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CHINA MANDARIN HOLDINGS LIMITED

中國東方實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00009)

- (1) PROPOSED CAPITAL REORGANISATION;
(2) CHANGE OF BOARD LOT SIZE;
(3) PROPOSED OPEN OFFER OF
343,318,399 OFFER SHARES ON THE BASIS OF
ONE OFFER SHARE FOR EVERY ONE ADJUSTED SHARE
HELD ON THE RECORD DATE;
(4) WHITEWASH WAIVER; AND
(5) RESUMPTION OF TRADING**

Financial adviser to the Company



Grand Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

PROPOSED CAPITAL REORGANISATION

The Board proposes that the Company to implement the Capital Reorganisation which will involve:

- (a) the consolidation of every 10 Shares of HK\$0.10 each into 1 Consolidated Share of HK\$1.00;
- (b) the cancellation of any fractional entitlements remaining following aggregation of all fractional entitlements arising on the Share Consolidation; and a reduction in the nominal value of the then issued Consolidated Shares from HK\$1.00 to HK\$0.01 each;

* For identification purpose only

- (c) the subdivision of each authorised but unissued Consolidated Share into 100 Adjusted Shares of HK\$0.01 each; and
- (d) the total credit arising from the Capital Reduction will be credited to the contributed surplus account of the Company.

The Capital Reorganisation is conditional upon, among other things, the approval of a special resolution passed by the Shareholders on a vote taken by way of poll at the SGM. None of the Shareholders or their associates (as defined in the Listing Rules) would have any interest in the Capital Reorganisation, which is different from that of any other Shareholders. Accordingly, no Shareholders would be required to abstain from voting at the SGM.

CHANGE OF BOARD LOT SIZE

The Board further proposes to change the board lot size for trading in the shares of the Company from 6,000 Existing Shares to 5,000 Adjusted Shares upon the Capital Reorganisation becoming effective.

PROPOSED OPEN OFFER OF ADJUSTED SHARES ON THE BASIS OF ONE (1) OFFER SHARE FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE

Subject to the Capital Reorganisation becoming effective, the Company proposes to raise approximately HK\$185 million, before expenses, by issuing 343,318,399 Offer Shares to the Qualifying Shareholders by way of the Open Offer at the Subscription Price of HK\$0.538 per Offer Share on the basis of one (1) Offer Share for every one (1) Adjusted Share held on the Record Date and payable in full on acceptance.

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, all transfers of Shares must be lodged for registration with the Registrar by 4:30 p.m. on Monday, 16 April 2012. The register of members of the Company will be closed from Tuesday, 17 April 2012 to Thursday, 19 April 2012, both dates inclusive, to determine the eligibility for the Open Offer.

The estimated net proceeds of the Open Offer will be approximately HK\$180 million. The Company intends to utilise the net proceeds for repayment of a short-term loan, the construction and development costs of the Project and general working capital of the Group, details of which are set out in the paragraph headed “Reasons for the Open Offer and the use of proceeds” below in this announcement.

Pursuant to the Underwriting Agreement, the Offer Shares will be fully underwritten by the Underwriter subject to the conditions set out in the Underwriting Agreement. If the Underwriter terminates the Underwriting Agreement or the conditions of the Open Offer set out below under the paragraph headed “Conditions of the Open Offer” are not satisfied or waived in whole or in part by the Underwriters, the Open Offer will not proceed.

WHITEWASH WAIVER

The Underwriter is interested in 1,233,436,690 Existing Shares as at the date of this announcement, representing approximately 35.93% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertaking, the Underwriter has irrevocably undertaken to take up all of his entitlement under the Open Offer, being 123,343,669 Offer Shares.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the balance of the Offer Shares which are not subscribed by the Qualifying Shareholders on a fully underwritten basis. Assuming the Underwriter has taken up his maximum obligation of 343,318,399 Offer Shares pursuant to the Underwriting Agreement, the Underwriter will increase his shareholding from approximately 35.93% of the existing issued share capital of the Company to approximately 67.96% of the then enlarged issued share capital of the Company upon completion of the Open Offer.

Under Rule 26.1 of the Takeovers Code, the Underwriter and parties acting in concert with him will be required to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be subscribed by them. An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensation from Rule 26.1 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders by way of a poll. If the Whitewash Waiver is not granted by the Executive, the Open Offer will lapse and will not proceed.

GENERAL

The Open Offer and the Whitewash Waiver are conditional upon, among other things, approval from the Independent Shareholders and the Capital Reorganisation becoming effective. All resolutions proposed to be voted at the SGM will be conducted by way of poll.

The Company will establish an Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Open Offer and the Whitewash Waiver are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the SGM. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Further announcement will be made as soon as practicable after the establishment of the Independent Board Committee and the appointment of the independent financial adviser.

A circular containing, among other things, further details of (i) the Capital Reorganisation; (ii) the Open Offer; (iii) the Whitewash Waiver; (iv) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (v) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer and the Whitewash Waiver, together with a notice of the SGM, will be despatched by the Company to the Shareholders as soon as practicable.

Upon passing of the necessary resolutions by the Shareholders (where applicable, the Independent Shareholders) at the SGM approving the Capital Reorganisation, the Open Offer and the Whitewash Waiver, the Prospectus Documents will be despatched to the Qualifying Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:00 a.m. on 15 February 2012 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 23 February 2012.

