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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: 0009)

## **VERY SUBSTANTIAL ACQUISITION**

Financial adviser to Mandarin Entertainment (Holdings) Limited

**VINCO**  城高  
**Grand Vinco Capital Limited**

On 25 January 2008, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors pursuant to which the Purchaser has agreed to acquire and the Vendors have agreed to sell the Sale Shares and the Sale Loan for a total consideration of HK\$240,000,000.

The aggregate consideration for the Sale Shares and the Sale Loan is HK\$240,000,000 and shall be settled by the Purchaser in the following manner: (a) the Deposit of HK\$30,000,000 shall be payable in cashier order or by cheque by the Purchaser to the Vendors within seven days after the date of the Sale and Purchase Agreement; (b) HK\$40,000,000 shall be payable in cashier order or by cheque by the Purchaser to the Vendors on Completion; (c) HK\$30,000,000 shall be payable in cashier order or by cheque by the Purchaser to the Vendors within 12 months after the Completion; (d) HK\$70,000,000 shall be satisfied by the Purchaser procuring the Company to allot and issue the Consideration Shares to the Vendors credited as fully paid at the Issue Price on Completion; and (e) HK\$70,000,000 shall be satisfied by the Purchaser by procuring the Company to issue the Convertible Bonds to the Vendors on Completion.

The Consideration Shares represent approximately 30.38% of the existing issued share capital of the Company and approximately 23.30% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Acquisition constitutes a very substantial acquisition on the part of the Company under the Listing Rules and is subject to the approval of the Shareholders at the SGM. A circular containing, among other matters, further details of the Acquisition and a notice to convene the SGM will be despatched to the Shareholders in compliance with the Listing Rules.

Trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 28 January 2008 pending the release of this announcement at the request of the Company. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 6 February 2008.

## **THE SALE AND PURCHASE AGREEMENT**

**Date:** 25 January 2008

**Parties:** (1) Purchaser : Sino Step INC., an indirect wholly owned subsidiary of the Company

(2) Vendors : Mr. Cheng Keung Fai and Ms. Lam Suet Chung, both being Independent Third Parties

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors are Independent Third Parties.

The Target was beneficially owned as to 50% by Mr. Cheng Keung Fai and as to 50% by Ms. Lam Suet Chung. Each of the Vendors has no shareholding in the Company as at the date of this announcement. Each of the Vendors has no directorship in Hong Kong listed companies, no professional qualification or expertise. The Vendors are business partners and parties acting in concert. The Company acquainted with the Vendors through Mr. Checkley Sin, the managing director of Wise King Consultants Ltd., a consultant to Mr. Wong Pak Ming, the chairman of the Company and an executive Director.

### **Assets to be acquired**

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire and the Vendors has agreed to sell: (i) the Sale Shares, representing the entire issued share capital of the Target as at the date of this announcement; and (ii) the Sale Loan, which amounted to approximately HK\$31,754,296.3 as at 31 December 2007.

### **Consideration**

The aggregate consideration for the Sale Shares and the Sale Loan is HK\$240,000,000 and shall be settled by the Purchaser in the following manner:

- (a) the Deposit of HK\$30,000,000 shall be payable in cashier order or by cheque by the Purchaser to the Vendors within seven days after the date of the Sale and Purchase Agreement;

- (b) HK\$40,000,000 shall be payable in cashier order or by cheque by the Purchaser to the Vendors on Completion;
- (c) HK\$30,000,000 shall be payable in cashier order or by cheque by the Purchaser to the Vendors within 12 months after the Completion;
- (d) HK\$70,000,000 shall be satisfied by the Purchaser procuring the Company to allot and issue the Consideration Shares to the Vendors credited as fully paid at the Issue Price on Completion; and
- (e) HK\$70,000,000 shall be satisfied by the Purchaser by procuring the Company to issue the Convertible Bonds to the Vendors on Completion.

The consideration for the Sale Shares and the Sale Loan was agreed between the Vendors and the Purchaser after arm's length negotiations as well as after considering the indicative valuation of the Property to be not less than RMB400,000,000 (equivalent to approximately HK\$427,625,917) by RHL Appraisal Limited (being an independent valuer). Taking into account of the value of the Property and the potential liability to be incurred by the PRC Subsidiary thereunder the Civil Litigations and the Other Litigations, the Directors consider that it is fair and reasonable for paying a consideration at a discount to the property valuation of the Property. As such, the Directors (including the independent non-executive Directors) consider that the conditions for the valuation of the Property to be not less than RMB400,000,000 (equivalent to approximately HK\$427,625,917) to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Deposit and the cash amount payable by the Purchaser to the Vendors on Completion shall be paid by internal resources of the Group.

The Company shall issue two convertible bonds certificates to evidence the amount of HK\$30,000,000 Convertible Bonds and HK\$40,000,000 Convertible Bonds respectively on Completion. The Vendors may convert the whole or part (in integral multiples of HK\$5,000,000) of the HK\$30,000,000 Convertible Bonds into new Shares at the initial Conversion Price during the period commencing from the date of issue of the Convertible Bonds up to 4:00 p.m. on the day immediately prior to and exclusive of the maturity date of the Convertible Bonds. However, prior to the final judgment of the Other Litigations has been made by the relevant court in the PRC, the Vendors are not entitled to convert whole or any part of the HK\$40,000,000 Convertible Bonds. The Vendors shall deposit the bond certificate for the HK\$40,000,000 Convertible Bonds to the Purchaser until the occurrence of the following three events whichever is earliest.

- (1) If the final judgment of the Other Litigations have been made by the relevant court in the PRC and the aggregate liabilities to be incurred by the PRC Subsidiary under the Civil Litigations and Other Litigations are less than RMB130,955,580 (equivalent to approximately HK\$140,000,000), the Purchaser shall return the HK\$40,000,000 convertible bonds certificate to the Vendors within 30 days from the date such final judgment of the Other Litigations would be made;

- (2) If the final judgment of the Other Litigations have been made by the relevant court in the PRC and the aggregate liabilities to be incurred by the PRC Subsidiary under the Civil Litigations and Other Litigations are more than RMB130,955,580 (equivalent to approximately HK\$140,000,000), the Purchaser shall be entitled to deduct any sum of aggregate liabilities exceeding RMB130,955,580 (equivalent to approximately HK\$140,000,000) from the HK\$40,000,000 Convertible Bonds (the “**New Amount**”) on dollar to dollar basis. The Purchaser shall, within 30 days from the date the final judgment of the Other Litigations be made, issue and deliver to the Vendors a new convertible bonds certificate evidencing the New Amount Convertible Bonds; and
- (3) If the final judgment of the Other Litigations has not been made by the relevant court in the PRC within 180 days after the third anniversary date of the Convertible Bonds, the Purchaser shall return the HK\$40,000,000 convertible bonds certificate to the Vendors within 30 days before the maturity date of the Convertible Bonds.

