



MANDARIN ENTERTAINMENT (HOLDINGS) LIMITED

東方娛樂控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 0009

2007
INTERIM REPORT



MANDARIN
ENTERTAINMENT

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, 2007 with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

		Six months ended	
		30th June,	
		2007	2006
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue		21,503	25,350
Cost of sales		(17,775)	(15,528)
Gross profit		3,728	9,822
Other income		1,472	1,362
Gain on disposal of available-for-sale investments		2,173	4,309
Administrative expenses		(9,758)	(11,196)
Finance costs		(399)	(132)
Share of results of jointly controlled entities		5	518
(Loss) profit before taxation	4	(2,779)	4,683
Income tax expense	5	53	(131)
(Loss) profit for the period, attributable to equity holders of the Company		(2,726)	4,552
(LOSS) EARNINGS PER SHARE	7		
Basic		(0.82) cents	1.38 cents
Diluted		N/A	1.38 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2007

	<i>NOTES</i>	30.6.2007 HK\$'000 (unaudited)	31.12.2006 <i>HK\$'000</i> (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		2,841	2,936
Prepaid lease payments		2,466	2,503
Available-for-sale investments		–	3,796
Interests in jointly controlled entities	8	20,825	20,820
		<hr/> 26,132 <hr/>	<hr/> 30,055 <hr/>
Current assets			
Film rights		1,080	1,440
Film production in progress		84,419	38,646
Prepaid lease payments		75	75
Inventories		1,798	1,680
Trade and other receivables and deposits paid	9	22,371	15,600
Amount due from a jointly controlled entity		2,362	602
Amount due from a related company	10	–	5,042
Tax recoverable		–	17
Pledged bank deposits		526	1,556
Bank balances and cash		29,447	15,172
		<hr/> 142,078 <hr/>	<hr/> 79,830 <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

AT 30TH JUNE, 2007

	NOTES	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
Current liabilities			
Trade and other payables and deposits received	11	59,653	35,360
Tax liabilities		305	–
Bank and other borrowings – due within one year	13	17,680	5,362
Obligations under a finance lease – due within one year		92	92
		<u>77,730</u>	<u>40,814</u>
Net current assets		<u>64,348</u>	<u>39,016</u>
Total assets less current liabilities		<u>90,480</u>	<u>69,071</u>
Non-current liabilities			
Bank and other borrowings – due after one year	13	255	13,627
Deferred taxation		96	471
Obligations under a finance lease – due after one year		238	284
		<u>589</u>	<u>14,382</u>
NET ASSETS		<u>89,891</u>	<u>54,689</u>
CAPITAL AND RESERVES			
Share capital	14	36,000	33,000
Reserves		53,891	21,689
TOTAL EQUITY		<u>89,891</u>	<u>54,689</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	Attributable to equity holders of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Investments revaluation reserve HK\$'000	Special reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2006	33,000	34,653	1,121	17,926	-	(34,326)	52,374
Gain on fair value change of available-for-sale investments recognised directly in equity	-	-	2,169	-	-	-	2,169
Transferred to profit or loss on sale of available-for-sale investments	-	-	(795)	-	-	-	(795)
Profit for the period	-	-	-	-	-	4,552	4,552
Total recognised income and expenses for the period	-	-	1,374	-	-	4,552	5,926
At 30th June, 2006	33,000	34,653	2,495	17,926	-	(29,774)	58,300
Loss on fair value change of available-for-sale investments recognised directly in equity	-	-	(1,095)	-	-	-	(1,095)
Transferred to profit or loss on sale of available-for-sale investments	-	-	(160)	-	-	-	(160)
Profit for the period	-	-	-	-	-	(2,879)	(2,879)
Total recognised expenses for the period	-	-	(1,255)	-	-	(2,879)	(4,134)
Recognition of equity-settled share-based payment expenses	-	-	-	-	523	-	523
At 31st December, 2006	33,000	34,653	1,240	17,926	523	(32,653)	54,689
Transferred to profit or loss on sale of available-for-sale investments	-	-	(1,240)	-	-	-	(1,240)
Loss for the period	-	-	-	-	-	(2,726)	(2,726)
Total recognised expenses for the period	-	-	(1,240)	-	-	(2,726)	(3,966)
Recognition of equity-settled share-based payment expenses	-	-	-	-	384	-	384
Issue of shares	3,000	36,900	-	-	-	-	39,900
Transaction costs attributable to issue of shares	-	(1,116)	-	-	-	-	(1,116)
At 30th June, 2007	36,000	70,437	-	17,926	907	(35,379)	89,891

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 (31.12.2006: 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 (31.12.2006: HK\$7,506,000).