WARNING OF THE RISKS OF DEALING IN THE SHARES

The Open Offer is subject to the satisfaction of certain conditions as described in the section headed “Conditions of the Open Offer”. In particular, it is subject to the Capital Reorganisation becoming effective, the approval of the Open Offer and the Whitewash Waiver by the Independent Shareholders at the SGM, the Whitewash Waiver having been granted by the Executive, and the Underwriting Agreement having become unconditional and not having been terminated (see the section headed “Termination of the Underwriting Agreement” below). Accordingly, the Open Offer may or may not proceed.

Any dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Open Offer are fulfilled will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their own professional advisers.

PROPOSED CAPITAL REORGANISATION

The Capital Reorganisation involves the Share Consolidation, the Capital Reduction and the Share Subdivision.

Share Consolidation

The Share Consolidation will be implemented to consolidate every ten (10) Existing Shares of HK\$0.10 each into one (1) Consolidated Share of HK\$1.00. As at the date of this announcement, the authorised share capital of the Company is HK\$1,000,000,000 divided into 10,000,000,000 Shares of HK\$0.10 each. Immediately after the Share Consolidation, the authorised share capital of the Company will be HK\$1,000,000,000 divided into 1,000,000,000 Consolidated Shares of HK\$1.00 each. As at the date of this announcement, there are 3,433,183,998 Shares in issue and fully paid. On the basis of such issued share capital, there will be 343,318,399 Consolidated Shares of HK\$1.00 each in issue once the Share Consolidation becomes effective. The Consolidated Shares will rank *pari passu* in all respects with each other.

Capital Reduction and Share Subdivision

The Capital Reduction of approximately HK\$339.89 million will involve (i) the cancellation of any fractional entitlements remaining following the aggregation of all fractional entitlements arising on the Share Consolidation; and (ii) a reduction of the nominal value of the then issued Consolidated Shares from HK\$1.00 to HK\$0.01 each by cancelling the paid up capital to the extent of HK\$0.99 on each of the then issued Consolidated Shares.

The Subdivision will involve the sub-division of each authorised but unissued Consolidated Share of HK\$1.00 into 100 Adjusted Shares of HK\$0.01 each.

The credit arising from the Capital Reduction will be credited to the contributed surplus account of the Company. A credit of an aggregate amount of approximately HK\$339.89 million will arise in the books of the Company as a result of the Capital Reduction, which will be transferred to the contributed surplus account of the Company, where such credit arising from the Capital Reduction may be utilised in any manner permitted by the laws of Bermuda, the Bye-laws and all applicable laws.

Reasons for the Capital Reorganisation

The Board considers that the Capital Reorganisation will give greater flexibility to the Company in managing its capital and shareholder funds. The Share Consolidation will reduce the transaction costs for dealing in the Adjusted Shares, after completion of the Capital Reorganisation. The Directors believe that it would be beneficial to the Company by reducing the par value of the shares of the Company from HK\$1.00 per Consolidated Share to HK\$0.01 per Adjusted Share, in that it would improve flexibility in future for the Company to raise fund via issue of Adjusted Shares. On this basis, the Board is of the view that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

Effects of the Capital Reorganisation

Upon completion of the Capital Reorganisation (assuming no further Shares will be issued or repurchased between the date of this announcement and the effective date of the Capital Reorganisation), the effect on the share capital of the Company is summarised as follows:

	Prior to the Capital Reorganisation	Immediately following the Capital Reorganisation becoming effective
Nominal value of each Share/Adjusted Share	HK\$0.10	HK\$0.01
Number of authorised Shares/Adjusted Shares	10,000,000,000	100,000,000,000
Authorised share capital	HK\$1,000,000,000	HK\$1,000,000,000
Number of Shares/Adjusted Shares in issue	3,433,183,998	343,318,399
Issued and fully paid-up share capital	HK\$343,318,399.8	HK\$3,433,183.99

Based on 3,433,183,998 Shares in issue as at the date of this announcement, a credit of approximately HK\$339.89 million will arise as a result of the Capital Reorganisation and will be credited to the contributed surplus account of the Company.

The Adjusted Shares will rank *pari passu* in all respects with each other. Other than the expenses incurred in relation to the Capital Reorganisation, the implementation thereof will not alter the underlying assets, investments, management or financial position of the Company or the relative interests or rights of the Shareholders, save that any fractional Adjusted Shares (if any) will not be issued to the Shareholders but will be aggregated and sold for the benefit of the Company. The Board believes that the Capital Reorganisation will not have any material effect on the financial position of the Company. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Adjusted Shares to be in issue upon the Capital Reorganisation becoming effective.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

- (a) the passing of a special resolution by the Shareholders to approve the Capital Reorganisation at the SGM;
- (b) compliance with the relevant legal procedures and requirements under the Companies Act to effect the Capital Reorganisation;
- (c) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Adjusted Shares; and
- (d) the obtaining of all necessary approvals from the regulated authorities or otherwise as may be required in respect of the Capital Reorganisation.

Subject to the fulfillment of the conditions of the Capital Reorganisation, the effective date of the Capital Reorganisation is expected to be on Wednesday, 11 April 2012.

