
IMPORTANT

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Mandarin Entertainment (Holdings) Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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MANDARIN ENTERTAINMENT (HOLDINGS) LIMITED (東方娛樂控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 009)

PROPOSALS FOR GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES AND AMENDMENT TO BYE-LAWS AND INFORMATION ON THE RETIRING DIRECTORS TO BE RE-ELECTED AT THE 2006 ANNUAL GENERAL MEETING

A letter from the board of directors of the Company is set out on page 1 to 6 of this circular. A notice convening the annual general meeting (the “**2006 Annual General Meeting**”) of the Company to be held at 27th Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong on 26th May 2006, Friday at 4:00 p.m. is set out in the 2005 annual report (the “**2005 Annual Report**”) accompanying this circular.

A form of proxy for the 2006 Annual General Meeting is also enclosed with the 2005 Annual Report. Whether or not you desire to attend the 2006 Annual General Meeting, you are requested to complete the form of proxy and return the same to the Company’s branch share registrar in Hong Kong, Standard Registrars Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the 2006 Annual General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from subsequently attending and voting at the 2006 Annual General Meeting or any adjournment thereof if you so wish.

* For identification purpose only

LETTER FROM THE BOARD OF DIRECTORS



MANDARIN ENTERTAINMENT (HOLDINGS) LIMITED (東方娛樂控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 009)

Executive Directors:

WONG Pak Ming (*Chairman*)
WONG Kit Fong
WONG Yee Kwan, Alvina
KO Tin Chow

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent Non-Executive Directors:

WAN Ngar Yin, David
LAI Voon Wai
TANG Kai Kui Terence

Principal Place of Business:

27th Floor, Chinachem Century Tower
178 Gloucester Road, Wanchai
Hong Kong

28th April, 2006

To the Shareholders

Dear Sir/Madam,

**PROPOSALS FOR
GENERAL MANDATES TO ISSUE SHARES AND
TO REPURCHASE SHARES AND
AMENDMENT TO BYE-LAWS
AND
INFORMATION ON THE RETIRING DIRECTORS TO BE
RE-ELECTED AT THE 2006 ANNUAL GENERAL MEETING**

1. INTRODUCTION

The Company's existing general mandates to issue shares and to repurchase shares were approved by the Company's in the annual general meeting held on 25th May, 2005. Unless otherwise renewed, the existing general mandates to issue shares and to repurchase shares will lapse at the conclusion of the 2006 Annual General Meeting.

In order to ensure flexibility when it is desirable to allot additional shares or to repurchase shares, the directors of the Company (**the "Directors"**) will seek the approval of shareholders to grant new general mandates to issue shares and to repurchase shares at the 2006 Annual General Meeting.

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LETTER FROM THE BOARD OF DIRECTORS

The purpose of this circular is to, inter alia, provide you with information on the proposed renewal of the general mandates to issue shares and to repurchase shares and on the retiring directors to be re-elected at the 2006 Annual General Meeting, so as to seek your approval of the related ordinary resolutions at the aforesaid meeting.

2. GENERAL MANDATE TO ISSUE SHARES (THE “ISSUE MANDATE”)

Two ordinary resolutions, as set out in the notice of the 2006 Annual General Meeting, will be proposed for the following purposes:

Ordinary resolution no. 4 – to grant to the Directors a general mandate to issue new shares up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the resolution; and

Ordinary resolution no. 6 – to increase the aggregate nominal amount of share capital of the Company which the Directors may issue under the general mandate if given in the Ordinary Resolution no. 4 by the aggregate nominal amount of share capital of the Company repurchased under the general mandate if given in the ordinary resolution no. 5.

The Company has in issue an aggregate of 330,000,000 shares of HK\$0.10 each as at 24th April, 2006, (the “**Latest Practicable Date**”), being the latest practicable date before the printing of this circular for ascertaining certain information to be included herein. Subject to the passing of the aforesaid ordinary resolution no. 5 and in accordance with the terms therein, the Company would be allowed to issue additional shares up to the aggregate nominal amount of a maximum of 66,000,000 shares on the basis that no further shares will be issued or repurchased prior to the 2006 Annual General Meeting.

