultimate holding company of the Purchaser) in general meeting (excluding any shareholders who are not entitled to vote by reason of applicable provisions in the Listing Rules) of a resolution for the approval, confirmation and ratification of the Purchaser's entry into the GHPCL Agreement, GHMMPL Agreement and GHMML Agreement, and the performance of the transactions contemplated therein by the Purchaser.

Following the Acquisition, each Target Company will be accounted for in the Group's financial results as a subsidiary of the Company.

### **C. INFORMATION ON THE VENDORS**

#### **(1) SIM**

SIM is an investment holding company incorporated in the British Virgin Islands.

SIM currently owns 28.2%, 30% and 30% of the share capital of GHPCL, GHMMPL and GHMML, respectively.

#### **(2) EBC**

EBC is a company incorporated in Taiwan and is one of the dominant cable television content providers in Taiwan with plans to become Taiwan's first fully digital broadcaster and to transmit its signal worldwide. EBC operates cable television channels and co-branded multimedia outlets under the "ETTV" name. In 2002, EBC began rolling out ETTV channel content to the rest of Asia and the Americas, and has plans to move into Europe as well to become the world's leading privately-owned Chinese-language broadcaster.

EBC currently owns 15.4% of the share capital of GHPCL.

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## LETTER FROM THE BOARD

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### (3) MetLife

MetLife is a company incorporated in the State of New York, the United States of America, and is engaged in the business of providing insurance and financial services in the United States.

MetLife currently owns 14.1%, 15% and 15% of the share capital of GHPCL, GHMMPL and GHMML, respectively.

### (4) LAIB

LAIB is an investment holding company incorporated in the Commonwealth of the Bahamas.

LAIB currently owns 14.1%, 15% and 15% of the share capital of GHPCL, GHMMPL and GHMML, respectively.

### (5) WMG

WMG is an investment holding company incorporated in the British Virgin Islands.

WMG currently owns 28.2% , 40% and 40% of the share capital of GHPCL, GHMMPL and GHMML, respectively.

## D. INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company. The companies in which the Purchaser has interests in are principally engaged in the sale of film rights, distribution of motion pictures and film exhibition.

## E. INFORMATION ON THE TARGET COMPANIES

### (1) GHPCL

GHPCL is a company incorporated in the Cayman Islands and is primarily engaged in film investment in Asia. The unaudited net tangible assets of GHPCL as at 30 June, 2005 and 2006 were HK\$1,513,000 and nil, respectively whilst the unaudited net assets value of GHPCL as at 30 June, 2005 and 2006 were HK\$22,513,000 and HK\$17,940,000, respectively (based on accounts prepared in accordance with the Hong Kong Accounting Standards).

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## LETTER FROM THE BOARD

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The table below sets out certain financial information on GHPCL (based on the management accounts of GHPCL) for the two years ended 31 March, 2006:–

	<b>Year ended 31 March, 2006 (unaudited) <i>HK\$'000</i></b>	<b>Year ended 31 March, 2005 (unaudited) <i>HK\$'000</i></b>
Turnover	275	781
Loss before taxation and extraordinary items	(4,588)	(2,219)
Taxation	–	–
Loss after taxation and extraordinary items	(4,588)	(2,219)

### (2) GHMMPL

GHMMPL is a company incorporated in Singapore and its principal activity is the provision of management services to both GHPCL and GHMML in respect of their day to day operations. The unaudited net tangible assets and net assets of GHMMPL as at 30 June, 2005 and 2006 was S\$99,875 (approximately HK\$491,385) and S\$166,167 (approximately HK\$817,542) (based on accounts prepared in accordance with the Singapore Financial Reporting Standards).

