CHINA MANDARIN HOLDINGS LIMITED
中國東方實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 00009)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2010

The board of directors ("the Board") of China Mandarin Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010, together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000 (restated)
Continuing operations			
Revenue	*4*	**126,566**	119,488
Cost of sales		**(89,218)**	(89,716)
Gross profit		**37,348**	29,772
Other income and gains	*4*	**1,456**	3,132
Gain on disposal of subsidiaries	*16*	**30,262**	17,622
Fair value gain on derivative component of convertible bonds		**–**	9
Loss on redemption of convertible bonds		**–**	(7,050)
Fair value gain on investments held for trading, net		**–**	1
Fair value gain on an investment property		**16,451**	–
(Loss) Gain on disposal of items of property, plant and equipment		**(2)**	39
Administrative expenses		**(22,387)**	(24,879)
Finance costs	*5*	**(89)**	(6,207)
Share of results of:			
Jointly-controlled entities		**–**	(4,038)
An associate		**(85)**	–
Profit before tax from continuing operations	*6*	**62,954**	8,401
Income tax expense	*7*	**(6,527)**	(1,236)
Profit for the year from continuing operations		**56,427**	7,165
Discontinued operation			
Loss for the year from a discontinued operation	*10*	**–**	(211)
Profit for the year		**56,427**	6,954

	Notes	2010 HK$'000	2009 HK$'000 (restated)
Attributable to:			
Owners of the Company		**54,796**	6,368
Non-controlling interests		**1,631**	586
		56,427	6,954
Earnings per share attributable to owners of the Company	*9*		
Basic			
– For profit for the year		**HK3.30 cents**	HK0.49 cent
– For profit from continuing operations		**HK3.30 cents**	HK0.51 cent
Diluted			
– For profit for the year		**N/A**	N/A
– For profit from continuing operations		**N/A**	N/A

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Profit for the year	**56,427**	6,954
Other comprehensive income:		
Surplus arising from revaluation of leasehold land and buildings	**5,178**	–
Income tax effect	**(854)**	–
	4,324	–
Exchange differences arising on translation of foreign operations	**7,762**	130
Total comprehensive income for the year	**68,513**	7,084
Attributable to:		
Owners of the Company	**66,035**	6,485
Non-controlling interests	**2,478**	599
	68,513	7,084

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	**31 December 2010** **HK$'000**	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Non-current assets				
Property, plant and equipment		**10,810**	18,314	19,466
Investment property		**310,223**	283,801	283,640
Deposits paid	*13*	**161,666**	1,666	–
Investment in an associate		**47,095**	–	–
Investments in jointly-controlled entities		**–**	–	13,672
Film rights		**101**	–	–
Total non-current assets		**529,895**	303,781	316,778
Current assets				
Film rights		**–**	1	62
Film production in progress		**5,339**	55,767	63,325
Property held for sale	*11*	**15,600**	–	–
Inventories		**2,005**	2,237	2,007
Investments held for trading		**–**	–	1
Trade receivables	*12*	**7,644**	7,320	5,487
Other receivables, prepayments and deposits paid	*13*	**495**	1,786	1,351
Due from a non-controlling shareholder		**–**	–	12,372
Pledged deposits		**–**	–	536
Cash and cash equivalents		**64,764**	32,892	15,961
		95,847	100,003	101,102
Assets of a disposal group classified as held for sale	*14*	**–**	686	–
Total current assets		**95,847**	100,689	101,102
Current liabilities				
Trade payables	*15*	**1,604**	1,027	4,081
Other payables, accruals and deposits received		**19,256**	70,365	50,493
Loans from former shareholders		**–**	–	13,036
Due to a former director		**–**	–	104
Due to a shareholder		**–**	–	6,991
Interest-bearing bank and other borrowings		**1,789**	1,958	12,611
Obligations under a finance lease		**–**	92	92
Tax payable		**666**	1	142
		23,315	73,443	87,550
Liabilities directly associated with the assets classified as held for sale	*14*	**–**	134	–
Total current liabilities		**23,315**	73,577	87,550