### **Conditions precedent**

Completion shall be conditional upon and subject to:

- (a) all necessary consents and approvals required to be obtained on the part of the Vendors and the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;
- (b) the warranties provided by the Vendors under the Sale and Purchase Agreement remaining true and accurate in all respects;
- (c) the passing by the Shareholders at the SGM to be convened and held of an ordinary resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to i) the allotment and issue of the Consideration Shares to the Vendors credited as fully paid; and ii) the issue of the Conversion Shares;
- (d) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser, including but not limited to (1) whether the maximum potential exposure to be borne by the Company, which should be RMB122,630,000 (equivalent to approximately HK\$131,099,416) plus the interests accrued from the respective dates of the damages awarded, and the legal costs of approximately RMB650,092 (equivalent to approximately HK\$694,990) and (2) the PRC Subsidiary is the registered owner of the entire Property) in relation to the transactions contemplated under the Agreement;
- (e) the Purchaser having received from a firm of professional surveyors and valuers appointed by the Purchaser, a property valuation report on the Property showing the value of the Property as at 31 December 2007 to be not less than RMB400,000,000 (equivalent to approximately HK\$427,625,917);

- (f) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares;
- (g) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares;
- (h) the Vendors procuring Guangdong Huanghe, being owned as to 89% by Mr. Cheng Keung Fai (one of the Vendors), to waive all the liabilities amounted to RMB67,688,917 (equivalent to approximately HK\$72,363,838) (including all the interested accrued, if any) owed by the PRC Subsidiary to it;
- (i) the Purchaser being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of the Target Group; and
- (j) all reasonable requests made by the Purchaser to the Vendors.

Conditions (a), (c), (d), (f), (g) and (h) are not waivable by the Purchaser under the Sale and Purchase Agreement and a supplemental agreement to be entered. The Purchaser has no current intention to waive any conditions.

The Agreement provides that should the satisfaction of all of the above conditions, if not waived by the Purchaser, not occur on or before 90 days from the date of the Sale and Purchase Agreement, that is 24 April 2008 or such later date as the Purchaser and the Vendors may agree in writing, the Agreement shall terminate and neither party shall have any liability to the other except for antecedent breaches of the Agreement and the obligation to return the Deposit by the Vendors to the Purchaser without interest.

In the event that Completion does not take place as a result of the sole default of the Purchaser, the Vendors shall be entitled to forfeit the Deposit. The Vendors shall accept the Deposit as liquidated damages (but not as penalty) and in full and final settlement of any liabilities of the Purchaser towards the Vendors and whereupon the Vendors shall not take any action to claim for damages or to enforce specific performance or any other rights and remedies.

In the event that Completion does not take place as a result of the sole default of the Vendors, the Vendors shall refund the Deposit to the Purchaser and compensate the Purchaser the sum equivalent to the Deposit. The Purchaser shall accept the Deposit and such compensation as liquidated damages (but not as penalty) and in full and final settlement of any liabilities of the Vendors towards the Purchaser and whereupon the Purchaser shall not take any action to claim for damages or to enforce specific performance or any other rights and remedies. The Purchaser will rely on the Agreement to claim onto the Vendors through legal action if the Vendors are in default of refunding the Deposit in such case and the Purchaser has not performed credit risk assessment on the Vendors in this regard.

### **Extract summary of major warranties provided by the Vendors**

The Vendors have provided the following major warranties to the Purchaser and the Company:

1. The Vendors have undertaken to the Purchaser and the Company that the Vendors will not hold more than 25.0% in the share capital of the Company at any time;
2. The Vendors warrant that all statements, information, opinions, representations and facts given were true, accurate and complete at the time they were made, and continue to be true, accurate and complete as at the date of the Sale and Purchase Agreement;
3. The Vendors are the registered and beneficial owners of the Sale Shares which are free of encumbrances and represent 100% of the issued share capital;
4. Save as disclosed in this announcement, the Target Group is not engaged in any material litigation or arbitration proceedings, as plaintiff or defendant; there are no proceedings pending or threatened, either by or against the Company and there are no circumstances which are likely to give rise to any litigation or arbitration.
5. Save as disclosed in this announcement,
  - (a) the PRC Subsidiary has a good, valid, subsisting and marketable title to all the Property which is free from all Encumbrances;
  - (b) the PRC Subsidiary has fully complied with all the necessary legal and regulatory requirements and restrictions in relation to the Property so as to prevent any adverse impacts on it. The Vendors will procure the PRC Subsidiary to keep such compliance until the Completion;
  - (c) the PRC Subsidiary has performed and complied in all material respects with all applicable obligations, requirements, statutes, rules, orders directives, regulations, bye-laws and other relevant legislation, with respect to the Property whether statutory or imposed by any competent government authority. All covenants, restrictions, stipulations, conditions and other terms affecting the Property have been observed and performed and there are no circumstances which would entitle or require any person to exercise restrict or terminate the continued possession or occupation of the Property.
  - (d) there are no covenants, restrictions, burdens, stipulations, conditions, terms or outgoing affecting the Property which are of an unusual or onerous nature or which affect the use or intended use of the Property;

- (e) the Property is not affected by any order or notice of or proceedings involving any governmental or local authority or other body or any agreement with any of the same or by any notices served on any member of the Company by such authority or body; and
- (f) there are no unresolved monetary claims or contingent claims affecting any of liabilities and obligations of the Property.

### **Completion**

Completion shall take place at 4:00 p.m. on the date falling the third Business Days after the fulfilment (or waiver) of the conditions or such later date as may be agreed between the Vendors and the Purchaser. The Purchaser has the rights to take any appropriate actions in response to any breach of representations and warranties made by the Vendors before and after the Completion.

Upon Completion, the Target will become an indirect wholly-owned subsidiary of the Company.

The Vendors have no current intention to appoint any representatives to the Board upon Completion.

