
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your 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 in 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

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

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

A letter from the Board is set out on pages 5 to 12 of this circular.

A notice convening the special general meeting of Golden Harvest Entertainment (Holdings) Limited to be held at 3/F., Tang Room (I), Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Wednesday, 9 May 2007 at 3:00 p.m. is set out on pages 13 to 14 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.

17 April 2007

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

“Board”	the board of Directors
“Board Lot Change”	the change of the board lot size from 2,000 Shares to 1,000 Consolidated Shares upon the Share Consolidation becoming effective
“Capital Reorganisation”	the proposed Share Premium Reduction and Share Consolidation of the Company as referred to in the section headed “Capital Reorganisation” below
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Golden Harvest Entertainment (Holdings) Limited, a company incorporated in Bermuda with limited liability with its shares listed on the Main Board of the Stock Exchange
“Consolidated Share(s)”	new ordinary share(s) of HK\$1.00 each in the share capital of the Company following the Share Consolidation
“Convertible Notes”	the Series I Convertible Note and the Series II Convertible Notes
“Directors”	the directors of the Company
“Effective Date”	the date on which the Share Premium Reduction and the Share Consolidation become unconditional and effective, which is currently expected to be on Wednesday, 9 May 2007 and Thursday, 10 May 2007, respectively, subject to such change as the Company may announce and notify the Shareholders pursuant to the Listing Rules and the bye-laws of the Company
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Latest Practicable Date”	11 April 2007, the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Registrar”	Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong, being the branch share registrar of the Company in Hong Kong
“SGM”	the special general meeting of the Company to be held to consider and, if appropriate, approve the Capital Reorganisation
“SGM Notice”	the notice convening the SGM as set out on pages 13 to 14 of this circular
“Series I Convertible Note”	the 4% convertible note in an amount of HK\$20,000,000 issued by the Company to See Corporation Limited in May 2006
“Series II Convertible Notes”	the 4% convertible notes in an aggregate amount of HK\$100,000,000 issued to Quick Target Limited, Pleasant Villa Investments Limited, Garex Resources Limited and Typhoon Music (PRC) Limited in August 2006
“Share(s)”	the existing ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Consolidation”	the proposed consolidation of every ten (10) Shares of HK\$0.10 each in both the issued and unissued share capital of the Company into one (1) Consolidated Share of HK\$1.00 as referred to in the paragraph headed “Share Consolidation” in the section headed “Capital Reorganisation” in this circular
“Share Options”	the share options granted under either of the Share Option Schemes
“Share Premium Reduction”	the proposed reduction of the Company’s share premium account by an amount of HK\$500,000,000 as referred to in the paragraph headed “Share Premium Reduction” in the section headed “Capital Reorganisation” in this circular
“Share Option Schemes”	the share option schemes of the Company adopted on 2 November 1994 and 28 November 2001, respectively
“Shareholders”	the holders of Shares or Consolidated Shares as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

EXPECTED TIMETABLE

The following expected timetable is dependent on the date of fulfillment of the relevant conditions to which the Share Premium Reduction and the Share Consolidation are respectively subject. Accordingly, it may be updated as and when the expected dates of fulfillment of such conditions are revised, and in such case the Company will keep the Shareholders and investing public informed accordingly.

Latest time for lodging proxy forms for the SGM 3:00 p.m. on Monday,
7 May 2007

Time and date of SGM 3:00 p.m. on Wednesday,
9 May 2007

The following is subject to the Shareholders approving the Capital Reorganisation at the SGM

Effective date of the Share Premium Reduction Wednesday, 9 May 2007

Effective date of the Share Consolidation Thursday, 10 May 2007

Existing counter for trading in existing Shares

in the form of existing share certificates

in board lots of 2,000 Shares temporarily closes 9:30 a.m. on Thursday,
10 May 2007

Temporary counter for trading in Consolidated Shares

in board lots of 200 Consolidated Shares

in the form of existing share certificates opens 9:30 a.m. on Thursday,
10 May 2007

First day of free exchange of existing share certificates

for new share certificates for Consolidated Shares Thursday, 10 May 2007

Designated broker starts to stand in the market

to provide matching service for the sale

and purchase of odd lots of Consolidated Shares Friday, 25 May 2007

Existing counter re-opens for trading in Consolidated Shares

in new board lots of 1,000 Consolidated Shares

in the form of new share certificates 9:30 a.m. on Friday,
25 May 2007

EXPECTED TIMETABLE

Parallel trading in Consolidated Shares in the form of
existing share certificates and new share certificates commences 9:30 a.m. on Friday,
25 May 2007

Temporary counter for trading in board lots of
200 Consolidated Shares in the form of
existing share certificates closes 4:00 p.m. on Friday,
15 June 2007

Parallel trading in Consolidated Shares in the form of
existing share certificates and new share certificates ends 4:00 p.m. on Friday,
15 June 2007

Designated broker stops providing matching service
for the sale and purchase of odd lots of Consolidated Shares 4:00 p.m. on Friday,
15 June 2007

Last day of free exchange of existing share certificates
for new share certificates for Consolidated Shares Wednesday, 20 June 2007

All references to time and dates in this timetable are to Hong Kong time and dates.

