



HANNY HOLDINGS LIMITED  
錦興集團有限公司  
(Incorporated in Bermuda with limited liability)

RECEIVED

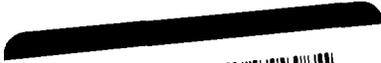
2006 JUL 21 P 2:17

OFFICE OF INTERNATIONAL  
CORPORATE FINANCE

088-03638

Date: 12 July 2006

Office of International Corporate Finance  
Securities & Exchange Commission  
Room 3628  
100F Street North East  
Washington DC 20549  
U.S.A.



06015385

BY AIRMAIL

Dear Sirs,

HANNY HOLDINGS LIMITED ("Company")  
- ISIN US 41068T2087

SUPPL

We enclose a copy of the announcement dated 11 July 2006 issued by the Company in relation to the subscription of convertible note of Golden Harvest Entertainment (Holdings) Limited by the Company for filing under the ISIN US 41068T2087.

Thank you for your attention.

Yours faithfully,  
*For and on behalf of*  
HANNY HOLDINGS LIMITED

PROCESSED

JUL 25 2006 E

THOMSON  
FINANCIAL

P.P. Florence Kam  
Company Secretary  
/vw  
Encl

Jul 7/24

2006年7月12日 香港經濟日報



HANNY HOLDINGS LIMITED 錦興集團有限公司

(於百慕達註冊成立之有限公司) (股份代號: 275)

AS4 RECEIVED 2006 JUL 21 P 217 OFFICE OF INFORMATION CORPORATE INFORMATION

須予披露交易 認購嘉禾娛樂事業(集團)有限公司可兌換票據

於二零零六年七月十日，認購人與嘉禾訂立認購協議，內容有關由認購人或其代理人認購嘉禾於二零零八年到期的可兌換票據，本金額為50,000,000港元。

於二零零六年七月十日，認購人與嘉禾訂立認購協議，內容有關由認購人或其代理人認購嘉禾於二零零八年到期的可兌換票據，本金額為50,000,000港元。

認購協議及可兌換票據之主要條款詳述如下： 認購協議 日期：二零零六年七月十日 認購協議之各方： (i) 認購人，為將以現金方式認購本金額50,000,000港元之可兌換票據之認購人；及 (ii) 嘉禾，為可兌換票據之發行人。

認購協議之條件 (a) 上市委員會已批准(不論是否附帶條件)可兌換票據上市及買賣； (b) 上市規則規定並不之股東(不包括因上市規則而無權投票的任何股東)於股東大會上以必要之大多數通過一項決議案，以批准、確認及追認本訂立認購協議及履行認購協議項下擬進行之交易(包括發行新票據及因行使認購權而發行之可兌換票據)； (c) 有關法律顧問以認購人合理要求之正式及實質內容發出上述法律意見；及 (d) 嘉禾於認購協議項下擬進行之交易(包括發行新票據及履行認購協議項下擬進行之交易)之所有權屬實、完整及並無有誤導成份，並於完成時在任重大方面均屬真實、完整及準確。

倘上述任何先決條件於認購協議項下擬進行之交易(包括發行新票據及履行認購協議項下擬進行之交易)之所有權屬實、完整及並無有誤導成份，並於完成時在任重大方面均屬真實、完整及準確。

完成 完成將於上文認購協議之條件(一)至(四)項所述條件獲達成(視乎情況而定)後由發售第三個營業日(或認購人與嘉禾可能以書面協定之其他日期)開始。

倘上述任何先決條件於認購協議項下擬進行之交易(包括發行新票據及履行認購協議項下擬進行之交易)之所有權屬實、完整及並無有誤導成份，並於完成時在任重大方面均屬真實、完整及準確。

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement. (Page 1)

**HANNY**

**HANNY HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)  
(Stock code: 275)

**DISCLOSEABLE TRANSACTION –  
SUBSCRIPTION OF CONVERTIBLE NOTE OF  
GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED**

On 10th July, 2006, the Subscriber entered into the Subscription Agreement with GH in relation to the subscription by the Subscriber or its nominee of a Convertible Note due 2008 of GH in the principal amount of HK\$50 million;

Upon full conversion of the Convertible Note at the Conversion Price, the Subscriber will be interested in a total of 227,272,727 Conversion Shares, representing approximately 14.6% of the issued share capital of GH as enlarged by such conversion.