	31 December 2010 *HK$'000*	31 December 2009 *HK$'000* (restated)	1 January 2009 *HK$'000* (restated)
Net current assets	**72,532**	27,112	13,552
Total assets less current liabilities	**602,427**	330,893	330,330
Non-current liabilities			
Convertible bonds	**–**	–	51,538
Loans from a former shareholder	**–**	–	20,000
Deposits received	**1,445**	1,078	–
Deferred tax liabilities	**77,130**	68,238	66,824
Obligations under a finance lease	**–**	8	100
Total non-current liabilities	**78,575**	69,324	138,462
Net assets	**523,852**	261,569	191,868
Equity			
Equity attributable to owners of the Company			
Issued capital	**209,078**	261,348	217,790
Reserves	**288,562**	(23,513)	(48,723)
	497,640	237,835	169,067
Non-controlling interests	**26,212**	23,734	22,801
Total equity	**523,852**	261,569	191,868

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 9 May 2001 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Room 4101, 41st Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Group consists of film production and related business, the operation of film processing, the rental of properties and property development. There were no significant changes in the nature of the Group's principal activities during the year, other than the involvement of property development.

2.1 BASIS OF PREPARATION

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments *included in Improvement to HKFRSs issued* in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendments to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009*, HK Interpretation 4 (Revised in December 2009) and HK Interpretation 5, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKAS 7 Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- *HKAS 17 Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

The Group has reassessed its leases in Hong Kong, previously classified as operating leases, upon the adoption of the amendments. As substantially all the risks and rewards associated with the leases in Hong Kong have been transferred to the Group, the leases in Hong Kong have been reclassified from operating leases under "prepaid land lease payments" to finance leases under "property, plant and equipment". The corresponding amortisation has also been reclassified to depreciation. The effects of the above changes are summarised below:

	31 December 2010	31 December 2009
	HK$'000	*HK$'000*
Consolidated income statement		
Decrease in amortisation of prepaid land lease payments	**(75)**	(75)
Increase in depreciation of property, plant and equipment	**401**	401
	326	326
Consolidated statement of comprehensive income		
Surplus arising from revaluation of land and buildings	**5,178**	–
Income tax effect	**(854)**	–
	4,324	–

	31 December 2010	31 December 2009	1 January 2009
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position			
Increase in property, plant and equipment	**20,487**	15,710	16,111
Decrease in prepaid land lease payments	**(2,278)**	(2,353)	(2,428)
Increase in deferred tax liabilities	**(3,618)**	(2,764)	(2,764)
	14,591	10,593	10,919
Consolidated statement of financial position			
Asset revaluation reserve	**14,051**	9,727	9,727
Retained profits	**540**	866	1,192
	14,591	10,593	10,919

Due to the retrospective application of the amendments which has resulted in the restatement of items in the consolidated statement of financial position, a consolidated statement of financial position as at 1 January 2009, and the related notes affected by the amendments have been presented in these financial statements.

(c) HK Interpretation 5: Presentation of Financial Statements – *Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

HK Interpretation 5 requires that a loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement.

Prior to the adoption of this interpretation, the Group's term loan was classified in the statement of financial position as a non-current liability separately as to the current and non-current liability portions based on the maturity dates of repayment. Upon the adoption of the interpretation, the term loan has been reclassified as a current liability. The interpretation has been applied by the Group retrospectively and comparative amounts have been restated. In addition, as a result of this change and as required by HKAS 1 *Presentation of Financial Statements*, these financial statements also include statement of financial position as at 1 January 2009.

