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 2011

The board (the "Board") of directors (the "Directors") 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 2011 (the "Period") with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
		HK$'000	*HK$'000*
	Notes	**(unaudited)**	(unaudited)
Revenue	*3*	**33,179**	21,237
Cost of sales		**(13,214)**	(10,541)
Gross profit		**19,965**	10,696
Other income		**2,692**	2,545
Administrative expenses		**(15,194)**	(10,932)
Finance income		**41**	7
Finance costs	*4*	**(10,000)**	(54)
Share of results of an associate		**(22)**	–
Gain on disposal of subsidiaries	*10*	**–**	29,761
Gain on disposal of property held for sale	*7*	**28,493**	–
Profit before tax	*5*	**25,975**	32,023
Income tax credit (expense)	*6*	**619**	(1,846)
Profit for the period		**26,594**	30,177

	Notes	Six months ended 30 June **2011** ***HK$'000*** **(unaudited)**	 2010 *HK$'000* (unaudited)
Attributable to:			
Owners of the Company		**26,034**	30,097
Non-controlling interests		**560**	80
Total		**26,594**	30,177
Earnings per share attributable to owners of the Company	*9*		
Basic			
– For profit for the period		**HK$0.99 cent**	HK1.15 cents
Diluted			
– For profit for the period		**N/A**	N/A

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**26,594**	30,177
Other comprehensive income:		
Exchange difference arising on translation of foreign operations	**15,393**	908
Total comprehensive income for the period	**41,987**	31,085
Attributable to:		
Owners of the Company	**40,770**	30,883
Non-controlling interests	**1,217**	202
	41,987	31,085

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	**30 June 2011** *HK$'000* **(unaudited)**	31 December 2010 *HK$'000* (audited)
Non-current assets			
Goodwill		**157,440**	–
Property, plant and equipment		**351,184**	10,810
Investment property		**317,842**	310,223
Interest in an associate		**66,073**	47,095
Deposit paid		**4,051**	161,666
Film rights		**101**	101
Total non-current assets		**896,691**	529,895
Current assets			
Film production in progress		**23,895**	5,339
Inventories		**2,306**	2,005
Property held for sale		**–**	15,600
Property development in progress		**413,289**	–
Trade receivables	*11*	**7,576**	7,644
Other receivables, prepayments and deposits paid		**67,120**	495
Cash and cash equivalents		**50,249**	64,764
Total current assets		**564,435**	95,847
Current liabilities			
Trade payables	*12*	**1,369**	1,604
Other payables, accruals and deposits received		**18,039**	19,256
Interest-bearing bank and other borrowings	*13*	**66,336**	1,789
Tax payable		**1,871**	666
Total current liabilities		**87,615**	23,315
Net current assets		**476,820**	72,532
Total assets less current liabilities		**1,373,511**	602,427

	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
Non-current liabilities		
Convertible bonds	**149,950**	–
Deposit received	**1,481**	1,445
Deferred tax liabilities	**224,391**	77,130
Loans from a shareholder	**60,000**	–
Total non-current liabilities	**435,822**	78,575
Net assets	**937,689**	523,852
Equity		
Equity attributable to owners of the Company		
Issued capital	**298,933**	209,078
Reserves	**611,327**	288,562
	910,260	497,640
Non-controlling interests	**27,429**	26,212
Total equity	**937,689**	523,852