The Subscription under the Subscription Agreement and the acquisition of the Conversion Shares upon exercise of the conversion right attached to the Convertible Note each constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among other things, details of the Subscription Agreement will be despatched to the Shareholders as soon as practicable.

**INTRODUCTION**

On 10th July, 2006, the Subscriber entered into the Subscription Agreement with GH in relation to the subscription by the Subscriber or its nominee of a Convertible Note due 2008 of GH with a principal amount of HK\$50 million. On the same day, GH entered into the Other Subscription Agreements with other subscribers on substantially the same terms offered to the Subscriber under the Subscription Agreement. To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, each of the other subscribers is a third party independent of the Company and its connected persons (as defined in the Listing Rules). The total principal amount of the Notes to be issued by GH (including the Convertible Note) is HK\$100 million.

The principal terms of the Subscription Agreement and the Convertible Note are detailed as follows:

**SUBSCRIPTION AGREEMENT**

Date: 10th July, 2006

**Parties to the Subscription Agreement**

- (i) the Subscriber, as the subscriber for the Convertible Note with principal amount of HK\$50 million by cash; and
- (ii) GH as the issuer of the Convertible Note.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, GH is a third party independent of the Company and its connected persons and none of the connected persons of the Company holds any GH Shares.

**Conditions of the Subscription Agreement**

Completion of the Subscription Agreement is conditional upon:-

- (a) the Listing Committee having granted (either unconditionally or subject only to conditions to which neither GH nor any of the Subscriber and other subscribers in each case reasonably object) the listing of and permission to deal in the Conversion Shares;
- (b) the passing by the requisite majority required under the Listing Rules of the shareholders of GH 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 GH's entry into the Subscription Agreement and GH's performance of the transactions contemplated therein, including the issue of the Notes and the Conversion Shares which fall to be issued and allotted upon the exercise of the conversion rights attached to the Notes;
- (c) the issue and delivery of a legal opinion by Bermuda counsel in such form and substance as may reasonably be required by the Subscriber; and
- (d) the representations, warranties and undertakings made by GH in the Subscription Agreement being true, complete and accurate and not misleading in any material respect when made and shall be true, complete and accurate, and not misleading in any material respect as at Completion.

If any of the above conditions precedent have not been fulfilled or waived by the Subscriber (in respect of condition precedent (d) above) on or before the day which falls on the expiry of 120 calendar days immediately following the date of the Subscription Agreement (or such later date as the Subscriber and GH may agree in writing), then the Subscription Agreement shall lapse immediately thereafter and be of no further effect and neither party to the Subscription Agreement shall have any claim against or liability or obligation to other party under the Subscription Agreement except for any antecedent breach.

**Completion**

Completion is to take place on the third Business Day after the date upon which the conditions stated in the section headed "Conditions of the Subscription Agreement" above are fulfilled or, as the case may be, waived, or such other date as the Subscriber and GH may agree in writing.

**Termination by the Subscriber**

The Subscriber may by prior notice to GH terminate the Subscription Agreement at any time prior to payment for the Convertible Note on the completion date if:

- (a) there develops, occurs or comes into effect:
  - (i) any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Subscription Agreement), including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, whether or not sui generis with any of the foregoing;
  - (ii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise;
  - (iii) any material and adverse change in conditions of local, national or international securities markets;
  - (iv) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the GH Group which shall materially and adversely affect the business or the financial or trading position of GH;

