



Golden Harvest Entertainment (Holdings) Limited  
Interim Report 2004



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<http://www.goldenharvest.com>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Operations

For the period ended 31 December 2004, the Group suffered a HK\$17.5 million loss, as compared to a profit of HK\$0.7 million last year. Our overseas associates enjoyed a robust year but unfortunately, this was more than offset by the poor performance of the Hong Kong market.

We will continue to maintain focus on our core activities and have made several investments that will consolidate our market position in the region. These investments which are discussed below (under “Prospects”), are expected to make positive financial contributions in the longer term.

The Group continues its cost control measures and consolidated two Hong Kong offices into one during the year that will bring further savings to the Group.

### Hong Kong Market

The Hong Kong market had a weak year. Total box office dropped by 4%, while the box office of Chinese language films dropped by 24% due to lack of films. This situation has not only hit our distribution business very hard, but has also severely affected our exhibition and film processing sectors.

During the period under review, the Group distributed 7 Chinese language films and 17 non-Chinese language films, as compared to 12 Chinese language films and 10 non-Chinese language films in the same period the previous year. The Group’s overall market share was at 23% this period. We distributed Chinese language films such as “New Police Story” and “Twins Effect II”, but the overall performance of Chinese language films fell short of expectations. The Group became the distributor of movies produced by DreamWorks Pictures through United International Pictures and recorded an additional box office of HK\$24 million for the period under review. The major non-Chinese language films distributed included “The Terminal”, “Shark Tale” and “Bridget Jones: The Edge of Reason”.

On the exhibition front, the Group is taking advantage of this lull in business to renovate one of our cinemas, GH Mongkok.

## Regional Markets

The Group's associates had a banner year, a result of successful marketing and programming strategies, market growth in the region and tax cuts in Malaysia. Our key associates in Singapore and Malaysia recorded their highest-ever results during the period. Their total contribution to the Group is approximately HK\$13 million, up HK\$3 million from the same period last year.

In Singapore, compared to the same period last year, revenue for the period increased by 9.2% to S\$35 million. The box office of Golden Village Multiplex Pte. Ltd., increased by S\$2.4 million and admissions increased by 12%. The Group's market share decreased by 1.5% to 43% from the same period last year due to our competitors opening more screens, and a shopping mall anchored by one of our sites has been under renovation since June 2004.

In Malaysia, revenue from our associates continued to improve in the first half of the financial year, growing by 10% compared to the same period last year. The Group's market share stands at 84%.

TGV Cinemas Sdn. Bhd. (formerly known as Tanjong Golden Village Sdn. Bhd.) ("TGV") enjoyed a 7% increase in total revenue, in part due to a slate of strong titles from Hollywood, Hong Kong and local productions. To take advantage of this strong growth in the Malaysian market, the Group has increased its stakes in TGV to 50% via an acquisition of interest in Global Entertainment and Management Systems Sdn. Bhd. in March 2005. This is expected to increase net profit for the Group starting from the next period.

Golden Screen Cinemas Sdn. Bhd. ("GSC"), which operates 16 cinemas with 86 screens, saw its box office receipts increase by 11.3% as compared to the same period last year.

In Mainland China, the Group soft-opened our flagship multiplex, Golden Harvest Shenzhen Cinemas, at the MIXC Mall, City Crossing, Shenzhen, on 15 December 2004. The initial weeks have been strong, showing a box office of RMB1.7 million in its first two weeks. Currently, the Group's presence accounts for approximately a 40% market share in Shenzhen.

### **Prospects**

Looking forward, the Group has made a number of strategic investments in order to boost its core businesses and strengths. We intend to strengthen our film financing activities in order to secure an adequate film supply, and acquiring distribution rights for Hong Kong, Singapore, Malaysia, Taiwan and the PRC.

Hong Kong will continue to be the base for the Group's operations, but overseas investments have increased. The Group completed the acquisition of Warner Village chain of cinemas in Taiwan in February 2005 as further explained in the "Liquidity and Financial Resources" section below. It will give the Group a market share of about 40% in that market and is expected to contribute profit to the Group in the years ahead. Additional screens in several sites in Malaysia will be opened over the next two years to maintain our leading position in that market. The Group will also open additional screens in Singapore within the next two years.

### **Liquidity and Financial Resources**

During the period, the Group successfully raised new fundings through a new share placement and bank borrowings. The funds were or will be used to finance a variety of new projects and planned investments. Some of these projects include Golden Harvest Shenzhen Cinemas and increasing our stake in TGV, an associate of the Group.

In August 2004, the Group placed new shares to Typhoon Music (PRC) Limited, an independent third party. Net proceeds of HK\$36.3 million were raised.

In addition, the Group obtained two bank loans during the period and as at 31 December 2004, the bank borrowing balance stood at HK\$22 million. The loans are repayable over a period of less than one year to three years. These loans are secured by a pledge of all assets of a subsidiary and the shares in an associated company. The bank borrowings are in Hong Kong dollars and US dollars with interest rates ranging from 5% to 8% per annum.