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 (*also alternate to Phoon Chiong Kit*)

Non-executive Director:

Eric Norman Kronfeld

Independent Non-executive Directors:

Paul Ma Kah Woh
Frank Lin
George Huang Shao-Hua
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

17 April 2007

*To the Shareholders and for information only,
to the holders of Share Options and Convertible Notes*

Dear Sirs,

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

INTRODUCTION

The Board announced on 21 March 2007 that the Company proposed to effect the Capital Reorganisation involving the Share Premium Reduction and the Share Consolidation in respect of which the SGM would be convened and the approval of Shareholders would be sought. The Company also proposed to effect the Board Lot Change.

The purpose of this circular is to give the Shareholders further information on the proposed Capital Reorganisation and the Board Lot Change and the SGM Notice.

LETTER FROM THE BOARD

CAPITAL REORGANISATION

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

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

SHARE PREMIUM REDUCTION

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

SHARE CONSOLIDATION

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$600,000,000 divided into 6,000,000,000 Shares of HK\$0.10 each, of which 1,307,787,375 Shares have been issued and are fully paid. Share Options granted by the Company pursuant to the Share Option Schemes entitling the holders to subscribe for up to 44,650,000 Shares are currently outstanding. Other than the Share Options and the Convertible Notes, the Company has no outstanding subscription options, warrants or derivatives as at the date of this circular.

Upon the Share Consolidation becoming effective, the authorised share capital of the Company will be HK\$600,000,000 divided into 600,000,000 Consolidated Shares of HK\$1.00 each, of which not less than 130,778,737 Consolidated Shares will be in issue and fully paid, which figure will be adjusted for any Shares issued between the date of this circular and the date on which the Share Consolidation becomes effective.

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

LETTER FROM THE BOARD

CONDITIONS OF THE CAPITAL REORGANISATION

The Share Premium Reduction is conditional on:

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

The Share Consolidation is conditional on:

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

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

Subject to fulfillment of the relevant conditions set out above at the SGM on Wednesday, 9 May 2007, the Share Premium Reduction and the Share Consolidation are expected to become effective on Wednesday, 9 May 2007 and Thursday, 10 May 2007, respectively. If there is any change to the relevant Effective Date, the Company will announce it and notify the Shareholders accordingly pursuant to the Listing Rules and the bye-laws of the Company.

EFFECTS OF THE CAPITAL REORGANISATION

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

LETTER FROM THE BOARD

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

REASONS FOR THE CAPITAL REORGANISATION

Pursuant to the Companies Act 1981 of Bermuda and the bye-laws of the Company, no dividend shall be declared or paid and no distribution may be made out of contributed surplus if (i) the Company is, or would after such payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of the Company's assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium accounts. The Directors also consider that it would be inappropriate in any event for the Company to pay dividends while the Group has an accumulated deficit. The Share Premium Reduction will allow the Company to eliminate the deficit of the Company and the Group and bring the Company to a position that might permit the payment of dividends if and when the Company's financial position allows and the Directors consider appropriate in the future, although there is no guarantee that a dividend will be declared or paid upon the Capital Reorganisation becoming effective or at any time in the future as this will depend on many different factors.

The Share Consolidation will increase the nominal value of the shares of the Company and the value of each such share.

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

BOARD LOT CHANGE

Currently, the Shares are traded on the Stock Exchange in board lots of 2,000 Shares each. The Board proposes that subject to and upon the Share Consolidation becoming effective, the board lot size be changed from 2,000 Shares to (which following the Share Consolidation would become 200 Consolidated Shares) 1,000 Consolidated Shares.

The Board Lot Change will result in the Consolidated Shares being traded in a more reasonable board lot size upon the Capital Reorganisation becoming effective. Based on the closing price per Share of HK\$0.36 as quoted on the Stock Exchange on the Latest Practicable Date and the existing board lot size of 2,000 Shares, the prevailing board lot value is HK\$720. On the basis of the aforesaid closing price and the new board lot size of 1,000 Consolidated Shares, the new board lot value would be approximately HK\$3,600.