The table below sets out certain financial information on GHMMPL (based on the accounts of GHMMPL prepared in accordance with the Singapore Financial Reporting Standards) for the two years ended 31 March, 2006:–

	<b>Year ended 31 March, 2006 (unaudited) <i>S\$'000/HK\$'000</i></b>	<b>Year ended 31 March, 2005 (audited) <i>S\$'000/HK\$'000</i></b>
Turnover	314/1,545	486/2,392
Profit/(Loss) before taxation and extraordinary items	66/325	(8)/(39)
Taxation	–/–	–/–
Profit/(Loss) after taxation and extraordinary items	66/325	(8)/(39)

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## LETTER FROM THE BOARD

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### (3) GHMML

GHMML is a company incorporated in the British Virgin Islands and its principal activity is the provision of management services to GHPCL in respect of its day to day operations. The unaudited net tangible assets and net assets of GHMML as at 30 June, 2005 and 2006 were HK\$3,825,995 and HK\$3,785,370, respectively (based on accounts prepared in accordance with the Hong Kong Accounting Standards).

The table below sets out certain financial information on GHMML (based on the management accounts of GHMML) for the two years ended 31 March, 2006:–

	<b>Year ended</b> <b>31 March, 2006</b> <b>(unaudited)</b> <i>HK\$'000</i>	<b>Year ended</b> <b>31 March, 2005</b> <b>(unaudited)</b> <i>HK\$'000</i>
Turnover	–	840
Profit/(Loss) before taxation and extraordinary items	(41)	178
Taxation	–	(31)
Profit/(Loss) after taxation and extraordinary items	(41)	147

The Target Companies are also indirectly engaged in the distribution of film titles through distribution agents.

Upon Completion of the Acquisition, the Target Companies will become indirectly wholly-owned subsidiaries of the Company.

### F. INFORMATION ON GHCL

GHCL is a company incorporated in Hong Kong and wholly-owned by Mr. Chow and which is principally engaged in film investment. Pursuant to three trust deeds in identical form in respect of each of the Target Companies executed by GHCL in favour of WMG, GHCL declared that it holds WMG's respective Sale Shares on trust for WMG.

### G. REASONS FOR AND BENEFITS OF THE ACQUISITION

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

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## LETTER FROM THE BOARD

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Film distribution is one of the Group's core business. The Group currently owns a film library of approximately 100 Chinese language titles for worldwide distribution. GHPCL owns a film library comprising 39 film titles. Some of them are best-selling titles, such as "The Accidental Spy" starring Jackie Chan, "The Soong Sisters" starring Michelle Yeoh and Maggie Cheung and "The Stormriders" starring Aaron Kwok. The Company had, for reference, sought an independent opinion from Vigers Appraisal & Consulting Limited ("Vigers"), an independent valuer, as to the latest market value of the film library owned by GHPCL. According to Vigers, the market value (the "Market Value") of the film library as at the date of the Sale and Purchase Agreements was comparable to the unaudited book value of the film library as recorded in the accounts of the GHPCL as at 30 June 2006. In arriving at the Market Value, Vigers had taken into consideration all relevant factors pertaining to the film library such as the types of films, their grading based on market guidelines, their historical box-office records, their expected operating period, the historical distribution costs of similar film titles, the general market environment and conditions of the film licensing industry, the general economic outlook and risks associated with the respective target markets of the films.

The Directors believe that the Acquisition will enlarge the Group's film library and strengthen the existing film distribution business and is expected to yield good return.

### **H. FINANCIAL EFFECTS OF THE TRANSACTION ON THE GROUP**

As stated in the announcement of the annual results of the Company for the year ended 30 June 2006, the Group had an audited consolidated net tangible asset value of approximately HK\$325 million as at 30 June 2006. The aggregate Purchase Consideration payable by the Purchaser to the Vendors for the Acquisition is approximately HK\$22.6 million. The Company is therefore of the view that there would not be any significant impact on the consolidated net tangible asset value of the Group immediately after the Completion.