In October 2004, the Group entered into an agreement to acquire a 40% interest in a leading Taiwan cinema chain, Warner Village Cinemas Co. Ltd., (the "Acquisition") at the consideration of US\$15.2 million. The obligation to pay the deposit of US\$4.56 million for the Acquisition was secured by a charge under which a wholly-owned subsidiary of the Company charged in favour of the sellers, inter alia, its 50% shareholding in and loans to an associate of the Group. The charge was subsequently fully released and the acquisition was successfully completed in February 2005.

As at 31 December 2004, the Group's cash balances amounted to HK\$32.4 million and the net current liabilities stood at HK\$4.7 million. Gearing ratio, calculated on the basis of external borrowings over shareholders' funds, was 6.7%. The Group had contingent liabilities of HK\$17.9 million at the period end date (30 June 2004: HK\$17.1 million) in respect of a guarantee of a banking facility granted to an associate.

The Group's assets and liabilities are principally denominated in Hong Kong dollars except investments located in Singapore, Malaysia and the PRC. Since the Malaysian Ringgit and Renminbi are pegged/linked 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 are of the view that the Group's exposure to currency exchange risk is minimal. Accordingly, the Group did not carry out any hedging of foreign currencies.

Subsequent to 31 December 2004, to finance the Acquisition, the Group obtained another bank loan facility of US\$8 million. In addition, the Group raised net proceeds of approximately HK\$62 million from a rights issue in January 2005. In March 2005, the Group completed a placement of new shares to Asset Managers (China) Fund Co., Ltd., an independent third party, in the amount of approximately HK\$7.7 million. The funds raised from this placement are used to strengthen the Group's financial position by providing additional general working capital.

### **Employees and Remuneration Policies**

As at 31 December 2004, the Group had 203 (30 June 2004: 186) permanent employees. The Group remunerates its employees largely based on industry practice. Apart from salaries, commissions, mandatory provident fund and discretionary bonuses, share options are granted to certain employees based on individual merit.

**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 2004. The unaudited consolidated results 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	
		2004	2003
	Notes	HK\$'000	HK\$'000
TURNOVER	2	98,343	112,827
Cost of sales		(50,012)	(46,236)
Gross profit		48,331	66,591
Interest income		7	5
Other revenue		8,511	9,222
Selling and distribution costs		(52,809)	(54,140)
General and administrative expenses		(26,989)	(25,374)
Other operating expenses, net		(4,463)	(2,832)
LOSS FROM OPERATING ACTIVITIES	2, 3	(27,412)	(6,528)
Finance costs	4	(374)	(205)
Share of profits and losses of associates		14,530	12,030
PROFIT/(LOSS) BEFORE TAX		(13,256)	5,297
Tax	5	(4,417)	(4,628)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(17,673)	669
Minority interests		170	–
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(17,503)	669
EARNINGS/(LOSS) PER SHARE	6		
Basic		(HK1.7 cents)	HK0.1 cent
Diluted		N/A	N/A

**CONDENSED CONSOLIDATED BALANCE SHEET**

		(Unaudited) As at 31 December 2004 HK\$'000	(Audited) As at 30 June 2004 HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Fixed assets	7	76,942	55,753
Interests in associates		191,889	182,613
Investments in club memberships		4,380	4,380
Rental deposits		11,216	11,869
Trademarks	8	79,495	79,421
		<b>363,922</b>	<b>334,036</b>
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables		43,102	23,387
Inventories		742	556
Film rights and films in progress		22,651	20,184
Accounts receivable	9	20,606	22,471
Cash and bank balances		32,392	22,575
		<b>119,493</b>	<b>89,173</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	10	48,609	52,070
Accrued liabilities and other payables		48,280	30,509
Customer deposits		3,300	2,330
Interest-bearing bank loans, secured	15	11,155	–
Current portion of finance lease payables		500	471
Provision for employee benefits		1,324	1,319
Tax payable		11,012	11,114
		<b>124,180</b>	<b>97,813</b>
<b>NET CURRENT LIABILITIES</b>		<b>(4,687)</b>	<b>(8,640)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>359,235</b>	<b>325,396</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans, secured	15	10,811	–
Non-current portion of finance lease payables		455	709
Provision for long service payments		3,740	3,800
Deferred tax		852	878
		<b>15,858</b>	<b>5,387</b>
<b>MINORITY INTERESTS</b>		<b>2,225</b>	<b>–</b>
		<b>341,152</b>	<b>320,009</b>
<b>CAPITAL AND RESERVES</b>			
Issued share capital	11	103,929	88,429
Reserves		237,223	231,580
		<b>341,152</b>	<b>320,009</b>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 December 2004

