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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The board of directors (the "Board") of China Mandarin 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 2009 with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

	Notes	**Six months ended 30 June** **2009** ***HK$'000*** **(unaudited)**	2008 *HK$'000* (unaudited) (Restated)
Continuing Operations			
Revenue	*3*	**85,601**	19,505
Cost of sales		**(70,568)**	(22,499)
Gross profit (loss)		**15,033**	(2,994)
Other income		**1,342**	842
Impairment of other receivables		**–**	(322)
Administrative expenses		**(15,001)**	(10,007)
Finance income		**20**	394
Finance costs	*4*	**(3,527)**	(1,216)
Share of results of jointly-controlled entities		**(2,158)**	(1,356)
Excess over the cost of a business combination		**–**	277
Gain on disposal of a subsidiary	*10*	**198**	–
Gain on disposal of properties held for sales		**–**	988
Fair value gain (loss) on derivative component of convertible bonds		**(17,776)**	2,744
Fair value loss on investments held for trading, net		**–**	(2,145)
Impairment of amount due from a jointly-controlled entity		**–**	(1,349)
Gain on disposal of items of property, plant and equipment		**39**	–

	Notes	Six months ended 30 June **2009** ***HK$'000*** **(unaudited)**	 2008 *HK$'000* (unaudited) (Restated)
Loss before tax	*5*	**(21,830)**	(14,144)
Tax	*6*	**(770)**	–
Loss for the period from continuing operations		**(22,600)**	(14,144)
Discontinued Operation			
Profit (loss) for the period from a discontinued operation	*7*	**(211)**	166
Loss for the period		**(22,811)**	(13,978)
Attributable to:			
Equity holders of the Company		**(23,040)**	(13,936)
Minority interests		**229**	(42)
Total		**(22,811)**	(13,978)
Loss per share attributable to equity holders of the Company	*9*		
Basic			
– For loss for the period		**HK(1.05) cents**	HK(2.15) cents
– For loss from continuing operations		**HK(1.05) cents**	HK(2.18) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period	**(22,811)**	(13,978)
Other comprehensive (loss) income:		
Exchange difference arising on translation of foreign operation	**(27)**	6,630
Total comprehensive loss for the period attributable to equity holders of the Company	**(22,838)**	(7,348)
Attributable to:		
Equity holders of the Company	**(23,064)**	(7,973)
Minority interests	**226**	625
	(22,838)	(7,348)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	Notes	As at 30 June 2009 HK$'000 (unaudited)	As at 31 December 2008 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,246**	3,355
Investment property		**283,607**	283,640
Prepaid land lease payments		**2,315**	2,353
Interests in jointly-controlled entities		**10,623**	13,672
Total non-current assets		**299,791**	303,020
CURRENT ASSETS			
Film rights		**62**	62
Film production in progress		**16,591**	63,325
Prepaid land lease payments		**75**	75
Inventories		**1,793**	2,007
Investments held for trading		**1**	1
Trade receivables	*11*	**5,985**	5,487
Other receivables, prepayments and deposits paid		**2,390**	1,351
Due from a minority shareholder		**–**	12,372
Pledged deposits		**–**	536
Cash and cash equivalents		**30,725**	15,961
Total current assets		**57,622**	101,177
CURRENT LIABILITIES			
Trade payables	*12*	**1,057**	4,081
Other payables, accruals and deposits received		**25,796**	50,493
Loans from shareholders		**14,257**	13,036
Due to directors		**361**	104
Due to a shareholder		**–**	6,991
Obligations under a finance lease		**92**	92
Interest-bearing bank and other borrowings		**174**	12,445
Tax payable		**912**	142
Total current liabilities		**42,649**	87,384
NET CURRENT ASSETS		**14,973**	13,793
TOTAL ASSETS LESS CURRENT LIABILITIES		**314,764**	316,813

