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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: 00009)

**(I) OPEN OFFER OF NOT LESS THAN 1,426,900,000 OFFER SHARES  
AND NOT MORE THAN 1,569,400,000 OFFER SHARES AT HK\$0.1  
PER OFFER SHARE ON THE BASIS OF NINETEEN OFFER SHARES FOR  
EVERY TEN SHARES HELD ON RECORD DATE  
AND  
(II) RESUMPTION OF TRADING**

**Underwriter**



Orient Securities Limited  
東方滙財證券有限公司  
(Member of The Stock Exchange of Hong Kong Ltd., Broker No. 3600)

**Financial Adviser**  
**VINC** 城高

**Grand Vinco Capital Limited**  
*Wholly owned subsidiary of Vinco Financial Group Limited*

**PROPOSED OPEN OFFER**

The Company proposes to raise not less than approximately HK\$142.69 million but not more than approximately HK\$156.94 million, before expenses, by an open offer of not less than 1,426,900,000 Offer Shares and not more than 1,569,400,000 Offer Shares at a subscription price of HK\$0.1 per Offer Share, payable in full on application, on the basis of nineteen Offer Shares for every ten Shares held on Record Date. The 1,426,900,000 Offer Shares represents 190% and approximately 65.52% of the existing issued share capital of the Company and the then issued share capital of the Company as enlarged by the Open Offer respectively, and the 1,569,400,000 Offer Shares represents approximately 208.97% and approximately 65.52% of the existing issued share capital of the Company and the then issued share capital of the Company as enlarged by the Open Offer respectively.

As at the date of this announcement, the Company has 8,526,240 outstanding Share Options and 175,000,000 outstanding Conversion Shares which in aggregate entitle holders thereof to subscribe for 183,526,240 Shares. Save as disclosed above, the Company does not have any other outstanding warrants or securities in issue which are convertible or exchangeable into Shares.

The net proceeds of the Open Offer (after deduction of all relevant commission and expenses) are expected to amount to not less than approximately HK\$138.69 million and not more than approximately HK\$152.94 million will be used as to (i) not more than approximately HK\$138 million for setting off the outstanding debts of the Group, including but not limited to the potential legal exposure (subject to final judgement) arising from the Acquisition (as defined herein); and (ii) the remaining amount of the net proceeds for the general working capital and/or potential future investment of the Group.

The Open Offer is fully underwritten by the Underwriter and is subject to the terms and conditions of the Underwriting Agreement.

As the Open Offer will increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the date of this announcement, the Open Offer is subject to approval by the Independent Shareholders at the SGM by poll in accordance with the requirements of Rule 7.24(5) of the Listing Rules. As such, the controlling Shareholder and his associates, namely Mr. Wong, Capeland and Idea Storm, companies wholly and beneficially owned by Mr. Wong, who are beneficially interested in 231,304,000 Shares, representing approximately 30.80% of the existing issued share capital of the Company as at the date of this announcement shall abstain from voting at the SGM in respect of the resolution to approve the Open Offer. An independent board committee of the Company will be established by the Company to give recommendation to the Independent Shareholders in respect of the Open Offer. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Open Offer including the recommendations from the independent board committee of the Company, the advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in respect of the Open Offer and a notice of the SGM, will be despatched by the Company to the Shareholders as soon as possible.

## **WARNING OF THE RISK OF DEALING IN THE SHARES**

If the Underwriter terminates the Underwriting Agreement or the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. **Accordingly, the Open Offer may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in the Shares and consult their professional advisers if they are in any doubt about their positions.**

Shareholders should note that the Shares will be dealt with on an ex-entitlement basis commencing from Friday, 1 August 2008 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on or before 4:00 p.m. on Wednesday, 3 September 2008), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 3 July 2008 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in Shares with effect from 9:30 a.m. on 7 July 2008.

