



中國東方實業集團有限公司
China Mandarin Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 00009

Interim Report 2009

CONTENTS

	<i>Pages</i>
Corporate Information	2
Condensed Consolidated Income Statement	3
Condensed Consolidated Statement of Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flows	8
Notes to Condensed Consolidated Financial Statements	9
Management Discussion and Analysis	25
Other Information	30

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Ms. Lai Pik Chi, Peggy (*Chairman*)
Ms. Law Kee, Alice (*Chief Executive Officer*)
Mr. Kwok Tsz Wing (*Deputy Chairman*)
Mr. Hui Wai Lee, Willy

Non-executive Director:

Mr. Sin Kwok Lam

Independent Non-executive Directors:

Mr. Choy Sze Chung, Jojo
Mr. Tsui Pui Hung
Mr. Chan Tung Tak, Alain

COMPANY SECRETARY

Mr. Li Chi Chung

SOLICITORS

Michael Li & Co.
14th Floor, Printing House
6 Duddell Street
Central
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

PRINCIPAL BANKERS

ICBC (Asia) Limited
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai
Banking Corporation Limited
Chong Hing Bank Limited

AUDIT COMMITTEE

Mr. Choy Sze Chung, Jojo (*Chairman*)
Mr. Tsui Pui Hung
Mr. Chan Tung Tak, Alain

REMUNERATION COMMITTEE

Mr. Chan Tung Tak, Alain (*Chairman*)
Mr. Choy Sze Chung, Jojo
Mr. Tsui Pui Hung
Mr. Kwok Tsz Wing

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Cheung Fai Industrial Building
131 Wai Yip Street
Kwun Tong, Kowloon
Hong Kong

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

		Six months ended 30 June	
		2009	2008
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
			(Restated)
Continuing Operations			
Revenue	4	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	5	(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	11	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	–
Loss before tax	6	(21,830)	(14,144)
Tax	7	(770)	–
Loss for the period from continuing operations		(22,600)	(14,144)
Discontinued Operation			
Profit (Loss) for the period from a discontinued operation	8	(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			
Basic	10		
– 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	<u>(27)</u>	<u>6,630</u>
Total comprehensive loss for the period attributable to equity holders of the Company	<u>(22,838)</u>	<u>(7,348)</u>
Attributable to:		
Equity holders of the Company	(23,064)	(7,973)
Minority interests	<u>226</u>	<u>625</u>
	<u>(22,838)</u>	<u>(7,348)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2009*

		As at 30 June 2009 HK\$'000 (unaudited)	As at 31 December 2008 HK\$'000 (audited)
	<i>Notes</i>		
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	12	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	13	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	14	1,057	4,081
Other payables, accruals and deposits received		25,796	50,493
Loans from shareholders	20	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	16	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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*(continued)**As at 30 June 2009*

	<i>Notes</i>	As at 30 June 2009 HK\$'000 (unaudited)	As at 31 December 2008 HK\$'000 (audited)
NON-CURRENT LIABILITIES			
Convertible bonds	<i>17</i>	72,134	51,538
Interest-bearing bank and other borrowings	<i>16</i>	77	166
Loans from shareholders	<i>20</i>	20,000	20,000
Deferred tax liabilities		64,053	64,060
Obligations under a finance lease		54	100
		<hr/> 156,318 <hr/>	135,864
Total non-current liabilities			
		<hr/> 158,446 <hr/>	180,949
Net assets			
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	<i>18</i>	217,790	217,790
Reserves		(82,706)	(59,642)
		<hr/> 135,084 <hr/>	158,148
Minority interests		23,362	22,801
		<hr/> 158,446 <hr/>	180,949
Total equity			

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Attributable to equity holders of the Company								
	Issued capital HK\$'000	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Special reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2009*

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH INFLOW (OUTFLOW) FROM:		
Operating activities	14,583	(21,131)
Investing activities	589	(68,072)
Financing activities	6,197	(5,249)
Net increase (decrease) in cash and cash equivalents	21,369	(94,452)
Cash and cash equivalents at 1 January	9,356	100,358
Cash and cash equivalents at 30 June	30,725	5,906
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	30,725	9,974
Bank overdrafts	–	(4,068)
	30,725	5,906

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Pursuant to a special resolution on 30 March 2009, the name of the Company changed from Mandarin Entertainment (Holdings) Limited to China Mandarin Holdings Limited. The Chinese translation of the Company name for identification purposes 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. 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”).

