嘉禾
Golden Harvest

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

INTERIM RESULTS

The Board of Directors (the "Board") of Golden Harvest Entertainment (Holdings) Limited (the "Company") herein announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2002. The unaudited consolidated results of the Group have not been audited by the Company's auditors, but have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		(Unaudited) Six months ended 31 December	
		2002	2001
	Notes	***HK$'000***	*HK$'000*
			(Restated)
TURNOVER	4	**105,392**	137,128
Cost of sales		**(50,253)**	(69,806)
Gross profit		**55,139**	67,322
Interest income		**149**	799
Other revenue		**4,905**	6,204
Selling and distribution costs		**(55,508)**	(60,327)
General and administrative expenses		**(26,835)**	(30,574)
Other operating expenses		**(453)**	(1,702)
Impairment of film rights		**(3,800)**	–
LOSS FROM OPERATING ACTIVITIES	4, 5	**(26,403)**	(18,278)
Impairment of long term investment		**(1,000)**	–
Finance costs		**(312)**	(25)
Share of profits less losses of associates		**6,439**	(4,811)
LOSS BEFORE TAX		**(21,276)**	(23,114)
Tax	6	**(1,342)**	(1,377)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**(22,618)**	(24,491)
LOSS PER SHARE	7		
Basic		**(2.8 cents)**	(3.1 cents)
Diluted		**N/A**	N/A

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

Basis of preparation

The unaudited consolidated results have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA"). The accounting policies and basis of preparation are the same as those used in the annual financial statements for the year ended 30 June 2002 except that the following new and revised SSAPs issued by the HKSA have been adopted for the first time in the preparation of the current period's condensed consolidated financial statements:

SSAP 1 (Revised):	"Presentation of Financial Statements"
SSAP 11 (Revised):	"Foreign Currency Translation"
SSAP 15 (Revised):	"Cash Flow Statements"
SSAP 25 (Revised):	"Interim Financial Reporting"
SSAP 34:	"Employee Benefits"

With the exception to SSAP 1, SSAP 15, SSAP 25 and SSAP 34, the adoption of the above standards has had no material effect on amounts reported in the prior years.

The main revision to SSAP 1 is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative balances have been presented in accordance with this revised SSAP.

The main revision to SSAP 15 is to classify cash flow during the period into operating, investing and financing activities. The condensed consolidated cash flow statements for the current interim period and the comparative balances have been presented in accordance with this revised SSAP.

SSAP 25 (Revised) prescribes the presentation and disclosures following changes in SSAP 1 (Revised) and SSAP 15 (Revised). The condensed consolidated financial statements for the current interim period and comparative balances have been presented in accordance with this revised SSAP.

SSAP 34 prescribes the accounting treatment and disclosure requirements for employee benefits. Prior to the adoption of SSAP 34, the Group did not provide for the liabilities in respect of its staff's vested annual leave entitlement. SSAP 34 requires that obligations in respect of such entitlement should be accrued as soon as services are rendered. The adoption of the SSAP has resulted in a prior period adjustment to recognise a liability for the unused annual leave entitlement, as further detailed in note 2 to these condensed consolidated financial statements.

Trademarks
In accordance with the requirements of SSAP 29 "Intangible Assets", the cost of the Group's trademarks should be amortised over the best estimate of their useful lives. SSAP 29 also states that there is a rebuttable presumption that the useful life of an intangible asset will not exceed 20 years from the date when the asset is available for use. In the opinion of the directors, to follow the requirements of SSAP 29 would give a misleading view of the results of the Group and its loss per share for the following reasons:

(i) The trademarks, which were acquired by the Group in 2000, have been in use for a long time and will continue to be used for the long term. The valuation of the Group's trademarks performed by Adonis Appraisal Limited, an independent professional appraiser, has confirmed that the market value of the trademarks exceeded the carrying value as at 30 June 2002. In the opinion of the directors, there has been no material change in the valuation since 30 June 2002; and

(ii) The Group has incurred and intends to continue to incur significant advertising and promotion expenses, which are charged to profit and loss account when incurred, to maintain and increase the market value of its trademarks.

As a result and consistent with the prior period, the Group has decided not to follow the requirements of SSAP 29 and to continue to adopt the accounting policy to state trademarks at cost less any impairment losses. The Group intends to confirm the value of its trademarks by independent professional valuation periodically.

2. Prior period adjustments
In the current period, the Company adopted SSAP 34 "Employee Benefits" as detailed in note 1. These changes in accounting policy have been made retrospectively and accordingly, the comparative balances for the period ended 31 December 2001, including loss per share and accumulated losses brought forward as at 1 July 2001 have been restated. The effect of this change in respect of the year ended 30 June 2002 is an increase/(decrease) in general and administrative expenses and an increase/(decrease) in net losses attributable to shareholders, of HK$535,000 and HK$(315,000) for the six months period ended 31 December 2001 and 30 June 2002, respectively, which are the net movements in accrued employees' annual leave during those periods. The accumulated losses brought forward as at 1 July 2001 have been increased by HK$1,980,000 which is the amount of adjustment in respect of the Group's required accrual for employees' annual leave as at that date.