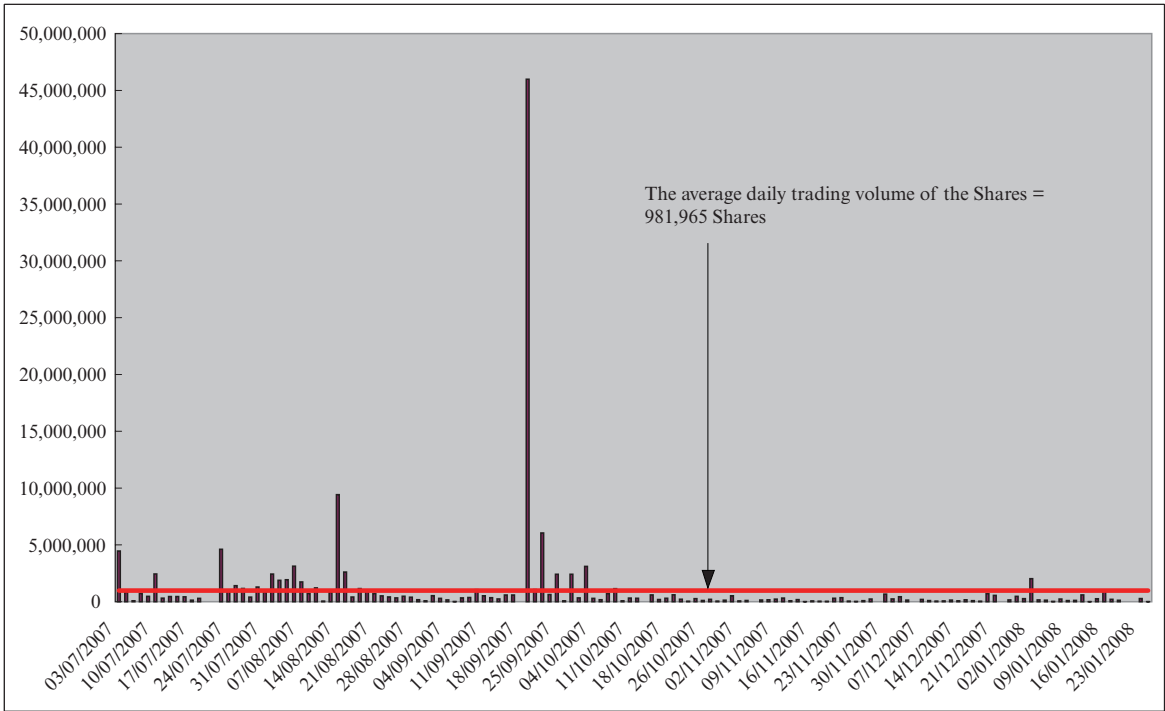
### **THE CONSIDERATION SHARES**

The 175,000,000 Consideration Shares will be issued at the Issue Price of HK\$0.4 per Consideration Share, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares then in issue on the date of allotment and issue of the Consideration Shares.

The Issue Price represents:

- (i) a discount of approximately 27.27% to the closing price of HK\$0.55 per Share as at the Last Trading Day;
- (ii) a discount of approximately 24.81% to the average of the closing prices of approximately HK\$0.532 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 27.40% to the average of the closing prices of HK\$0.551 per Share for the ten consecutive trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 156.25% over the unaudited net asset value per Share of approximately HK\$0.1561 based on the unaudited net asset value of approximately HK\$89,891,000 as at 30 June 2007 and the outstanding 576,000,000 issued Shares as at the date of this announcement.

Set out below the historical daily trading volume of the Share during the 6-month period up to and the Last Trading Day (“**Review Period**”):



The Directors noted that the daily trading volume of the Shares was in the range of 0 Share to 45,983,000 Shares during the Review Period. When compared to the Shares issued as at the date of this announcement, the daily trading volume was approximately 0% to 7.98% of the entire issued capital of the Company. The average daily trading volume of the Shares was approximately 981,965 Shares, representing approximately 0.17% of the existing share capital of the Company.

Although the Issue Price represents a discount of approximately 27.27% to the closing price of the Share as at the Last Trading Day, the Directors have considered the following facts including, (i) the Issue Price represents a premium over the unaudited net asset value per Share as at 30 June 2007; and (ii) the Shares were traded in very thin trading volume during the Review Period. Based on the foregoing, the Directors (including the independent non-executive Directors) are of the view that the Issue Price is fair and reasonable to the Company and the Shareholders as a whole.

The Consideration Shares will be allotted and issued pursuant to the specific mandate to be sought at the SGM and will be allotted and issued on the date of Completion.

The Consideration Shares represent approximately 30.38% of the existing issued share capital of the Company and approximately 23.30% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.



**Application for listing**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

**TERMS OF CONVERTIBLE BONDS****Issuer**

The Company

**Principal amount**

HK\$70,000,000

**Interest**

The Convertible Bonds will bear no interest.

**Maturity**

The 180<sup>th</sup> day after third anniversary from the date of issue of the Convertible Bonds. Unless previously redeemed, converted or cancelled as provided in the instrument pursuant to which the Convertible Bonds are to be issued, the outstanding principal amount of the Convertible Bonds on the maturity date shall be repaid.

**Conversion**

The Vendors may convert the whole or part (in integral multiples of HK\$5,000,000) of the HK\$30,000,000 Convertible Bonds into the Conversion Shares at the Conversion Price during the period commencing from the date of issue of the Convertible Bonds up to 4:00 p.m. on the day immediately prior to and exclusive of the maturity date. The Vendors have undertaken to the Purchaser and the Company that the Vendors will not hold more than 25.0% in the share capital of the Company at any time.

The Vendors shall only have the right at any time during the Conversion Period to convert the whole or part of the outstanding amount of the HK\$40,000,000 Convertible Bonds registered in its name into Shares, subject to the final judgment of the Other Litigations has been made by the relevant court in the PRC abovementioned, provided further that any conversion shall be made in amounts of not less than a whole multiple of HK\$5,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than HK\$5,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted. Pursuant to the Sale and Purchase Agreement, the Vendors have undertaken to the Purchaser and the Company that the Vendors will not hold more than 25.0% in the share capital of the Company at any time.

## **Conversion Price**

The initial Conversion Price of HK\$0.4 per Conversion Share is subject to adjustment based on prescribed formulas as set out in the instrument creating the Convertible Bonds for the happening of the following adjustment events:

- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund);
- (iii) a capital distribution in cash or in specie other than out of distributable profits of the Company being made by the Company, whether on a reduction of capital or otherwise, to Shareholders in their capacity as such;
- (iv) an offer or grant being made by the Company to the Shareholders by way of rights, or a grant of options or warrants to subscribe for new Shares, at a price per Share which is less than 80% of the average closing price of one Share on the Stock Exchange for the last five Business Days on which dealings in the Shares took place ending on the last such dealing day preceding the day on or as of which the market price of the Shares is to be ascertained;
- (v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per new Share is less than 80% of the average closing price of one Share on the Stock Exchange for the last five Business Days on which dealings in the Shares took place ending on the last such dealing day preceding the day on or as of which the market price of the Shares is to be ascertained, or the terms of any such rights of conversion, exchange or subscription attached to any such securities being modified so that the total effective consideration per Share is less than 80% of such average closing price;
- (vi) an issue of Shares being made wholly for cash at a price less than 80% of the average closing price of one Share on the Stock Exchange for the last five Business Days on which dealings in the Shares took place ending on the last such dealing day preceding the day on or as of which the market price of the Shares is to be ascertained; and
- (vii) an issue being made by the Company of Shares for the acquisition of asset at a total effective consideration per Share less than 80% of the of the average closing price of one Share on the Stock Exchange for the last five Business Days on which dealings in the Shares took place ending on the last such dealing day preceding the day on or as of which the market price of the Shares is to be ascertained.