The above change has had no effect on the consolidated income statement. The effect on the consolidated statements of financial position is summarised as follows:

	At 31 December 2010	At 31 December 2009	At 1 January 2009
Group	***HK$'000***	*HK$'000*	*HK$'000*
Current liabilities			
Increase in interest-bearing bank and other borrowings	**1,613**	1,789	166
Non-current liabilities			
Decrease in interest-bearing bank and other borrowings	**(1,613)**	(1,789)	(166)

There was no impact on the net assets of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective in these financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe hyperinflation and Removal of Fixed Dates for First-tme Adoptors* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred tax: Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into four business units – property rental, film distribution and licensing, film processing and property development.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit (loss), which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit (loss) before tax from continuing operations except that interest income, gain on disposal of subsidiaries, gain (loss) on disposal of items of property, plant and equipment, fair value gain on investment property, fair value gain on derivative component of convertible bonds, loss on redemption of convertible bonds, fair value gain on investments held for trading, net, share of results of jointly-controlled entities, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and cash equivalents, investments held for trading and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, obligations under a finance lease, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2010

	Continuing operations						Discontinued operation	
	Property rental *HK$'000*	Film distribution and licensing *HK$'000*	Film processing *HK$'000*	Property development *HK$'000*	Elimination *HK$'000*	Total *HK$'000*	Advertising and promotional services *HK$'000*	Total *HK$'000*
Segment revenue:								
External revenue	15,193	88,947	22,426	–	–	126,566	–	126,566
Intersegment revenue	–	–	2,695	–	(2,695)	–	–	–
Total revenue	15,193	88,947	25,121	–	(2,695)	126,566	–	126,566
Segment results	8,397	9,690	5,116	(959)	–	22,244	–	22,244
Other income						32	–	32
Unallocated corporate expenses						(6,090)	–	(6,090)
Interest income						146	–	146
Gain on disposal of subsidiaries						30,262	–	30,262
Loss on disposal of items of property, plant and equipment						(2)	–	(2)
Fair value gain on investment property						16,451	–	16,451
Finance costs						(89)	–	(89)
Profit before tax						62,954	–	62,954
Income tax expense						(6,527)	–	(6,527)
Profit for the year						56,427	–	56,427

Year ended 31 December 2010

	Continuing operations						Discontinued operation	
	Property rental	Film distribution and licensing	Film processing	Property development	Unallocated	Total	Advertising and promotional services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities								
Segment assets	312,231	57,022	31,035	160,000	–	560,288	–	560,288
Unallocated corporate assets						690		690
Total assets						560,978		560,978
Segment liabilities	4,371	12,061	3,999	–	–	20,431	–	20,431
Unallocated corporate liabilities						1,874		1,874
Total liabilities						22,305		22,305
Other segment information:								
Capital expenditure	13	2,758	1,651	–	1,380	5,802	–	5,802
Write-back of impairment of trade receivables	–	–	(1,858)	–	–	(1,858)	–	(1,858)
Uncollectible trade receivables recovered	–	–	(1,134)	–	–	(1,134)	–	(1,134)
Depreciation	36	1,315	809	–	690	2,850	–	2,850

Year ended 31 December 2009
(restated)

	Continuing operations						Discontinued operation	
	Property rental *HK$'000*	Film distribution and licensing *HK$'000*	Film processing *HK$'000*	Property development *HK$'000*	Elimination *HK$'000*	Total *HK$'000*	Advertising and promotional services *HK$'000*	Total *HK$'000*
Segment revenue:								
External revenue	13,215	85,989	20,284	–	–	119,488	1,505	120,993
Intersegment revenue	–	–	1,463	–	(1,463)	–	–	–
Total revenue	13,215	85,989	21,747	–	(1,463)	119,488	1,505	120,993
Segment results	6,982	8,280	2,934	–	–	18,196	(210)	17,986
Other income						69	–	69
Unallocated corporate expenses						(10,297)	–	(10,297)
Interest income						57	–	57
Gain on disposal of subsidiaries						17,622	–	17,622
Gain on disposal of items of property, plant and equipment						39	–	39
Fair value gain on derivative component of convertible bonds						9	–	9
Loss on redemption of convertible bonds						(7,050)	–	(7,050)
Fair value gain on investments held for trading, net						1	–	1
Share of results of jointly-controlled entities						(4,038)	–	(4,038)
Finance costs						(6,207)	(1)	(6,208)
Profit (Loss) before tax						8,401	(211)	8,190
Income tax expense						(1,236)	–	(1,236)
Profit (Loss) for the year						7,165	(211)	6,954