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company										
	Issued capital HK$'000	Share premium HK$'000	Contributed surplus** HK$'000	Asset revaluation reserve HK$'000 (restated)	Convertible bond equity reserve HK$'000	Exchange fluctuation reserve HK$'000	Share special reserve*** HK$'000	Retained profits (Accumulated losses) HK$'000 (restated)	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2011	209,078	10,827	119,162	14,051	–	9,913	17,926	116,683	497,640	26,212	523,852
Exchange differences arising on transaction of foreign operations	–	–	–	–	–	14,736	–	–	14,736	657	15,393
Profit for the period	–	–	–	–	–	–	–	26,034	26,034	560	26,594
Total comprehensive income for the period	–	–	–	–	–	14,736	–	26,034	40,770	1,217	41,987
Issue of convertible bonds	–	–	–	–	149,228	–	–	–	149,228	–	149,228
Issue of shares	89,855	222,571	–	–	(89,804)	–	–	–	222,622	–	222,622
Disposal of property held for sale	–	–	–	(9,974)	–	–	–	9,974	–	–	–
As at 30 June 2011	298,933	233,398*	119,162*	4,077*	59,424*	24,649*	17,926*	152,691*	910,260	27,429	937,689
As at 1 January 2010, as previously reported	261,348	224,095	–	–	–	2,998	17,926	(279,125)	227,242	23,734	250,976
Effect of changes in accounting policy	–	–	–	9,727	–	–	–	866	10,593	–	10,593
As at 1 January 2010 (restated)	261,348	224,095	–	9,727	–	2,998	17,926	(278,259)	237,835	23,734	261,569
Exchange differences arising on transaction of foreign operations	–	–	–	–	–	786	–	–	786	122	908
Profit for the period	–	–	–	–	–	–	–	30,097	30,097	80	30,177
Total comprehensive income for the period	–	–	–	–	–	786	–	30,097	30,883	202	31,085
As at 30 June 2010	261,348	224,095*	–*	9,727*	–*	3,784*	17,926*	(248,162)*	268,718	23,936	292,654

* *These reserve accounts comprise the consolidated reserves of HK$611,327,000 (30 June 2010: HK$7,370,000) in the consolidated statement of financial position.*

** *The contributed surplus of the Group was arising from the Company's capital reorganisation on 6 September 2010.*

*** *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").

This condensed consolidated financial information has not been audited but has been reviewed by the Company's audit committee.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost convention except for leasehold land and buildings and an investment property, 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 2010 except for the new adoption of Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs as disclosed below.

(A) The following amended and revised HKFRSs are mandatory for the Group's accounting period beginning on 1 January 2011 and are relevant to the Group's operations:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 34 (Amendment)	Interim Financial Reporting

The impacts of the adoption of these amended and revised HKFRSs on these condensed consolidated interim financial statements are as follows:

(a) HKAS 1 (Amendment) "Presentation of Financial Statements". This amendment confirms that entities may present an analysis of the components of other comprehensive income by item either in the statement of changes in equity or within the notes. The adoption of this amendment does not have any impact on the presentation of the Group's condensed consolidated interim financial statements.

(b) HKAS 34 (Amendment) "Interim Financial Reporting". This amendment provides guidance on the application of disclosure principles and adds disclosure requirements around (i) the circumstances likely to affect fair values of financial instruments and their classification; (ii) transfers of financial instruments between different levels of the fair value hierarchy; (iii) changes in classification of financial assets; and (iv) changes in contingent liabilities and assets. The adoption of this amendment does not have any impact on the presentation of the Group's condensed consolidated interim financial statements.

(B) The following new, amended and revised HKFRSs are mandatory for the Group's accounting period beginning on 1 January 2011, but are not currently relevant to the Group's operations:

HKAS 19 (Amendment)	Employee Benefits
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates
HKAS 24 (Revised)	Related Party Disclosures
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 28 (Amendment)	Investments in Associates
HKAS 31 (Amendment)	Interests in Joint Ventures
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKFRS 8 (Amendment)	Disclosure of Information about Major Customers
HK(IFRIC) – Int 13 (Amendment)	Customer Loyalty Programmes
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

(C) The following new, and amended HKFRSs have been issued, but are not effective for the Group's accounting period beginning on 1 January 2011 and have not been early adopted:

HKAS 1 (Revised) (Amendment)	Presentation of Financial Statements
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Financial Instruments: Disclosure – Transfers of Financial Assets
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement

The Group has commenced an assessment of the impact of these new, and amended HKFRSs but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

3. REVENUE AND SEGMENTAL INFORMATION

Operating segments

The Group is organised into four operating divisions – property rental, film distribution and licensing, film processing and property development. 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 2011

