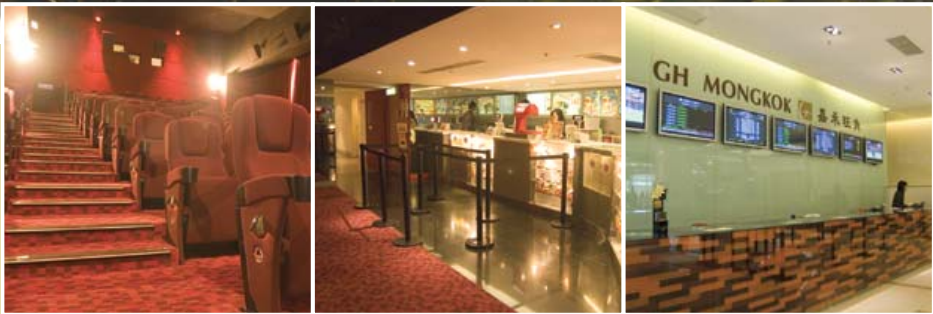


Interim Report 2005



**GOLDEN HARVEST
ENTERTAINMENT (HOLDINGS) LIMITED**
(Stock Code: 1132)



CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Interim Results	7
Condensed Consolidated Income Statement	7
Condensed Consolidated Balance Sheet	8
Condensed Consolidated Statement of Changes in Equity	10
Condensed Consolidated Cash Flow Statement	12
Notes to Condensed Consolidated Financial Statements	13
Interim Dividend	29
Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures	29
Share Options	31
Substantial Shareholders	33
Purchase, Sale or Redemption of Listed Shares	36
Disclosure Pursuant to Rule 13.20 of the Listing Rules	36
Disclosure Pursuant to Rule 13.22 of the Listing Rules	37
Review by Audit Committee	37
Code on Corporate Governance Practices	38
Model Code	38
Appreciation	38

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Raymond CHOW Ting Hsing

Executive Directors

PHOON Chiong Kit

David CHAN Sik Hong

Roberta CHIN CHOW Chung Hang

LAU Pak Keung

(alternate to PHOON Chiong Kit)

Non-executive Director

Eric Norman KRONFELD

Independent Non-executive Directors

Paul MA Kah Woh

Frank LIN

Prince Chatrichalerm YUKOL

COMPANY SECRETARY

LEE So Ching

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

PRINCIPAL PLACE OF BUSINESS

16th Floor

The Peninsular 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

Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Tengis Limited

26th Floor

Tesbury Centre

28 Queen's Road East

Hong Kong

WEBSITE

<http://www.goldenharvest.com>

STOCK CODE

1132



MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

The Group reported a profit of HK\$5 million for the period under review, as compared to a loss of HK\$17.7 million last year. The investment decisions in the last financial year to acquire the largest cinema chain in Taiwan, increase our stake in one of our Malaysian cinema operations and to open a flagship cinema in Shenzhen have proved correct and successful. All these investments recorded impressive contributions and helped to turn around the Group's results for the period under review.

The performance of our distribution business across the region has improved. Although the HK market remains soft, especially for the Chinese language films, Golden Harvest has managed to stay ahead of the market and to increase our overall distribution market share to 35%. Our exhibition business in all our territories, except Hong Kong, performed strongly and the good performance is expected to continue.

In accordance with the requirements of new accounting standards, the Group has proportionately consolidated the financial statements of the jointly-controlled entities in Taiwan and Malaysia (namely Warner Village Cinemas Co., Ltd. ("WVT") and TGV Cinemas Sdn. Bhd. ("TGV")). Although the net assets value and net results of the Group are not affected, the figures of individual items such as turnover, cost of sales, property, plant and equipment, accounts payable and accruals etc. were all be significantly affected this period as a result of proportionate consolidation. Proportionate consolidation is considered by the management to be a better way to reflect the substance and economic reality of the Group's interests in the jointly-controlled entities.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Film distribution

Total box office receipts in Hong Kong increased by 8% to HK\$503 million, of which non-Chinese language films grossed HK\$328 million, up 26% from the same period last year. The box office of Chinese language films remained weak, dipping 16% to HK\$175 million. As a distributor for both Chinese and non-Chinese language films, the Group had 35% of total box office collections.

Notwithstanding the insufficient supply of Chinese language films in the market, our film financing activity has successfully secured a substantial slate of films for our Gala circuit. The total box office of Chinese language films distributed by the Group increased slightly by HK\$6 million to HK\$60 million and our market share rose to 34% from last year's 26%.

Good performance of our non-Chinese language films this year was attributable to blockbusters like "Madagascar" and "King Kong". The number of films released by the Group increased from last year's 17 to this year's 22 and the box office receipts doubled to HK\$114 million. Our market share increased to 35% from last year's 20%. The Panasia-licensed films also achieved satisfactory results, such as the Japanese movie "Train Man" which was well received by the market.

Film exhibition

In the prior year, the Group made a strategic move to strengthen the exhibition business by acquiring the largest cinema chain in Taiwan, increasing the stake in one of our Malaysian cinema operations and opening our flagship cinema in Shenzhen in Mainland China. The Group now operates 47 cinemas with 325 screens across the Asian region and is one of the leading cinema operators in Asia.

In Hong Kong, our cinema box office income was down by 2% to HK\$65 million as a result of keen competition in the market. The impact of the drop in revenue was partly compensated by lower film hire costs and operating expenses for the period.

