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嘉禾



GOLDEN HARVEST
ENTERTAINMENT (HOLDINGS) LIMITED

Golden Harvest (Stock Code: 1132)

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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

(also alternate to PHOON Chiong Kit)

Non-executive Director

Eric Norman KRONFELD

Independent Non-executive Directors

Paul MA Kah Woh

Frank LIN

George HUANG Shao-Hua

Prince Chatrichalem YUKOL

COMPANY SECRETARY

LEE So Ching

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

PRINCIPAL PLACE OF BUSINESS

16th Floor

The Peninsula Office Tower

18 Middle Road

Tsimshatsui

Kowloon

Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

AUDITORS

Ernst & Young

Certified Public Accountants

18th Floor

Two International Finance Centre

8 Finance Street

Central

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda)
Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08

Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Tengis Limited

26th Floor

Tesbury Centre

28 Queen's Road East

Hong Kong

WEBSITE

<http://www.goldenharvest.com>

[http://www.irasia.com/listco/hk/
goldenharvest/index.htm/](http://www.irasia.com/listco/hk/goldenharvest/index.htm/)

STOCK CODE

1132

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The Group reported a profit of HK\$12 million for the period under review, as compared to a profit of HK\$5 million last year. This was primarily due to the improvement in results in Hong Kong and Taiwan, offset by reduction of contribution from Singapore. Turnover for the period increased by 9% to HK\$290 million and gross profits increased by 12% to HK\$160 million. Net finance costs increased by HK\$3 million for the period due to the issuance of convertible notes in 2006. The tax credit of HK\$1.6 million for the period is as a result of the recognition of a deferred tax asset of approximately HK\$4 million (our share) in our jointly-controlled entity Vie Show Cinemas Co. Ltd. ("VSC").

In Exhibition, our Taiwan and Shenzhen cinema businesses continue to contribute strongly to the Group's profits. In Distribution, the Group strengthened its film licensing activities and this was reflected in the success of Panasia licensed movies, *Death Note I & II* in both Hong Kong and Taiwan. In December 2006, our Chinese language film library was enlarged to approximately 140 titles by the acquisition of 39 additional titles; this will further strengthen our film distribution business.

The Group has divested one of its two cinema circuits in Malaysia and the transaction was completed in February 2007. A gain of approximately HK\$120 million will be recognised in the 2nd half of this financial year.

Film Distribution

The Hong Kong market softened in the 2nd half of 2006 and total box office fell by 4% to HK\$483 million. The market continues to face the problem of an insufficient supply of quality Chinese language films. The line-up of Hollywood blockbusters for Christmas 2006 was also relatively weak this year. As a distributor for both Chinese and non-Chinese language films, the Group held a 19% market share in terms of box office receipts.

Chinese language films

The Group distributed 6 Chinese language films for the period, including Jackie Chan's "Rob-B-Hood", as compared to 7 films over the same period last year. The total box office of Chinese language films distributed by the Group was lower by HK\$7 million at HK\$53 million and our market share was slightly reduced to 31%.

The Group will continue to reap benefits from its library of 140 Chinese film titles.

Non-Chinese language films

For non-Chinese language films, the Group stepped up its direct film licensing business during the period after the expiry of its distribution contract with United International Pictures. The success of *Death Note I and II* in both Hong Kong and Taiwan, as well as the good showing of *Octopus* in mainland China vindicates our strategic move to expand the film financing and licensing business in Hong Kong, China and Taiwan. The contribution from distribution of non-Chinese language films was almost double that of last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Film Exhibition

As at 31 December 2006, the Group had 48 cinemas with 350 screens operating across the Asian region. In order to redeploy our capital resources to markets which have better returns, such as mainland China, the Group divested one of its two cinema circuits in Malaysia and the transaction was completed in February 2007. After the disposal, the Group now operates 30 cinemas with 242 screens and remains a leading cinema operator in Asia.

In Hong Kong, the overall performance of our cinemas has improved after the closure of the New York cinema in March 2006. Box office income for the remaining cinemas increased by 4% to HK\$61 million in spite of the total market box office declining by 4%.

The mainland China, market continues to grow strongly with a number of cinemas opened in 2006. The Group's 7-screen cinema located at MIXC Mall, City Crossing held approximately 44% of the Shenzhen box office and grossed RMB25 million in theatre takings, an increase of 24% over the same period last year. Our cinema has consistently maintained a top position nation-wide in terms of box office takings. During the period, the Group also soft-launched its digital screen advertising business in our Shenzhen cinema; this will be extended to other cinemas in Shenzhen in 2007.

In Taiwan, total box office was down by 5% from the corresponding period last year. However, theatre takings of VSC improved by 2% and market share increased to 32%, largely contributed by the 17-screen multiplex cinema at Hsinyi in Taipei. Since the Group took over management of the cinema operations in 2005, VSC has turned around and has been profitable for 2 consecutive years.

In Singapore, the market is mature and competition is keen. The opening of new cinemas in 2006 had little impact on the total market box office which remained flat at S\$60 million. Theatre takings of our joint venture, Golden Village Multiplex Pte Ltd ("GVM") for the period increased by 3% to S\$27 million. With the opening of our new flagship cinema GV VivoCity at HarbourFront in October 2006, GVM's market share increased to nearly 50%. The initial performance of this state-of-the-art 15-screens megaplex has been impressive and it is expected to continue to perform well. Last year the Group commenced proceedings in Hong Kong to wind up Dartina Development Limited, the holding company of the Singapore joint venture with Village Roadshow ("VR"). The petition came about because of a dispute between the Group and its Australian partner, VR, regarding the performance of the operational management of GVM. The legal proceedings are still continuing.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Film Exhibition *(continued)*

In Malaysia, the market box office increased by 11% to RM108 million from last year due to the opening of new cinemas. The Group, through its two joint ventures, operated 2 cinema circuits in Malaysia, namely Golden Screen Cinemas Sdn. Bhd. ("GSC") and TGV Cinemas Sdn. Bhd. ("TGV"). The contributions from GSC and TGV to the Group for the period amounted to HK\$5 million and HK\$3 million respectively. As announced in November 2006, the Group divested its interest in GSC at a consideration of RM91 million and the transaction was completed in February 2007. A gain of approximately HK\$120 million will be recognised in the 2nd half of this financial year. After the disposal, the Group's remaining cinema circuit TGV consists of 8 multiplexes and 63 screens with a market share of approximately 30% in terms of box office takings.