## **PROPOSED OPEN OFFER**

### **Issue Statistics**

Basis of the Open Offer:	Nineteen Offer Shares for every ten Shares held on the Record Date
Number of existing Shares in issue:	751,000,000 Shares as at the date of this announcement
Underwriter:	Orient Securities Limited
Number of Offer Shares:	Not less than 1,426,900,000 Offer Shares and not more than 1,569,400,000 Offer Shares
Subscription Price:	HK\$0.1

The 1,426,900,000 Offer Shares represents 190% and approximately 65.52% of the existing issued share capital of the Company and the then issued share capital of the Company as enlarged by the Open Offer respectively, and the 1,569,400,000 Offer Shares represents approximately 208.97% and approximately 65.52% of the existing issued share capital of the Company and the then issued share capital of the Company as enlarged by the Open Offer respectively.

As at the date of this announcement, the Company has 8,526,240 outstanding Share Options and 175,000,000 outstanding Conversion Shares which in aggregate entitle holders thereof to subscribe for 183,526,240 Shares. Save as disclosed above, the Company does not have any other outstanding warrants or securities in issue which are convertible or exchangeable into Shares.

Holders of 8,526,240 Share Options have irrevocably undertaken to the Company, the Underwriter and Mr. Wong on 2 July 2008 that they will not exercise any of the Share Options before the Latest Lodging Date.

As at the date of this announcement, the Company has HK\$70,000,000 outstanding Convertible Bonds entitling to conversion of 175,000,000 Shares. However, the holder of the Convertible Bonds has deposited HK\$40,000,000 of Convertible Bonds to the Company and agreed that he shall not be entitled to convert whole or any part of the HK\$40,000,000 Convertible Bonds until the final judgment of the relevant litigations, in relation to the property in Chengdu, Sichuan, the PRC acquired by the Company earlier this year, have been made by the relevant court in the PRC or 30 days before the maturity date of the Convertible Bonds (whichever is earlier). Under such arrangement, the holder of the Convertible Bonds is only entitled to convert the HK\$30,000,000 Convertible Bonds for 75,000,000 Conversion Shares as at the date of this announcement. If all outstanding HK\$30,000,000 Convertible Bonds are converted in full prior to the Record Date, the maximum number of Shares being entitled to the Open Offer will be increased to 826,000,000 Shares.

### **Subscription Price**

The Subscription Price of HK\$0.1 per Offer Share will be payable in full upon application for the Offer Shares. The Subscription Price represents:

1. a discount of approximately 77.53% to the closing price of HK\$0.445 per Share as quoted on the Stock Exchange on 2 July 2008, being the last trading day of the Shares on the Stock Exchange prior to the suspension of the trading in the Shares;
2. a discount of approximately 78.72% to the average of the closing prices of HK\$0.470 per Share quoted on the Stock Exchange for the five trading days up to and including 2 July 2008;
3. a discount of approximately 78.95% to the average of the closing prices of HK\$0.475 per Share quoted on the Stock Exchange for the 10 trading days up to and including 2 July 2008; and
4. a discount of approximately 54.33% to the theoretical ex-rights price of HK\$0.219 based on the closing price of HK\$0.445 per Share as quoted on the Stock Exchange on 2 July 2008.

The Subscription price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to (i) the market price of the Shares under the prevailing market conditions; and (ii) the pricing terms of recent open offer transactions conducted by other listed companies in Hong Kong. The Directors (other than the members of the independent board committees who will express their view in the circular to be issued by the Company after having received the advice of the independent financial adviser) consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As (i) the Subscription price was determined after arm's length negotiation between the Company and the Underwriter; (ii) the Qualifying Shareholders are offered a chance to subscribe for the Offer Shares at a relatively low price and to maintain their respective pro-rata shareholdings in the Company; and (iii) the Open Offer is subject to approval of the Independent Shareholders, the Directors consider the terms of the Open Offer to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Qualifying Shareholders**

The Company will send the Prospectus Documents to the Qualifying Shareholders only.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date, and not be a Prohibited Shareholder.

In order to be registered as members on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company's share registrars and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Monday, 4 August 2008.

### **Closure of register of members**

The register of members of the Company will be closed from 5 August 2008 to 11 August 2008, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfer of Shares will be registered during this period.