- (v) any suspension of dealings in the GH Shares for a period exceeding ten Business Days other than due to the clearance of any announcement required to be issued by GH under the Listing Rules;
- (vi) a change or development involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong or elsewhere which would materially and adversely affect the business, financial or trading position of GH; or
- (vii) the instigation of any litigation or claim of material importance by any third party against any member of the GH Group which would materially and adversely affect the business, financial or trading position of GH, and which can reasonably be expected, in the opinion of the Subscriber acting reasonably, to have or has had a material adverse effect upon the condition (financial or otherwise) or earnings, business affairs or business prospects of GH; or
- (b) there is any material breach of any of the representations, warranties and undertakings made by GH as set out in the Subscription Agreement which has come to the knowledge of the Subscriber or any event which has occurred or any matter which has arisen on or after the date of the Subscription Agreement and prior to Completion which if it had occurred or arisen before the date of the Subscription Agreement would have rendered any of such representations, warranties and undertakings untrue, inaccurate or misleading; or
- (c) there has been a breach of or failure to perform any of GH's obligations in any material respect under the Subscription Agreement.

In the event that the Subscriber terminates the Subscription Agreement, all obligations of each of the parties under the Subscription Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Subscription Agreement except for any antecedent breach.

**THE CONVERTIBLE NOTE**

**Principal Terms**

Principal amount:	HK\$50 million
Conversion Price:	HK\$0.22 per GH Share, subject to customary anti-dilution adjustments in events including share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issues.
Interest rate:	4% per annum, payable semi-annually in arrears.
Maturity:	The day before the date falling on the second anniversary from the date of Completion.
Redemption:	Unless previously converted or purchased or redeemed, GH will redeem the Convertible Note on the Maturity Date at the redemption amount which is 104% of the principal amount of the Convertible Note outstanding. The yield to maturity of the Convertible Note is approximately 5.9% per annum.
Transferability:	The Convertible Note may not be (i) transferred to any person which is not a subsidiary or holding company of the Subscriber; or (ii) assigned or transferred to a connected person of GH, both without the prior written consent of GH.
Conversion period:	The Subscriber shall have the right, at any time during the period commencing on the 7th day after the date of issue of the Convertible Note up to and including the date which is 7 days prior to the Maturity Date, to convert the whole or any part (in an amount or integral multiple of HK\$1,000,000) of the principal amount outstanding of the Convertible Note into GH Shares at the then prevailing conversion price. Fractions of the GH Shares will not be issued on conversion and no amount in lieu thereof shall be refunded to the Subscriber.
Put right of the Subscriber:	The Subscriber shall have the right to require GH to redeem all (but not part only) of the outstanding principal amount of the Convertible Note at 104% of the principal amount of the Convertible Note outstanding together with accrued but unpaid interest when (a) any person or persons acting together acquires control (meaning a holding or aggregate holdings of more than 50% of the voting rights) of GH or (b) GH consolidates with or merges into or sells or transfers all or substantially all of its assets to another person or persons acquiring control (meaning a holding or aggregate holdings of more than 50% of the voting rights) over GH or the successor entity. To the best of the knowledge, information and belief of the Directors, there is no controlling shareholder (as defined in the Listing Rules) in GH.

	In the event of the occurrence of certain events of default specified in the Convertible Note, which include customary events of default such as delisting of the GH Shares or prolonged suspension due to default of GH or any of its directors, officers, employees or agents (other than as a result of a general offer), default in interest on the Convertible Note or principal payment when due, breaches of the terms of the Convertible Note and failing to take remedial action, insolvency or winding up events, defaults on other indebtedness payment obligations by GH or any of its major subsidiaries, the Subscriber may also require GH to redeem at 100% of the principal amount of the Convertible Note then outstanding plus interest accrued.
Voting:	The Subscriber will not be entitled to receive notice of, attend or vote at any general meetings of GH by reason only of it being the holder of the Convertible Note.
Listing:	No application will be made for the listing of, or permission to deal in, the Convertible Note on the Stock Exchange or any other stock exchange. An application will be made to the Listing Committee by GH for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Note.
Ranking:	(i) The obligations of GH arising under the Notes constitute general, unsubordinated, direct, unconditional and unsecured obligations of GH and shall at all times rank equally among themselves and pari passu with obligations of GH under the convertible notes in the aggregate principal amount of HK\$20 million issued by GH on 23rd May, 2006 and all other present and future unsecured and unsubordinated obligations of GH except for obligations accorded preference by mandatory provisions of applicable law.  (ii) The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Note will rank pari passu in all respects with all other GH Shares in issue at the date of conversion of the Convertible Note.

