

INTERIM
2008 REPORT



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

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

INTERIM RESULTS

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

	<i>Notes</i>	Six months ended 30 June	
		2008	2007
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(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 of 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
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

		As at 30 June 2008 <i>HK\$'000</i> (unaudited)	As at 31 December 2007 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
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	9	15,316	16,664
		<hr/>	<hr/>
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	10	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
		<hr/>	<hr/>
Total current assets		126,251	196,306
CURRENT LIABILITIES			
Trade and other payables and deposits received	11	55,348	35,220
Provision for loss on guarantee	18	140,382	–
Amount due to shareholders	19(d)	30,030	–
Tax payable		83	83
Obligations under a finance lease		92	92
Interest-bearing bank and other borrowings	13	19,143	19,882
		<hr/>	<hr/>
Total current liabilities		245,078	55,277
		<hr/>	<hr/>
NET CURRENT ASSETS/(LIABILITIES)		(118,827)	141,029
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		402,167	163,886
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

At 30 June 2008

		As at 30 June 2008 <i>HK\$'000</i> (unaudited)	As at 31 December 2007 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	402	537
Convertible bonds	14	51,385	–
Financial derivatives	15	16,907	–
Deferred tax liabilities		85,821	508
Obligations under a finance lease		146	192
		<hr/>	<hr/>
Total non-current liabilities		154,661	1,237
		<hr/>	<hr/>
Net assets		247,506	162,649
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	16	75,100	57,600
Reserves		149,496	105,049
		<hr/>	<hr/>
		224,596	162,649
		<hr/>	<hr/>
Minority interests		22,910	–
		<hr/>	<hr/>
Total equity		247,506	162,649
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the Company									
	Share capital	Share premium	Exchange fluctuation reserve	Investments revaluation reserve	Special reserve	Share options reserve	Accumulated losses	Total	Minority interests	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2007	33,000	34,653	-	1,240	17,926	523	(32,653)	54,689	-	54,689
Transferred to profit or loss on sale of available-for-sale investments	-	-	-	(1,240)	-	-	-	(1,240)	-	(1,240)
Loss for the period	-	-	-	-	-	-	(2,726)	(2,726)	-	(2,726)
Total income and expenses for the period	-	-	-	(1,240)	-	-	(2,726)	(3,966)	-	(3,966)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	384	-	384	-	384
Issue of shares	3,000	36,900	-	-	-	-	-	39,900	-	39,900
Transaction costs attributable to issue of shares	-	(1,116)	-	-	-	-	-	(1,116)	-	(1,116)
At 30 June 2007	36,000	70,437	-	-	17,926	907	(35,379)	89,891	-	89,891
Loss for the period	-	-	-	-	-	-	(37,341)	(37,341)	-	(37,341)
Total income and expenses for the period	-	-	-	-	-	-	(37,341)	(37,341)	-	(37,341)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	2,311	-	2,311	-	2,311
Issue of shares	21,600	88,920	-	-	-	-	-	110,520	-	110,520
Transaction costs attributable to issue of shares	-	(2,732)	-	-	-	-	-	(2,732)	-	(2,732)
Transferred to accumulated losses on forfeiture of share options	-	-	-	-	-	(917)	917	-	-	-
At 1 January 2008	57,600	156,625	-	-	17,926	2,301	(71,803)	162,649	-	162,649
Exchange realignment	-	-	5,963	-	-	-	-	5,963	667	6,630

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to equity holders of the Company									
	Share capital	Share premium	Exchange fluctuation reserve	Investments revaluation reserve	Special reserve	Share options reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total income and expense for the period recognised directly in equity	-	-	5,963	-	-	-	-	5,963	667	6,630
Loss for the period	-	-	-	-	-	-	(13,936)	(13,936)	(42)	(13,978)
Total income and expenses for the period	-	-	5,963	-	-	-	(13,936)	(7,973)	625	(7,348)
Minority interest arose on acquisition of subsidiaries	-	-	-	-	-	-	-	-	22,285	22,285
Issue of shares	17,500	52,500	-	-	-	-	-	70,000	-	70,000
Transaction costs attributable to issue of shares	-	(80)	-	-	-	-	-	(80)	-	(80)
Transferred to accumulated losses on forfeiture of share options	-	-	-	-	-	(627)	627	-	-	-
At 30 June 2008	75,100	209,045	5,963	-	17,926	1,674	(85,112)	224,596	22,910	247,506

The special reserve of the Group mainly represents the sum of the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the group reorganisation in 2001 of approximately HK\$10,420,000 (31 December 2007: HK\$10,420,000) and the consideration for the acquisition of additional interests in jointly-controlled entities which became wholly-owned subsidiaries by the substantial shareholder of the Company prior to the group reorganisation of HK\$7,506,000 (31 December 2007: HK\$7,506,000).