3. GENERAL MANDATE TO REPURCHASE SHARES (THE “REPURCHASE MANDATE”)

The ordinary resolution no. 5 as set out in the notice of the 2006 Annual General Meeting, will be proposed to grant to the Directors a general mandate to exercise the powers of the Company to repurchase the Company’s fully paid up shares representing up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the resolution.

The Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) contain provisions to regulate the repurchase by companies with primary listings on the Stock Exchange of their own securities on the Stock Exchange.

In accordance with the Listing Rules, the appendix to this circular serves as the explanatory statement, to provide you with the requisite information reasonably necessary to enable you to make an informed decision on whether to vote for or against the ordinary resolutions for granting of the Repurchase Mandate.

LETTER FROM THE BOARD OF DIRECTORS

4. AMENDMENTS TO BYE-LAWS

With reference to the amendments made by the Stock Exchange concerning various corporate governance issues, the Directors propose to amend the Company's Bye-laws (the "Bye-laws") in order to ensure compliance with all applicable laws.

The major amendments to the Company's Bye-laws relate to the retirement of directors by rotation. The new Bye-laws will provide that subject to the manner of retirement by rotation of directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every three years. Subsequent to the amendments, all directors will be subject to retirement by rotation. In addition, any director appointed by the board of directors either to fill a casual vacancy or as an additional director will hold office only until the next following general meeting of the Company (and not annual general meeting as currently stated in the Company's existing Bye-laws). The power to remove directors will be changed from a special resolution to an ordinary resolution in the new Bye-laws.

For your further information, the existing Bye-laws of the Company will be amended in the following manner:

- (a) by deleting the word "following annual" in the 6th line of the existing Bye-laws 86(2);
- (b) by deleting the word "special" in the 2nd line of the existing Bye-laws 86(4) and substituting therefor the word "ordinary";
- (c) by deleting the words "notwithstanding anything herein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year" at the end of the existing Bye-law 87(1) and substituting therefor the following:

"every Director (including those appointed for a specified term or holding office as Chairman, Deputy Chairman, Managing Director or other office) shall be subject to retirement by rotation at least once every three years or within such other period as the laws of such jurisdiction applicable to the Company."

5. INFORMATION OF THE RETIRING DIRECTORS TO BE RE-ELECTED AT THE 2006 ANNUAL GENERAL MEETING

For your further information, we set out below the relevant details of the retiring directors proposed to be re-elected at the 2006 Annual General Meeting:

Mr. Ko Tin Chow ("Mr. Ko"), aged 56, was appointed as an executive director of the Company since 1st December, 2005. Mr. Ko is responsible for supervising the film processing business of the Company. Mr. Ko has over 32 years of experience in the film processing industry. Prior to joining the Company in 1995, he was the general manager of Hong Kong Color Moviela Limited, a film processing company in Hong Kong. He is the Chairman of the Hong Kong & Kowloon Film Laboratory Merchants' Association Limited.

LETTER FROM THE BOARD OF DIRECTORS

Pursuant to the service agreement, the appointment of Mr. Ko is for a term of one (1) year from 1st December, 2005 and thereafter may be extended for such period as the Company and Mr. Ko agree in writing. Mr. Ko is subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles of Association of the Company. Mr. Ko's remuneration is fixed at HK\$480,000.00 per annum, which commensurate with his duties and responsibilities as an executive director and is approved by the board of directors (**the "Board"**) with reference to the prevailing market situation. Pursuant to the service agreement of Mr. Ko, he is entitled to a discretionary bonus to be determined by the Board and a year end bonus. The Board has not distributed the aforesaid discretionary bonus to Mr. Ko and Mr. Ko has given his consent to waive his entitlement to the aforesaid year end bonus at no cost. Mr. Ko had been an executive director of the Company since 1st September, 2001 until his resignation on 1st September, 2003. Mr. Ko is currently and will continue to be the Senior Operation Manager of Mandarin Laboratory (International) Ltd.

