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CHINA MANDARIN HOLDINGS LIMITED

中國東方實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 00009)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The board of directors (“the Board”) of China Mandarin Holdings Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2009, together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

		2009	2008
	Notes	HK\$'000	HK\$'000
CONTINUING OPERATIONS			
REVENUE	4	119,488	52,594
Cost of sales		<u>(89,716)</u>	<u>(73,667)</u>
Gross profit (loss)		29,772	(21,073)
Other income and gains	4	3,132	4,341
Gain on disposal of subsidiaries	14	17,622	–
Fair value gain on derivative component of convertible bonds		9	14,176
Loss on redemption of convertible bonds		(7,050)	–
Fair value gain (loss) on investments held for trading, net		1	(2,898)
Fair value loss on an investment property		–	(165,654)
Impairment of goodwill		–	(69,034)
Gain on disposal of items of property, plant and equipment		39	–
Administrative expenses		(24,553)	(24,521)
Finance costs	5	(6,207)	(2,596)
Share of results of jointly-controlled entities		<u>(4,038)</u>	<u>(2,992)</u>
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	6	8,727	(270,251)
Income tax (expense) credit	7	<u>(1,236)</u>	<u>41,433</u>

* *for identification purpose only*

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		7,491	(228,818)
DISCONTINUED OPERATION			
(Loss) Profit for the year from a discontinued operation	10	<u>(211)</u>	<u>136</u>
PROFIT (LOSS) FOR THE YEAR		<u>7,280</u>	<u>(228,682)</u>
Attributable to:			
Owners of the Company		6,694	(216,317)
Minority interests		<u>586</u>	<u>(12,365)</u>
		<u>7,280</u>	<u>(228,682)</u>
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic			
– For profit (loss) for the year		<u>HK0.30 cent</u>	<u>HK(18.53) cents</u>
– For profit (loss) from continuing operations		<u>HK0.31 cent</u>	<u>HK(18.54) cents</u>
Diluted			
– For profit (loss) for the year		<u>N/A</u>	<u>N/A</u>
– For profit (loss) from continuing operations		<u>N/A</u>	<u>N/A</u>

Details of the dividend are disclosed in note 8 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit (Loss) for the year	<u>7,280</u>	<u>(228,682)</u>
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	<u>130</u>	<u>2,874</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>7,410</u>	<u>(225,808)</u>
ATTRIBUTABLE TO:		
Owners of the Company	6,811	(213,436)
Minority interests	<u>599</u>	<u>(12,372)</u>
	<u>7,410</u>	<u>(225,808)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,604	3,355
Investment property		283,801	283,640
Prepaid land lease payments		2,278	2,353
Deposits paid		1,666	–
Interests in jointly-controlled entities		<u>–</u>	<u>13,672</u>
Total non-current assets		<u>290,349</u>	<u>303,020</u>
CURRENT ASSETS			
Film rights		1	62
Film production in progress		55,767	63,325
Prepaid land lease payments		75	75
Inventories		2,237	2,007
Investments held for trading		–	1
Trade receivables	11	7,320	5,487
Other receivables, prepayments and deposits paid		1,786	1,351
Due from a minority shareholder		–	12,372
Pledged deposits		–	536
Cash and cash equivalents		<u>32,892</u>	<u>15,961</u>
		100,078	101,177
Assets of a disposal group classified as held for sale	12	<u>686</u>	<u>–</u>
Total current assets		<u>100,764</u>	<u>101,177</u>
CURRENT LIABILITIES			
Trade payables	13	1,027	4,081
Other payables, accruals and deposits received		70,365	50,493
Loans from former shareholders		–	13,036
Due to former directors		–	104
Due to a shareholder		–	6,991
Interest-bearing bank and other borrowings		169	12,445
Obligations under a finance lease		92	92
Tax payable		<u>1</u>	<u>142</u>
		71,654	87,384
Liabilities directly associated with the assets classified as held for sale	12	<u>134</u>	<u>–</u>
Total current liabilities		<u>71,788</u>	<u>87,384</u>
NET CURRENT ASSETS		<u>28,976</u>	<u>13,793</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>319,325</u>	<u>316,813</u>