LETTER FROM THE BOARD

ARRANGEMENT FOR ODD LOTS

In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Share, as a result of the Share Consolidation and the Board Lot Change, the Company has agreed to procure a designated broker to arrange a “matching service” for Shareholders who wish to top-up or sell their holdings of odd lots. Shareholders should note that the aforesaid matching service is on a best efforts basis and there is no guarantee of a successful execution of such transaction. Holders of odd lots of Consolidated Shares who wish to take advantage of this facility should contact Mr. Jason Lee (852-2238-9179) or Mr. John Pao (852-2238-9178) of Tanrich Securities Company Limited at 16/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong from Thursday, 10 May 2007 to Friday, 15 June 2007.

Shareholders are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser if they are not sure about the matching service described above.

FREE EXCHANGE OF SHARE CERTIFICATES

The new certificates for Consolidated Shares will be blue in colour in order to distinguish them from the existing share certificates which are yellow in colour.

Subject to fulfillment of the conditions set out above and the Capital Reorganisation taking effect, it is expected that Consolidated Share certificates will be issued in board lots of 1,000 Consolidated Shares. Existing share certificates can be submitted to the Registrar in exchange for certificates for Consolidated Shares, free of charge, between 9:00 a.m. and 4:00 p.m. from Thursday, 10 May 2007 to Wednesday, 20 June 2007 (both days inclusive). Thereafter, the existing certificates in yellow for Shares will remain effective as documents of title, on the basis of ten (10) Shares for one (1) Consolidated Share, and may be exchanged for new certificates in blue for Consolidated Shares at any time on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be permitted by the Stock Exchange) for each share certificate for Shares cancelled or each new share certificate issued for Consolidated Shares, whichever number of certificates cancelled/issued is higher. It is expected that new certificates for Consolidated Shares will be available for collection within a period of ten (10) business days after the submission of existing share certificates to the Registrar for exchange.

TRADING ARRANGEMENTS FOR CONSOLIDATED SHARES

Subject to the Share Consolidation becoming effective, the arrangements for trading in Consolidated Shares will be as follows:

- (a) From 9:30 a.m. on Thursday, 10 May 2007, the existing counter for trading in Shares in board lots of 2,000 Shares will be closed. A temporary counter for trading in Consolidated Shares in board lots of 200 Consolidated Shares, representing 2,000 Shares, in the form of existing share certificates for Shares will be established, and every ten (10) Shares will be deemed to represent one (1) Consolidated Share. Only existing share certificates for Shares (in yellow) can be traded at the temporary counter.

LETTER FROM THE BOARD

- (b) With effect from 9:30 a.m. on Friday, 25 May 2007, the existing counter will be re-opened for trading in Consolidated Shares in the new board lots of 1,000 Consolidated Shares each. Only certificates for Consolidated Shares (in blue) can be traded at this counter.
- (c) During the period from Friday, 25 May 2007 to Friday, 15 June 2007 (both days inclusive), parallel trading will be permitted at the above two counters.
- (d) The temporary counter for trading in existing share certificates in board lots of 200 Consolidated Shares will be removed after the close of trading at 4:00 p.m. on Friday, 15 June 2007 and thereafter trading will only be done in Consolidated Shares in board lots of 1,000 Consolidated Shares in the form of new share certificates (in blue). Existing share certificates (in yellow) will only be valid for delivery and settlement in respect of dealings for the period up to and including Friday, 15 June 2007 and thereafter will not be acceptable for delivery and settlement purposes. However, existing certificates for Shares (in yellow) will continue to be good and valid evidence of legal title to the Consolidated Shares on the basis of ten (10) Shares for one (1) Consolidated Share and may be exchanged for certificates for Consolidated Shares (in blue) at the Registrar at any time on payment of a prescribed fee.

LISTING AND DEALINGS

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

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in Consolidated Shares on the Stock Exchange or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in Consolidated Shares may be settled through CCASS. You should seek the advice of your licensed securities dealer or other professional adviser for details of those settlement arrangements and how such arrangements will affect your rights and interests.