### **Rights of Prohibited Shareholders**

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda. To determine the identities of the Prohibited Shareholders and in compliance with the relevant Listing Rules, the Company will make necessary enquiries regarding the legal restrictions, if any, under the laws of the relevant jurisdictions and will only exclude the Prohibited Shareholders for the Open Offer if it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place after making relevant enquiries. The Company will issue an announcement in connection to the results of enquiries regarding the legal restrictions before the Latest Lodging Date based on best available information and send the Prospectus to Prohibited Shareholders for their information only but the Company will not send any Application Forms to the Prohibited Shareholders. As at the date of this announcement, there are two overseas Shareholders both have registered addresses in the British Virgin Islands.

### **No application for excess Offer Shares**

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and to participate in the future growth and development of the Group. The Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Shareholders.

After arm's length negotiation with the Underwriter, and taking into account that the related administration costs would be lowered in the absence of excess applications, the Company decided that the Qualifying Shareholders are not entitled to apply for any Offer Shares which are in excess of their assured entitlements.

Any Offer Shares not taken up by the Qualifying Shareholders and the Offer Shares to which the Prohibited Shareholder(s) would otherwise have been entitled under the Open Offer will be taken up by the Underwriter.

### **Status of the Offer Shares**

The Offer Shares (when allotted and fully paid) will rank *pari passu* with the then existing Shares in issue in all respects on the date of allotment and issue of the Offer Shares. Holders of fully paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Offer Shares.

### **Share Certificates for Offer Shares**

Subject to the fulfillment of the conditions of the Open Offer as set out in the section headed "Conditions of the Open Offer" below, certificates for all fully-paid Offer Shares are expected to be posted on or before 5, September 2008 to those Qualifying Shareholders who have accepted and (where applicable) applied for, and paid for the Offer Shares at their own risks.

## **UNDERWRITING ARRANGEMENT**

### **Underwriting Agreement**

Date:	2 July 2008
Underwriter:	Orient Securities Limited
Number of Offer Shares:	Not less than 1,426,900,000 Offer Shares and not more than 1,569,400,000 Offer Shares
Number of Underwritten Shares:	Not less than 987,422,400 Offer Shares and not more than 1,129,922,400 Offer Shares
Subscription Price:	HK\$0.1
Commission:	an underwriting commission of 2.5%

To the best of Directors' knowledge, information and belief having made all reasonable enquiry, each of the Underwriter and its ultimate beneficial owner(s) does not have any shareholding in the Company and is an Independent Third Party and not party acting in concert with any of the Directors, chief executive and other Shareholders or its subsidiaries or any of their respective associates.

The Directors (other than the members of the independent board committees who will express their view in the circular to be issued by the Company after having received the advice of the independent financial adviser) consider that the underwriting commission is fair and reasonable and is comparable to the current market rate.

The Underwriter undertakes to the Company that, without prejudice in any event to the Underwriter's obligations to procure subscription for the Underwritten Shares not taken up, it will use its reasonable endeavours to procure that the subscribers for any Underwritten Shares are independent of and not connected or acting in concert with the directors, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates.

As at the date of this announcement, the Company has 8,526,240 outstanding Share Options and 175,000,000 outstanding Conversion Shares which in aggregate entitle holders thereof to subscribe for 183,526,240 Shares. The Share Options entitle the holders thereof to subscribe for Shares at two exercise prices of HK\$0.841 per Share and HK\$0.789 per Share (all subject to adjustment). Save as disclosed above, the Company does not have any other outstanding warrants or securities in issue which are convertible or exchangeable into Shares.

## **Undertakings**

- (A) As at the date of this announcement, Mr. Wong was deemed interested in 231,304,000 Shares and 1,761,048 Share Options conferring rights to subscribe for 1,761,048 Shares. As at the date of the Underwriting Agreement, Idea Storm and Capeland are the legal and beneficial owners of 155,000,000 Shares and 73,300,000 Shares respectively. The entire issued share capital of Idea Storm and Capeland are wholly and beneficially owned by Mr. Wong. Mr. Wong and his spouse are also the beneficial owners of 3,004,000 Shares. On the terms and subject to the conditions of the Underwriting Agreement, on 2 July 2008, Mr. Wong has given an irrevocable undertaking in favour of the Company and the Underwriter to subscribe for or procure subscriptions for 439,477,600 Offer Shares to which Idea Storm, Capeland, Mr. Wong himself and his spouse are entitled under the Open Offer. Mr. Wong further gives an irrevocable undertaking in favour of the Company, the Underwriter not to and will procure not to exercise on or before the Latest Lodging Date the subscription rights attaching to the Share Options held by him and its associates.
- (B) On 2 July 2008, holders of 8,526,240 Share Options have irrevocably undertaken to the Company, the Underwriter and Mr. Wong that they will not exercise any of the Share Options before the Latest Lodging Date.

