



GOLDEN HARVEST
ENTERTAINMENT (HOLDINGS) LIMITED

(Stock Code: 1132)



Interim Report 2007



GOLDEN HARVEST
ENTERTAINMENT (HOLDINGS) LIMITED

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman & Executive Director

Raymond CHOW Ting Hsing
(resigned on 26 October 2007)

WU Kebo
(appointed on 26 October 2007)

Executive Directors

Roberta CHIN CHOW Chung Hang
(resigned on 26 October 2007)

CHOW Siu Hong
(appointed on 26 October 2007)

Fiona CHOW Sau Fong
(appointed on 30 October 2007)
(also alternate to Chow Siu Hong)

LAU Pak Keung
(also alternate to PHOON Chiong Kit)

WANG Wei
(appointed on 26 October 2007)

David CHAN Sik Hong
(resigned on 24 March 2008)

WU Keyan
*(appointed as alternate to WU Kebo
on 1 January 2008)*

Non-executive Directors

Eric Norman KRONFELD
Takashi ARAKI
(appointed on 29 October 2007)

PHOON Chiong Kit
*(redesignated from an executive director to a
non-executive director on 21 December 2007)*

Independent Non-executive Directors

Paul MA Kah Woh
(resigned on 24 December 2007)

LEUNG Man Kit
(appointed on 11 February 2008)

Frank LIN
(resigned on 2 November 2007)

George HUANG Shao-Hua
Prince Chatrichalerm YUKOL

COMPANY SECRETARY

LEE So Ching

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

AUDITORS

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM08
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor
Tesbury Centre
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Hong Kong

WEBSITE

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STOCK CODE

1132

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The Group reported a profit of HK\$3 million for the period under review, as compared to the last year's profit of HK\$12 million which included the recognition of tax credit of over HK\$4 million in our jointly-controlled entity Vie Show Cinemas Co. Ltd. ("Vie Show") relating to its cumulated tax losses.

Exhibition businesses of the Group have been growing steadily - strong contributions were made by our Singapore and Taiwan operations due to growth in box-office receipts locally. However, the Group's overall profit was affected by the weaker results from the film distribution activities and the disposal of a Malaysian joint venture last year.

In February 2008, the Group entered into an agreement to sell its entire interest in TGV Cinemas Sdn Bhd ("TGV"), our remaining cinema circuit in Malaysia, to Tanjong Entertainment Sdn Bhd who is the other shareholder of TGV, at a total consideration of approximately HK\$122 million (including repayment of amount due to the Group by TGV). A gain of approximately HK\$60 million is expected to be recorded in the 2nd half of this fiscal year.

Film Exhibition

As at 31 December 2007, the Group operated 34 cinemas with 272 screens across the Asian region. In order to redeploy our capital resources in better return markets such as mainland China, the Group has decided to disinvest the remaining cinema circuit in Malaysia in February 2008 and the transaction will be completed in the 2nd half of this fiscal year. After the disposal, the Group will operate 23 cinemas with 187 screens in Hong Kong, mainland China, Taiwan and Singapore.

In Hong Kong, our cinemas have achieved encouraging result for the period. Theatre takings increased by HK\$13 million or 22% from same period last year. Apart from strong Hollywood lineup this summer, the Group also took the opportunity of improved economic conditions to raise the ticket price and occupancy rate by launching new pricing scheme and cinema oriented film programming strategy.

In mainland China, the market continues to grow rapidly with number of new cinemas opened in the past two years. The Group's 7-screen cinema located at MIXC Mall, City Crossing has approximately 30% market share in Shenzhen and continued to rank 2nd highest box-office cinema in China. Admissions of the cinema grew by 3% and it grossed RMB24 million theatre takings for the period. The Group has extended its digital screen advertising business to other Shenzhen cinemas, and earned a satisfactory return from this investment.

In Taiwan, the market box office grew by 9% from the corresponding period last year. While the admissions of Vie Show increased by 3% during the period, the Group shared a pre-tax profit of HK\$12 million from Vie Show, as compared to HK\$7 million last year. The improved result was also partly attributable to tie-in promotion with credit card company. During the period, Vie Show acquired 50% equity interest in a 4-screen cinema so as to strengthen our presence in Taipei. On the other hand, one of the two cinemas in Hsinchu was closed down due to the closure of shopping mall, HK\$2 million (our share) was written off for the fixed assets.

In Singapore, since the opening of the 15-screens flagship cinema GV Vivocity in October 2006, performance of Golden Village Multiplex Pte Ltd ("GVM") has shown significant improvement. Theatre takings of GVM for the period increased by 18% to S\$32 million. The Group shared a pre-tax profit of HK\$12 million for the period under review, more than a double of same period last year. In January 2008, the Group reached a settlement agreement with the joint venture partner Village Roadshow ("VR") to end the legal disputes. According to the settlement agreement, the Group will jointly manage GVM's key operational and financial matters with VR, and thereafter, GVM becomes a jointly-controlled entity of the Group.

In Malaysia, TGV opened 3 new cinemas with 20 screens in year 2007. However, the contribution from TGV dropped to zero from last year's HK\$3 million due to write off of fixed assets in a renovated cinema. In view of increasing competition of the market and in order to further release the Group from capital commitment in the territory, the Group entered into an agreement to dispose of this remaining cinema circuit in Malaysia in February 2008 at a total consideration of approximately HK\$122 million (including repayment of amount due to the Group by TGV). A gain of approximately HK\$60 million is expected to be recorded in the 2nd half of this fiscal year.

Film Distribution

In Hong Kong, the film market improved in the 2nd half of 2007 and total box office takings increased by 14% to HK\$552 million. Driven by several Hollywood blockbusters released in this summer, such as *Harry Potter And The Order Of The Phoenix* and *Transformers*, the box office of non-Chinese language films was up by 19%. However, the market continues to face the problem of insufficient supply of good Chinese language films. As a distributor for both Chinese and non-Chinese language films, the Group had 14% market share in terms of box office receipts. During the period, the Group distributed 9 Chinese language films and 15 non-Chinese language films and the total box offices collected were HK\$76 million.

For film licensing business, we have released 8 pictures in Hong Kong, 5 pictures in Taiwan and 1 in China during the period. Though the results from theatrical release in Hong Kong and Taiwan were not up to expectation, the result in China was encouraging. Last year, the profits from distribution business were mainly contributed by the successes of *Death Note I and II* in Hong Kong and Taiwan.

The Group owns a film library of approximately 140 Chinese language film titles for worldwide distribution and continuously generate steady royalty income to the Group.

Prospects

The Group has dedicated its efforts in identifying and strengthening its exhibition network in territories with higher market potential and better returns. Given the continued opening of film market in mainland China and the increase in investment opportunities, we strongly believe that this is the appropriate time for the Group to redeploy its resources to strengthen our presence in mainland China. The Group plans to open more screens in Shenzhen and other principal cities such as Beijing, Shanghai, Hangzhou, Suzhou and Wuxi in the years ahead.