	Notes	As at 30 June 2009 *HK$'000* (unaudited)	As at 31 December 2008 *HK$'000* (audited)
NON-CURRENT LIABILITIES			
Convertible bonds		**72,134**	51,538
Interest-bearing bank and other borrowings		**77**	166
Loans from shareholders		**20,000**	20,000
Deferred tax liabilities		**64,053**	64,060
Obligations under a finance lease		**54**	100
Total non-current liabilities		**156,318**	135,864
Net assets		**158,446**	180,949
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**217,790**	217,790
Reserves		**(82,706)**	(59,642)
		135,084	158,148
Minority interests		**23,362**	22,801
Total equity		**158,446**	180,949

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Attributable to equity holders of the Company								
	Issued capital	Share premium	Exchange fluctuation 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*
At 1 January 2009	**217,790**	**205,370**	**2,881**	**17,926**	**1,674**	**(287,493)**	**158,148**	**22,801**	**180,949**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(23,040)**	**(23,040)**	**229**	**(22,811)**
Exchange difference arising on translation of foreign operation	**–**	**–**	**(24)**	**–**	**–**	**–**	**(24)**	**(3)**	**(27)**
Total comprehensive income (loss) for the period	**–**	**–**	**(24)**	**–**	**–**	**(23,040)**	**(23,064)**	**226**	**(22,838)**
Contribution from minority shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**335**	**335**
Transferred to accumulated losses on forfeiture of share options	**–**	**–**	**–**	**–**	**(692)**	**692**	**–**	**–**	**–**
At 30 June 2009	**217,790**	**205,370**	**2,857**	**17,926**	**982**	**(309,841)**	**135,084**	**23,362**	**158,446**
At 1 January 2008	57,600	156,625	–	17,926	2,301	(71,803)	162,649	–	162,649
Loss for the period	–	–	–	–	–	(13,936)	(13,936)	(42)	(13,978)
Exchange difference arising on translation of foreign operation	–	–	5,963	–	–	–	5,963	667	6,630
Total comprehensive income (loss) for the period	–	–	5,963	–	–	(13,936)	(7,973)	625	(7,348)
Minority interests 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 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.

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 ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on 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 values.

The accounting policies adopted in the preparation of 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 2008 except as described by below. In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by HKICPA which are effective for the Group's financial year beginning on 1 January 2009.

HKFRSs (Amendments)	Improvements to HKFRSs 2008
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK (IFRIC) – Int 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives
HK (IFRIC) – Int 13	Customer Loyalty Programmes
HK (IFRIC) – Int 15	Agreement for the Construction of Real Estate
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

The adoption of the new HKFRSs, except for HKAS 1 (Revised) and HKFRS 8 as described below, had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement or in two linked statements. The Group has elected to present two statements.

HKFRS 8 replaces HKAS 14 "*Segment Reporting*", and 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. Due to the adoption of HKFRS 8 during the current period, certain comparative amounts have been restated to confirm with the current period's presentation.

3. REVENUE AND SEGMENTAL INFORMATION

Operating segments

The Group is organised into four operating divisions – film distribution and licensing, film processing, advertising and promotional services, and property investment. 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 2009

	Continuing operations					Discontinued operation	
	Film distribution and licensing	Film processing	Property investment	Elimination	Total	Advertising and promotional services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:							
External revenue	72,148	7,845	5,608	–	85,601	1,505	87,106
Inter segment revenue	2,081	1,235	–	(3,316)	–	–	–
Total revenue	74,229	9,080	5,608	(3,316)	85,601	1,505	87,106
Segment results	3,126	356	2,822	–	6,304	(210)	6,094
Other income					65	–	65
Unallocated corporate expenses					(4,995)	–	(4,995)
Finance income					20	–	20
Finance costs					(3,527)	(1)	(3,528)
Share of results of jointly-controlled entities ("JCEs")					(2,158)	–	(2,158)
Gain on disposal of a subsidiary					198	–	198
Fair value loss on derivative component of convertible bonds					(17,776)	–	(17,776)
Gain on disposal of items of property, plant and equipment					39	–	39
Loss before tax					(21,830)	(211)	(22,041)
Tax					(770)	–	(770)
Loss for the period					(22,600)	(211)	(22,811)