	2009	2008
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Convertible bonds	–	51,538
Interest-bearing bank and other borrowings	1,789	166
Loans from former shareholders	–	20,000
Deposits received	1,078	–
Deferred tax liabilities	65,474	64,060
Obligations under a finance lease	8	100
	<hr/>	<hr/>
Total non-current liabilities	68,349	135,864
	<hr/>	<hr/>
Net assets	250,976	180,949
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	261,348	217,790
Reserves	(34,106)	(59,642)
	<hr/>	<hr/>
	227,242	158,148
Minority interests	23,734	22,801
	<hr/>	<hr/>
Total equity	250,976	180,949
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 9 May 2001 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at 5/F., Cheung Fai Industrial Building, 131 Wai Yip Street, Kwun Tong, Kowloon.

Pursuant to a special resolution on 30 March 2009 and approved by the Registrars of Companies of Bermuda and Hong Kong on 1 April 2009 and 8 May 2009, respectively, the name of the Company was changed from Mandarin Entertainment (Holdings) Limited to China Mandarin Holdings Limited. The Chinese translation of the Company name for identification purposes was changed from 東方娛樂控股有限公司 to 中國東方實業集團有限公司.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an investment property, buildings, investments held for trading and derivative component of the convertible bonds, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments

HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 Revenue – Determining whether an entity is acting as a principal or as an agent
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in Improvements to HKFRSs 2009 (as issued in May 2009).

Other than as further explained below regarding the impact of HKAS 1 (Revised) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKFRS 8, which replaces HKAS 14 “Segment Reporting”, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group’s major customers. Due to the adoption of HKFRS 8, certain comparative amounts have been revised to conform with the current year’s presentation.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective for the accounting year ended 31 December 2009, in these financial statements.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 1 Amendment	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKFRS 9	Financial Instruments
HKAS 24 (Revised)	Related Party Disclosures
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary
HK Interpretation 4 (Revised in December 2009)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

Operating segments

For management purposes, the Group is organised into four business units – film distribution and licensing, film processing, advertising and promotional services, and property investment.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit (loss), which is a measure of adjusted profit (loss) before tax from continuing operations. The adjusted profit (loss) before tax from continuing operations is measured consistently with the Group's profit (loss) before tax from continuing operations except that other income, interest income, gain on disposal of subsidiaries, gain on disposal of items of property, plant and equipment, fair value gain on derivative component of convertible bonds, loss on redemption of convertible bonds,

fair value gain (loss) on investments held for trading, net, share of results of jointly-controlled entities, finance cost, excess over the cost of a business combination, gain on disposal of properties held for sales and impairment of an amount due from a jointly-controlled entity as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents, investments held for trading, an amount due from a minority shareholder and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, obligations under a finance lease, convertible bonds, tax payable, amounts due to former directors and a shareholder, loans from former shareholders, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2009

	Continuing operations				Discontinued operation	
	Film distribution and licensing	Film processing	Property investment	Elimination	Advertising and promotional services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
External revenue	85,989	20,284	13,215	-	119,488	1,505
Intersegment revenue	-	1,463	-	(1,463)	-	-
Total revenue	85,989	21,747	13,215	(1,463)	119,488	1,505
Segment results	8,280	3,260	6,982	-	18,522	(210)
Other income					69	-
Unallocated corporate expenses					(10,297)	-
Interest income					57	-
Gain on disposal of subsidiaries					17,622	-
Gain on disposal of items of property, plant and equipment					39	-
Fair value gain on derivative component of convertible bonds					9	-
Loss on redemption of convertible bonds					(7,050)	-
Fair value gain on investments held for trading, net					1	-
Share of results of jointly-controlled entities					(4,038)	-
Finance costs					(6,207)	(1)
Profit (Loss) before tax	8,727	(211)	8,516			
Income tax expense	(1,236)	-	(1,236)			
Profit (Loss) for the year	7,491	(211)	7,280			

