

The board of directors (the “Board”) of Mandarin Entertainment (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 30th June, 2005 with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

	NOTES	Six months ended 30th June,	
		2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)
Turnover		18,061	36,465
Cost of sales		(15,909)	(35,200)
Gross profit		2,152	1,265
Other operating income		1,419	843
Administrative expenses		(10,320)	(9,654)
Finance costs		(358)	(437)
Amortisation of goodwill of investment in a jointly controlled entity		–	(150)
Share of results of jointly controlled entities		29	488
Loss before taxation	5	(7,078)	(7,645)
Taxation	6	188	(249)
Loss for the period		<u>(6,890)</u>	<u>(7,894)</u>
Attributable to:			
– Equity holders of the Company		(6,890)	(7,831)
– Minority interests		–	(63)
		<u>(6,890)</u>	<u>(7,894)</u>
Loss per share – basic	8	<u>(2.09) cents</u>	<u>(2.37) cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2005

	NOTES	30th June 2005 HK\$'000 (unaudited)	31st December 2004 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	7,930	8,930
Interests in jointly controlled entities	10	20,808	16,284
Investment securities		–	6,100
Available-for-sale investments		6,565	–
		<u>35,303</u>	<u>31,314</u>
Current assets			
Film rights and production in progress		44,441	35,866
Inventories, at cost		2,039	1,949
Trade and other receivables	11	13,888	27,827
Amount due from a related company	12	5,872	6,147
Amount due from a minority shareholder of a subsidiary		–	280
Bank balances and cash		9,671	10,146
		<u>75,911</u>	<u>82,215</u>
Current liabilities			
Trade and other payables	13	22,943	19,806
Amount due to a director	14	2,500	–
Taxation payable		1,128	919
Bank and other borrowings – due within one year	16	18,294	17,777
		<u>44,865</u>	<u>38,502</u>
Net current assets		<u>31,046</u>	<u>43,713</u>
Total assets less current liabilities		<u>66,349</u>	<u>75,027</u>
Non-current liabilities			
Deferred taxation		490	887
Bank and other borrowings – due after one year	16	2,412	4,080
		<u>2,902</u>	<u>4,967</u>
Total assets less total liabilities		<u>63,447</u>	<u>70,060</u>
Capital and reserves			
Share capital		33,000	33,000
Reserves		30,447	36,872
Equity attributable to equity holders of the Company		63,447	69,872
Minority interests		–	188
Total equity		<u>63,447</u>	<u>70,060</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

	Share capital	Share premium	Investments revaluation reserve	Special reserve	Goodwill reserve	Accumulated profits (losses)	Attributable to equity holders of the Company	Minority interests	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1st January, 2004	33,000	34,653	-	17,926	1,720	38,842	126,141	262	126,403
Loss for the period	-	-	-	-	-	(7,831)	(7,831)	(63)	(7,894)
At 30th June, 2004	33,000	34,653	-	17,926	1,720	31,011	118,310	199	118,509
Loss for the period	-	-	-	-	-	(48,438)	(48,438)	(11)	(48,449)
At 31st December, 2004	33,000	34,653	-	17,926	1,720	(17,427)	69,872	188	70,060
At 1st January, 2005									
- as originally stated	33,000	34,653	-	17,926	1,720	(17,427)	69,872	188	70,060
Effect of changes in accounting policies (Note 2)	-	-	1,028	-	(1,720)	1,720	1,028	-	1,028
- as restated	33,000	34,653	1,028	17,926	-	(15,707)	70,900	188	71,088
Fair value changes on available-for-sale investments	-	-	(563)	-	-	-	(563)	-	(563)
Net income recognised directly in equity	-	-	(563)	-	-	-	(563)	-	(563)
Loss for the period	-	-	-	-	-	(6,890)	(6,890)	-	(6,890)
Total recognised income and expenses for the period	-	-	(563)	-	-	(6,890)	(7,453)	-	(7,453)
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	(188)	(188)
At 30th June, 2005	33,000	34,653	465	17,926	-	(22,597)	63,447	-	63,447