No adjustment shall however be made in respect of:

- (i) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon the exercise of any rights (including any conversion of the Convertible Bonds) to acquire Shares;
- (ii) an issue of Shares or other securities of the Company or any subsidiary of the Company wholly or partly convertible into, or carrying rights to acquire, Shares to officers or employees of the Company or any of its subsidiaries pursuant to any employee or executive share scheme;
- (iii) an issue by the Company of Shares or by the Company or any subsidiary of the Company of securities wholly or partly convertible into or carrying rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
- (iv) an issue of fully paid Shares by way of capitalisation of all or part of any subscription right reserve, or any similar reserve which has been or may be established pursuant to the terms of any securities wholly or partly convertible into or carrying rights to acquire Shares; or
- (v) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculation as provided in the instrument creating the Convertible Bonds) of such Shares is not more than 120% of the amount of dividend which holders of the Shares could elect to or would otherwise receive in cash.

Every adjustment to the Conversion Price shall be certified either (at the option of the Company) by the auditors of the Company or by an approved merchant bank.

The initial Conversion Price of HK\$0.4 per Conversion Share, which is equivalent to the issue price of the Consideration Shares, represents:

- (i) a discount of approximately 27.27% to the closing price of HK\$0.55 per Share as at the Last Trading Day;
- (ii) a discount of approximately 24.81% to the average of the closing prices of approximately HK\$0.532 per Share for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 156.25% over the unaudited net asset value per Share of approximately HK\$0.1561 based on the unaudited net asset value of approximately HK\$89,891,000 as at 30 June 2007 and the outstanding 576,000,000 issued Shares as at the date of this announcement.

The initial Conversion Price was determined by the Purchaser and the Vendors on an arm's length basis with reference to (i) the issue price per Consideration Share; (ii) the current market prices of the Shares; and (iii) the duration of the Convertible Bonds.

### **Conversion Shares**

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bonds in the aggregate principal amount of HK\$70,000,000 at the initial Conversion Price of HK\$0.4 per Conversion Share, the Company will issue an aggregate of 175,000,000 Conversion Shares, representing approximately:

- (i) 30.38% of the existing issued share capital of the Company;
- (ii) 23.30% of the total issued share capital of the Company as enlarged by the allotment and issue of the Consideration Share;
- (iii) 18.90% of the total issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares.

The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with the Shares then in issue.

There are no restrictions on the subsequent disposal of the Conversion Shares.

### **Early redemption**

The Company may, at its option, redeem the Convertible Bonds in whole or in part of the amount to be redeemed by giving a prior ten (10) Business Days' written notice to the holder(s) of the Convertible Bonds, at any time commencing from six (6) months after the date of issue of the Convertible Bonds and up to the date immediately prior to the maturity date of the Convertible Bonds.

### **Status of the Convertible Bonds**

The Convertible Bonds constitute direct, general, unconditional and unsecured obligations of the Company and rank *pari passu* and rateably without preference (with the exception of obligations in respect of taxes) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

### **Transferability**

The Convertible Bonds may be transferred or assigned in whole or in part in integral multiples of HK\$5,000,000 and in whole only if the outstanding amount of the Convertible Bonds is less than or equal to HK\$5,000,000 by the holder(s) of the Convertible Bonds to any party other than a connected person of the Company.

### **Undertaking from the Company**

The Company will enter into a supplemental agreement to undertake that it will not issue further Conversion Shares to the Vendors if upon conversion the Vendors will hold more than 25% of the entire share capital of the Company in effect.

### **Voting rights**

The Convertible Bonds do not confer any voting rights at any meetings of the Company.

### **Application for listing**

No application will be made by the Company for the listing of the Convertible Bonds.

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

The Board will seek approval from the Shareholders at the SGM for the grant of a specific mandate for the issue and allotment of the Conversion Shares.

### **CHANGES IN SHAREHOLDING STRUCTURE**

The following table sets out the shareholding structure of the Company as at the date of this announcement, immediately after issue of the Consideration Shares but before the issue of the Conversion Shares, immediately after the issue of the Consideration Shares and partial conversion of the Convertible Bonds with a cap of 25% on the maximum shareholding of the Vendors, immediately after issue of the Consideration Shares and partial conversion of the Convertible Bonds assuming HK\$40 million of Convertible

will not be exercised pursuant to the Sale and Purchase Agreement, immediately after issue of the Consideration Shares and the Conversion Shares (assuming full conversion of the Convertible Notes) at the initial Conversion Price:

|                           | As at the date of this announcement |                         | Immediately after issue of the Consideration Shares but before full conversion of the Convertible Bonds |                         | Immediately after issue of the Consideration Shares and partial conversion of the Convertible Bonds with a cap of 25% on the maximum shareholding of the Vendors |                         | Immediately after issue of the Consideration Shares and partial conversion of the Convertible Bonds assuming HK\$40 million of Convertible Bonds will not be exercised pursuant to the Sale and Purchase Agreement (for illustration purpose only) |                         | Immediately after issue of the Consideration Shares and after full conversion of the Convertible Bonds (for illustration purpose only) |                         |
|---------------------------|-------------------------------------|-------------------------|---|-------------------------|--|-------------------------|--|-------------------------|--|-------------------------|
|                           | No. of Shares held                  | Approx. share-holding % | No. of Shares held  | Approx. share-holding % | No. of Shares held   | Approx. share-holding % | No. of Shares held   | Approx. share-holding % | No. of Shares held   | Approx. share-holding % |
| Wong Pak Ming<br>(Note 1) | 233,065,048                         | 40.46                   | 233,065,048   | 31.03                   | 233,065,048  | 30.35%                  | 233,065,048  | 28.22%                  | 233,065,048  | 25.17                   |
| Zhang Xun<br>(Note 2)     | 60,060,000                          | 10.43                   | 60,060,000  | 8.00                    | 60,060,000   | 7.82%                   | 60,060,000   | 7.27%                   | 60,060,000   | 6.49                    |
| Mr. Cheng Keung Fai       | -                                   | -                       | 87,500,000  | 11.65                   | 96,000,000   | 12.50%                  | 125,000,000  | 15.13%                  | 175,000,000  | 18.90                   |
| Ms. Lam Suet Chung        | -                                   | -                       | 87,500,000  | 11.65                   | 96,000,000   | 12.50%                  | 125,000,000  | 15.13%                  | 175,000,000  | 18.90                   |
| Sub-total of the Vendors  | -                                   | -                       | 175,000,000   | 23.30                   | 192,000,000  | 25.00%                  | 250,000,000  | 30.26%                  | 350,000,000  | 37.80                   |
|                           |                                     |                         |   |                         |  |                         |  | (Noted 3)               |  | (Noted 3)               |
| Public                    | 282,874,952                         | 49.11                   | 282,874,952   | 37.67                   | 282,874,952  | 36.83%                  | 282,874,952  | 34.25%                  | 282,874,952  | 30.54                   |
| Total                     | 576,000,000                         | 100.00                  | 751,000,000   | 100.00                  | 768,000,000  | 100.00%                 | 826,000,000  | 100.00%                 | 926,000,000  | 100.00                  |

*Notes:*

1. Mr. Wong Pak Ming is beneficially interested in 4,354,048 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 233,065,048 Shares. Ms. Zee Ven Chu Lydia being the spouse of Mr. Wong Pak Ming is beneficially interested in 411,000 Shares and is also deemed to be interested in 233,065,048 Shares.