Year ended 31 December 2009

	Continuing operations				Discontinued operation	
	Film distribution and licensing HK\$'000	Film processing HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Advertising and promotional services HK\$'000	Total HK\$'000
Assets and liabilities						
Segment assets	59,277	12,430	285,766	–	357,473	– 357,473
Unallocated corporate assets					33,640	33,640
Total assets					<u>391,113</u>	<u>391,113</u>
Segment liabilities	44,757	3,412	68,843	–	117,012	– 117,012
Unallocated corporate liabilities					23,125	23,125
Total liabilities					<u>140,137</u>	<u>140,137</u>
Other segment information:						
Capital expenditure	749	236	9	3	997	– 997
Impairment of trade receivables	–	989	–	–	989	– 989
Write-back of impairment of trade receivables	–	1,411	–	–	1,411	– 1,411
Amortisation of prepaid land lease payments	–	75	–	–	75	– 75
Depreciation	<u>552</u>	<u>188</u>	<u>33</u>	<u>552</u>	<u>1,325</u>	<u>85 1,410</u>

Year ended 31 December 2008

	Continuing operations				Discontinued operation	
	Film distribution and licensing HK\$'000	Film processing HK\$'000	Property investment HK\$'000	Elimination HK\$'000	Total HK\$'000	Advertising and promotional services HK\$'000
						Total HK\$'000
Segment revenue:						
External revenue	33,305	18,301	988	–	52,594	10,635
Intersegment revenue	–	2,616	–	(2,616)	–	–
Total revenue	<u>33,305</u>	<u>20,917</u>	<u>988</u>	<u>(2,616)</u>	<u>52,594</u>	<u>10,635</u>
Segment results	<u>(33,822)</u>	<u>5,207</u>	<u>(237,806)</u>	<u>–</u>	(266,421)	241
Other income					580	–
Unallocated corporate expenses					(10,856)	–
Interest income					840	3
Excess over the cost of a business combination					277	–
Gain on disposal of properties held for sales					988	–
Fair value gain on derivative component of convertible bonds					14,176	–
Fair value loss on investments held for trading, net					(2,898)	–
Impairment of an amount due from a jointly-controlled entity					(1,349)	–
Share of results of jointly-controlled entities					(2,992)	–
Finance costs					(2,596)	(2)
(Loss) Profit before tax					(270,251)	242
Income tax credit (expense)					41,433	(106)
(Loss) Profit for the year					<u>(228,818)</u>	<u>136</u>

Year ended 31 December 2008

	Continuing operations				Discontinued operation		
	Film distribution and licensing HK\$'000	Film processing HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Total HK\$'000	Advertising and promotional services HK\$'000	Total HK\$'000
Assets and liabilities:							
Segment assets	64,263	10,990	283,653	–	358,906	937	359,843
Interests in jointly-controlled entities					13,672		13,672
Unallocated corporate assets					30,682		30,682
Total assets					<u>403,260</u>		<u>404,197</u>
Segment liabilities	46,439	4,102	64,969	–	115,510	2,719	118,229
Unallocated corporate liabilities					105,019		105,019
Total liabilities					<u>220,529</u>		<u>223,248</u>
Other segment information:							
Capital expenditure	7	–	445,397	338	445,742	247	445,989
Impairment of trade receivables	–	3,801	–	–	3,801	80	3,881
Write-back of impairment of trade receivables	–	6,059	–	–	6,059	–	6,059
Amortisation of prepaid land lease payments	–	75	–	–	75	–	75
Depreciation	259	209	22	669	1,159	154	1,313
Fair value loss on an investment property	–	–	165,654	–	165,654	–	165,654
Impairment of film production in progress	19,743	–	–	–	19,743	–	19,743

Geographical segments

The following table presents revenue, non-current assets and capital expenditure information for the Group's geographical segments from continuing operations.