Subject to and upon the terms and conditions of the Underwriting Agreement, the Underwriter have agreed to underwrite up to not less than 987,422,400 Offer Shares and not more than 1,129,922,400 Offer Shares.

## **Termination of the Underwriting Agreement**

**If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a storm warning is or remains hoisted between 9.00 a.m. and 4.00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no storm warning is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day):**

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:**
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or**



- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will materially adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition for the voluntary liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material uninsured asset of the Group; or
- (4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement, or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.

## **CONDITIONS OF THE OPEN OFFER**

The Open Offer is conditional, inter alia, upon:

- (a) the passing by the Independent Shareholders at the SGM Meeting of an ordinary resolution to approve the Open Offer;
- (b) the filing with the Registrar of Companies in Bermuda one copy of the Prospectus Documents duly signed by either all Directors or one of the Directors (for and on behalf of all the Directors) (and all other documents to be attached thereto) and otherwise in compliance with the Companies Act;
- (c) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies Ordinance;
- (d) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date;
- (e) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares;
- (f) if necessary, the Bermuda Monetary Authority granting consent to the issue of the Offer Shares; and
- (g) compliance with and performance of all the undertakings and obligations of the substantial Shareholders under the Underwriting Agreement.

The Company shall use all reasonable endeavours to procure the fulfillment of all the conditions precedent by the Latest Time for Termination or such other date as the Company and the Underwriter may agree and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Offer Shares or to give effect to the Open Offer and the arrangements contemplated in the Underwriting Agreement.

## WARNING OF RISKS OF DEALING IN SHARES

If the Underwriter terminates the Underwriting Agreement or the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. **Accordingly, the Open Offer may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in the Shares and consult their professional advisers if they are in any doubt about their positions.**

Shareholders should note that the Shares will be dealt with on an ex-entitlement basis commencing from Friday, 1, August 2008 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on or before 4:00 p.m. on Wednesday, 3, September 2008), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed.

## CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE OPEN OFFER

	As at the date of this announcement		Immediately following completion of the Open Offer on the assumption as set out in Note 1		Immediately following completion of the Open Offer on the assumption as set out in Note 2		Immediately following completion of the Open Offer on the assumption as set out in Note 3		Immediately following completion of the Open Offer on the assumption as set out in Note 4	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr. Wong (Note 5)	231,304,000	30.80	670,781,600	30.80	670,781,600	30.80	670,781,600	30.12	670,781,600	28.00
Cheng Keung Fai ("Mr. Cheng") (Note 6)	175,000,000	23.30	507,500,000	23.30	175,000,000	8.04	556,800,000	25.00	175,000,000	7.31
Underwriter	-	-	-	-	987,422,400	45.34	-	-	1,129,922,400	47.17
Public Shareholders	344,696,000	45.90	999,618,400	45.90	344,696,000	15.83	999,618,400	44.88	419,696,000	17.52
Total	751,000,000	100.00	2,177,900,000	100.00	2,177,900,000	100.00	2,227,200,000	100.00	2,395,400,000	100.00