Application for listing of the Adjusted Shares

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Adjusted Shares to be in issue upon the Capital Reorganisation becoming effective.

CHANGE OF BOARD LOT SIZE

Upon the Capital Reorganisation becoming effective, the Board proposes to change the board lot size for trading of Shares from 6,000 Existing Shares to 5,000 Adjusted Shares. Based on the closing price of HK\$0.129 per Existing Share as quoted on the Stock Exchange on the Last Trading Day, the prevailing board lot value is HK\$774 in the board lot size of 6,000 Existing Shares and, based on the theoretical adjusted closing price of the Adjusted Shares with reference to the closing price of HK\$0.129 per Existing Share on the Last Trading Day, the new estimated board lot value would be HK\$6,450 in the new board lot size of 5,000 Adjusted Shares.

To facilitate the trading of odd lots (if any) of the Adjusted Shares arising from the Capital Reorganisation and the change of board lot size, the Company has agreed to procure an agent to arrange for matching services regarding the sale and purchase of odd lots of Adjusted Shares on a best efforts basis, during the period from Wednesday, 25 April 2012 to Wednesday, 16 May 2012 (both dates inclusive). Further details in respect of the odd lots trading arrangement will be set out in the circular of the Company to be despatched to the Shareholders.

Exchange of Share certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may submit their existing certificates for the Existing Shares in board lot of 6,000 Existing Shares to the Registrar for exchange from Wednesday, 11 April 2012 to Friday, 18 May 2012 (both dates inclusive), at the expense of the Company for certificates for the Adjusted Shares in board lot of 5,000 Adjusted Shares. Thereafter, certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.5 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each new share certificate issued for the Adjusted Shares. Nevertheless, the existing certificates for the Existing Shares will continue to be good evidence of legal title and will be valid for dealings, trading and settlement purpose after the Capital Reorganisation has become effective and may be exchanged for certificates for the Adjusted Shares at any time in accordance with the foregoing.

PROPOSED OPEN OFFER

Issue statistics

Basis of the Open Offer:	One (1) Offer Share for every one (1) Adjusted Share held on the Record Date
Subscription Price:	HK\$0.538 per Offer Share
Number of Existing Shares in issue as at the date of this announcement:	3,433,183,998 Existing Shares

Number of Adjusted Shares in issue upon the Capital Reorganisation having become effective:	343,318,399 Adjusted Shares
Number of Adjusted Shares expected to be in issue as at the Record Date:	343,318,399 Adjusted Shares (assuming no issue or repurchase of any Shares on or before the Record Date)
Number of Offer Shares:	343,318,399 Offer Shares
Total number of Offer Shares to be underwritten by the Underwriter:	Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the balance of the Offer Shares not being subscribed for by the Qualifying Shareholders on a fully underwritten basis subject to the terms and conditions of the Underwriting Agreement.
Total number of Shares in issue upon completion of the Open Offer:	686,636,798 Adjusted Shares

As at the date of this announcement, the Convertible Bond is held by Mr. Lu Dewei who is an Independent Third Party and is independent of the Underwriter. The Convertible Bond has an outstanding principal amount of HK\$52,000,000, which is convertible into 150,724,637 Shares at the existing conversion price of HK\$0.345 per Share. The holder of the Convertible Bond has undertaken to the Company that the Convertible Bond will not be converted into Shares prior to the completion of the Open Offer. As at the date of this announcement, save for the Convertible Bond, the Company has no outstanding convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into Shares.

Basis of provisional allotment

The basis of the provisional allotment shall be one (1) Offer Share for every one (1) Adjusted Share held on the Record Date, being 343,318,399 Offer Shares at the Subscription Price of HK\$0.538 per Offer Share. Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being accepted for.

Qualifying Shareholders

The Company will send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Prospectus, but not the Application Form, to the Excluded Shareholders for information only.

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be an Excluded Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Registrar by no later than 4:30 p.m. on the Latest Lodging Date.

The last day of dealings in the Shares on a cum-entitlement basis is expected to be on Thursday, 12 April 2012. The Shares will be dealt with on an ex-entitlement basis from Friday, 13 April 2012.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 17 April 2012 to Thursday, 19 April 2012, both days inclusive. No transfer of Shares will be registered during this period.

Rights of the Overseas Shareholders

If there are Overseas Shareholders at the close of business on the Record Date, the Overseas Shareholders may not be eligible to take part in the Open Offer.

The Directors will make enquiries pursuant to Rule 13.36(2)(a) of the Listing Rules as to the feasibility of extending the Open Offer to the Overseas Shareholders, if any, taking into consideration of the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange for the issue of Offer Shares to the Overseas Shareholders.

If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any applicable requirements of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares to such Overseas Shareholders, the Open Offer will not be extended to the Overseas Shareholders who will become the Excluded Shareholders. The results of the enquiries and the basis of exclusion of the Overseas Shareholders will be included in the Prospectus.

The Overseas Shareholders, so long as they are Independent Shareholders, will be entitled to vote at the SGM to consider and, if thought fit, pass the resolution(s) in relation to the Open Offer and the Whitewash Wavier.