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2008*

	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
NET CASH INFLOW/(OUTFLOW) FROM:		
Operating activities	(21,131)	(26,466)
Investing activities	(68,072)	3,456
Financing activities	(5,249)	36,902
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	(94,452)	13,892
Cash and cash equivalents at 1 January	100,358	14,756
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	5,906	28,648
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	9,974	29,447
Bank overdrafts	(4,068)	(799)
	<hr/>	<hr/>
	5,906	28,648
	<hr/> <hr/>	<hr/> <hr/>

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.

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 an investment property are recognised in the income statement in the year of the retirement or disposal.

Rental income is recognised on a time proportion basis over the lease terms.

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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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 <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	12,267	7,142	6,391	-	25,800
Inter-segment revenue	-	893	1,051	(1,944)	-
Total revenue	<u>12,267</u>	<u>8,035</u>	<u>7,442</u>	<u>(1,944)</u>	<u>25,800</u>
SEGMENT RESULT	<u>(8,080)</u>	<u>(1,190)</u>	<u>162</u>	<u>-</u>	<u>(9,108)</u>
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					<u>(1,356)</u>
Loss before tax					(13,978)
Tax					-
Loss for the period					<u>(13,978)</u>

3. REVENUE AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

For the six months ended 30 June 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	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
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(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)
	<u> </u>	<u> </u>

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)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	-	(53)

No Hong Kong profits tax has been 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 (2007: Nil).

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 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:

<i>Weighted average number of ordinary shares</i>	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	—
	<u>718,307,692</u>	<u>334,475,138</u>

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

(b) **Diluted loss per share (continued)**

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

	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(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)	–
	<hr/>	<hr/>
Loss for the period attributable to equity holders of the Company before the issuance of convertible bonds	<u>(15,644)</u>	<u>(2,726)</u>

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. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

At 30 June 2008, the Group had interests in the following jointly-controlled entities:

Name of entity	Place of incorporation/ operations	Proportion of nominal value of issued share capital/ registered capital held indirectly by the Company %	Nature of business
浙江東方國際發展有限公司	the People's Republic of China ("PRC")/ PRC	37.5	Hotel operations
東方橫店影視後期製作有限公司	PRC/PRC	49	Provision of film processing and post production services for films and television series but not yet commenced operation
Dong Tian Motion Picture Investment Limited	British Virgin Islands/ PRC	50	Investment holding

10. 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 HK\$'000 (unaudited)	As at 31 December 2007 HK\$'000 (audited)
0 – 90 days	1,160	2,877
91 – 180 days	1,293	12
181 – 365 days	273	108
Over 1 year	38	–
	<u>2,764</u>	<u>2,997</u>

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

11. 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 (unaudited)	As at 31 December 2007 HK\$'000 (audited)
0 – 90 days	2,281	2,631
91 – 180 days	715	320
181 – 365 days	–	172
Over 1 year	440	391
	<u>3,436</u>	<u>3,514</u>

12. PLEDGE OF ASSETS

At the balance sheet date, the Group's bank facilities are secured by the following:

- (1) an unlimited corporate guarantee given by the Company;
- (2) the personal guarantee given by a director of the Company;
- (3) the legal charge over the copyright of a film with no carrying amount as at 30 June 2008 (31 December 2007: HK\$1,134,000);
- (4) certain of the Group's prepaid land lease payments and buildings with a carrying value of HK\$3,302,000 (31 December 2007: HK\$3,388,000); and
- (5) bank deposits with a carrying value of HK\$535,000 (31 December 2007: HK\$533,000).

Saved as disclosed above, majority part of the investment property is pledged to the banks for bank facilities granted to a former shareholder of a newly acquired PRC subsidiary of the Group via the acquisition of Profit Source International Limited ("Profit Source"), a company incorporated in Hong Kong (Note 18).