In Mainland China, our cinema in Shenzhen accounted for 47% market share in Shenzhen and has consistently ranked second nation-wide in terms of box office takings. Our flexible multi-pricing strategies and customer-oriented marketing promotions have seen an initial success in developing a movie-going habit in our customers. Gross theatre takings in the second half of 2005 amounted to RMB20 million, nearly doubled the takings of the first half of 2005.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Film exhibition *(continued)*

By opening more new screens in 2005, the Malaysian market box office achieved a record high of RM98 million in the second half of 2005, soaring by 34% above last year. The Group has an approximately 80% market share through its two joint ventures in Malaysia. Golden Screen Cinemas Sdn. Bhd. (“GSC”) opened 22 screens in the first half of 2005 and its revenue for the period under review increased by 38% to RM68 million. Earnings before tax (“EBT”) doubled to RM10 million. On the other hand, the revenue growth of our joint venture TGV was relatively flat since most of their new screens are due to open in 2006. TGV opened a new 5-screen cinema in late 2005 and EBT was up by 17% to RM5 million. In 2006, TGV fully opened a 10-screen cinema in February and plans to open another two cinemas in the second half of the year.

In Singapore, the market box office stayed flat at S\$60 million for the period. The growth of admissions has stalled since the increase of ticket prices in May 2005 but theatre takings of Golden Village Multiplex Pte Ltd was up slightly by 2% to S\$26.6 million. Total revenue and EBT for the period were flat. In May 2005, the Group commenced proceedings in the Hong Kong court to wind up Dartina Development Limited, the holding company of the Singapore joint venture with Village Roadshow, on the grounds that the Group had not been properly included in the management of the joint venture. We believe that we will be better off running our own cinemas in Singapore.

In Taiwan, WVT contributed a net profit of HK\$5 million to the Group for the period under review. Although the Taiwan market box office for the period remained the same as last year’s level of NT\$2.7 billion, the revenue of WVT grew by 6% to NT\$1.2 billion. The increase was mainly due to the improvement of concession sales and rental income. Besides the cinema operations, WVT also manages a retail mall at Warner Village Cinemas Taipei Hsin Yi (“Hsin Yi”) in Taipei. To support the cinema multiplex business at Hsin Yi, WVT made its entry into the food court business this period. The increase of revenue combined with a decrease in film hire led to an improvement in operating profit of WVT to NT\$84 million for the period of 2005, tripled last year’s results.

Prospects

Hong Kong will continue to be the base of the Group’s operations, strongly supported by our regional network. The Group will continue to focus on development of the Greater China market and strengthening its Pan-Asian footprint. The Group is currently taking careful steps to explore new sites for our cinemas.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity and financial resources

During the period, the Group obtained an additional facility of approximately HK\$2 million for working capital purposes. In addition, one of the Group's jointly-controlled entities secured a bank loan of HK\$17.1 million (our 50% share HK\$8.6 million) to finance the development of the new cinema sites in Malaysia. As at 31 December 2005, the aggregate amount of our bank borrowings HK\$93.4 million. The terms of the loans are spread over a period of between one year to five years. The bank loans are either unsecured or secured by the pledge of certain bank balances, assets/fixed assets including a leasehold land and building of the Group and the shares in a wholly-owned subsidiary. The bank borrowings are in Hong Kong dollars, Renminbi, Malaysian Ringgit and US dollars with interest rates ranging from 4% to 11% per annum.

As at 31 December 2005, the Group's cash balances was at HK\$56.3 million and the net current liabilities stood at HK\$81.3 million. Gearing ratio, calculated on the basis of external borrowings over total assets, reduced to 13.3%. The Group had contingent liabilities of HK\$17.5 million at the period-end date (30 June 2005: HK\$17.3 million) in respect of a guarantee of a banking facility granted to an associate. The details of the contingent liabilities are set out in note 14 to the condensed consolidated financial statements.

The Group's assets and liabilities are principally denominated in Hong Kong dollars except certain assets and liabilities associated to the investments located in Singapore, Malaysia, Taiwan and Mainland China. Since the exchange rates of the currencies in these territories have been relatively stable, the directors are of the view that the Group's current exposure to currency exchange risk is minimal. Accordingly, the Group did not carry out any hedging of foreign currencies during the period. The directors will continue to assess the exchange risk and exposures, and will consider all possible hedging measures in order to minimise the risk at a reasonable cost.

The Group is currently in negotiation with a financial institution to obtain a convertible loan of US\$20 million together with a term loan of US\$2 million to improve the Group's liquidity position. In order to further improve the Group's financial position and to finance new projects, the Group will consider realising certain non-current assets and will continue to explore opportunities for different sources of financing.

Employees and remuneration policies

As at 31 December 2005, the Group had 230 (as at 30 June 2005: 228) permanent 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 which arose upon 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 2005. The consolidated results have not been audited by the Company's auditors, but have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended	
		31 December	
	Notes	2005	2004
		HK\$'000	HK\$'000
TURNOVER	3	265,200	98,343
Cost of sales		(122,279)	(50,012)
Gross profit		142,921	48,331
Interest income		384	7
Other revenue		18,169	8,511
Selling and distribution costs		(133,303)	(52,809)
General and administrative expenses		(26,687)	(26,989)
Other operating expenses, net		(6,277)	(4,463)
Finance costs	5	(3,538)	(374)
Share of profits and losses of associates		13,577	10,117
PROFIT/(LOSS) BEFORE TAX	3,4	5,246	(17,669)
Tax	6	(183)	(4)
PROFIT/(LOSS) FOR THE PERIOD		5,063	(17,673)
ATTRIBUTABLE TO:			
Equity holders of the Company		5,063	(17,503)
Minority interests		-	(170)
		5,063	(17,673)
EARNINGS/(LOSS) PER SHARE	7		
Basic		HK0.4 cent	(HK1.7 cents)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 31 December 2005 HK\$'000	(Restated) As at 30 June 2005 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		245,784	236,236
Interests in associates		173,416	159,374
Prepaid leasehold land rental		2,899	2,987
Prepaid rental		12,348	5,190
Club memberships		3,590	4,380
Rental deposits		53,317	54,706
Trademarks	8	79,421	79,421
Pledged bank deposits		1,844	1,139
		572,619	543,433
CURRENT ASSETS			
Prepayments, deposits and other receivables		39,307	46,508
Inventories		709	571
Film rights		16,692	18,384
Accounts receivable	9	29,637	18,304
Pledged bank balances		960	486
Cash and bank balances		55,348	65,632
		142,653	149,885
CURRENT LIABILITIES			
Accounts payable	10	84,608	75,583
Accrued liabilities and other payables		91,723	85,345
Due to associates		1,323	–
Customer deposits		2,712	3,380
Interest-bearing bank borrowings	11	31,301	24,697
Current portion of finance lease payables		329	413
Provision for employee benefits		1,931	1,680
Tax payable		10,071	12,295
		223,998	203,393
NET CURRENT LIABILITIES		(81,345)	(53,508)