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 develop the film exhibition and film distribution businesses in the Greater China market, in particular with Pan-Asian non-Chinese language films.

Given the gradual liberalization of the film distribution and exhibition markets in mainland China and the increase in investment opportunities, we believe that it is an opportune time for the Group to redeploy its resources to the Greater China market. The Group will strengthen its presence in the PRC by opening more cinemas in Shenzhen and other principal cities in mainland China in the years ahead.

Liquidity and Financial Resources

As at 31 December 2006, the Group's cash balance was HK\$91 million and the net current assets amounted to HK\$63 million. During the period, the Group issued 4% convertible notes to three substantial shareholders of the Company and an independent third party raising net proceeds of HK\$99 million. The Company also obtained a short-term banking facility of HK\$15 million which was fully repaid during the period. In addition, one of the Group's joint ventures in Malaysia, TGV, increased its bank borrowing by HK\$9.2 million (the Group's 50% share was HK\$4.6 million) to finance the development of new cinema sites. Our gearing ratio, calculated on the basis of external borrowings (including the convertible notes) over total assets, was 23%. The Group had contingent liabilities of HK\$19 million at the period-end date (30 June 2006: HK\$18 million) in respect of a guarantee of a banking facility granted to an associate.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity and Financial Resources *(continued)*

As at 31 December 2006, the aggregate amount of the Group's borrowings was HK\$201 million. The Group's assets and liabilities are principally denominated in Hong Kong dollars except for certain assets and liabilities associated with the investments in Singapore, Malaysia, Taiwan and mainland China. Management regularly assesses the exchange risk exposures in these territories from time to time. Since the exchange rates of these currencies have been either relatively stable or favorable to the Group for the past two years, no hedging of foreign currencies was carried out during the period. The directors will continue to assess the exchange risks and exposures, and will consider possible hedging measures in order to minimise the risk at reasonable cost.

The Group received proceeds of approximately HK\$203 million when the disposal of GSC was completed in February 2007. The Group intends to apply the net proceeds for investments in new businesses, expansion of existing businesses and general working capital.

Employees and Remuneration Policies

As at 31 December 2006, the Group had 250 (as at June 2006: 226) permanent employees. The Group remunerates its employees largely based on industry practice. In addition to salaries, commissions and discretionary bonuses, share options have been or will be 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 2006. 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

	Notes	(Unaudited) Six months ended 31 December	
		2006 HK\$'000	2005 HK\$'000
REVENUE	2	289,978	265,200
Cost of sales		(129,771)	(122,279)
Gross profit		160,207	142,921
Interest income		2,425	384
Other income and gains		22,952	18,169
Selling and distribution costs		(141,640)	(133,303)
General and administrative expenses		(29,580)	(26,687)
Other operating expenses, net		(4,172)	(6,277)
Finance costs	4	(8,451)	(3,538)
Share of profits and losses of associates		3,405	13,577
Share of profit of an associate classified as held for sale	9	5,467	–
PROFIT BEFORE TAX	2, 3	10,613	5,246
Tax	5	1,592	(183)
PROFIT FOR THE PERIOD		12,205	5,063
Attributable to equity holders of the Company		12,205	5,063
EARNINGS PER SHARE	6		
Basic		HK0.92 cent	HK0.38 cent
Diluted		HK0.88 cent	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 31 December 2006 HK\$'000	(Audited) As at 30 June 2006 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		248,067	246,799
Interests in associates		158,196	195,902
Due from jointly-controlled entities		46,880	42,775
Prepaid land lease payments		732	741
Prepaid rental		10,475	11,502
Club memberships		3,590	3,590
Rental and other deposits		54,366	53,130
Trademarks	7	79,421	79,421
Deferred tax assets		3,617	–
Pledged bank deposits		1,917	1,870
Total non-current assets		607,261	635,730
CURRENT ASSETS			
Inventories		866	726
Film rights		36,132	16,279
Accounts receivable	8	26,945	12,005
Prepayments, deposits and other receivables		46,524	35,441
Due from a jointly-controlled entity		6,000	14,400
Pledged bank balances		2,179	1,972
Cash and bank balances		88,737	54,369
An associate classified as held for sale	9	207,383 54,722	135,192 –
Total current assets		262,105	135,192
CURRENT LIABILITIES			
Accounts payable	10	64,358	62,028
Accrued liabilities and other payables		79,118	83,368
Due to associates		1,167	1,113
Customer deposits		4,744	3,492
Interest-bearing bank loans	11	31,970	37,201
Current portion of finance lease payables		339	328
Loans from joint venture partners		6,000	14,400
Provision for employee benefits		1,972	1,943
Tax payable		9,917	9,924
Total current liabilities		199,585	213,797
NET CURRENT ASSETS/(LIABILITIES)		62,520	(78,605)
TOTAL ASSETS LESS CURRENT LIABILITIES		669,781	557,125

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

		(Unaudited) As at 31 December 2006 HK\$'000	(Audited) As at 30 June 2006 HK\$'000
NON-CURRENT LIABILITIES			
Convertible notes	12	119,145	19,618
Interest-bearing bank loans	11	48,634	57,087
Non-current portion of finance lease payables		979	1,152
Loans from joint venture partners		47,127	42,742
Deposits received		4,179	4,284
Provision for long service payments		4,378	4,102
Deferred tax liabilities		6,689	7,274
Total non-current liabilities		<u>231,131</u>	<u>136,259</u>
Net assets		<u>438,650</u>	<u>420,866</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	13	132,699	133,031
Equity component of convertible notes	12	880	95
Reserves		305,071	287,740
Total equity		<u>438,650</u>	<u>420,866</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 31 December 2006