For the year ended 30 June 2006, the audited consolidated profit attributable to shareholders of the Company was approximately HK\$5.2 million whilst the unaudited net loss of the Target Companies for the same period was approximately HK\$4.2 million and such losses principally comprised impairment provision of approximately HK\$3.0 million for the film titles and other operating expenses. The Target Companies will become wholly-owned subsidiaries of the Purchaser and the Group will take over the existing business and operations of the Target Companies after Completion. The earnings of the Group are not expected to decrease materially as the operating expenses of the Target Companies would not be significant.

### **I. LISTING RULES IMPLICATIONS**

Mr. Chow is indirectly interested in an aggregate 22.03% of the issued shares of the Company. Mr. Chow is also the beneficial owner of 66.67% of the issued shares of WMG. As a result WMG, being an associate of Mr. Chow, is a connected person of the Company for Listing Rules purposes



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## LETTER FROM THE BOARD

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and the Acquisition constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the Listing Rules, the Acquisition accordingly is subject to, among other things, the approval of the Independent Shareholders at a general meeting of the Company. Apart from being a connected transaction of the Company, the Acquisition constitutes a discloseable transaction of the Company for Listing Rules purposes.

### **J. SGM**

A notice convening the SGM at which resolutions will be proposed to the Independent Shareholders to consider, and if thought fit, to approve the Acquisition and the ancillary transactions contemplated under the Sale and Purchase Agreements, is set out on pages 34 to 36 of this circular.

Pursuant to Rule 2.15 of the Listing Rules any shareholder that has a material interest in the transaction shall abstain from voting on the resolution approving the transaction at the general meeting. As WMG, being one of the Vendors, is an associate of Mr. Chow and a connected person of the Company, Mr. Chow and his associates will abstain from voting at the SGM in respect of the resolution to be proposed to approve the Acquisition. Voting at the meeting to approve the transaction shall therefore be taken by way of poll in accordance with Rule 13.39(4)(d) of the Listing Rules.

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](http://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.

### **K. POLL PROCEDURE**

The votes to be taken at the SGM in relation to the Sale and Purchase Agreements 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

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## LETTER FROM THE BOARD

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- (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
- (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.
- (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 Sale and Purchase Agreements at the SGM.

### **L. RECOMMENDATION**

Your attention is drawn to the advice of the Independent Board Committee set out in its letter on page 17 of this circular. Your attention is also drawn to the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreements set out on pages 18 to 23 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Sale and Purchase Agreements 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 Sale and Purchase Agreements are fair and reasonable so far as the Independent Shareholders are concerned and recommend that the Independent Shareholders vote in favour of the ordinary resolution to approve the Sale and Purchase Agreements at the SGM.

### **M. 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**  
*Managing Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Golden Harvest

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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1132)**

7 November 2006

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION –  
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF  
(1) GH PICTURES (CHINA) LIMITED,  
(2) GH MEDIA MANAGEMENT PTE LTD AND  
(3) GH MEDIA MANAGEMENT LIMITED**

We have been appointed as the Independent Board Committee to advise you in connection with the terms of the Sale and Purchase Agreements, details of which are set out in the letter from the Board contained in the circular of the Company dated 7 November 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 Sale and Purchase Agreements and the advice of the Independent Financial Adviser in relation thereto as set out on pages 18 to 23 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 Sale and Purchase Agreements, 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*

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## LETTER FROM CIMB-GK SECURITIES (HK) LIMITED

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*The following is the full text of the letter of advice to the Independent Board Committee from the Independent Financial Adviser dated 7 November 2006 prepared for incorporation in this circular.*



### **CIMB-GK Securities (HK) Limited**

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

7 November 2006

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

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the circular (the "Circular") to the Shareholders dated 7 November 2006, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

The Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreements with the Vendors on 16 October 2006 in relation to the Acquisition for a consideration of approximately HK\$22.6 million. Mr. Chow, the Chairman of the Company and a substantial Shareholder, is indirectly interested in an aggregate of approximately 22.03% of the issued share capital of the Company. Mr. Chow is also the beneficial owner of approximately 66.67% of the issued shares of WMG and therefore, WMG, being an associate of Mr. Chow, is a connected person of the Company for the purposes of the Listing Rules. As WMG is a substantial shareholder of each of the Target Companies, and is one of the Vendors under the Sale and Purchase Agreements, the Acquisition accordingly constitutes a connected transaction of the Company under the Listing Rules.

