



MANDARIN ENTERTAINMENT (HOLDINGS) LIMITED
 東方娛樂控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00009)

**ANNUAL RESULTS
 FOR YEAR ENDED 31ST DECEMBER, 2007**

The board of directors (the “Board”) of Mandarin Entertainment (Holdings) Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December, 2007, together with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2007

	<i>NOTES</i>	2007 HK\$'000	2006 HK\$'000
Revenue		76,718	77,165
Cost of sales		(88,847)	(60,248)
Gross (loss) profit		(12,129)	16,917
Other income		7,942	7,945
Administrative expenses		(27,515)	(22,984)
Fair value loss on investments held for trading		(1,711)	–
Impairment loss recognised in respect of interests in jointly controlled entities		(3,500)	–
Share of loss of jointly controlled entities		(2,341)	(6)
Finance costs		(939)	(1,088)
(Loss) profit before tax		(40,193)	784
Income tax credit	4	126	889
(Loss) profit for the year, attributable to equity holders of the Company	5	(40,067)	1,673
Dividends	6	–	–
(Loss) Earnings per share	7		
Basic		(8.86) HK cents	0.44 HK cents
Diluted		N/A	0.44 HK cents

CONSOLIDATED BALANCE SHEET

At 31st December, 2007

	2007 HK\$'000	2006 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	3,765	2,936
Prepaid lease payments	2,428	2,503
Available-for-sale investments	–	3,796
Interests in jointly controlled entities	16,664	20,820
	<u>22,857</u>	<u>30,055</u>
CURRENT ASSETS		
Film rights	720	1,440
Film production in progress	53,202	38,646
Prepaid lease payments	75	75
Inventories	1,853	1,680
Property held for sale	4,561	–
Investments held for trading	16,350	–
Trade and other receivables and deposits paid	11,508	15,600
Loan receivable	5,500	–
Amount due from a jointly controlled entity	1,349	602
Amount due from a related company	–	5,042
Tax recoverable	297	17
Pledged bank deposits	533	1,556
Bank balances and cash	100,358	15,172
	<u>196,306</u>	<u>79,830</u>
CURRENT LIABILITIES		
Trade and other payables and deposits received	35,220	35,360
Bank and other borrowings – due within one year	19,882	5,362
Tax payable	83	–
Obligations under a finance lease – due within one year	92	92
	<u>55,277</u>	<u>40,814</u>
NET CURRENT ASSETS	<u>141,029</u>	<u>39,016</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>163,886</u>	<u>69,071</u>

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Bank and other borrowings – due after one year	537	13,627
Deferred taxation	508	471
Obligations under a finance lease – due after one year	192	284
	<u>1,237</u>	<u>14,382</u>
NET ASSETS	<u>162,649</u>	<u>54,689</u>
CAPITAL AND RESERVES		
Share capital	57,600	33,000
Reserves	105,049	21,689
TOTAL EQUITY	<u>162,649</u>	<u>54,689</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2007

1. GENERAL

The Company was incorporated in Bermuda on 9th May, 2001 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”)

In the current year, the Group and the Company have applied, for the first time, the following new standards, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKFRS 2 (Amendment)	Share-based Payment ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions ³
HK(IFRIC) – INT 12	Service Concession Arrangements ⁴
HK(IFRIC) – INT 13	Customer Loyalty Programmes ⁵
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ⁴

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st July, 2009

³ Effective for annual periods beginning on or after 1st March, 2007

⁴ Effective for annual periods beginning on or after 1st January, 2008

⁵ Effective for annual periods beginning on or after 1st July, 2008

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Business Segments

For management purposes, the Group is currently organised into three operating divisions – film distribution and licensing, film processing and advertising and promotional services. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

2007

	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Advertising and promotional services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE					
External revenue	49,001	19,900	7,817	–	76,718
Inter segment revenue	2,810	2,368	4,294	(9,472)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	<u>51,811</u>	<u>22,268</u>	<u>12,111</u>	<u>(9,472)</u>	<u>76,718</u>
RESULT					
Segment result	<u>(24,504)</u>	<u>(2,419)</u>	<u>468</u>	<u>–</u>	<u>(26,455)</u>
Other income					6,789
Unallocated corporate expenses					(12,036)
Fair value loss on investments held for trading					(1,711)
Impairment loss recognised in respect of interests in jointly controlled entities					(3,500)
Share of loss of jointly controlled entities					(2,341)
Finance costs					(939)
					<hr/>
Loss before tax					(40,193)
Income tax credit					126
					<hr/>
Loss for the year					<u>(40,067)</u>

Inter segment revenue is charged at prevailing market rate.