Year ended 31 December 2009
(restated)

	Continuing operations						Discontinued operation	
	Property rental *HK$'000*	Film distribution and licensing *HK$'000*	Film processing *HK$'000*	Property development *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*	Advertising and promotional services *HK$'000*	Total *HK$'000*
Assets and liabilities								
Segment assets	285,766	59,277	25,787	–	–	370,830	–	370,830
Unallocated corporate assets						33,640		33,640
Total assets						404,470		404,470
Segment liabilities	68,843	44,757	3,412	–	–	117,012	–	117,012
Unallocated corporate liabilities						23,125		23,125
Total liabilities						140,137		140,137
Other segment information:								
Capital expenditure	9	749	236	–	3	997	–	997
Impairment of trade receivables	–	–	989	–	–	989	–	989
Write-back of impairment of trade receivables	–	–	(1,411)	–	–	(1,411)	–	(1,411)
Depreciation	33	552	589	–	552	1,726	85	1,811

Geographical information

2010

	Hong Kong	**People's Republic of China ("PRC")**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue	**42,527**	**52,743**	**31,296**	**126,566**
Non-current assets	**59,425**	**470,470**	**–**	**529,895**
Capital expenditure	**5,789**	**13**	**–**	**5,802**

2009

	Hong Kong	PRC	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	51,253	40,147	28,088	119,488
Non-current assets (restated)	19,675	284,106	–	303,781
Capital expenditure	988	9	–	997

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

Information about major customers

Revenue from continuing operations of approximately HK$34,145,000 (2009: Nil) and HK$18,741,000 (2009: HK$19,886,000) were derived from two customers of the film distribution and licensing segment.

During the reporting period ended 31 December 2009, no discontinued operation revenue from transactions with a single external customer amounted to 10% more of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue, and other income and gains from continuing operations is as follows:

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Property rental income	**15,193**	13,215
Film distribution and licensing income	**88,947**	85,989
Film processing income	**22,426**	20,284
	126,566	119,488
Other income and gains		
Bank interest income	**146**	57
Others	**1,310**	3,075
	1,456	3,132

5. FINANCE COSTS

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

	2010	2009
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**71**	148
Interest on loans from former shareholders	**–**	860
Interest on a finance lease	**18**	39
Interest on convertible bonds	**–**	5,160
	89	6,207

As further explained in note 2.2 to the financial statements, due to the adoption of HK Interpretation 5 in the current year, the Group's term loan containing an on-demand clause has been reclassified as a current liability.

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	**11,848**	12,126
Retirement benefit scheme contributions	**500**	445
	12,348	12,571
Auditors' remuneration	**1,500**	1,328
Depreciation	**2,850**	1,726
Impairment of trade receivables	**–**	989
Cost of inventories recognised as expenses*	**78,038**	82,090
Loss (Gain) on disposal of items of property, plant and equipment	**2**	(39)
Minimum lease payments under operating leases	**4,308**	2,586
Foreign exchange differences, net	**(208)**	46
Interest income	**(146)**	(57)
Rental income on investment property less direct operating expenses of HK$4,392,000 (2009: HK$2,993,000)	**(10,801)**	(10,222)
Write-back of impairment of trade receivables	**(1,858)**	(1,411)
Uncollectible trade receivables recovered	**(1,134)**	–
Fair value gain on an investment property	**(16,451)**	–

* The cost of inventories recognised as expenses for the year is included in "Cost of sales" on the face of the consolidated income statement.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. No provision of Hong Kong profits tax had been made in prior year as the Group had available tax losses brought forward from prior years to offset the assessable profits generated during the year ended 31 December 2009.