Financial Resources and Liquidity

As at 31 December 2007, the Group's cash balance amounted to HK\$168 million and the net current assets was HK\$62 million after deducting the convertible notes of HK\$123 million which is due to be repaid in the next 12 months if they are not converted into shares of the Company. During the financial period, the Group repaid bank borrowings of HK\$14 million. At the balance sheet date, our gearing ratio, calculated on the basis of external borrowings (including the convertible notes) over total assets, was lowered to 16% (30 June 2007: 21%). As at 31 December 2007, the aggregate amount of the Group's bank borrowings and the convertible note was HK\$153 million. Details of the borrowings including the terms of the borrowings, interest rates, currencies and securities are disclosed in note 12 to the condensed consolidated financial statements. The Group had no contingent liabilities as of 31 December 2007 (30 June 2007: nil).

The Group's assets and liabilities are principally denominated in Hong Kong dollars except for certain assets and liabilities associated with the investments in mainland China, Taiwan, Singapore and Malaysia. Management has assessed the exchange risk exposures in these territories from time to time. Since the exchange rates of these currencies have been either relatively stable or favorable to the Group for the past two years, no hedging of foreign currencies was carried out during the year. The directors will continue to assess the exchange risk exposures, and will consider possible hedging measures in order to minimise the risk at reasonable cost.

Subsequent to the period-end, the Group is expected to receive proceeds of approximately HK\$122 million (including repayment of amount due to the Group by TGV) upon completion of the disposal of TGV. The Group intends to apply the net proceeds for investments in new businesses, expansion of existing businesses and general working capital.

Employees and Remuneration Policies

As at 31 December 2007, the Group had 282 (as at 30 June 2007: 264) full time employees. The Group remunerates its employees largely based on industry practice. In addition to salaries, commissions and discretionary bonuses, share options are granted to certain employees based on individual merit. The Group also operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance and as at the balance sheet, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

INTERIM RESULTS

The Board of Directors (the "Board") of Golden Harvest Entertainment (Holdings) Limited (the "Company") herein announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2007. The consolidated results have not been audited by the Company's auditors, but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	(Unaudited)	
		Six months ended 31 December	
		2007 HK\$'000	2006 HK\$'000
REVENUE	2	301,887	289,978
Cost of sales		(141,762)	(129,771)
Gross profit		160,125	160,207
Interest income		3,083	2,425
Other income and gains		31,396	22,952
Selling and distribution costs		(148,013)	(141,640)
General and administrative expenses		(32,819)	(29,580)
Other operating expenses, net		(9,992)	(4,172)
Finance costs	4	(6,964)	(8,451)
Share of profits and losses of associates		10,939	3,405
Share of profit of an associate classified as held for sale		-	5,467
PROFIT BEFORE TAX	2, 3	7,755	10,613
Tax	5	(4,619)	1,592
PROFIT FOR THE PERIOD		3,136	12,205
ATTRIBUTABLE TO:			
Equity holders of the Company		3,050	12,205
Minority interests		86	-
		3,136	12,205
EARNINGS PER SHARE	6		
Basic		HK2.40 cents	HK9.18 cents
Diluted		HK2.39 cents	HK8.78 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 31 December 2007 HK\$'000	(Audited) As at 30 June 2007 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		172,272	261,466
Interests in associates		191,891	169,369
Due from jointly-controlled entities		15,603	26,069
Prepaid land lease payments		713	723
Prepaid rental		8,053	8,704
Club memberships		3,590	3,590
Rental and other deposits		49,079	51,507
Trademarks	7	79,421	79,421
Deferred tax assets		–	1,503
Pledged bank deposits		3,745	2,049
Total non-current assets		524,367	604,401
CURRENT ASSETS			
Inventories		776	708
Film rights		32,082	33,090
Accounts receivable	8	15,059	13,450
Prepayments, deposits and other receivables		60,407	42,674
Due from jointly-controlled entities		40,453	14,787
Pledged bank balances		1,644	2,141
Cash and cash equivalents		166,711	219,162
		317,132	326,012
Assets of a jointly-controlled entity classified as held for sale	9	141,680	–
Total current assets		458,812	326,012
CURRENT LIABILITIES			
Accounts payable	10	42,656	46,946
Accrued liabilities and other payables		86,525	80,914
Due to associates		194	236
Customer deposits		4,017	5,622
Convertible notes	11	122,608	20,262
Interest-bearing bank loans	12	14,600	25,311
Current portion of finance lease payables		368	353
Loans from joint venture partners		12,858	14,787
Provision for employee benefits		2,452	2,079
Tax payable		3,500	3,788
		289,778	200,298

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

		(Unaudited) As at 31 December 2007 HK\$'000	(Audited) As at 30 June 2007 HK\$'000
	Notes		
Liabilities of a jointly-controlled entity classified as held for sale	9	107,108	–
Total current liabilities		396,886	200,298
NET CURRENT ASSETS		61,926	125,714
TOTAL ASSETS LESS CURRENT LIABILITIES		586,293	730,115
NON-CURRENT LIABILITIES			
Convertible notes	11	–	100,590
Interest-bearing bank loans	12	14,040	48,686
Non-current portion of finance lease payables		611	799
Loans from joint venture partners		15,552	26,069
Loan from a minority shareholder		643	–
Deposits received		3,651	3,700
Provision for long service payments		4,289	4,257
Deferred tax liabilities		1,417	7,999
Total non-current liabilities		40,203	192,100
Net assets		546,090	538,015
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	13	126,944	128,357
Equity component of convertible notes		880	880
Reserves		413,392	408,223
Exchange fluctuation reserve recognised directly in equity relating to a jointly-controlled entity classified as held for sale	9	3,779	–
		544,995	537,460
Minority interests		1,095	555
Total equity		546,090	538,015

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - UNAUDITED

For the six months ended 31 December 2007

	Attributable to equity holders of the Company														
	Issued share capital HK\$'000	Equity component of share convertible notes HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Revaluation reserve HK\$'000	Reserve funds HK\$'000	Surplus reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total reserves HK\$'000	Total entity field for sale HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 July 2007	128,357	880	125,733	5,085	4,819	80,000	3,974	1,139	480	1,208	185,785	408,223	-	555	538,015
Repurchase of shares (note 13(a))	(1,513)	-	(3,326)	-	1,513	(1,513)	-	-	-	-	-	(3,326)	-	-	(4,839)
Issue of ordinary shares (note 13(b))	100	-	409	(116)	-	-	-	-	-	-	-	293	-	-	393
Exchange adjustments on translation of:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- overseas subsidiaries	-	-	-	-	-	-	-	-	-	(1,994)	-	(1,994)	-	-	(1,994)
- overseas jointly-controlled entities	-	-	-	-	-	-	-	-	-	2,168	-	2,168	-	-	2,168
- overseas associates	-	-	-	-	-	-	-	-	-	8,742	-	8,742	-	-	8,742
Deferred tax credited to equity	-	-	-	-	-	-	15	-	-	-	-	15	-	-	15
Total income and expenses recognised directly in equity	-	-	-	-	-	-	15	-	-	8,916	-	8,931	-	-	8,931
Profit for the period	-	-	-	-	-	-	-	-	-	-	3,050	3,050	-	86	3,136
Total income and expenses for the period	-	-	-	-	-	-	15	-	-	8,916	3,050	11,981	-	86	12,067
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	454	454
Transfer to retained profits on lapse of share options (note 13(c))	-	-	-	(466)	-	-	-	-	-	-	466	-	-	-	-
Transfer to/from reserves	-	-	-	-	-	-	-	353	-	(3,779)	(353)	(3,779)	3,779	-	-
At 31 December 2007	126,944	880	122,816	4,503	6,332	78,487	3,989	1,492	480	6,345	188,948	413,392	3,779	1,095	546,090