2009

	Hong Kong <i>HK\$'000</i>	People's Republic of China ("PRC") <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>51,253</u>	<u>40,147</u>	<u>28,088</u>	<u>119,488</u>
Non-current assets	<u>6,243</u>	<u>284,106</u>	<u>–</u>	<u>290,349</u>
Capital expenditure	<u>988</u>	<u>9</u>	<u>–</u>	<u>997</u>

2008

	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>25,422</u>	<u>13,349</u>	<u>13,823</u>	<u>52,594</u>
Non-current assets	<u>5,380</u>	<u>297,640</u>	<u>–</u>	<u>303,020</u>
Capital expenditure	<u>345</u>	<u>445,397</u>	<u>–</u>	<u>445,742</u>

The discontinued operation was primarily derived from external customers based in Hong Kong and all assets of this operation were located in Hong Kong. No geographical segment information is presented in accordance with HKFRS 8 "Operating Segments".

Information about major customers

Revenue from continuing operations of approximately HK\$17,229,000 (2008: Nil) and HK\$19,886,000 (2008: HK\$532,000) were derived from two customers of the film distribution and licensing segment.

During the reporting periods, no discontinued operation revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. REVENUE, AND OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; and gross rental income received and receivable from its investment property during the year.

	2009 HK\$'000	2008 HK\$'000
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An analysis of revenue, and other income and gains from continuing operations is as follows:

Revenue

Film distribution and licensing income	85,989	33,305
Film processing income	20,284	18,301
Property rental income	13,215	988
	<u>119,488</u>	<u>52,594</u>

Other income and gains

Interest income	57	840
Dividend income from listed investments held for trading	–	239
Excess over the cost of a business combination	–	277
Gain on disposal of properties held for sale	–	988
Others	3,075	1,997
	<u>3,132</u>	<u>4,341</u>

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2009 HK\$'000	2008 HK\$'000
Interest on bank and other borrowings wholly repayable within five years	129	279
Interest on bank borrowing wholly repayable over five years	19	–
Interest on loans from former shareholders	860	324
Interest on a finance lease	39	18
Interest on convertible bonds	5,160	1,975
	<u>6,207</u>	<u>2,596</u>

6. PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit (loss) before tax from continuing operations is arrived at after charging (crediting):

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	12,126	13,469
Retirement benefit scheme contributions	445	894
	12,571	14,363
Auditors' remuneration	1,328	1,480
Depreciation	1,325	1,159
Amortisation of prepaid land lease payments	75	75
Impairment of trade receivables	989	3,801
Impairment of film production in progress*	–	19,743
Impairment of an amount due from a jointly-controlled entity	–	1,349
Cost of inventories recognised as expenses*	82,090	42,071
Gain on disposal of items of property, plant and equipment	(39)	–
Minimum lease payments under operating leases	2,586	2,605
Foreign exchange differences, net	46	2,133
Interest income	(57)	(840)
Dividend income from listed investments held for trading	–	(239)
Rental income on investment property less direct operating expenses of HK\$2,993,000 (2008: HK\$49,000)	(10,222)	(939)
Write-back of impairment of trade receivables	(1,411)	(6,059)

* The impairment of film production in progress and the cost of inventories recognised as expenses for the year are included in "Cost of sales" on the face of the consolidated income statement.

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year. For the year ended 31 December 2008, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. Pursuant to the Corporate Income Tax Law (the “New PRC Tax Law”) of the PRC being effective on 1 January 2008, the PRC income tax rate is unified to 25% for all enterprises.

	Group	
	2009	2008
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong		
Charge for the year	–	36
Overprovision in prior years	(141)	(26)
Deferred	<u>1,377</u>	<u>(41,443)</u>
Total tax charge (credit) for the year	<u><u>1,236</u></u>	<u><u>(41,433)</u></u>

8. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2009 and 2008, nor has any dividend been proposed since the end of the reporting period.

9. EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings (loss) per share amount is based on the profit for the year and profit for the year from continuing operations of HK\$6,694,000 (2008: loss of HK\$216,317,000) and HK\$6,905,000 (2008: loss of HK\$216,453,000), respectively attributable to owners of the Company, and the weighted average number of 2,228,021,534 (2008: 1,167,196,722) ordinary shares in issue during the year, as adjusted to reflect the placement during the year.