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 30 June 2008, the Group has utilised the overdraft features of an amount HK\$4,068,000 (2007: Nil). The bank loans bear interest at 3.25% to 7.75% (31 December 2007: 4.75% to 7.5%) per annum and are repayable in one to five years. Other borrowings represented loans from a substantial shareholder which bear interest at 1% to 3% (31 December 2007: 1% to 3%).

14. CONVERTIBLE BONDS

On 18 April 2008, the Company issued 3.5-year redeemable convertible bonds with an aggregate principal amount of HK\$70,000,000. There was no movement in the number of these convertible bonds during the period. The bonds are convertible at the option of the bondholders into ordinary shares on or before 18 October 2011 at a price of HK\$0.40 per share. Any convertible bonds not converted will be redeemed on 18 October 2011 at 100% of the principal amount of the convertible bonds. The bonds carry no interest.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond with a conversion option. The residual amount is recognised as the financial derivatives component and is included in non-current liabilities.

14. CONVERTIBLE BONDS (continued)

The convertible bonds issued during the period have been split as to the liability and financial derivatives components, as follows:

	As at 30 June 2008 <i>HK\$'000</i> (unaudited)	As at 31 December 2007 <i>HK\$'000</i> (audited)
Nominal value of convertible bonds issued during the period (<i>Note 17(a)</i>)	70,000	–
Financial derivatives component (<i>Note 15</i>)	(19,651)	–
	<hr/>	<hr/>
Liability component at the issuance date	50,349	–
Interest expense	1,036	–
	<hr/>	<hr/>
Liability component at 30 June	51,385	–
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15. FINANCIAL DERIVATIVES

	As at 30 June 2008 <i>HK\$'000</i> (unaudited)	As at 31 December 2007 <i>HK\$'000</i> (audited)
Conversion option and call option of the convertible bonds, net	16,907	–
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The carrying amounts of the conversion option and call option of the convertible bonds are the same as their fair values.

16. SHARE CAPITAL

	<i>Notes</i>	Number of Shares	Share capital <i>HK\$'000</i>
Authorised:			
10,000,000,000 (31 December 2007:			
1,000,000,000) ordinary shares of HK\$0.10 each	(a)	10,000,000,000	1,000,000
Issued and fully paid:			
At 1 January 2008		576,000,000	57,600
Issue of shares	(b)	175,000,000	17,500
At 30 June 2008		751,000,000	75,100

Notes:

- (a) 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.
- (b) During the period, 175,000,000 ordinary shares of HK\$0.10 each were allotted and issued, credited as fully paid at an issue price of HK\$0.40 per share, in consideration of and in exchange for the acquisition of Profit Source and its subsidiary (the "Profit Source Group") (Note 17(a)).

17. BUSINESS COMBINATION

(a) Acquisition of the Profit Source Group

On 18 April 2008, the Group acquired the entire interest in Profit Source 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\$0.40 per share (the "Issue Price") by the Company;

The Issue Price of HK\$0.40 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.

17. BUSINESS COMBINATION (continued)**(a) Acquisition of the Profit Source Group (continued)**

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:

	<i>Notes</i>	Fair value recognised on Acquisition <i>HK\$'000</i>	Previous carrying amount <i>HK\$'000</i>
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)
		<hr/>	<hr/>
		168,595	245,377
		<hr/>	<hr/>
Goodwill		44,600	
		<hr/>	
		213,195	
		<hr/>	
Satisfied by:			
Cash		100,000	
Consideration Shares	16	70,000	
Convertible bonds	14	70,000	
Costs associated with the Acquisition		4,961	
Shareholder's loan		(31,766)	
		<hr/>	
		213,195	
		<hr/>	

17. BUSINESS COMBINATION (continued)**(a) Acquisition of the Profit Source Group (continued)**

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

	<i>HK\$'000</i>
Cash consideration	70,000
Costs associated with the Acquisition	4,961
Cash and bank balances acquired	(474)
	<hr/>
Net outflow of cash and cash equivalents in respect of the Acquisition	<u>74,487</u>

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.

17. BUSINESS COMBINATION (continued)**(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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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)
	<u>277</u>	<u>277</u>
Excess over the cost of a business combination	<u>(277)</u>	
	<u>—</u>	
Satisfied by:		
Cash consideration of HK\$1	<u>—</u>	

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

	<i>HK\$'000</i>
Cash consideration	—
Cash and bank balances acquired	1,036
	<u>1,036</u>
Net inflow of cash and cash equivalents in respect of the acquisition of the Prosper China Group	<u>1,036</u>

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.

