MANDARIN ENTERTAINMENT (HOLDINGS) LIMITED
東方娛樂控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 00009)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

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 30 June 2008 with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Six months ended 30 June	
		2008	2007
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
REVENUE	3	**25,800**	21,503
Cost of sales	5	**(26,992)**	(17,775)
Gross profit/(loss)		**(1,192)**	3,728
Other income		**1,339**	1,472
Excess over the cost of a business combination		**277**	–
Gain on disposal of available-for-sale investments		**–**	2,173
Gain on disposal of properties held for sales		**988**	–
Fair value gain on financial derivatives		**2,744**	–
Fair value loss on investments held for trading, net		**(2,145)**	–
Impairment of amount due from a jointly-controlled entity		**(1,349)**	–
Impairment on other receivables		**(322)**	–
Administrative expenses		**(11,745)**	(9,758)
Finance costs	4	**(1,217)**	(399)
Share of results of jointly-controlled entities		**(1,356)**	5

	Notes	Six months ended 30 June **2008** *HK$'000* **(unaudited)**	2007 *HK$'000* (unaudited)
LOSS BEFORE TAX	5	**(13,978)**	(2,779)
Tax	6	**–**	53
LOSS FOR THE PERIOD		**(13,978)**	(2,726)
Attributable to:			
Equity holders of the Company		**(13,936)**	(2,726)
Minority interests		**(42)**	–
Total		**(13,978)**	(2,726)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic		**HK(2.15) cents**	HK(0.82) cents
Diluted		**HK(2.18) cents**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2008

	Notes	As at 30 June 2008 HK$'000 (unaudited)	As at 31 December 2007 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,937**	3,765
Investment property		**454,752**	–
Prepaid land lease payments		**2,389**	2,428
Goodwill		**44,600**	–
Interests in jointly-controlled entities		**15,316**	16,664
Total non-current assets		**520,994**	22,857
CURRENT ASSETS			
Film rights		**360**	720
Film production in progress		**92,910**	53,202
Prepaid land lease payments		**77**	75
Inventories		**1,986**	1,853
Property held for sale		**–**	4,561
Investments held for trading		**13,458**	16,350
Trade and other receivables and deposits paid	9	**6,654**	11,508
Loan receivable		**–**	5,500
Amount due from a jointly-controlled entity		**–**	1,349
Tax recoverable		**297**	297
Pledged bank deposits		**535**	533
Cash and bank balances		**9,974**	100,358
Total current assets		**126,251**	196,306
CURRENT LIABILITIES			
Trade and other payables and deposits received	10	**55,348**	35,220
Provision for loss on guarantee		**140,382**	–
Amount due to shareholders		**30,030**	–
Tax payable		**83**	83

	As at 30 June 2008 *HK$'000* (unaudited)	As at 31 December 2007 *HK$'000* (audited)
Obligations under a finance lease	**92**	92
Interest-bearing bank and other borrowings	**19,143**	19,882
Total current liabilities	**245,078**	55,277
NET CURRENT ASSETS/(LIABILITIES)	**(118,827)**	141,029
TOTAL ASSETS LESS CURRENT LIABILITIES	**402,167**	163,886
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**402**	537
Convertible bonds	**51,385**	–
Financial derivatives	**16,907**	–
Deferred tax liabilities	**85,821**	508
Obligations under a finance lease	**146**	192
Total non-current liabilities	**154,661**	1,237
Net assets	**247,506**	162,649
EQUITY		
Equity attributable to equity holder of the Company		
Share capital	**75,100**	57,600
Reserves	**149,496**	105,049
	224,596	162,649
Minority interests	**22,910**	–
Total equity	**247,506**	162,649

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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, investment property 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 31 December 2007 except for the following new accounting policies adopted by the Group.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of investment properties are recognised in the income statement in the year of the retirement or disposal.

Convertible bonds

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. The fair value of the liability component is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Except for the above new accounting policies, in the current period, the Group has adopted the new Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) that are adopted for the first time for the current period's condensed consolidated financial statements:

HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new standards and interpretations has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements.

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. REVENUE AND 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 the revenue and the results of these businesses is presented below.