No adjustment has been made to the basic earnings (loss) per share amount presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the convertible bonds and share options outstanding had an anti-dilutive effect on the basic earnings (loss) per share amount presented.

10. DISCONTINUED OPERATION

On 27 March 2009, a share purchase agreement (the “Share Purchase Agreement”) was entered into between Grimston Limited (“Grimston”), a wholly-owned subsidiary of the Company, and an independent third party to dispose of Chili Advertising & Promotions Limited (“Chili”). Chili is engaged in the provision of advertising and promotional services and is a separate business segment. In view of the global economic downturn and Chili was operating at a loss, the Group believes that the demand for film advertising and promotional services from the Group and other film companies will decrease and the performance of Chili will be even worse. The transaction was completed on 31 March 2009.

Financial information relating to the discontinued advertising and promotional services operation for the year is set out below. The income statement distinguishes discontinued operation from continuing operations. Comparative figures have been revised.

The results of Chili contributed to the Group up to the completion of its disposal at 31 March 2009 are presented below:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Revenue	1,505	10,635
Cost of sales	<u>(697)</u>	<u>(6,275)</u>
Gross profit	808	4,360
Interest income	–	3
Other income	–	46
Depreciation	(85)	(154)
Impairment of trade receivables	–	(80)
Administrative expenses	(933)	(3,931)
Finance costs	<u>(1)</u>	<u>(2)</u>
(Loss) Profit before tax from the discontinued operation	(211)	242
Income tax expense	<u>–</u>	<u>(106)</u>
(Loss) Profit for the year from the discontinued operation	<u>(211)</u>	<u>136</u>
(Loss) Earnings per share:		
Basic, from discontinued operation	<u>HK(0.01) cent</u>	<u>HK0.01 cent</u>
Diluted, from discontinued operation	<u>N/A</u>	<u>N/A</u>
The calculations of basic (loss) earnings per share from the discontinued operation are based on:		
(Loss) Profit attributable to owners of the Company from the discontinued operation	<u>HK\$(211,000)</u>	<u>HK\$136,000</u>
Weighted average number of ordinary shares in issue during the year used in the basic (loss) earnings per share calculation	<u>2,177,900,000</u>	<u>1,167,196,722</u>

No adjustment has been made to the basic earnings (loss) per share amount presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the convertible bonds and share options outstanding had an anti-dilutive effect on the basic earnings (loss) per share amount presented.

11. TRADE RECEIVABLES

	Group	
	2009	2008
	HK\$'000	HK\$'000
Trade receivables	10,916	18,267
Impairment	(3,596)	(12,780)
	<u>7,320</u>	<u>5,487</u>

The Group has a policy of allowing its trade customers credit periods normally ranging from 90 to 120 days. Before accepting any new customers, the Group uses an internal credit assessment process to assess the potential customers' credit quality and defines credit limits by customers. Limits attributed to customers are reviewed regularly.

As aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2009	2008
	HK\$'000	HK\$'000
0 – 90 days	5,687	3,527
91 – 180 days	1,168	882
181 – 365 days	458	292
Over 1 year	7	786
	<u>7,320</u>	<u>5,487</u>

12. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 17 December 2009, Grimston and Pegasus Motion Pictures Limited (“Pegasus”), a company which was owned by Mr. Wong Chi Woon, Edmond, the son of Mr. Wong Pak Ming and a former director of the Company, entered into a sale and purchase agreement (the “Sale and Purchase Agreement”). Pursuant to the Sale and Purchase Agreement, Grimston shall dispose of and Pegasus shall acquire the entire 100% issued and fully-paid ordinary shares of Elite Films Limited (formerly known as “Mandarin Films Limited”), Motion Picture Limited (formerly known as “Mandarin Motion Picture Limited”) and Pioneer Films Limited (formerly known as “Mandarin Films Distribution Company Limited (BVI)”) (collectively known as the “Disposal Group”) at a cash consideration of HK\$29,000,000 which constituted a connected transaction.