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

	Six months ended	
	30th June,	
	2005	2004
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from operating activities	2,805	4,791
Net cash used in investing activities		
Capital contributions to a jointly controlled entity	(3,500)	–
Advance to a jointly controlled entity	(995)	(1,356)
Purchase of investment securities	–	(3,100)
Other investing cashflows	(134)	(685)
	<u>(4,629)</u>	<u>(5,141)</u>
Net cash used in financing activities	<u>(249)</u>	<u>(1,451)</u>
Net decrease in cash and cash equivalents	(2,073)	(1,801)
Cash and cash equivalents at 1st January	<u>8,663</u>	<u>15,439</u>
Cash and cash equivalents at 30th June	<u><u>6,590</u></u>	<u><u>13,638</u></u>
Representing:		
Bank balances and cash	9,671	13,638
Bank overdrafts	<u>(3,081)</u>	–
	<u><u>6,590</u></u>	<u><u>13,638</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

1. BASIS OF PREPARATION

The condensed 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 No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for certain properties and financial instruments, which are measured at fair value or revalued amounts, as appropriate.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRS(s)”), Hong Kong Accounting Standards (“HKAS(s)”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and statement of changes in equity. In particular, the presentation of minority interests and share of tax of a jointly controlled entity have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

(i) Business Combinations

In the current period, the Group has applied HKFRS 3 “Business Combinations”, which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and goodwill arising on acquisitions after 1st January, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill arising from the acquisition of subsidiaries since 1st January, 2005, goodwill is capitalised and is subject to the test for impairment at least annually in the financial year in which the acquisition takes place. The adoption of HKFRS 3 has had no material impacts on the Group’s results.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves. The Group has derecognised all negative goodwill at 1st January, 2005 of which negative goodwill of HK\$1,720,000 was previously recorded in reserves, with a corresponding increase to accumulated profits.

(ii) Financial instruments

HKAS 32 "Financial Instruments: Disclosure and Presentation" requires retrospective application whereas HKAS 39 "Financial Instruments: Recognition and Measurement", which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects on the Group as a result of implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

On or before 31st December, 2004, the Group classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" issued by the HKICPA ("SSAP 24"). Under SSAP 24, the Group's investments in debt or equity securities are classified as "investment securities" or "other investments" as appropriate. "Investment securities" are carried at cost less impairment losses while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. From 1st January, 2005 onwards, the Group classifies and measures its investments in debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value with changes in fair values recognised in profit or loss and equity, respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1st January, 2005, the Group classified and measured its investments in debt and equity securities in accordance with the requirements of HKAS 39. Investments in securities classified under non-current assets with carrying amounts of approximately HK\$6.1 million were reclassified to available-for-sale investments. An adjustment of approximately HK\$1,028,000 to the previous carrying amounts of assets at 1st January, 2005 has been made to the Group's investments revaluation reserve.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss”. “Other financial liabilities” are carried at amortised cost using the effective interest method. The adoption of HKAS 39 has had no material effect on the Group’s accumulated profits.

(iii) Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and is stated at cost or valuation less depreciation and amortisation at the balance sheet date and any accumulated impairment losses. In the current period, the Group has applied HKAS 17 “Leases”. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to lease premium for land under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Since the Group is unable to allocate lease payments between the land and buildings elements reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. The adoption of HKAS 17 has had no material impacts on the Group’s results.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 above on the balance sheet items are as follows:

	As at 31.12.2004 and 1.1.2005 (originally stated) HK\$'000	Adjustments HK\$'000	As at 1.1.2005 (restated) HK\$'000
Available-for-sale investments	–	7,128	7,128
Investment securities	6,100	(6,100)	–
	<u>6,100</u>	<u>(6,100)</u>	<u>–</u>
Net effects on assets and liabilities	<u>6,100</u>	<u>1,028</u>	<u>7,128</u>
Investments revaluation reserve	–	1,028	1,028
Goodwill reserve	1,720	(1,720)	–
Accumulated losses	(17,427)	1,720	(15,707)
	<u>(17,427)</u>	<u>1,720</u>	<u>(15,707)</u>
Net effects on total equity	<u>(15,707)</u>	<u>1,028</u>	<u>(14,679)</u>

The application of the new HKFRSs has had no effect to the Group's equity at 1st January, 2004.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

4. SEGMENTAL INFORMATION

An analysis of the Group's revenue and contribution to profit from operations by business segment is as follows:

