嘉禾

Golden Harvest

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

INTERIM RESULTS

The Board of Directors (the "Board") of Golden Harvest Entertainment (Holdings) Limited (the "Company") 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 of the Group have not been audited by the Company's auditors, but have been reviewed by the Company's Audit Committee.

Condensed Consolidated Profit and Loss Account

		(Unaudited) Six months ended 31 December	
		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		**(374)**	(205)
Share of profits and losses of associates		**14,530**	12,030
PROFIT/(LOSS) BEFORE TAX		**(13,256)**	5,297
Tax	4	**(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	5		
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*
NON-CURRENT ASSETS		
Fixed assets	**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	**79,495**	79,421
	363,922	334,036
CURRENT ASSETS		
Prepayments, deposits and other receivables	**43,102**	23,387
Inventories	**742**	556
Film rights and films in progress	**22,651**	20,184
Accounts receivable	**20,606**	22,471
Cash and bank balances	**32,392**	22,575
	119,493	89,173
CURRENT LIABILITIES		
Accounts payable	**48,609**	52,070
Accrued liabilities and other payables	**48,280**	30,509
Customer deposits	**3,300**	2,330
Interest-bearing bank loans, secured	**11,155**	–
Current portion of finance lease payables	**500**	471
Provision for employee benefits	**1,324**	1,319
Tax payable	**11,012**	11,114
	124,180	97,813
NET CURRENT LIABILITIES	**(4,687)**	(8,640)
TOTAL ASSETS LESS CURRENT LIABILITIES	**359,235**	325,396
NON-CURRENT LIABILITIES		
Interest-bearing bank loans, secured	**10,811**	–
Non-current portion of finance lease payables	**455**	709
Provision for long service payments	**3,740**	3,800
Deferred tax	**852**	878
	15,858	5,387
MINORITY INTERESTS	**2,225**	–
	341,152	320,009
CAPITAL AND RESERVES		
Issued share capital	**103,929**	88,429
Reserves	**237,223**	231,580
	341,152	320,009

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.

2. Turnover and segment information

(a) Business segments

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

Six months ended 31 December

	Film & video distribution		Film exhibition		Film & television drama series production		Others		Eliminations		Consolidated	
	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
Total	**23,291**	36,293	**73,698**	72,356	**431**	1,241	**6,348**	10,625	**(1,673)**	(1,343)	**102,095**	119,172
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

3. Loss from operating activities

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

	Six months ended 31 December	
	2004	2003
	HK$'000	*HK$'000*
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. 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.

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

5. 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.

INTERIM DIVIDEND

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

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.

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 shares during the six months ended 31 December, 2004.

MODEL CODE

The Company has adopted its own code on terms no less exacting than those set out in 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 of Hong Kong Limited (the "Listing Rules") during the period under review. The Company has made specific enquiries with all directors and all of them 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, 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 annual general meetings of the Company in accordance with the provisions of the Company's bye-laws.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

All the financial and other related information of the Group for the six months ended 31 December 2004 required by the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

List of all Directors of the Company as of the date of this announcement:

Executive Directors:
Mr. Raymond Chow Ting Hsing
Mr. Phoon Chiong Kit
Mr. David Chan Sik Hong
Mrs. Roberta Chin Chow Chung Hang
Mr. Lau Pak Keung (alternate director to Mr. Phoon Chiong Kit)

Non-executive Director:
Mr. Eric Norman Kronfeld

Independent non-executive Directors:
Mr. Frank Lin
Prince Chatrichalerm Yukol
Mr. Paul Ma Kah Woh

On behalf of the Board
Raymond Chow Ting Hsing
Chairman

Hong Kong, 18 March 2005

"Please also refer to the published version of this announcement in The Standard"