For the six months ended 30 June 2008

	Continuing operations					Discontinued operation	
	Film distribution and licensing	Film processing	Property investment	Elimination	Total	Advertising and promotional services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:							
External revenue	12,266	7,142	97	–	19,505	6,392	25,897
Inter segment revenue	–	893	–	(893)	–	–	–
Total revenue	12,266	8,035	97	(893)	19,505	6,392	25,897
Segment results	(7,714)	(1,057)	(95)	–	(8,866)	164	(8,702)
Other income					314	–	314
Unallocated corporate expenses					(3,607)	–	(3,607)
Impairment of other receivables					(322)	–	(322)
Finance income					394	3	397
Finance costs					(1,216)	(1)	(1,217)
Share of results of JCEs					(1,356)	–	(1,356)
Excess over the cost of a business combination					277	–	277
Gain on disposal of properties held for sales					988	–	988
Fair value gain on derivative component of convertible bonds					2,744	–	2,744
Fair value loss on investments held for trading, net					(2,145)	–	(2,145)
Impairment of amount due from a JCE					(1,349)	–	(1,349)
(Loss) Profit before tax					(14,144)	166	(13,978)
Tax					–	–	–
(Loss) Profit for the period					(14,144)	166	(13,978)

4. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**141**	153
Interest on convertible bonds	**2,820**	1,036
Interest on loans from shareholders	**560**	–
Interest on finance lease	**6**	27
Total interest	**3,527**	1,216

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Cost of inventories recognised as expenses[#]	**66,924**	8,769
Write-back of impairment of trade receivables	**274**	–
Minimum lease payments under operating lease	**1,540**	1,484
Depreciation	**614**	609
Amortisation of prepaid land lease payments	**37**	37
Impairment of film production in progress[#]	**–**	9,355
Excess over the cost of a business combination	**–**	(277)
Gain on disposal of items of property, plant and equipment	**(39)**	–

[#] *The impairment of film production in progress and the cost of inventories recognised as expenses for the period are included in "cost of sales" on the face of the condensed consolidated income statement.*

6. 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 period (2008: Nil). Pursuant to the Corporate Income Tax Law of the People's Republic of China (the "PRC") being effective on 1 January 2008, the PRC income tax rate is unified to 25% for all enterprises.

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Group:		
Current – Hong Kong	**–**	–
Current – Mainland China	**770**	–
Total tax charge for the period	**770**	–

7. 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 worst. The transaction was completed on 31 March 2009.

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

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

	Three months ended 31 March 2009 *HK$'000* **(unaudited)**	Six months ended 30 June 2008 *HK$'000* (unaudited)
Revenue	**1,505**	6,392
Cost of sales	**(697)**	(4,493)
Gross profit	**808**	1,899
Other income	**–**	3
Administrative expenses	**(1,018)**	(1,738)
Finance income	**–**	3
Finance costs	**(1)**	(1)
(Loss) Profit before tax from the discontinued operation	**(211)**	166
Tax	**–**	–
(Loss) Profit for the period from the discontinued operation	**(211)**	166

The net cash flows incurred by Chili are as follows:

	Three months ended 31 March 2009 *HK$'000* **(unaudited)**	Six months ended 30 June 2008 *HK$'000* (unaudited)
Operating activities	**(1,282)**	(336)
Investing activities	**534**	(6)
Financing activities	**(1)**	(1)
Net cash outflow	**(749)**	(343)

8. DIVIDEND

No dividend was paid or proposed during the period (2008: Nil)

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

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 2,177,900,000 (2008: 647,153,846) ordinary shares in issue during the period.