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - UNAUDITED (continued)

For the six months ended 31 December 2006

	Attributable to equity holders of the Company										
	Issued share capital	Share premium account	Share option reserve	Capital redemption reserve	Revaluation reserve	Reserve funds	Surplus reserve	Exchange fluctuation reserve	Accumulated losses	Total reserves	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 July 2006	133,031	638,881	544	145	3,943	495	480	(27,460)	(330,288)	287,740	420,866
Repurchase of shares	(332)	(622)	-	332	-	-	-	-	-	(290)	(622)
Issue of convertible notes	-	-	785	-	-	-	-	-	-	-	785
Exchange adjustments on translation of:	-	-	-	-	-	-	-	(1,285)	-	(1,285)	(1,285)
- overseas subsidiaries	-	-	-	-	-	-	-	614	-	614	614
- overseas jointly-controlled entities	-	-	-	-	-	-	-	5,857	-	5,857	5,857
- overseas associates	-	-	-	-	-	-	-	-	-	-	-
Deferred tax credited to equity	-	-	-	-	16	-	-	-	-	16	16
Total income and expenses recognised directly in equity	-	-	-	-	16	-	-	5,186	-	5,202	5,202
Profit for the period	-	-	-	-	-	-	-	-	12,205	12,205	12,205
Total income and expenses for the period	-	-	-	-	16	-	-	5,186	12,205	17,407	17,407
Transfer to/(from) reserves	-	-	-	-	-	463	-	-	(463)	-	-
Equity-settled share option arrangement	-	-	214	-	-	-	-	-	-	214	214
At 31 December 2006	132,699	639,259	758	477	3,959	958	480	(22,274)	(318,546)	305,071	438,650

* In accordance with the relevant regulations in the People's Republic of China (the "PRC"), the Company's subsidiary established in the PRC is required to transfer a certain percentage of its profits after tax to the reserve funds. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiary's articles of association, the reserve funds may be used either to offset losses, or for capitalisation by way of paid-up capital.

** The surplus reserve represents an amount transferred from retained profits in accordance with statutory requirements and the articles of association of an associate in Taiwan. The surplus reserve may only be applied to make up any losses and for capitalisation by way of fully paid bonus issues of the shares of the associate in Taiwan.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	Six months ended	
	31 December	
	2007	2006
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	18,830	(7,842)
INVESTING ACTIVITIES	(42,139)	(41,972)
FINANCING ACTIVITIES	(15,625)	83,854
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(38,934)	34,040
Cash and cash equivalents at beginning of period	219,162	54,369
Exchange adjustments	4,037	328
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>184,265</u>	<u>88,737</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged short-term bank deposits	132,289	37,555
Non-pledged cash and bank balances	51,976	51,182
CASH AND CASH EQUIVALENTS AT END OF PERIOD *	<u>184,265</u>	<u>88,737</u>

* Amount included cash and cash equivalents of HK\$17,554,000 (2006: nil) of a jointly-controlled entity classified as held for sale (note 9).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the audited financial statements for the year ended 30 June 2007, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all HKFRSs, HKASs and Interpretations) that affect the Group and are effective for the accounting period beginning on 1 July 2007:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS2 - Group and Treasury Share Transactions

The adoption of the above revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated interim financial statements.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 23 (Revised)	Borrowing Cost ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 12	Service Concession Arrangements ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ²
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹. Effective for accounting period beginning on 1 July 2009

². Effective for accounting period beginning on 1 July 2008

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group’s results of operations and financial position in the period of initial application.

2. REVENUE AND SEGMENT INFORMATION

(a) Business segments

The following table presents revenue and results for the Group's business segments.

(Unaudited)										
Six months ended 31 December										
	Film and video distribution		Film exhibition		Others		Eliminations		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment revenue:										
Sales to external customers	32,364	39,455	264,537	240,659	4,986	9,864	-	-	301,887	289,978
Inter-segment sales	2,497	3,973	-	-	544	894	(3,041)	(4,867)	-	-
Other revenue	600	532	17,574	16,756	150	186	(196)	(445)	18,128	17,029
Total	35,461	43,960	282,111	257,415	5,680	10,944	(3,237)	(5,312)	320,015	307,007
Segment results	(8,856)	6,487	(974)	(6,377)	(596)	1,734	-	-	(10,426)	1,844
Interest income and unallocated gains									16,351	8,348
Unallocated expenses									(2,145)	-
Finance costs									(6,964)	(8,451)
Share of profits and losses of associates	3,897	1,347	7,042	2,058	-	-	-	-	10,939	3,405
Share of profit of an associate classified as held for sale	-	479	-	4,988	-	-	-	-	-	5,467
Profit before tax									7,755	10,613
Tax									(4,619)	1,592
Profit for the period									3,136	12,205

2. REVENUE AND SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue for the Group's geographical segments.

														(Unaudited)	
														Six months ended 31 December	
Hong Kong		Mainland China		Taiwan		Malaysia		Elsewhere in Asia		Others		Consolidated			
2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Segment revenue:															
Sales to external															
customers	106,763	100,498	34,126	29,158	104,571	114,243	54,731	43,486	1,334	2,364	362	229	301,887	289,978	

3. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

		(Unaudited)	
		Six months ended	
		31 December	
		2007	2006
		HK\$'000	HK\$'000
Cost of inventories sold		2,017	4,872
Cost of services provided		129,413	119,448
Amortisation of film rights		10,332	5,451
Depreciation and amortisation of prepaid land lease payments		20,778	20,568
Loss on disposal of items of property, plant and equipment		5,655	141

4. FINANCE COSTS

		(Unaudited)	
		Six months ended	
		31 December	
		2007	2006
		HK\$'000	HK\$'000
Interest and finance cost on bank loans			
wholly repayable within five years		2,245	3,963
Interest on convertible notes		4,176	3,104
Interest on loans from joint venture partners		499	1,181
Interest on finance leases		44	58
Interest on accounts payable		-	145
		6,964	8,451

5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on country legislation, interpretations and practices in respect thereof.

	(Unaudited)	
	Six months ended	
	31 December	
	2007	2006
	HK\$'000	HK\$'000
Group:		
Hong Kong	-	-
Elsewhere	562	748
	562	748
Jointly-controlled entities:		
Current	1,699	1,982
Deferred	2,358	(4,322)
	4,057	(2,340)
Tax charge/(credit) for the period	4,619	(1,592)

Share of tax attributable to associates and an associate classified as held for sale amounting to HK\$2,426,000 (2006: HK\$2,567,000) and nil (2006: HK\$2,155,000), respectively, are included in "Share of profits and losses of associates" and "Share of profit of an associate classified as held for sale" on the face of the condensed consolidated income statement.

6. EARNINGS PER SHARE**(a) Basic earnings per share**

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

6. EARNINGS PER SHARE *(continued)***(b) Diluted earnings per share** *(continued)*

The convertible notes had no diluting effect on the basic earnings per share for the current period as the convertible notes outstanding during the period had an anti-dilutive effect.