For the six months ended 30th June, 2005

	Advertising and promotional services <i>HK\$'000</i>	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE					
External revenue	5,024	3,873	10,583	-	19,480
Inter segment revenue	284	413	75	(772)	-
Total revenue	<u>5,308</u>	<u>4,286</u>	<u>10,658</u>	<u>(772)</u>	<u>19,480</u>
SEGMENT RESULT	<u>(56)</u>	<u>(6,522)</u>	<u>254</u>	<u>-</u>	<u>(6,324)</u>
Net unallocated corporate expenses					(425)
Finance costs					(358)
Share of profit of a jointly controlled entity					<u>29</u>
Loss before taxation					<u><u>(7,078)</u></u>

4. SEGMENTAL INFORMATION (continued)

For the six months ended 30th June, 2004

	Advertising and promotional services <i>HK\$'000</i>	Film distribution and licensing <i>HK\$'000</i>	Film processing <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE					
External revenue	3,250	23,690	10,368	–	37,308
Inter segment revenue	326	384	1,250	(1,960)	–
	<u>3,576</u>	<u>24,074</u>	<u>11,618</u>	<u>(1,960)</u>	<u>37,308</u>
Total revenue					
	<u>3,576</u>	<u>24,074</u>	<u>11,618</u>	<u>(1,960)</u>	<u>37,308</u>
SEGMENT RESULT					
	<u>(484)</u>	<u>(5,620)</u>	<u>511</u>	<u>(1,610)</u>	<u>(7,203)</u>
Net unallocated corporate expenses					(343)
Finance costs					(437)
Amortisation of goodwill					(150)
Share of results of jointly controlled entities					488
					<u>488</u>
Loss before taxation					<u>(7,645)</u>

5. LOSS BEFORE TAXATION

	Six months ended	
	30th June,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	1,129	1,122
Share of income tax of a jointly controlled entity in the People's Republic of China (included in share of results of jointly controlled entities)	14	-
and after crediting:		
Interest income	<u>23</u>	<u>22</u>

6. TAXATION

	Six months ended	
	30th June,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for Hong Kong Profits Tax	209	249
Deferred tax credit	<u>(397)</u>	<u>-</u>
	<u>(188)</u>	<u>249</u>

Hong Kong Profits Tax is calculated at 17.5% (for the six months ended 30th June, 2004: 17.5%) on the estimated assessable profit for the period.

7. DIVIDENDS

No dividends were paid or proposed during the period.

8. LOSS PER SHARE

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended	
	30th June,	
	2005	2004
	HK\$'000	HK\$'000
Loss for the period, attributable to the equity holders of the Company	<u>(6,890)</u>	<u>(7,831)</u>
	Number	Number
	of shares	of shares
Number of ordinary shares for the purpose of basic earnings per share	<u>330,000,000</u>	<u>330,000,000</u>

No disclosure of diluted earnings per share for the six months ended 30th June, 2005 and 2004 has been made as there were no potential dilutive ordinary shares outstanding during both periods.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK\$129,000 on the acquisition of property, plant and equipment for the expansion of the Group's operations.

10. INTERESTS IN JOINTLY CONTROLLED ENTITIES

At 30th June, 2005, the Group had interests in the following jointly controlled entities:

Name of entity	Place of incorporation/ operations	Proportion of nominal value of issued capital/ registered capital held indirectly by the Company %	Nature of business
Prosper China Limited	British Virgin Islands/ Hong Kong	40	Investment holding
北京東方新青年文化發展有限公司	The People's Republic of China ("PRC")/PRC	40	Provision of cultural education courses
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 ("橫店影視制作")	PRC/PRC	49	Provision of film processing and post production services for films and television series but not yet commenced operation

During the period, the Group injected an amount of HK\$3,500,000 as capital injection in橫店影視制作.

11. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit periods to its trade customers normally ranging from 90 days to 120 days. Included in trade and other receivables are trade receivables of HK\$6,633,000 (31.12.2004: HK\$9,318,000) and their aged analysis is as follows:

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
0 – 90 days	5,272	5,951
91- 180 days	1,327	1,890
181 – 365 days	34	547
Over 1 year	–	930
	<u>6,633</u>	<u>9,318</u>

12. AMOUNT DUE FROM A RELATED COMPANY

The related company, 廣州東影影視出品有限公司 is beneficially owned by a brother of Mr. Wong Pak Ming, a director of the Company. The amount is unsecured, non-interest bearing and is repayable on demand.