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	Six months ended	
	30th June,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	(26,466)	3,134
Net cash from investing activities		
Proceeds from disposal of available-for-sale investments	4,729	8,822
(Advance to) repayment from a jointly controlled entity	(1,760)	104
Cash paid for the acquisition of available-for-sale investments	–	(2,114)
Capital contributions to a jointly controlled entity	–	(505)
Other investing cash flows	487	107
	3,456	6,414
Net cash from (used in) financing activities		
Proceeds from issue of shares	39,900	–
Expenses on issue of shares	(1,116)	–
Other financing cash flows	(1,882)	(2,814)
	36,902	(2,814)
Net increase in cash and cash equivalents	13,892	6,734
Cash and cash equivalents at 1st January	14,756	10,026
Cash and cash equivalents at 30th June	28,648	16,760
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents, being		
Bank balances and cash	29,447	17,840
Bank overdrafts	(799)	(1,080)
	28,648	16,760

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*FOR THE SIX MONTHS ENDED 30TH JUNE, 2007***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, 2006.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment 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 January, 2007.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – Int 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies ²
HK(IFRIC) – Int 8	Scope of HKFRS 2 ³
HK(IFRIC) – Int 9	Reassessment of embedded derivatives ⁴
HK(IFRIC) – Int 10	Interim financial reporting and impairment ⁵

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

² Effective for annual periods beginning on or after 1st March, 2006

³ Effective for annual periods beginning on or after 1st May, 2006

⁴ Effective for annual periods beginning on or after 1st June, 2006

⁵ Effective for annual periods beginning on or after 1st November, 2006

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. 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, 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	<u>6,561</u>	<u>14,278</u>	<u>4,334</u>	<u>(3,670)</u>	<u>21,503</u>
SEGMENT RESULT	<u>(1,952)</u>	<u>(1,022)</u>	<u>(2,227)</u>	<u>–</u>	<u>(5,201)</u>
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 taxation					(2,779)
Income tax expense					53
Loss for the period					<u>(2,726)</u>

3. SEGMENTAL INFORMATION *(Continued)***Business segments** *(Continued)*

For the six months ended 30th June, 2006

	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Advertising and promotional services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE					
External revenue	11,097	11,075	3,178	–	25,350
Inter segment revenue	76	186	1,662	(1,924)	–
	<u>11,173</u>	<u>11,261</u>	<u>4,840</u>	<u>(1,924)</u>	<u>25,350</u>
Total revenue	<u>11,173</u>	<u>11,261</u>	<u>4,840</u>	<u>(1,924)</u>	<u>25,350</u>
SEGMENT RESULT	<u>(652)</u>	<u>227</u>	<u>(333)</u>	<u>–</u>	<u>(758)</u>
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
					<u>518</u>
Profit before taxation					4,683
Income tax expense					(131)
					<u>(131)</u>
Profit for the period					<u>4,552</u>

4. (LOSS) PROFIT BEFORE TAXATION

	Six months ended	
	30th June,	
	2007	2006
	HK\$'000	HK\$'000
(Loss) profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	812	1,014
Amortisation of prepaid lease payments	37	37
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	–	255
Impairment loss recognised in respect of film production in progress	–	1,319
Impairment on trade and other receivables	–	1,358
and after crediting:		
Interest income	170	157
Gain on disposal of property, plant and equipment	4	–
	<u> </u>	<u> </u>

5. INCOME TAX EXPENSE

	Six months ended	
	30th June,	
	2007	2006
	HK\$'000	HK\$'000
The (credit) charge comprises:		
Hong Kong Profits Tax	322	583
Deferred tax credit	(375)	(452)
	<u> </u>	<u> </u>
	(53)	131
	<u> </u>	<u> </u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the six months ended 30th June, 2007 and 2006.