The comparative earnings per share has been adjusted to reflect the consolidation of shares on 9 May 2007 (the "Consolidation of Shares"). The issued and unissued ordinary shares of HK\$0.1 each of the Company were consolidated on the basis of every ten shares into one share of HK\$1.0 each.

The calculations of basic and diluted earnings per share are based on:

Shares	Number of shares
Issued ordinary shares as at 1 July 2007	128,356,537
Effect of share repurchased	(1,205,918)
Effect of share option exercised	9,239
	<hr/>
Weighted average number of ordinary shares in issue during the period used in the calculation of the basic earnings per share	127,159,858
Effect of dilution - weighted average number of ordinary shares:	
Share options	581,697
	<hr/>
	<u>127,741,555</u>

7. TRADEMARKS

The trademarks represent the perpetual licence for the use of the brand name "Golden Harvest" which takes the form of sign, symbol, name, logo, design or any combination thereof.

The trademarks are stated at cost less any impairment losses and are not amortised. In the opinion of the directors, the value of the trademarks is not less than the amount stated in the balance sheet.

8. ACCOUNTS RECEIVABLE

The Group usually grants credit periods ranging from one to three months. Each customer has a credit limit and overdue balances are regularly reviewed by management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, the concentration of credit risk is not considered significant. Accounts receivable are non-interest-bearing. The carrying amounts of the accounts receivable approximate their fair values. An aged analysis of the accounts receivable, net of impairment allowances, is as follows:

	(Unaudited)	(Audited)
	As at	As at
	31 December	30 June
	2007	2007
	HK\$'000	HK\$'000
Current to 3 months	11,598	12,325
4 to 6 months	2,377	1,125
7 to 12 months	1,084	–
	15,059	13,450

9. A JOINTLY-CONTROLLED ENTITY CLASSIFIED AS HELD FOR SALE

Pursuant to a resolution of the Board passed on 8 December 2007, the proposed disposal of the Group's entire equity interest in TGV Cinemas Sdn Bhd ("TGV"), a jointly-controlled entity of the Group (the "Disposal"), was approved. TGV engages in theatre operation in Malaysia.

On 13 February 2008, the Group entered into a share purchase agreement with an existing shareholder of TGV in respect of the Disposal. Upon the completion of the Disposal, TGV will cease to be a jointly-controlled entity of the Group.

9. A JOINTLY-CONTROLLED ENTITY CLASSIFIED AS HELD FOR SALE (continued)

The assets and liabilities of TGV classified as held for sales as at 31 December 2007 are as follows:

	(Unaudited) As at 31 December 2007 HK\$'000
ASSETS	
Property, plant and equipment	112,692
Rental and other deposits	4,102
Accounts receivable	1,013
Prepayments, deposits and other receivables	6,319
Cash and cash equivalents	17,554
	<hr/>
Assets classified as held for sale	141,680
	<hr/>
LIABILITIES	
Accounts payable	(10,516)
Accrued liabilities and other payables	(25,542)
Interest-bearing bank loans	(37,024)
Loans from joint venture partners	(26,004)
Tax payable and deferred taxation	(8,022)
	<hr/>
Liabilities classified as held for sale	(107,108)
	<hr/>
Net assets directly associated with a jointly-controlled entity classified as held for sale	34,572
	<hr/> <hr/>
Exchange fluctuation reserve of a jointly-controlled entity classified as held for sale	3,779
	<hr/> <hr/>

9. A JOINTLY-CONTROLLED ENTITY CLASSIFIED AS HELD FOR SALE (continued)

The Group's share of results of TGV for the period which have been proportionately consolidated into the condensed consolidated income statement are as follows:

	(Unaudited)	
	Six months ended	
	31 December	
	2007	2006
	HK\$'000	HK\$'000
Revenue	54,287	42,803
Cost of sales	(23,299)	(18,164)
Interest income	278	260
Other income and gains	934	726
Selling and distribution costs	(26,411)	(19,941)
General and administrative expenses	(753)	(608)
Other operating expenses, net	(3,249)	(428)
Finance costs	(746)	(407)
Tax	(1,458)	(1,555)
Profit/(loss) for the period	<u>(417)</u>	<u>2,686</u>

10. ACCOUNTS PAYABLE

The age analysis of the accounts payable is as follows:

	(Unaudited)		(Audited)
	As at		As at
	31 December		30 June
	2007	2007	
	HK\$'000	HK\$'000	
Current to 3 months	36,679	42,534	
4 to 6 months	2,331	500	
7 to 12 months	217	109	
Over 1 year	3,429	3,803	
	<u>42,656</u>	<u>46,946</u>	

11. CONVERTIBLE NOTES

On 23 May 2006, the Company issued 4% convertible note with a principal amount of HK\$20,000,000. The note is convertible at the option of the note holder into ordinary shares on or before 15 May 2008 at a price of HK\$2.2 per share (adjusted after Consolidation of Shares). There was no conversion up to the balance sheet date. If the conversion right is not exercised by the note holder, the convertible note not converted will be redeemed on 22 May 2008 at 104% of the principal amount of the notes. The note carries interest at a rate of 4% per annum, which is payable half-yearly in arrears on 22 May and 22 November.

On 22 August 2006, the Company issued 4% convertible notes with principal amount totaling HK\$100,000,000 (the "Notes") to Quick Target Limited, Pleasant Villa Investments Limited ("Pleasant Villa"), Garex Resources Limited ("Garex Resources") and Typhoon Music (PRC) Limited ("Typhoon") in the amount of HK\$50,000,000, HK\$20,000,000, HK\$20,000,000 and HK\$10,000,000, respectively. The notes are convertible at the option of the note holders into ordinary shares on or before 14 August 2008 at a price of HK\$2.2 per share (adjusted after Consolidation of Shares). There was no conversion up to the balance sheet date. If the conversion rights are not exercised by the note holders, the convertible notes not converted will be redeemed on 21 August 2008 at 104% of the principal amount of the notes. The notes carry interests at a rate of 4% per annum, which are payable half-yearly in arrears on 21 February and 21 August.

On 26 October 2007, the HK\$20,000,000, 4% convertible note was transferred from Pleasant Villa to Chengtian Entertainment Group (International) Holding Company Limited ("Chengtian").

Pleasant Villa is wholly-owned by Raymond Chow Ting Hsing, a director and a substantial shareholder of the Company on or before 26 October 2007; Chengtian is controlled by Wu Kebo, a director and a substantial shareholder of the Company on or after 26 October 2007; Garex Resources is ultimately owned by Li Ka-shing, a substantial shareholder of the Company while Typhoon is a substantial shareholder of the Company.

The fair values of the liability portion of the convertible note were estimated at the issuance date using the Group's prevailing borrowing rate and an equivalent market interest rate for a similar note without a conversion option, and has been ascertained by Vigers Appraisal & Consulting Ltd. ("Vigers Appraisal"), a firm of independent professionally qualified valuers. The residual amounts were assigned as the equity component and included in shareholders' equity.