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## LETTER FROM CIMB-GK SECURITIES (HK) LIMITED

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The Acquisition and the ancillary transactions contemplated under the Sale and Purchase Agreements are subject to, among other things, the approval of the Independent Shareholders by way of poll at the SGM with Mr. Chow and his associates abstaining from voting pursuant to the Listing Rules. An independent board committee comprising Mr. Paul Ma Kah Woh, Mr. Frank Lin and Prince Chatrichalerm Yukol, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Acquisition.

### **BASIS OF ADVICE**

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 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. We have also discussed with Vigers Appraisal & Consulting Limited ("Vigers"), an independent valuer as to the underlying bases and assumptions in arriving at the Market Value (as defined below), and we have no reasons to doubt such bases and assumptions.

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 Acquisition 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 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 the Target Companies, or any of their respective subsidiaries, associates, or jointly controlled entities.

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## LETTER FROM CIMB-GK SECURITIES (HK) LIMITED

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the terms of the Acquisition 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**

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

We note that film distribution is one of the core businesses of the Group and the Group currently owns a film library of approximately 100 Chinese language titles for worldwide distribution. As regards the Target Companies, they own a film library comprising 39 film titles (the “Film Titles”) which some of them, as advised by the Directors, are best-selling titles. The Target Companies are also indirectly engaged in the distribution of the Film Titles through other distribution agent. The Directors consider that the Acquisition will enlarge the Group’s film library and strengthen the existing film distribution business of the Group. As noted in the Letter from the Board, the aggregate unaudited losses of the Target Companies amounted to approximately HK\$4.2 million for the period from 1 July 2005 to 30 June 2006. We have been advised by the management of the Company that such losses principally comprised impairment provision of approximately HK\$3.0 million for the Film Titles and other operating expenses. We also note that the Company has, for reference, sought an independent opinion from Vigers as to the latest market value of the Film Titles. We have been advised by the Directors that according to Vigers, the market value (the “Market Value”) of the Film Titles as at the date of the Sale and Purchase Agreements is comparable to the unaudited book value (the “Book Value”) of the Film Titles as recorded in the accounts of the Target Companies as at 30 June 2006. The Directors further advised that as the Group will take over the existing business and operation of the Target Companies following Completion, the Directors expect the recurrent operating expenses of the Target Companies would be insignificant.

As the Acquisition is in line with and will complement the Group’s existing business, based on the foregoing, we concur with the views of the Directors that the Acquisition is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM CIMB-GK SECURITIES (HK) LIMITED

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### The Consideration

The consideration of HK\$22.6 million (the “Consideration”) for the Acquisition has been determined with reference to the aggregate unaudited net asset value of the Target Companies as at 30 June 2006 of approximately HK\$22.5 million as adjusted for fair value. Given that the principal asset of the Target Companies is the Film Titles, we consider it appropriate to determine the Consideration based on the asset value of the Target Companies, after taking into account the fair value of the Film Titles. As mentioned above, the Target Companies made an impairment provision for the Film Titles of approximately HK\$3.0 million for the period from 1 July 2005 to 30 June 2006. The Directors are of the view that with such impairment provision made on the Film Titles, the Book Value, which is comparable to the Market Value, reflects the fair value of the Film Titles.