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$3,972,000 (31.12.2004: HK\$4,475,000) and their aged analysis is as follows:

	30th June, 2005	31st December, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	3,972	4,222
91- 180 days	–	253
	<hr/> 3,972 <hr/>	<hr/> 4,475 <hr/>

14. AMOUNT DUE TO A DIRECTOR

The amount was unsecured, interest-free and was repaid subsequent to 30th June, 2005.

15. PLEDGE OF ASSETS

At the balance sheet date, the Group's bank facilities are secured by the following:

- (1) an unlimited corporate guarantee given by the Company; and
- (2) certain of the Group's leasehold land and buildings and certain of the Group's plant, machinery and equipment with an aggregate carrying value approximately HK\$4,483,000 (31.12.2004: HK\$6,049,000).

16. BANK AND OTHER BORROWINGS

During the six months ended 30th June, 2005, the Group had obtained new bank loans amounting to approximately HK\$6,598,000 and repaid bank loans amounting to approximately HK\$7,749,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospect

The unaudited consolidated turnover and loss after tax of the Group in the first half of year amounted to HK\$18.1 million and HK\$6.9 million respectively.

The decrease in film distribution and licensing turnover in the first half of the year is the result of, among others, the existence of pirated VCDs and DVDs, parallel goods, HDVD, BT, illegal downloading from the Internet and video disc rental activities, which are continuously the main problems of the film industry. Nonetheless the Group's major production, Seven Swords, was screened in July 2005 as scheduled and the result is encouraging. Another major production is scheduled to start filming in late September this year. In view of this, turnover from film distribution are expected to surge substantially in the second half of the year.

Following the completion of the pre-operation procedures earlier this year, Mandarin Film & Television Post-Production Co., Ltd., the Group's Sino-foreign equity joint venture, with an one-stop operation providing professional and cost-effective film processing services including post production work for films and television series for the PRC and worldwide markets, is now entering the stage of operation planning. The Directors anticipate that this establishment would bring long-term business development for the Group in PRC.

In the first half of the year, profits of HK\$254,000 and losses of HK\$56,000 were recorded in the Group's processing and advertising business respectively, which remained stable when compared with that of last year and we believe the market condition will improve in the second half of the year.

Liquidity and financial resources

As at 30th June, 2005, the Group retained total cash and bank balances of HK\$9.7 million, most of which were in Hong Kong dollars – the exposure of foreign exchange fluctuation has been minimal. Therefore, the use of financial instruments for hedging purpose was not considered necessary. On the same date, the Group had bank borrowings of HK\$12.4 million. Part of the loans were secured by leasehold land and buildings, and certain plant, machinery and equipment in Hong Kong held by one of the Group's subsidiary with an aggregate carrying value of HK\$4.48 million. Interest rates on these bank borrowings were at prevailing bank lending rates.

As at the financial period ended date, the Group had bank borrowings of HK\$10 million which were repayable within one year. On the same date, the current ratio and the gearing ratio of the Group were 1.69 and 32.6 respectively (31st December, 2004: 2.14 and 31.3).

The directors are in the opinion that the Group has sufficient resources and working capital to meet its foreseeable capital expenditure.

Given the above, the current information in other management discussion and analysis has not changed materially from those information disclosed in the last published 2004 annual report.

Contingent Liabilities

As at 30th June, 2005, the directors considered that there was no material contingent liabilities for the Group.

Employee and remuneration policies

As at 30th June, 2005, the Group employed 81 staff members, including approximately 54 staff in the processing and development department.

Apart from basic salaries, discretionary bonus and contribution to the mandatory provident fund for staff in Hong Kong, share options may also be granted to staff with reference to the individual's performance.

PURCHASE, REDEMPTION AND SALE OF SHARES

During the six months ended 30th June, 2005, 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 30th June, 2005.