3. 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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. 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		Total HK\$'000
	Film distribution and licensing HK\$'000	Film processing HK\$'000	Property investment HK\$'000	Elimination HK\$'000	Advertising and promotional services HK\$'000	Total 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	<u>74,229</u>	<u>9,080</u>	<u>5,608</u>	<u>(3,316)</u>	<u>85,601</u>	<u>1,505</u>	<u>87,106</u>
Segment results	<u>3,126</u>	<u>356</u>	<u>2,822</u>	<u>-</u>	<u>6,304</u>	<u>(210)</u>	<u>6,094</u>
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					<u>(22,600)</u>	<u>(211)</u>	<u>(22,811)</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. REVENUE AND SEGMENTAL INFORMATION (continued)

Operating segments (continued)

For the six months ended 30 June 2008

	Continuing operations				Total HK\$'000	Discontinued operation Advertising and promotional services HK\$'000	Total HK\$'000
	Film distribution and licensing HK\$'000	Film processing HK\$'000	Property investment HK\$'000	Elimination 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)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. 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

6. 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. 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 – PRC	770	–
	<hr/>	<hr/>
Total tax charge for the period	770	–
	<hr/>	<hr/>

8. 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (*continued*)8. DISCONTINUED OPERATION (*continued*)

The results of Chili up to the completion of its disposal at 31 March 2009 contributed 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)

9. DIVIDEND

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

10. 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.

11. 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 payables and accruals	(173)
Amount due to a director	(11)
Bank overdraft	(21)
	<hr/>
	2,165
Gain on the disposal	198
	<hr/>
	2,363
	<hr/>
Satisfied by:	
Cash	500
Amount due from the immediate holding company	1,863
	<hr/>
	2,363
	<hr/>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. DISPOSAL OF A SUBSIDIARY (continued)

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
	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	521
	<hr/>

12. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

As at 30 June 2009, the Group had interests in the following jointly-controlled entities:

Name of entity	Place of incorporation/ operations	Percentage of nominal value of issued share capital/ registered capital held indirectly by the Company %	Nature of business
浙江東方國際發展 有限公司*	PRC/PRC	37.5	Hotel operations
東方橫店影視後期 製作有限公司*	PRC/PRC	49	Dormant
Dong Tian Motion Picture Investment Limited	British Virgin Islands/PRC	50	Investment holding

* These companies are sino-foreign equity joint ventures established in the PRC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

13. 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.

14. 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

15. BANKING FACILITIES

As at 30 June 2009, the Group's banking facilities are secured by the following:

- (1) HK\$3,000,000 corporate guarantee given by the Company; and
- (2) personal guarantees given by directors of the Company.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	As at 30 June 2009 HK\$'000 (unaudited)	As at 31 December 2008 HK\$'000 (audited)
Current				
Bank overdrafts – secured	5-7	On demand	–	6,605
Other borrowings – secured	1-5.58	2009	174	5,840
			174	12,445
Non-current				
Other borrowings – secured	1-5.58	2010	77	166
			251	12,611

17. CONVERTIBLE BONDS

In last year, as part of the consideration for the acquisition of Profit Source International Limited (“Profit Source”) and its subsidiary, the Company issued zero coupon convertible bonds due on 18 October 2011 up to an aggregate principal amount of HK\$70,000,000 of which HK\$40,000,000 could be reduced on a dollar to dollar basis shall the Group has to settle in cash for several litigations more than a settlement amount of RMB130,956,000 as accrued by the Profit Source Group upon its disposal. The bonds are convertible at the option of the bondholders into fully paid ordinary shares with a par value of HK\$0.10 each of the Company at any time from the date of the issue of the bonds up to and including 18 October 2011 at an initial conversion price of HK\$0.4 per share (subject to adjustment). Pursuant to the open offer of 1,426,900,000 new ordinary shares by the Company on 3 September 2008, the conversion price was adjusted to HK\$0.274 per share. The bonds are redeemable at the option of the Company at 100% of their principal amount six months after the issuance. Any convertible bonds not converted will be redeemed on 18 October 2011 at 100% of their principal amount.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*17. CONVERTIBLE BONDS *(continued)*

