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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)

PLACING OF EXISTING SHARES, SUBSCRIPTION OF NEW SHARES AND RESUMPTION OF TRADING

Placing agent



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  **域高**

Grand Vinco Capital Limited

PLACING OF SHARES

On 17 September 2007, the Vendor entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed on a best effort basis to place up to 36,000,000 existing Shares at the Placing Price of HK\$0.57 per Placing Share on behalf of the Vendor to not less than six independent professional, institutional and/or individual investors who are third parties independent of and not connected persons of the Company or any of its associates and are not or will not be acting in concert (as defined in the Takeovers Codes) with the Vendor, the Company or its subsidiaries (as defined under the Listing Rules).

The Placing Price was arrived at after arm's length negotiations among the Company, the Vendor and the Placing Agent with reference to the recent trading prices of the Shares on the Stock Exchange. The Directors (including independent non-executive Directors) consider that the Placing Price and the terms of the Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SUBSCRIPTION OF SHARES

On 17 September 2007, the Vendor also entered into the Subscription Agreement with the Company pursuant to which the Vendor agreed to subscribe for up to 36,000,000 New Shares, which is equal to the number of Placing Shares to be placed under the Placing, at HK\$0.57 per Subscription Share. An application will be made to the Listing Committee of the Stock Exchange for granting approval for the listing of, and permission to deal in, all of the New Shares.

The New Shares represent approximately 6.67% of the entire issued share capital of the Company as at the date of this announcement and represent approximately 6.25% of the entire issued share capital of the Company as enlarged by the allotment and issue of the New Shares. The New Shares are to be issued under the General Mandate.

The Placing is unconditional, but the completion of Subscription is subject to a number of conditions. If such conditions are not fulfilled, the Subscription will not proceed. Shareholders and prospective investors are advised to exercise caution when dealing in the Shares of the Company.

The aggregate percentage shareholdings of the Vendor and parties acting in concert with it will reduce from 42.98% of the Company's existing share capital to 36.32% after the Placing and will increase from 36.32% to 40.30% of the Company's enlarged share capital after the Subscription. Under the Subscription, the Vendor and parties acting in concert with it will acquire more than 2% of Shares and as such, the Vendor and parties acting in concert with it would be obliged to make a mandatory general offer for all the other issued Shares under Rule 26.1 of the Takeovers Codes. Application for waiver under Note 6 on dispensations from Rule 26 to make a general offer has been made by the Vendor to the Executive.

The net proceeds of the Subscription of approximately HK\$20 million will be applied for general working capital and/or possible future investment of the Group. As at the date of this announcement, the Directors have not identified any target investment opportunities.

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 18 September 2007. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 19 September 2007.

Details of the Placing Agreement and the Subscription Agreement are set out below.

I. PLACING

The Vendor:

Capeland Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Wong Pak Ming, a Director and the chairman of the Company. Mr. Wong Pak Ming and its associates are beneficially interested in 232,113,000 Shares, representing approximately 42.98 % of the entire issued share capital of the Company as at the date of this announcement.

The Placing Agent:

Orient Securities Limited, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Party. The Placing Agent will receive a placing commission of 2.5% of the amount equal to the Placing Price multiplied by the number of Placing Shares. The placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent. The Directors (including independent non-executive Directors) are of the view that the placing commission is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The Placees:

There will be not less than six placees, who will be independent professional, institutional or other investors selected and procured by the Placing Agent.

The placees will be third parties independent of the Group and not connected persons (as defined in the Listing Rules) of the Group, or any of its associates and are not acting in concert (as defined in the Takeovers Codes) with the Vendor, the Company or its subsidiaries (as defined under the Listing Rules) and that no placee will become substantial Shareholder as a result of the Placing.

Number of Placing Shares:

Up to 36,000,000 Placing Shares on a best effort basis. The Placing Shares represent 6.67% of the existing issued share capital of the Company and 6.25% of the issued share capital of the Company as enlarged by the allotment and issue of the New Shares.

Placing Price:

HK\$0.57 per Placing Share (exclusive of stamp duty, brokerage (if any), Stock Exchange trading fees and SFC transaction levy), which represents:

- (i) a discount of 16.18% to the closing price of HK\$0.68 per Share as quoted on the Stock Exchange on 17 September 2007, being the last full trading day immediately before the date of this announcement;
- (ii) a discount of approximately 19.72% to the average of the closing prices of approximately HK\$0.71 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately before the date of this announcement;
- (iii) a discount of approximately 19.72% to the average of the closing prices of approximately HK\$0.71 per Share as quoted on the Stock Exchange for the last ten consecutive days immediately before the date of this announcement; and
- (iv) a premium of approximately 235.29% over the average of the net assets per Share of approximately HK\$0.17 per Share as derived by dividing HK\$54,689,000 of net assets of the Company as at 31 December 2006 by 330,000,000 issued Shares as at 31 December 2006.