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

		(Unaudited)	(Restated)
		As at	As at
		31 December	30 June
		2005	2005
	Notes	HK\$'000	HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		491,274	489,925
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	11	62,110	65,325
Non-current portion of finance lease payables		1,319	298
Deposits received		3,697	3,686
Provision for long service payments		4,322	3,670
Deferred tax		6,144	5,978
		77,592	78,957
		413,682	410,968
CAPITAL AND RESERVES			
Equity attributable to the Company's equity holders			
Issued share capital	12	133,031	133,031
Reserves		280,651	277,937
		413,682	410,968

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 31 December 2005

	Reserves attributable to the equity holders of the Company									
	Issued share capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Surplus reserve HK\$'000	Revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Total reserves HK\$'000	Total HK\$'000
At 1 July 2005										
As previously reported	133,031	639,881	145	-	(336,149)	480	7,039	(33,459)	277,937	410,968
Prior year adjustment	-	-	-	150	(150)	-	-	-	-	-
As restated	133,031	639,881	145	150	(336,299)	480	7,039	(33,459)	277,937	410,968
Exchange adjustments on translation of:										
- overseas subsidiaries	-	-	-	-	-	-	-	(456)	(456)	(456)
- overseas jointly-controlled entities	-	-	-	-	-	-	-	(2,430)	(2,430)	(2,430)
- overseas associates	-	-	-	-	-	-	-	511	511	511
Net gains and losses not recognised in the income statement	-	-	-	-	-	-	-	(2,375)	(2,375)	(2,375)
Deferred tax credited to equity	-	-	-	-	-	-	26	-	26	26
Profit for the period	-	-	-	-	5,063	-	-	-	5,063	5,063
At 31 December 2005	133,031	639,881	145	150	(331,236)	480	7,065	(35,834)	280,651	413,682

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

For the six months ended 31 December 2004

	Issued share capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Reserves attributable to the equity holders of the Company							Minority interests HK\$'000	Total HK\$'000
				Capital reserve HK\$'000	Accumulated losses HK\$'000	Surplus reserve HK\$'000	Revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Total reserves HK\$'000			
At 1 July 2004	88,429	579,665	145	(12,483)	(310,728)	480	6,986	(32,485)	231,580	-	320,009	
Issue of shares	15,500	23,250	-	-	-	-	-	-	23,250	-	38,750	
Share issue expenses	-	(2,499)	-	-	-	-	-	-	(2,499)	-	(2,499)	
Capital contribution from minority interests	-	-	-	-	-	-	-	-	-	2,395	2,395	
Exchange adjustments on translation of:												
– overseas subsidiaries	-	-	-	-	-	-	-	(1,113)	(1,113)	-	(1,113)	
– overseas associates	-	-	-	-	-	-	-	3,482	3,482	-	3,482	
Net gains and losses not recognised in the income statement	-	-	-	-	-	-	-	2,369	2,369	-	2,369	
Deferred tax credited to equity	-	-	-	-	-	-	26	-	26	-	26	
Loss for the period	-	-	-	-	(17,503)	-	-	-	(17,503)	(170)	(17,673)	
At 31 December 2004	103,929	600,416	145	(12,483)	(328,231)	480	7,012	(30,116)	237,223	2,225	343,377	

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	
	2005	2004
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	24,813	(27,300)
INVESTING ACTIVITIES	(37,966)	(20,935)
FINANCING ACTIVITIES	2,328	57,992
	<hr/>	<hr/>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(10,825)	9,757
Cash and cash equivalents at beginning of period	65,632	22,575
Exchange adjustments	(1,452)	60
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	53,355	32,392
	<hr/>	<hr/>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Short-term bank deposits	11,652	–
Cash and bank balances	43,696	32,392
Bank overdrafts	(1,993)	–
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	53,355	32,392
	<hr/>	<hr/>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

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 annual financial statements for the year ended 30 June 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 1, 2, 7, 8, 10, 12, 16, 18, 19, 21, 23, 24, 27, 28, 32, 33, 37, 39, 40, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) HKAS 17 – Leases

In prior periods, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid leasehold land rental, while leasehold buildings continue to be classified as part of property, plant and equipment and prepaid leasehold land rental for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the condensed consolidated income statement and retained profits. The comparatives on the condensed consolidated balance sheet as at 30 June 2005 have been restated to reflect the reclassification of leasehold land.

(b) HKAS 31 – Interests in Joint Ventures

In prior periods, the Group's interests in its jointly-controlled entity was accounted for using the equity method. Upon the adoption of HKAS 31, which recommends the use of proportionate consolidation for investments in jointly-controlled entities, the Group changed the accounting policy for its investment in the jointly-controlled entity from equity method to proportionate consolidation. Such change in accounting policy is accounted for retrospectively and involves recognising a proportionate share of the jointly-controlled entity's assets, liabilities, income and expenses into similar items in the condensed consolidated interim financial statements on a line-by-line basis.