	Property rental	Film distribution and licensing	Film processing	Property development	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
External revenue	**8,297**	**12,873**	**12,009**	**–**	**–**	**33,179**
Intersegment revenue	**–**	**–**	**165**	**–**	**(165)**	**–**
Total revenue	**8,297**	**12,873**	**12,174**	**–**	**(165)**	**33,179**
Segment results	**5,593**	**4,991**	**2,342**	**(1,435)**	**–**	**11,491**
Other income						**112**
Unallocated corporate expenses						**(4,162)**
Finance income						**41**
Finance costs						**(10,000)**
Gain on disposal of property held for sale						**28,493**
Profit before tax						**25,975**
Income tax credit						**619**
Profit for the period						**26,594**

For the six months ended 30 June 2010

	Property rental HK$'000	Film distribution and licensing HK$'000	Film processing HK$'000	Property development HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue:						
External revenue	7,183	3,079	10,975	–	–	21,237
Intersegment revenue	–	–	2,489	–	(2,489)	–
Total revenue	7,183	3,079	13,464	–	(2,489)	21,237
Segment results	4,660	(3,386)	3,279	–	–	4,553
Other income						34
Unallocated corporate expenses						(2,278)
Finance income						7
Finance costs						(54)
Gain on disposal of subsidiaries						29,761
Profit before tax						32,023
Income tax expense						(1,846)
Profit for the period						30,177

4. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank loans and other borrowings wholly repayable within five years	**2,481**	36
Interest on convertible bonds	**7,337**	–
Interest on loans from a shareholder	**182**	–
Interest on finance lease	**–**	18
Total interest	**10,000**	54

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Cost of inventories recognised as expenses*	**8,243**	5,932
Write-back of impairment of trade receivables	**(560)**	(1,514)
Minimum lease payments under operating lease	**2,719**	1,747
Depreciation	**1,505**	860
Gain on disposal of property held for sale	**(28,493)**	–

* *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. INCOME TAX CREDIT (EXPENSE)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period (2010: 16.5%). The People's Republic of China ("PRC") income tax rate has been unified to 25% for all enterprises.

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Group:		
Current – Hong Kong	**(1,794)**	(578)
Current – PRC	**(400)**	(1,268)
Deferred	**2,813**	–
Total tax credit (charge) for the period	**619**	(1,846)

7 GAIN ON DISPOSAL OF PROPERTY HELD FOR SALE

The Group entered into an agreement with Hayson Development Limited, an independent third party, on 11 January 2011 pursuant to which the Group agreed to dispose of the property held for sale, previously and currently used by the Group for film processing, for a consideration of HK$44,093,000. The transaction was completed in March 2011.

	Six months ended 30 June 2011
	HK$'000
	(unaudited)
Sale Proceeds	**44,093**
Net book value	**(15,600)**
Gain on disposal	**28,493**

8. DIVIDEND

No dividend was paid or proposed during the period (2010: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the period of HK$26,034,000 (2010: HK$30,097,000) attributable to owners of the Company, and the weighted average number of 2,628,105,000 (2010: 2,613,480,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share for the period ended 30 June 2011 in respect of a dilution as the convertible bonds outstanding has an anti-dilutive effect on the basic earnings per share for the period.

No adjustment has been made to the basic earnings per share for the period ended 30 June 2010, as there were no dilutive potential ordinary shares in existence during the previous period.

10. DISPOSAL OF SUBSIDIARIES

On 17 December 2009, Grimston Limited ("Grimston"), a wholly-owned subsidiary of the Company, and Pegasus Motion Pictures Limited ("Pegasus"), a company owned by Mr. Wong Chi Woon, Edmond, the son of Mr. Wong Pak Ming and a former Director, entered into a sale and purchase agreement (the "Sale and Purchase Agreement"). Pursuant to the Sale and Purchase Agreement, Grimston would dispose of and Pegasus would acquire the entire issued and fully-paid ordinary shares of Elite Films Limited, Motion Picture Limited and Pioneer Films Limited (collectively known as the "Disposal Group") at a cash consideration of HK$29,000,000 together with the balance of payment from the sale of film rights which were signed before the date of disposal and were remained to be performed in whole or in part, a tax indemnity of HK$1,000,000 and the inter-companies balances with Grimston. The Sale and Purchase Agreement constituted a connected transaction.