Diluted loss per share amounts for the periods ended 30 June 2009 and 2008 have not been disclosed, as the convertible bonds and share options outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

10. DISPOSAL OF A SUBSIDIARY

During the period, 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 outstanding from Grimston to Chili, amounted to HK$1,863,000. Details in respect of the disposal of Chili during the period are as follow:

	2009
	HK$'000
Net assets disposed of:	
Property, plant and equipment	**293**
Trade receivables	**244**
Other receivables, prepayments and deposits paid	**82**
Amount due from the immediate holding company	**1,863**
Trade payables	**(112)**
Other payable and accruals	**(173)**
Amount due to a director	**(11)**
Bank overdraft	**(21)**
	2,165
Gain on the disposal	**198**
	2,363
Satisfied by:	
Cash	**500**
Amount due from the immediate holding company	**1,863**
	2,363

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

	2009
	HK$'000
Cash consideration	**500**
Bank overdraft	**21**
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**521**

11. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provision, is as follows:

	As at 30 June 2009 *HK$'000* **(unaudited)**	As at 31 December 2008 *HK$'000* (audited)
0 – 90 days	**4,562**	3,527
91 – 180 days	**855**	882
181 – 365 days	**301**	292
Over 1 year	**267**	786
	5,985	5,487

The Group has a policy of allowing its trade customers credit periods normally ranging from 90 days to 120 days. 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.

12. TRADE PAYABLES

An aged analysis of trade payables as at the balance sheet date, based on the invoice dates, is as follow:

	As at 30 June 2009 *HK$'000* **(unaudited)**	As at 31 December 2008 *HK$'000* (audited)
0 – 90 days	**1,057**	3,544
91 – 180 days	**–**	457
181 – 365 days	**–**	80
	1,057	4,081

13. COMPARATIVE AMOUNTS

The comparative income statement has been restated as if the discontinued operation during the current period had been discontinued at the beginning of the comparative period (note 7). In addition, as further explained in note 2 to the condensed consolidated financial statements, due to the adoption of HKFRS 8 during the current period, certain comparative amounts have been revised to comply with the new requirements.

14. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board on 18 September 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

2009 is a challenging year, also an important and transformational one for the Group. It was a year when we did what we needed to do to get to next. So our financial planning is conservative: tight control of everything from expenses to capital investments. Moreover, we adjusted our business and cost structure while protecting our long term growth investments, including disposed loss-making advertising business and an investment in a jointly-controlled entity in the People's Republic of China (the "PRC") at profit, secured a 10-year tenancy for our investment property in Chengdu, Sichuan, PRC, changing our Company name and logo to reflect our commitment to our prospective balancing strategy, relocating all operation in Hong Kong under the same roof for containing cost and better communication.

Our film "Ip Man" received the applause from audiences and peers, winning the Best Film of the Year at the 28th Hong Kong Film Awards which also in the year of celebrating 100 years of film-making in Hong Kong and "Ip Man 2" has commenced shooting.

Financial Highlights

For the six months ended 30 June 2009, the Group's turnover increased by 236% to approximately HK$87,106,000 (2008: HK$25,897,000) while gross profit amounted to approximately HK$15,841,000 (2008: gross loss of HK$1,903,000). Various business arms contributed to the Group's results with HK$3,126,000 from film distribution and licensing, HK$356,000 from film processing, HK$2,822,000 from property investment and a loss of HK$210,000 from the discontinued advertising and promotional services. Loss attributable to equity holders was approximately HK$23,040,000 representing an increase of 65% over the same period of last year (2008: loss of HK$13,936,000). The Group's basic loss per share was 1.05 HK cents (2008: 2.15 HK cents). The Board of Directors did not recommend dividend payout for the six months ended 30 June 2009 (2008: Nil). As at 30 June 2009, cash on hand was HK$30,725,000.

During the period under review, the operating loss of HK$22,811,000 was recorded. A large part of the loss was caused by non-cash derivative losses.

Business Review

The Group is principally engaged in the provision of films production services, and investment in film production and worldwide film distribution. The Group has also engaged in the properties investments in the PRC since early 2008. This allows the Group to diversify its existing business and provides a stable cash flow for other business operations.

In March 2009, the Group changed the company name from "Mandarin Entertainment (Holdings) Limited" to "China Mandarin Holdings Limited" and adopted the new Chinese name "中國東方實業集團有限公司" to replace "東方娛樂控股有限公司" in order to reflect the diversification of businesses. To demonstrate the new image of the Group, a new logo has also been adopted and is under registration.