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the PRC income tax rate is unified to 25% for all enterprises. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2010	2009
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**232**	–
Overprovision in prior years	**–**	(141)
Current – PRC		
Charge for the year	**610**	–
Underprovision in prior years	**129**	–
Deferred	**5,556**	1,377
Total tax charge for the year	**6,527**	1,236

8. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2010 and 2009, nor has any dividend been proposed since the end of the reporting period.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year and the profit for the year from continuing operations of HK$54,796,000 (2009 restated: HK$6,368,000) and HK$54,796,000 (2009 restated: HK$6,579,000), respectively, attributable to owners of the Company, and the weighted average number of ordinary shares of 1,662,108,000 (2009 restated: 1,290,204,000) in issue during the year, as adjusted to reflect the open offer and the consolidation of shares during the year.

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

The comparative basic earnings per share have been adjusted to reflect the open offer and the consolidation of shares during the year.

10. DISCONTINUED OPERATION

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

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

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

	2009
	HK$'000
Revenue	1,505
Cost of sales	(697)
Gross profit	808
Depreciation	(85)
Administrative expenses	(933)
Finance costs	(1)
Loss before tax from the discontinued operation	(211)
Income tax expense	–
Loss for the year from the discontinued operation	(211)
Loss per share:	
Basic, from discontinued operation (restated)	HK(0.02) cent
Diluted, from discontinued operation	N/A
The calculations of basic loss per share from the discontinued operation are based on:	
Loss attributable to owners of the Company from the discontinued operation	HK$(211,000)
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation (restated)	1,261,222,000

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

11. PROPERTY HELD FOR SALE

The Group had signed a sole agent agreement with an agent to sell a property-in-use, which was disposed of to an independent third party at a consideration of HK$44,093,000 subsequent to the end of the reporting period (note 17(b)).

At 31 December 2010, the Group's property held for sale with a carrying value of HK$15,600,000 was pledged to secure bank facilities granted to the Group.

12. TRADE RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**9,382**	10,916
Impairment	**(1,738)**	(3,596)
	7,644	7,320

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

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:

	2010	2009
	HK$'000	*HK$'000*
0 – 90 days	**5,460**	5,687
91 – 180 days	**617**	1,168
181 – 365 days	**831**	458
Over 1 year	**736**	7
	7,644	7,320

13. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS PAID

	Note	2010 HK$'000	2009 HK$'000
Other receivables		**58**	545
Prepayments		**164**	121
Deposit for acquisition of a subsidiary	*(i)*	**160,000**	–
Other deposits		**1,939**	2,786
Carrying amount at 31 December		**162,161**	3,452
Current portion		**(495)**	(1,786)
Non-current portion		**161,666**	1,666

(i) On 16 November 2010, an agreement was entered into between Brilliant Field Corporation Limited ("Brilliant Field"), an indirect wholly-owned subsidiary of the Company, and an independent third party, Ya Tai (China) Investment Limited ("Ya Tai"), pursuant to which Ya Tai has conditionally agreed to sell and Brilliant Field has conditionally agreed to purchase the 100% equity interest in 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 International"), which was engaged in property development (the "Acquisition"). The purchase consideration for the Acquisition amounted to approximately HK$700,000,000 and would be satisfied by:

(a) paying cash of HK$160,000,000 as initial refundable deposit paid on the date of the agreement;

(b) settling a loan amount of approximately RMB21,276,150 (equivalent to approximately HK$24,872,000) due from Ya Tai to Jiuhua International upon the completion of the Acquisition; and

(c) issuing convertible bonds with an aggregate principal of HK$515,128,000.

At the end of the reporting period, the Group has paid HK$160,000,000 as initial refundable deposit (note 17(a)).

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there is no recent history of default.

14. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 17 December 2009, Grimston and Pegasus Motion Pictures Limited ("Pegasus"), a company which was owned by Mr. Edmond Wong, the son of Mr. Wong Pak Ming ("Mr. Wong") and a former director of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement"). Pursuant to the Sale and Purchase Agreement, Grimston shall dispose of and Pegasus shall acquire the entire 100% issued and fully-paid ordinary shares of Elite Films Limited, 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 sales 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 inter-companies balances with Grimston. The Sales and Purchase Agreement which constituted a connected transaction.

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

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

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

On 3 March 2010, the Sale and Purchase Agreement was completed and details of the disposal are as shown in note 16(a).

15. TRADE PAYABLES

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

	2010 ***HK$'000***	2009 *HK$'000*
0 – 90 days	**1,604**	993
91 – 180 days	**–**	34
	1,604	1,027

16. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries

On 3 March 2010, the Sale and Purchase Agreement had been completed (note 14), details in respect of the disposal of subsidiaries during the reporting period are as follows:

	2010
	HK$'000
Net assets disposed of:	
Film rights	**62**
Production in progress	**624**
Other payable and accruals	**(134)**
Amount due to Grimston	**(93,148)**
	(92,596)
Gain on the disposal	**30,262**
	(62,334)
Satisfied by:	
Cash	**29,000**
Net income received from customers	**2,814**
Tax indemnity	**(1,000)**
Amount due to Grimston	**(93,148)**
	(62,334)

(b) Disposal of Chili

On 27 March 2009, the Group entered into the Share Purchase Agreement with the independent third party to dispose of Chili for a total consideration of HK$2,363,000 which was partly settled by a cash consideration of HK$500,000 and with the remaining balance amounting to HK$1,863,000 was offset by the loan due from Grimston, the immediate holding company of Chili. Details in respect of the disposal of Chili during the prior year are as follows:

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

(c) Disposal of Film City

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

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

17. EVENTS AFTER THE REPORTING PERIOD

(a) On 26 January 2011, all conditions precedent under the agreement were fulfilled and the completion of the Acquisition took place. In accordance with the terms of the agreement, the Company has issued the convertible bonds in the principal amount of HK$515,128,000 to Ya Tai (note 13(i)).

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

18. COMPARATIVE AMOUNTS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2010, the Group's turnover grew from HK$119,488,000 last year to HK$126,566,000, registering an increase of 5.9%. Gross profit also increased to HK$37,348,000 (2009: HK$29,772,000). The positive results were attributable to the diverse business of the Group. Film production, distribution and licensing, which accounted for 70% of the Group's turnover, recorded an amount of HK$88,947,000. Turnover from film processing was HK$22,426,000 while property rental in the PRC also contributed HK$15,193,000 to the Group. The Group's profit attributable to equity holders amounted to HK$54,796,000 (2009: HK$6,368,000). The disposal of subsidiaries holding film rights contributed HK$30,262,000 profit to the Group. And there was a valuation gain of HK$16,451,000 on the commercial property in Chengdu. Basic earnings per share was 3.3 HK cents (2009: 0.49 HK cent). The Board of Directors did not recommend dividend payout for the year ended 31 December 2010 (2009: Nil). As at 31 December 2010, cash on hand was HK$64,764,000.

BUSINESS REVIEW

During the year under review, the Group was principally engaged in property rental in the PRC and film production and related businesses.

Property rental

For the year ended 31 December 2010, the property rental business was operated at a profit before tax of HK$8,397,000 (2009: HK$6,982,000, an increase of 20.3%).

Rental income was increased by 15% reaching HK$15,193,000 during the year under review, which was contributed by the commercial property in Chengdu, the PRC. Apart from a 10-year tenancy agreement with a department store, for the year under review, a 5-year contract with a hair salon was signed for a shop at ground floor and exceed 150% increase in rental was recorded.