3. Comparative amounts
As explained in note 1 to these condensed consolidated financial statements, due to the adoption of certain new and revised SSAPs during the current period, the accounting treatment and presentation of certain items and balances in financial statements have been revised to comply with the new requirements. A prior period adjustment has been made and certain comparative amounts have been reclassified to conform with the current period's presentation.

4. Turnover and segment information

(a) Business segments

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

	Six months ended 31 December											
	Film & video distribution		Film exhibition		Film & television drama series production		Others		Eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	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	**36,720**	39,837	**59,003**	81,410	**205**	2,860	**9,464**	13,021	**-**	–	**105,392**	137,128
Inter-segment sales	**321**	654	**-**	–	**355**	2,666	**143**	2,146	**(819)**	(5,466)	**-**	–
Other revenue	**1,672**	2,634	**998**	2,303	**814**	1,545	**186**	230	**(668)**	(826)	**3,002**	5,886
Total	**38,713**	43,125	**60,001**	83,713	**1,374**	7,071	**9,793**	15,397	**(1,487)**	(6,292)	**108,394**	143,014
Segment results	**2,005**	403	**(20,974)**	(10,031)	**(7,175)**	(5,103)	**1,147**	(2,635)	**342**	(662)	**(24,655)**	(18,028)
Interest income and unallocated gains											**2,052**	1,117
Unallocated expenses											**-**	(1,367)
Impairment of film rights	**(3,800)**	–	–	–	–	–	–	–	–	–	**(3,800)**	–
Loss from operating activities											**(26,403)**	(18,278)
Impairment of long term investment											**(1,000)**	–
Finance costs											**(312)**	(25)
Share of profits less losses of associates	**480**	(739)	**5,959**	(4,072)	–	–	–	–	–	–	**6,439**	(4,811)
Loss before tax											**(21,276)**	(23,114)
Tax											**(1,342)**	(1,377)
Net loss from ordinary activities attributable to shareholders											**(22,618)**	(24,491)

(b) Geographical segments

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

	Six months ended 31 December											
	Hong Kong		Elsewhere in PRC		Asia		Others		Eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	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	**85,872**	123,222	**9,147**	3,359	**6,402**	8,118	**3,971**	2,429	**-**	-	**105,392**	137,128
Segment results	**(19,997)**	(17,494)	**(2,996)**	(3,191)	**(1,011)**	1,997	**(651)**	660	**-**	-	**(24,655)**	(18,028)

5. Loss from operating activities

The Group's loss from operating activities is arrived at after charging:

	Six months ended 31 December	
	2002	2001
	HK$'000	*HK$'000*
Cost of inventories sold	**4,031**	3,106
Cost of services provided	**35,655**	57,992
Amortisation of film rights	**10,567**	8,708
Depreciation	**9,126**	9,196

6. Tax

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) 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.

	Six months ended 31 December	
	2002	2001
	HK$'000	*HK$'000*
Group:		
Hong Kong	**–**	–
Elsewhere	**22**	184
Overprovision in the prior period	**–**	(117)
	22	67
Associates:		
Hong Kong	**–**	–
Elsewhere	**–**	20
Deferred	**1,320**	1,290
	1,320	1,310
Tax charge for the period	**1,342**	1,377

7. Loss per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of HK$22,618,000 (2001: HK$24,491,000 (restated)) and the weighted average number of 800,887,500 shares (2001: 800,887,500 shares) in issue during the period.

No disclosure for diluted loss per share for both current and last period is shown as the exercise prices of the Company's outstanding share options was higher than the average market price of the Company's ordinary shares during both current and the last period and thus, the share options have no diluting effect.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 31 December 2002 (2001: NIL).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

The Group reported losses of HK$22.6 million for the period, better than last year by HK$1.9 million. The improvement was mainly attributable to the reduction of operating expenses of HK$9 million and contributions from overseas associates of HK$6.4 million. On the other hand due to poor market conditions in Hong Kong, the exhibition income dropped by HK$12 million.

As stated in last year's annual report, the Group decided to consolidate its activities in the core business of distribution, supported by the exhibition and production divisions. Stringent cost control measurements were also put in place to cope with the poor economic conditions. We also put more resources in film financing activities and successfully obtained an increased supply of external films to support our cinema circuit. This has proven to be the correct strategy as the result was impressive.

Hong Kong market

Due to the lack of blockbusters in both the Chinese language and non-Chinese language films during the last summer holidays, the total box-office dropped from HK$563 million to HK$430 million or 24% in the same period under review. The non-Chinese language films accounted for HK$95 million or 72% of the shortfall. During the period only 4 major Hollywood films (namely: Harry Potter and The Chamber of Secrets, Minority Report, Men In Black II and Stuart Little 2) were released with a total box-office of HK$84.6 million. Whereas last year there were 8 films released including Harry Potter & The Sorcerer's Stone, Jurassic Park 3, Lara Croft: Tomb Raider, Artificial Intelligence etc. which grossed HK$144.4 million at the box-office.