Subscription Price

The Subscription Price of HK\$0.538 per Offer Share will be payable in full upon application for the Offer Shares. The Subscription Price represents:

- (i) a discount of approximately 58.29% to the closing price of HK\$1.29 per Adjusted Share, based on the closing price of HK\$0.129 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

- (ii) a discount of approximately 59.43% to the average closing price of approximately HK\$1.326 per Adjusted Share, based on the average closing price of HK\$0.1326 per Existing Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 59.15% to the average closing price of approximately HK\$1.317 per Adjusted Share, based on the average closing price of HK\$0.1317 per Existing Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iv) a discount of approximately 41.14% to the theoretical ex-entitlement price of approximately HK\$0.914 per Adjusted Share, based on the closing price of HK\$0.129 per Existing Price as quoted on the Stock exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation; and
- (v) a premium of approximately 71.34% over the net asset value per Existing Share of approximately HK\$0.314 (based on the unaudited consolidated net asset value of the Group as set out in the Company's unaudited interim report for the six months ended 30 June 2011 over the number of Shares in issue as at 30 June 2011).

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the prevailing market price of the Shares and the recent market conditions.

The Directors (excluding the independent non-executive Directors who will give their view on the Open Offer after taking into account the advice of the independent financial adviser to be appointed by the Independent Board Committee) consider the terms of the Open Offer, including that the Subscription Price which has been set as a discount to the recent closing prices of the Shares would encourage Shareholders to take up their entitlements so as to maintain their shareholdings in the Company and share in the potential growth of the Group, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The net price per Offer Share will be approximately HK\$0.524.

Fractions of Offer Shares

On the basis of provisional allotment of one (1) Offer Share for every one (1) Adjusted Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Offer Shares will arise under the Open Offer.

No application for excess Offer Shares

After arm's length negotiation with the Underwriter and taking into account the administrative costs to be incurred by excess application arrangement, the Board has decided that the Qualifying Shareholders would not be entitled to apply for any Offer Shares which are in excess of their assured entitlements. The Offer Shares not validly applied for by the Qualifying Shareholders will be taken up by the Underwriter. The absence of excess application and the alternative arrangement for the disposal of the Offer Shares not validly applied for must be specifically approved by the Independent Shareholders at the SGM by way of poll for the purpose of compliance with Rule 7.21(2) of the Listing Rules.

Status of the Offer Shares

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

Share certificates for the Open Offer

Subject to the fulfilment and/or waiver in whole or in part by the Underwriters of the conditions of the Open Offer, certificates for all fully-paid Offer Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Monday, 14 May 2012.

Application for listing of the Offer Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Offer Shares. The Offer Shares will have the board lot size of 5,000 Adjusted Shares per board lot. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty (if any) in Hong Kong and any other applicable fees and charges in Hong Kong.

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

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

UNDERWRITING ARRANGEMENT

Irrevocable Undertaking

Save that the Underwriter directly holds 1,233,436,690 Existing Shares at the date of this announcement, the Underwriter has confirmed that there are no other Existing Shares and voting rights over which he has control or in respect of which he may exercise direction. Pursuant to the Underwriting Agreement, he has undertaken not to transfer or otherwise dispose of any Shares between the date of the Underwriting Agreement and the Latest Time for Acceptance. He has also irrevocably undertaken to the Company to take up and accept 123,343,669 Offer Shares to which he is entitled under the Open Offer.

Save for the undertakings under the Underwriting Agreement as disclosed above, as at the date of this announcement, the Board had not received any information or irrevocable undertakings from any other substantial Shareholder(s) of their intention to take up their assured entitlements under the Open Offer.

Underwriting Agreement

Date: 14 February 2012

Underwriter: Mr. Cheng Keung Fai

Number of Offer Shares underwritten: A maximum number of 219,974,730 Offer Shares (being the total number of Offer Shares less the assured entitlement of Offer Shares to the Underwriter) not taken up by the Qualifying Shareholders

Underwriting commission: 2% of the aggregate Subscription Price of the maximum number of Offer Shares underwritten by the Underwriter

Pursuant to the Underwriting Agreement, the Underwriter has undertaken to the Company that if there is an indication that the shareholding of the Company held by the public Shareholders will become less than 25% of the then issued share capital of the Company upon completion of the Open Offer, the Underwriter will procure subscribers who are Independent Third Parties to subscribe or procure placees to place down the Adjusted Shares which have been taken up by himself to maintain or restore the minimum public float requirement of the Company in compliance with the Listing Rules.

The term of the Underwriting Agreement are agreed after arm's length negotiation between the Company and the Underwriter. The Directors consider that the terms of the Underwriting Agreement are fair and reasonable.

Termination of the Underwriting Agreement

The Underwriter will be entitled to terminate the Underwriting Agreement by notice in writing at any time to the Company on or before 4:00 p.m. on the third Business Day after the Latest Time for Acceptance:

- (a) in the sole and reasonable opinion of the Underwriter, the success of the Open Offer would be adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and reasonable opinion of the Underwriter adversely affect the business or the financial or trading position or prospects of the Group as a whole or is adverse in the context of the Open Offer; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generic with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and reasonable opinion of the Underwriter adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
 - (iii) any adverse change in the business or in the financial or trading position of the Group as a whole; or
 - (iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic or threatened epidemic, terrorism, strike or lock-out; or
 - (v) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances; or
 - (vi) the occurrence of any event, or series of events, beyond the control of the Underwriter which, at the sole and reasonable opinion of the Underwriter, have or would have the adverse effect of making the Underwriting Agreement (including the underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Open Offer or pursuant to the underwriting thereof or which have or is likely to have a material and adverse effect on the Open Offer; or

- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the sole and reasonable opinion of the Underwriter is likely to adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the sole and reasonable opinion of the Underwriter will adversely affect the business prospects or financial condition of the Company, including without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the announcement or circular relating to the Open Offer or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or
- (e) the circular, prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the financial condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company and which may in the sole and reasonable opinion of the Underwriter is material to the Group as a whole and is likely to affect adversely the success of the Open Offer or might cause a prudent investor not to accept the Offer Shares provisionally allotted to it.