Film production, distribution and licensing businesses

For the year ended 31 December 2010, turnover from film production, distribution and licensing businesses increased by 3.4% to HK$88,947,000. The receipts of "Ip Man 2", which was the Hong Kong top record of local box office film in 2010, took up the majority of the Group's revenue. "Ip Man 2", of which, few exports are undergoing, also received a number of film awards including "The Best Action Choreography" in the 47th Golden Horse Awards. It also ranked 12 in the "Top 25 User-Rated Movies of 2010" hosted by International Movies Database, the United States.

"Ip Man 2" was distributed globally to major film markets and was well-received by audience. Other than major global distribution and licensing revenue received, box office record amounted to approximately HK$43,313,000 and RMB232,340,000 in Hong Kong and the PRC respectively.

In June 2010, Grimston, a wholly-owned subsidiary of the Company entered into an agreement with Filmko International Limited ("Filmko") to form a 35:65 joint venture company (the "JV Company") with Filmko for the development, production and promotion, and dealing with matters concerning copyrights and distribution of the Group's new film project, "The Monkey King" (the "Film") (the "JV Agreement"). The total investment cost amounts to HK$206,000,000, of which the Group shares HK$72,100,000.

According to the JV Agreement, Filmko is responsible for obtaining relevant licences, permits and approvals in relation to the filming, production, distribution, and promotion of the Film in the PRC and/or other countries as well as assisting the JV Company for filming and production of the Film via engaging Filmko Entertainment Limited for the Film's production and production administration, and engaging Filmko Films Distribution Limited for the Film's production and distribution. While the Group is responsible for the placement of suitable personnel to supervise and manage the accounting matters of the JV Company. The Board is confident that through the cooperation with Filmko, the Group would be able to benefit from the resources, expertise and business connections of Filmko in the film industry in Hong Kong which in turn would benefit the business of the Group. The Film has been working in progress and is expected to be released in 2012.

Film processing

Favored by the increased film output during the year under review, film processing business generated a turnover of HK$25,121,000 comparing to HK$21,747,000 for last year. Operating profit increased to HK$5,116,000 (2009: HK$2,934,000). The Group has a market share of more than 60% among the three films processing factories in Hong Kong.

In June, the Group has installed an advanced, brand-new and industry leading digital sound recorder in order to expand its services to sound mixing on top of visual and subtitle. This service is well received in the industry for the practitioners are not required to mix sound outside Hong Kong. Having installed in June last year, the recorder service, has gained over 50% market share in the industry. In addition, the Group's subtitle service continued to take a leading position in the market and contribute stable income to the Group.

PROSPECTS

Long-term property investment in the PRC is an important business arm of the Group which provides steady income stream. The Group began to tap into the growing PRC property market by acquiring the Shopping Arcade in Chengdu, Sichuan Province, the PRC in 2008. The acquisition has proven to be beneficial to the Group as it has provided a steady income stream to the Group. Coming through the global financial crisis, further balancing of Chinese regional economies and urbanization will inevitably be the trend of the next few years. Speeding up of urbanization throughout the country will bring great prospect for the real estate industry. Hence, the Group is optimistic about the medium and long term development of the PRC property market.

On 16 November 2010, the Group entered into an agreement with Ya Tai (China) Investment Limited to acquire the entire capital of Hunan Jiuhua International City Development Construction Company Limited ("Jiuhua") whose principal business activities are property development, property management and hotel management.

The development project under Jiuhua comprises a parcel of land with a gross area of approximately 325,989 square metres. It is located at the northern side of Huanghe Road and the western side of Binjiang Road, Jiuhua Demonstrative Zone, Xiangtan, Hunan Province, the PRC. Under the current plan, the project is intended to be developed into low-density residential units with condominiums and townhouses. A five-star hotel is also planned to be built under the project. The construction and development of the project is expected to take place earliest in the third quarter of 2011 . The expected time which the project would be developed into residential units ready for sale is around the fourth quarter of 2012. The five-star hotel is expected to be completed and put into operation in early 2014 and Jiuhua is expected to commence generating revenue/profits in the fourth quarter of 2012.