	Attributable to equity holders of the Company											Total reserves HK\$'000	Total HK\$'000
	Issued share capital HK\$'000	Equity component of convertible notes HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Revaluation reserve HK\$'000	Reserve funds HK\$'000 *	Surplus reserve HK\$'000 **	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total reserves HK\$'000		
At 1 July 2006	133,031	95	639,881	544	145	3,943	495	480	(27,460)	(330,288)	287,740	420,866	
Share repurchased	(332)	-	(622)	-	332	-	-	-	-	-	(290)	(622)	
Issue of convertible notes	-	785	-	-	-	-	-	-	-	-	-	785	
Exchange adjustments on translation of:													
- overseas subsidiaries	-	-	-	-	-	-	-	-	(1,285)	-	(1,285)	(1,285)	
- overseas jointly- controlled entities	-	-	-	-	-	-	-	-	614	-	614	614	
- overseas associates	-	-	-	-	-	-	-	-	5,857	-	5,857	5,857	
Deferred tax credited to equity	-	-	-	-	-	16	-	-	-	-	16	16	
Total income and expenses recognised directly in equity	-	-	-	-	-	16	-	-	5,186	-	5,202	5,202	
Profit for the period	-	-	-	-	-	-	-	-	-	12,205	12,205	12,205	
Total income and expenses for the period	-	-	-	-	-	16	-	-	5,186	12,205	17,407	17,407	
Transfer to reserves Equity-settled share option arrangement	-	-	-	214	-	-	463	-	-	(463)	-	-	
At 31 December 2006	132,699	880	639,259	758	477	3,959	958	480	(22,274)	(318,546)	305,071	438,650	

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

For the six months ended 31 December 2005

	Issued share capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Attributable to equity holders of the Company			Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total reserves HK\$'000	Total HK\$'000
				Capital redemption reserve HK\$'000	Revaluation reserve HK\$'000	Surplus reserve HK\$'000 **				
At 1 July 2005	133,031	639,881	150	145	7,039	480	(33,459)	(336,299)	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
Deferred tax credited to equity	-	-	-	-	26	-	-	-	26	26
Total income and expenses recognised directly in equity	-	-	-	-	26	-	(2,375)	-	(2,349)	(2,349)
Profit for the period	-	-	-	-	-	-	-	5,063	5,063	5,063
At 31 December 2005	<u>133,031</u>	<u>639,881</u>	<u>150</u>	<u>145</u>	<u>7,065</u>	<u>480</u>	<u>(35,834)</u>	<u>(331,236)</u>	<u>280,651</u>	<u>413,682</u>

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

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	Six months ended	
	31 December	
	2006	2005
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	(7,842)	24,813
INVESTING ACTIVITIES	(41,972)	(37,966)
FINANCING ACTIVITIES	83,854	2,328
	<u>34,040</u>	<u>(10,825)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	54,369	65,632
Exchange adjustments	328	(1,452)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>88,737</u>	<u>53,355</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Short-term bank deposits	37,555	11,652
Cash and bank balances	51,182	43,696
Bank overdrafts	-	(1,993)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>88,737</u>	<u>53,355</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the audited financial statements for the year ended 30 June 2006, 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 effective for the accounting period beginning on 1 July 2006:

HKAS 21 Amendment	The Effects of Changes in Foreign Exchange Rates
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendment	Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives

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

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

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

HKAS 1 Amendment shall be applied for accounting period beginning on 1 July 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for accounting period beginning on 1 July 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

HK(IFRIC) – Int 10 shall be applied for accounting period beginning on 1 July 2007.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs will not have any significant impact on the Group's results of operations and financial position in the period of initial application.

2. REVENUE AND SEGMENT INFORMATION

(a) Business segments

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

	(Unaudited)									
	Six months ended 31 December									
	Film and video distribution		Film exhibition		Others		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	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	39,455	23,051	240,659	231,465	9,864	10,684	–	–	289,978	265,200
Inter-segment sales	3,973	864	–	–	894	234	(4,867)	(1,098)	–	–
Other revenue	532	1,493	16,756	15,815	186	798	(445)	(315)	17,029	17,791
Total	43,960	25,408	257,415	247,280	10,944	11,716	(5,312)	(1,413)	307,007	282,991
Segment results	6,487	(1,685)	(6,377)	(3,083)	1,734	(787)	–	–	1,844	(5,555)
Interest income and unallocated gains									8,348	762
Finance costs									(8,451)	(3,538)
Share of profits and losses of associates	1,347	1,102	2,058	12,475	–	–	–	–	3,405	13,577
Share of profit of an associate classified as held for sale	479	–	4,988	–	–	–	–	–	5,467	–
Profit before tax									10,613	5,246
Tax									1,592	(183)
Profit for the period									12,205	5,063

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. REVENUE AND SEGMENT INFORMATION (continued)

(b) Geographical segments

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

		(Unaudited)													
		Six months ended 31 December													
		Hong Kong		Mainland China		Taiwan		Malaysia		Elsewhere in Asia		Others		Consolidated	
		2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
		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															
		100,498	97,021	29,158	21,906	114,243	102,381	43,486	42,674	2,364	361	229	857	289,978	265,200

3. PROFIT BEFORE TAX

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

		(Unaudited)	
		Six months ended	
		31 December	
		2006	2005
		HK\$'000	HK\$'000
Cost of inventories sold		12,362	12,046
Cost of services provided		111,958	106,138
Amortisation of film rights		5,451	4,095
Depreciation and amortisation of prepaid land lease payments		20,568	20,744
Loss on disposal of items of property, plant and equipment		141	918