LETTER FROM THE BOARD

ADJUSTMENT TO SHARE OPTIONS

As at the Latest Practicable Date, the number of Shares that may be issued under the outstanding Share Options is 44,650,000 Shares. Upon the Capital Reorganisation becoming effective, the exercise price of the Share Options and the number of shares of the Company that may be issued upon the exercise of the Share Options will be adjusted in accordance with the terms of the Share Option Schemes. The Company will request its auditors to confirm in writing that the adjustment required to be made to such Share Options is in accordance with the terms of the Share Option Schemes. Subject to the Capital Reorganisation becoming effective, the existing general limit on the grant of the Share Options should also be adjusted to align with the new share capital structure of the Company in accordance with the terms of the Share Option Schemes and the note to Rule 17.03(13) of the Listing Rules. Any such adjustment shall be made on the basis that the proportion of the issued share capital of the Company to which a grantee of the Share Options is entitled shall remain the same before and after the Capital Reorganisation. Further announcement will be made in relation to the adjustment of the number and the exercise price of the Share Options upon the Capital Reorganisation becoming effective.

ADJUSTMENT TO CONVERTIBLE NOTES

As at the Latest Practicable Date, the aggregate number of Shares that may be issued under the Convertible Notes is 545,454,545 Shares. Upon the Capital Reorganisation becoming effective, the conversion price at which the outstanding principal amount of the Convertible Notes may be converted into shares of the Company will be adjusted in accordance with the terms of the Convertible Notes. Further announcement will be made in relation to the adjustment of the conversion price of the Convertible Notes upon the Capital Reorganisation becoming effective.

SPECIAL GENERAL MEETING

A notice convening the SGM at which resolutions will be proposed to the Shareholders to consider, and if thought fit, to approve the Capital Reorganisation is set out on pages 13 to 14 of this circular.

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 Registrar 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.

LETTER FROM THE BOARD

POLL PROCEDURE

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
- (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 in the Company 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.

RECOMMENDATION

The Directors consider that the Share Premium Reduction and the Share Consolidation are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favour of the resolutions as set out in the SGM Notice. The Directors intend to do so in respect of their own beneficial holdings.

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.

Yours faithfully,
On behalf of the Board
Raymond Chow Ting Hsing
Chairman

NOTICE OF SPECIAL GENERAL MEETING



Golden Harvest

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 (I), Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Wednesday, 9 May 2007 at 3:00 p.m. for the purposes of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTION

1. “**THAT** subject to the publication of a notice in respect of the Share Premium Reduction (as defined below) in Bermuda in accordance with section 46(2)(a) of the Companies Act 1981 of Bermuda and the directors of the Company confirming on the Effective Date (as defined below) that there are no reasonable grounds for believing that the Company is, or after the Share Premium Reduction would be, unable to pay its liabilities as they fall due:
 - (a) the share premium account of the Company be reduced by HK\$500,000,000 (“Share Premium Reduction”) with effect from 9 May 2007, being a day on which The Stock Exchange of Hong Kong Limited is open for the business of dealing in securities (“Effective Date”); and
 - (b) the directors of the Company be and are authorised to transfer the credit arising in the books of account of the Company from the Share Premium Reduction to the contributed surplus account of the Company and to apply an amount equal to approximately HK\$420,000,000 in the contributed surplus account in setting off the accumulated deficit of the Company of approximately HK\$420,000,000 as at 28 February 2007,

and the directors of the Company be and are authorised to take any and all steps, and to do and/or procure to be done any and all acts and things, and to approve, sign and execute any documents which in their opinion may be necessary, desirable or expedient to implement and carry into effect this resolution.”

ORDINARY RESOLUTION

2. “**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) granting the listing of, and permission to deal in, the Consolidated Shares (as defined below):
 - (a) with effect from 10 May 2007, being a day on which the Stock Exchange is open for the business of dealing in securities, the issued and unissued ordinary shares of HK\$0.10 each in the capital of the Company (“Shares”) be consolidated on the basis of every ten (10) Shares being consolidated into one (1) share of HK\$1.00 (“Consolidated Share”);

NOTICE OF SPECIAL GENERAL MEETING

- (b) all of the Consolidated Shares resulting from such share consolidation shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions contained in the bye-laws of the Company; and
- (c) any fractional entitlements to the issued Consolidated Shares shall be aggregated and sold for the benefit of the Company by an agent appointed by the Company's board of directors for that purpose,

and the directors of the Company be and are authorised to take any and all steps, and to do and/or procure to be done any and all acts and things, and to approve, sign and execute any documents which in their opinion may be necessary, desirable or expedient to implement and carry into effect this resolution.”

By Order of the Board
Lee So Ching
Company Secretary

Hong Kong, 17 April 2007

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

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 (if he is the holder of two or more Shares) to attend and vote instead of him. A proxy need not be a member 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 branch 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.