The Group distributed 12 Chinese language and 11 non-Chinese language films as compared to 13 Chinese language and 23 non-Chinese language films last year. As a distributor, the box-office takings of our Chinese language films outperformed our competitors and our market share increased to 48%. Amongst the 7 major Chinese language films with a box-office of over HK$10 million, the Group distributed 3 of them (namely: The Touch, Infernal Affairs and Golden Chicken). However, on the non-Chinese language films side, our performance was disappointing as the market share dropped from 26% to 9%.

The total admission of 1.2 million to the Group's cinemas dropped from 1.5 million or 20% against the same period last year. The box-office and gross profit were down by HK$24 million and HK$16 million respectively. This was partly due to the lack of blockbusters during the summer holidays and partly due to the "50% price-cut" campaign for September and October. As a result of the campaign, there was only a marginal increase in attendance.

Regional markets

Performance of the Group's associates in Singapore's and Malaysia's exhibition business showed continuous improvement. A record high profit of HK$6.4 million was achieved versus a loss of HK$4.8 million from the same period.

In Singapore, the overall box-office increased to S$52 million, up 9% as compared to last year. The success of our marketing campaign helped push our market share to 42.4%. Both box-office and admissions were increased by 15%. While the average ticket price remained at same level, the average spending on concession sales increased by 18%. In November, we opened the first commercial IMAX screen with overwhelming response. The average ticket price of this cinema is 15% higher than the normal rate.

In Malaysia, the overall box-office increased to RM$55.3 million, up 25% as compared to last year. Admissions to our cinemas increased by 1 million or 16%. Malaysia's entertainment tax was reduced from an average of 31% to 25% in October 2001. This benefitted our business in two ways. On one hand, it reduced the gross ticket price paid by the customers which pulled in more audiences. On the other hand, the net ticket price to the cinema operators also increased. Revenue increased and the overheads remained flat for the same period due to tight cost control.

The Group will continue its tight control policy on headcount and operating expenses. There were no unusual or material changes to the Group's operations apart from those discussed above. There was no material acquisitions and disposals of subsidiaries and associates in the course of the interim period.

Prospects

The Group's decision to concentrate on its core business of film distribution supported by its film exhibition and production divisions has proven to be timely and correct. This has enabled the management to focus on what they do best and maintain a lean but strong organization. We will further expand in the film financing business because of its attractive financial returns and the ability to strengthen our market position as the leading film distributor.

Hong Kong will continue to be the headquarters for the Group although we will continue look for opportunities to develop the China market. We will work actively and closely with the Hong Kong and the Mainland Chinese authorities to facilitate the gradual opening of the Pearl River Delta region.

We anticipate that the Hong Kong economic environment remains tough. The film industry will need to go through further consolidation. However, we believe that with our experienced management team, lean organization and strong branding position, we will continue to improve the financial results and increase our market share of existing and new markets.

Liquidity and financial resources

During the period, the Group was principally financed by cash flow generated internally. There are no bank borrowings and charges on the Group's assets. As at 31 December 2002, the net current assets amounted to HK$53.5 million, including cash and deposits totalling HK$37.3 million. The gearing ratio, which was computed by dividing the total liabilities by the total assets, increased from 21% to 24%.

As at 31 December 2002, the Group had a contingent liability of HK$49.4 million (30 June 2002: HK$48.5 million) in respect of a guarantee of banking facilities granted to its associates.

The Group's assets and liabilities are principally denominated in Hong Kong dollars except investments in associates located in Singapore and Malaysia. In view that the Malaysian Ringgit is pegged to the United States dollars and the exchange rate between Singapore dollars and Hong Kong dollars has been relatively stable for the past two years, the directors were of the view that the Group's exposure to currency exchange risk was minimal. There was no hedging of foreign currencies carried out in the Group accordingly.

Employees and remuneration policies

As at 31 December 2002, the Group had 235 (30 June 2002: 244) employees. The Group remunerates its employees largely based on industry practice. Apart from salaries, commissions, mandatory provident fund and discretionary bonuses, options are granted to certain employees based on individual merits.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period for the six months ended 31 December 2002 in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except that the independent non-executive directors of the Company were not appointed for a specific term because they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of these interim results.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

All the information of the unaudited consolidated interim results of the Group for the six months ended 31 December 2002 required by paragraph 46(1) to 46(6) inclusive of Appendix 16 of the Listing Rules on the Stock Exchange will be published on the website of the Stock Exchange in due course.

On behalf of the Board
Chow Ting Hsing, Raymond
Chairman

Hong Kong, 18 March 2003