The change in accounting policy has had no net effect on the condensed consolidated income statement and the net assets of the Group. The comparatives on the condensed consolidated balance sheet as at 30 June 2005 have been restated to reflect the share of assets and liabilities of the jointly-controlled entities on a line-by-line basis. No restatement was made on the condensed consolidated income statement for the six months ended 31 December 2004 as these entities only became jointly-controlled entities of the Group after 31 December 2004. For illustrative purpose, the pro forma consolidated financial information of the Group assuming that the Group held 50% equity interests in TGV Cinemas Sdn. Bhd. ("TGV") and 40% equity interests in Warner Village Cinemas Co., Ltd. ("WVT") at the commencement of the period ended 31 December 2004 is presented in note (i) below.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) HKFRS 2 – Share-based Payment

In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments (“equity-settled transactions”), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is determined by the management using an option pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, is applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees (including directors) become fully entitled to the award (the “vesting date”). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The effects of adopting HKFRS 2 on the Group’s share options granted to employees after 7 November 2002 but had not vested by 1 January 2005 are summarised in note (iii) below.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of effect of adopting the new HKFRSs on the condensed consolidated financial statements:

(i) Condensed consolidated income statement

	Increase/(Decrease)					
	For the six months ended 31 December					
	2005			2004		
HKAS 1 Share of post-tax profit and loss of associates HK\$'000	Proportionate consolidation HK\$'000	Total HK\$'000	HKAS 1 Share of post-tax profit and loss of associates HK\$'000	Proportionate consolidation HK\$'000 (Note)	Total HK\$'000	
Turnover	-	144,808	144,808	-	-	-
Cost of sales	-	(68,376)	(68,376)	-	-	-
Interest income	-	328	328	-	-	-
Other revenue	-	8,252	8,252	-	-	-
Selling and distribution costs	-	(72,666)	(72,666)	-	-	-
General and administrative expenses	-	(688)	(688)	-	-	-
Other operating expenses, net	-	(867)	(867)	-	-	-
Finance costs	-	(72)	(72)	-	-	-
Share of profits and losses of jointly- controlled entities	-	(8,780)	(8,780)	-	-	-
Share of profits and losses of associates	(5,001)	-	(5,001)	(4,413)	-	(4,413)
Tax	5,001	(1,939)	3,062	4,413	-	4,413
Total effect for the period	-	-	-	-	-	-

Note: No restatement in relation to HKAS 31 was made on the condensed consolidated income statement for the six months ended 31 December 2004 as the entities only became jointly-controlled entities of the Group after 31 December 2004.

For illustrative purpose, the following is the pro forma consolidated financial information of the Group assuming that the Group held 50% equity interests in TGV and 40% equity interests in WVT at the commencement of the period ended 31 December 2004. The pro forma consolidation financial information is prepared by using proportionate consolidation and based on the unaudited financial statements of TGV and WVT for the six months ended 31 December 2004.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Condensed consolidated income statement (continued)

Note: (continued)

The pro forma consolidated financial information is provided for illustrative purpose only.

	(Pro forma) Six months ended 31 December 2004 HK\$'000
Turnover	237,184
Gross profit	120,250
Loss for the period	(2,464)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Condensed consolidated balance sheet

	As at 31 December 2005			Increase/(Decrease)			As at 30 June 2005		
	HKAS 17 Prepaid land lease payment HK\$'000	HKAS 31 Proportionate consolidation HK\$'000	Total HK\$'000	HKAS 17 Prepaid land lease payment HK\$'000	HKAS 31 Proportionate consolidation HK\$'000	Total HK\$'000	HKAS 17 Prepaid land lease payment HK\$'000	HKAS 31 Proportionate consolidation HK\$'000	Total HK\$'000
Property, plant and equipment	(2,899)	164,205	161,306	(2,987)	152,633	149,646			
Interests in jointly-controlled entities	-	(193,972)	(193,972)	-	(178,619)	(178,619)			
Prepaid leasehold land rental	2,899	-	2,899	2,987	-	2,987			
Prepaid rental	-	12,348	12,348	-	5,190	5,190			
Rental deposits	-	42,012	42,012	-	43,293	43,293			
Pledged bank deposits	-	1,844	1,844	-	1,139	1,139			
Prepayments, deposits and other receivables	-	14,094	14,094	-	16,610	16,610			
Accounts receivable	-	1,785	1,785	-	1,200	1,200			
Due from a jointly-controlled entity	-	-	-	-	(30,000)	(30,000)			
Cash and bank balances	-	30,243	30,243	-	49,433	49,433			
	-	72,559	72,559	-	60,879	60,879			
Accounts payable	-	19,215	19,215	-	20,567	20,567			
Accrued liabilities and other payables	-	34,704	34,704	-	30,220	30,220			
Current portion of interest-bearing bank borrowings	-	947	947	-	-	-			
Tax payable	-	927	927	-	1,244	1,244			
Non-current portion of interest-bearing bank borrowings	-	7,579	7,579	-	-	-			
Deposit received	-	3,697	3,697	-	3,686	3,686			
Provision for long service payments	-	145	145	-	9	9			
Deferred tax	-	5,345	5,345	-	5,153	5,153			
	-	72,559	72,559	-	60,879	60,879			

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Condensed consolidated statement of changes in equity

	Increase/(Decrease) For the six months ended 31 December	
	2005	2004
	HKFRS 2	HKFRS 2
	Share option	Share option
	expenses	expenses
	HK\$'000	HK\$'000
Share option reserve	150	150
Accumulated losses	(150)	(150)
	<hr/>	<hr/>
Total effect for the period	—	—
	<hr/>	<hr/>

2. BASIS OF PRESENTATION

Going Concern

The Group achieved a profit for the period ended 31 December 2005 of HK\$5,063,000 (2004: loss for the period of HK\$17,673,000). At 31 December 2005, the Group had consolidated net current liabilities of approximately HK\$81,345,000 (30 June 2005: HK\$53,508,000) and consolidated net assets of approximately HK\$413,682,000 (30 June 2005: HK\$410,968,000).