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

As at 30th June, 2005, the interests and short positions of each director and chief executive in the shares, underlying 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 on the Stock Exchange (the "Listing Rules"), were as follows:

Name of director	Name of Company	Type of interest	Number of shares	Approximate percentage of shareholding of the issued share capital of the Company	
Mr. WONG Pak Ming ("Mr. WONG")	the Company	Long position	Corporate (<i>Note 1</i>)	152,200,000	46.1%
		Long position	Personal	1,992,000	0.6%
		Long position	Family (<i>Note 2</i>)	1,200,000	0.4%
		Total:	Long position	155,392,000	47.1%
Mr. WAN Ngar Yin, David	the Company	Long position	Personal	3,292,000	1.0%
Miss WONG Kit Fong	the Company	Long position	Personal	7,232,000	2.2%
Miss WONG Yee Kwan, Alvina	the Company	Long position	Personal	2,606,000	0.8%

Note:

- These shares are held as to 30,000,000 shares by Capeland Holdings Limited and as to 122,200,000 shares by Idea Storm Holdings Limited, both of which are incorporated in the British Virgin Islands and are wholly-owned by Mr. WONG.
- These shares are held by Mr. Wong's wife in which Mr. Wong is also deemed to be interested.

Save as disclosed above, as at 30th June, 2005, 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 21st August, 2001 (the “Adoption Date”) and pursuant to the shareholders’ resolutions passed on 27th 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 a maximum of 33,000,000 shares (subject to renewal with shareholders’ prior approval) 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.

There was no movement under the Scheme during the period under review. As at 30th June, 2005, there was no outstanding option under the Scheme.

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

As at 30th June, 2005, 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 ordinary 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 share capital of the Company
Mr. WONG	Corporate (<i>Note 1 and 3</i>)	152,200,000 (Long position)	46.1%
	Family (<i>Note 2</i>)	1,200,000 (Long position)	0.4%
	Personal (<i>Note 3</i>)	1,992,000 (Long position)	0.6%
	Total:	155,392,000 (Long position)	47.1%
Mr. ZHANG Yun	Personal	34,936,000 (Long position)	10.6%

Note:

- These shares are held as to 30,000,000 shares by Capeland Holdings Limited and as to 122,200,000 shares by Idea Storm Holdings Limited, both of which are incorporated in the British Virgin Islands and are wholly-owned by Mr. WONG.
- These shares are held by Mr. Wong’s wife in which Mr. Wong is also deemed to be interested.
- Accordance to SFO, Mr. WONG’s spouse is also deemed to be interested in these 152,200,000 shares and 1,992,000 shares of the Company.

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

On 1st January 2005, the Code of Best Practice was replaced by the Code on Corporate Governance Practices (the “Code”) as contained in Appendix 14 of the Listing Rules.

During the period, the Company has been taking action to comply with the code provisions set out in the Code and a Remuneration Committee has been set up, only with the major areas of deviation detailed below, namely the roles of the chairman of the board of Directors and the chief executive officer are not separated and are performed by the same person. The Directors consider that Mr. WONG Pak Ming, being the founder of the Group, possesses in-depth knowledge of the Group and has developed extensive and valuable network in the film production industry and therefore can enable the Group to make and implement decisions promptly and efficiently which is beneficial to the business prospects of the Group. The Directors also consider that this structure will not impair the balance of power and authority between the Directors and the management as the board of Directors, which comprises experienced and high caliber individuals, meets regularly to discuss issues affecting the operations of the Group.

In addition, currently the chairman is not subject to retirement by rotation. The Directors will propose relevant amendments to be made to the bye-laws for approval by the shareholders at the next general meeting of the Company so that every director including the Chairman of the board of Directors shall be subject to retirement by rotation at least once every three years.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (“MODEL CODE”) OF LISTING RULES

For the six months period to 30th June 2005, 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 30th June 2005, and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company has set up an audit committee, comprised of three independent non-executive directors of the Company, namely Mr. Alan WOO, Mr. LAI Voon Wai and Mr. WAN Ngar Yin, David. The audit committee 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 accounts for the six months ended 30th June 2005 with the directors.

LIST OF DIRECTORS OF THE COMPANY

As at the date of this report, the Board comprises 6 directors, of which 3 are executive directors, namely Mr. WONG Pak Ming, Ms. WONG Kit Fong and Ms. WONG Yee Kwan, Alvina and 3 are independent non-executive directors, namely Mr. WAN Ngar Yin, David, Mr. LAI Voon Wai and Mr. Alan WOO.

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
WONG Pak Ming
Chairman

Hong Kong, 21st September, 2005