The Placing Price was arrived at after arm's length negotiations among the Company, the Vendor and the Placing Agent by reference to the recent trading prices of the Shares on the Stock Exchange. The Directors (including independent non-executive Director) consider that the Placing Price in view of the premium over net assets per Share and the terms of the Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Rights:

The Placing Shares will rank pari passu with all other issued Shares as at the date of this announcement in all respects.

Completion of the Placing:

The Placing is unconditional. Completion of the Placing is expected to take place on 19 September 2007 or at such other time and date as may be agreed between the Vendor and the Placing Agent.

II. SUBSCRIPTION

The Issuer:

The Company

The Subscriber:

The Vendor and its associates are beneficially interested in approximately 42.98% of the entire issued share capital of the Company as at the date of this announcement. Immediately after completion of the Placing, the total shareholding of the Vendor and its associates will be reduced to approximately 36.32% of the entire issued share capital of the Company. The Subscription will then increase the total shareholding of the Vendor and its associates to approximately 40.30% of the issued share capital of the Company as enlarged by the allotment and issue of the New Shares.

Number of New Shares:

Equivalent to the number of Shares placed pursuant to the Placing. Assuming all the Placing Shares have been placed, the New Shares shall represent 6.67% of the existing issued share capital of the Company and approximately 6.25% of the issued share capital of the Company as enlarged by the allotment and issue of the New Shares.

Subscription Price:

HK\$0.57 per New Share, which is equivalent to the Placing Price. In line with the market practice, the Company will bear all costs and expenses in relation to the Subscription and will reimburse the costs incurred in respect of the Placing because it is the fund raising conducted by the Company. Based on the estimated expenses for the Placing and the Subscription, the net subscription price is approximately HK\$0.55 per Share.

Rights:

The New Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the New Shares.

Mandate to issue the New Shares:

The New Shares are to be issued under the General Mandate. Under the General Mandate, up to 66,000,000 Shares, representing 20% of the issued Shares as at the date of the annual general meeting of the Company held on 31 May 2007, may be issued by the Company. As at the date of this announcement, 30,000,000 Shares have been issued under the General Mandate pursuant to a placing and subscription of the Company as announced on 4 June 2007. Accordingly, there are up to 36,000,000 Shares which may be issued under the General Mandate as at the date of this announcement.

Conditions of the Subscription:

The Subscription is conditional upon the following conditions:

- (i) the completion of the Placing having occurred pursuant to the terms of the Placing Agreement;
- (ii) the listing of and permission to deal in the New Shares being granted by the Listing Committee of the Stock Exchange (and such permission and listing not subsequently being revoked prior to the completion date of the Subscription);
- (iii) the Securities and Futures Commission having waived any obligation which might arise on the Vendor or any party acting in concert with it to make a mandatory general offer for the Shares pursuant to Note 6 on dispensations from Rule 26 of the Takeovers Codes; and
- (iv) if required, the Bermuda Monetary Authority granting permission to allot and issue the New Shares.

In the event that the conditions of the Subscription are not fulfilled in full by the date stipulated, the Subscription Agreement and all rights and obligations under the Subscription Agreement will cease and terminate.

Completion of the Subscription:

Completion of the Subscription will take place on the date upon which all conditions of the Subscription have been fulfilled. The Subscription must be completed and the New Shares must be issued within 14 days after the date of the Subscription Agreement which is on or before 2 October 2007 or such other time as both the Company and Subscriber may agree. If the Subscription is to be completed thereafter, it will constitute a connected transaction under the Listing Rules and require compliance with all the relevant requirements under Chapter 14A of the Listing Rules, including but not limited to the issue of a separate announcement and approval of the independent Shareholders.

Application for listing:

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

EFFECT OF THE PLACING AND THE SUBSCRIPTION ON SHAREHOLDING

The shareholdings in the Company immediately before the completion of the Placing and the Subscription and immediately after the completion of the Placing and the Subscription are and will be as follows:

	As at the date of this announcement		Immediately after the Placing but before the Subscription		Immediately after the Subscription	
	Shares	Approximate %	Shares	Approximate %	Shares	Approximate %
Idea Storm Holdings Limited ^{Note 1}	183,300,000	33.95%	183,300,000	33.95%	183,300,000	31.82%
Vendor ^{Note 1}	45,000,000	8.33%	9,000,000	1.67%	45,000,000	7.81%
Zee Ven Chu, Lydia ^{Note 2}	171,000	0.03%	171,000	0.03%	171,000	0.03%
Wong Pak Ming	3,642,000	0.67%	3,642,000	0.67%	3,642,000	0.63%
Sub-total of Vendor, its associates and its concert parties	232,113,000	42.98%	196,113,000	36.32%	232,113,000	40.30%
Zhang Xun ^{Note 3}	60,060,000	11.12%	60,060,000	11.12%	60,060,000	10.43%
Fang Shu An ^{Note 4}	37,500,000	6.94%	37,500,000	6.94%	37,500,000	6.51%
Placees	0	0.00%	36,000,000	6.67%	36,000,000	6.25%
Public	210,327,000	38.95%	210,327,000	38.95%	210,327,000	36.52%
	<u>540,000,000</u>	<u>100.00%</u>	<u>540,000,000</u>	<u>100.00%</u>	<u>576,000,000</u>	<u>100.00%</u>

Note:

1. Mr. Wong Pak Ming, a Director and chairman of the Company, is the sole legal beneficial owner of both Idea Storm Holdings Limited and the Vendor.
2. Ms. Zee Ven Chu, Lydia is the wife of Mr. Wong Pak Ming.
3. Mr. Zhang is interested in a hotel operation in PRC in which the Group is interested in 37.5%.
4. Mr. Fang Shu An is independent from the management and operation of the Company.