In order to improve the Group's working capital position, immediate liquidity and cash flow position, the Group has implemented some measures/arrangements as further explained below:

- the Group is currently in negotiation with a financial institution to obtain a convertible loan of US\$20,000,000 together with a term loan of US\$2,000,000 to improve the Group's liquidity position;
- the directors may consider realising certain non-current assets which will further improve the Group's financial positions; and
- the Group continues to implement measures to tighten cost controls over various general and administrative expenses and to attain profitable and positive cash flow operations. After the period end, a loss-making cinema in Hong Kong was closed following which the operating expenses incurred by the Group will be reduced.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

2. BASIS OF PRESENTATION (continued)

Going Concern (continued)

In the opinion of the directors, in light of the various measures/arrangements indicated above and the support from the Group's bankers and the potential investors, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial position and tight liquidity as at 31 December 2005.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these financial statements.

3. 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	
2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	
	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	23,051	21,241	231,465	70,959	10,684	6,143	-	-	265,200	98,343
Inter-segment sales	864	1,131	-	-	234	-	(1,098)	(1,131)	-	-
Other revenue	1,493	919	15,815	2,739	798	636	(315)	(542)	17,791	3,752
Total	25,408	23,291	247,280	73,698	11,716	6,779	(1,413)	(1,673)	282,991	102,095
Segment results	(1,685)	(10,744)	(3,083)	(15,474)	(787)	(5,960)	-	-	(5,555)	(32,178)
Interest income and unallocated gains and expenses									762	4,766
Finance costs									(3,538)	(374)
Share of profits and losses of associates	1,102	(932)	12,475	11,049	-	-	-	-	13,577	10,117
Profit/(loss) before tax									5,246	(17,669)
Tax									(183)	(4)
Profit/(loss) for the period									5,063	(17,673)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

3. 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	
2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	
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	108,794	91,825	10,133	3,202	102,381	1,844	42,674	-	361	1,283	857	189	265,200	98,343

4. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	(Unaudited)	
	Six months ended 31 December 2005	2004
	HK\$'000	HK\$'000
Cost of inventories sold	12,046	2,725
Cost of services provided	106,138	41,020
Amortisation of film rights	4,095	6,267
Amortisation of leasehold land rental	88	88
Depreciation	20,656	7,576
Loss on disposal of property, plant and equipment	918	480
Impairment on club memberships	365	-

5. FINANCE COSTS

	(Unaudited)	
	Six months ended 31 December 2005	2004
	HK\$'000	HK\$'000
Interest and finance cost on bank loans wholly repayable within five years	3,365	243
Interest on finance leases	28	42
Interest on accounts payable	145	89
	<u>3,538</u>	<u>374</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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	
	2005	2004
	HK\$'000	HK\$'000
Group:		
Hong Kong	–	–
Elsewhere	(1,756)	4
	<hr/>	<hr/>
	(1,756)	4
	<hr/>	<hr/>
Jointly-controlled entities:		
Current	1,696	–
Deferred	243	–
	<hr/>	<hr/>
	1,939	–
	<hr/>	<hr/>
Tax charge for the period	183	4
	<hr/>	<hr/>

Share of tax attributable to associates amounting to HK\$5,001,000 (2004: HK\$4,413,000) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on profit attributable to equity holders of the Company for the period of HK\$5,063,000 (2004: loss attributable to equity holders of the Company of HK\$17,503,000) and the weighted average number of 1,330,309,375 shares (2004: 1,004,749,456 shares) in issue during the period.

No disclosure of diluted earnings/(loss) per share for both the current period and prior period is shown as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's ordinary shares during both periods and thus the share options had no diluting effect on the basic earnings/(loss) per share for these periods.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. TRADEMARKS

The trademarks represent the perpetual licence for the use of the brandname "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.

9. ACCOUNTS RECEIVABLE

The Group usually grants credit periods ranging from one to three months. The age analysis of the accounts receivable, net of impairment allowances, is as follows:

	(Unaudited)	(Restated)
	As at	As at
	31 December	30 June
	2005	2005
	HK\$'000	HK\$'000
Current to 3 months	26,192	15,380
4 to 6 months	2,599	2,254
7 to 12 months	484	31
Over 1 year	362	639
	29,637	18,304

The accounts receivable of the Group did not include any trading balances due from Golden Harvest Private Group companies as at 31 December 2005 (30 June 2005: HK\$481,000). In prior period, the balances with the Golden Harvest Private Group companies were unsecured, repayable in accordance with normal trading terms and interest-free.

The Golden Harvest Private Group represents the private companies in the Golden Harvest Group, a group of companies controlled by Raymond Chow Ting Hsing, a director of the Company, which were not included in the Group pursuant to the Group reorganisation in November 1994.

The accounts receivable of the Group also included amount due from Best Creation International Limited of HK\$254,000 (30 June 2005: HK\$269,000). Last year accounts receivable balances also included amounts due from GH Media Management Pte Ltd and Wigston Co. Limited of HK\$332,000 and HK\$179,000, respectively. The amounts are unsecured and have no fixed repayment terms. Raymond Chow Ting Hsing, Phoon Chiong Kit, David Chan Sik Hong, who are directors of the Company and Stephen Chu Siu Tsun, who was a then director of the Company, and a relative of Raymond Chow Ting Hsing, are/were also directors and/or beneficial shareholders of certain of these related companies.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

10. ACCOUNTS PAYABLE

The age analysis of trade creditors included in accounts payable is as follows:

	(Unaudited)	(Restated)
	As at	As at
	31 December	30 June
	2005	2005
	HK\$'000	HK\$'000
Current to 3 months	65,728	57,128
4 to 6 months	5,130	4,539
7 to 12 months	1,323	896
Over 1 year	12,427	13,020
	84,608	75,583

The accounts payable of the Group included trading balances due to Golden Harvest Private Group companies totaling HK\$186,000 (30 June 2005: HK\$67,000). The amounts are unsecured, interest-free and repayable in accordance with normal trading terms.