11. CONVERTIBLE NOTES *(continued)*

The net proceeds received from the issue of the convertible notes have been split between the liability and equity components, as follows:

	(Unaudited)	(Audited)
	As at	As at
	31 December	30 June
	2007	2007
	HK\$'000	HK\$'000
Liability component at beginning of period/year	122,351	19,761
Nominal value of convertible note issued during the period/year	–	100,000
Issuing costs	–	(1,000)
Equity component	–	(785)
Liability component at date of issue	–	98,215
Interest expenses	4,176	7,186
Interest paid	(2,387)	(2,811)
Liability component at end of period/year	124,140	122,351
Analysed for reporting purpose as:		
	(Unaudited)	(Audited)
	As at	As at
	31 December	30 June
	2007	2007
	HK\$'000	HK\$'000
Current liability - Accrued liabilities and other payables	1,532	1,499
Current liability - Convertible notes	122,608	20,262
	124,140	21,761
Non-current liability - Convertible notes	–	100,590
	124,140	122,351

12. INTEREST-BEARING BANK LOANS

			(Unaudited) As at 31 December 2007 HK\$'000	(Audited) As at 30 June 2007 HK\$'000
	Effective interest rate (%)	Maturity		
Current				
Bank loans - unsecured			–	4,049
Bank loans - secured	8	May 2008	<u>14,600</u>	<u>21,262</u>
Total current portion of bank loans			<u>14,600</u>	<u>25,311</u>
Non-current				
Bank loans - unsecured			–	28,354
Bank loans - secured	9	2008-2010	<u>14,040</u>	<u>20,332</u>
Total non-current portion of bank loans			<u>14,040</u>	<u>48,686</u>
			<u>28,640</u>	<u>73,997</u>
Bank loans repayable:				
Within one year			<u>14,600</u>	25,311
In the second year			<u>12,480</u>	20,770
In the third to fifth years, inclusive			<u>1,560</u>	27,090
Beyond five years			–	826
			<u>28,640</u>	73,997
Portion classified as current liabilities			<u>(14,600)</u>	<u>(25,311)</u>
			<u>14,040</u>	<u>48,686</u>

The carrying amounts of the Group's interest-bearing bank loans approximate their fair values.

The Group's overdraft facility amounting to HK\$3,000,000 which had not been utilised as at the balance sheet date, is secured by the leasehold property and the prepaid land lease payments of the Group.

The Group's bank loans as at 31 December 2007 were secured by the assets of a wholly-owned subsidiary, its 35.71% equity interest in a jointly-controlled entity, the property, plant and equipment of a subsidiary and pledged bank balances.

13. SHARE CAPITAL

		(Unaudited) As at 31 December 2007 HK\$'000	(Audited) As at 30 June 2007 HK\$'000
Authorised:			
600,000,000 (30 June 2007: 600,000,000) ordinary shares of HK\$1.0 each		<u>600,000</u>	<u>600,000</u>
Issued and fully paid:			
At 1 July 2007			
– 128,356,537 (1 July 2006: 133,030,937) ordinary shares of HK\$1.0 each		<u>128,357</u>	133,031
Repurchase of shares	(a)	<u>(1,513)</u>	(4,674)
Issue of shares under share option scheme	(b)	<u>100</u>	–
At 31 December 2007			
– 126,943,537 (30 June 2007: 128,356,537) ordinary shares of HK\$1.0 each		<u>126,944</u>	<u>128,357</u>

Notes:

- (a) During the period, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited. Details of the repurchases are disclosed in Purchase, Sale or Redemption of Listed Shares of this interim report.

The repurchased shares were cancelled and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the par value of the shares cancelled of HK\$1,513,000 was transferred from the contributed surplus account to the capital redemption reserve. The premium and transaction cost paid on the repurchase of the shares of HK\$3,326,000 was charged to the share premium account.

- (b) During the period, share options were exercised to subscribe for 100,000 ordinary shares in the Company at a consideration of HK\$393,000 of which HK\$100,000 was credited to share capital and the balance of HK\$293,000 was credited to the share premium account. HK\$116,000 has been transferred from the share option reserve to the share premium account when the options were exercised.
- (c) During the period, 470,000 share options were lapsed and HK\$466,000 has been transferred from the share option reserve to retained profits when the options were lapsed.

14. CONNECTED/RELATED PARTY TRANSACTIONS

In addition to the balances detailed in notes 4 and 11, the Group had the following transactions with connected/related parties. The directors confirm that all of these transactions were carried out in the ordinary and usual course of business of the Group.

(a) Purchase of equipment for film exhibition and screen advertising

During the period, the Group purchased certain equipment from GDC Technology Limited (“GDC Technology”) for its film exhibition and screen advertising businesses in Hong Kong and Mainland China. GDC Technology was a connected party of the Company since Li Ka-Shing, a substantial shareholder of the Company, had held more than 30% interests in GDC Technology. On 11 September 2007, Li Ka-Shing’s interest in GDC Technology reduced to below 30% of the issued share capital of GDC Technology and GDC Technology has ceased to be a connected party of the Company since then. The Group has purchased from GDC Technology for the period from 1 July 2007 to 10 September 2007 with an amount of approximately HK\$2,000,000.

(b) Consultancy agreements with ex-directors

The Group had entered into the consultancy agreements (the “Consultancy Agreements”) with Raymond Chow Ting Hsing and Roberta Chin Chow Chung Hang, the then directors of the Company, on 26 October 2007 for a term of 3 months at a cash consideration of HK\$1,038,000 and HK\$750,000, respectively. As Raymond Chow Ting Hsing and Roberta Chin Chow Chung Hang were directors up to 26 October 2007 and therefore are connected persons of the Company, accordingly, the entering into of each of the Consultancy Agreements constitutes a connected transaction of the Company under the Rules Governing the Listing of Securities (the “Listing Rules”).

During the period, the total consultancy fee paid to Raymond Chow Ting Hsing and Roberta Chin Chow Chung Hang were HK\$692,000 and HK\$500,000, respectively. In addition to the consultancy fee, under the Consultancy Agreements, the Group has also provided the quarters to Raymond Chow Ting Hsing and Roberta Chin Chow Chung Hang and the total costs of providing the quarters amounted to HK\$186,452 and HK\$68,000 for Raymond Chow Ting Hsing and Roberta Chin Chow Chung Hang, respectively.

14. CONNECTED/RELATED PARTY TRANSACTIONS (continued)**(c) Transactions with other related parties**

Apart from the above, during the period, the Group had the following material transactions with other related parties:

	Notes	(Unaudited)	
		Six months ended 31 December	
		2007	2006
		HK\$'000	HK\$'000
Interest expenses on convertible notes paid/payable to related companies	(i), (iii)	1,739	1,212
Ticketing system maintenance/development costs paid to an associate	(ii), (iv)	235	674
Management fee income from associates	(ii), (v)	66	126
Accounting service fee paid to an associate	(ii), (vi)	50	–
Consultancy fee paid to a related company	(ii), (vii)	179	182
Office rental paid to an associate	(ii), (viii)	55	51
Consultancy fee income from a jointly-controlled entity *	(ii), (ix)	160	–
Advertising agency fee paid to a jointly-controlled entity *	(ii), (x)	258	–
Interest income from a jointly-controlled entity *	(ii), (xi)	766	–

* The Group has proportionately consolidated 35.71% of its transactions with the jointly controlled entities in the condensed consolidated income statement.