Save as disclosed above, Mr. Ko has not previously held and is not holding any other position with the Company and its subsidiaries. He does not have other relationships with any directors, senior management, or other substantial or controlling shareholder(s) of the Company for the purpose of the Listing Rules. There is no other matters relating to his re-election that need to be brought to the attention of the shareholders and there is no other information that are required to be disclosed pursuant to paragraphs 13.51(2)(h) to 13.51(2)(v) of the Main Board Listing Rules. As at the Latest Practicable Date, Mr. Ko is not interested in any shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Mr. Tang Kai Kui Terence ("**Mr. Tang**"), aged 46, was appointed as an independent non-executive director ("**INED**") of the Company and a member of the audit committee of the Company since 1st December, 2005. Mr. Tang is a member of the Royal Institute of British Architects and is a director of an interior design and engineering company.

Pursuant to the appointment letter, the appointment of Mr. Tang is for a term of one (1) year from 1st December, 2005 and thereafter may be extended for such period as the Company and Mr. Tang may agree in writing. Mr. Tang is subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles of Association of the Company. Mr. Tang's remuneration is fixed at HK\$120,000.00 per annum, which commensurate with his duties and responsibilities as INED and is approved by the Board with reference to the prevailing market situation. Mr. Tang will not be entitled to any bonus payment. Mr. Tang had been an INED of the Company since 1st September, 2001 until his resignation on 1st September, 2003 and he does not currently hold any position with the Company and/or its subsidiaries.

Save as disclosed above, Mr. Tang has not previously held and is not holding any other position with the Company and its subsidiaries. He does not have other relationships with any directors, senior management, or other substantial or controlling shareholder(s) of the Company for the purpose of the Listing Rules. There is no other matters relating to his re-election that need to be brought to the attention of the shareholders and there is no other information that are required to be disclosed pursuant to paragraphs 13.51(2)(h) to 13.51(2)(v) of the Main Board Listing Rules. As at the Latest Practicable Date, Mr. Tang is not interested in any shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

LETTER FROM THE BOARD OF DIRECTORS

Mr. Lai Voon Wai (“**Mr. Lai**”), aged 35, was appointed as an INED of the Company on 1st September, 2003. Mr. Lai graduated from Queen Mary & Westfield College with a bachelor’s degree in electronic engineering and also attained an LLB (Hons) degree from the University of Buckingham, United Kingdom. He has over nine years of experience in investment banking and was involved in the listing and mergers and acquisitions of a number of listed companies in Hong Kong. Mr. Lai was also the Chief of Corporate Development of E-Life International (stock code: 370), a listed company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), during the period from March 1999 to October 2000. He is now a director of the investment banking division of a securities company in Hong Kong.

There is no service contract between the Company and Mr. Lai. The initial term of his appointment is for one (1) year commencing from 1st September, 2003 to 31st August, 2004 (both dates inclusive) and thereafter may be extended for such period as Mr. Lai and the Company may agree in writing. The term of Mr. Lai’s appointment has been extended for two (2) years commencing from 1st September, 2004 to 31st August, 2006 (both dates inclusive) upon the same terms as stipulated in the previous appointment. Mr. Lai is subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles of Association of the Company. Mr. Lai’s remuneration is fixed at HK\$120,000.00 per annum, which commensurate with his duties and responsibilities as INED and is approved by the Board with reference to the prevailing market situation. Mr. Lai will not be entitled to any bonus payment.

Save as disclosed above, Mr. Lai has not previously held and is not holding any other position with the Company and its subsidiaries. Mr. Lai does not have other relationships with any directors, senior management, or other substantial or controlling shareholder(s) of the Company for the purpose of the Listing Rules. There is no other matters relating to his re-election that need to be brought to the attention of the shareholders and there is no other information that are required to be disclosed pursuant to paragraphs 13.51(2)(h) to 13.51(2)(v) of the Main Board Listing Rules. As at the Latest Practicable Date, Mr. Lai is not interested in any shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board is not aware of any other matters that need to be brought to the attention of shareholders of the Company in relation to the proposed re-election of the aforesaid retiring directors.