	Reserves									Total reserves HK\$'000	Total HK\$'000
	Issued share capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve 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)	
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 profit and loss account	-	-	-	-	-	-	-	2,369	2,369	2,369	
Deferred tax credited to equity	-	-	-	-	-	-	26	-	26	26	
Net loss for the period	-	-	-	-	(17,503)	-	-	-	(17,503)	(17,503)	
At 31 December 2004	103,929	600,416	145	(12,483)	(328,231)	480	7,012	(30,116)	237,223	341,152	

For the six months ended 31 December 2003

	Reserves									Total reserves HK\$'000	Total HK\$'000
	Issued share capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve 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 2003	80,089	565,577	145	(12,483)	(299,065)	480	7,864	(33,729)	228,789	308,878	
Issue of shares	8,340	15,012	-	-	-	-	-	-	15,012	23,352	
Share issue expenses	-	(924)	-	-	-	-	-	-	(924)	(924)	
Exchange adjustments on translation of:											
- overseas subsidiaries	-	-	-	-	-	-	-	(713)	(713)	(713)	
- overseas associates	-	-	-	-	-	-	-	1,650	1,650	1,650	
On disposal of interests in a subsidiary	-	-	-	-	-	-	-	(37)	(37)	(37)	
Net gains and losses not recognised in the profit and loss account	-	-	-	-	-	-	-	900	900	900	
Net profit for the period	-	-	-	-	669	-	-	-	669	669	
At 31 December 2003	88,429	579,665	145	(12,483)	(298,396)	480	7,864	(32,829)	244,446	332,875	

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	
	2004	2003
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	(27,300)	(19,945)
INVESTING ACTIVITIES	(20,935)	3,218
FINANCING ACTIVITIES	57,992	22,217
INCREASE IN CASH AND CASH EQUIVALENTS	9,757	5,490
Cash and cash equivalents at beginning of period	22,575	28,357
Exchange adjustments	60	10
CASH AND CASH EQUIVALENTS AT END OF PERIOD	32,392	33,857
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	32,392	33,857

## 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”) 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of preparation are the same as those used in the annual financial statements for the year ended 30 June 2004.

#### 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 earnings/(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 2004. In the opinion of the directors, there has been no material change in the valuation since 30 June 2004; 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.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 2. SEGMENT INFORMATION

## (a) Business segments

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

	Six months ended 31 December											
	Film and video distribution		Film exhibition		Film and television drama series production		Others		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	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	21,241	30,634	70,959	71,710	-	200	6,143	10,283	-	-	98,343	112,827
Inter-segment sales	1,131	624	-	-	-	-	-	122	(1,131)	(746)	-	-
Other revenue	919	5,035	2,739	646	431	1,041	205	220	(542)	(597)	3,752	6,345
<b>Total</b>	<b>23,291</b>	<b>36,293</b>	<b>73,698</b>	<b>72,356</b>	<b>431</b>	<b>1,241</b>	<b>6,348</b>	<b>10,625</b>	<b>(1,673)</b>	<b>(1,343)</b>	<b>102,095</b>	<b>119,172</b>
Segment results	(10,744)	6,606	(15,474)	(12,670)	(5,000)	(5,104)	(960)	1,758	-	-	(32,178)	(9,410)
Interest income and unallocated gains											4,766	2,882
Loss from operating activities											(27,412)	(6,528)
Finance costs											(374)	(205)
Share of profits and losses of associates	(932)	1,307	15,462	10,723	-	-	-	-	-	-	14,530	12,030
Profit/(loss) before tax											(13,256)	5,297
Tax											(4,417)	(4,628)
Profit/(loss) before minority interests											(17,673)	669
Minority interests											170	-
Net profit/(loss) from ordinary activities attributable to shareholders											(17,503)	669

## (b) Geographical segments

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

	Six months ended 31 December											
	Hong Kong		Mainland China		Elsewhere in Asia		Others		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	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	91,825	100,247	3,202	1,727	3,127	3,047	189	7,806	-	-	98,343	112,827

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(continued)***3. LOSS FROM OPERATING ACTIVITIES**

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of inventories sold	2,725	4,921
Cost of services provided	41,020	31,415
Amortisation of film rights	6,267	9,900
Depreciation	7,664	8,553
Loss on disposal of fixed assets	480	4
Loss on disposal of a subsidiary	-	69

**4. FINANCE COSTS**

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest and finance cost on bank loans		
wholly repayable within five years	243	-
Interest on finance leases	42	51
Interest on accounts payable	89	154
	<b>374</b>	<b>205</b>

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(continued)***5. TAX**

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 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.