Notes:

- (i) The related companies are/were the substantial shareholders of the Company or related to the substantial shareholders of the Company.
- (ii) Phoon Chiong Kit and Lau Pak Keung, who are directors of the Company, Raymond Chow Ting Hsing and Roberta Chin Chow Chung Hang, who are the then directors of the Company, and a relative of Raymond Chow Ting Hsing, are/were interested, directly or indirectly, in the above transactions as directors and/or beneficial shareholders of certain of these companies.
- (iii) The interest expenses were charged at an effective interest rate of 7% per annum, according to the estimation ascertained by Vigers Appraisal.
- (iv) The ticketing system maintenance/development costs paid were charged according to prices and conditions similar to those offered to other customers of the associate.
- (v) The management fee income represented an amount of HK\$66,000 (2006: HK\$126,000) related to accounting services provided to an associate (2006: two associates) of the Group which were charged at rate of HK\$11,000 per month (2006: totaling of HK\$21,000 per month).

14. CONNECTED/RELATED PARTY TRANSACTIONS (continued)**(c) Transactions with other related parties** (continued)

- (vi) The accounting service fee was charged at a rate of S\$1,500 per month.
- (vii) The consultancy fee paid represented the film production and distribution consulting services provided by a related company to the Group and was charged according to the terms of the agreement dated 1 July 2004.
- (viii) The rental expense was charged at a rate of S\$1,747 (2006: S\$1,747) per month for sub-letting a portion of office premises of an associate to the Group.
- (ix) The consultancy service fee was charged at a rate of NTD100,000 per month from July 2007 to November 2007 and NTD200,000 per month for December 2007.
- (x) The advertising agency fee was charged on normal commercial terms.
- (xi) The interest on the shareholder's loan to a jointly-controlled entity was charged at 3.5% per annum.

Certain transactions amounting to HK\$1,918,000 (2006: HK\$1,394,000) indicated in note (iii) and (vii) above with five related companies (2006: four related companies) constituted connected transactions as defined in the Listing Rules. The connected transactions were either properly approved by the independent shareholders or constituted the de minimis transactions as defined in the Listing Rules.

None of the other related party transactions set out above constituted connected transactions as defined in the Listing Rules.

(d) Compensation of key management personnel of the Group

	(Unaudited)	
	Six months ended	
	31 December	
	2007	2006
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	8,126	8,079
Post-employment benefits	2,199	61
Share-based payment	–	214
	<u>10,325</u>	<u>8,354</u>

15. COMMITMENTS

	(Unaudited)	(Audited)
	As at	As at
	31 December	30 June
	2007	2007
	HK\$'000	HK\$'000
<hr/>		
Capital commitments in respect of acquisition of items of property, plant and equipment:		
Contracted for	12,299	14,498
Authorised, but not contracted for	220,682	201,890
	<u>232,981</u>	<u>216,388</u>
Capital commitments in respect of capital contributions to joint ventures:		
Authorised, but not contracted for	<u>9,222</u>	<u>26,124</u>

16. EVENT SUBSEQUENT TO THE END OF THE INTERIM PERIOD

On 13 February 2008, the Group entered into an agreement to dispose of its entire equity interest in TGV, a jointly-controlled entity of the Group, at a consideration of approximately RM40,200,000 (approximately HK\$96,500,000). In addition to paying the consideration, the purchaser agreed to procure that the amount due from TGV of approximately RM10,800,000 (approximately HK\$25,900,000) would be repaid to the Group. Upon the completion of the Disposal, TGV will cease to be a jointly-controlled entity of the Group. Further details of the Disposal are set out in the circular of the Company dated 5 March 2008.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of any interim dividend for the six months ended 31 December 2007 (2006: nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2007, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Interests in shares and underlying shares of the Company

Name of director	Capacity	Notes	Number of		Percentage of shareholding in the Company*
			Number of shares (L) = Long position (S) = Short position	underlying shares (L) = Long position (S) = Short position	
Wu Kebo	Interest of controlled corporations	1	31,432,151 (L)	–	24.76%
		1	–	9,090,909 (L)	7.16%
Lau Pak Keung (also alternate to Phoon Chiong Kit)	Beneficial owner		160,000 (L)	–	0.13%
		2	–	200,000 (L)	0.16%
David Chan Sik Hong	Beneficial owner		585,937 (L)	–	0.46%
		2	–	625,000 (L)	0.49%
Eric Norman Kronfeld	Beneficial owner	2	–	185,000 (L)	0.15%
Phoon Chiong Kit	Beneficial owner		750,000 (L)	–	0.59%
		2	–	5,650,000 (L)	4.45%
George Huang Shao-Hua	Beneficial owner	2	–	100,000 (L)	0.08%
Prince Chatrichalerm Yukol	Beneficial owner	2	–	135,000 (L)	0.11%

* This percentage has been compiled based on the total number of shares (i.e. 126,943,537 ordinary shares) of the Company in issue as at 31 December 2007.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES *(continued)***Interests in shares and underlying shares of the Company** *(continued)*

Notes:

1. Mr. Wu Kebo is deemed to be interested in 31,432,151 shares and 9,090,909 underlying shares of the Company by virtue of his 80% beneficial holding in Chengtian Entertainment Group (International) Holding Company Limited. The 9,090,909 underlying shares are issuable upon full conversion of HK\$20,000,000 4% convertible notes to Chengtian Entertainment Group (International) Holding Company Limited.
2. The underlying shares are shares issuable upon the exercise of share options granted by the Company under the share option schemes of the Company.

Save as disclosed above and save for the disclosure referred to under "Share Options", as at 31 December 2007, none of the directors and chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

During the six months ended 31 December 2007, 470,000 share options were lapsed and 100,000 shares of the Company were issued upon the exercise of the share options granted under the share option scheme of the Company. Save as disclosed aforesaid, no share options were granted nor cancelled under the share option scheme.

Details of the movement of share options of the Company for the six months ended 31 December 2007 were as follows:

Name or category of participant	Date of grant of share option	Exercise price HK\$	Exercise period	Number of share options										
				Outstanding as at 1 Jul 2007	Lapsed during the period	Exercised during the period	Outstanding as at 31 Dec 2007							
Director														
Phoon Chiong Kit	25/07/2000	6.24	25/07/2000 to 24/07/2010 Note (a)	575,000	-	-	575,000							
								31/10/2001	4.96	30/11/2001 to 30/10/2011 Note (b)	1,250,000	-	-	1,250,000
	2.56	625,000	-	-	625,000									
	3.04	625,000	-	-	625,000									
	12/04/2007	3.93	01/07/2007 to 30/10/2011	650,000	-	-	650,000							
		4.32		650,000	-	-	650,000							
		4.75		650,000	-	-	650,000							
	David Chan Sik Hong	31/10/2001	4.96	30/11/2001 to 30/10/2001 Note (b)	625,000	-	-	625,000						
	Roberta Chin Chow Chung Hang	12/04/2007	3.93	01/07/2007 to 30/10/2011	100,000	(100,000) Note (d)	-	-						
Lau Pak Keung (also alternate to Phoon Chiong Kit)	12/04/2007	3.93	01/07/2007 to 30/10/2011	200,000	-	-	200,000							

SHARE OPTIONS (continued)