The Underwriter will be entitled to by notice in writing to the Company rescind the Underwriting Agreement if prior to 4:00 p.m. on the third Business Day after the Latest Time for Acceptance or such other earlier date and/or time as the Company and the Underwriters may mutually agree:

- (a) any material breach of any of the representations warranties and undertakings contained in the relevant clause of the Underwriting Agreement comes to the attention of the Underwriter; or
- (b) any event or matter arising on or before the Settlement Date which shows any representation or warranty to be or to have been untrue or inaccurate in any material aspect comes to the attention of the Underwriter.

If the Underwriting Agreement is terminated on or before the aforesaid deadline or does not become unconditional, the Open Offer will not proceed.

Conditions of the Open Offer

The Open Offer is conditional upon the following conditions having been fulfilled:

- (a) the passing of necessary resolutions(s) on a vote taken by way of poll at the SGM to approve (i) the Capital Reorganisation by the Shareholders; and (ii) the Open Offer and the Whitewash Waiver by the Independent Shareholders;
- (b) the Capital Reorganisation having become effective;
- (c) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked listing of and permission to deal in all the Adjusted Shares;
- (d) the filing of the Prospectus Documents with the Registrar of Companies in Bermuda in accordance with the Companies Act;
- (e) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;
- (f) the Executive granting the Whitewash Waiver and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted and such other necessary waiver or consent (if any) of the Executive for the transaction contemplated under the Open Offer;
- (g) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Offer Shares by no later than the Prospectus Posting Date;
- (h) the posting of the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date;
- (i) the Underwriting Agreement becoming unconditional and not being terminated;
- (j) the performance in full by the Underwriter of his undertakings to take up his entitlements in full; and
- (k) compliance with and performance of all the undertakings and obligations of the Company and the Underwriter under the terms of the Underwriting Agreement.

None of the conditions (a) to (j) can be waived. In the event of the conditions (a) to (j) not being fulfilled or condition (k) not being fulfilled or waived on or before the Latest Time for Termination (or such later date or dates as the Company and the Underwriter may agree in writing), no party shall have any rights or be subject to any obligations arising from the Underwriting Agreement, save that all reasonable and properly incurred costs, fees, and other out-of-pocket expenses (excluding underwriting commissions) have been incurred by the Underwriter will be borne by the Company, and the Open Offer will not proceed.

Each of the Company and the Underwriter agrees to use its best endeavours to procure fulfilment of all the said conditions on or before each of the said respective dates.

Reasons for the Open Offer and the use of proceeds

The gross proceeds from the Open Offer are approximately HK\$185 million. The net proceeds from the Open Offer after deducting for expenses are estimated to be approximately HK\$180 million. The Group is principally engaged in property development and rental in the PRC as well as film production and related businesses. The Company intends to utilise approximately HK\$75.6 million of the net proceeds from the Open Offer for repayment of a short-term loan which will be due in September 2012, approximately HK\$95 million for the construction and development costs of the Project and the remaining amount of approximately HK\$9.4 million for general working capital of the Group. The creditor of the short-term loan is a private company incorporated in Hong Kong, whose principal business is investment holding. The creditor is an Independent Third Party, independent of the Underwriter and not a Shareholder.

The estimated expense in relation to the Open Offer, including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses will be borne by the Company.

Having considered other fund-raising alternatives for the Group, such as borrowings, and taking into account the benefits and cost of each of the alternatives, the Open Offer allows the Group to strengthen its balance sheet without facing the increasing interest rates. The Board considers that the Open Offer is in the interest of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. **However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

The Directors (excluding the independent non-executive Directors) consider that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole having taken into account the terms of the Open Offer.

ADJUSTMENTS IN RELATION TO THE CONVERTIBLE BOND

As at the date of this announcement, the Convertible Bond is held by an Independent Third Party with outstanding principal amount of HK\$52,000,000, which is convertible into 150,724,637 Existing Shares at the existing conversion price of HK\$0.345 per Existing Share.