The accounts payable of the Group also included amounts due to GH Pictures (China) Limited, Harvest Crown Limited, Pinetree Production Services, Inc. and Wigston Co. Limited of HK\$9,248,000 (30 June 2005: HK\$9,987,000), HK\$630,000 (30 June 2005: HK\$618,000), HK\$445,000 (30 June 2005: HK\$206,000) and HK\$544,000 (30 June 2005: Nil), respectively. The amounts are unsecured and have no fixed repayment terms. Except for an amount of HK\$9,248,000 due to GH Pictures (China) Limited which bears interest at Hong Kong dollars short term time deposits rate plus 1% per annum, the other balances are interest-free and have no fixed repayment terms. Raymond Chow Ting Hsing, Phoon Chiong Kit and David Chan Sik Hong, who were directors of the Company, Stephen Chu Siu Tsun, who was a then director of the Company, and two relatives of Raymond Chow Ting Hsing are/were also directors and/or beneficial shareholders of certain of these related companies.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

11. INTEREST-BEARING BANK BORROWINGS

	(Unaudited) As at 31 December 2005 HK\$'000	(Restated) As at 30 June 2005 HK\$'000
Bank loans		
Secured	82,892	90,022
Unsecured	8,526	–
	<u>91,418</u>	<u>90,022</u>
Bank overdrafts, secured	1,993	–
Total bank borrowings	<u>93,411</u>	<u>90,022</u>
Bank overdrafts repayable within one year or on demand	1,993	–
Bank loans repayable:		
Within one year	29,308	24,697
In the second year	23,506	21,577
In the third to fifth years, inclusive	38,604	43,748
	<u>91,418</u>	<u>90,022</u>
Portion classified as current liabilities	<u>(31,301)</u>	<u>(24,697)</u>
	<u>62,110</u>	<u>65,325</u>

The Group's bank overdrafts and bank loans of HK\$84,885,000 in total as at 31 December 2005 were secured by the assets of a wholly-owned subsidiary; 70% share holdings in a wholly-owned subsidiary; 40% equity interests in a jointly-controlled entity; property, plant and equipment and pledged bank balance of a subsidiary and prepaid leasehold land rental and certain property, plant and equipment of a subsidiary.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

12. SHARE CAPITAL

	(Unaudited) As at 31 December 2005 HK\$'000	(Restated) As at 30 June 2005 HK\$'000
Authorised:		
2,000,000,000 (30 June 2005: 2,000,000,000) ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
1,330,309,375 (30 June 2005: 1,330,309,375) ordinary shares of HK\$0.10 each	<u>133,031</u>	<u>133,031</u>

13. RELATED PARTY TRANSACTIONS

In addition to the balances detailed in notes 9 and 10, the Group had the following transactions with 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) Transactions with other related parties

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

		(Unaudited) Six months ended 31 December 2005 HK\$'000	2004 HK\$'000
Ticketing system maintenance/ development costs paid to an associate	(i), (ii)	608	111
Management fee income from associates	(i), (iii)	192	192
Consultancy fee paid to a related company	(i), (iv)	181	249
Interest expense to a related company	(i), (v)	145	89
Film royalty income from associates	(i), (vi)	114	268
Corporate guarantees given in respect of banking facilities granted to an associate	(i), (vii)	<u>17,475</u>	<u>17,850</u>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with other related parties (continued)

Notes:

- (i) Raymond Chow Ting Hsing, Phoon Chiong Kit, David Chan Sik Hong, who are 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.
- (ii) The ticketing system maintenance/development costs paid were charged according to prices and conditions similar to those offered to other customers of the associate.
- (iii) The management fee income represented an amount of HK\$192,000 (2004: HK\$192,000) related to accounting services provided to two associates of the Group which were charged at rates of HK\$10,000 per month (2004: HK\$10,000) and HK\$22,000 per month (2004: HK22,000 per month), respectively.
- (iv) 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.
- (v) The interest expense to an associate of the Golden Harvest Private Group was charged at Hong Kong dollar short-term time deposit rate plus 1% per annum.
- (vi) The royalty income was charged according to the terms of the respective distribution agreements.
- (vii) The corporate guarantee was given by the Group in respect of a banking facility granted to an associate at nil consideration.

Certain transactions amounting to HK\$181,000 (2004: HK\$267,000) included in note (iv) above with one related company (2004: two related companies) constituted continuing connected transactions – 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group

	(Unaudited)	
	Six months ended	
	31 December	
	2005	2004
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	7,678	8,393
Post-employment benefits	47	63
Other long-term benefits	15	15
	<u>7,740</u>	<u>8,471</u>

14. CONTINGENT LIABILITIES

Contingent liabilities at the balance sheet date were as follows:

	(Unaudited)	(Restated)
	As at	As at
	31 December	30 June
	2005	2005
	HK\$'000	HK\$'000
Guarantee of a banking facility granted to an associate	<u>17,475</u>	<u>17,325</u>

In addition to above, an associate of the Group had executed guarantees to a banker in favour of certain third parties of approximately HK\$14,215,000 (30 June 2005: HK\$14,093,000) as at the balance sheet date.

15. COMMITMENTS

	(Unaudited)	(Restated)
	As at	As at
	31 December	30 June
	2005	2005
	HK\$'000	HK\$'000
Capital commitments in respect of acquisition of property, plant and equipment:		
Contracted for	7,376	7,804
Authorised, but not contracted for	54,809	78,971
	<u>62,185</u>	<u>86,775</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

16. COMPARATIVE AMOUNT

Due to the adoption of new HKFRSs during the period, the accounting treatment and presentation of certain items and balances in the condensed consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain prior period and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current period presentation and accounting treatment.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 31 December 2005 (2004: Nil).