2. Mr. Zhang Xun is interested in a hotel operation in PRC in which the Group is interested in 37.5%.
3. Pursuant to the Sale and Purchase Agreement, the Vendors have undertaken to the Purchaser and the Company that the Vendors will not hold more than 25.0% in the share capital of the Company at any time and the Company will enter into a supplemental agreement to undertake that it will not issue further Conversion Shares to the Vendors if upon conversion the Vendors will hold more than 25% of the entire share capital of the Company in effect. The shareholding of the Vendors immediately after issue of the Consideration Shares and issue of the Conversion Shares is for illustration purposes only.

The Vendors will become a new substantial Shareholder (as defined under the Listing Rules) as a result of the issue of the Consideration Shares upon the Completion. Neither the Vendors have any present intention nor does the Agreement confer any right to the Vendors to nominate any representative to the Board as a result of the proposed Acquisition and Subscription.

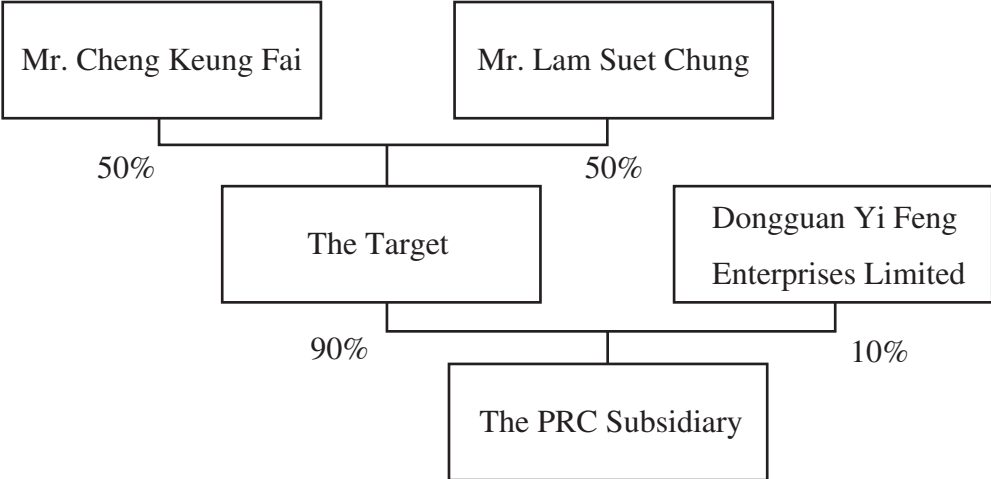
## **INFORMATION ON THE TARGET GROUP**

The Target was incorporated on 31 May 1994 and is principally engaged in investment holding. As at the date of this announcement, the Target holds 90% equity interest in the PRC Subsidiary which was incorporated on 16 January 1997 and is principally engaged in development, construction, management and leasing of the Property. The other shareholder with 10% equity interest in the PRC Subsidiary is Dongguan Yi Feng Enterprise Limited# (東莞市易豐實業發展有限公司), which is an Independent Third Party.

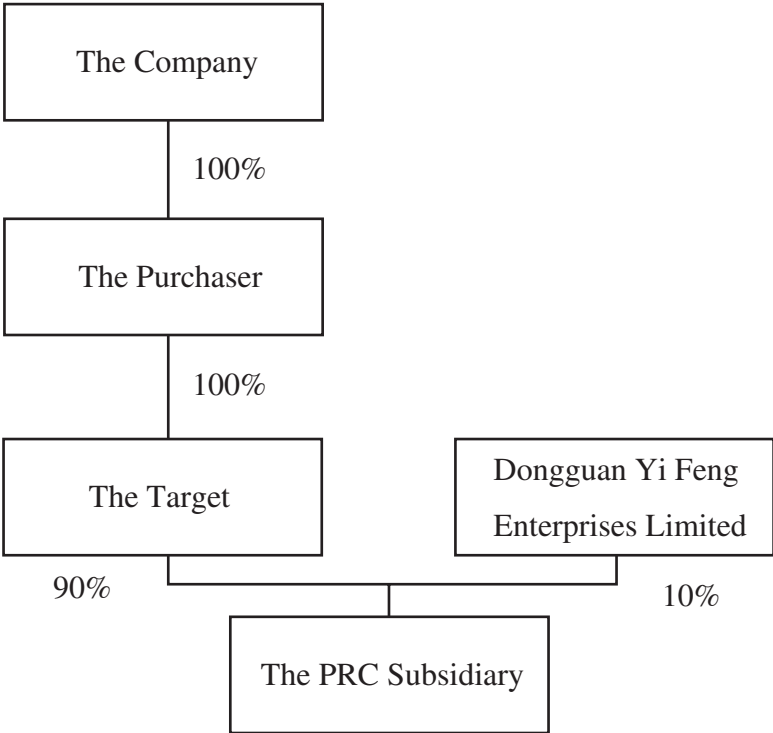
In 1997, each of Chengdu Wengyi Property Limited# (成都弘易地產有限責任公司) and the Target was interested in as to 75% and 25% equity interest in the PRC Subsidiary respectively and Chengdu Wengyi Property Limited# (成都弘易地產有限責任公司) transferred its entire shareholding in the PRC Subsidiary to Sichuan Huanghe in 1999. In 1999, each of Sichuan Huanghe and the Target was interested in as to 75% and 25% equity interest in the PRC Subsidiary respectively. In 2004, Sichuan Huanghe sold 75% of equity interest in the PRC Subsidiary to Dongguan Yi Feng Enterprise Limited# (東莞市易豐實業發展有限公司). Subsequently in 2007, Dongguan Yi Feng Enterprise Limited# (東莞市易豐實業發展有限公司) sold 65% equity interest in the PRC Subsidiary to the Target. As at the date of this announcement, each of the Target and Dongguan Yi Feng Enterprise Limited# (東莞市易豐實業發展有限公司) is interested in as to 90% and 10% equity interest in the PRC Subsidiary respectively.