Balance Sheet

	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Advertising and promotional services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS					
Segment assets	61,186	8,878	39	–	70,103
Interests in jointly controlled entities					16,664
Unallocated corporate assets					132,396
					<u>219,163</u>
Consolidated total assets					<u>219,163</u>
LIABILITIES					
Segment liabilities	29,450	5,204	175	–	34,829
Unallocated corporate liabilities					21,685
					<u>56,514</u>
Consolidated total liabilities					<u>56,514</u>
OTHER INFORMATION					
Capital expenditure	407	100	262	1,554	2,323
Impairment on trade and other receivables	3,289	–	–	–	3,289
Reversal of impairment loss on trade and other receivables	1,153	–	–	–	1,153
Release of prepaid lease payments	–	63	–	12	75
Depreciation of property, plant and equipment	261	879	78	76	1,294
Impairment loss recognised in respect of film production in progress	16,827	–	–	–	16,827
Fair value loss on investments held-for-trading	–	–	–	1,711	1,711
Impairment loss recognised is respects of interests in jointly controlled entities	–	–	–	3,500	3,500
Loss on disposal of property, plant and equipment	–	200	–	–	200
	<u>–</u>	<u>200</u>	<u>–</u>	<u>–</u>	<u>200</u>

2006

	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Advertising and promotional services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE					
External revenue	47,603	22,438	7,124	–	77,165
Inter segment revenue	3,720	52	3,830	(7,602)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue	<u>51,323</u>	<u>22,490</u>	<u>10,954</u>	<u>(7,602)</u>	<u>77,165</u>
RESULT					
Segment result	<u>(567)</u>	<u>229</u>	<u>318</u>	<u>–</u>	<u>(20)</u>
Other income					7,945
Unallocated corporate expenses					(6,047)
Share of loss of jointly controlled entities					(6)
Finance costs					<u>(1,088)</u>
Profit before tax					784
Income tax credit					<u>889</u>
Profit for the year					<u>1,673</u>

Inter segment revenue is charged at prevailing market rate.

Balance Sheet

	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Advertising and promotional services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS					
Segment assets	54,421	11,026	1,875	–	67,322
Interests in jointly controlled entities					20,820
Unallocated corporate assets					21,743
Consolidated total assets					<u>109,885</u>
LIABILITIES					
Segment liabilities	29,943	4,114	1,069	–	35,126
Unallocated corporate liabilities					20,070
Consolidated total liabilities					<u>55,196</u>
OTHER INFORMATION					
Capital expenditure	474	53	124	–	651
Impairment on trade and other receivables	2,716	–	–	–	2,716
Release of prepaid lease payments	–	63	–	12	75
Depreciation of property, plant and equipment	209	1,575	76	15	1,875
Impairment loss recognised in respect of film production in progress	2,621	–	–	–	2,621
Loss on disposal of property, plant and equipment	–	4	–	–	4

Geographical Segments

The Group's customers are located in Hong Kong, the People's Republic of China (the "PRC"), Taiwan, Malaysia, Europe and other parts of Asia. Film distribution, licensing and investment holding business is carried out in Hong Kong and the PRC. The Group's advertising and promotional and film processing divisions are located in Hong Kong.

An analysis of the Group's revenue by geographical market, based on the origin of the services and an analysis of the carrying amount of segment assets and capital additions analysed by the geographical area in which the assets are located, is presented below.

2007					
	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Japan <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>37,493</u>	<u>13,316</u>	<u>14,325</u>	<u>11,584</u>	<u>76,718</u>
Carrying amount of segment assets	<u>98,795</u>	<u>39</u>	<u>–</u>	<u>–</u>	<u>98,834</u>
Additions to property, plant and equipment	<u>2,317</u>	<u>6</u>	<u>–</u>	<u>–</u>	<u>2,323</u>
2006					
	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Japan <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>46,902</u>	<u>3,802</u>	<u>7,820</u>	<u>18,641</u>	<u>77,165</u>
Carrying amount of segment assets	<u>65,670</u>	<u>1,652</u>	<u>–</u>	<u>–</u>	<u>67,322</u>
Additions to property, plant and equipment	<u>651</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>651</u>

4. TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Hong Kong Profits Tax		
– provision for current year	–	164
– overprovision in prior years	(163)	(847)
	(163)	(683)
Deferred tax charge (credit)	37	(206)
Taxation attributable to the Company and its subsidiaries	(126)	(889)

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for both years.

No provision for tax in other jurisdictions for both years has been made in the consolidated financial statements as neither the Company nor any of its subsidiaries had any assessable profit subject to tax in other jurisdictions.