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. FINANCE COSTS

	(Unaudited) Six months ended 31 December	
	2006	2005
	HK\$'000	HK\$'000
Interest and finance cost on bank loans wholly repayable within five years	3,963	3,365
Interest on convertible notes	3,104	–
Interest on loans from joint venture partners	1,181	–
Interest on finance leases	58	28
Interest on accounts payable	145	145
	<u>8,451</u>	<u>3,538</u>

5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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	
	2006	2005
	HK\$'000	HK\$'000
Group:		
Hong Kong	–	–
Elsewhere	748	(1,756)
	<u>748</u>	<u>(1,756)</u>
Jointly-controlled entities:		
Current	1,982	1,696
Deferred	(4,322)	243
	<u>(2,340)</u>	<u>1,939</u>
Tax charge/(credit) for the period	<u>(1,592)</u>	<u>183</u>

Tax credit for the period arose from the recognition of deferred tax assets on the unused tax losses and the deductible temporary differences, to the extent that it will be probably utilised in the foreseeable future.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. TAX (continued)

Share of tax attributable to associates and an associate classified as held for sale amounting to HK\$2,567,000 (2005: HK\$5,001,000) and HK\$2,155,000 (2005: Nil), respectively, are included in "Share of profits and losses of associates" and "Share of profit of an associate classified as held for sale" on the face of the condensed consolidated income statement.

6. EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

The share options had no diluting effect on the basic earnings per share for both the current period and prior period 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.

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

Weighted average number of ordinary shares

	2006	2005
Issued ordinary shares as at 1 July	1,330,309,375	1,330,309,375
Effect of share repurchased	<u>(241,141)</u>	<u>—</u>
Weighted average number of ordinary shares in issue during the period used in the calculation of the basic earnings per share	1,330,068,234	1,330,309,375
Effect of dilution – weighted average number of ordinary shares:		
Convertible notes	<u>414,525,692</u>	<u>—</u>
	<u>1,744,593,926</u>	<u>1,330,309,375</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. EARNINGS PER SHARE (continued)

Profit for the period attributable to ordinary equity holders of the Company

	(Unaudited)	
	Six months ended	
	31 December	
	2006	2005
	HK\$'000	HK\$'000
Profit for the period attributable to ordinary equity holders	12,205	5,063
Interests on convertible notes	3,104	–
Profit attributable to ordinary share holders before interest on convertible notes	15,309	5,063

7. 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. ACCOUNTS RECEIVABLE

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

	(Unaudited)	(Audited)
	As at	As at
	31 December	30 June
	2006	2006
	HK\$'000	HK\$'000
Current to 3 months	26,017	10,188
4 to 6 months	926	1,752
7 to 12 months	2	65
	<hr/> 26,945 <hr/>	<hr/> 12,005 <hr/>

The accounts receivable of the Group includes trading balance due from a Golden Harvest Private Group company of HK\$19,000 (30 June 2006: Nil). The balance with the Golden Harvest Private Group company is 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 Wigston Co. Limited of HK\$295,000 (30 June 2006: Nil). The amount is unsecured, interest-free and had no fixed repayment terms. Raymond Chow Ting Hsing, who is a director of the Company, and a relative of Raymond Chow Ting Hsing, are also directors and/or beneficial shareholders of the related company.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. AN ASSOCIATE CLASSIFIED AS HELD FOR SALE

On 28 November 2006, the Group entered into an agreement to dispose of its entire equity interest in Golden Screen Cinemas Sdn. Bhd ("GSC"), an associate of the Group, and the disposal was completed subsequent to the balance sheet date on 28 February 2007. Accordingly, the Group's share of interests in GSC was reclassified as held for sale and amounted to HK\$54,722,000 as at 31 December 2006.

10. ACCOUNTS PAYABLE

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

	(Unaudited)	(Audited)
	As at	As at
	31 December	30 June
	2006	2006
	HK\$'000	HK\$'000
Current to 3 months	55,572	42,027
4 to 6 months	3,013	6,163
7 to 12 months	287	1,226
Over 1 year	5,486	12,612
	64,358	62,028

The accounts payable of the Group included trading balances due to Golden Harvest Private Group companies totaling HK\$89,000 (30 June 2006: HK\$207,000). 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 Best Creation International Limited, Harvest Crown Limited and Pinetree Production Services, Inc. of HK\$79,000 (30 June 2006: HK\$45,000), HK\$205,000 (30 June 2006: HK\$698,000) and HK\$120,000 (30 June 2006: Nil), respectively. The amounts are unsecured, interest-free and have no fixed repayment terms. The accounts payable of the Group at 30 June 2006 included an amount of HK\$8,979,000 due to GH Pictures (China) Limited which bore interest at Hong Kong dollars short term time deposits rate plus 1% per annum. GH Pictures (China) Limited was acquired by the Group during the period (note 14). Raymond Chow Ting Hsing, Phoon Chiong Kit and David Chan Sik Hong, who are directors of the Company, and a relative of Raymond Chow Ting Hsing are also directors and/or beneficial shareholders of certain of these related companies.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. INTEREST-BEARING BANK LOANS

	Effective interest rate (%)	Maturity	(Unaudited) As at 31 December 2006 HK\$'000	(Audited) As at 30 June 2006 HK\$'000
Current				
Bank loans – unsecured	5	April 2007	4,653	2,328
Bank loans – secured	9	June 2007	27,317	34,873
Total current portion of bank loans			31,970	37,201
Non-current				
Bank loans – unsecured	5	2008-2011	15,554	13,259
Bank loans – secured	9	2008-2010	33,080	43,828
Total non-current portion of bank loans			48,634	57,087
			80,604	94,288
Bank loans repayable:				
Within one year			31,970	37,201
In the second year			19,084	22,428
In the third to fifth years, inclusive			29,550	34,659
			80,604	94,288
Portion classified as current liabilities			(31,970)	(37,201)
			48,634	57,087

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

The Group's overdraft facility amounting to HK\$2,250,000 (30 June 2006: HK\$2,250,000) which has not been utilised as at the balance sheet date, is secured by the leasehold property and the prepaid land lease payments of the Group.