18. CONTINGENT LIABILITIES

Pursuant to the circular dated 12 March 2008, the newly acquired PRC subsidiary of the Group via the acquisition of Profit Source, 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).

19. RELATED PARTY TRANSACTIONS

During the period ended 30 June 2008, the Group entered into the following material transactions with related parties:

- (a) Agency fee amounting to HK\$56,000 (six months ended 30 June 2007: HK\$537,000) was paid to a related company, 廣州東影影視出品有限公司 (“Tung Ying”) for the distribution income generated by Tung Ying on behalf of the Group, in which it acted as an agent to generate that income.
- (b) Rental expenses of HK\$451,000 for certain office premises were paid to Pure Project Limited, a related company in which Mr. Wong Pak Ming (“Mr. Wong”), a director of the Company has beneficial interest.
- (c) Compensation of key management personnel

The remuneration of the directors during the period was the short-term benefits and share-based payments approximately of HK\$1,712,000 (six months ended 30 June 2007: HK\$2,171,000). It is determined by reference to market terms, individual responsibilities and performance.

- (d) At 30 June 2008, the Group had outstanding balances of HK\$30,000,000 (31 December 2007: Nil) and HK\$30,000 (31 December 2007: Nil) due to Mr. Cheng Keung Fai, a shareholder of the Company, and Mr. Wong, respectively. The balances are unsecured, interest-free and are repayable within one year.
- (e) At 30 June 2008, included in the balances of bank and other borrowings represented loans from Mr. Zhang Xun, a substantial shareholder of the Company, of HK\$13,197,000 (31 December 2007: HK\$13,190,000). The balance is unsecured, bears interest ranging from 1% to 3% and is repayable within one year.

20. EVENT AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Company had completed an open offer (the “Open Offer”) by issuing 1,426,900,000 shares (“Offer Share”) at HK\$0.10 per Offer Share on the basis of nineteen Offer Share for every ten existing shares. The gross proceed raised by the Open Offer was approximately HK\$142,690,000. Details of the Open Offer are set out in the prospectus issued by the Company on 15 August 2008.

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. 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).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**Liquidity and Financial Resources (continued)**

The gearing ratio of the Group is measured by total bank and other borrowings divided by total equity. As at 30 June 2008, the gearing ratio was 7.9% (2007: 12.6%)

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.

Exposure of Foreign Exchange

The Group's assets and liabilities are mainly dominated in Hong Kong Dollars, United States Dollars and Renminbi ("RMB"). Except for the appreciation in RMB arising from the acquisition of investment property during the period, the Group does not have significant exposure directly due to the foreign exchange fluctuation. It is the policy of the Group to continue maintaining the balance of its income and expenses in the same currency. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of business. However the Group will closely monitor the market and make appropriate adjustments and measures when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2008, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company under Section 352 of SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) in the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange, were as follows:

Long Positions in shares and underlying shares of the Company

Name of Director	Interests in shares			Total interests in shares	Interests in underlying shares subject to share options	Aggregate interests in shares and underlying shares	Approximate percentage of total issued share capital
	Personal	Corporate (Note 1)	Family (Note 2)				
Mr. WONG Pak Ming ("Mr. Wong")	2,593,000	228,300,000	411,000	231,304,000	1,761,048	233,065,048	31.03%
Ms. WONG Yee Kwan, Alvina	3,159,000	-	-	3,159,000	1,761,048	4,920,048	0.66%
Mr. Wong Chi Woon, Edmond	2,586,000	-	-	2,586,000	1,761,048	4,347,048	0.58%

Notes:

- These shares are held as to 73,300,000 shares by Capeland Holdings Limited and as to 155,000,000 shares by Idea Storm Holdings Limited, both of which are incorporated in the British Virgin Islands and are wholly-owned by Mr. WONG.
- These shares are held by Mr. WONG's spouse in which Mr. WONG is also deemed to be interested.

Details of the Directors' interests in underlying shares subject to share options granted by the Company are set out under the heading "Share Options".

Save as disclosed above, as at 30 June 2008, none of the directors, the chief executive or their associates had any interests or short positions in any shares or underlying shares in, or debentures of, the Company or its associated corporation as defined in SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the heading "Share Options", at no time during the period was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 21 August 2001 (the "Adoption Date") and pursuant to the shareholders' resolutions passed on 27 May 2004, the board of directors may grant options to eligible employees, including directors of the Company and its subsidiaries and other eligible persons as defined in the Scheme, to subscribe for shares of the Company, up to 10% of the issued share capital of the Company at the date of approval of the Scheme or 30% of the issued share capital of the Company from time to time, at the subscription price which shall not be less than the higher of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of offer, which must be a business day and (ii) the average closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer.

