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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Mandarin Entertainment (Holdings) Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

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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)

DISCLOSABLE TRANSACTION

DISPOSAL OF SHARES

* For identification purpose only

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DEFINITIONS

In this circular, the following expressions shall have the following meanings, unless the context otherwise requires:

“associate”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“Company”	Mandarin Entertainment (Holdings) Limited;
“Directors”	the directors of the Company;
“Disposals”	the series of disposals of an aggregate of 15,976,000 Shares by the Group to Independent Third Parties through securities brokerage firms during the period from 2 March 2006 to 8 September 2006 for an aggregate consideration of approximately HK\$10,699,440.00;
“Disposed Shares”	15,976,000 shares in Jade Dynasty disposed by Grimston Limited during the period from 2 March 2006 to 8 September 2006;
“Group”	the Company and its subsidiaries;
“Independent Third Parties”	third parties independent of and not connected with the Company or its connected persons (as defined in the Listing Rules);
“Jade Dynasty”	Jade Dynasty Group Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange;
“Last Practicable Date”	4 October 2006, being the latest practicable date prior to printing of this circular for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Shares”	shares of Jade Dynasty, which are listed on the Stock Exchange;
“Shareholders”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“SFO”	The Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong; and
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong.

LETTER FROM THE BOARD



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

(Incorporated in Bermuda with limited liability)
(Stock Code: 0009)

Executive Directors:

Mr. Wong Pak Ming
Ms. Wong Kit Fong
Ms. Wong Yee Kwan, Alvina
Mr. Ko Tin Chow

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Independent Non-executive Directors:

Mr. Wan Ngar Yin, David
Mr. Lai Voon Wai
Mr. Tang Kai Kui, Terence

*Head Office and Principal place
of business in Hong Kong:*

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

5 October 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

DISPOSAL OF SHARES

INTRODUCTION

The Board announced on 14 September 2006 that Grimston Limited, a wholly owned subsidiary of the Company, has disposed of 15,976,000 shares in Jade Dynasty (the “Disposed Shares”) (comprising approximately 1.72% of the issued share capital of Jade Dynasty as at the date hereof) during the period from 2 March 2006 to 8 September 2006 for an aggregate consideration of approximately HK\$10,699,440.00 resulting in a profit of approximately HK\$5,040,387.00.

The Disposals on 8 September 2006 trigger as and constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with further information of the Disposal.

* For identification purpose only

LETTER FROM THE BOARD

THE DISPOSALS

The Board of the Company announces that Grimston Limited, a wholly owned subsidiary of the Company, has disposed of 15,976,000 shares in Jade Dynasty (comprising approximately 1.72% of the issued share capital of Jade Dynasty as at the date hereof) on market at the disposal price ranging from HK\$0.58 per share to HK\$0.82 per share through securities brokerage firms to Independent Third Parties during the period from 2 March 2006 to 8 September 2006 for an aggregate consideration of approximately HK\$10,699,440.00. Prior to the Disposals, Grimston Limited was holding 18,757,575 shares in Jade Dynasty, representing 2.02% of the issued share capital of Jade Dynasty as at the date hereof. The Disposals were conducted through securities brokerage firms for commission. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the securities brokerage firms and purchasers are Independent Third Parties.

After the Disposals, the Group's shareholding in Jade Dynasty is reduced to 5,581,575 shares, representing approximately 0.6% of the issued share capital of Jade Dynasty as at the date hereof. The Group may or may not dispose of further Jade Dynasty shares depending on market conditions prevailing at the time.

Jade Dynasty is principally engaged in the publication of comic books and multimedia development.

The audited net profits before and after taxation and extraordinary items for Jade Dynasty in respect of the two financial years ended 31 March 2005 and 2006 are as follows:

Year ending	Before Tax and Extraordinary Items	After Tax and Extraordinary Items
31 March 2005	HK\$13,827,000.00	HK\$14,689,000.00
31 March 2006	HK\$15,258,000.00	HK\$13,538,000.00

The net current asset value and net asset value of Jade Dynasty as at 31 March 2006 are HK\$58,577,000.00 and HK\$188,163,000.00 respectively.

