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

(Incorporated in Bermuda with limited liability)
(Stock Code: 0009)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

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, 2006 with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

		Six months ended 30th June,	
		2006	2005
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue		**25,350**	18,061
Cost of sales		**(15,528)**	(15,909)
Gross profit		**9,822**	2,152
Other income		**1,362**	1,419
Gain on disposal of available-for-sale investments		**4,309**	–
Administrative expenses		**(11,196)**	(10,320)
Finance costs		**(132)**	(358)
Share of results of jointly controlled entities		**518**	29
Profit (loss) before taxation	4	**4,683**	(7,078)
Income tax expense	5	**(131)**	188
Profit (loss) for the period, attributable to equity holders of the Company		**4,552**	(6,890)
Basic earnings (loss) per share	7	**1.38 cents**	(2.09) cents

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH JUNE, 2006

	NOTES	**30.6.2006** *HK$'000* **(unaudited)**	31.12.2005 *HK$'000* (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,208**	4,194
Prepaid lease payments		**2,541**	2,578
Available-for-sale investments		**6,196**	7,221
Interests in jointly controlled entities		**20,894**	19,871
Pledged bank deposits		**–**	1,005
Film rights		**1,960**	3,277
		34,799	38,146
Current assets			
Film production in progress		**63,100**	51,058
Prepaid lease payments		**75**	75
Inventories		**1,607**	2,007
Trade and other receivables and deposits paid		**14,575**	14,426
Amount due from a jointly controlled entity		**68**	172
Amount due from a related company		**5,814**	5,814
Pledged bank deposits		**1,533**	506
Bank balances and cash		**17,840**	10,410
		104,612	84,468
Current liabilities			
Trade and other payables and deposits received		**57,210**	44,352
Bank overdraft		**1,080**	384
Bank and other borrowings – due within one year		**20,692**	10,117
Taxation payable		**649**	66
		79,631	54,919
Net current assets		**24,981**	29,549
Total assets less current liabilities		**59,780**	67,695
Non-current liabilities			
Bank and other borrowings – due after one year		**1,255**	14,644
Deferred taxation		**225**	677
		1,480	15,321
NET ASSETS		**58,300**	52,374
CAPITAL AND RESERVES			
Share capital		**33,000**	33,000
Reserves		**25,300**	19,374
TOTAL EQUITY		**58,300**	52,374

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

1. BASIS OF PREPARATION

The condensed consolidated 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 ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for properties and certain financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2005.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the "new HKFRSs"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs had no material effect on how the results 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 all the other new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of the other new HKFRSs will have no material impact on the results and financial position of the Group.

3. SEGMENTAL INFORMATION

Business segments

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. Segmental information about these businesses is presented below.

For the six months ended 30th June, 2006

	Film distribution and licensing	Film processing	Advertising and promotional services	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External revenue	11,097	11,075	3,178	–	25,350
Inter segment revenue	76	186	1,662	(1,924)	–
Total revenue	11,173	11,261	4,840	(1,924)	25,350
SEGMENT RESULT	(652)	227	(333)	–	(758)
Other income					1,362
Gain on disposal of available-for-sale investments					4,309
Unallocated corporate expenses					(616)
Finance costs					(132)
Share of results of jointly controlled entities					518
Profit before taxation					4,683
Income tax expense					(131)
Profit for the period					4,552

For the six months ended 30th June, 2005

	Film distribution and licensing *HK$'000*	Film processing *HK$'000*	Advertising and promotional services *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
REVENUE					
External revenue	3,713	9,392	4,956	–	18,061
Inter segment revenue	178	60	284	(522)	–
Total revenue	3,891	9,452	5,240	(522)	18,061
SEGMENT RESULT	(6,683)	(937)	(124)	–	(7,744)
Other income					1,419
Unallocated corporate expenses					(424)
Finance costs					(358)
Share of results of jointly controlled entities					29
Loss before taxation					(7,078)
Income tax expense					188
Loss for the period					(6,890)

4. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30th June, **2006** *HK$'000*	2005 *HK$'000*
Profit (loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**1,014**	1,091
Amortisation of prepaid lease payments	**37**	37
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**255**	14
and after crediting:		
Interest income	**157**	23

5. INCOME TAX EXPENSE

	Six months ended 30th June, **2006** *HK$'000*	2005 *HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax	**583**	209
Deferred tax credit	**(452)**	(397)
	131	(188)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the six months ended 30th June, 2006 and 2005.