#### Conversion Shares

As at the date of this announcement, neither the Company nor any of its subsidiaries (including the Subscriber) holds any GH Shares or other convertible securities of GH. On the basis of the 1,330,309,375 GH Shares in issue as at the date of this announcement and assuming the other three subscribers of the Notes not exercising their conversion rights, upon full conversion of the Convertible Note at the initial Conversion Price of HK\$0.22 per Conversion Share, the Subscriber will be interested in a total of 227,272,727 Conversion Shares, representing approximately 14.6% of the issued share capital of GH as enlarged by such conversion. Should the Notes be exercised in full by the Subscriber and all other three subscribers of the Notes at the initial Conversion Price of HK\$0.22 per Conversion Share, the Subscriber will be interested in approximately 12.7% of the issued share capital of GH as enlarged by the full conversion of the Notes.

As at the date of this announcement, no decision has been made as to whether or when or the extent to which the conversion rights attached to the Convertible Note are to be exercised by the Subscriber.

#### Conversion Price

The Conversion Price of HK\$0.22 per GH Share was arrived at after arm's length negotiations between the Subscriber and GH with reference to the unaudited consolidated net asset value of GH attributable to its shareholders of approximately HK\$0.31 per GH Share as at 31st December, 2005 and the prevailing market price of the GH Shares prior to the suspension of trading in the GH Shares. The Conversion Price represents:

- (i) a premium of approximately 46.7% over the closing price of HK\$0.15 per GH Share as quoted on the Stock Exchange on 10th July, 2006, being the last trading day (the "Last Trading Day") prior to the suspension of trading in the GH Shares pending the release by GH of the announcement in relation to the issue of the Notes;
- (ii) a premium of approximately 46.7% over the average closing price of HK\$0.15 per GH Share for the last 5 trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 47.8% over the average closing price of HK\$0.1488 per GH Share for the last 30 trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 29.0% to the unaudited consolidated net asset value of GH attributable to its shareholders of approximately HK\$0.31 per GH Share (based on the unaudited consolidated net asset value of GH attributable to its shareholders of approximately HK\$413,682,000 as at 31st December, 2005, being the date to which the latest unaudited consolidated financial statements of the GH Group were made up, and the issued share capital of 1,330,309,375 GH Shares as at that date).

#### INFORMATION ON GH

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

According to the annual report of GH for the year ended 30th June, 2005, the GH Group recorded an audited consolidated turnover of approximately HK\$203.2 million and HK\$218.5 million for each of the two years ended 30th June, 2005 and 2004 respectively. The audited consolidated loss before and after taxation and minority interests of the GH Group for the year ended 30th June, 2005 were approximately HK\$0.7 million and HK\$12.9 million respectively. The audited consolidated loss before and after taxation and minority interests of the GH Group for the year ended 30th June, 2004 were approximately HK\$0.9 million and HK\$11.7 million respectively. As stated in the interim report of GH, the GH Group recorded an unaudited consolidated turnover of approximately HK\$265.2 million and HK\$98.3 million for the six-months ended 31st December, 2005 and 2004 respectively. The unaudited consolidated profit before and after taxation and minority interests of the GH Group for the six months ended 31st December, 2005 were approximately HK\$5.2 million and HK\$5.1 million respectively. The unaudited consolidated net asset value of GH attributable to its shareholders was approximately HK\$413.7 million as at 31st December, 2005.