6. DIVIDENDS

No dividends were paid or proposed during the period.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share for the period is based on the following data:

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
(Loss) earnings attributable to equity holders of the Company for the purposes of basic and diluted (loss) earnings per share	<u>(2,726)</u>	<u>4,552</u>
	Six months ended 30th June,	
	2007	2006
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	334,475,138	330,000,000
Effect of dilutive potential ordinary shares:		
Share options	<u>—</u>	<u>2,658</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>334,475,138</u>	<u>330,002,658</u>

No diluted loss per share for the six months ended 30th June, 2007 was presented as the exercise of the share options would result in a decrease in loss per share for the period.

8. INTERESTS IN JOINTLY CONTROLLED ENTITIES

At 30th June, 2007, 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
Prosper China Limited	British Virgin Islands ("BVI")/Hong Kong	40	Investment holding
北京東方新青年文化發展有限公司	The People's Republic of China ("PRC")/PRC	40	Provision of cultural education courses
浙江東方國際發展有限公司	PRC/PRC	37.5	Hotel operations
東方橫店影視后期制作有限公司	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	BVI/PRC	50	Investment holding

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\$4,479,000 (31.12.2006: HK\$6,296,000) and their aged analysis is as follows:

	30.6.2007 <i>HK\$'000</i>	31.12.2006 <i>HK\$'000</i>
0 – 90 days	2,609	3,982
91- 180 days	1,516	1,077
181 – 365 days	354	700
Over 1 year	–	537
	4,479	6,296

10. AMOUNT DUE FROM A RELATED COMPANY

The related company, 廣州東影影視出品有限公司 (“Tung Ying”) is beneficially owned by a brother of Mr. Wong Pak Ming, a director of the Company. The amount was unsecured, non-interest bearing and was repaid during the period.

11. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

Included in trade and other payables are trade payables of HK\$3,912,000 (31.12.2006: HK\$2,520,000) and their aged analysis is as follows:

	30.6.2007	31.12.2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	3,900	1,941
91- 180 days	12	579
	<u>3,912</u>	<u>2,520</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 carrying value of HK\$7,640,000, included in film production in progress, at 30th June, 2007 (31.12.2006: HK\$4,200,000);
- (4) the assignment of income receivables to be derived from the licensing of the film in all territories throughout the world;
- (5) certain of the Group's prepaid lease payments and buildings with a carrying value of HK\$3,473,000 (31.12.2006: HK\$3,559,000); and
- (6) bank deposits with a carrying value of HK\$526,000 (31.12.2006: HK\$1,556,000).

13. BANK AND OTHER BORROWINGS

During the period, the Group obtained bank loan amounting to HK\$1,750,000 and repaid bank loans amounting to HK\$3,603,000. The loans bear interest at 3% to 9% (31.12.2006: 3% to 9%) per annum and are repayable in one to five years.

14. SHARE CAPITAL

Ordinary shares of HK\$0.1 each

	Number of shares	Share capital HK\$'000
Authorised:		
At 1st January, 2006, 31st December, 2006 and 30th June, 2007	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1st January, 2006 and 1st January, 2007	330,000,000	33,000
Issue of shares (<i>note</i>)	<u>30,000,000</u>	<u>3,000</u>
At 30th June, 2007	<u>360,000,000</u>	<u>36,000</u>

Note: On 29th May, 2007, the Company entered into a placing agreement with a placing agent for placement of 30,000,000 new shares on a best-effort basis at the price of HK\$1.33 per share to independent third parties.

15. CAPITAL COMMITMENT

At 30th June, 2007, the Group had commitments of HK\$20,058,000 (31.12.2006: HK\$20,058,000) which is contracted for the investment in a joint venture in the PRC.