Set out below are the shareholding structures of the Target immediately before and after the Completion:

Before the Completion:



After the Completion:



As at the date of this announcement, the PRC Subsidiary is a party to both Civil Litigations and a civil action namely (2007) 成民初字第941號. In the Civil Litigations, Renmin Plaza has instituted seven (7) civil actions namely (2007) 成民初字第270號, (2007) 成民初字第241號, (2007) 成民初字第205號, (2007) 成民初字第165



號，(2006) 成民初字第608號，(2006) 成民初字第616號，(2005) 成民初字第138號 against the PRC Subsidiary and Huanghe Commercial City. The Civil Litigations were resulted from that the PRC Subsidiary entered into a charge of the Property in favour of Renmin Plaza to counter-guarantee Renmin Plaza's guaranteed obligations towards two PRC banks in relation to indebtedness incurred by Huanghe Commercial City (an allegedly joint venture established by Remin Plaza and Sichuan Huanghe and an Independent Third Party) during 2003. Huanghe Commercial City defaulted on the said indebtedness at the end and thus the two PRC banks confiscated Renmin Plaza's bank deposit amounted to RMB116,010,000 (equivalent to approximately HK\$124,022,207). Renmin Plaza then raised the Civil Litigations against the PRC Subsidiary and Huanghe Commercial City. Judgments of all the above proceedings have been entered into in favour of Renmin Plaza. The PRC Subsidiary is liable to pay the damages in the sum of approximately RMB116,010,000 (equivalent to approximately HK\$124,022,207) plus interest accrued from the respective dates of the damages awarded, and the legal costs of approximately RMB650,092 (equivalent to approximately HK\$694,991) to Renmin Plaza, failing which Renmin Plaza can enforce the judgment by order to sell the Property.

Chengdu Songde Investment Limited# (成都崇德投資有限公司) instituted a civil action namely (2007) 成民初字第941號 against the PRC Subsidiary and Huanghe Commercial City claiming for the sum of approximately RMB6.62 million plus interest accrued from the date of damages awarded. Judgment has been entered into against the PRC Subsidiary. The PRC Subsidiary is still in the course of seeking legal advice in order to appeal against the judgment.

In 1997, Sichuan Huanghe, the former shareholder of the PRC Subsidiary, entered into a joint venture agreement with Renmin Plaza. Pursuant to such joint-venture agreement, Sichuan Huanghe and Remin Plaza agreed to establish Huanghe Commercial City with the investment capital of RMB30,000,000. Of which 49% was contributed by Sichuan Huanghe and 51% was contributed by Remin Plaza. As a form of capital investment, Sichuan Huanghe then granted a licence to Huanghe Commercial City to use part of the first floor, second to third floors of the Property for a term of 15 years. In view the breach of such joint venture agreement by the Renmin Plaza concerning its failure to obtain an annual revenue of RMB300 million in at least one of the initial three years immediately after the execution of the joint venture agreement, Sichuan Huanghe has instituted a civil litigation namely (2007) 川民初字第55號 against Renmin Plaza and Huanghe Commercial City seeking a declaration that the joint-venture agreement between Sichuan Huanghe and Renmin Plaza is void and null and Huanghe Commercial City has to deliver up vacant possession of part of the first floor, second to third floors of the Property to Sichuan Huanghe. As informed by the Vendors, the legal representative of Sichuan Huanghe advised that Sichuan Huanghe has a strong merit in the above action. In light of the (2007) 川民初字第55號, the PRC court has ordered to stay the execution of judgment under the Civil Litigations pending for the judgment of the (2007) 川民初字第55號.

As at the date of this announcement, the PRC Subsidiary is due to Guangdong Huanghe the sum of approximately RMB67,688,917 (equivalent to approximately HK\$72,363,838). It is a condition precedent that the Vendors have to procure Guangdong Huanghe to waive all the liabilities (including all the interested accrued, if any) owed by the PRC Subsidiary. Accordingly, such debt will be waived on Completion.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Company has used its best effort to ensure the completeness of the litigations faced by the Target by conducting due diligence on the Target Group since 22 November 2007, including but not limit to retaining both Hong Kong legal adviser and PRC legal adviser to peruse all the legal documents of the Target and the PRC subsidiary respectively, retaining auditors to peruse the financial information of the Target Group, conducting site visit by the Company and engaging property valuer to perform valuation on the Property. As confirmed by the PRC legal adviser, in light of the fact that judgments have been made in respect of the Civil Litigations and (2007) 成民初字第941號, the total liabilities, including the damages payable of RMB122,630,000 (equivalent to approximately HK\$131,099.416) plus the interests accrued from the respective dates of damages awarded and the relevant legal costs, incurred from the Civil Litigations and (2007) 成民初字第941號 shall be borne by the PRC Subsidiary. As the PRC Subsidiary will become a non wholly-owned subsidiary of the Company upon the Completion, the Company has to bear 90% of the then total liabilities if the PRC Subsidiary was unable to settle such amount.

#### The Property:

The Property, a five stories shopping arcade located at No.19 Yung Ning Lu, Jin Niu Qu, Chengdu, Sichuan, the PRC#(中國四川省成都市金牛區永陵路19號), which is legally and beneficially owned by the PRC Subsidiary. The valuation of the Property is expected to be not less than RMB400,000,000 (equivalent to HK\$427,625,917). At the date of this announcement, basement of the Property is used as car parking area. Part of the first floor, the fourth and fifth floors of the Property are leased out for commercial use. Regarding, the first floor, second to third floors of the Property of approximately 18,000 square metres are occupied by Huanghe Commercial City pursuant to a licence for a term of 15 years granted by Sichuan Huanghe under a joint venture agreement dated 6 April 1997 entered into between Sichuan Huanghe and Renmin Plaza. At the date of this announcement, the Property is subject to three charges. However, the PRC Subsidiary remains to have the legal rights to the proper title of the Property.

Set out below is a summary of the key financial data of Target based on the audited consolidated accounts of Target for the year ended 31 December 2007 which has been prepared in accordance with the Hong Kong Financial Reporting Standard:

|   | <b>For the year ended 31 December</b> |             |
|---|---------------------------------------|-------------|
|   | <b>2006</b>                           | <b>2007</b> |
|   | <i>HK\$</i>                           | <i>HK\$</i> |
|   | (audited)                             | (audited)   |
| Profit/(Loss) before tax for the period | (7,406,915)                           | 133,196,166 |
| Profit/(Loss) after tax for the period  | (7,406,915)                           | 133,196,166 |

|                  | <b>As at 31 December</b> |             |
|------------------|--------------------------|-------------|
|                  | <b>2006</b>              | <b>2007</b> |
|                  | <i>HK\$</i>              | <i>HK\$</i> |
|                  | (audited)                | (audited)   |
| Net assets value | 42,999,327               | 194,581,207 |

The leap in the net profit for the 2007 was mainly attributable to the increase in the fair value of the Property in the amount of approximately HK\$102 million and the increase of approximately HK\$58 million in respect of excess of fair value of net assets acquired over costs arising from acquisition of further 65% of equity interest in the PRC Subsidiary in 2007. Among other reasons, the significant increase in net assets of the Target from approximately HK\$43 million in 2006 to approximately HK\$195 million in 2007 (including minority interest of approximately HK\$23 Million) was mainly due to the acquisition of a further 65% equity interest in the PRC Subsidiary in 2007 while the Target Group's shareholding in 2006 was only 25%.