The issue of the Offer Shares may cause adjustments to the conversion price of the Convertible Bond. The Company will instruct its auditors or a merchant bank to review and certify the basis of such adjustments as soon as possible. Further announcement(s) will be made by the Company in respect of such adjustments as and when appropriate.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

CHANGES IN SHAREHOLDING STRUCTURE

The following is the shareholding structure of the Company immediately before and after completion of the Capital Reorganisation and the Open Offer (assuming no further Shares will be issued and no Convertible Bond has been converted after the date of this announcement):

	As at the date of announcement		Immediately after Capital Reorganisation		Immediately after completion of the Open Offer (assuming all the Qualifying Shareholders take up their assured entitlement of Offer Shares)		Immediately after completion of the Open Offer (assuming no Qualifying Shareholders except the Underwriter take up their assured entitlement of Offer Shares and all the Offer Shares are taken up by the Underwriter)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Substantial Shareholders								
The Underwriter and the parties acting in concert with him	1,233,436,690	35.93%	123,343,669	35.93%	246,687,338	35.93%	466,662,068	67.96%
Mr. Lo Chan Kau	796,414,635	23.19%	79,641,463	23.19%	159,282,926	23.19%	79,641,463	11.60%
Sub-total	2,029,851,325	59.12%	202,985,132	59.12%	405,970,264	59.12%	546,303,531	79.56%
Public Shareholders								
Other public Shareholders	1,403,332,673	40.88%	140,333,267	40.88%	280,666,534	40.88%	140,333,267	20.44%
Total	3,433,183,998	100.00%	343,318,399	100.00%	686,636,798	100.00%	686,636,798	100.00%

Mr. Lo Chan Kau is a substantial Shareholder. He has confirmed that he is a private investor and is independent of the Underwriter (including parties acting in concert with him) and Mr. Lu Dewei (the holder of the Convertible Bond). Mr. Lo owns 90% of the shareholding of Ya Tai (China) Investment Limited, which was the vendor in the VSA Transaction. Part of the consideration of the VSA Transaction was satisfied by the issue of a convertible bond to the vendor, the principal terms of which were disclosed in the VSA Announcement and the VSA Circular. Mr. Lo first became a substantial Shareholder through the conversions of the convertible bond on 21 February 2011 and 16 March 2011 for 49,275,362 Existing Shares and 600,000,000 Existing Shares respectively, whereby he held in aggregate 649,275,362 Existing Shares, representing approximately 21.74% of the then issued share capital of the Company. As at the date of this announcement, Mr. Lo holds 796,414,635 Existing Shares, representing approximately 23.19% of the issued share capital of the Company.

The Company will ensure the compliance with the public float requirements under Rule 8.08 of the Listing Rules upon completion of the Open Offer.

APPLICATION FOR WHITEWASH WAIVER

WHITEWASH WAIVER

The Underwriter is interested in 1,233,436,690 Existing Shares (equivalent to 123,343,669 Adjusted Shares after the Capital Reorganisation) as at the date of this announcement, representing approximately 35.93% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertaking, the Underwriter has irrevocably undertaken to subscribe in cash all of his entitlement under the Open Offer, being 123,343,669 Offer Shares.

As at the date of this announcement and save as disclosed in the above paragraph, the Underwriter confirmed that:

- (a) there was no existing holding of voting rights and rights over Shares,
 - (i) which was owned or controlled or directed by the Underwriter or any person acting in concert with him; or
 - (ii) in respect of which the Underwriter or any person acting in concert with him held convertible securities, warrants or options of the Company; and
- (b) there was no outstanding derivative in respect of securities in the Company entered into by the Underwriter and parties acting in concert with him.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the balance of the Offer Shares in cash which are not subscribed by the Qualifying Shareholders on a fully underwritten basis. Assuming the Underwriter would have to take up his maximum underwriting obligation pursuant to the Underwriting Agreement, the Underwriter will increase his shareholding from approximately 35.93% of the existing issued share capital of the Company to 67.96% of the then enlarged issued share capital of the Company upon completion of the Open Offer.

Under Rule 26.1 of the Takeovers Code, the Underwriter and parties acting in concert with him will be required to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be subscribed by them. An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensation from Rule 26.1 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders by way of a poll. If the Whitewash Waiver is not granted by the Executive, the Open Offer will lapse and will not proceed.

INFORMATION ON THE UNDERWRITER

The Underwriter is a substantial Shareholder who is a private investor not engaged in the business of underwriting. As at the date of this announcement, the Underwriter holds approximately 35.93% of the issued share capital of the Company.

As confirmed by the Underwriter, neither he nor any of the parties acting in concert with him has acquired any Shares or dealt in any of the relevant securities of (as defined in Note 4 to Rule 22 of the Takeovers Code) the Company in the six months prior to and up to the date of this announcement. Save for the undertaking by the Underwriter to apply for his assured entitlement of Offer Shares, the Underwriter or parties acting in concert with him have not received any irrevocable commitment to vote for or against the Open Offer and/or the Whitewash Waiver. There is no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares entered into by the Underwriter or any parties acting in concert with him and which might be material to the Open Offer and the Whitewash Waiver.

There is no agreement or arrangement to which the Underwriter or any party acting in concert with him is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Open Offer (other than those listed under “Conditions of the Open Offer”) and the Whitewash Waiver. There is no relevant securities (as defined in Note 4 to Rule 22 of the Takeover Codes) in the Company which the Underwriter or any party acting in concert with him has borrowed or lent.

WARNING OF THE RISKS OF DEALING IN THE SHARES

The Open Offer is subject to the satisfaction of certain conditions as described in the section headed “Conditions of the Open Offer”. In particular, it is subject to the Capital Reorganisation becoming effective, the approval of the Open Offer and the Whitewash Waiver by the Independent Shareholders at the SGM, the Whitewash Waiver having been granted by the Executive, and the Underwriting Agreement having become unconditional and not having been terminated (see the section headed “Termination of the Underwriting Agreement” below). Accordingly, the Open Offer may or may not proceed.