16. CONTINGENT LIABILITIES

At 30th June, 2007, the Group had the following litigation or claims pending or threatened against the Group:

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 regarding a joint venture agreement against Mandarin Films Distribution Co., Ltd. (“Mandarin Film Distribution”), a wholly owned subsidiary of the Company in respect of claim for payment of investment proceeds amounting to approximately US\$732,036 (equivalent to HK\$5,680,233) arising from the filming of “Seven Swords”. Upon mediation from the officers of the Shanghai No. 2 Intermediate People’s Court (上海市第二中級人民法院), Shanghai City Glory and Mandarin Film Distribution entered into a settlement agreement on 2nd August, 2007, pursuant to which, Shanghai City Glory withdrew its claim against Mandarin Film Distribution after Mandarin Film Distribution paying a sum of RMB3,777,002 into the court account by the end of August 2007, and both parties will continue to perform their obligations pursuant to the joint venture agreement and Shanghai City Glory retains its rights against Mandarin Film Distribution pursuant to agreement(s) that the parties entered into.

17. RELATED PARTY TRANSACTIONS

During the period ended 30th June, 2007, the Group entered into the following material transactions with related parties:

- (a) Agency fee amounting to HK\$537,000 (six months ended 30th June, 2006: HK\$29,000) was paid to 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) Consultancy service fee of HK\$10,000 (six months ended 30th June, 2006: HK\$10,000) was paid to a brother of Mr. Wong Pak Ming.
- (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\$2,171,000 (six months ended 30th June, 2006: HK\$1,870,000). It is determined by reference to market terms, individual responsibilities and performance.

18. EVENT AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Company had completed the Open Offer by issuing 180,000,000 shares ("Open Share") at HK\$0.5 per Offer Share on the basis of one Offer Share for every two existing shares. Details are set out in the prospectus issued by the Company on 24th August, 2007.

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\$21.5 million and HK\$2.7 million respectively.

For the period under review, the Group recorded a decrease in turnover by approximately 15% to approximately HK\$21.5 million. Such decrease was mainly due to the decrease in film distribution and licensing revenue of the Group in the first half of the year. The Group believes that, with the filming income generated from the movies namely 'Wonder Woman', 'Dancing Lion' and 'Flash Point' in the second half of the year, the revenue of the Group will increase accordingly.

During the period, the Company has disposed of 5,581,575 shares in Jade Dynasty Group Limited ("Jade Dynasty"), whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and were held by the Group as available-for-sale investments as at 15th May 2007, for an aggregate consideration of approximately HK\$4.7 million resulting in a profit of approximately HK\$2.17 million. After the Disposal, the Group does not have any shareholding in Jade Dynasty.

In the first half of the year, losses of HK\$1.9 million, HK\$1.0 million and HK\$2.2 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.

Liquidity and financial resources

As at 30th June, 2007, the Group retained total cash and bank balances of HK\$29.9 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\$4.9 million. Part of the loans were secured by leasehold land and buildings in Hong Kong held by one of the Group's subsidiary with an aggregate carrying value of HK\$3.5 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\$4.6 million which were repayable within one year. On the same date, the current ratio and the gearing ratio of the Group were 1.8 times and 20% respectively (31st December, 2006: 1.9 times and 35%).

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 regarding a joint venture agreement against Mandarin Films Distribution Co., Ltd. (“Mandarin Film Distribution”), a wholly owned subsidiary of the Company in respect of claim for payment of investment proceeds amounting to approximately US\$732,036 (equivalent to HK\$5,680,233) arising from the filming of “Seven Swords”. Upon mediation from the officers of the Shanghai No. 2 Intermediate People’s Court (上海市第二中級人民法院), Shanghai City Glory and Mandarin Film Distribution entered into a settlement agreement on 2 August 2007, pursuant to which, Shanghai City Glory withdrew its claim against Mandarin Film Distribution after Mandarin Film Distribution paying a sum of RMB3,777,001.89 into the court account by the end of August 2007, and both parties will continue to perform their obligations pursuant to the joint venture agreement and Shanghai City Glory retains its rights against Mandarin Film Distribution pursuant to agreement(s) that the parties entered into.

Employee and remuneration policies

As at 30th June, 2007, the Group employed 79 staff members, including approximately 52 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, 2007, 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, 2007.