The Group's bank loans as at 31 December 2006 were secured by the assets of a wholly-owned subsidiary; its 70% shareholding in a wholly-owned subsidiary; its 40% equity interest in a jointly-controlled entity; the property, plant and equipment of a subsidiary; and pledged bank balances.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. CONVERTIBLE NOTES

On 23 May 2006, the Company issued 4% convertible note with a principal amount of HK\$20,000,000. The note is convertible at the option of the note holder into ordinary shares on or before 15 May 2008 at a price of HK\$0.22 per share. There was no conversion up to the balance sheet date. If the conversion right is not exercised by the note holder, the convertible note not converted will be redeemed on 22 May 2008 at 104% of the principal amount of the notes. The note carries interest at a rate of 4% per annum, which is payable half-yearly in arrears on 22 May and 22 November.

On 22 August 2006, the Company issued 4% convertible notes with principal amount totaling HK\$100,000,000 (the "Notes") to Quick Target Limited, Pleasant Villa Investments Limited ("Pleasant Villa"), Garex Resources Limited ("Garex Resources") and Typhoon Music (PRC) Limited ("Typhoon") in the amount of HK\$50,000,000, HK\$20,000,000, HK\$20,000,000 and HK\$10,000,000, respectively. The notes are convertible at the option of the note holders into ordinary shares on or before 14 August 2008 at a price of HK\$0.22 per share. There was no conversion up to the balance sheet date. If the conversion rights are not exercised by the note holders, the convertible notes not converted will be redeemed on 21 August 2008 at 104% of the principal amount of the notes. The notes carry interests at a rate of 4% per annum, which are payable half-yearly in arrears on 21 February and 21 August.

Pleasant Villa is wholly-owned by Raymond Chow Ting Hsing, a director and a substantial shareholder of the Company; Garex Resources is ultimately owned by Li Ka-shing, a substantial shareholder of the Company while Typhoon is a substantial shareholder of the Company. As three of the subscribers, Pleasant Villa, Garex Resources and Typhoon are connected persons of the Company, the transaction constitutes a connected transaction as defined in the Listing Rules. Further details of the issue of the Notes are set out in the circular of the company dated 31 July 2006.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. CONVERTIBLE NOTES (continued)

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

	(Unaudited)	(Audited)
	As at	As at
	31 December	30 June
	2006	2006
	HK\$'000	HK\$'000
Liability component at beginning of period/year	19,761	–
Nominal value of convertible note issued during the period/year	100,000	20,000
Issuing costs	(1,000)	(287)
Equity component	(785)	(95)
Liability component at date of issue	98,215	19,618
Interest expenses	3,104	143
Interest paid	(403)	–
Liability component at end of period/year	120,677	19,761

Analysed for reporting purpose as:

	(Unaudited)	(Audited)
	As at	As at
	31 December	30 June
	2006	2006
	HK\$'000	HK\$'000
Current liability – accrued liabilities and other payables	1,532	143
Non-current liability	119,145	19,618
	120,677	19,761

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. SHARE CAPITAL

	Notes	(Unaudited) As at 31 December 2006 HK\$'000	(Audited) As at 30 June 2006 HK\$'000
Authorised:			
6,000,000,000 (30 June 2006: 2,000,000,000) ordinary shares of HK\$0.10 each	(a)	<u>600,000</u>	<u>200,000</u>
Issued and fully paid:			
At 1 July 2006			
– 1,330,309,375 (30 June 2006: 1,330,309,375) ordinary shares of HK\$0.10 each		<u>133,031</u>	133,031
Share repurchased	(b)	<u>(332)</u>	–
At 31 December 2006			
– 1,326,987,375 (30 June 2006: 1,330,309,375) ordinary shares of HK\$0.10 each		<u>132,699</u>	<u>133,031</u>

Notes:

- (a) Pursuant to an ordinary resolution passed on 30 November 2006, the authorised share capital of the Company was increased from HK\$200,000,000 to HK\$600,000,000 by the creation of 4,000,000,000 additional ordinary shares of HK\$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.
- (b) During the period, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited. Details of the repurchases are disclosed in Purchase, Sale or Redemption of Listed Shares of this interim report.

The repurchased shares were cancelled and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the par value of the shares cancelled of HK\$332,000 was transferred from the share premium account to the capital redemption reserve. The premium and transaction cost paid on the repurchase of the shares of HK\$290,000 was charged to the share premium account.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. RELATED PARTY TRANSACTIONS

In addition to the disclosures detailed in notes 4, 8, 10 and 12, 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) Acquisition of equity interests in three companies from Golden Harvest Private Group

On 16 October 2006, the Group entered into agreements with World Media Group Limited, a company of Golden Harvest Private Group, and independent third parties to acquire the entire equity interests of three companies, GH Pictures (China) Limited, GH Media Management Pte Ltd and GH Media Management Limited (the "Target Companies"), at a total consideration of approximately HK\$22,600,000. The Target Companies hold a film library of 39 Chinese language films. This transaction constituted a connected transaction as defined in the Listing Rules and was approved by independent shareholders. The transaction was completed on 6 December 2006 and the Target Companies became wholly-owned subsidiaries of the Company.