As at 31 December 2009, the Sale and Purchase Agreement has not yet been completed. In accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, the assets and liabilities of the Disposal Group have been presented as assets and liabilities of a disposal group classified as held for sale under current assets and current liabilities, respectively.

The major classes of the assets and liabilities of the Disposal Group classified as held for sale as at 31 December 2009 are as follows:

	2009 HK\$'000
Assets	
Film rights	62
Film production in progress	<u>624</u>
Assets classified as held for sale	<u>686</u>
Liabilities	
Other payables and accruals	<u>(134)</u>
Net assets directly associated with a disposal group classified as held for sale	<u><u>552</u></u>

13. TRADE PAYABLES

An aged analysis of the trade payables as at the end of reporting period, based on the invoice date, is as follows:

	Group 2009 HK\$'000	2008 HK\$'000
0 – 90 days	993	3,544
91 – 180 days	34	457
181 – 365 days	<u>–</u>	<u>80</u>
	<u>1,027</u>	<u>4,081</u>

14. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Chili

During the year, the Group entered into the Share Purchase Agreement with the independent third party to dispose of Chili at a total consideration of HK\$2,363,000 which is settled by a cash consideration of HK\$500,000 and the remaining is offset by the loan due from Grimston, the immediate holding company of Chili, amounted to HK\$1,863,000. Details in respect of the disposal of Chili during the year are as follows:

	2009 HK\$'000
Net assets disposed of:	
Property, plant and equipment	293
Trade receivables	244
Other receivables, prepayments and deposits paid	82
Due from Grimston	1,863
Trade payables	(112)
Other payables and accruals	(173)
Due to a former director	(11)
Bank overdraft	(21)
	<hr/>
	2,165
Gain on the disposal	198
	<hr/>
	2,363
	<hr/> <hr/>
Satisfied by:	
Cash	500
Due from Grimston	1,863
	<hr/>
	2,363
	<hr/> <hr/>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Chili is as follows:

	2009 HK\$'000
Cash consideration	500
Bank overdraft disposed of	21
	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of Chili	521
	<hr/> <hr/>

(b) Disposal of Film City Enterprise Limited (“Film City”)

On 3 December 2009, Grimston, the immediately holding company of Film City, and Billion Base Investments Limited, a company which was owned by Mr Zhang Yong, the son of Mr Zhang Xun, a former shareholder of the Company, entered into a sale and purchase agreement. Pursuant to the sale and purchase agreement, the Group disposed of the entire interest in Film City which holds a 37.5% interest in 浙江東方國際發展有限公司 and the amount due to Grimston amounted to HK\$15,192,000 at a total consideration of HK\$23,863,000, which is settled by cash. Details in respect of the disposal of Film City during the year are as follows:

	2009 HK\$'000
Net assets disposed of:	
Interest in a jointly-controlled entity	6,439
Due to Grimston	(15,192)
	(8,753)
Gain on the disposal	17,424
	8,671
Satisfied by:	
Cash	23,863
Due to Grimston	(15,192)
	8,671

As analysis of the net inflow of cash and cash equivalents in respect of the disposal of Film City is as follows:

	2009 HK\$'000
Cash consideration and net inflow of cash and cash equivalents in respect of the disposal of Film City	23,863

15. EVENT AFTER THE REPORTING PERIOD

The Sale and Purchase Agreement entered into between Grimston and Pegasus to dispose of three subsidiaries at a cash consideration of HK\$29,000,000 is completed on 3 March 2010 and is expected to result in a gain on disposal of approximately HK\$27,000,000.

16. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, certain comparative amounts have been reclassified and revised to conform with current year's presentation and accounting treatment.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2009, the Group's turnover increased by 91% to HK\$120,993,000 (2008: HK\$63,229,000). Gross profit was HK\$30,580,000 as compared with a gross loss of HK\$16,713,000 in the year of 2008. Profit attributable to owners of the Company amounted to HK\$6,694,000 (2008: loss of HK\$216,317,000). Basic earnings per share was HK0.3 cent (2008: HK18.53 cents loss per share).