#### FINANCIAL EFFECTS OF THE SUBSCRIPTION

At present, the Group intends to fund the Subscription by its internal resources. It is expected that the Subscription would not have material impact on the net asset position of the Group. The interest income to be generated from the Convertible Note will enhance the revenue and income base of the Group.

#### REASONS FOR THE SUBSCRIPTION

The Group is principally engaged in the trading of securities, property investment and trading, holding of vessels for sand mining and other strategic investments including investments in associated companies which are listed on the Stock Exchange and the Singapore Exchange Limited and long-term convertible notes issued by companies listed on the Stock Exchange. The Company itself is an investment holding company.

In view of the improved financial results of the GH Group for the six months ended 31st December, 2005, the Directors are optimistic about the business prospects of GH. The conversion right attached to the Convertible Note gives the Group a right but not an obligation to acquire equity interests in GH. This offers the Group a two-year period to observe the financial performance of the GH Group and the market performance of the GH Shares, and an opportunity to acquire an equity stake in GH and capture potential capital gain should the share price of the GH Shares be at a market price exceeding the then Conversion Price. The Convertible Note also provides the Group with a stable return on investment.

#### LISTING RULES IMPLICATIONS

The Subscription under the Subscription Agreement and the acquisition of the Conversion Shares upon exercise of the conversion right attached to the Convertible Note each constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among other things, details of the Subscription Agreement will be sent to the Shareholders as soon as practicable.

#### DEFINITIONS

In this announcement, the following terms have the following meanings:-

"Business Day"	means any day other than a Saturday on which banks in Hong Kong are open for business
"Company"	Hanny 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 Subscription Agreement
"connected person"	has the meaning as defined in the Listing Rules
"Convertible Note"	the Note with principal amount of HK\$50 million to be subscribed by the Subscriber or its nominee pursuant to the Subscription Agreement
"Conversion Price"	the conversion price of the Convertible Note of HK\$0.22 per GH Share (subject to adjustments)
"Conversion Shares"	new GH Shares which would fall to be issued by GH upon the exercise of the conversion rights attached to the Notes at the then prevailing conversion price
"Director(s)"	director(s) of the Company
"GH"	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
"GH Group"	GH and its subsidiaries
"GH Shares"	ordinary share(s) of HK\$0.10 each in the share capital of GH
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Committee"	the listing sub-committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maturity Date"	the day before the date falling on the second anniversary from the date of Completion, or, if that is not a Business Day, the first Business Day thereafter
"Notes"	the 4% convertible notes in the aggregate principal amount of HK\$100 million (including the Convertible Note) proposed to be issued by GH, which entitle the holder(s) of which to convert the principal amount outstanding into the Conversion Shares at the then prevailing conversion price and "Note" shall be construed accordingly
"Other Subscription Agreements"	three other subscription agreements all dated 10th July, 2006 for the subscription of the Notes (excluding the Convertible Note) with an aggregate principal amount of HK\$50 million entered into between GH and three other subscribers
"Share(s)"	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Subscriber"	Quick Target Limited, a company incorporated in the British Virgin Islands with limited liability on 3rd May, 2006 and a wholly-owned subsidiary of the Company
"Subscription"	the subscription of the Convertible Note by the Subscriber or its nominee pursuant to the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement dated 10th July, 2006 entered into between the Subscriber and GH in relation to the Subscription, subject to the terms and conditions contained therein
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK\$" / "\$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

As at the date of this announcement, the Directors are as follows:

<b>Executive Directors:</b>	<b>Independent Non-executive Directors:</b>
Dr. Chan Kwok Keung, Charles (Chairman)	Mr. Yuen Tin Fan, Francis
Dr. Yap, Allan (Managing Director)	Mr. Kwok Ka Lap, Alva
Mr. Lui Siu Tuen, Richard (Deputy Managing Director)	Mr. Wong King Lam, Joseph
	Mr. Sin Chi Fai

By order of the board  
**HANNY HOLDINGS LIMITED**  
 Dr. Chan Kwok Keung, Charles  
 Chairman

Hong Kong, 11th July, 2006