For the six months ended 30 June 2008

	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	**12,267**	**7,142**	**6,391**	**–**	**25,800**
Inter-segment revenue	**–**	**893**	**1,051**	**(1,944)**	**–**
Total revenue	**12,267**	**8,035**	**7,442**	**(1,944)**	**25,800**
SEGMENT RESULT	**(8,080)**	**(1,190)**	**162**	**–**	**(9,108)**
Other income					**1,339**
Excess over the cost of a business combination					**277**
Gain on disposal of properties held for sales					**988**
Fair value gain on financial derivatives					**2,744**
Fair value loss on investments held for trading, net					**(2,145)**
Impairment of amount due from a jointly-controlled entity					**(1,349)**
Impairment of other receivables					**(322)**
Unallocated corporate expenses					**(3,829)**
Finance costs					**(1,217)**
Share of results of jointly-controlled entities					**(1,356)**
Loss before tax					**(13,978)**
Tax					**–**
Loss for the period					**(13,978)**

For the six months ended 30 June 2007

	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	6,561	12,734	2,208	–	21,503
Inter-segment revenue	–	1,544	2,126	(3,670)	–
Total revenue	6,561	14,278	4,334	(3,670)	21,503
SEGMENT RESULT	(5,622)	522	(101)	–	(5,201)
Other income					1,472
Gain on disposal of available-for-sale investments					2,173
Unallocated corporate expenses					(829)
Finance costs					(399)
Share of results of jointly-controlled entities					5
Loss before tax					(2,779)
Tax					53
Loss for the period					(2,726)

4. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**154**	390
Interest on convertible bonds	**1,036**	–
Interest on finance lease	**27**	9
Total interest	**1,217**	399

5. LOSS BEFORE TAX

The Group's loss before tax has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Cost of sales	**26,992**	17,775
Depreciation	**648**	812
Amortisation of prepaid land lease payments	**37**	37
Impairment loss recognised in respect of film production in progress (included in cost of sales)	**9,355**	–
Excess over the cost of a business combination	**(277)**	–
Gross and net rental income	**(97)**	–
Interest income	**(397)**	(170)
Gain on disposal of items of property, plant and equipment	**–**	(4)

6. TAX

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The tax credit comprises:		
Hong Kong Profits Tax	**–**	322
Deferred tax credit	**–**	(375)
	–	(53)

No Hong Kong profits tax has not provided as the Group did not generate any assessable profit in Hong Kong during the period. During the six months ended 30 June 2007, Hong Kong profits tax is calculated at 17.5% of the estimated assessable profit.

7. DIVIDEND

No dividend was paid or proposed during the period.

8. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Basic loss per share

The calculation of basic loss per share amounts is based on the loss for the period attributable to equity holders of the Company, and the weighted average number of 647,153,846 (2007: 334,475,138) ordinary shares in issue during the period.

(b) Diluted loss per share

The calculation of diluted loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds and fair value gain on the financial derivatives, 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 loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

Weighted average number of ordinary shares

	2008	2007
Weighted average number of ordinary shares in issue during the period used in the calculation of the basic loss per share	**647,153,846**	334,475,138
Effect of dilution-weighted average number of ordinary shares:		
Convertible bonds	**71,153,846**	–
	718,307,692	334,475,138

Loss for the period attributable to equity holders of the Company before the issuance of convertible bonds

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period attributable to equity holders of the Company	**(13,936)**	(2,726)
Interest on convertible bonds	**1,036**	–
Less: Fair value gain on the financial derivatives	**(2,744)**	–
Loss for the period attributable to equity holders of the Company before the issuance of convertible bonds	**(15,644)**	(2,726)

No dilution effect from share options issued by the Company because the exercise price of the Company's options was higher than the average market price for the share for the periods ended 30 June 2008 and 2007.

9. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

The Group has a policy of allowing its trade customers credit periods normally ranging from 90 days to 120 days. Included in trade and other receivables and deposits paid are trade receivables of HK$2,764,000 (31 December 2007: HK$2,997,000) and their aged analysis is as follows:

	As at 30 June 2008	As at 31 December 2007
	HK$'000	*HK$'000*
0 – 90 days	**1,160**	2,877
91 – 180 days	**1,293**	12
181 – 365 days	**273**	108
Over 1 year	**38**	–
	2,764	2,997

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly.

10. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

Included in trade and other payables and deposits received are trade payables of HK$3,436,000 (31 December 2007: HK$3,514,000) and their aged analysis is as follows:

	As at 30 June 2008 *HK$'000*	As at 31 December 2007 *HK$'000*
0 – 90 days	**2,281**	2,631
91 – 180 days	**715**	320
181 – 365 days	**–**	172
Over 1 year	**440**	391
	3,436	3,514

11. BUSINESS COMBINATION

(a) Acquisition of Profit Source International Limited and its subsidiary (the "Profit Source Group")

On 18 April 2008, the Group acquired the entire interest of Profit Source International Limited which holds 90% interest in a PRC subsidiary and the shareholder's loan of HK$31,766,000 (the "Acquisition"). The Profit Source Group is engaged in the property operation.