6. DIVIDENDS

No dividends were paid or proposed during the period.

7. BASIC EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the ordinary equity holders of the Company is based on the profit for the period attributable to ordinary equity holders of the Company of HK$4,552,000 (2005: loss of HK$6,890,000) and on 330,000,000 (2005: 330,000,000) ordinary shares in issue during the period.

Diluted earnings per share is not presented as the 2,624,000 share options granted to directors and employees on 23rd June, 2006 are anti dilutive in terms of HKAS 33 "Earnings per share".

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospect

The unaudited consolidated turnover and profit attributable to equity holders of the company in the first half of year amounted to HK$25.4 million and HK$4.6 million respectively.

For the period under review, the Group recorded an increase in turnover by approximately 40% to approximately HK$25.4 million. Such increase was mainly attributable to the increase in film distribution and licensing revenue of the Group resulting from the successful execution of the CEPA (Closer Economic Partnership Arrangement) model by the Group. The Group believes that, with the new opportunities provided by the implementation of CEPA and the experiences gained from the joint-shooting of films such as 'Seven Swords' and 'Dragon Tiger Gate', the Group will be able to further enhance its ability to produce future internationally recognized films.

During the period, the Company has disposed of 13,296,000 shares in Jade Dynasty Group Limited, whose shares are listed on the Stock Exchange of Hong Kong and were held by the Group as available-for-sale investments as at 31st December, 2005, for an aggregate consideration of approximately HK$8.8 million resulting in a profit of approximately HK$4.3 million.

In the first half of the year, losses of HK$333,000 was recorded in the Group's advertising business, which is comparable with that of last year. As for the Group's film processing business, a profit of HK$227,000 was recorded, while a loss of HK$937,000 was recorded in the corresponding period of last year. The vast improvement in the performance of the film processing business is mainly due to better cost control as well as improvement in revenue.

Liquidity and financial resources

As at 30th June, 2006, the Group retained total cash and bank balances of HK$19.4 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$9.9 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$4.5 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$8.7 which were repayable within one year. On the same date, the current ratio and the gearing ratio of the Group were 1.3 times and 39% respectively (31st December, 2005: 1.5 times and 48%).

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

Contingent Liabilities

In April 2006, 上海華芮文化傳播有限公司 ("Shanghai City Glory"), one of the investors of "Seven Swords", initiated legal proceedings against Mandarin Films Distribution Co., Ltd. ("Mandarin Films Distribution"), an indirect wholly owned subsidiary of the Company in respect of claim for payment of income amounting to approximately US$1,020,000 (equivalent to HK$7,956,000) arising from the filming of "Seven Swords".

Mandarin Films Distribution has vigorously defended the claims and the proceedings are still ongoing. The Directors are of the opinion that there is unlikely to be any material adverse financial impact on the Group as the profit to be shared by Shanghai City Glory has been properly accounted for in accordance with the cooperation agreement entered on 25th June, 2004 and the supplementary agreement dated 4th March, 2005.

Employee and remuneration policies

As at 30th June, 2006, the Group employed 79 staff members, including approximately 53 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, 2006, 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, 2006.

CORPORATE GOVERNANCE

During the six months ended 30th June, 2006, the Company has complied with the code provisions of the Code in Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). Subsequent to the publication of the Corporate Governance Report in the 2005 annual report, a new set of articles of association has been adopted in the annual general meeting on 26th May, 2006 in order to comply with the Code, especially the director retirement requirements under the Code.

FURTHER INFORMATION ABOUT CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wong Pak Ming ("Mr. Wong") is both the chairman and founder of the Company. The Company has no such title as the chief executive officer and therefore 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 decision promptly and efficiently which is beneficial to the business prospects of the Group. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management as the Board, comprises experienced and high caliber individuals, meets regularly to discuss issues affecting the operation of the Group.

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, 2006, 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 2006, 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. TANG Kai Kui, Terence, 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 consolidated financial statements for the six months ended 30th June, 2006 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, 2006

As at the date of this announcement, the four executive directors of the Company are namely, Mr. WONG Pak Ming, Ms. WONG Kit Fong, Ms. WONG Yee Kwan, Alvina and Mr. KO Tin Chow; and three independent non-executive directors, namely, Mr. WAN Ngar Yin, David, Mr. LAI Voon Wai and Mr. TANG Kai Kui, Terence.

* *For the purpose of identification only*

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