(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:

		(Unaudited) Six months ended 31 December	
	Notes	2006 HK\$'000	2005 HK\$'000
Interest expenses on convertible notes paid/payable to related companies	(i), (iii)	1,212	–
Ticketing system maintenance/development costs paid to an associate	(ii), (iv)	674	608
Management fee income from associates	(ii), (v)	126	192
Consultancy fee paid to a related company	(ii), (vi)	182	181
Interest expense to a related company	(ii), (vii)	145	145
Office rental paid to an associate	(ii), (viii)	51	–
Corporate guarantee given in respect of a banking facility granted to an associate	(ii), (ix)	19,013	17,475

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with other related parties (continued)

Notes:

- (i) The related companies are the substantial shareholders of the Company or related to the substantial shareholders of the Company.
- (ii) 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.
- (iii) The interest expenses were charged at an effective interest rate of 7% per annum, according to the estimation ascertained by Vigers Appraisal & Consulting Ltd., a firm of independent professional qualified valuers.
- (iv) The ticketing system maintenance/development costs paid were charged according to prices and conditions similar to those offered to other customers of the associate.
- (v) The management fee income represented an amount of HK\$126,000 (2005: 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 (2005: HK\$10,000) and HK\$11,000 per month (2005: HK\$22,000 per month), respectively.
- (vi) 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 2005.
- (vii) 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 for the period from 1 July 2006 to 6 December 2006.
- (viii) The rental expense was charged at a rate of S\$1,747 per month for sub-letting a portion of office premises of an associate to the Group.
- (ix) 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)

14. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with other related parties (continued)

Certain transactions amounting to HK\$1,394,000 (2005: HK\$181,000) indicated in note (iii) and (vi) above with four related companies (2006: one related company) constituted connected transactions as defined in the Listing Rules. The connected transactions were either properly approved by the independent shareholders or constituted the de minimis transactions as defined in the Listing Rules.

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

(c) Compensation of key management personnel of the Group

	(Unaudited) Six months ended 31 December	
	2006	2005
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	8,079	7,678
Post-employment benefits	61	62
Share-based payment	214	–
	8,354	7,740

15. CONTINGENT LIABILITIES

Contingent liabilities at the balance sheet date were as follows:

	(Unaudited) As at 31 December 2006 HK\$'000	(Audited) As at 30 June 2006 HK\$'000
Guarantee of a banking facility granted to an associate	19,013	18,338

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. COMMITMENTS

	(Unaudited)	(Audited)
	As at	As at
	31 December	30 June
	2006	2006
	HK\$'000	HK\$'000
Capital commitments in respect of acquisition of property, plant and equipment:		
Contracted for	13,194	4,314
Authorised, but not contracted for	84,613	72,637
	<u>97,807</u>	<u>76,951</u>
Capital commitments in respect of capital contributions to joint ventures:		
Authorised, but not contracted for	<u>26,150</u>	<u>–</u>

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 31 December 2006 (2005: Nil).

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

As at 31 December 2006, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required, to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Interests in Shares and Underlying Shares of the Company

Name of director	Capacity	Notes	Number of		Percentage of shareholding in the Company*
			Number of shares (L) = Long position (S) = Short position	underlying shares (L) = Long position (S) = Short position	
Raymond Chow Ting Hsing	Interest of controlled corporations	1	293,121,527 (L)	–	22.09
			235,585,591 (S)	–	17.75
			–	90,909,090 (L)/(S)	6.85
	Beneficial owner		2,000,000 (L)	–	0.15
Phoon Chiong Kit	Beneficial owner	2	7,500,000 (L)	–	0.57
			–	37,000,000 (L)	2.79
David Chan Sik Hong	Beneficial owner	3	5,859,375 (L)	–	0.44
			–	6,250,000 (L)	0.47
Roberta Chin Chow Chung Hang	Beneficial owner		9,598,000 (L)	–	0.72
Lau Pak Keung (also alternate to Phoon Chiong Kit)	Beneficial owner		1,600,000 (L)	–	0.12
Eric Norman Kronfeld	Beneficial owner	4	–	350,000 (L)	0.03

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

(continued)

(i) Interests in Shares and Underlying Shares of the Company (continued)

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

* This percentage has been compiled based on the total number of shares (i.e. 1,326,987,375 ordinary shares) of the Company in issue as at 31 December 2006.

Notes:

1. Raymond Chow Ting Hsing is deemed to be interested in 293,121,527 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 109,910,937 shares of the Company respectively. He is also deemed to be interested in 90,909,090 underlying shares of the Company by virtue of his 100% beneficial holding in Pleasant Villa Investments Limited which holds 90,909,090 underlying shares issuable upon full conversion of HK\$20,000,000 4% convertible notes issued by the Company on 22 August 2006.
2. The 37,000,000 underlying shares are shares issuable upon the exercise of share options granted by the Company to Phoon Chiong Kit under the share option scheme of the Company (the "Share Option Scheme").
3. The 6,250,000 underlying shares are shares issuable upon the exercise of share options granted by the Company to David Chan Sik Hong under the Share Option Scheme.
4. Each of Eric Norman Kronfeld, Paul Ma Kah Woh, Frank Lin and Prince Chatrichalerm Yukol is deemed to be interested in 350,000 underlying shares issuable upon the exercise of share options granted by the Company to each of them under the Share Option Scheme.

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

(continued)

(ii) Interests in Shares and Underlying 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, Raymond Chow Ting Hsing has non-beneficial equity interests in certain subsidiaries held for the benefit of the Group.

Save as disclosed above and save for the disclosure referred to under "Share Options", as at 31 December 2006, 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 2006, 625,000 share options were lapsed. Save as disclosed aforesaid, no share option was granted, exercised nor cancelled under the share option scheme.