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Group:		
Hong Kong	–	177
Elsewhere	4	42
	<b>4</b>	<b>219</b>
Associates:		
Current	<b>1,997</b>	411
Deferred	<b>2,416</b>	3,998
	<b>4,413</b>	<b>4,409</b>
Tax charge for the period	<b>4,417</b>	4,628

**6. EARNINGS/(LOSS) PER SHARE**

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$17,503,000 (2003: net profit of HK\$669,000) and the weighted average number of 1,004,749,456 shares (2003: 870,236,413 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)***7. FIXED ASSETS**

	<b>As at 31 December 2004 HK\$'000</b>	<b>As at 30 June 2004 HK\$'000</b>
Cost or valuation	<b>153,828</b>	129,222
Accumulated depreciation	<b>(76,886)</b>	(73,469)
Net book value	<b>76,942</b>	55,753

**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. The additions during the period represent design fees and professional fees and registration fees incurred on the registration of the trademarks overseas. 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 provision, is as follows:

	<b>As at 31 December 2004 HK\$'000</b>	<b>As at 30 June 2004 HK\$'000</b>
Current to 3 months	<b>18,164</b>	19,929
4 to 6 months	<b>1,709</b>	1,084
7 to 12 months	<b>137</b>	528
Over 1 year	<b>596</b>	930
	<b>20,606</b>	22,471

The accounts receivable of the Group includes trading balances due from Golden Harvest Private Group companies totalling HK\$21,000 (30 June 2004: HK\$20,000). All of the balances with the Golden Harvest Private Group companies are unsecured, repayable in accordance with normal trading terms and interest-free.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(continued)***9. ACCOUNTS RECEIVABLE** *(continued)*

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 amounts due from related companies, GH Pictures (China) Limited and Best Creation International Limited, of approximately HK\$78,000 (30 June 2004: HK\$36,000) and HK\$269,000 (30 June 2004: HK\$269,000), respectively. These balances are unsecured, interest-free and have no fixed repayment terms. Raymond Chow Ting Hsing, Phoon Chiong Kit and David Chan Sik Hong, who are directors of the Company, and Stephen Chu Siu Tsun, who was a director of the Company and resigned on 25 October 2004, are/was also directors and/or beneficial shareholders of certain of these related companies.

**10. ACCOUNTS PAYABLE**

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

	<b>As at 31 December 2004 HK\$'000</b>	<b>As at 30 June 2004 HK\$'000</b>
Current to 3 months	24,080	27,437
4 to 6 months	5,218	534
7 to 12 months	479	920
Over 1 year	18,832	23,179
	<b>48,609</b>	<b>52,070</b>

The accounts payable of the Group includes trading balances due to Golden Harvest Private Group companies of Nil (30 June 2004: HK\$40,000). The amounts are unsecured, interest-free and repayable in accordance with normal trading terms.



**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(continued)***10. ACCOUNTS PAYABLE** *(continued)*

The accounts payable of the Group also included amounts due to GH Pictures (China) Limited, Harvest Crown Limited and Pinetree Production Services, Inc of HK\$15,207,000 (30 June 2004: HK\$20,421,000), HK\$552,000 (30 June 2004: HK\$390,000) and HK\$268,000 (30 June 2004: HK\$187,000) respectively. The amounts are unsecured and have no fixed repayment terms. Except for an amount of HK\$14,821,000 (30 June 2004: HK\$20,065,000) due to GH Pictures (China) Limited which bears interest at Hong Kong dollars short term time deposit rate plus 1% per annum, the other balances are interest-free and have no fixed repayment terms. Raymond Chow Ting Hsing ("Mr. Chow"), Phoon Chiong Kit and David Chan Sik Hong, who are directors of the Company, Stephen Chu Siu Tsun, who was a director of the Company and resigned on 25 October 2004, and a relative of Mr. Chow are/was directors and/or beneficial shareholders of certain of these related companies.

**11. SHARE CAPITAL**

	<b>As at 31 December 2004 HK\$'000</b>	<b>As at 30 June 2004 HK\$'000</b>
Authorised:		
2,000,000,000 (30 June 2004: 2,000,000,000) ordinary shares of HK\$0.10 each	<b>200,000</b>	200,000
Issued and fully paid:		
1,039,287,500 (30 June 2004: 884,287,500) ordinary shares of HK\$0.10 each	<b>103,929</b>	88,429

On 14 July 2004, the Company entered into a subscription agreement (the "Subscription Agreement"). Pursuant to the Subscription Agreement, the Company issued and allotted 155,000,000 ordinary shares at a price of HK\$0.25 per share to Typhoon Music (PRC) Limited, an independent third party, on 11 August 2004. The net proceeds from the allotment of shares, after deduction of related expenses, amounted to HK\$36.3 million. The Company has applied the net proceeds for general working capital purposes, including paying down certain indebtedness of the Group and for the new cinema operation business in Shenzhen.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(continued)***11. SHARE CAPITAL** *(continued)*

Subsequent to the balance sheet date, (i) on 28 January 2005, the Company completed rights issue of 259,821,875 shares on the basis of the one rights share for every four existing shares held by qualifying shareholders ("Right Issue"). The net proceeds from the Right Issue, after deduction of related expenses amounted to approximately HK\$62 million. The Company used the net proceeds from the Right Issue for the purpose of financing in part the acquisition of 40% equity interest in Warner Village Cinemas Co. Ltd. (details of which are set out in the prospectus dated 22 December 2004); and (ii) on 3 March 2005, the Group further placed new shares to an independent third party, Asset Managers (China) Film Co., Ltd., in order to strengthen the Group's financial position by providing additional general working capital. The net proceeds from the share placements, after deduction of related expenses, amounted to approximately HK\$7.7 million.