The Group has successfully diversified our business since 2008 to focus primarily on film production and related businesses and property investments in the PRC. During the year under review, film businesses of the Group have brought along better return and leverage while strategic investment in Mainland property market provides stable income stream and cash flow to the Group.

BUSINESS REVIEW

Film Industry

The Group has been benefited from a number of favourable factors that occurred during 2009. The HKSAR Government's focus to nurture creative industry in Hong Kong has improved overall business environment for our film businesses. The setup of Create Hong Kong further reflects the Government's determination to help promote Hong Kong films locally and also into overseas' markets, which is also one of the Group's key development objectives.

Film production, distribution and licensing businesses

For the year ended 31 December 2009, a turnover of HK\$85,989,000 was recorded which represents an increase of 158% as compared to 2008. The increase in turnover from film distribution and licensing business is attributable to the turnover received from two best-selling and well-received films, "Ip Man" and "All's Well End's Well 2009", in Hong Kong, the PRC and throughout the Southeast Asia and other overseas' markets during the year under review.

"Ip Man" was distributed globally to major film markets and has been very well-received by audiences who warship Chinese martial arts. Other than major global distribution and licensing revenue received, box office record reached approximately HK\$25,500,000 and RMB120,000,000 in Hong Kong and the PRC respectively.

The Group released "All's Well End's Well 2009" during Lunar New Year of 2009, which achieved the highest box office receipt among local films in 2009 with a total of HK\$23,340,000.

Film processing

During the year under review, the Group's film processing business generated a turnover of HK\$20,284,000, representing an increase of 11% from the previous financial year. With the increasingly competitive market condition which inevitably affects profit margin from this business, the Group has taken more proactive move in 2009 so as to maintain our leading role in the industry.

The Group has purchased a digital sound recorder in October 2009. The implementation of this new equipment represents a major step taken towards provision of one-stop services for local film producers in Hong Kong. Currently, producers outsource sound recording process to competitors in Thailand. With an opposition towards cut-throat competition, we will aggressively improve service level so as to expand our market share in the industry. Currently, the Group has a market share of over 40% among the three films processing factories in Hong Kong.

Property investment

The Group currently held a five-storey shopping arcade in Chengdu, Sichuan, the PRC. With the PRC Government's determination to develop Chengdu into one of the most affluent cities in Southwestern China, both living standard and purchasing power of local citizens have been drastically improved over the past few years.

Chengdu's economy has been growing steadily with an average GDP growth rate at 14.2% per annum between 2000 and 2007. In 2008, Chengdu's GDP sustained the trend of double-digit growth of 15.3%. The Group's shopping arcade situates strategically at a location that captures potential shopping population, resulting in full occupancy since July 2009. Key tenants of the arcade include McDonald's and a popular local department store.

Major leasing agreements currently secured cover long-term tenancy periods, which helps guarantee the Group's rental income and cash flow in the near future. Rental income amounting to HK\$13,215,000 was recorded during the year.

Advertising and promotion business

In March 2009, the Group disposed of its subsidiary, Chili Advertising & Promotions Limited, which engaged in provision of advertising and promotional services for films with a gain of HK\$198,000.

PROSPECTS

The Group will continue to maintain steady growth of our film product, distribution and licensing business as well as the property investment business in the PRC. We aim to further expand market share in both businesses with an ultimate goal to add value for our shareholders.

Film Production, Distribution and Licensing

With the completion of the film “Ip Man 2”, the Group has already secured major licensing contracts with prominent markets, including the PRC, Southeast Asian countries and Australia. We are currently under active discussion with other European markets and USA regarding licensing rights and related matters. With the globally recognised reputation of “Ip Man”, the Group has been able to secure licensing contracts at higher prices for “Ip Man 2”.

With movie-lovers being more conscious towards copyright and with both the HKSAR Government and the PRC Government taking necessary measures to stop counterfeit issues, we are looking forward to receiving more income both from box offices and from global licensing contracts.