The Board of Directors went through a restructuring in January 2009. With effect from 6 January 2009, Ms. Lai Pik Chi Peggy has acted as the Chairman of the Group and Ms. Law Kee, Alice assumed the post of the Chief Executive Officer.

All operations have been moved to 131 Wai Yip Street, Kwun Tong in order to facilitate better communication between operations and staff.

Film production business

For the six months ended 30 June 2009, turnover from film production business rose 505% to HK$74,229,000. This was mainly contributed by the two best selling films, "Ip Man" and "All's Well End's Well 2009". The box office receipts were satisfactory as the films were put on show during the Christmas and Chinese Lunar New Year period. The box office receipts of "Ip Man" and "All's Well End's Well 2009" amounted to approximately HK$25,500,000 and HK$23,340,000, respectively in Hong Kong as well as RMB120,000,000 and RMB41,000,000, respectively in the PRC.

"Ip Man" has achieved outstanding results and was awarded with many prizes, namely "The Best Film of the Year" and "The Best Action Choreography" in the 28th Hong Kong Film Awards, "Jury Award for the Best Actor" and "Students' Choice Award for the Favourite Director" in the 2009 Beijing Student Film Festival, "The Best Film", "The Best Choreography" in the 2nd Iron Elephant Awards, "Best Asian Film" Silver Award, "Guru Prize for Most Energetic Film of the Festival" Silver Award, and "Jury Prize – Technical Prize" in the 13th Fantasia International Film Festival in Montreal.

Film processing

During the period under review, film processing business generated a profit of approximately HK$356,000 comparing with a loss of HK$1,057,000 for the last period. The Group has a market share of nearly 40% among the three films processing factories in Hong Kong. The performance of the business fell behind expectations in the first half of 2009 as the mainland has tightened the policies on film release. However, we expect the performance will improve in the latter half of 2009.

Property investments

For the period ended 30 June 2009, the property investments business was operated at a profit before tax of HK$2,822,000 (30 June 2008: a loss of HK$95,000).

A 10-year tenancy agreement with a department store in Chengdu starting from April 2009 was signed. Rental income of HK$5,608,000 was recorded in the financial period in 2009 and contributed to the Group's overall income. This provides secured income and stable cash inflow to the Group and on the other hand save the management cost for maintaining the investment property in the coming 10 years.

Advertising and Promotion business

Advertising and promotion business was operated at a net loss of HK$211,000 for the period.

On 27 March 2009, the Group disposed of its subsidiary, Chili Advertising & Promotion Limited, which engaged in provision of advertising and promotional services for films, at a gain of approximately HK$198,000. The reasons for the disposal were the continual losses for the past 3 years and an expected decrease in demand in future for film advertising and promotion from the Group and other film companies due to the financial turbulence.

Liquidity and Financial resources

As at 30 June 2009, the Group's net current assets was HK$14,973,000 (31 December 2008: HK$13,793,000), with current assets of approximately HK$56,704,000 (31 December 2008: HK$101,177,000) and current liabilities of approximately HK$41,731,000 (31 December 2008: HK$87,384,000), representing a current ratio of approximately 1.36 (31 December 2008: 1.16).

As at 30 June 2009, the Group had cash and bank balances of approximately HK$30,725,000 (31 December 2008: HK$15,961,000).

Capital Structure

The Group's total equity amounted to HK$158,446,000 as at 30 June 2009 (31 December 2008: HK$180,949,000). The change was the combined results of the reduction in retained earnings mainly due to the loss was caused by non-cash derivative losses.

Borrowing and Banking Facilities

As at 30 June 2009, the Group's outstanding bank and borrowings, including loans from shareholders and lease payments, were approximately HK$34,654,000 (31 December 2008: HK$45,839,000). The main purpose of the borrowings was to finance the daily operation of the Group. The gearing ratio for the period was 0.22 (31 December 2008: 0.25).