REASONS FOR DISPOSALS OF SHARES

The Group is principally engaged in the films production business and the Shares were held by the Group as available-for-sale investments. The carrying value of the Disposed Shares was approximately HK\$6,614,185.00, the excess of aggregated consideration over the carrying value of the Disposed Shares is approximately HK\$4,085,255.00. The Disposals resulted in a profit of approximately HK\$5,040,387.00. While after the Disposal, the Company will not receive dividend income in respect of the Disposed Shares in the coming years. The Company received from Jade Dynasty dividend income of HK\$37,515.15 (18,757,575 x HK\$0.002) and HK\$15,963.15 (7,981,575 x HK\$0.002) on 26 January 2006 and 7 September 2006 respectively.

LETTER FROM THE BOARD

The aggregate consideration of approximately HK\$10,699,440.00, which was reached after taking into account the market conditions prevailing at the respective relevant times, is being or is to be credited into Grimston Limited's accounts at the respective securities brokerage firms two days after the relevant transactions took place.

The Directors (including the independent non-executive Directors) are of the view that the Disposals were in the interest of the Group and the Shareholders and the terms and conditions of the Disposals were in normal commercial terms, which were fair and reasonable and in the interests of the Shareholders as a whole as it provides an opportunity to the Group in realizing the Shares with a profit. The Board considered the Disposals represented good opportunities for the Group to realize a gain. The Disposals resulted in a profit of approximately HK\$5,040,387.00 and will contribute to the cash flow of the Group. The proceeds of approximately HK\$10,699,440.00 arising from the Disposals will be used by the Group as its working capital.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendix, which form part of this circular.

Yours faithfully,

For and on behalf of the Board of
MANDARIN ENTERTAINMENT (HOLDINGS) LIMITED
Wong Pak Ming
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular with regard to the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the Directors and the chief executive of the Company and their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

(a) Directors' interests in the shares of the Company

Name of Director	Nature of Interest	Number of shares held	Approximate Percentage of total issued ordinary shares
Mr. Wong Pak Ming ("Mr. Wong")	Corporate (<i>Note 1 & 2</i>)	152,200,000	46.12%
	Family (<i>Note 3</i>)	114,000	0.04%
Mr. Wan Ngar Yin, David	Personal	2,508,000	0.76%
Ms. Wong Kit Fong	Personal	2,432,000	0.74%
Ms. Wong Yee Kwan, Alvina	Personal	2,106,000	0.64%

Note:

- (1) 30,000,000 shares of the Company are held in the name of Capeland Holdings Limited, which is wholly owned by Mr. Wong. Under the SFO, Mr. Wong is deemed to be interested in all the shares registered in the name of Capeland Holdings Limited.
- (2) 122,200,000 shares of the Company are held in the name of Idea Storm Holdings Limited, which is wholly owned by Mr. Wong. Under the SFO, Mr. Wong is deemed to be interested in all the shares registered in the name of Idea Storm Holdings Limited.
- (3) These shares are held by Mr. Wong's spouse in which Mr. Wong is also deemed to be interested in under the SFO.

(b) Directors' interests in the underlying shares of share options of the Company

Name of Director	Number of share options held	Exercise period	Exercise price per share
Mr. Wong	328,000	24 December 2006 to 20 August 2011	HK\$0.938
Ms. Wong Kit Fong	328,000	24 December 2006 to 20 August 2011	HK\$0.938
Ms. Wong Yee Kwan, Alvina	328,000	24 December 2006 to 20 August 2011	HK\$0.938
Mr. Ko Tin Chow	328,000	24 December 2006 to 20 August 2011	HK\$0.938
Mr. Wan Ngar Yin, David	328,000	24 December 2006 to 20 August 2011	HK\$0.938
Mr. Tang Kai Kui, Terence	328,000	24 December 2006 to 20 August 2011	HK\$0.938