**12. 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 the Golden Harvest Private Group**

During the period, the Group had transactions to which members of the Golden Harvest Private Group were parties. The transactions are summarised below:

	Note	Six months ended	
		2004	2003
		HK\$'000	HK\$'000
Film distribution commission income	(i)	32	34

- (i) The Group acted as the distributor of the films produced by certain companies within the Golden Harvest Private Group and commission income was charged according to prices and conditions similar to those offered to other customers of the Group.

Raymond Chow Ting Hsing ("Mr. Chow"), a director and a substantial shareholder of the Company during the period, is interested, directly or indirectly, in the above transactions as a director and/or beneficial shareholder of the members of the Golden Harvest Private Group of which the commission income was derived from.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(continued)***12. RELATED PARTY TRANSACTIONS** *(continued)***(a) Transactions with the Golden Harvest Private Group** *(continued)*

The above related party transactions with the members of the Golden Harvest Private Group also constituted continuing connected transactions – de minimis transactions, as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

**(b) Transactions with other related parties**

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

	Notes	Six months ended	
		2004	2003
		HK\$'000	HK\$'000
Film distribution commission income			
from related companies	(i), (ii)	100	364
Rental income from			
a related company	(i), (iii)	122	182
Interest expense to			
a related company	(i), (iv)	89	154
Consultancy fee paid to			
a related company	(i), (v)	249	374
Film royalty income			
from associates	(i), (vi)	268	279
Management fee income			
from associates	(i), (vii)	192	883
Film sourcing service fee paid to			
an associate	(i), (viii)	66	66
Accounting service fee paid to			
an associate	(i), (ix)	43	42
Film distribution commission			
income from an associate	(i), (x)	50	331
Screen rental paid to an associate	(i), (xi)	20	20
Theatre rental fee paid to			
an associate	(i), (xii)	64	82
Ticketing system maintenance/ development costs paid to			
an associate	(i), (xiii)	111	429
Corporate guarantees given in respect of banking facilities granted to associates	(i), (xiv)	17,850	47,745

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

### 12. RELATED PARTY TRANSACTIONS (continued)

#### (b) Transactions with other related parties (continued)

Notes:

- (i) Mr. Chow, Phoon Chiong Kit (“Mr. Phoon”) and David Chan Sik Hong (“Mr. Chan”), who are directors of the Company and Stephen Chu Siu Tsun (“Mr. Chu”), who was a director of the Company and resigned on 25 October 2004, are/was interested, directly or indirectly, in the above transactions as directors and/or beneficial shareholders of certain of these companies.
- (ii) The Group acted as the distributor of the films produced by the related companies and the film distribution commission income was charged according to the terms of the distribution agreement dated 21 April 1997 and 2 August 1999 or charged according to prices and conditions similar to those offered to other customers of the Group.
- (iii) The rental income was charged at a rate of approximately HK\$30,000 from July to October 2004 (2003: approximately HK\$30,000 for July to December 2003) per month for sub-letting a portion of the Group’s office premises to an associate of the Golden Harvest Private Group.
- (iv) 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.
- (v) 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. Last period’s fee paid was charged according to the terms of the agreement dated 1 October 2001.
- (vi) The royalty income was charged according to the terms of the respective distribution agreements.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

### 12. RELATED PARTY TRANSACTIONS (continued)

#### (b) Transactions with other related parties (continued)

Notes: (continued)

- (vii) The management fee income represented the following:
  - an amount of HK\$192,000 (2003: HK\$144,000) related to accounting services provided to two associates of the Group and were charged at a rate of HK\$10,000 (2003: HK\$10,000) and HK\$22,000 (2003: HK\$14,000) per month, respectively; and
  - nil amount of consultancy services was charged to two associates of the Group for the period ended 31 December 2004. For the period ended 31 December 2003, an amount of HK\$739,000 were charged at rates of HK\$120,000 per month and RMB5,000 per month from July to October 2003, respectively.
- (viii) The film sourcing service fee was charged at a rate of HK\$11,000 (2003: HK\$11,000) per month.
- (ix) The accounting service fee was charged at a rate of S\$1,500 (2003: S\$1,500) per month.
- (x) The Group acted as the distributor of a film produced by an associate and the film distribution commission income was charged according to the terms of the distribution agreement dated 6 January 2003.
- (xi) The screen rental paid was charged according to prices and conditions similar to those offered to other customers of the associate.
- (xii) The theatre rental fee was charged according to prices and conditions similar to those offered to other customers of the associate.
- (xiii) The ticketing system maintenance/development costs was charged according to prices and conditions which were determined between the Group and that associate.
- (xiv) The corporate guarantee was given by the Group in respect of a banking facility granted to an associate at nil consideration.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(continued)***12. RELATED PARTY TRANSACTIONS** *(continued)***(b) Transactions with other related parties** *(continued)*

Certain transactions amounting to HK\$267,000 (2003: HK\$379,000) included in notes (ii) and (v) above with two related companies (2003: 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 Listing Rules.