The Group has entered into settlement agreement with the relevant counterparties to the several litigations against the Profit Source Group, pursuant to which the Group has paid an aggregate amount of RMB136,464,000 which exceeded the amount of RMB130,956,000 as disclosed in the circular dated 12 March 2008 to the relevant counterparties being full and final settlement. The Group is then entitled to deduct the exceeding amount of RMB5,508,000 (equivalent to approximately HK\$6,261,000) from the principal amount of HK\$40,000,000 convertible bond. Accordingly, a new convertible bond certificate of HK\$33,739,000 has been issued and delivered to the bondholders thereafter.

The fair value of the derivative component was estimated at the issuance date using a binomial model and the change in fair value of that component is recognised in the consolidated income statement. The residual amount is assigned as the liability component.

The convertible bonds issued in last year had been split as to the derivative and liability components, and the movements in the derivative and liability components were as follows:

	<i>HK\$'000</i>
Nominal value of convertible bonds issued	63,739
Derivative component	<u>(20,916)</u>
Liability component at the issuance date	42,823
Interest expense for the year	<u>1,975</u>
Liability component at 31 December 2008	44,798
Interest expense for the current period	<u>2,820</u>
Liability component at 30 June 2009	<u>47,618</u>
Derivative component at the issuance date	20,916
Fair value gain recognised during the year	<u>(14,176)</u>
Derivative component 31 December 2008	6,740
Fair value loss recognised during the current period	<u>17,776</u>
Derivative component at 30 June 2009	<u>24,516</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (*continued*)

18. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
10,000,000,000 (31 December 2008: 10,000,000,000) ordinary shares of HK\$0.10 each	10,000,000,000	1,000,000
Issued and fully paid:		
As at 30 June 2009 and 31 December 2008	2,177,900,000	217,790

19. COMMITMENTS

a) Capital commitments

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).

b) Operating lease commitments

i) As lessor

The Group leases its investment property under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 30 June 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 June 2009 HK\$'000 (unaudited)	As at 31 December 2008 HK\$'000 (audited)
Within one year	12,735	1,221
In the second to fifth years, inclusive	58,558	375
Over 5 years	79,757	–
	<u>151,050</u>	<u>1,596</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*19. COMMITMENTS *(continued)***b) Operating lease commitments *(continued)****ii) As lessee*

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 3 years.

As at 30 June 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2009 HK\$'000 (unaudited)	As at 31 December 2008 HK\$'000 (audited)
Within one year	1,074	2,283
In the second to fifth years, inclusive	578	327
Over 5 years	–	–
	1,652	2,610

c) Other commitments

As at 30 June 2009, the Group had the commitments for the following expenditure in respect of:

	As at 30 June 2009 HK\$'000 (unaudited)	As at 31 December 2008 HK\$'000 (audited)
Contracted, but not provided for:		
Production of film	19,019	3,592
Authorised, but not contracted for:		
Production of film	31,552	–
	50,571	3,592

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. RELATED PARTY TRANSACTIONS

(i) **Related party transactions and connected transactions**

During the period ended 30 June 2009, the Group had the following material transactions with related parties:

- (a) Rental expenses of HK\$391,000 (six months ended 30 June 2008: HK\$451,000) for certain office premises were paid to Pure Project Limited (“Pure Project”), a related company in which Mr. Wong Pak Ming (“Mr. Wong”), a former director of the Company has beneficial interest.
- (b) The agency fees of HK\$6,000 (six months ended 30 June 2008: HK\$56,000) and HK\$14,000 (six months ended 30 June 2008: Nil) were charged by 廣州東影影視出品有限公司 (“Tung Ying”) and Prime Moon International Limited (“Prime Moon”), in which a brother and a sister of Mr. Wong have beneficial interest, respectively, for the distribution income generated by Tung Ying and Prime Moon on behalf of the Group, in which they acted as the agents to generate that income.
- (c) Management fee of HK\$46,000 (six months ended 30 June 2008: HK\$23,000) was paid to Tung Ying for handling the daily operation the advertising business in Guangzhou.
- (d) The production expenses of HK\$1,500,000 and HK\$200,000 (six months ended 30 June 2008: Nil) were paid to Mr. Wong for his executive producer service provided to the Group in accordance with the service agreements entered into on 20 November 2008 between the Group and Big Bright Investment Limited and on 26 May 2009 between the Group and Pure Project, respectively, of which the shareholdings are beneficially owned by Mr. Wong.
- (e) The script writing fee of HK\$126,000 (six months ended 30 June 2008: Nil) and provision of shooting and editing service fee of HK\$100,600 (six months ended 30 June 2008: Nil) were paid to Pegasus Motion Pictures Production Limited, a related company in which Mr. Wong Chi Woon, Edmond, a former director and the son of Mr. Wong, has beneficially interest.
- (f) Management fee of HK\$476,000 (six months ended 30 June 2008: Nil) was paid to 四川黃河商業有限責任公司, a related company in which Mr. Cheng Keung Fai (“Mr. Cheng”), a substantial shareholder of the Company, has beneficial interest.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. RELATED PARTY TRANSACTIONS *(continued)*

(ii) Compensation of key management personnel

The remunerations of the directors during the period are the short-term benefits of approximately HK\$1,909,000 (six months ended 30 June 2008: HK\$1,862,000). It is determined by reference to market terms, individual responsibilities and performance.

(iii) Outstanding balances with related parties

As at 30 June 2009, loans from shareholders represent loan balances of HK\$14,257,000 (31 December 2008: HK\$13,036,000) from Mr. Zhang Xun (“Mr. Zhang”), a shareholder of the Company, which are unsecured, bear interest at 1% to 3% per annum and repayable on demand and a loan balance of HK\$20,000,000 (31 December 2008: HK\$20,000,000) from Mr. Wong. The loan from Mr. Wong is unsecured, bears interest at 2% below the Hong Kong prime rate and repayable on or before 10 November 2010. Interest expenses of HK\$262,000 and HK\$298,000 were paid to Mr. Zhang and Mr. Wong, respectively, during the period.

As at 31 December 2008, the Group had outstanding balance of HK\$6,991,000 due to Mr. Cheng, which was unsecured, interest-free and fully repaid in April 2009.

21. 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 8). In addition, as further explained in note 3 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.

22. 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\$1,095,000). 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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\$57,622,000 (31 December 2008: HK\$101,177,000) and current liabilities of approximately HK\$42,649,000 (31 December 2008: HK\$87,384,000), representing a current ratio of approximately 1.35 (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

Save for those disclosed in note 19 to the condensed financial statements, there were no other capital commitments nor contingent liabilities that the Group is aware of.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

- 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.

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

As at 30 June 2009, the interests and short positions of each director and chief executive in the 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	Family				
Mr. WONG Pak Ming ("Mr. Wong")	14,257,700	212,570,000 (Note 1)	1,191,900 (Note 2)	228,019,600	2,566,888	230,586,488	10.59%
Mr. KWOK Tsz Wing ("Mr. Kwok")	43,973,600	74,482,182 (Note 3)	–	118,455,782	–	118,455,782	5.44%

Notes:

1. These shares are held by Capeland Holdings Limited, a company incorporated in the British Virgin Islands and the shares of which is wholly-owned by Mr. Wong.
2. In accordance with SFO, Mr. Wong is also deemed to be interested in the shares held by Mr. Wong's spouse or in which she is interested.
3. These shares are held by Super Grand Enterprises Limited which is wholly-owned by Mr. Kwok.