The taxation for the year can be reconciled to the (loss) profit before tax per the consolidated income statement as follows:

	2007	2006
	HK\$'000	HK\$'000
(Loss) profit before tax	(40,193)	784
Tax at the domestic income tax rate of 17.5% (2006: 17.5%)	(7,034)	137
Tax effect of expenses not deductible for tax purpose	945	989
Tax effect of income not taxable for tax purpose	(1,099)	(986)
Overprovision in prior years	(163)	(847)
Tax effect of tax losses not recognised	6,815	866
Utilisation of tax losses previously not recognised	–	(1,049)
Tax effect on share of loss of jointly controlled entities	410	1
Tax credit for the year	(126)	(889)

5. (LOSS) PROFIT FOR THE YEAR

	2007	2006
	HK\$'000	HK\$'000
(Loss) profit for the year has been arrived at after charging:		
Directors' emoluments	6,800	4,050
Other staff costs	12,560	11,410
Retirement benefit scheme contributions, excluding directors	596	547
Share-based payment expenses, excluding directors	505	133
	<hr/>	<hr/>
Total staff costs	20,461	16,140
	<hr/>	<hr/>
Auditor's remuneration	1,001	920
Depreciation of property, plant and equipment		
– owned assets	1,149	1,790
– finance lease	145	85
Release of prepaid lease payments	75	75
Impairment on trade and other receivables	3,289	2,716
Impairment loss recognised in respect of film production in progress (included in cost of sales)	16,827	2,621
Cost of inventories recognised as expenses	50,778	46,815
Loss on disposal of property, plant and equipment	200	4
and after crediting to other income:		
Interest income	1,303	325
Gain on disposal of available-for-sale investments	2,173	5,040
Net foreign exchange gain	340	43
Reversal of impairment loss on trade and other receivables	1,153	–
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6. DIVIDENDS

No dividends were paid or proposed during the year ended 31st December, 2007 and 2006, nor has any dividend been proposed since the balance sheet date.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	<u>(40,067)</u>	<u>1,673</u>
Number of shares	2007	2006
Number of ordinary shares for the purposes of basic (loss) earnings per share	452,408,295	381,467,890
Effect of dilutive potential ordinary shares: Share options issued by the Company	<u>—</u>	<u>399,000</u>
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	<u>452,408,295</u>	<u>381,866,890</u>

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for both years for the Open Offer on 14th September, 2007.

No diluted loss per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In the year under review, the Group recorded a revenue of HK\$76.7 million (2006: HK\$77.2 million). Film distribution and licensing, film processing and advertising and promotional services contributed to 63.9%, 25.9% and 10.2% respectively of the Group's revenue. There was no significant change in revenue compared with the prior year after the execution of the CEPA (Closer Economic Partnership Arrangement) Model by the Group.

The Group reported a loss of HK\$40 million compared to a profit of HK\$1.7 million last year. Loss per share is 8.86 HK cents calculated on the 576,000,000 shares in issue in 2007 compared with earnings of 0.44 HK cents per share of the prior year.

Liquidity and Financial Resources

As at 31st December, 2007, the Group's gross assets stood at HK\$219.2 million (2006: HK\$109.9 million). The net tangible assets of the Group is HK\$162.6 million or 28.24 HK cents per share compared with HK\$54.7 million or 16.57 HK cents per share in 2006. The cash and cash equivalents is HK\$100.9 million compared with HK\$16.7 million in 2006.

Capital Structure

The Company has made two placements of shares during the year, under which 30,000,000 and 36,000,000 shares were allotted and issued at HK\$1.33 each and HK\$0.57 each on 8th June, 2007 and 17th September, 2007 respectively. In another one Open Offer, 180,000,000 shares were allotted and issued on 14th September, 2007 at HK\$0.5 each. The gross proceeds raised were used for general working capital purposes and investment in securities and properties for the Group. There has been no change in capital structure of the Company for the rest of the year.

Borrowings and Banking Facilities

As at 31st December, 2007, the Group had outstanding short-term bank and other borrowings of approximately HK\$19.9 million (2006: HK\$5.4 million). The main purpose of the borrowings is to finance the daily operation of the Group.

As at 31st December, 2007, the aggregate banking facilities of the Group were approximately HK\$13.4 million (2006: HK\$17.15 million). The utilization rate of banking facilities was about 51.4% (2006: 34.9%). These banking facilities were secured by certain land and buildings of the Group.

Included in other loans is an amount in Renminbi of HK\$2.9 million (2006: HK\$2.9 million). Except for that, the bank and other borrowings are made in Hong Kong Dollars.