Any dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Open Offer are fulfilled will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. The Shareholders and potential investors of the

Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their own professional advisers.

EXPECTED TIMETABLE

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

2012

Expected despatch date of the circular with the notice of SGM	Wednesday, 14 March
Latest time for lodging proxy forms for the SGM	10:30 a.m. on Sunday, 8 April
SGM	10:30 a.m. on Tuesday, 10 April
Announcement of results of SGM	Tuesday, 10 April
Expected effective date of the Capital Reorganisation	Wednesday, 11 April
Dealings in Adjusted Shares commence	Wednesday, 11 April
Original counter for trading in existing Shares in board lots of 6,000 Shares temporarily closes	9:00 a.m. on Wednesday, 11 April
Temporary counter for trading in Adjusted Shares in board lots of 600 Adjusted Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 11 April
First day of free exchange of existing share certificates for the new share certificates for Adjusted Shares	Wednesday, 11 April
Last day of dealings in the Adjusted Shares on a cum-entitlement basis	Thursday, 12 April
First day of dealings in the Adjusted Shares on an ex-entitlement basis	Friday, 13 April
Latest time for lodging transfer of the Adjusted Shares for entitlement to the Open Offer	4:30 p.m. on Monday, 16 April
Book closure period (both days inclusive)	Tuesday, 17 April to Thursday, 19 April
Record Date	Thursday, 19 April

Register of members re-opens	Friday, 20 April
Despatch of the Prospectus Documents.	Friday, 20 April
Original counter for trading in Adjusted Shares in board lots of 5,000 Adjusted Shares (in the form of new share certificates) reopens	9:00 a.m. on Wednesday, 25 April
Parallel trading in Adjusted Shares (in the form of new share certificates and existing share certificates) commences	9:00 a.m. on Wednesday, 25 April
Designated agent to stand in the market to provide matching service to facilitate the odd lots trading commences	9:00 a.m. on Wednesday, 25 April
Latest time for payment for and acceptance of the Offer Shares	4:00 p.m. on Monday, 7 May
Open Offer becomes unconditional	Thursday, 10 May
Announcement of the results of the Open Offer	Friday, 11 May
Certificates for the Offer Shares expected to be despatched on or before.	Monday , 14 May
Temporary counter for trading in Adjusted Shares in board lots of 600 Adjusted Shares (in the form of existing share certificates) closes.	4:00 p.m. on Wednesday, 16 May
Designated agent to stand in the market to provide matching services ends	4:00 p.m. on Wednesday, 16 May
Parallel trading in Adjusted Shares (in the form of new share certificates and existing share certificates) ends	4:00 p.m. on Wednesday, 16 May
Dealings in fully-paid Offer Shares expected to commence	Wednesday, 16 May
Last day for free exchange of existing share certificates for new share certificates for Adjusted Shares	Friday, 18 May

Note: All times in this announcement refer to Hong Kong times.

GENERAL

The Capital Reorganisation is subject to the approval of a special resolution passed by the Shareholders on a vote taken by way of poll at the SGM. None of the Shareholders or their associates (as defined in the Listing Rules) would have any interest in the Capital Reorganisation, which is different from that of any other Shareholders. Accordingly, no Shareholders would be required to abstain from voting at the SGM.

The Open Offer and the Whitewash Waiver are conditional upon, among other things, approval from the Independent Shareholders and the Capital Reorganisation becoming effective. All resolutions proposed to be voted at the SGM will be conducted by way of poll.

The Independent Board Committee will be established to advise the Independent Shareholders as to whether the terms of the Open Offer and the Whitewash Waiver are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the SGM. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Further announcement will be made as soon as practicable after the establishment of the Independent Board Committee and the appointment of the independent financial adviser.

The Underwriter and parties acting in concert with him are required to abstain from voting on resolutions approving the Open Offer and the Whitewash Waiver. Save for the Underwriter and parties acting in concert with him, no Shareholders are involved in or interested in the Open Offer and the Whitewash Waiver who are required to abstain from voting on the relevant resolutions at the SGM.

A circular containing, among other things, further details of (i) the Capital Reorganisation; (ii) the Open Offer; (iii) the Whitewash Waiver; (iv) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (v) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer and the Whitewash Waiver, together with a notice of the SGM, will be despatched by the Company to the Shareholders as soon as practicable.

Upon passing of the necessary resolutions by the Shareholders (where applicable, the Independent Shareholders) at the SGM approving the Capital Reorganisation, the Open Offer and the Whitewash Waiver, the Prospectus Documents will be despatched to the Qualifying Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:00 a.m. on 15 February 2012 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 23 February 2012.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Adjusted Share(s)”	Share(s) of HK\$0.01 each in the share capital of the Company after the Capital Reorganisation becoming effective
“Application Form(s)”	the application form(s) for use by the Qualifying Shareholders to apply for the Offer Shares
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for normal business in Hong Kong
“Bye-laws”	the bye-laws of the Company in force from time to time
“Capital Reduction”	the reduction of the nominal value of the issued share capital of the Company from HK\$1.00 per Consolidated Share to HK\$0.01 per Adjusted Share by way of cancellation of HK\$0.99 of the paid up capital on each Consolidated Share
“Capital Reorganisation”	The proposed capital reorganisation of the Company involving the Share Consolidation, Capital Reduction and the Share Subdivision
“Companies Act”	The Companies Act 1981 of Bermuda, as amended from time to time
“Companies Ordinance”	Companies Ordinance (Chapter 32) of the Laws of Hong Kong, as amended from time to time
“Company”	China Mandarin Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Consolidated Share(s)”	share(s) of HK\$1.00 each in the share capital of the Company after the Share Consolidation but before the Capital Reduction