**13. CONTINGENT LIABILITIES**

Contingent liabilities at the balance sheet date were as follows:

	<b>As at</b>	As at
	<b>31 December</b>	30 June
	<b>2004</b>	2004
	<b>HK\$'000</b>	HK\$'000
Guarantee of a banking facility granted to an associate	<b>17,850</b>	17,100

In addition to above, an associate of the Group had executed guarantees to a banker in favour of certain third parties of approximately HK\$11,986,369 (30 June 2004: HK\$11,589,000) as at the balance sheet date.

**14. COMMITMENTS**

	<b>As at</b>	As at
	<b>31 December</b>	30 June
	<b>2004</b>	2004
	<b>HK\$'000</b>	HK\$'000
Commitment in respect of the acquisition of interests in an associate	<b>118,560</b>	–

**15. BANKING FACILITIES**

Certain of the Group's borrowings at 31 December 2004 were secured by assets of a wholly-owned subsidiary with a book value of approximately HK\$19,934,000 and by shares of an associate with a net asset value of approximately HK\$9,327,000.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(continued)*

### 16. EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

Apart from those disclosed in note 11 to the financial statement, the Group has the following material events subsequent to the end of the interim period.

- (i) On 24 February 2005, the Group completed the acquisition of 40% interest in Warner Village Taiwan at a consideration of US\$15.2 million (approximately HK\$118.56 million) pursuant to the agreement dated 18 October 2004. The acquisition was funded by a medium term bank loan of US\$8 million (approximately HK\$62.4 million) and net proceeds from the Right Issue of 259,821,875 shares amounted to approximately HK\$62 million. The obligation to pay the deposit of US\$4.56 million (approximately HK\$35.57 million) for the acquisition was secured by a charge under which a wholly-owned subsidiary of the Company has charged in favour of the sellers, inter alia, its 50% shareholding in and loans to Dartina Development Limited, an associate of the Group (details of which are contained in the circular dated 23 December 2004). The said deposit was paid subsequent to the balance sheet date and the charge was fully released on 17 February 2005.
  
- (ii) On 3 March 2005, the Group entered into agreements with PPB Group Bhd. and Tanjong Entertainment Sdn. Bhd., independent third parties of the Company, to acquire approximately 66.66% shareholding in Global Entertainment and Management Systems Sdn. Bhd. (the "GEMS Acquisition") at a consideration of approximately RM4.3 million (approximately HK\$8.8 million) each. The consideration will be funded by the Group's existing banking facilities. Upon completion of the GEMS Acquisition, the Group's aggregate shareholding interests in TGV Cinemas Sdn. Bhd. will increase to 50% (further details are set out in an announcement of the Company dated 7 March 2005).

**INTERIM DIVIDEND**

The Board of Directors does not recommend the payment of any interim dividend for the six months ended 31 December 2004 (2003: nil).

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

As at 31 December 2004, the interests and short positions of the directors and chief executives of the Company in the 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) Shares of the Company**

Name of Director	Capacity	Notes	Number of shares		Percentage of shareholding in the Company
			(L) = Long Position	(S) = Short Position	
Raymond Chow Ting Hsing	Interest of controlled corporations	1	313,171,527 (L)		24.11
				215,000,000 (S)	
Phoon Chiong Kit	Beneficial owner	2	37,100,000 (L)		2.86
David Chan Sik Hong	Beneficial owner	3	12,324,218 (L)		0.95
Lau Pak Keung (Alternate director to Phoon Chiong Kit)	Beneficial owner	-	1,600,000 (L)		0.12



Notes:

1. Raymond Chow Ting Hsing was deemed to be interested in 313,171,527 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 129,960,937 shares of the Company, respectively.
2. Out of 37,100,000 shares in which Phoon Chiong Kit was deemed to be interested, 29,600,000 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 12,324,218 shares in which David Chan Sik Hong was deemed to be interested, 5,000,000 shares were the shares issuable upon the exercise of share options granted by the Company to Mr. Chan under the share option scheme.