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective associates held any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date and as far as is known to the Directors and according to the register of interests in shares and short positions of substantial shareholders maintained by the Company under Section 336 of SFO, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any

class of shares capital that carry a right to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Type of Interest	No. of shares held	Approximate Percentage of issued share capital
Mr. Wong	Corporate (<i>Note 1, 2 & 3</i>)	152,200,000	46.12%
	Family (<i>Note 4</i>)	114,000	0.04%
	Share Options	328,000	0.10%
Mr. Zhang Xun	Personal	40,040,000	12.13%
Mr. Fang Shu An ("Mr. Fang")	Personal	13,000,000	3.94%
	Family (<i>Note 5</i>)	12,000,000	3.64%

Notes:

- (1) 30,000,000 shares of the Company are held in the name of Capeland Holdings Limited, which is wholly owned by Mr. Wong. Under the SFO, Mr. Wong is deemed to be interested in all the shares registered in the name of Capeland Holdings Limited.
- (2) 122,200,000 shares of the Company are held in the name of Idea Storm Holdings Limited, which is wholly owned by Mr. Wong. Under the SFO, Mr. Wong is deemed to be interested in all the shares registered in the name of Idea Storm Holdings Limited.
- (3) According to the SFO, Mr. Wong's spouse is also deemed to be interested in 152,200,000 shares of the Company.
- (4) These shares are held by Mr. Wong's spouse in which Mr. Wong is also deemed to be interested in under the SFO.
- (5) These shares are held by Mr. Fang's spouse in which Mr. Fang is also deemed to be interested in under the SFO.

Save as disclosed above, the Directors are not aware of any other person as at the Latest Practicable Date who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who were interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital that carry a right to vote in all circumstances at general meetings of any member of the Group.

4. LITIGATION

As at the Latest Practicable Date, the Directors were aware that the following litigation or claims are pending or threatened against the Group:

In April 2006, 上海華芮文化傳播有限公司 ("Shanghai City Glory"), one of the investors of "Seven Swords", initiated legal proceedings against Mandarin Films Distribution Co., Ltd. ("Mandarin Film Distribution"), an indirect wholly owned subsidiary of the Company in respect of claim for payment of income amounting to approximately US\$1,020,000 (equivalent to HK\$7,956,000) arising from the filming of "Seven Swords".

In July 2006, Award Media Profits Limited (“Award Media”), an indirect wholly owned subsidiary of the Company, initiated legal proceedings against City Glory Media Investments Limited (formerly known as Future Port Investments Limited) for loss and damages suffered due to the breach of a Chinese subscription and shareholders agreement dated 28 July 2004 and entered into between Award Media, City Glory Media Investments Limited and the Joint venture Company regarding the formation of a Joint venture for production and distribution of films, television series and concerts, provision of artist agency services, design and production of advertisement in the PRC.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, there is no existing nor proposed service contract of directors of the Company (excluding contracts expiring or determinable by the Group within one year without payment or any compensation other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates (as defined in the Listing Rules) had any interest in a business which compete or may compete with the business of the Group.

7. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is at 27th Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.
- (c) The branch registrars of the Company in Hong Kong is Standard Registrars Limited, whose office is at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (d) The company secretary of the Company is Mr. Lo Hang Fong, a solicitor admitted in Hong Kong. He is admitted to the Supreme Court of Hong Kong, the Supreme Court of Singapore and the Supreme Court of England & Wales and is also a partner of Messrs. Stevenson, Wong & Co. in Hong Kong.
- (e) The qualified accountant of the Company is Mr. Kwok Chi Keung, Andy who is a Certified Public Accountant (Practising) in Hong Kong and a fellow member of The Association of Chartered Certified Accountants.
- (f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.