On 3 March 2010, the Sale and Purchase Agreement was completed, details in respect of the disposal are as follows:

	Six months ended 30 June 2010 *HK$'000* (unaudited)
Net assets disposed of:	
Film rights	62
Film production in progress	624
Other payables and accruals	(134)
Amount due to Grimston	(93,148)
	(92,596)
Gain on the disposal	29,761
	(62,835)

	Six months ended 30 June 2010 *HK$'000* (unaudited)
Satisfied by:	
Cash	29,000
Net income received from customers	2,313
Tax indemnity	(1,000)
Amount due to Grimston	(93,148)
	(62,835)

11. TRADE RECEIVABLES

An 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:

	As at 30 June 2011 ***HK$'000*** **(unaudited)**	As at 31 December 2010 *HK$'000* (audited)
0 – 90 days	**4,729**	5,460
91 – 180 days	**1,477**	617
181 – 365 days	**608**	831
Over 1 year	**762**	736
	7,576	7,644

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 the trade payables as at end of the reporting period, based on the invoice dates, is as follows:

	As at 30 June 2011 *HK$'000* **(unaudited)**	As at 31 December 2010 *HK$'000* (audited)
0 – 90 days	**1,364**	1,604
91 – 180 days	**5**	–
	1,369	1,604

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	**Maturity**	**As at 30 June 2011** *HK$'000* **(unaudited)**	As at 31 December 2010 *HK$'000* (audited)
Current				
Bank loans – secured	3.75	On demand	**1,702**	1,789
Other borrowings	10	2012	**64,634**	–
			66,336	1,789

The Group's bank borrowings were secured by the leasehold land and buildings with a carrying value of HK$5,426,000.

MANAGEMENT DISCUSSION AND ANALYSIS

We are pleased to announce the Group's interim results for the six months ended 30 June 2011 ("the period"). Riding on our satisfactory results achieved in 2010, during the period, the Group has successfully facilitated further growth in our business by continuing to focus on two major business segments (i) property development and rental and; (ii) film production and related businesses.

Financial highlights

For the six months ended 30 June 2011, the Group recorded a total turnover of HK$33,179,000 (2010: HK$21,237,000), representing an increase of 56.2% over the same period of last year. Gross profit also grew by 86.7% to HK$19,965,000 (2010: HK$10,696,000). The strong growth in our turnover was mainly attributable to the increase in property rental and film distribution and licensing businesses. Turnover from film production, distribution and licensing businesses, which accounted for 38.8% of the total turnover, continued to be the key growth driver to the Group's business. Meanwhile, turnover from property rental and film processing amounted to HK$8,297,000 and HK$12,009,000 respectively. Profit attributable to shareholders were HK$26,034,000 (2010: HK$30,097,000). The gain on disposal of property contributed HK$28,493,000 profit to the Group. Basic earnings per share were 0.99 HK cent (2010: 1.15 HK cents). The Board did not recommend dividend payout for the six months ended 30 June 2011 (2010: Nil). As at 30 June 2011, cash on hand was approximately HK$50,249,000 (2010: HK$57,692,000).

During the period, the Group made a commitment for property development of approximately HK$364,000,000.

The Group incurred interest expenses of HK$2,448,000 (2010: Nil) derived from the 10%-interest RMB50,000,000 loan from acquiring a property development subsidiary, HK$7,337,000 from the convertible bonds and HK$182,000 from the 1.5%-interest shareholder's loan.

Business review

The Group is principally engaged in property development and rental in the PRC as well as film production and related businesses.

Since 2008, the Group has gradually diversified its investment to the property market of the PRC. To reflect the Group's determination to enter the property development market, the Group appointed a new executive Director and Chairman, Mr. Jin Lei, to take the leadership role in mapping out the development plan of the Group.