Furthermore, in assessing the fairness and reasonableness of the Consideration, we have reviewed, on a best effort basis, the historic price-to-book ratio (“PBR”) as at 16 October 2006 (being the date of the Sale and Purchase Agreements) of those Hong Kong listed comparable companies (the “Comparable Companies”) which own a film library and whose principal business is engaged in the distribution of film titles and DVD/VCD, and compare such findings with that of the Target Companies, details of which are as follows:

<b>Name of Comparable Companies</b>	<b>PBR (Times)</b>
China Star Entertainment Limited	0.26
Emperor Entertainment Group Limited	3.27
International Entertainment Corporation	1.44
Mandarin Entertainment (Holdings) Limited	9.14
Mei Ah Entertainment Group	1.17
Universe International Holdings Limited	0.28
<b>Average</b>	<b>2.59</b>
<b>Target Companies</b>	<b>1.00</b>

*Source: Bloomberg*

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## LETTER FROM CIMB-GK SECURITIES (HK) LIMITED

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The Comparable Companies traded within a range of historic PBR of approximately 0.26 times to 9.14 times, with an average PBR of approximately 2.59 times, as compared to the PBR of 1.0 time implied under the Consideration.

### *Views*

Having taken into account the above, we consider the Consideration to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### **Possible financial effects**

### *Earnings*

Upon completion of the Acquisition, the Target Companies will become wholly-owned subsidiaries of the Company and their results of operation will be consolidated into the financial statements of the Group.

### *Net asset value*

As the Consideration payable under the Acquisition principally represents the unaudited net asset value of the Target Companies as at 30 June 2006 of approximately HK\$22.5 million, we concur with the views of the Directors that the Acquisition would have no material effect on the Group's asset base.

### *Working capital*

The Consideration will be payable from the internal resources of the Group. We note from the final results announcement of the Company for the year ended 30 June 2006 that the Group has net current liabilities of approximately HK\$78.6 million as at 30 June 2006. We also notice that, as at 30 June 2006, the cash and bank balances of the Group amounted to approximately HK\$54.4 million. Subsequent to that date, the Company had also raised a convertible note issue for a net proceeds of approximately HK\$99 million. Having considered the cash and bank balances of the Group as at 30 June 2006 and the proceeds of the aforesaid convertible note issue, we concur with the views of the Directors that the Acquisition will not have a material adverse impact on the working capital position of the Group.



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## LETTER FROM CIMB-GK SECURITIES (HK) LIMITED

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### RECOMMENDATION

Having taken into consideration the principal factors and reasons referred to above, we are of the opinion that the Acquisition is in the interests of the Company and the Shareholders as a whole and that the terms of the Sale and Purchase Agreements are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote for the ordinary resolution to be proposed at the SGM to approve the Acquisition and the ancillary transactions contemplated under the Sale and Purchase Agreements.

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

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts, 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 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	293,121,527 (L) 235,585,591 (S)	–	22.03 17.70

**APPENDIX**
**GENERAL INFORMATION**

<b>Name of Director</b>	<b>Nature of Interest</b>	<b>Notes</b>	<b>Number of Shares (L) = Long position (S) = Short position</b>	<b>Number of underlying Shares (L) = Long position (S) = Short position</b>	<b>Approximate %</b>
Raymond Chow Ting Hsing	Interest of controlled corporations	1	–	90,909,090 (S)	6.83
Phoon Chiong Kit	Beneficial owner		7,500,000 (L)	–	0.56
Phoon Chiong Kit	Beneficial owner	2	–	37,000,000 (L)	2.78
David Chan Sik Hong	Beneficial owner		5,859,375 (L)	–	0.44
David Chan Sik Hong	Beneficial owner	3	–	6,250,000 (L)	0.47
Roberta Chin Chow Chung Hang	Beneficial owner		6,642,000 (L)	–	0.50
Lau Pak Keung (alternate to Phoon Chiong Kit)	Beneficial owner		1,600,000 (L)	–	0.12
Eric Norman Kronfeld	Beneficial owner	4	–	350,000 (L)	0.03
Paul Ma Kah Woh	Beneficial owner	4	–	350,000 (L)	0.03
Frank Lin	Beneficial owner	4	–	350,000 (L)	0.03
Prince Chatrichalerm Yukol	Beneficial owner	4	–	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 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 HK\$20,000,000 4% convertible notes issued by the Company on 22 August, 2006.
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.