Upon the Completion, the Directors do not expect that there will be any material change to operation and quality of services provided by the PRC Subsidiary and the Directors have no current intention to materially change the existing management team thereof except for the changes to the compositions of the board of directors of the Target Group to obtain board control. The Board considers that with the continuation of service of the existing management team of the Target Group, which has sufficient knowledge and experience in the management and business of the Target Group, coupling with a number of executive Directors, who also have sufficient knowledge and experience in the property management and leasing, the Group is well equipped to carry on the business of the Target Group.

### **Board representation of the Target Group**

Upon the Completion, representatives will be appointed by the Company to form a majority of each of the board of directors of the members of the Target Group.

## REASONS FOR THE PROPOSED ACQUISITION

The Group is principally engaged in films production business. During the recent years, the Group has experienced fierce competition from other market competitors, among other things, local and overseas films production companies and the DVD and VCD distributors and retailers. The difficult market conditions in the local and overseas market have caused the Group to take a fresh look at its core business. In this regard, the Group has been actively exploring new business opportunities with a view to diversifying its existing business. The Directors has no current intention to discontinue with the existing business of the Group.

The Directors are fully aware of the litigations of the PRC Subsidiary. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the maximum potential exposure resulting from the Civil Litigations and Other Litigations is approximately RMB122,630,000 (equivalent to approximately HK\$131,099,416) plus the interests accrued from the respective dates of damages awarded, and the legal costs of approximately RMB650,092 (equivalent to approximately HK\$694,990). The Directors confirmed that the PRC Subsidiary, upon the Completion, will be responsible to pay for all the damages from the Civil Litigations and the Other Litigations. In any event the PRC Subsidiary is unable to repay the damages from the Civil Litigations and the Other Litigations, the Company will bear 90% of the said damages, i.e. approximately HK\$117,089,475 plus 90% of the interests accrued from the respective dates of damages awarded and the legal cost. The Directors also noted that the Consideration plus the total damages from the Civil Litigations and the Other Litigations amounting to approximately HK\$357,089,475 is still less than 90% of the equity interest of the Property, i.e. approximately HK\$384,863,356.

In addition, pursuant to the Sale and Purchase Agreement, the Directors are of the view that sufficient protection terms to the Shareholders and the Company are incorporated, including but not limited to (1) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser, including but not limit to (i) whether the maximum potential exposure to be borne by the Company, which should be RMB122,630,000 (equivalent to approximately HK\$131,099,416) plus the interests accrued from the respective dates of the damages awarded, and the legal costs of approximately RMB650,092 (equivalent to approximately HK\$694,990); (ii) the PRC Subsidiary is the registered owner of the entire Property in relation to the transactions contemplated under the Agreement; (2) the prohibition of the Vendors to convert whole or any part of the HK\$40,000,000 Convertible Bonds prior to the final judgment of the Other Litigations has been made by the relevant court in the PRC; and (3) the determination of the Consideration by discounting the potential liability to be incurred by the PRC Subsidiary thereunder the Civil Litigations and the Other Litigations from the value of the Property. The Directors believe that the above measures have provided sufficient and effective protection to the Company and the Shareholders against the Civil Litigations and the Other Litigations of the PRC Subsidiary.

The Directors consider that the Acquisition represents a good opportunity for the Group to tap into the growing PRC property market and also allow it to diversify its existing businesses. The Directors have also taken into account of the stable income stream generated by the Property, which the revenue amounted to RMB251,114.48 (equivalent to approximately HK\$268,457.6), RMB657,487.4 (equivalent to approximately HK\$702,896.6) and RMB631,524.46 (equivalent to approximately HK\$675,140.6) for the three years ended 31 December 2004, 2005 and 2006 respectively. In addition, the Directors are of the view that (i) the growth of the property market in the PRC market is much more robust in the future; and (ii) there are approximately 4,780 square meters unoccupied space for rental purpose as at the date of this announcement, and there may be more space for rental purpose after the clearance of the litigations in relation to the Property. The Board is of the view that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## **RISK FACTORS**

**Possible risk factors which may be faced by the Company are as follows:**

### **1. Investments in new business**

**The Acquisition constitutes an investment in the new business sector. The new business, coupled with the regulatory environment, may pose significant challenges to the Company's administrative, financial and operational resources. Since the Company does not have significant experience in the new business, it may not be in a position to assure the timing and amount of any return or benefits that may be received from the new business.**

### **2. Changes in policies and regulations**

**The new business is subject to extensive governmental regulations, policies and controls. There can be no assurance that the relevant government will not change such laws and regulations or impose additional or more stringent laws or regulations. Failure to comply with the relevant laws and regulations in the property development sector may adversely affect the Company.**

### **3. PRC Country risk**

**The Company is entering a new business in the PRC. There can be a risk relating to the likelihood that changes in the business environment will occur that reduce the profitability of doing business in the PRC. The change of political and economic conditions in the PRC may adversely affect the Company.**

**4. Legal title on the Property**

**At the date of this announcement, the Property is subject to three charges. There can be a risk relating to the likelihood that the Other Litigations turn out against the interest of the Target which may affect the profitability of the Target Group and the Company upon the Completion.**

**5. Outstanding litigation cases**

**The PRC Subsidiary is involved in the Civil Litigation and the Other Litigations. There can be risk in prolonged period in concluding the litigations cases or potential damages arising from the litigations cases, which may harm the receipt of rental income from part of the first, second to third floors of the Property, as well as daily operation or financial position of the Target Group which may ultimately adversely affect the financial position of the Company upon the Completion.**

**6. Investment in PRC property market**

**The Company is investing in the PRC property market, the prospects of the new business is heavily dependent on the continued growth and performance of property sector in PRC. Accordingly, any adverse or unfavourable change in the general property market in the PRC, particularly in the supply and demand or any sudden crash in property prices, may have a material adverse effect on the property business which the Company will be involved upon the Completion.**

**GENERAL**

The proposed Acquisition constitutes a very substantial acquisition on the part of the Company under the Listing Rules and is subject to the approval of the Shareholders at the SGM. A circular containing, among other matters, further details of the proposed Acquisition and a notice to convene the SGM will be despatched to the Shareholders in compliance with the Listing Rules. A valuation report on the Property will also be included in the circular in relation to the Acquisition to be despatched to the Shareholders pursuant to the Listing Rules.