Details of the movement of share options of the Company for the six months ended 31 December 2006 were as follows:

Name or category of participant	Date of grant of share option	Exercise price HK\$	Exercise period	Number of share options		
				Outstanding as at 1 Jul 2006	Lapsed during the period	Outstanding as at 31 Dec 2006
Director						
Phoon Chiong Kit	25/07/2000	0.624	25/07/2000 to 24/07/2010 Note (a)	5,750,000	–	5,750,000
	31/10/2001	0.496	30/11/2001 to 30/10/2011 Note (b)	12,500,000	–	12,500,000
	09/12/2004	Note (d)	10/01/2005 to 30/10/2011 Note (c)	18,750,000	–	18,750,000

SHARE OPTIONS *(continued)*

Name or category of participant	Date of grant of share option	Exercise price HK\$	Exercise period	Number of share options		
				Outstanding as at 1 Jul 2006	Lapsed during the period	Outstanding as at 31 Dec 2006
David Chan Sik Hong	31/10/2001	0.496	30/11/2001 to 30/10/2011 Note (b)	6,250,000	–	6,250,000
Eric Norman Kronfeld	31/03/2005	0.260	31/03/2005 to 30/10/2011	350,000	–	350,000
Paul Ma Kah Woh	31/03/2005	0.260	31/03/2005 to 30/10/2011	350,000	–	350,000
Frank Lin	31/03/2005	0.260	31/03/2005 to 30/10/2011	350,000	–	350,000
Prince Chatrichalerm Yukol	31/03/2005	0.260	31/03/2005 to 30/10/2011	350,000	–	350,000
Other participant						
In aggregate	31/10/2001	0.496	30/11/2001 to 30/10/2011 Note (b)	625,000	625,000	–
				45,275,000	625,000	44,650,000

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 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.

SHARE OPTIONS *(continued)*

Apart from the above, at no time during the six months ended 31 December 2006 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 2006, the following persons had the following interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Name of shareholder	Capacity	Notes	Number of		Percentage of shareholding in the Company*
			Number of shares (L) = Long Position (S) = Short Position	underlying shares (L) = Long position (S) = Short position	
Raymond Chow Ting Hsing	Interest of controlled corporations	1	293,121,527 (L)	–	22.09
			235,585,591 (S)	–	17.75
			–	90,909,090 (L)/(S)	6.85
	Beneficial owner		2,000,000 (L)	–	0.15
Felicia Chow Yuan Hsi Hua	Spouse's interest	2	295,121,527 (L)	–	22.24
			235,585,591 (S)	–	17.75
			–	90,909,090 (L)/(S)	6.85
Planet Gold Associates Limited	Beneficial owner	1	183,210,590 (L)	–	13.80
			148,085,591 (S)	–	11.16
Net City Limited	Beneficial owner	1	109,910,937 (L)	–	8.29
			87,500,000 (S)	–	6.59
Pleasant Villa Investments Limited	Beneficial owner	1	–	90,909,090 (L)/(S)	6.85
Li Ka-shing	Interest of controlled corporations	3	222,567,500 (L)	–	16.77
			–	90,909,090 (L)	6.85
Mayspin Management Limited	Interest of controlled corporations	3	222,567,500 (L)	–	16.77
			–	90,909,090 (L)	6.85
Garex Resources Limited	Beneficial owner	3	188,017,500 (L)	–	14.17
			–	90,909,090 (L)	6.85
Typhoon Music (PRC) Limited	Beneficial owner	4	155,000,000 (L)	–	11.68
			–	45,454,545 (L)	3.43

SUBSTANTIAL SHAREHOLDERS *(continued)*

Name of shareholder	Capacity	Notes	Number of shares (L) = Long Position (S) = Short Position	Number of underlying shares (L) = Long position (S) = Short position	Percentage of shareholding in the Company*
EMI Group Plc	Interest of controlled corporations	4	155,000,000 (L)	–	11.68
			–	45,454,545 (L)	3.43
Virgin Music Group Limited	Interest of controlled corporations	4	155,000,000 (L)	–	11.68
			–	45,454,545 (L)	3.43
EMI Group Worldwide Limited	Interest of controlled corporation	4	155,000,000 (L)	–	11.68
			–	45,454,545 (L)	3.43
Norman Cheng Tung Hon	Interest of controlled corporations	4	155,000,000 (L)	–	11.68
			–	45,454,545 (L)	3.43
Typhoon Records Limited	Interest of controlled corporation	4	155,000,000 (L)	–	11.68
			–	45,454,545 (L)	3.43
Lily Feng Yuen Cheung	Spouse's interest	5	155,000,000 (L)	–	11.68
			–	45,454,545 (L)	3.43
The Prudential Insurance Company of America	Beneficial owner	–	123,284,027 (L)	–	9.29
See Corporation Limited	Beneficial owner	6	–	90,909,090 (L)	6.85
Charles Chan Kwok Keung	Interest of controlled corporations	7	–	227,272,727 (L)	17.13
Chinaview International Limited	Interest of controlled corporations	7	–	227,272,727 (L)	17.13
Galaxyway Investments Limited	Interest of controlled corporations	7	–	227,272,727 (L)	17.13
ITC Corporation Limited	Interest of controlled corporations	7	–	227,272,727 (L)	17.13

SUBSTANTIAL SHAREHOLDERS *(continued)*

Name of shareholder	Capacity	Notes	Number of shares (L) = Long Position (S) = Short Position	Number of underlying shares (L) = Long position (S) = Short position	Percentage of shareholding in the Company*
ITC Investment Holdings Limited	Interest of controlled corporations	7	–	227,272,727 (L)	17.13
Manker Assets Limited	Interest of controlled corporations	7	–	227,272,727 (L)	17.13
Famex Investment Limited	Interest of controlled corporations	7	–	227,272,727 (L)	17.13
Hanny Holdings Limited	Interest of controlled corporations	7	–	227,272,727 (L)	17.13
Hanny Magnetics (B.V.I.) Limited	Interest of controlled corporations	7	–	227,272,727 (L)	17.13
Quick Target Limited	Beneficial owner	7	–	227,272,727 (L)	17.13
Macy Ng Yuen Lan	Spouse's interest	8	–	227,272,727 (L)	17.13
Macau Prime Properties Holdings Limited	Interest of controlled corporations	9	–	90,909,090 (L)	6.85
Macau Prime Management Group Limited	Interest of controlled corporations	9	–	90,909,090 (L)	6.85
Macau Prime Finance Limited	Security interest	9	–	90,909,090 (L)	6.85

* This percentage has been compiled based on the total number of shares (i.e. 1,326,987,375 ordinary shares) of the Company in issue as at 31 December 2006.