The purchase consideration for the Acquisition amounted to approximately HK$240,000,000 which was satisfied by:

(i) the issue of an aggregate of 175,000,000 ordinary shares (the "Consideration Shares") of HK$0.10 each in the share capital of the Company at an issue price of HK$0.4 per share (the "Issue Price") by the Company;

The Issue Price of HK$0.4 per share is considered to be the fair value for the purpose of calculating the consideration of the Acquisition as the Issue Price was determined after arm's length negotiations between the Group and the vendors.

Although the Issue Price represents a discount to the closing price of the shares of the Company as at the acquisition date, the directors have considered the shares of the Company were traded in very thin trading volume during the period. Based on the foregoing, the directors are of the view that the Issue price is fair and reasonable to the Company and the shareholders as a whole.

(ii) Convertible bonds, with fair value of HK$70,000,000 at the acquisition date; and

(iii) Cash, with HK$30,000,000 paid on 30 January 2008, HK$40,000,000 paid at the acquisition date and the remaining HK$30,000,000 to be paid on or before 18 April 2009.

The fair values of the identifiable assets and liabilities and contingent liabilities of the Profit Source Group as at the date of Acquisition and the corresponding carrying amounts immediately before the Acquisition were as follows:

	Fair value recognised on Acquisition	**Previous carrying amount**
	HK$'000	*HK$'000*
Property, plant and equipment	304	304
Investment property	445,087	445,087
Investment held-for-trading	430	430
Cash and bank balances	474	474
Shareholder's loan	(31,766)	(31,766)
Provision for loss on guarantee	(137,399)	(137,399)
Accruals and other payables	(937)	(937)
Deferred tax liabilities	(85,313)	–
Minority interests	(22,285)	(30,816)
	168,595	245,377
Goodwill	44,600	
	213,195	
Satisfied by:		
Cash	100,000	
Consideration Shares	70,000	
Convertible bonds	70,000	
Costs associated with the Acquisition	4,961	
Shareholder's loan	(31,766)	
	213,195	

An analysis of the net outflow of cash and cash equivalents in respect of the Acquisition of the Profit Source Group is as follows:

	HK$'000
Cash consideration	70,000
Costs associated with the Acquisition	4,961
Cash and bank balances acquired	(474)
Net outflow of cash and cash equivalents in respect of the Acquisition of the Profit Source Group	74,487

At 30 June 2008, the remaining cash consideration of HK$30,000,000 included in "Amount due to shareholders" is to be paid on or before 18 April 2009.

Since the Acquisition, the Profit Source Group contributed HK$417,000 to the consolidated loss for the six months ended 30 June 2008.

Had the combination taken place at the beginning of the period, the loss of the Group for the period would have been HK$16,830,000.

(b) Acquisition of Prosper China Limited and its wholly-owned subsidiary (the "Prosper China Group")

On 9 January 2008, the Group acquired the remaining 60% equity interest of the Prosper China Group for a total consideration of HK$1. Upon the completion of the acquisition, the Group increased its equity interest in the Prosper China Group from 40% to 100%.

The fair values of the identifiable assets and liabilities of the Prosper China Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition	**Previous carrying amount**
	HK$'000	*HK$'000*
Property, plant and equipment	6	6
Cash and bank balances	1,036	1,036
Trade receivables	1	1
Prepayments and other receivables	32	32
Accruals and other payables	(798)	(798)
	277	277
Excess over the cost of a business combination	(277)	
	–	
Satisfied by:		
Cash consideration of HK$1	–	

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of the Prosper China Group is as follows:

	HK$'000
Cash consideration	–
Cash and bank balances acquired	1,036
Net inflow of cash and cash equivalents in respect of the acquisition of the Prosper China Group	1,036

Since its acquisition on 9 January 2008, the Prosper China Group contributed HK$91,000 to the consolidated loss for the six months ended 30 June 2008.

Had the combination taken place at the beginning of the period, the loss of the Group for the period would have been HK$13,978,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospect

The unaudited consolidated turnover and loss attributable to equity holders of the Company in the first half of year amounted to HK$25.8 million and HK$13.9 million respectively.