*Notes:*

1. Assuming all Shareholders take up their respective entitlements to the Offer Shares under the Open Offer.
2. Assuming none of the Shareholders (save for the Mr. Wong and his spouse, Idea Storm and Capeland who have undertaken to subscribe for, or procure the subscription of its pro-rata entitlement to Offer Shares in full under the Open Offer) take up their respective entitlements to the Offer Shares under the Open Offer and, accordingly, the Underwriter will take up the Underwritten Shares in full pursuant to the terms of the Underwriting Agreement.
3. Assuming Mr. Cheng exercises part of the Convertible Bonds for 17,000,000 Conversion Shares and increases his shareholding up to 25% (pursuant to the conditional sale and purchase agreement dated 25 January 2008 and a supplemental agreement dated 5 February 2008 entered into between the Group and Mr. Cheng in relation to an acquisition of property interest in Chengdu, Sichuan Province, the PRC by the Group (the "Acquisition")) Mr. Cheng has provided an undertaking to the Company that he will not hold more than 25.00% in the share capital of the Company at any time and the Company has also undertaken that it will not issue Conversion Shares to Mr. Cheng if upon conversion Mr. Cheng will hold more than 25% of the entire share capital of the Company in effect) and all Shareholders take up their respective entitlements to the Offer Shares under the Open Offer. As a result, 17,000,000 Conversion Shares and 1,459,200,000 Offer Shares are assumed to be issued in this case.
4. For illustration purpose only, assuming that Mr. Cheng disposes of his HK\$30,000,000 Convertible Bonds to Independent Third Party and such Convertible Bonds are fully converted into 75,000,000 Conversion Shares and none of the Shareholders (save for the Mr. Wong and his spouse, Idea Storm and Capeland who have undertaken to subscribe for, or procure the subscription of its pro-rata entitlement to Offer Shares in full under the Open Offer) take up their respective entitlements to the Offer Shares under the Open Offer.
5. Mr. Wong Pak Ming is beneficially interested in 3,004,000 Shares. Mr. Wong Pak Ming is also the sole beneficial owners of the entire issue share capital of Idea Storm Holdings Limited which holds 155,000,000 Shares and Capeland Holding Limited which holds 73,300,000 Shares. Accordingly Mr. Wong Pak Ming is deemed to be interested in 231,304,000 Shares. Ms. Zee Ven Chu Lydia, being the spouse of Mr. Wong Pak Ming, is also deemed to be interested in 231,304,000 Shares. Mr. Wong has undertaken to the Company, the Underwriter and Mr. Wong not to exercise the 1,761,048 Share Options held by him up to the Latest Lodging Date.
6. Mr. Cheng was one of the vendors in connection to the Acquisition and he has become a substantial Shareholder through his beneficial interest in 175,000,000 Shares and the Convertible Bonds, being part of the consideration of the Acquisition on, 18 April 2008.

Mr. Wong, being the controlling Shareholder, has given an undertaking to use his best endeavours to ensure that at least 25% of the issued share capital of the Company from time to time will remain in public hands. He further undertakes that should less than 25% of the issued share capital of the Company be held in public hands at any time during the Open Offer period, he shall take all appropriate steps to restore the minimum 25% public float before the close of the Open Offer. The Stock Exchange has indicated that the listing approval of the Offer Shares would not be granted if the public float for the Shares is not met upon completion of the Open Offer.

## **FUNDS RAISED DURING THE PAST 12 MONTHS**

During the past 12 months immediately preceding the date of this announcement, the Company has conducted the following fund raising activities:

1. The open offer of 180,000,000 offer shares at a HK\$0.5 per Share on the basis of two shares for every one existing Share as stated in the announcement of the Company dated 19 July 2007. The net proceeds of approximately HK\$85 million were intended to be used as general working capital of the Group.
2. The placing of 36,000,000 Shares at an issue price of HK\$0.57 per Share as stated in the announcement of the Company dated 17 September 2007. The net proceeds of approximately HK\$19.9 million were intended to be used for general working capital of the Group.

The Company has fully utilized the total net proceeds of approximately HK\$104.9 million as to (i) approximately HK\$70 million be used in the payment of part of the consideration for the Acquisition; (ii) approximately HK\$20 million be used in investing in listed securities in Hong Kong in accordance with its treasury policy; and (iii) the remaining balance of approximately HK\$14.9 million be used as general working capital of the Group.

## **REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS**

The Group is principally engaged in the film distribution and licensing, film processing and advertising and promotional services. The Group has recorded a consolidated loss of approximately HK\$40 million for the year ended 31 December 2007. In early 2008, the Group also expanded its business exposure in the property market in Chengdu, Sichuan, the PRC. The Group intends to further strengthen its financial position by the Open Offer, which will enable the Company to expand its capital base and business. In addition, the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Company. The Directors therefore consider that the Open Offer is in the interests of the Company and the Shareholders as a whole.