***(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 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	293,121,527 (L) 235,585,591 (S)	-	22.03 17.70
Raymond Chow Ting Hsing	Interest of controlled corporations	1	-	90,909,090 (S)	6.83
Felicia Chow Yuan Hsi Hua	Spouse's interest	1	293,121,527 (L) 235,585,591 (S)	-	22.03 17.70
Felicia Chow Yuan Hsi Hua	Spouse's interest	1	-	90,909,090 (S)	6.83
Planet Gold Associates Limited	Beneficial owner	1	183,210,590 (L) 148,085,591 (S)	-	13.77 11.13
Net City Limited	Beneficial owner	1	109,910,937 (L) 87,500,000 (S)	-	8.26 6.58
Pleasant Villa Investments Limited	Beneficial owner	1	-	90,909,090 (S)	6.83
Li Ka-shing	Interest of controlled corporations	2	222,567,500 (L)	-	16.73

**APPENDIX**
**GENERAL INFORMATION**

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Notes</b>	<b>Number of Shares (L) = Long position (S) = Short position</b>	<b>Number of underlying Shares (L) = Long position (S) = Short position</b>	<b>Approximate %</b>
Li Ka-shing	Interest of controlled corporations	2	–	90,909,090 (L)	6.83
Mayspin Management Limited	Interest of controlled corporations	2	222,567,500 (L)	–	16.73
Mayspin Management Limited	Interest of controlled corporations	2	–	90,909,090 (L)	6.83
Garex Resources Limited	Beneficial owner	2	188,017,500 (L)	–	14.13
Garex Resources Limited	Beneficial owner	2	–	90,909,090 (L)	6.83
Typhoon Music (PRC) Limited	Beneficial owner	3	155,000,000 (L)	–	11.65
Typhoon Music (PRC) Limited	Beneficial owner	3	–	45,454,545 (L)	3.42
EMI Group Plc	Interest of controlled corporations	3	155,000,000 (L)	–	11.65
EMI Group Plc	Interest of controlled corporations	3	–	45,454,545 (L)	3.42
Virgin Music Group Ltd.	Interest of controlled corporations	3	155,000,000 (L)	–	11.65
Virgin Music Group Ltd.	Interest of controlled corporations	3	–	45,454,545 (L)	3.42
EMI Group Worldwide Limited corporations	Interest of controlled corporations	3	155,000,000 (L)	–	11.65

**APPENDIX**
**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 Worldwide Limited	Interest of controlled corporations	3	–	45,454,545 (L)	3.42
Norman Cheng Tung Hon	Interest of controlled corporations	3	155,000,000 (L)	–	11.65
Norman Cheng Tung Hon	Interest of controlled corporations	3	–	45,454,545 (L)	3.42
Typhoon Records Limited	Interest of controlled corporations	3	155,000,000 (L)	–	11.65
Typhoon Records Limited	Interest of controlled corporations	3	–	45,454,545 (L)	3.42
Lily Feng Yuen Cheung	Spouse's interest	3	155,000,000 (L)	–	11.65
Lily Feng Yuen Cheung	Spouse's interest	3	–	45,454,545 (L)	3.42
PAMA Group Inc.	Beneficial interest	4	123,284,027 (L)	–	9.27
See Corporation Limited	Beneficial interest	5	–	90,909,090 (L)	6.83
Hanny Holdings Limited	Interest of controlled corporations	6	–	227,272,727 (L)	17.08
Hanny Magnetics (B.V.I.) Limited	Interest of controlled corporations	6	–	227,272,727 (L)	17.08
Quick Target Limited	Beneficial interest	6	–	227,272,727 (L)	17.08

*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 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 HK\$20,000,000 4% convertible notes issued by the Company on 22 August 2006.

