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

(Incorporated in Bermuda with limited liability)
(Stock Code: 9)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

The board of directors (the "Board") of Mandarin Entertainment (Holdings) Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2005 with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

		Six months ended 30th June,	
		2005	2004
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Turnover		**18,061**	36,465
Cost of sales		**(15,909)**	(35,200)
Gross profit		**2,152**	1,265
Other operating income		**1,419**	843
Administrative expenses		**(10,320)**	(9,654)
Finance costs		**(358)**	(437)
Amortisation of goodwill of investment in a jointly controlled entity		**–**	(150)
Share of results of jointly controlled entities		**29**	488
Loss before taxation	5	**(7,078)**	(7,645)
Taxation	6	**188**	(249)
Loss for the period		**(6,890)**	(7,894)
Attributable to:			
– Equity holders of the Company		**(6,890)**	(7,831)
– Minority interests		**–**	(63)
		(6,890)	(7,894)
Loss per share – basic	8	**(2.09) cents**	(2.37) cents

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH JUNE, 2005

	30.6.2005 HK$'000 (unaudited)	31.12.2004 HK$'000 (audited)
Non-current assets		
Property, plant and equipment	**7,930**	8,930
Interests in jointly controlled entities	**20,808**	16,284
Investment securities	–	6,100
Available-for-sale investments	**6,565**	–
	35,303	31,314
Current assets		
Film rights and production in progress	**44,441**	35,866
Inventories, at cost	**2,039**	1,949
Trade and other receivables	**13,888**	27,827
Amount due from a related company	**5,872**	6,147
Amount due from a minority shareholder of a subsidiary	**–**	280
Bank balances and cash	**9,671**	10,146
	75,911	82,215
Current liabilities		
Trade and other payables	**22,943**	19,806
Amount due to a director	**2,500**	–
Taxation payable	**1,128**	919
Bank and other borrowings – due within one year	**18,294**	17,777
	44,865	38,502
Net current assets	**31,046**	43,713
Total assets less current liabilities	**66,349**	75,027
Non-current liabilities		
Deferred taxation	**490**	887
Bank and other borrowings – due after one year	**2,412**	4,080
	2,902	4,967
Total assets less total liabilities	**63,447**	70,060
Capital and reserves		
Share capital	**33,000**	33,000
Reserves	**30,447**	36,872
Equity attributable to equity holders of the Company	**63,447**	69,872
Minority interests	**–**	188
Total equity	**63,447**	70,060

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for certain properties and financial instruments, which are measured at fair value or revalued amounts, as appropriate.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and statement of changes in equity. In particular, the presentation of minority interests and share of tax of a jointly controlled entity have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

(i) Business Combinations

In the current period, the Group has applied HKFRS 3 "Business Combinations", which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and goodwill arising on acquisitions after 1st January, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill arising from the acquisition of subsidiaries since 1st January, 2005, goodwill is capitalised and is subject to the test for impairment at least annually in the financial year in which the acquisition takes place. The adoption of HKFRS 3 has had no material impacts on the Group's results.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves. The Group has derecognised all negative goodwill at 1st January, 2005 of which negative goodwill of HK$1,720,000 was previously recorded in reserves, with a corresponding increase to accumulated profits.

(ii) Financial instruments

HKAS 32 "Financial Instruments: Disclosure and Presentation" requires retrospective application whereas HKAS 39 "Financial Instruments: Recognition and Measurement", which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects on the Group as a result of implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

On or before 31st December, 2004, the Group classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" issued by the HKICPA ("SSAP 24"). Under SSAP 24, the Group's investments in debt or equity securities are classified as "investment securities" or "other investments" as appropriate. "Investment securities" are carried at cost less impairment losses while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. From 1st January, 2005 onwards, the Group classifies and measures its investments in debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value with changes in fair values recognised in profit or loss and equity, respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1st January, 2005, the Group classified and measured its investments in debt and equity securities in accordance with the requirements of HKAS 39. Investments in securities classified under non-current assets with carrying amounts of approximately HK$6.1 million were reclassified to available-for-sale investments. An adjustment of approximately HK$1,028,000 to the previous carrying amounts of assets at 1st January, 2005 has been made to the Group's investments revaluation reserve.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss ". "Other financial liabilities" are carried at amortised cost using the effective interest method. The adoption of HKAS 39 has had no material effect on the Group's accumulated profits.