**(ii) Shares of associated corporations**

Raymond Chow Ting Hsing is also the beneficial owner of the entire issued share capital of Golden Harvest Film Enterprises Inc., which beneficially holds 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, certain directors have non-beneficial equity interests in certain subsidiaries held for the benefit of the Group solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above and save for the disclosure of referred to under "Share Options", as at 31 December 2004, none of the directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS**

So far as is known to the directors of the Company, as at 31 December 2004, the following persons or entities who had the following interests and short positions in the 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		Percentage of shareholding in the Company
			(L) = Long position	(S) = Short position	
Raymond Chow Ting Hsing	Interest of controlled corporations	1	313,171,527 (L)		24.11
				215,000,000 (S)	16.55
Felicia Chow Yuan Hsi Hua	Spouse's interest	1	313,171,527 (L)		24.11
				215,000,000 (S)	16.55
Planet Gold Associates Limited	Beneficial owner	1	183,210,590 (L)		14.10
				145,000,000 (S)	11.16
Net City Limited	Beneficial owner	1	129,960,937 (L)		10.00
				70,000,000(S)	5.39
FB Gemini Capital Limited	Other	2	264,846,875 (L)		20.00
Li Ka-shing	Interest of controlled corporations	3	178,054,000 (L)		17.13
Mayspin Management Limited	Interest of controlled corporations	3	178,054,000 (L)		17.13
Garex Resources Limited	Beneficial owner	3	150,414,000 (L)		14.47
Typhoon Music (PRC) Limited	Beneficial owner	4	155,000,000 (L)		11.93
EMI Group Plc	Interest of controlled corporations	4	155,000,000 (L)		11.93
Virgin Music Group Limited	Interest of controlled corporations	4	155,000,000 (L)		11.93

Name of shareholder	Capacity	Notes	Number of shares (L) = Long position (S) = Short position	Percentage of shareholding in the Company
EMI Group Worldwide Limited	Interest of controlled corporation	4	155,000,000 (L)	11.93
Norman Cheng Tung Hon	Interest of controlled corporations	4	155,000,000 (L)	11.93
Typhoon Records Limited	Interest of controlled corporation	4	155,000,000 (L)	11.93
Lily Feng Yuen Cheung	Spouse's interest	4	155,000,000 (L)	11.93
PAMA Group Inc.	Beneficial owner	–	123,284,027 (L)	11.86
Jackie Chan Kong Sang	Beneficial owner, founder of a discretionary trust and interest of controlled corporation	5	65,600,000 (L)	6.31
Everlasting Property Limited	Beneficial owner	5	55,600,000 (L)	5.35
CDIB & Partners Investment Holding Corporation	Interest of controlled corporation	6	54,696,000 (L)	5.26
CDIB & Partners Investment Holding (Cayman) Ltd.	Beneficial owner	6	54,696,000 (L)	5.26

## Notes:

1. Raymond Chow Ting Hsing was deemed to be interested in 313,171,527 shares of the Company by virtue of his 100% beneficial holding in Planet Gold Associates Limited and Net City Limited which holds 183,210,590 shares and 129,960,937 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 Mr. Raymond Chow Ting Hsing was interested.

2. FB Gemini Capital Limited was deemed to be interested in 264,846,875 shares of the Company by virtue of its agreement to acquire an interest in all the rights shares in the event that no shareholders took up his/her/its entitlement under the Rights Issue. Its percentage of shareholding in the Company was calculated by expressing the number of 264,846,875 right shares as a percentage of the number of shares in issue as enlarged by rights shares proposed to be issued and the outstanding share options entitling the holders thereof to subscribe for shares of the Company.
3. Li Ka-shing was deemed to be interested in 178,054,000 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 150,414,000 shares of the Company, Podar Investment Limited, which held 25,000,000 shares of the Company, and Oscar Resources Limited, which held 2,640,000 shares of the Company.
4. EMI Group Plc has 100% control of Virgin Music Group Limited, which has 100% control of EMI Group Worldwide Limited, which in turn has a 50% shareholding in Typhoon Music (PRC) Limited, Norman Cheng Tung Hon has 100% control of Typhoon Records Limited, which has 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 the 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. The relevant percentage of shareholding in the Company was calculated by expressing 155,000,000 shares as a percentage of the number of shares in issue as enlarged by the rights shares proposed to be issued.
5. Jackie Chan Kong Sang was deemed to be interested in 65,600,000 shares of the Company of which 5,000,000 shares were beneficially owned; 5,000,000 shares were held by a discretionary trust of which he was a founder; and 55,600,000 shares were beneficially owned through Everlasting Property Limited, a company 100% controlled by him.
6. CDIB & Partners Investment Holding Corporation was deemed to be interested in 54,696,000 shares of the Company by virtue of its 100% shareholding in CDIB & Partners Investment Holding (Cayman) Ltd., which held these shares.

Save as disclosed above, no other person had an interest and a short position in the 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.