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

As at 31 December 2005, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and 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:

(i) Interests in shares of the Company

Name of director	Capacity	Notes	Number of shares (L)=Long position (S)=Short position	Percentage of shareholding in the Company
Raymond Chow Ting Hsing	Interest of controlled corporations	1 and 6	313,121,527 (L) 235,585,591 (S)	23.54 17.70
Phoon Chiong Kit	Beneficial owner	2 and 5	44,500,000 (L)	3.43
David Chan Sik Hong	Beneficial owner	3 and 5	12,109,375 (L)	0.93
Lau Pak Keung (alternate to Phoon Chiong Kit)	Beneficial owner	5	1,600,000 (L)	0.12

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

(continued)

(i) Interests in shares of the Company (continued)

Name of director	Capacity	Notes	Number of shares (L)=Long position (S)=Short position	Percentage of shareholding in the Company
Eric Norman Kronfeld	Beneficial owner	4 and 6	350,000 (L)	0.03
Paul Ma Kah Woh	Beneficial owner	4 and 6	350,000 (L)	0.03
Frank Lin	Beneficial owner	4 and 6	350,000 (L)	0.03
Prince Chatrichalerm Yukol	Beneficial owner	4 and 6	350,000 (L)	0.03

Notes:

1. Raymond Chow Ting Hsing was deemed to be interested in 313,121,527 shares of the Company by virtue of his 100% beneficial holding in Planet Gold Associates Limited and Net City Limited, which held 183,210,590 shares and 129,910,937 shares of the Company, respectively.
2. Out of 44,500,000 shares in which Phoon Chiong Kit ("Mr Phoon") was deemed to be interested, 37,000,000 shares were shares issuable upon the exercise of share options granted by the Company to Mr Phoon under the share option scheme.
3. Out of 12,109,375 shares in which David Chan Sik Hong ("Mr Chan") was deemed to be interested, 6,250,000 shares were the shares issuable upon the exercise of share options granted by the Company to Mr Chan under the share option scheme.
4. Each of Eric Norman Kronfeld, Paul Ma Kah Woh, Frank Lin and Prince Chatrichalerm Yukol was deemed to be interested in 350,000 shares issuable upon the exercise of share options granted by the Company to each of them under the share option scheme.
5. The relevant percentage of shareholding in the Company was calculated by expressing the relevant number of shares as a percentage of the number of shares in issue which was 1,299,109,375.
6. The relevant percentage of shareholding in the Company was calculated by expressing the relevant number of shares as a percentage of the number of shares in issue which was 1,330,309,375.



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

(continued)

(ii) Interests in shares of associated corporations

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

In addition to the above, Raymond Chow Ting Hsing had non-beneficial equity interests in certain subsidiaries which were held for the benefit of the Group.

(iii) Interests in underlying shares of the Company

The directors of the Company had been granted share options under the share option scheme, details of which are set out in the heading "Share Options" below.

Save as disclosed above and save for the disclosure referred to under "Share Options", as at 31 December 2005, 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 2005, no share option was granted, exercised, cancelled or lapsed under the share option scheme.

SHARE OPTIONS *(continued)*

The following table shows the outstanding share options held by directors and employees of the Company during the six months ended 31 December 2005:

Name or category of participant	Date of grant of share option	Exercise price HK\$	Exercise period	Number of share options outstanding as at 1 July 2005 and 31 December 2005
Director				
Phoon Chiong Kit	25/07/2000	0.624	25/07/2000 to 24/07/2010 Note (a)	5,750,000
	31/10/2001	0.496	30/11/2001 to 30/10/2011 Note (b)	12,500,000
	09/12/2004	Note (d)	10/01/2005 to 30/10/2011 Note (c)	18,750,000
David Chan Sik Hong	31/10/2001	0.496	30/11/2001 to 30/10/2011 Note (b)	6,250,000
Eric Norman Kronfeld	31/03/2005	0.260	31/03/2005 to 30/10/2011	350,000
Paul Ma Kah Woh	31/03/2005	0.260	31/03/2005 to 30/10/2011	350,000
Frank Lin	31/03/2005	0.260	31/03/2005 to 30/10/2011	350,000
Prince Chatrichalerm Yukol	31/03/2005	0.260	31/03/2005 to 30/10/2011	350,000
Other participant				
In aggregate	31/10/2001	0.496	30/11/2001 to 30/10/2011 Note (b)	625,000
				45,275,000

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 exercise prices of the share options granted which 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 are HK\$0.208, HK\$0.256 and HK\$0.304, respectively.

Apart from the above, at no time during the six months ended 31 December 2005 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 2005, the following persons had the following interests and short positions in shares and 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 shares (L)=Long position (S)=Short position	Percentage of shareholding in the Company
Raymond Chow Ting Hsing	Interest of controlled corporations	1 and 6	313,121,527 (L) 235,585,591 (S)	23.54 17.70
Felicia Chow Yuan Hsi Hua	Spouse's interest	1 and 6	313,121,527 (L) 235,585,591 (S)	23.54 17.70
Planet Gold Associates Limited	Beneficial owner	1 and 6	183,210,590 (L) 148,085,591 (S)	13.77 11.13