(iii) Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and is stated at cost or valuation less depreciation and amortisation at the balance sheet date and any accumulated impairment losses. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to lease premium for land under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Since the Group is unable to allocate lease payments between the land and buildings elements reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. The adoption of HKAS 17 has had no material impacts on the Group's results.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 above on the balance sheet items are as follows:

	As at 31.12.2004 and 1.1.2005 (originally stated)	**Adjustments**	**As at 1.1.2005 (restated)**
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale investments	–	7,128	7,128
Investment securities	6,100	(6,100)	–
Net effects on assets and liabilities	6,100	1,028	7,128
Investments revaluation reserve	–	1,028	1,028
Goodwill reserve	1,720	(1,720)	–
Accumulated losses	(17,427)	1,720	(15,707)
Net effects on total equity	(15,707)	1,028	(14,679)

The application of the new HKFRSs has had no effect to the Group's equity at 1st January, 2004.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds

4. **SEGMENTAL INFORMATION**

An analysis of the Group's revenue and contribution to profit from operations by business segment is as follows:

For the six months ended 30th June, 2005

	Advertising and promotional services *HK$'000*	**Film distribution and licensing** *HK$'000*	**Film processing** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
REVENUE					
External revenue	**5,024**	**3,873**	**10,583**	**–**	**19,480**
Inter segment revenue	**284**	**413**	**75**	**(772)**	**–**
Total revenue	**5,308**	**4,286**	**10,658**	**(772)**	**19,480**
SEGMENT RESULT	**(56)**	**(6,522)**	**254**	**–**	**(6,324)**
Net unallocated corporate expenses					**(425)**
Finance costs					**(358)**
Share of profit of a jointly controlled entity					**29**
Loss before taxation					**(7,078)**

For the six months ended 30th June, 2004

	Advertising and promotional services *HK$'000*	Film distribution and licensing *HK$'000*	Film processing *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
REVENUE					
External revenue	3,250	23,690	10,368	–	37,308
Inter segment revenue	326	384	1,250	(1,960)	–
Total revenue	3,576	24,074	11,618	(1,960)	37,308
SEGMENT RESULT	(484)	(5,620)	511	(1,610)	(7,203)
Net unallocated corporate expenses					(343)
Finance costs					(437)
Amortisation of goodwill					(150)
Share of results of jointly controlled entities					488
Loss before taxation					(7,645)

5. **LOSS BEFORE TAXATION**

	Six months ended 30th June, **2005** *HK$'000*	2004 *HK$'000*
Loss before taxation has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	**1,129**	1,122
Share of income tax of a jointly controlled entity in the People's Republic of China (included in share of results of jointly controlled entities)	**14**	–
and after crediting:		
Interest income	**23**	22

6. **TAXATION**

	Six months ended 30th June, 2005	2004
	HK$'000	*HK$'000*
Provision for Hong Kong Profits Tax	**209**	249
Deferred tax credit	**(397)**	–
	(188)	249

Hong Kong Profits Tax is calculated at 17.5% (for the six months ended 30th June, 2004: 17.5%) on the estimated assessable profit for the period.

7. **DIVIDENDS**

No dividends were paid or proposed during the period.

8. **LOSS PER SHARE**

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

	Six months ended 30th June, 2005	2004
	HK$'000	*HK$'000*
Loss for the period, attributable to the equity holders of the Company	**(6,890)**	(7,831)
	Number of shares	*Number of shares*
Number of ordinary shares for the purpose of basic earnings per share	**330,000,000**	330,000,000

No disclosure of diluted earnings per share for the six months ended 30th June, 2005 and 2004 has been made as there were no potential dilutive ordinary shares outstanding during both periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospect

The unaudited consolidated turnover and loss after tax of the Group in the first half of year amounted to HK$18.1 million and HK$6.9 million respectively.

The decrease in film distribution and licensing turnover in the first half of the year is the result of, among others, the existence of pirated VCDs and DVDs, parallel goods, HDVD, BT, illegal downloading from the Internet and video disc rental activities, which are continuously the main problems of the film industry. Nonetheless the Group's major production, Seven Swords, was screened in July 2005 as scheduled and the result is encouraging. Another major production is scheduled to start filming in late September this year. In view of this, turnover from film distribution are expected to surge substantially in the second half of the year.