In addition, film business of the Group is continued to be benefited by the evolving market in the PRC. Statistics released by the State Administration for Radio, Film and Television (SARFT) showed that the Chinese box office rose from RMB4.3 billion in 2008 to RMB10.1 billion in 2010, representing an increase of 135%. The rapid growth reviews the potential of the film market in the PRC that the Group endeavors to tap.

Eyeing the thriving 3D films recently, the newly setup joint venture company is producing a 3D film, "The Monkey King", based on a popular Chinese story, "Journey to the West". Our main actor in "Ip Man", Donnie Yen is joining Aaron Kwok and Chow Yun Fat to take the role of main actor again in this film. The Group also engaged the production team of the 3D icon film "Avatar" to work on "The Monkey King".

Furthermore, the Group is also producing a literary film named "Hundred Years of a Floating City". With a setting in the 50s, "Hundred Years of a Floating City" is directed by Yim Ho and is expected to be released in the last quarter of 2011 or the first quarter of 2012. We have also successfully invited Aaron Kwok to be the leading actor of the film. As film production is one of the principal businesses of the Group which takes up a large proportion of our revenue, the Group will continue to produce more high quality films that fit the taste of audience.

We aim to further expand market share in both businesses with an ultimate goal to add value for our shareholders. The Group considers that if investment or acquisition opportunities arise, the Group will consider acquiring additional land or property for investment and development purpose. In view of the foregoing, the Group will continue to focus on two major business segments (i) film production and related businesses; and (ii) property investment and development to increase its market share. The Group will continue to seek greater synergies within its existing business operations by utilizing its expertise in film production and property investment and development. Looking ahead into a challenging economy, the management is confident that through continuous improvements in our operation, the Group will seek to continue to bring optimum return to all shareholders.

Dividend

The directors do not recommend payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

Liquidity and financial resources

At 31 December 2010, the Group's total equity amounted to HK$523,852,000 (2009: HK$261,569,000). The gearing ratio based on interest-bearing bank and other borrowings over total equity was 0.003 (2009: 0.08).

Net current assets was HK$72,532,000 (2009: HK$27,112,000) and current assets was HK$95,847,000 (2009: HK$100,689,000). Current liabilities were HK$23,315,000 (2009: HK$73,577,000), representing a current ratio based on current assets over current liabilities of 4.11 (2009: 1.37).

At 31 December 2010, the Group had cash and bank balances of HK$64,764,000 (2009: HK$32,892,000).

Borrowing and banking facilities

At 31 December 2010, the Group's outstanding bank and other borrowings were HK$1,789,000 (2009: HK$2,058,000).

Charges on group assets

At 31 December 2010, the Group's banking facilities are secured by certain of the Group's leasehold land and buildings and a property held for sale with a total carrying value of HK$21,100,000 (2009: HK$16,419,000).

Staff cost, directors' remuneration and share option scheme

Staff cost for the year ended 31 December 2010 was HK$14,079,000 (2009: HK$16,330,000), representing a decrease of 13.8%. The Group employed a workforce of 71 staff members (2009: 73 staff members) as at the end of 2010. Among the 71 staff members, 47 staff members were in the film processing department. Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

Exposure of foreign exchange

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

Purchase, redemption or sale of listed securities of the Company

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

Compliance with the code on corporate governance practices of the listing rules

During the year ended 31 December 2010, the Company has complied with all code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Audit committee

The audit committee of the Company has met with the external auditors of the Company, Messrs. Ernst & Young, to review the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2010, and is of the opinion that the consolidated results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made. The audit committee is composed of three independent non-executive Directors of the Company, Mr. Tang Ping Sum, Mr. Tsui Pui Hung and Mr. Chu To, Jonathan. The chairman of the audit committee has professional qualifications and experience in financial matters.

Publication of detailed annual results on the Stock Exchange's website

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

Acknowledgement

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

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

Hong Kong, 28 March 2010

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

* *For identification purpose only*