Property investment

The shopping arcade currently held by the Group in Chengdu has been fully leased out. With the growing reputation and popularity of the arcade, we are confident that future leasing renewal agreements will be entered in more favourable terms for the Group.

We will also actively seek for potential investment opportunities in the property market with an aim to further improve shareholder’s value.

Other Developments

With the expected appreciation of Renminbi, the Group will certainly benefit from the exchange rate as a major proportion of our income from property investment business are received in Renminbi.

The Group signed an agreement to sell three subsidiaries which will generate a profit of HK\$27,000,000. The transaction was completed on 3 March 2010 and related income will be recorded in the year 2010.

DIVIDEND

The directors do not recommend payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group’s total equity amounted to HK\$250,976,000 (2008: HK\$180,949,000). The gearing ratio based on interest-bearing bank and other borrowings over total equity was 0.01 (2008: 0.25).

Net current assets was HK\$28,976,000 (2008: HK\$13,793,000) and current assets was HK\$100,764,000 (2008: HK\$101,177,000). Current liabilities were HK\$71,788,000 (2008: HK\$87,384,000), representing a current ratio based on current assets over current liabilities of 1.40 (2008: 1.16).

As at 31 December 2009, the Group had cash and bank balances of HK\$32,892,000 (2008: HK\$15,961,000).

BORROWING AND BANKING FACILITIES

As at 31 December 2009, the Group's outstanding bank and other borrowings were HK\$2,058,000 (2008: HK\$45,839,000). Save for the 10-year bank loan, the Group has repaid all its loans in 2009.

EXPOSURE OF FOREIGN EXCHANGE

The Group's asset and liabilities are mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. There is no significant exposure to the fluctuation of foreign exchange rate, but the Group will closely monitor the market and make appropriate adjustment and measures when necessary.

STAFF COST, DIRECTORS' REMUNERATION AND SHARE OPTION SCHEME

Staff cost for the year ended 31 December 2009 was HK\$16,330,000 (2008: HK\$20,778,000), representing a decrease of 21%. The Group employed a workforce of about 73 staff members (2008: 89 staff members) at the end of 2009. Among the 73 staff members, approximately 49 staff members were in the film processing department. Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

CAPITAL STRUCTURE

On 20 November 2009, HK\$62,283,000, after netting off the transaction cost, was raised from issuing 435,580,000 ordinary shares at an issue price of HK\$0.145 per share, the proceeds was used for repayment of debts and general working capital.

The Group redeemed the 3.5-years zero coupon convertible bonds by the year end of 2009 and recognised a loss on redemption of HK\$7,050,000.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year under review, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

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

During the year ended 31 December 2009, the Company has complied with all 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 of Hong Kong Limited (the “Stock Exchange”).

AUDIT COMMITTEE

The audit committee of the Company has met with the external auditors of the Company, Messrs. Ernst & Young, to review the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2009, and is of the opinion that the consolidated results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made. The audit committee is composed of three independent non-executive Directors of the Company, Mr. Choy Sze Chung, Jojo, Mr. Tsui Pui Hung and Mr. Chan Tung Tak, Alain. The chairman of the audit committee has professional qualifications and experience in financial matters.

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE STOCK EXCHANGE’S WEBSITE

All the financial and other related information of the Company required by the Listing Rules will be published on the Stock Exchange’s website in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication and contribution to the Group. In addition, I would like to thank all our shareholders and investors for their patronage.

By Order of the Board
China Mandarin Holdings Limited
Lai Pik Chi Peggy
Chairman

Hong Kong, 16 April 2010

As at the date of this announcement, the Board comprises six Directors. The executive Directors are Ms. Lai Pik Chi, Peggy (Chairman), Ms. Law Kee, Alice (Chief Executive Officer) and Mr. Hui Wai Lee Willy; and the independent non-executive Directors are Mr. Choy Sze Chung, Jojo, Mr. Tsui Pui Hung and Mr. Chan Tung Tak, Alain.

* *For identification purpose only*