6. ACTION TO BE TAKEN

The notice convening the 2006 Annual General Meeting to be held at 27th Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong on 26th May, 2006, Friday at 4:00 p.m. is set out in the Company’s 2005 Annual Report.

A form of proxy for the 2006 Annual General Meeting is also enclosed with the 2005 Annual Report. Whether or not you desire to attend the 2006 Annual General Meeting, you are requested to complete the form of proxy and return the same to the Company’s branch share registrar in Hong Kong, Standard Registrars Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the 2006 Annual General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from subsequently attending and voting at the 2006 Annual General Meeting or any adjournment thereof if you so wish.

LETTER FROM THE BOARD OF DIRECTORS

7. PROCEDURES FOR DEMANDING A POLL

For your further information as required by the Listing Rules, set forth below are the procedures for demanding a poll at general meeting of the Company. Pursuant to Bye-law 66 of the Company's Bye-laws (**the "Bye-laws"**), every resolution put to the vote of a general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three members present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (d) by a member or members present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A poll which is duly demanded shall be then held in such manner prescribed by the Bye-laws of the Company.

8. RECOMMENDATION

The Directors believe that the granting of the Issue Mandate and the Repurchase Mandate are in the best interests of the Company and its Shareholders as a whole. Moreover, adequate information regarding the re-election of the retiring directors at the 2006 Annual General Meeting is contained herein for your consideration. Accordingly, the Directors recommend that all shareholders should vote in favour of the related ordinary resolutions to be proposed at the 2006 Annual General Meeting.

Yours faithfully,
By Order of the Board
Mandarin Entertainment (Holdings) Limited
WONG Pak Ming
Chairman

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to shareholders of the Company for their consideration as to whether to vote for or against the ordinary resolution to be proposed at the 2006 Annual General Meeting for granting the Repurchase Mandate.

This explanatory statement contains all the information required pursuant to rule 10.06 of the Listing Rules which is set out as follows:

SHARE CAPITAL

As at the Latest Practicable Date, the Company has in issue an aggregate of 330,000,000 shares of HK\$0.10 each which are fully paid.

Subject to the passing of the ordinary resolution no. 5 as set out in the notice of 2006 Annual General Meeting and in accordance with the terms therein, the Company would be allowed under the Repurchase Mandate to repurchase fully paid shares up to the aggregate nominal amount of a maximum of 33,000,000 shares on the basis that no further shares will be issued or repurchased prior to the 2006 Annual General Meeting.

REASONS FOR SHARE REPURCHASE

Although the Directors have no present intention of repurchasing any shares of the Company, they believe that the flexibility afforded by the Repurchase Mandate would be beneficial to the Company and its shareholders. Trading conditions on the Stock Exchange have sometimes been volatile. At any time in the future when shares are trading at a discount to their underlying value, the ability of the Company to repurchase shares will be beneficial to those shareholders who retain their investment in the Company since their interests in the assets of the Company would increase in proportion to the number of shares repurchased by the Company and thereby resulting in an increase in net asset value and/or earnings per share of the Company. Such repurchases will only be made when the Directors believe that the repurchases will benefit the Company and its shareholders as a whole.

FUNDING OF REPURCHASES

The Company is empowered by its memorandum of association and Bye-laws to repurchase its shares. In repurchasing shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and Bye-laws and the applicable laws of Bermuda. In repurchasing shares, the Directors will only apply funds out of the capital paid up on the relevant shares or the funds of the Company which would otherwise be available for dividend or distribution or the proceeds of a fresh issue of shares made for the purpose in accordance with Bermuda laws. Regarding the amount of premium (if any) payable on a repurchase, the Directors will only apply funds of the Company which would otherwise be available for dividend or distribution or out of the share premium account of the Company. The shares so repurchased will be treated as cancelled but the aggregate amount of authorized share capital will not be reduced.