Following the completion of the pre-operation procedures earlier this year, Mandarin Film & Television Post-Production Co., Ltd., the Group's Sino-foreign equity joint venture, with an one-stop operation providing professional and cost-effective film processing services including post production work for films and television series for the PRC and worldwide markets, is now entering the stage of operation planning. The Directors anticipate that this establishment would bring long-term business development for the Group in PRC.

In the first half of the year, profits of HK$254,000 and losses of HK$56,000 were recorded in the Group's processing and advertising business respectively, which remained stable when compared with that of last year and we believe the market condition will improve in the second half of the year.

Liquidity and financial resources

As at 30th June, 2005, the Group retained total cash and bank balances of HK$9.7 million, most of which were in Hong Kong dollars – the exposure of foreign exchange fluctuation has been minimal. Therefore, the use of financial instruments for hedging purpose was not considered necessary. On the same date, the Group had bank borrowings of HK$12.4 million. Part of the loans were secured by leasehold land and buildings, and certain plant, machinery and equipment in Hong Kong held by one of the Group's subsidiary with an aggregate carrying value of HK$4.48 million. Interest rates on these bank borrowings were at prevailing bank lending rates.

As at the financial period ended date, the Group had bank borrowings of HK$10 million which were repayable within one year. On the same date, the current ratio and the gearing ratio of the Group were 1.69 and 32.6 respectively (31st December, 2004: 2.14 and 31.3).

The directors are in the opinion that the Group has sufficient resources and working capital to meet its foreseeable capital expenditure.

Given the above, the current information in other management discussion and analysis has not changed materially from those information disclosed in the last published 2004 annual report.

Contingent Liabilities

As at 30th June, 2005, the directors considered that there was no material contingent liabilities for the Group.

Employee and remuneration policies

As at 30th June, 2005, the Group employed 81 staff members, including approximately 54 staff in the processing and development department.

Apart from basic salaries, discretionary bonus and contribution to the mandatory provident fund for staff in Hong Kong, share options may also be granted to staff with reference to the individual's performance.

PURCHASE, REDEMPTION AND SALE OF SHARES

During the six months ended 30th June, 2005, the Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries purchased, or sold any of the Company's shares.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30th June, 2005.

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

On 1st January 2005, the Code of Best Practice was replaced by the Code on Corporate Governance Practices (the "Code") as contained in Appendix 14 of the Listing Rules.

During the period, the Company has been taking action to comply with the code provisions set out in the Code and a Remuneration Committee has been set up, only with the major areas of deviation detailed below, namely the roles of the chairman of the board of Directors and the chief executive officer are not separated and are performed by the same person. The Directors consider that Mr. WONG Pak Ming, 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 Directors also consider that this structure will not impair the balance of power and authority between the Directors and the management as the board of Directors, which comprises experienced and high caliber individuals, meets regularly to discuss issues affecting the operations of the Group.

In addition, currently the chairman is not subject to retirement by rotation. The Directors will propose relevant amendments to be made to the bye-laws for approval by the shareholders at the next general meeting of the Company so that every director including the Chairman of the board of Directors shall be subject to retirement by rotation at least once every three years.

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

For the six months period to 30th June 2005, 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 six months ended 30th June 2005, and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company has set up an audit committee, comprised of three independent non-executive directors of the Company, namely Mr. Alan WOO, Mr. LAI Voon Wai and Mr. WAN Ngar Yin, David. The audit committee has reviewed the accounting principles and practices adopted by the Group with management and has discussed internal controls and financial reporting matters, including a review of the unaudited condensed accounts for the six months ended 30th June 2005 with the directors.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other related information of the Company required by the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 support and our customers for their patronage.

By Order of the Board
WONG Pak Ming
Chairman

Hong Kong, 21st September, 2005

As at the date of this announcement, the three executive directors of the Company are namely, Mr. WONG Pak Ming, Ms. WONG Kit Fong and Ms. WONG Yee Kwan, Alvina; and three independent non-executive directors, namely, Mr. WAN Ngar Yin, David, Mr. LAI Voon Wai and Mr. Alan WOO.

* *for the purpose of identification only*

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