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.

2. 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 HK\$20,000,000 4% convertible notes issued by the Company on 22 August 2006. 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 upon full conversion of HK\$10,000,000 4% convertible notes issued by the Company to Typhoon Music (PRC) Limited on 22 August 2006.

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 HK\$20,000,000 4% convertible notes issued by the Company on 23 May 2006.
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 HK\$50,000,000 4% convertible notes issued by the Company on 22 August 2006.



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**

Save as disclosed below, 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.

In 2005, the Group commenced legal proceedings in Hong Kong to wind up Dartina Development Limited, the holding company of the Group's Singapore joint venture, Golden Village Multiplex Pte Ltd ("GVM"), with its Australian partner, Village Roadshow. The petition was caused by disputes regarding the performance of the operational management of GVM. Legal proceedings are still continuing.

### **6. MATERIAL CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2006, being the date to which its annual financial statements were made up.

**7. INTERESTS IN ASSETS**

Save as disclosed in this circular, since 30 June 2006, the date of the annual 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 37, 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:

<b>Name</b>	<b>Qualifications</b>	<b>Date of opinion</b>
CIMB-GK Securities (HK) Limited	a licensed corporation under the SFO permitted to carry out Types 1, 4 and 6 regulated activity (as defined in the SFO) which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders	7 November 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 24 November 2006:–

- (1) Sale and Purchase Agreements;
- (2) the letter from the Independent Board Committee, the text of which is set out on page 17 of this circular;
- (3) the letter from the Independent Financial Adviser, the text of which is set out on pages 18 to 23 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.

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## NOTICE OF SPECIAL GENERAL MEETING

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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1132)**

7 November 2006

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**Meeting**”) of Golden Harvest Entertainment (Holdings) Limited (the “**Company**”) will be held at Function Room – Cherry, InterContinental Hong Kong, 18 Salisbury Road, Kowloon, Hong Kong on Thursday, 30 November 2006 at 11:00 a.m. for the purposes of considering and, if thought fit, passing the following resolution as an ordinary resolution:

#### **ORDINARY RESOLUTION**

**“THAT**

- (a) the sale and purchase agreement dated 16 October 2006 entered into by SIM China Productions Limited (“SIM”), Eastern Broadcasting Co., Ltd, Metropolitan Life Insurance Company (“MetLife”), Latin American Investment Bank Bahamas Limited (“LAIB”), World Media Group Limited (“WMG”), Golden Harvest Films Distribution Holding Limited (the “Purchaser”, a wholly owned subsidiary of the Company) and Golden Harvest (China) Limited (“GHCL”) in respect of the acquisition of the entire issued share capital of GH Pictures (China) Limited by the Purchaser (the “GHPCL Agreement”) be and is hereby approved, ratified and confirmed;
- (b) the sale and purchase agreement dated 16 October 2006 entered into by SIM, MetLife, LAIB, WMG, the Purchaser and GHCL in respect of the acquisition of the entire issued share capital of GH Media Management Pte Ltd (the “GHMMPL Agreement”) be and is hereby approved, ratified and confirmed;
- (c) the sale and purchase agreement dated 16 October 2006 entered into by SIM, MetLife, LAIB, WMG, the Purchaser and GHCL in respect of the acquisition of the entire issued share capital of GH Media Management Limited (the “GHMML Agreement”) be and is hereby approved, ratified and confirmed; and

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## NOTICE OF SPECIAL GENERAL MEETING

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- (d) the directors of the Company be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect and deliver all such documents and deeds and do all such acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the GHPCL Agreement, the GHMMPL Agreement and the GHMML Agreement (collectively, the “Agreements”) and the performance, exercise and enforcement of any of the Company’s prospective obligations and rights under the Agreements.

By Order of the Board

**Lee So Ching**

*Company Secretary*

Hong Kong, 7 November 2006

*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 member 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 member of the Company.

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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.