SHARE PRICES

During each of the twelve months preceding the Latest Practicable Date, the highest and lowest prices at which shares of the Company have been traded were as follows:

	Shares	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2005		
April	0.86	0.84
May	0.88	0.85
June	0.89	0.82
July	0.82	0.70
August	1.02	0.71
September	1.03	0.81
October	1.04	0.80
November	0.99	0.77
December	0.97	0.85
2006		
January	0.93	0.85
February	0.90	0.87
March	0.89	0.85

REPURCHASES MADE BY THE COMPANY

During the six months immediately preceding the Latest Practicable Date, neither the Company nor any of its subsidiaries has purchased any of the Company's shares, either on the Stock Exchange or otherwise.

POSSIBLE MATERIAL ADVERSE IMPACT

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts for the year ended 31st December, 2005) in the event that the Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the Company's working capital requirements or the gearing levels. The number of shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange to exercise the powers of the Company to make repurchases under the Repurchase Mandate in accordance with the Listing Rules and laws of Bermuda and in accordance with the regulations set out in the memorandum of association and Bye-laws of the Company.

EFFECT OF HONG KONG CODES ON TAKEOVERS AND MERGERS

If as a result of share repurchase by the Company, a substantial shareholder's proportionate interest in voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a shareholder, or group of shareholders acting in concert, could, depending on the level of increase in the interest of shareholdings, obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 and 32 of the Code.

As at the Latest Practicable Date and to the best of knowledge and belief of the Company, the following person(s) were directly or indirectly interested in 5% or more of the nominal value of the ordinary shares that carry a right to vote in all circumstances at general meetings of the Company:

Name	Number of shares interested/held	Approximate percentage of shareholding as at Latest Practicable Date
WONG Pak Ming ("Mr. WONG")	157,444,000 (<i>Notes 1 and 2</i>) Long position	47.71%
ZHANG Xun ("Mr. ZHANG")	34,936,000 Long position	10.59%

Notes:

1. These 157,444,000 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.; and as to 4,044,000 shares held by Mr. WONG personally; and as to the remaining 1,200,000 shares held by Mr. WONG's wife in which Mr. WONG is also deemed to be interested.
2. According to the Securities and Futures Ordinance, Mr. WONG's spouse is also deemed to be interested in the shares held by Mr. WONG or in which he is interested.

In the event that the Directors exercised in full the power to repurchase shares of the Company in accordance with the terms of the ordinary resolution no. 5 to be proposed at the 2006 Annual General Meeting, the aforesaid interests of Mr. WONG and Mr. ZHANG in the existing issued share capital of the Company would be proportionally increased respectively to approximately 53.01% and 11.76%. The increase of his shareholdings from approximately 47.71% to 53.01% will give rise to an obligation to Mr WONG to make a mandatory offer under the Code, subject to the granting of waiver pursuant to the Code. Save as aforesaid, as at the Latest Practicable Date, the Directors are not aware of the consequences of such increases or as a result of repurchases of shares that would result in the aforesaid persons or any shareholder, or group of shareholders acting in concert, becoming obliged to make a mandatory offer

under the Code. In this regard, the Directors have no present intention to exercise the Repurchase Mandate to such extent as would give rise to an obligation to make a mandatory offer under the Code or if the repurchase would result in less than 25% of the issued share capital of the Company being held in public hands.

DIRECTORS' DEALINGS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates presently intends to sell shares to the Company under the Repurchase Mandate in the event that such mandate as proposed in the ordinary resolution no. 5 is approved by the shareholders of the Company.

CONNECTED PERSONS

The Company has not been notified by any connected persons of the Company that they have a present intention to sell any shares to the Company, or that they have undertaken not to sell any shares held by them to the Company in the event that such mandate as proposed in the ordinary resolution no. 5 is approved by the shareholders of the Company.