Name or category of participant	Date of grant of share option	Exercise price HK\$	Exercise period	Number of share options			
				Outstanding as at 1 Jul 2007	Lapsed during the period	Exercised during the period	Outstanding as at 31 Dec 2007
Eric Norman Kronfeld	31/03/2005	2.60	31/03/2005 to 30/10/2011	35,000	-	-	35,000
	12/04/2007	3.93	01/07/2007 to 30/10/2011	150,000	-	-	150,000
Paul Ma Kah Woh	31/03/2005	2.60	31/03/2005 to 30/10/2011	35,000	(35,000) Note (d)	-	-
	12/04/2007	3.93	01/07/2007 to 30/10/2011	200,000	(200,000) Note (d)	-	-
Frank Lin	31/03/2005	2.60	31/03/2005 to 30/10/2011	35,000	(35,000) Note (d)	-	-
	12/04/2007	3.93	01/07/2007 to 30/10/2011	100,000	(100,000) Note (d)	-	-
George Huang Shao-Hua	12/04/2007	3.93	01/07/2007 to 30/10/2011	100,000	-	-	100,000
Prince Chatrichalerm Yukol	31/03/2005	2.60	31/03/2005 to 30/10/2011	35,000	-	-	35,000
	12/04/2007	3.93	01/07/2007 to 30/10/2011	100,000	-	-	100,000
Other participant(s)							
In aggregate	12/04/2007	3.93	01/07/2007 to 30/10/2011	980,000	-	(100,000)	880,000
				<u>8,345,000</u>	<u>(470,000)</u>	<u>(100,000)</u>	<u>7,775,000</u>

SHARE OPTIONS (continued)

Notes:

- (a) 50%, 25% and 25% of the share options granted are exercisable during the periods from 25 July 2000 to 24 July 2010, 25 July 2001 to 24 July 2010 and 25 July 2002 to 24 July 2010, respectively.
- (b) 30%, 30% and 40% of the share options granted are exercisable during the periods from 30 November 2001 to 30 October 2011, 1 August 2002 to 30 October 2011 and 1 August 2003 to 30 October 2011, respectively.
- (c) 33.33%, 33.33% and 33.34% of the share options granted are exercisable during the periods from 10 January 2005 to 30 October 2011, 10 January 2006 to 30 October 2011 and 10 January 2007 to 30 October 2011, respectively.
- (d) The share options lapsed by reason of resignation as director(s) of the Company.

Save as disclosed above, at no time during the six months ended 31 December 2007 was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any director of the Company, as at 31 December 2007, the following persons had the following interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Name of shareholder	Capacity	Notes	Number of		Percentage of shareholding in the Company*
			Number of shares (L) = Long Position (S) = Short Position	underlying shares (L) = Long position (S) = Short position	
Wu Kebo	Interest of controlled corporations	1	31,432,151 (L)	-	24.76%
		1	-	9,090,909 (L)	7.16%
Chengtian Entertainment Group (International) Holding Company Limited	Beneficial owner	1	31,432,151 (L)	-	24.76%
		1	-	9,090,909 (L)	7.16%

SUBSTANTIAL SHAREHOLDERS (continued)

Name of shareholder	Capacity	Notes	Number of		Percentage of shareholding in the Company*
			Number of shares (L) = Long Position (S) = Short Position	underlying shares (L) = Long position (S) = Short position	
Li Ka-shing	Interest of controlled corporations	2	22,256,750 (L) –	– 9,090,909 (L)	17.53% 7.16%
Mayspin Management Limited	Interest of controlled corporations	2	22,256,750 (L) –	– 9,090,909 (L)	17.53% 7.16%
Garex Resources Limited	Beneficial owner	2	18,801,750 (L) –	– 9,090,909 (L)	14.81% 7.16%
Typhoon Music (PRC) Limited	Beneficial owner	3	15,500,000 (L) –	– 4,545,454 (L)	12.21% 3.58%
EMI Group Plc	Interest of controlled corporations	3	15,500,000 (L) –	– 4,545,454 (L)	12.21% 3.58%
Virgin Music Group Limited	Interest of controlled corporations	3	15,500,000 (L) –	– 4,545,454 (L)	12.21% 3.58%
EMI Group Worldwide	Interest of controlled corporation	3	15,500,000 (L) –	– 4,545,454 (L)	12.21% 3.58%
Norman Cheng Tung Hon	Interest of controlled corporations	3	15,500,000 (L) –	– 4,545,454 (L)	12.21% 3.58%
Typhoon Records Limited	Interest of controlled corporation	3	15,500,000 (L) –	– 4,545,454 (L)	12.21% 3.58%
Lily Feng Yuen Cheung	Spouse's interest	4	15,500,000 (L) –	– 4,545,454 (L)	12.21% 3.58%
Evenstar Master Fund Segregated Portfolio Company	Beneficial owner	5	7,596,939 (L)	–	5.98%

SUBSTANTIAL SHAREHOLDERS (continued)

Name of shareholder	Capacity	Notes	Number of		Percentage of shareholding in the Company*
			Number of shares (L) = Long Position (S) = Short Position	underlying shares (L) = Long position (S) = Short position	
Phoon Chiong Kit	Beneficial owner	6	750,000 (L)	–	0.59%
			–	5,650,000 (L)	4.45%
See Corporation Limited	Beneficial owner	7	–	9,090,909 (L)	7.16%
Charles Chan Kwok Keung	Interest of controlled corporations	8	–	22,727,272 (L)	17.90%
ITC Corporation Limited	Interest of controlled corporations	8	–	22,727,272 (L)	17.90%
ITC Investment Holdings Limited	Interest of controlled corporations	8	–	22,727,272 (L)	17.90%
Mankar Assets Limited	Interest of controlled corporations	8	–	22,727,272 (L)	17.90%
Famex Investment Limited	Interest of controlled corporations	8	–	22,727,272 (L)	17.90%
Hanny Holdings Limited	Interest of controlled corporations	8	–	22,727,272 (L)	17.90%
Hanny Magnetics (B.V.I.) Limited	Interest of controlled corporations	8	–	22,727,272 (L)	17.90%
Quick Target Limited	Beneficial owner	8	–	22,727,272 (L)	17.90%
Macy Ng Yuen Lan	Spouse's interest	9	–	22,727,272 (L)	17.90%

* This percentage has been compiled based on the total number of shares (i.e. 126,943,537 ordinary shares) of the Company in issue as at 31 December 2007.

SUBSTANTIAL SHAREHOLDERS *(continued)*

Notes:

1. Mr. Wu Kebo is deemed to be interested in 31,432,151 shares and 9,090,909 underlying shares of the Company by virtue of his 80% beneficial holding in Chengtian Entertainment Group (International) Holding Company Limited. The 9,090,909 underlying shares of the Company are issuable upon full conversion of HK\$20,000,000 4% convertible notes to Chengtian Entertainment Group (International) Holding Company Limited.
2. Mr. Li Ka-shing is deemed to be interested in 22,256,750 shares and 9,090,909 underlying shares of the Company by virtue of his 100% beneficial holding in Mayspin Management Limited which in turn owns the entire beneficial interest in each of (a) Garex Resources Limited which holds 18,801,750 shares and 9,090,909 underlying shares of the Company issuable upon full conversion of HK\$20,000,000 4% convertible notes issued by the Company to Garex Resources Limited on 22 August 2006, (b) Podar Investment Limited which holds 3,125,000 shares of the Company, and (c) Oscar Resources Limited which holds 330,000 shares of the Company.
3. EMI Group Plc has 100% control of Virgin Music Group Limited, which has 100% control of EMI Group Worldwide, which in turn holds a 50% shareholding in Typhoon Music (PRC) Limited. Mr. Norman Cheng Tung Hon has 100% control of Typhoon Records Limited, which holds a 50% shareholding in Typhoon Music (PRC) Limited. Each of EMI Group Plc, Virgin Music Group Limited, EMI Group Worldwide Limited, Mr. Norman Cheng Tung Hon and Typhoon Records Limited is deemed to be interested in 15,500,000 shares held by Typhoon Music (PRC) Limited and 4,545,454 underlying shares of the Company issuable upon full conversion of HK\$10,000,000 4% convertible notes issued by the Company to Typhoon Music (PRC) Limited on 22 August 2006.
4. Ms. Lily Feng Yuen Cheung, the spouse of Mr. Norman Cheng Tung Hon, is deemed to be interested in the shares and underlying shares of the Company in which Mr. Norman Cheng Tung Hon is interested.
5. Evenstar Master Fund Segregated Portfolio Company ("Evenstar Master") is owned as to 87.00% by Evenstar Capital Management Limited, being the immediate holding company of Evenstar Master.
6. The 5,650,000 underlying shares of the Company are shares issuable upon the exercise of share options granted by the Company under the share option schemes of the Company.
7. See Corporation Limited is deemed to be interested in 9,090,909 underlying shares of the Company issuable upon full conversion of HK\$20,000,000 4% convertible notes issued by the Company to See Corporation Limited on 23 May 2006.

SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

8. Hanny Holdings Limited ("Hanny Holdings"), via its 100% control of Hanny Magnetics (B.V.I.) Limited ("Hanny Magnetics"), indirectly holds the entire interest in Quick Target Limited ("Quick Target") which in turn owns 22,727,272 underlying shares of the Company issuable upon full conversion of HK\$50,000,000 4% convertible notes issued by the Company to Quick Target on 22 August 2006. ITC Corporation Limited ("ITC Corporation"), via its 100% direct or indirect holding of ITC Investment Holdings Limited ("ITC Investment"), Mankar Assets Limited ("Mankar") and Famex Investment Limited ("Famex"), owns more than 30% equity interest in Hanny Holdings. Chan Kwok Keung, Charles ("Dr. Chan") also hold more than 30% equity interest in ITC Corporation Limited and 0.59% equity interest in Hanny Holdings. Each of Dr Chan, ITC Corporation, ITC Investment, Mankar, Famex, Hanny Holdings and Hanny Magnetics is deemed to be interested in the underlying shares of the Company held by Quick Target.
9. Ms. Macy Ng Yuen Lan, the spouse of Dr Chan, is deemed to be interested in the underlying shares of the Company in which Dr Chan is interested.

Save as disclosed above, no other person had an interest or a short position in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the six months ended 31 December 2007, the Company has repurchased its own shares on the Stock Exchange, details of which are as follows:

Month/Year	Number of shares repurchased	Highest price per share HK\$	Lowest price per share HK\$	Aggregate consideration (excluding expenses) HK\$
July 2007	628,000	3.40	3.24	2,064,020
August 2007	615,000	3.30	2.90	1,937,770
September 2007	270,000	3.00	2.92	801,930
	<u>1,513,000</u>			<u>4,803,720</u>

The shares repurchased during the period ended 31 December 2007 were cancelled upon repurchase and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the share premium account of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Advance to Entities

The Group has made available to Dartina Development Limited (“Dartina”), which is a 50% owned associated company of the Company, an advance which stood as at 31 December 2007 of HK\$96,571,000. The balance of the said advance (which is interest-free, unsecured and has no fixed repayment terms and was not expected to be repaid within the next twelve months) as at 31 December 2007 represented more than 8% under the assets ratio (as defined in the Listing Rules).

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

Financial Assistance and Guarantee to Affiliated Companies

The Group has made advances to certain affiliated companies which were recorded using the equity method of accounting in the Group’s financial statements (including Dartina and Rich Will Limited which were 50% owned associated companies of the Company). As at 31 December 2007, the aggregate amount of the said advances of approximately HK\$101,903,000 represented more than 8% under the assets ratio (as defined in the Listing Rules). The combination of balance sheets of these affiliated companies and the Group’s attributable interests in these affiliated companies as at 31 December 2007 are as follows:

	Combination of balance sheets of affiliated companies
	HK\$'000
Non-current assets	375,087
Current assets	175,808
Current liabilities	(114,300)
Non-current liabilities	(229,192)
	<hr/>
	207,403
	<hr/>
Group’s attributable interests	95,975
	<hr/> <hr/>

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management, the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the Group’s interim financial statements for the six months ended 31 December 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

Save and except the following deviations from the code provisions set out in the Code on Corporate Governance Practices (the "CG Practices") as contained in Appendix 14 to the Listing Rules, the Company had, throughout the period for the six months ended 31 December 2007, complied with the CG Practices.

Code provisions set out in the CG Practices

A.2.1 The roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Deviations and reasons for such deviations

Mr. Wu Kebo, the chairman and executive director of the Company, was appointed as the acting managing director of the Company with effect from 21 December 2007.

The Board considers that as Mr. Wu Kebo has experience in acting in a leading and managing role in media and entertainment businesses, it is in the interests of the Company for Mr. Wu Kebo to act as the acting managing director of the Company pending the appointment of a new managing director to ensure continuity.

The Board will in due course appoint a separate individual with appropriate qualifications to act as the chief executive officer of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

Code provisions set out in the CG Practices	Deviations and reasons for such deviations
<p>A.3 The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should ensure that changes to its composition can be managed without undue disruption. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.</p>	<p>Pursuant to note 1 of A.3 of the CG Practices and as required by Rule 3.10 of the Listing Rules, every board of directors must include at least 3 independent non-executive directors. Due to the resignation of Mr. Paul Ma Kah Woh as an independent non-executive director of the Company on 24 December 2007, the total number of independent non-executive directors of the Company falls below the minimum number as required under Rule 3.10 of the Listing Rules.</p> <p>Mr. Leung Man Kit has been appointed as an independent non-executive director of the Company with effect from 11 February 2008 so that the requirement as to the minimum number of independent non-executive directors of the Company under note 1 of A.3 of the CG Practices and Rule 3.10 of the Listing Rules is fulfilled.</p>

CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

Code provisions set out in the CG Practices	Deviations and reasons for such deviations
A.4.1 Non-executive directors should be appointed for a specific term, subject to re-election.	<p>All non-executive directors of the Company were not appointed for a specific term.</p> <p>All non-executive directors of the Company are subject to the requirement to retire by rotation and to re-elect at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws, accomplishing the same purpose as a specific term of appointment.</p>

MODEL CODE

The Company has adopted its own code on terms no less exacting than those set out in the Model Code of the Listing Rules. The Company has made specific enquiries with all the directors and no directors have confirmed that they had not complied with the requirements set out in the Model Code and the Company's code for the six months ended 31 December 2007.

APPRECIATION

I would like to take this opportunity to thank my fellow directors, as well as the management and all our employees for the contribution they have made towards the Group's continued progress, and to our shareholders, customers and business partners for their support.

On behalf of the Board
WU Kebo
Chairman

Hong Kong, 25 March 2008