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

Save as disclosed above, as at 30 June 2009, none of the directors, the chief executive or their associates had any interests or short positions in any shares or underlying shares in, or debentures of, the Company or its associated corporation as defined in SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTIONS

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

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

SHARE OPTIONS (continued)

As at 30 June 2009, a total of 7,293,996 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\$	Numbers of options				Balance as at 30 June 2009
				Grant balance as at 1 January 2009	Exercised during the period	Cancelled during the period	Lapsed during the period	
Mr. WONG	23/6/2006	24/12/2006 to 20/08/2011	0.577	533,548	-	-	-	533,548
	10/5/2007	22/11/2007 to 20/08/2011	0.541	2,033,340	-	-	-	2,033,340
Mr. WONG Chi Woon, Edmond	23/6/2006	24/12/2006 to 20/08/2011	0.577	533,548	-	-	533,548	-
	10/5/2007	22/11/2007 to 20/08/2011	0.541	2,033,340	-	-	2,033,340	-
Ms. WONG Yee Kwan, Alvina	23/6/2006	24/12/2006 to 20/08/2011	0.577	533,548	-	-	533,548	-
	10/5/2007	22/11/2007 to 20/08/2011	0.541	2,033,340	-	-	2,033,340	-
Employees	23/6/2006	24/12/2006 to 20/08/2011	0.577	1,067,096	-	-	-	1,067,096
	10/5/2007	22/11/2007 to 20/08/2011	0.541	3,660,012	-	-	-	3,660,012
				12,427,772	-	-	5,133,776	7,293,996

Note:

The closing price of the shares of the Company on 23 June 2006 and 10 May 2007, the date of grant of the above options were HK\$0.93 and HK\$0.88 (before adjustment) per share respectively.

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

As at 30 June 2009, 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 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 shares of the Company
Mr. CHENG Keung Fai ("Mr. Cheng")	Personal (<i>Note 1</i>)	739,765,071 (Long position)	33.97%
Mr. FONG Han Song	Personal	269,500,000 (Long position)	12.37%
Mr. WONG	Corporate (<i>Note 2</i>)	212,570,000 (Long position)	9.76%
	Personal	14,257,700 (Long position)	0.66%
	Family (<i>Note 3</i>)	1,191,900 (Long position)	0.05%
	Other (Share options)	2,566,888 (Long position)	0.12%
	Total:	230,586,488 (Long position)	10.59%
Mr. KWOK	Corporate (<i>Note 4</i>)	74,482,182 (Long position)	3.42%
	Personal	43,973,600 (Long position)	2.02%
	Total:	118,455,782 (Long position)	5.44%
Mr. ZHANG Xun	Personal	109,498,400 (Long position)	5.03%

Notes:

- These shares include 507,500,000 shares beneficially owned by Mr. Cheng and the convertible bonds amounted to HK\$63,739,409 conferring rights to subscribe a total of 232,265,071 shares by Mr. Cheng.
- These shares are held by Capeland Holdings Limited, a company incorporated in the British Virgin Islands and the shares of which is wholly-owned by Mr. Wong.
- In accordance with SFO, Mr. Wong's spouse is also deemed to be interested in the shares held by Mr. Wong or in which he is interested.
- These shares are held by Super Grand Enterprises Limited which is wholly-owned by Mr. Kwok.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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.

LIST OF DIRECTORS OF THE COMPANY

As at the date of this report, the four executive directors of the Company are namely, Ms. Lai Pik Chi, Peggy, Ms. Law Kee, Alice, Mr. Kwok Tsz Wing and Mr. Hui Wai Lee, Willy; one non-executive director is Mr. Sin Kwok Lam; and three independent non-executive directors are, namely, Mr. Choy Sze Chung, Jojo, Mr. Tsui Pui Hung and Mr. Chan Tung Tak, Alain.

ACKNOWLEDGEMENT

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

By Order of the Board
LAI Pik Chi, Peggy
Chairman

Hong Kong, 18 September 2009