As at 31st December, 2007, the gearing ratio of the Group, calculated at total borrowings divided by shareholders' funds, was 12.6% (2006: 34.7%).

Net Current Assets and Working Capital

As at 31st December, 2007, the Group's total current assets and current liabilities were approximately HK\$196.3 million (2006: HK\$79.8 million) and HK\$55.3 million (2006: HK\$40.8 million) respectively. The Group services its debts primarily through cash generated from its operations. After considering the financial resources available to the Group including internally and externally generated funds, the available unutilized banking facilities in 2007, the Directors are of the opinion that the Group has sufficient resources and working capital to meet its foreseeable capital expenditure and debt repayment requirement.

BUSINESS REVIEW AND OUTLOOK

Business Review

Following the film of “*Seven Swords*” and “*Dragon Tiger Gate*”, our action film “*Flash Point*” scored encouraging results in last year and was awarded “Best Action Choreography”. Action films have become the pillar of our film production and distribution business and our confidence of success. Also, the weird film called “*Missing*” directed by *Tsui Hark* and TV play “*Big Theater*” adapted from film “*Phantom Lover*” are now on footage and will have its premiere within the year.

Prospects

The film we have begun shooting this year is also an action film, titled “*Ip Man*” (KungFu master of *Bruce lee*) and themed on “*Wing Chun Kuen*”. Directed by *Wilson Yip*, with *Sammo Hung* providing guides for martial arts and *Donnie Yen* acting as *Ip Man*, it is an another film you can’t miss.

We will also produce comedy films, which is one of our established strengths. We are going to shoot a New Year comedy film called “*All’s Well End’s Well 2009*”. “*All’s Well End’s Well*” set a box office record in 1992 and “*All’s Well End’s Well 97*” topped as one of the box performances in that year. “*All’s Well End’s Well 2009*” will surely be an impressive hit.

In addition to the moving pictures sector, the Company is reaching into many other sectors, including financial and real estate projects on the Mainland such as considering an investment in Chengdu Shopping Mall. I expect that the expansion and diversity of business will provide continuous growth to the group.

EMPLOYEE AND REMUNERATION POLICIES

As at 31st December, 2007, the Group employed 84 staff members, including approximately 49 staff in the processing and development department. Apart from basic salaries, discretionary bonus and contributions to the mandatory provident fund for the staff in Hong Kong, share options may also be granted to staff with reference to the individual’s performance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year under review, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

During the financial year ended 31st December 2007, the Company has complied with all code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) except for code provision A.2 of the Code as the Company has no such title as the chief executive officer and Mr. Wong Pak Ming (“Mr. Wong”) is the chairman of the board of Directors and the daily operation and management of the Company is oversight by Mr. Wong with the assistance of the executive directors as well as the senior management. The Board considers that Mr. Wong, being the founder of the Group, possesses in-depth knowledge of the Group and has developed extensive and valuable network in the film production industry and therefore can enable the Group to make and implement decisions promptly and efficiently which is beneficial to the business prospects of the Group. The Board also consider that this structure will not impair the balance of power and authority between the Board and the management as the board of Directors, which comprises experienced and high caliber individuals, meets regularly to discuss issue affecting the operations of the Group.

Further information is set out in the Corporate Governance Report contained in the annual report for 2007.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (“MODEL CODE”) OF LISTING RULES

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year, and they all confirmed that they have fully complied with the required standard set out in the Model Code throughout the year ended 31 December 2007.

AUDIT COMMITTEE

The Company has set up an audit committee, comprised of three independent non-executive directors of the Company, namely Mr. Tang Kai Kui, Terence, Mr. Choy Sze Chung, Jojo and Mr. Tsui Pui Hung. The audit committee has reviewed the audited financial statements for the year ended 31st December 2007, the accounting principles and practices adopted by the Group with management and has discussed internal controls and financial reporting matters, with the directors.

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE STOCK EXCHANGE’S WEBSITE

All the financial and other related information of the Company required by the Listing Rules will be published on the Stock Exchange’s website in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication and contribution to the group. In addition, I would like to thank all our shareholders and investors for their patronage.

BOARD OF DIRECTORS

As at the date of this announcement, the 4 executive directors of the Company are namely, Mr. Wong Pak Ming, Ms. Wong Kit Fong, Ms. Wong Yee Kwan, Alvina and Ms. Law Kee, Alice; and 3 independent non-executive directors, namely, Mr. Tang Kai Kui, Terence, Mr. Choy Sze Chung, Jojo and Mr. Tsui Pui Hung.

By Order of the Board
Mandarin Entertainment (Holdings) Limited
Wong Pak Ming
Chairman

Hong Kong, 21st April, 2008

** For identification purpose only*