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

As at 30th June, 2007, 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")	850,000	152,200,000	114,000	153,164,000	1,578,000	154,742,000	42.98%
Ms. WONG Kit Fong	2,150,000	-	-	2,150,000	1,578,000	3,728,000	1.04%
Ms. WONG Yee kwan, Alvina	2,106,000	-	-	2,106,000	1,578,000	3,684,000	1.02%
Mr. WAN Ngar Yin, David	318,000	-	-	318,000	1,328,000	1,646,000	0.46%
Mr. KO Tin Chow	-	-	-	-	2,828,000	2,828,000	0.79%
Mr. TANG Kai Kui, Terence	-	-	-	-	2,828,000	2,828,000	0.79%

Note:

- These shares are held as to 30,000,000 shares by Capeland Holdings Limited and as to 122,200,000 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 30th June, 2007, 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 21st August, 2001 (the ‘‘Adoption Date’’) and pursuant to the shareholders’ resolutions passed on 27th 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.

As at 30 June 2007, a total of 14,624,000 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/yyyy)	Exercise Period (dd/mm/yyyy)	Exercise Price HK\$	Balance as at 1 January 2007	Grant during the period	Numbers of options		Lapse during the period	Balance as at 30 June 2007
						Exercise during the period	Cancelled during the period		
Mr. WONG	23/6/2006	24/12/2006 to 20/08/2011	0.938	328,000					
	10/5/2007	11/11/2007 to 20/08/2011	0.880		1,250,000	-	-	-	1,578,000
Ms. WONG Kit Fong	23/6/2006	24/12/2006 to 20/08/2011	0.938	328,000	-				
	10/5/2007	11/11/2007 to 20/08/2011	0.880		1,250,000	-	-	-	1,578,000
Ms. WONG Yee kwan, Alvina	23/6/2006	24/12/2006 to 20/08/2011	0.938	328,000					
	10/5/2007	11/11/2007 to 20/08/2011	0.880		1,250,000	-	-	-	1,578,000
Mr. KO Tin Chow	23/6/2006	24/12/2006 to 20/08/2011	0.938	328,000					
	10/5/2007	11/11/2007 to 20/08/2011	0.880		2,500,000	-	-	-	2,828,000
Mr. TANG Kai Kui, Terence	23/6/2006	24/12/2006 to 20/08/2011	0.938	328,000					
	10/5/2007	11/11/2007 to 20/08/2011	0.880		2,500,000	-	-	-	2,828,000
Mr. WAN Ngar Yin, David	23/6/2006	24/12/2006 to 20/08/2011	0.938	328,000					
	10/5/2007	11/11/2007 to 20/08/2011	0.880		1,000,000	-	-	-	1,328,000
Employees	23/6/2006	24/12/2006 to 20/08/2011	0.938	656,000					
	10/5/2007	11/11/2007 to 20/08/2011	0.880		2,250,000	-	-	-	2,906,000
				<u>2,624,000</u>	<u>12,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,624,000</u>

Note:

The closing price of the shares of the Company on 23rd June 2006 and 9th 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 30th June, 2007, 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	Personal	850,000 (Long position)	0.24%
	Corporate (<i>Note 1 and 3</i>)	152,200,000 (Long position)	42.28%
	Family (<i>Note 2</i>)	114,000 (Long position)	0.04%
	Other (Share options)	1,578,000 (Long position)	0.42%
	Total:	154,742,000 (Long position)	42.98%
Mr. ZHANG Xun	Personal	40,040,000 (Long position)	11.12%
Mr. FANG Shu An	Personal	13,000,000 (Long position)	3.61%
	Family (<i>Note 4</i>)	12,000,000 (Long position)	3.33%
	Total:	25,000,000 (Long position)	6.94%

Notes:

- These shares are held as to 30,000,000 shares by Capeland Holdings Limited and as to 122,200,000 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.
- Accordingance to SFO, Mr. WONG's spouse is also deemed to be interested in these 152,200,000 shares of the Company.
- These shares are held by Mr. FANG Shu An's spouse in which Mr. FANG Shu An is also deemed to be interested in.

CORPORATE GOVERNANCE

During the six months ended 30th June, 2007, 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 30th June, 2007, 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 2007, 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 30th June, 2007 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, Ms. WONG Kit Fong, Ms. WONG Yee Kwan, Alvina and Mr. KO Tin Chow; and three independent non-executive directors, namely, Mr. TANG Kai Kui, Terence, Mr. CHOY Sze Chung, Jojo and Mr. TSUI Pui Hung.

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, 24 September, 2007