Exposure of Foreign Exchange

The Group's assets and liabilities are mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. Income and expenses derived from the operations in the PRC were mainly dominated in Renminbi. There is no significant exposure to the fluctuation of foreign exchange rate, but the Group will closely monitor the market and make appropriate adjustments and measures when necessary.

Commitments and contingent liabilities

As at 30 June 2009, the Group had contract for capital commitments in respect of a sino-foreign equity joint venture enterprise in the PRC amounting to HK$4,500,000 (31 December 2008: HK$4,500,000).

Other than disclosed above, there were no other capital commitments nor contingent liabilities that the Group is aware of.

Staff cost, Directors' remuneration and Share option scheme

Staff cost for the six months ended 30 June 2009 was HK$8,936,000 (30 June 2008: HK$9,125,000) representing a decrease of 2%. The Group had a workforce of about 77 (30 June 2008: 90) staff including approximately 49 staff in the film processing department as at 30 June 2009. Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

The Group has adopted a share option scheme under which the Directors of the Company may, at their discretion, invite Executive Directors and employees of the Group to take up options which entitle them to subscribe for shares representing up to a maximum of 10% of the issued share capital of the Company from time to time. For the six months ended 30 June 2009, no options were granted or exercised.

Future Developments

The Hong Kong total box office receipts was over HK$1,000,000,000 in 2008, representing 25% of the Chinese total box office receipts in 2008. The Chinese market as a whole recorded a box office receipts of approximately RMB2,340,000,000. The Chinese film market is huge and provide tremendous opportunities for the Hong Kong film makers to further explore and develop.

The Group is now under a transformation process. During the period under review, the name and logo of the Group were changed, a new management was formed, and the unpromising subsidiary was disposed. Restructuring has been taken place to reflect the new direction of the Group, which is to focus on film production, film distribution and property investment businesses. The Group would adopt a "twin-line" policy as its forward strategy, to invest in film production that offers high return and leverage, and on the other hand to invest in mainland properties that provides stable income stream and cash flow to the Group.

The Group would put forth the following plans in the latter half of the year:

1) "Ip Man" is well received by the public and the production of "Ip Man 2" is now under progress. It is expected to be shown during the summer of 2010.

2) The Group would dedicate its effort to promote the film library in order to raise the distribution income of the Group.

3) The Group is finding opportunity to dispose the non-profit making investment at a reasonable price.

4) Marketing research would be conducted in discovering the taste of both Hong Kong and the mainland audience, and topics of the film will base on the favour of the audience. Hence, films produced would be able to cater the needs of the audience in Hong Kong and the mainland.

5) To maintain the Group's competitiveness, more resources will be allocated to improve the efficiency of the film processing machines. Operation efficiency and cost-effectiveness would be achieved to echo the technical changes.

6) The mainland property market has been reviving since the 1st half of 2009, the Group would identify high potential properties in the mainland for investment to provide a stable income for the Group.

7) Stringent cost control will be implemented to improve the cash flow and return of the Group.

Conclusion

Both the economy of Hong Kong and the mainland have been improving since the 1st half of 2009. In particular, the Hong Kong film industry has recovered greatly compared to the time in the economic trough. The Group shall dedicate its effort to develop its core business in film production, film distribution and property investment businesses to increase the profitability as well as maximizing the return for shareholders.

PURCHASE, REDEMPTION AND SALE OF SHARES

During the six months ended 30 June 2009, 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 2009.

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

Corporate Governance

During the six months ended 30 June 2009, 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.

Compliance with Model Code for securities transactions by directors of listed issues ("Model Code") of the Listing Rules

For the six months period to 30 June 2009, 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 2009, 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 2009 with the directors.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim result announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.hmdatalink.com/ChinaMandarin/eng/index.html). The interim report will be dispatched to the shareholders and will be made available on the aforesaid websites in due course.

ACKNOWLEDGEMENT

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

By Order of the Board
LAI Pik Chi, Peggy
Chairman

Hong Kong, 18 September 2009

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

* *For the purpose of identification only*