SUBSTANTIAL SHAREHOLDERS *(continued)*

Notes:

1. Raymond Chow Ting Hsing is deemed to be interested in 293,121,527 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 109,910,937 shares of the Company respectively. He is also deemed to be interested in 90,909,090 underlying shares of the Company by virtue of his 100% beneficial holding in Pleasant Villa Investments Limited, which holds 90,909,090 underlying shares issuable upon full conversion of HK\$20,000,000 4% convertible notes issued by the Company on 22 August 2006.
2. Felicia Chow Yuan Hsi Hua, the spouse of Raymond Chow Ting Hsing, is deemed to be interested in the same shares and underlying shares of the Company in which Raymond Chow Ting Hsing is interested.
3. Li Ka-shing is deemed to be interested in 222,567,500 shares and 90,909,090 underlying shares of the Company by virtue of his 100% beneficial holding in Mayspin Management Limited which in turn owns the entire interest in each of Garex Resources Limited which holds 188,017,500 shares and 90,909,090 underlying shares of the Company issuable upon full conversion of HK\$20,000,000 4% convertible notes issued by the Company on 22 August 2006, Podar Investment Limited which holds 31,250,000 shares of the Company, and Oscar Resources Limited which holds 3,300,000 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 is deemed to be interested in 155,000,000 shares and 45,454,545 underlying shares of the Company issuable upon full conversion of HK\$10,000,000 4% convertible notes issued by the Company to Typhoon Music (PRC) Limited on 22 August 2006.
5. Lily Feng Yuen Cheung, the spouse of Norman Cheng Tung Hon, is deemed to be interested in the same shares and underlying shares of the Company in which Norman Cheng Tung Hon is interested.
6. See Corporation Limited is deemed to be interested in 90,909,090 underlying shares of the Company issuable upon full conversion of HK\$20,000,000 4% convertible note issued by the Company on 23 May 2006.

SUBSTANTIAL SHAREHOLDERS *(continued)*

Notes: *(continued)*

7. Hanny Holdings Limited ("Hanny Holdings"), via its 100% control of Hanny Magnetics (B.V.I.) Limited ("Hanny Magnetics"), indirectly holds the entire interest in Quick Target Limited ("Quick Target") which in turn owns 227,272,727 underlying shares of the Company issuable upon full conversion of HK\$50,000,000 4% convertible notes issued by the Company on 22 August 2006 ("Underlying Shares"). ITC Corporation Limited ("ITC Corporation"), via its 100% direct or indirect holding of ITC Investment Holdings Limited ("ITC Investment"), Manker Assets Limited ("Manker") and Famex Investment Limited ("Famex"), owns more than 30% equity interest in Hanny Holdings. Galaxyway Investments Limited ("Galaxyway"), a wholly-owned subsidiary of Chinaview International Limited ("Chinaview"), holds more than 30% equity interest in ITC Corporation and Charles Chan Kwok Keung ("Dr Chan") owns the entire issued share capital of Chinaview. Each of Dr Chan, Chinaview, Galaxyway, ITC Corporation, ITC Investment, Manker, Famex, Hanny Holdings and Hanny Magnetics is deemed to be interested in the Underlying Shares held by Quick Target.
8. Macy Ng Yuen Lan, the spouse of Dr Chan, is deemed to be interested in the same Underlying Shares in which Dr Chan is interested.
9. Macau Prime Properties Holdings Limited ("Macau Prime Properties") has 100% control of Macau Prime Management Group Limited ("Macau Prime Management"), which has 100% control of Macau Prime Finance Limited ("Macau Prime Finance"). The shares of Pleasant Villa Investments Limited were pledged to Macau Prime Finance and as a result, each of Macau Prime Properties, Macau Prime Management and Macau Prime Finance is deemed to be interested in 90,909,090 underlying shares of the Company issuable upon full conversion of HK\$20,000,000 4% convertible notes issued by the Company on 22 August 2006.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the six months ended 31 December 2006, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/Year	Number of shares repurchased	Highest price per share HK\$	Lowest price per share HK\$	Aggregate consideration (excluding expenses) HK\$
December 2006	3,322,000	0.191	0.170	599,572

The shares repurchased during the period were cancelled in December 2006 and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the share premium account of the Company.

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

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

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 2006 of HK\$91,268,000. 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 2006 represented more than 8% under the Assets Ratio as defined in the Listing Rules.

The Company and an independent third party each, through their respective 50% shareholding in Dartina, holds 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\$19,013,000.

The Group has also made available to Vie Show Cinemas Co., Ltd. (formerly known as Warner Village Cinema Co., Ltd.), a 40% owned jointly-controlled entity of the Company, an advance in the amount of HK\$68,270,000 as at 31 December 2006. The balance of the said advance, is unsecured, bears interest at 2.5% per annum and is not expected to be repaid within the next twelve months, apart from HK\$10,000,000 which is expected to be repaid within the next twelve months as at 31 December 2006, represented more than 8% under the Assets Ratio as defined in the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES Financial Assistance and Guarantee to Affiliated Companies

The Group has made advances 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 Dartina, Keen Fortune Production Limited and Rich will Limited). As at 31 December 2006, the aggregate amount of the said advances and guarantee of approximately HK\$117,114,000 represented more than 8% under the Assets Ratio as defined in the Listing Rules. The combination of balance sheets of these affiliated companies and the Group's attributable interests in these affiliated companies as at 31 December 2006 are as follows:

	Combination of balance sheets of affiliated companies HK\$'000
Non-current assets	366,935
Current assets	104,935
Current liabilities	(252,727)
Non-current liabilities	(88,227)
	<hr/>
	130,916
	<hr/>
Group's attributable interests	<u>67,954</u>

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 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices ("CG Practices") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period for the six months ended 31 December 2006, 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.

However, all non-executive directors of the Company are subject to the requirement to retire by rotation and to re-elect at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws, accomplishing the same purpose as a specific term of appointment.

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 2006.

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, 21 March 2007