IMPLICATIONS UNDER THE TAKEOVERS CODES AND APPLICATION FOR WAIVER

The aggregate percentage shareholdings of the Vendor and parties acting in concert with it will reduce from 42.98% of the Company's existing share capital to 36.32% after the Placing and will increase from 36.32% to 40.30% of the Company's enlarged share capital after the Subscription. Under the Subscription, the Vendor and parties acting in concert with it will acquire more than 2% of Shares and as such, the Vendor and parties acting in concert with it would be obliged to make a mandatory general offer for all the other issued Shares under Rule 26.1 of the Takeovers Codes.

Application for waiver under Note 6 on dispensations from Rule 26 to make a general offer has been made by the Vendor to the Executive.

REASONS FOR AND BENEFITS OF THE PLACING AND SUBSCRIPTION AND THE USE OF THE PROCEEDS

The principal activities of the Group are film distribution and licensing, film processing and advertising and promotional services.

The Board considers that it is beneficial to the Company and the Shareholders as a whole to raise capital by way of the Placing and the Subscription as it will broaden the capital and shareholder base of the Company and thereby increasing the liquidity of the Shares.

The net proceeds of the Subscription of approximately HK\$20 million will be applied for general working capital and/or possible future investments of the Group. As at the date of this announcement, the Directors have not identified any new target investment opportunities.

The Directors (including independent non-executive Directors) consider that the Placing Agreement and Subscription Agreement are entered into upon normal commercial terms following arm's length negotiations among the Company, the Vendor and the Placing Agent and that the terms of the Placing Agreement and Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Group has conducted the following fund raising activities during the 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds	General mandate used	Intended use of proceeds	Actual use of proceeds
4 June 2007	Top-up placing of 30,000,000 Shares	Approximately HK\$39 million	General mandate granted on 31 May 2007	For general working capital and other possible investment opportunities in the future	Utilized as to HK\$39,000,000 for production costs of a movie and a TV drama series.
20 July 2007	Open offer of 180,000,000 Shares on the basis of one offer share for every two Shares held on the record date	Approximately HK\$87.5 million	N/A	For general working capital and other possible investment opportunities in the future	To be utilized for production costs of a new movie.

As described in the aforementioned table, the fund raised through the preceding two exercises were either fully utilized or would be utilized as intended. The Directors consider that if other investment or acquisition opportunities arise, decisions may have to be made within a short period of time. The Placing and the Subscription would provide the Group with a source of finance for funding such potential investments and/or acquisitions in a timely and efficient manner as and when such opportunities arise. As such, the Directors are of the view that funding raised through the Placing and the Subscription is fair and reasonable and in the interests of the Company and Shareholders as a whole.

RESUMPTION OF TRADING

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 18 September 2007. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 19 September 2007.

DEFINITIONS:

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	board of Directors
“Company”	Mandarin Entertainment (Holdings) Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange

“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by the Shareholders by a resolution passed at the annual general meeting of the Company held on 31 May 2007
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Independent Third Party(-ies)”	independent third party(-ies), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, who are not connected with the Company and its connected persons (as defined under the Listing Rules) and who are independent of and not acting in concert with the Vendor or any of its concert parties (as defined in the Takeovers Codes)
“New Shares”	36,000,000 new Shares to be subscribed by the Vendor pursuant to the Subscription Agreement
“Placing”	the placing of the Placing Shares by the Vendor, through the Placing Agent, pursuant to the Placing Agreement
“Placing Agent”	Orient Securities Limited, an Independent Third Party
“Placing Agreement”	the placing agreement entered into between the Vendor and the Placing Agent dated 17 September 2007 in relation to the Placing
“Placing Price”	HK\$0.57 per Placing Share
“Placing Shares”	36,000,000 existing Shares to be placed pursuant to the Placing Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription”	the subscription of 36,000,000 new Shares by the Vendor pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between the Company and the Vendor dated 17 September 2007 in relation to the Subscription
“Subscription Price”	HK\$0.57 per Subscription Share
“Takeovers Codes”	the Hong Kong Codes on Takeovers and Mergers
“Vendor”	Capeland Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Wong Pak Ming, a Director and the chairman of the Company
“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, 18 September 2007.

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Wong Pak Ming (Chairman), Ms. Wong Kit Fong, Ms. Wong Yee Kwan, Alvina and Mr. Ko Tin Chow, and three independent non-executive Directors namely Mr. Tang Kai Kui, Terence, Mr. Choy Sze Chung, Jojo and Mr. Tsui Pui Hung.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any of the statements in this announcement misleading.

* *for information purposes only*