The Scheme shall be valid and effective for a period of 10 years commencing from the Adoption Date but subject to the early termination of the Scheme.

SHARE OPTIONS (continued)

As at 30 June 2008, a total of 8,526,240 options have been granted to certain directors and employees of the Group, details of the outstanding options are as follows:

Name of Director	Date of grant (dd/mm/yy)	Exercise Period (dd/mm/yy)	Exercise Price HK\$	Grant Balance as at 1 January 2008	Numbers of options			Balance as at 30 June 2008
					Exercised during the period	Cancelled during the period	Lapsed during the period	
Mr. Wong	23/6/2006	24/12/2006 to 20/08/2011	0.841	366,048	-	-	-	366,048
	10/5/2007	22/11/2007 to 20/08/2011	0.789	1,395,000	-	-	-	1,395,000
Mr. Wong Chi Woon, Edmond	23/6/2006	24/12/2006 to 20/08/2011	0.841	366,048	-	-	-	366,048
	10/5/2007	22/11/2007 to 20/08/2011	0.789	1,395,000	-	-	-	1,395,000
Ms. Wong Yee Kwan, Alvina	23/6/2006	24/12/2006 to 20/08/2011	0.841	366,048	-	-	-	366,048
	10/5/2007	22/11/2007 to 20/08/2011	0.789	1,395,000	-	-	-	1,395,000
Mr. Tang Kai Kui, Terence	23/6/2006	24/12/2006 to 20/08/2011	0.841	366,048	-	-	(366,048)	-
	10/5/2007	22/11/2007 to 20/08/2011	0.789	2,790,000	-	-	(2,790,000)	-
Employees	23/6/2006	24/12/2006 to 20/08/2011	0.841	732,096	-	-	-	732,096
	10/5/2007	22/11/2007 to 20/08/2011	0.789	2,511,000	-	-	-	2,511,000
				<u>11,682,288</u>	<u>-</u>	<u>-</u>	<u>(3,156,048)</u>	<u>8,526,240</u>

Note:

The closing price of the shares of the Company on 23 June 2006 and 9 May 2007, immediately before the grant of the above options were HK\$0.93 and HK\$0.84 (before adjustment) per share respectively.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2008, the register of substantial shareholders maintained by the Company under Section 336 of SFO showed that the following person had interests in 5% or more of the nominal value of the issued ordinary shares of the Company that carry a right to vote in all circumstances at general meetings of the Company:

Name	Type of interest	Number of shares	Approximate percentage of shareholding of the issued share capital of the Company
Mr. WONG	Corporate (<i>Note 1 and 3</i>)	228,300,000 (Long position)	30.40%
	Personal	2,593,000 (Long position)	0.35%
	Family (<i>Note 2</i>)	411,000 (Long position)	0.05%
	Other (Share options)	1,761,048 (Long position)	0.23%
	Total:	233,065,048 (Long position)	31.03%
Mr. CHENG Keung Fai	Personal	175,000,000 (Long position)	23.30%
Mr. ZHANG Xun	Personal	60,060,000 (Long position)	8.00%
Mr. KWOK Tsz Wing (Mr. KWOK)	Corporate (<i>Note 4</i>)	25,683,513 (Long position)	3.42%
	Personal	15,314,000 (Long position)	2.04%
	Total:	40,997,513 (Long position)	5.46%

Notes:

- These shares are held as to 73,300,000 shares by Capeland Holdings Limited and as to 155,000,000 shares by Idea Storm Holdings Limited, both of which are incorporated in the British Virgin Islands and are wholly-owned by Mr. WONG.
- These shares are held by Mr. WONG's spouse in which Mr. WONG is also deemed to be interested.
- Accordance to SFO, Mr. WONG's spouse is also deemed to be interested in these 228,300,000 shares of the Company.
- These shares are held by Super Grand Enterprises Limited which are wholly-owned by Mr. KWOK.

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 Listing Rules.

FURTHER INFORMATION ABOUT CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

For the six months period to 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.

LIST OF DIRECTOR OF THE COMPANY

As at the date of this report, the four executive directors of the Company are 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.

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