**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 28 January 2008 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 6 February 2008.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

|                        |   |
|------------------------|---|
| “Acquisition”          | the proposed acquisition of the Sale Shares and the Sale Loan by the Purchaser as contemplated under the Sale and Purchase Agreement  |
| “associates”           | has the meaning ascribed to this term under the Listing Rules   |
| “Board”                | the board of Directors  |
| “Business Day”         | a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours   |
| “Civil Litigations”    | The civil litigations between the PRC Subsidiary and Renmin Plaza (Group) Limited# (人民商場(集團)股份有限公司) and Chengdu Renmin Plaza Huanghe Commercial City Limited#(成都人民商場黃河商業城有限責任公司). Details of which are stipulated in (2007) 成民初字第270號, (2007) 成民初字第241號, (2007) 成民初字第205號, (2007) 成民初字第165號, (2006) 成民初字第608號, (2006) 成民初字第616號, (2005) 成民初字第138號; 但不包括其他訴訟 |
| “Company”              | Mandarin Entertainment (Holdings) Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange   |
| “Completion”           | completion of the sale and purchase of the Sale Shares and the Sale Loan in accordance with the terms and conditions of the Sale and Purchase Agreement   |
| “connected person(s)”  | has the meaning ascribed to this term under the Listing Rules   |
| “Consideration Shares” | 175,000,000 new Shares to be allotted and issued by the Company as consideration for the Acquisition  |

|                     |   |
|---------------------|---|
| “Conversion Period” | the period commencing from on 31st day after the final judgment of 民事訴訟 (as defined in the Sale and Purchase Agreement) has been made by the relevant courts in the PRC or 30 days before the Maturity Date, whichever is earlier up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the maturity date of the Convertible Bonds  |
| “Conversion Price”  | the price at which holder(s) of the Convertible Bonds may convert the principal amount outstanding under the Convertible Bonds into Shares, initially at HK\$0.4 per Conversion Share (subject to adjustment) and on and subject to the terms and conditions described in this announcement   |
| “Conversion Shares” | 175,000,000 new Shares which will fall to be issued upon full conversion of the initial principal amount of the Convertible Bond of HK\$70,000,000 at the initial conversion price of HK\$0.4 per Share (subject to adjustment)   |
| “Convertible Bonds” | the convertible bonds in the principal amount of HK\$70,000,000 to be issued by the Company in favour of the Vendors at Completion to satisfy in part of the Consideration  |
| “Deposit”           | the deposit of HK\$30,000,000 in cashier order or by cheque to be paid by the Purchaser to the Vendors pursuant to the Sale and Purchase Agreement  |
| “Directors”         | the directors of the Company  |
| “Encumbrance”       | any mortgage, charge, pledge, lien, (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same |
| “Group”             | the Company and its subsidiaries  |



|                                |   |
|--------------------------------|---|
| “Guangdong Huanghe”            | Guangdong Huanghe Enterprise (Group) Limited#(廣東黃河實業(集團)有限責任公司), a company incorporated in PRC with limited liability, which is an Independent Third Party  |
| “Hong Kong”                    | the Hong Kong Special Administrative Region of the PRC  |
| “Huanghe Commercial City”      | Chengdu Renmin Plaza Huanghe Commercial City Limited#(成都人民商場黃河商業城有限責任公司), a company incorporated in PRC with limited liability, an allegedly joint venture established by Remin Plaza and Sichuan Huanghe, which is an Independent Third Party            |
| “Independent Third Party(ies)” | any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, are third parties independent of the Company and its connected persons |
| “Issue Price”                  | the issue price of approximately HK\$0.4 per Consideration Share  |
| “Last Trading Day”             | 25 January 2008, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreement   |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Other Litigations”            | civil litigations of the PRC Subsidiary other than Civil Litigations, including (2007) 成民初字第941號and (2007) 川民初字第55號   |
| “PRC”                          | the People’s Republic of China  |
| “PRC Subsidiary”               | Chengdu Zhongfa Huanghe Enterprise Limited# (成都中發黃河實業有限公司), a joint venture enterprise to which the Target owns 90% of the equity interest as at the date of this announcement  |

|                               |   |
|-------------------------------|---|
| “Property”                    | Minzu Plaza#(民族廣場), a five stories shopping arcade and is situate at No.19 Yung Ning Lu, Jin Niu Qu, Chengdu, Sichuan, the PRC#(中國四川省成都市金牛區永陵路19號), which is legally and beneficially owned by the PRC Subsidiary   |
| “Purchaser”                   | Sino Step INC. an indirect wholly owned subsidiary of the Company   |
| “Renmin Plaza”                | Renmin Plaza (Group) Limited# (人民商場(集團)股份有限公司), which is an Independent Third Party   |
| “Sale and Purchase Agreement” | the conditional sale and purchase agreement dated 25 January 2008 entered into between the Purchaser and the Vendors in relation to the sale and purchase of the Sale Shares and the Sale Loan  |
| “Sale Shares”                 | two ordinary shares of HK\$1.00 each in the issued share capital of the Target, representing the entire issued share capital of the Target  |
| “Sale Loan”                   | all obligations, liabilities and debts owing or incurred by the Target to the Vendors on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on Completion excluding all damages from the Civil Litigations and Other Litigations         |
| “SGM”                         | the special general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limit to the allotment and issue of the Consideration Shares and the Conversion Shares |
| “Share(s)”                    | ordinary share(s) of HK\$0.1 each in the capital of the Company   |
| “Shareholder(s)”              | holder(s) of the Share(s)   |

|                   |  |
|-------------------|--|
| “Sichuan Huanghe” | Sichuan Huanghe Commercial Limited <sup>#</sup> (四川黄河商業有限責任公司), a company incorporated in PRC with limited liability, a former shareholder of the PRC Subsidiary. As at the date of the Agreement, Sichuan Huanghe is an Independent Third Party |
| “Stock Exchange”  | The Stock Exchange of Hong Kong Limited  |
| “Target”          | Profit Source International Limited, a company incorporated in Hong Kong and is wholly and beneficially owned by the Vendors   |
| “Target Group”    | the Target and the PRC Subsidiary or where the context so requires in respect of the period before the Target became the holding company of its present subsidiaries, the present subsidiaries of the Target                                     |
| “Vendors”         | Mr. Cheng Keung Fai and Ms. Lam Suet Chung, both are Independent Third Parties   |
| “HK\$”            | Hong Kong dollars, the lawful currency of Hong Kong  |
| “RMB”             | Renminbi, the lawful currency of the PRC   |
| “%”               | per cent.  |

For the purpose of this announcement, unless otherwise specified, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB0.935397 to HK\$1.00

By order of the Board  
**Mandarin Entertainment (Holdings) Limited**  
**Wong Pak Ming**  
*Chairman*

Hong Kong, 6 February 2008

<sup>#</sup> *the English translations of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

*As at the date of this announcement, the Board comprises seven Directors. The executive Directors are Mr. Wong Pak Ming, Ms. Wong Kit Fong, Ms. Wong Yee Kwan, Alvina and Ms. Law Kee, Alice. The independent non-executive Directors are Mr. Tang Kai Kui, Terence, Mr. Choy Sze Chung, Jojo and Mr. Tsui Pui Hung.*