The net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to not less than approximately HK\$138.69 million and not more than approximately HK\$152.94 million (i) will be used as to not more than approximately HK\$138 million for setting off the outstanding debts of the Group, including but not limited to the potential legal exposure (subject to the final judgment) arising from the Acquisition; and (ii) the remaining amount of the net proceeds will be used as the general working capital and/or for potential future investment of the Group. The Acquisition was completed on 18 April 2008 and there has been no material change in the status of litigation since the date of the circular of the Acquisition. As at the date of this announcement, the Directors have not identified any suitable investment opportunity for the Group.

## EXPECTED TIMETABLE

The expected timetable for the Open Offer is set out below:

2008

Last day of dealings in Shares on a cum-entitlement basis . . . . . 31 July, 2008

First day of dealings in Shares on an ex-entitlement basis . . . . . 1 August, 2008

Latest Lodging Date . . . . . 4:00 p.m. on 4 August, 2008

Register of members of the Company closes . . . . . 5 August 2008 to 11 August 2008  
(both dates inclusive)

SGM . . . . . 11 August 2008

Record Date . . . . . 11 August 2008

Announcement of the results of the SGM appears . . . . . 11 August 2008  
on the Stock Exchange's website

Register of members re-opens . . . . . 12 August 2008

Despatch of the Prospectus Documents . . . . . 15 August 2008

Latest Time for Acceptance . . . . . 4:00 p.m. on 29 August 2008

Latest Time for Termination . . . . . 4:00 p.m. on 3 September 2008

Announcement of results of the Open Offer . . . . . 3 September 2008  
on the Stock Exchange's website

Certificates for the Offer Shares to be . . . . . 5 September 2008  
despatched on or before

Despatch of refund cheques in the case of the . . . . . 5 September 2008  
Underwriting Agreement does not become unconditional

Dealings in fully-paid Offer Shares commence on . . . . . 9 September 2008

Dates stated in this announcement for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Open Offer will be announced by the Company as and when appropriate.

## **ADJUSTMENTS IN RELATION TO THE SHARE OPTION SCHEMES AND THE CONVERTIBLE BONDS**

Pursuant to the terms of the share option scheme and the instrument constituting the Convertible Bonds, the exercise prices and conversion price of the respective Share Options and Convertible Bonds will be adjusted in accordance with the Share Option, the deed poll of the Convertible Bonds upon the Open Offer becoming unconditional. Such adjustments will be verified by the independent financial adviser of the Company and the Company will notify the holders of the Share Options, the holders of the Convertible Bonds the respective adjustments upon the Open Offer becoming unconditional. The Company will notify the holders of the Share Options and Convertible Bonds the required adjustment(s) as soon as practicable and details of adjustments will be provided in the circular in respect of the Open Offer to be despatched to the Shareholders.

## **LISTING AND DEALINGS**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. The Offer Shares are expected to continue to be traded in existing board lot of 4,000 Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, SFC transaction levy and other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

## **GENERAL**

As the Open Offer will increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the date of this announcement, the Open Offer is subject to approval by the Independent Shareholders at the SGM by poll in accordance with the requirements of Rule 7.24(5) of the Listing Rules. As such, the controlling Shareholder and his associates, namely Mr. Wong, Capeland and Idea Storm, companies wholly and beneficially owned by Mr. Wong, who are beneficially interested in 231,304,000 Shares, representing approximately 30.80% of the existing share capital of the Company as at the date of this announcement shall abstain from voting at the SGM in respect of the resolution to approve the Open Offer. An independent board committee of the Company will be established by the Company to give recommendation to the Independent Shareholders in respect of the Open Offer. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Open Offer including the recommendations from the independent board committee of the Company, the advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in respect of the Open Offer and a notice of the SGM, will be despatched by the Company to the Shareholders as soon as possible.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 3 July 2008 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in Shares with effect from 9:30 a.m. on 7 July 2008.