Property investments

Property Development

The Group acquired the entire interest of 湖南九華國際新城開發建設有限公司 (Hunan Jiuhua International City Development Construction Company Limited) ("Jiuhua") at a consideration of HK$700,000,000 in January 2011. Jiuhua engages in property development and management as well as hotel management. It owns a piece of land with a gross area of approximately 325,989 square meters. The land was situated in the Jiuhua Economic Zone, Xiangtan, Hunan Province, the PRC to be developed into low-density residential units and condominiums and townhouses, under the project name of "Oriental Venice".

Jiuhua has become the property development arm of the Group. In April 2011, Jiuhua entered into a letter of intent with Xiangtan City Land Resources Bureau to acquire a piece of land with site area of approximately 333,000 square meters (500 mu) in the Jiuhua Economic Zone, for a future phase of development of "Oriental Venice". The Group plans to fund the development project via various channels including internal resources, bank facilities and etc.

Located near Chang-Zhu-Tan City Cluster, Xiangtan City enjoys a convenient transportation system. Three highways including Changsha-Xiangtan Highway, State Highway 107 (Beijing to Shenzhen) and State Highway 320 (Shanghai to Kunming) run through the city. Changsha Huanghua Airport, 60km from Xingtan's downtown area, offers regular flights to 50 cities. Furthermore, the PRC government is determined to improve the infrastructure in Chang-Zhu-Tan City Cluster and build it into an important engine to drive the economic development in Hunan. With favourable policy support, excellent geographical location and convenient transportation system, the "Oriental Venice" project has demonstrated its huge potential to deliver substantial profits in the coming years.

In view of the cumulative increase in the property price in Hong Kong, in January 2011, the Group disposed of the entire 3rd Floor and the roof floor (inclusive of the fresh water tank on the roof) (the "Property") of an industrial building known as Cheung Fai Industrial Building at the price of HK$44,093,000. The Property was located at Nos. 131-133 Wai Yip Street, Kowloon, Hong Kong with a total gross floor area of approximately 22,046 square feet. The sale of the Property was completed on 11 March 2011. To avoid unnecessary interruption to the Group's business, the Group has leased back the Property, which will continue to be occupied for film processing.

Property Rental

For the period ended 30 June 2011, the property rental business was operated at a profit before tax of HK$5,593,000 (2010: HK$4,660,000).

The rental income grew by 15.5% to HK$8,297,000 (2010: HK$7,183,000) during the period, which was contributed by the commercial property in Chengdu, the PRC. The Group signed another 5-year lease with a karaoke operator. The property rental business is intended not only to provide secure income and stable cash inflow to the Group but also to preserve management cost for the maintenance of the investment property in the coming years.

Film production business

No new film was released for the period ended 30 June 2011.

During the period, the Group continued the production of two new films, namely the 3D film titled "The Monkey King" and a literary film titled "Hundred Years of a Floating City". Donnie Yen, the main actor in "Ip Man", together with Aaron Kwok and Chow Yun Fat will take leading roles in "The Monkey King". Based on a popular Chinese story "Journey to the West", "The Monkey King" is undergoing post-production work and is expected to be released in the Summer of 2012. In view of the flourishing 3D film market, the Group believes that the film will be able to draw wide attention and hit the box office record again.

Meanwhile, "Hundred Years of a Floating City", directed by Yim Ho, is also in the stage of post-production. Aaron Kwok will star in the film which is expected to be released in February 2012. The Group is confident that both films will be well-received by audience and capture huge box office in the coming years. The receipts to be generated from "The Monkey King" and "Hundred Years of a Floating City" will be reflected in 2012.

Film processing

During the period under review, the local film processing industry experienced a low season due to the lack of mega film made, rising material cost, coupled with the impact of increased number of digital cinema. The Group's film processing business, nevertheless managed to increase by 9.4% in turnover to HK$12,009,000 (2010: HK$10,975,000). Operating profit decreased by 28.6% to HK$2,342,000 (2010: HK$3,279,000). The Group has a market share of more than 60% among the three film processing factories in Hong Kong.