SUBSTANTIAL SHAREHOLDERS *(continued)*

Name of shareholder	Capacity	Notes	Number of shares (L)=Long position (S)=Short position	Percentage of shareholding in the Company
Net City Limited	Beneficial owner	1 and 6	129,910,937 (L) 87,500,000 (S)	9.77 6.58
Li Ka-Shing	Interest of controlled corporations	2 and 6	222,567,500 (L)	16.73
Mayspin Management Limited	Interest of controlled corporations	2 and 6	222,567,500 (L)	16.73
Garex Resources Limited	Beneficial owner	2 and 6	188,017,500 (L)	14.13
Typhoon Music (PRC) Limited	Beneficial owner	3 and 5	155,000,000 (L)	11.93
EMI Group Plc	Interest of controlled corporations	3 and 5	155,000,000 (L)	11.93
Virgin Music Group Limited	Interest of controlled corporations	3 and 5	155,000,000 (L)	11.93
EMI Group Worldwide Limited	Interest of controlled corporations	3 and 5	155,000,000 (L)	11.93
Norman Cheng Tung Hon	Interest of controlled corporations	3 and 5	155,000,000 (L)	11.93
Typhoon Records Limited	Interest of controlled corporation	3 and 5	155,000,000 (L)	11.93
Lily Feng Yuen Cheung	Spouse's interest	3 and 5	155,000,000 (L)	11.93
PAMA Group Inc.	Investment manager	4 and 5	123,284,027 (L)	9.49

SUBSTANTIAL SHAREHOLDERS *(continued)*

Notes:

1. Raymond Chow Ting Hsing was deemed to be interested in 313,121,527 shares of the Company by virtue of his 100% beneficial holding in Planet Gold Associates Limited and Net City Limited which held 183,210,590 shares and 129,910,937 shares of the Company, respectively. Felicia Chow Yuan Hsi Hua, the spouse of Raymond Chow Ting Hsing, was deemed to be interested in the same shares in which Raymond Chow Ting Hsing was interested.
2. Li Ka-Shing was deemed to be interested in 222,567,500 shares of the Company by virtue of his 100% beneficial holding in Mayspin Management Limited which in turn owned the entire interest in each of Garex Resources Limited, which held 188,017,500 shares of the Company, Podar Investment Limited, which held 31,250,000 shares of the Company, and Oscar Resources Limited, which held 3,300,000 shares of the Company.
3. EMI Group Plc had 100% control of Virgin Music Group Limited, which had 100% control of EMI Group Worldwide Limited, which in turn had a 50% shareholding in Typhoon Music (PRC) Limited. Norman Cheng Tung Hon had 100% control of Typhoon Records Limited, which had a 50% shareholding in Typhoon Music (PRC) Limited. Each of EMI Group Plc, Virgin Music Group Limited, EMI Group Worldwide Limited, Norman Cheng Tung Hon and Typhoon Records Limited was deemed to be interested in 155,000,000 shares of the Company held by Typhoon Music (PRC) Limited. Lily Feng Yuen Cheung, the spouse of Norman Cheng Tung Hon, was deemed to be interested in the same shares in which Norman Cheng Tung Hon was interested.
4. PAMA Group Inc. is the manager of DIF Investment Trust X and DIF Investment Trust XI, which was deemed to be interested in 123,284,027 shares of the Company.
5. The relevant percentage of shareholding in the Company was calculated by expressing the relevant number of shares as a percentage of the number of shares in issue which was 1,299,109,375.
6. The relevant percentage of shareholding in the Company was calculated by expressing the relevant number of shares as a percentage of the number of shares in issue which was 1,330,309,375.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2005.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Advances 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 2005 of HK\$84,533,000. The balance of the said advance (which is interest-free, unsecured and has no fixed repayment terms and is not expected to be repaid within the next twelve months) as at 31 December 2005 represented more than 8% of the relevant percentage ratios (as defined in the Listing Rules).

The Company and an independent third party, each through their respective 50% shareholding in Dartina, hold a 50% attributable interest in Golden Village Multiplex Pte Ltd ("GVM"). The Company has provided a guarantee in favour of a bank under which the Company has a maximum liability limited to 50% of the banking facility outstanding from GVM but in any event not exceeding HK\$17,475,000.

The Group has also made available to Warner Village Cinema Co., Ltd., a 40% owned jointly-controlled entity of the Company, an advance in the amount of HK\$90,820,000 as at 31 December 2005. The balance of the said advance, is interest-free, unsecured and has no fixed repayment term, represented more than 8% of the relevant percentage ratios (as defined in the Listing Rules).



DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

Financial assistances and guarantee to affiliated companies

The Group has made advances and provided a guarantee for a facility granted to certain affiliated companies which were recorded using the equity method of accounting in the Group's financial statements (including the associated company referred to in the immediately preceding paragraph). As at 31 December 2005, the aggregate amount of the said advances and guarantee of approximately HK\$107,832,000 represented more than 8% of the relevant percentage ratios (as defined in the Listing Rules). The pro forma combined balance sheet of these affiliated companies and the Group's attributable interests in these affiliated companies as at 31 December 2005 are as follows:

	Pro forma combined balance sheet HK\$'000
Non-current assets	289,679
Current assets	132,924
Current liabilities	(253,081)
Non-current liabilities	(79,769)
	<hr/>
	89,753
	<hr/>
Group's attributable interests	44,084
	<hr/>

REVIEW BY AUDIT COMMITTEE

The audit committee 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 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted its code on corporate governance (the "Company's Code on CG") based on the principles set out in the Code on Corporate Governance Practices ("CG Practices") contained in Appendix 14 of the Listing Rules. To comply with the CG Practices and the Company's Code on CG (collectively, the "CG Codes"), certain amendments to the Bye-laws of the Company were proposed and approved by shareholders at the annual general meeting of the Company held on 28 November 2005.

In the opinion of the directors, the Company has complied with the CG Codes for the six months ended 31 December 2005, except that all non-executive directors of the Company were not appointed for a specific term as required by code provision A.4.1 of CG Practices because they are subject to retirement by rotation and re-election 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.

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 all of them have confirmed that they had complied with the requirements set out in the Model Code and the Company's code for the six months ended 31 December 2005.

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
Raymond CHOW Ting Hsing
Chairman

Hong Kong, 24 March 2006