“Convertible Bond”	the transferable convertible bond, which was originally issued by the Company to the vendor in the VSA Transaction on 26 January 2011 with the maturity date on 26 January 2016 and which is currently held by Mr. Lu Dewei with an outstanding principal amount of HK\$52,000,000 convertible into 150,724,637 Shares with a conversion price of HK\$0.345 per Share
“Director(s)”	director(s) of the Company
“Excluded Shareholder(s)”	those Overseas Shareholder(s) at the Record Date, to whom the Directors, based on legal opinions provided by the Company’s legal advisers and on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place, consider it necessary or expedient not to offer the Offer Shares
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s)
“Existing Share(s)”	the ordinary share(s) of HK\$0.10 each in the existing share capital of the Company, before the Capital Reorganisation becoming effective
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company to be established to advise the Independent Shareholders regarding the Open Offer and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than the Underwriter and parties acting in concert with him and those who are involved in or interested in the Open Offer and the Whitewash Waiver who are required by the Listing Rules or the Takeovers Code to abstain from voting on the relevant resolutions at the SGM
“Independent Third Party”	independent third party who is not connected person of the Company as defined in the Listing Rules and is independent of the Company and connected person(s) of the Company
“Irrevocable Undertaking”	the irrevocable undertaking given by the Underwriter pursuant to which the Underwriter has irrevocably undertaken to subscribe for his full entitlements pursuant to the Open Offer

“Last Trading Day”	14 February 2012, being the last day of dealing of the Existing Shares on the Stock Exchange prior to the publication of this announcement
“Latest Lodging Date”	16 April 2012 or such other date as may be determined by the Company, being the latest date for lodging transfer of Shares in order to qualify for the Open Offer
“Latest Time for Acceptance”	4:00 p.m. on 7 May 2012 or such other date as may be determined by the Company, being the latest date for acceptance of, and payment for, the Offer Shares
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Offer Shares”	343,318,399 Adjusted Shares to be issued pursuant to the Open Offer
“Open Offer”	the proposed issue of Offer Shares on the basis of one (1) Offer Share for every one (1) Adjusted Share held by the Qualifying Shareholders on the Record Date at the Subscription Price, pursuant to the terms and conditions contained herein and more particularly described in the Prospectus Documents
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is(are) in a place outside Hong Kong
“PRC”	The People’s Republic of China
“Project”	the property/hotel development project on the land located in the Jinhua Economic Development Zone, Xiangtan, Hunuan, the PRC, as more particularly described in the VSA Announcement and the VSA Circular
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	the date of despatch of the Prospectus Documents as the Underwriter may agree in writing with the Company

“Qualifying Shareholder(s)”	the Shareholder(s), other than the Excluded Shareholders, whose name(s) appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	19 April 2012, being the date by reference to which entitlements to the Open Offer will be determined
“Registrar”	Tricor Standard Limited, the branch share registrar of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Settlement Date”	the third business day after the Latest Time for Acceptance
“SGM”	a special general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Capital Reorganisation by the Shareholders, the Open Offer and the Whitewash Waiver by the Independent Shareholders
“Share(s)”	Existing Share(s) or Adjusted Share(s) (as the case may be)
“Share Consolidation”	the proposed consolidation of every 10 issued and unissued Shares of HK\$0.10 each into 1 Consolidated Share of HK\$1.00 each
“Share Subdivision”	each of the authorised but unissued Consolidated Shares of HK\$1.00 each subdivided into 100 Adjusted Shares of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	subscription price of HK\$0.538 per Offer Share
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriter”	Mr. Cheng Keung Fai, a substantial Shareholder
“Underwriting Agreement”	the underwriting agreement dated 14 February 2012 entered into between the Company and the Underwriter in relation to the Open Offer
“VSA Announcement”	the announcement of the Company dated 23 November 2010 in respect of the VSA Transaction

“VSA Circular”	the circular of the Company dated 7 January 2011 in respect of the VSA Transaction
“VSA Transaction”	the very substantial acquisition of the Company relating to the Project as reported in the VSA Announcement and the VSA Circular
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26.1 of the Takeovers Code in respect of the Underwriter’s obligations to make a mandatory offer under Rule 26.1 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Underwriter and parties acting in concert with him as a result of the transactions contemplated under the Underwriting Agreement
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
JIN LEI
Chairman

Hong Kong, 22 February 2012

As at the date of this announcement, the Board comprises six Directors. The executive Directors are Mr. Jin Lei (Chairman), Ms. Law Kee, Alice (Chief Executive Officer) and Mr. Hui Wai Lee, Willy; and the independent non-executive Directors are Mr. Tsui Pui Hung, Mr. Tang Ping Sum and Mr. Chu To, Jonathan.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable inquiries, 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 statements in this announcement misleading.