## SHARE OPTIONS

During the six months ended 31 December 2004, the Company had the following outstanding share options granted to directors and employees of the Company:

Name or category of participant	Date of grant of share options	Exercise price HK\$	Exercise period	Outstanding options at 1 July 2004	Number of share options					Outstanding options at 31 December 2004
					Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period		
<b>Director</b>										
Phoon Chiong Kit	25/07/2000	0.78	25/07/2000 to 24/07/2010	4,600,000 Note (a)	-	-	-	-	-	4,600,000
	31/10/2001	0.62	31/10/2001 to 30/10/2011	10,000,000 Note (b)	-	-	-	-	-	10,000,000
	09/12/2004	Note (d)	10/01/2005 to 30/10/2011	-	15,000,000 Note (c)	-	-	-	-	15,000,000
David Chan Sik Hong	31/10/2001	0.62	31/10/2001 to 30/10/2011	5,000,000 Note (b)	-	-	-	-	-	5,000,000
Stephen Chu Siu Tsun	31/10/2001	0.62	31/10/2001 to 30/10/2011	8,000,000 Note (b)	-	-	(8,000,000) Note (g)	-	-	-
<b>Other employees</b>										
In aggregate	31/10/2001	0.62	31/10/2001 to 30/10/2011	500,000 Note (b)	-	-	-	-	-	500,000
				28,100,000	15,000,000	-	(8,000,000)	-	-	35,100,000

## 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 31 October 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 33.33% of the share options granted are exercisable during the period from 10 January 2005 to 30 October 2011, 10 January 2006 to 30 October 2011 and 10 January 2007 to 30 October 2011.
- (d) The exercise prices of the share options granted which are exercisable during the period 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\$0.26, HK\$0.32 and HK\$0.38, respectively.
- (e) Consideration paid for each grant of option was HK\$1.00.
- (f) The closing price of the securities immediately before the date on which the share options granted to Phoon Chiong Kit on 9 December 2004 was HK\$0.265.
- (g) Stephen Chu Siu Tsun resigned as director of the Company on 25 October 2004 and ceased to be an employee with effect from 1 November 2004. As such, the 8,000,000 outstanding share options granted to him lapsed pursuant to the provisions of the share option scheme.

The financial impact of the share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no change is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or lapsed prior to their exercise date are deleted from the register of outstanding options.

The Board of Directors (the “Board”) considers that it is not appropriate to state the theoretical value of the share options granted during the period under the Company’s share option scheme. The Board believes that any calculation of the value of share options may not be meaningful as the exercise price is subject to adjustment in the case of rights or bonus issues or other similar changes in the Company’s issued share capital, and as the volume of trading in the Company’s shares has been relatively low and the Company has not paid dividends on its shares in the recent years.

Apart from the above, at no time during the six months ended 31 December 2004 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.

#### **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 2004.

#### **DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES**

The Group has made available to Dartina Development Limited (“Dartina”) and Dartina’s indirect wholly owned subsidiary, namely Golden Village Pictures Pte. Ltd., all of which are associated companies of the Company, two advances which stood at the aggregate amount of HK\$91,135,000 as at 31 December 2004. The balance of the said advances (which are interest-free, unsecured and have no fixed repayment terms and are not expected to be repaid within the next twelve months) as at 31 December 2004 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\$17,850,000.

The Group has also made available to Global Entertainment and Management Systems Sdn. Bhd. and its associated company, namely, TGV Cinemas Sdn. Bhd. (formerly known as Tanjong Golden Village Sdn. Bhd.), both of which are associated companies of the Company, two advances which stood at the aggregate amount of HK\$22,300,000 as at 31 December, 2004. The balance of the said advances (which are interest-free, unsecured and have no fixed repayment terms and are not expected to be repaid within the next twelve months) as at 31 December 2004 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

During the six months ended 31 December 2004, the Group made advances and provided a guarantee for a facility granted to certain affiliated companies (including those associated companies referred to in the immediately preceding paragraph) in an aggregate of amount approximately HK\$140,145,000 which represented more than 8% of the relevant percentage ratios (as defined in the Listing Rules). A pro forma combined balance sheet of these affiliated companies with the Group's attributable interests in these affiliated companies as at 31 December 2004 are as follows:

<b>Pro forma combined balance sheet</b>	
HK\$'000	
Non-current assets	385,960
Current assets	147,864
Current liabilities	(110,044)
Non-current liabilities	(335,542)
	<hr/>
	88,238
	<hr/>
Group's attributable interests	35,963
	<hr/>



## **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 during the period under review. The Company has made specific enquiries with all the directors and all of them have confirmed that they have complied with the required standard set out in the Company's code for the six months ended 31 December 2004.

## **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the period under review, 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 meetings of the Company in accordance with the provisions of the Company's bye-laws.

## **AUDIT COMMITTEE**

The Company established an Audit Committee (the "Audit Committee") on 9 October 1998 in accordance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules. The work of the Audit Committee covered the six months ended 31 December 2004. The members of the Audit Committee at the date of this report were Mr. Paul Ma Kah Woh, Prince Chatrichalerm Yukol, and Mr. Frank Lin.

On behalf of the Board

**Raymond Chow Ting Hsing**

*Chairman*

Hong Kong, 18 March 2005