## **DEFINITIONS**

“Application Form(s)”	the application form(s) for use by the Qualifying Shareholder(s) to apply for the Open Offer
“associates”	has the same meaning ascribed to it in the Listing Rules
“Board”	board of Directors
“business day”	any day (other than a Saturday or Sunday or public holidays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Bye-Laws”	the bye-laws of the Company
“Capeland”	Capeland Holdings Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is wholly and beneficially owned by Mr. Wong.
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Mandarin Entertainment (Holdings) Limited, a company incorporated in the Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
“Companies Act”	the Companies Act 1981 of Bermuda
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)



“Conversion Shares”	Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the Convertible Bonds with an outstanding principal amount of HK\$70,000,000 conferring rights to subscribe a total of 175,000,000 Shares on the basis of an exercise price of HK\$0.4 per Share (subject to adjustment)
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Idea Storm”	Idea Storm Holdings Limited, a company incorporated in British Virgin Islands, the entire issued share capital of which is wholly and beneficially owned by Mr. Wong
“Independent Shareholders”	the independent Shareholders (Shareholders other than the controlling Shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the Company and their respective associates and those who are interested or involved in the Open Offer otherwise than being the Shareholders)
“Independent Third Party”	an independent third party, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, who is not connected with the Company and its connected persons (as defined under the Listing Rules)
“Last Trading Day”	Wednesday, 2 July 2008, being the last trading day before the date of this announcement
“Latest Lodging Date”	being 4:00 p.m. on 4 August 2008 as the latest time for lodging transfer of Share and/or exercising Share Options in order to qualify for the Open Offer

“Latest Time for Acceptance”	4:00 p.m. on 29 August 2008 or such later time or date as may be agreed by the Company (or such other date as the Underwriter may agree in writing with the Company), being the latest time for acceptance of, and payment for, the Offer Shares
“Latest Time for Termination”	4:00 p.m. on the third business day after the Latest Time for Acceptance, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	Rules Governing the Listing of Securities on Stock Exchange
“Mr. Wong”	Mr. Wong Pak Ming, the chairman of the Board and an executive Director, interested in 231,304,000 Shares representing approximately 30.80% of the entire issued share capital of the Company as at the date of this announcement
“Offer Share(s)”	Not less than 1,426,900,000 new Shares and not more than 1,569,400,000 new Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of nineteen Offer Shares for every ten existing Shares held by Qualifying Shareholders on the Record Date and payable in full on application pursuant to the Open Offer
“Open Offer”	the proposed issue of the Offer Shares by way of Open Offer to the Qualifying Shareholders on the terms to be set out in the Prospectus Documents and summarised herein
“Overseas Shareholders”	the Shareholders with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date
“Prohibited Shareholder(s)”	those Overseas Shareholder(s) to whom the Board, after making enquires, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to them
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer

“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	the date of posting the Prospectus Documents to Qualifying Shareholders and the Prospectus to Prohibited Shareholders for their information only
“Qualifying Shareholders”	the Shareholders, other than the Prohibited Shareholders, whose names appear on the register of members of the Company as at the close of business on the Record Date
“Record Date”	11 August 2008, being the date by reference to which entitlements to the Open Offer will be determined
“Share(s)”	shares of HK\$0.1 each in the share capital of the Company
“Share Options”	options to subscribe for Shares granted by the Board pursuant to the share option scheme adopted by the Company and became effective on 21 August 2001
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.1 per Offer Share
“Underwriter”	Orient Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance, an Independent Third Party
“Underwriting Agreement”	the underwriting agreement dated 2 July 2008 entered into between the Company, Mr. Wong and the Underwriter in relation to the Open Offer
“Underwritten Shares”	not less than 987,422,400 Offer Shares and not more than 1,129,922,400 (if the conversion of the HK\$30,000,000 Convertible Bonds in full are completed before the Record Date) Offer Shares, being all Offer Shares less such number of Offer Shares agreed to be taken up or procured to be taken up by Mr. Wong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“%”

per cent.

By Order of the Board of  
**Mandarin Entertainment (Holdings) Limited**  
**Mr. Wong Pak Ming**  
*Chairman*

Hong Kong, 4 July 2008

*As at the date of this announcement, the Board comprises seven Directors. The executive Directors are Mr. Wong Pak Ming (Chairman), Ms. Wong Yee Kwan, Alvina, Ms. Law Kee, Alice and Mr. Wong Chi Woon, Edmond; and the independent non-executive Directors are Mr. Choy Sze Chung, Jojo, Mr. Tsui Pui Hung and Mr. Chan Tung Tak, Alain.*

*\* for identification purposes only*