For the period under review, the Group recorded an increase in turnover by approximately 20% to approximately HK$25.8 million. Such increase was mainly due to the increase in film distribution and licensing revenue of the Group in the first half of the year. The Group believes that, with the film income generated from the movies namely 'Yip Man' in the second half of the year, the revenue of the Group will increase accordingly.

In the first half of the year, loss of HK$8.1 million, HK$1.2 million and profit of HK$0.2 million were recorded in the Group's film distribution and licensing business, film processing business and advertising business, respectively and we believe the market condition will improve in the second half of the year.

2008 is another challenging year. The business environment remained very difficult for our film making and processing business. To overcome these challenges, the management has continued during the year to venturing new business opportunities to improve returns in the coming years.

In April 2008, the Group acquired the Profit Source Group which its main business located in Chengdu, the PRC. The Profit Source Group currently has a shopping mall located at the premium area in Chengdu, and as such will bring the Group a new stream of revenue. More importantly, however, it will provide the Group with diversifying its business from a fast growing city in China and providing a support to its advertising and promotion projects in western Mainland China.

Liquidity and Financial Resources

As at 30 June 2008, the Group retained total cash and bank balances of HK$9.9 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$6 million. Part of the loans was secured by leasehold land and buildings in Hong Kong held by the Group's subsidiaries with an aggregate carrying value of HK$3.3 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$6 million which were repayable within one year. On the same date, the current ratio was 0.51 times (31 December 2007: 3.55 times).

Working capital for the operation of the Group are principally funded by (1) normal commercial credit terms granted by suppliers and vendors; and (2) short-term financing by the substantial shareholder.

The management is reviewing various fund-raising options and corporate strategies corresponding to its business development in order to reduce the above financial burden, borrowing and financial support.

Capital Structure

Pursuant to an ordinary resolution passed on 29 May 2008, the authorised share capital of the Company was increased from HK$100,000,000 to HK$1,000,000,000 by the creation of 9,000,000,000 additional shares of HK$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.

The Company has allotted and issued 175,000,000 shares on 18 April 2008 at HK$0.40 each. The gross proceeds raised were used for satisfying the completion of the acquisition of the Profit Source Group taken place on 18 April 2008.

Subsequent to the period ended 30 June 2008, the Company has made an Open Offer of not less than 1,426,900,000 Offer Shares and not more than 1,569,400,000 Offer Shares were allotted and issued on 3 September 2008 at HK$0.10 each on the basis of nineteen Offer Shares for every ten Shares. The gross proceeds raised of approximately HK$142.7 million were used for (i) the repayment of the outstanding debts of the Group, including the provision for loss on guarantee in relation to the legal exposure arising from the acquisition of the Profit Source Group to approximately HK$140 million; and (ii) the general working capital and/or future investment of the Group.

Contingent Liabilities

Pursuant to the circular dated 12 March 2008, the newly acquired PRC subsidiary of the Group via the acquisition of Profit Source International Limited, which is principally engaged in development, construction, management and leasing of the investment property, was a party to several civil litigations and majority part of the investment property is pledged to the banks for bank facilities granted to a former shareholder of the PRC subsidiary. The maximum liabilities bore by the Group for the acquisition of the PRC subsidiary at the acquisition date was RMB130,956,000.

At 30 June 2008, several final judgements have been received against the PRC subsidiary in the total amount RMB116,655,000 and a provision for loss on guarantee of RMB123,480,000 (approximately HK$140,382,000) had been recognised in the condensed consolidated financial statements in this respect. Accordingly, the Group had contingent liabilities in the amount of RMB7,476,000 (approximately HK$8,499,000).

Employee and remuneration policies

As at 30 June 2008, the Group employed 90 staff members, including approximately 49 staff in the film processing 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 30 June 2008, 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 30 June 2008.

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

Corporate Governance

During the six months ended 30 June 2008, the Company has complied with the 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.

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 the Listing Rules

For the six months period 30 June 2008, 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 30 June 2008, and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Audit committee, comprises three independent non-executive directors of the Company, 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 30 June 2008 with the directors.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.capitalfp.com.hk/eng/index.jsp?co=9). The interim report will be dispatched to the shareholders and will be made available on the aforesaid websites 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, 22 September 2008

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Wong Pak Ming (Chairman), Ms. Wong Yee Kwan, Alvina, Ms. Law Kee, Alice and Mr. Wong Chi Woon, Edmond and three independent non-executive directors namely Mr. Choy Sze Chung, Jojo, Mr. Tsui Pui Hung and Mr. Chan Tung Tak, Alain.

* *For the purpose of identification only*