With over 40 years experience in film processing business, the Group provides excellent services including sound recording, sound mixing and visual and subtitle, consolidating its leading film laboratory position in Hong Kong and South East Asia.

Future developments

Prospects

The long-term prospects of the property market of the PRC is expected to remain positive. As Renminbi is expected to appreciate further, it will continue to boost the property price in the PRC. With the fast urbanization in the PRC, the Group will strive to grasp every opportunity to invest in the property market in the PRC.

We believe that the property market in Xiangtan, Hunan Province will continue to boom in the coming years due to the eminent housing demand from the locals, and the recent Government's tightening measures to cool down the property market is unlikely to put a halt.

The blueprint for the development of "Oriental Venice" has been finalized. It comprises residential units and a five-star hotel. To begin with, the Group plans to build the five-star hotel in order to capture the imminent demand for hotel rooms in the region.

The Group will stick to its twin-line business strategy: property and film. According to statistics from the State Administration of Radio Film and Television, the box office in the PRC hit another historical high to RMB5,698,000,000, up 17.7% comparing with 2010. Turnover from domestic films amounted to RMB2,932,000,000 and accounted for 51.45% of the total turnover. The rapid growth shows enormous development opportunities of the film market in the PRC.

"The Monkey King" and "Hundred Years of a Floating City" are expected to go on screen in 2012 and start to contribute at that time. The Group will continue to produce more high quality films that suit the demand in the market.

Looking ahead, the Group will build on a sound portfolio which generates stable cash inflow and is complemented by selected investments that offer particular potential. The Group will exploit the ups and downs of the market continuously to the benefit of the shareholders in a long run.

Liquidity and financial resources

As at 30 June 2011, the Group's net current assets was HK$476,820,000 (31 December 2010: HK$72,532,000), with current assets of HK$564,435,000 (31 December 2010: HK$95,847,000) and current liabilities of HK$87,615,000 (31 December 2010: HK$23,315,000), representing a current ratio of 6.4 (31 December 2010: 4.1).

As at 30 June 2011, the Group had cash and bank balances of HK$50,249,000 (31 December 2010: HK$64,764,000).

Capital structure

The Group's total equity amounted to HK$910,260,000 as at 30 June 2011 (31 December 2010: HK$497,640,000). The change is mainly due to the profit and the conversion of the convertible bonds during the period.

Borrowing and banking facilities

As at 30 June 2011, the Group's outstanding bank and other borrowings, loan from a shareholder and convertible bonds, were HK$276,286,000 (31 December 2010: HK$1,789,000). The bank loan is secured by the leasehold land and buildings with a carrying value of HK$5,426,000. The gearing ratio based on interest-bearing bank and other borrowings over total equity for the period was 0.304 (31 December 2010: 0.004).

Exposure to 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.

Staff cost, Directors' remuneration and share option scheme

Staff cost for the six months ended 30 June 2011 was HK$6,657,000 (30 June 2010: HK$6,714,000) representing a decrease of 0.85%. The Group had a workforce of 84 (30 June 2010: 70) staff including 46 (30 June 2010: 48) staff in the film processing department as at 30 June 2011. 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 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 2011, no options were granted or exercised.

PURCHASE, REDEMPTION AND SALE OF SHARES

During the six months ended 30 June 2011, 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 2011.

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

Corporate governance

During the six months ended 30 June 2011, 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 of listed issuers

For the six months period ended 30 June 2011, 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 2011, and they all confirmed that they had fully complied with the required standard as set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee, comprises three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Group with the 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 2011 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 website of 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
JIN LEI
Chairman

Hong Kong, 29 August 2011

As at the date of this announcement, the Board comprises six Directors. The executive Directors are Mr. Jin Lei (Chairman), Ms. Law Kee, Alice (Chief Executive Officer), and Mr. Hui Wai Lee, Willy; and the independent non-executive Directors are Mr. Tsui Pui Hung, Mr. Tang Ping Sum and Mr. Chu To, Jonathan.

* *For the purpose of identification only*