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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)

DISCLOSEABLE TRANSACTION: DISPOSAL OF SUBSIDIARY

THE SALE AND PURCHASE AGREEMENT

On 3 December 2009, the Vendor, a wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Share, representing the entire issued share capital of the Target as at the date of this announcement and the Sale Loan for a total consideration of HK\$23,863,636.

The consideration for the sale and purchase of the Sale Share and the Sale Loan shall be satisfied by the Purchaser in the following manner:

- (a) HK\$7,500,000 has been paid by the Purchaser to the Vendor in cash upon signing of the Sale and Purchase Agreement;
- (b) HK\$6,000,000 shall be payable by the Purchaser to the Vendor before noon on the second Business Day after the date of the Sale and Purchase Agreement;
- (c) HK\$5,000,000 shall be payable by the Purchaser to the Vendor before noon on the third Business Day after the date of the Sale and Purchase Agreement;
- (d) HK\$4,000,000 shall be payable by the Purchaser to the Vendor before noon on the fourth Business Day after the date of the Sale and Purchase Agreement;
- (e) the remaining HK\$1,363,636 shall be payable by the Purchaser to the Vendor on Completion.

Completion shall take place at 4:00 p.m. on the date falling on the fifth Business Day after the fulfilment of the conditions or such later date as may be agreed between the Company and the Purchaser.

The Guarantor has executed a personal guarantee in favour of the Vendor, pursuant to which the Guarantor has unconditionally and irrevocably undertaken to the Vendor to procure the due and punctual payment of the consideration by the Purchaser under the Sale and Purchase Agreement and further undertake to indemnify the Vendor against all liabilities, losses, costs and expenses suffered by the Vendor in connection with any default of the Purchaser in the performance of such obligations.

GENERAL

As the applicable percentage ratios of the Disposal under the Listing Rules exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Date: 3 December 2009

Parties: (1) Vendor : Grimston Limited, a wholly owned subsidiary of the Company
(2) Purchaser : Billion Base Investments Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is an investment holding company and the father of the Guarantor is a Shareholder holdings approximately 4.19% of the entire issued share capital of the Company as at the date of this announcement. Save as disclosed, each of the Purchaser and the Guarantor is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be disposed of:

- (i) The Sale Share, being the entire issued share capital of the Target; and
- (ii) the Sale Loan, representing all obligations, liabilities and debts owing or incurred by the Target to the Vendor on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion. As at the date of the Sale and Purchase Agreement, the Target was indebted to the Vendor in the amount of HK\$15,191,838.32.

Consideration

The consideration for the sale and purchase of the Sale Share and the Sale Loan is HK\$23,863,636 shall be satisfied by the Purchaser in the following manner:

- (a) HK\$7,500,000 has been paid by the Purchaser to the Vendor in cash upon signing of the Sale and Purchase Agreement;

- (b) HK\$6,000,000 shall be payable by the Purchaser to the Vendor before noon on the second Business Day after the date of the Sale and Purchase Agreement;
- (c) HK\$5,000,000 shall be payable by the Purchaser to the Vendor before noon on the third Business Day after the date of the Sale and Purchase Agreement;
- (d) HK\$4,000,000 shall be payable by the Purchaser to the Vendor before noon on the fourth Business Day after the date of the Sale and Purchase Agreement;
- (e) the remaining HK\$1,363,636 shall be payable by the Purchaser to the Vendor on Completion.

The consideration was determined through arm's length negotiations between the parties and on a commercial basis with reference to (i) the net asset value of the Target; (ii) the business prospect of the Target; and (iii) the market condition. As such, the Directors consider that the terms and conditions of the Disposal to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Condition precedent

Completion shall be conditional upon and subject to, if applicable, all necessary consents and approvals required to be obtained on the part of the Purchaser and the Vendor in respect of this Agreement and the transactions contemplated hereby have been obtained.

If the conditions have not been satisfied on or before 15 January 2010, or such later date as the Company and the Purchaser may agree, the Sale and Purchase Agreement shall cease and determine, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place at 4:00 p.m. on the date falling on the fifth Business Day after the fulfilment of the condition or such later date as may be agreed between the Company and the Purchaser. Upon Completion, the Target will cease to be a subsidiary of the Company.

Undertaking given by the Guarantor

The Guarantor has executed a personal guarantee in favour of the Vendor, pursuant to which the Guarantor has unconditionally and irrevocably undertaken to the Vendor to procure the due and punctual payment of the consideration by the Purchaser under the Sale and Purchase Agreement and further undertake to indemnify the Vendor against all liabilities, losses, costs and expenses suffered by the Vendor in connection with any default of the Purchaser in the performance of such obligations.

INFORMATION ON THE TARGET

The Target is principally engaged in investment holding. At the date of this announcement, the Target holds 37.5% of the entire equity interest in Jiejiang Mandarin International Development Company Limited (浙江東方國際發展有限公司[#]) which, in turn, is principally engaged in hotel operation and related business.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the remaining equity interest in Jiejiang Mandarin International Development Company Limited (浙江東方國際發展有限公司[#]) is ultimately owned by the father of the Guarantor.

Financial information on the Target

The following information is extracted respectively from the financial statements for the two financial year ended 31 December 2007 and 31 December 2008 of the Target:

	For the year ended	
	31 December	
	2007	2008
	<i>HK\$</i>	<i>HK\$</i>
Turnover	—	—
Profit/(Loss) before taxation	(6,351)	(4,200)
Profit/(Loss) after taxation	(6,351)	(4,200)

The net liabilities value of the Target as at 31 December 2008 was approximately HK\$38,213. The book value of the investment made by the Vendor in the Target is HK\$15,000,000.

FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that the gain on Disposal is approximately HK\$8,800,000. The Board intends to use the part of proceed for repayment of Shareholder's loan and use the remaining proceed as general working capital of the Group.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the provision of films production services, film distribution and investment in film production and worldwide film distribution. The Group is also engaged in the properties investments in the PRC.

The Company made its investment in the hotel business through the Target in 2002. Since 2007, Jiejiang Mandarin International Development Company Limited (浙江東方國際發展有限公司[#]) has been operating at a loss, it is expected that such hotel business will not have much improvement in the coming few years. In view of the business performance of Jiejiang Mandarin International Development Company Limited (浙江東方國際發展有限公司[#]), the Board believes that it is a good opportunity to realize its investment and also to preclude from further loss incurred to the Group.

Through the Disposal, the Company can streamline its businesses and focus on its film production and property investments businesses – which are the key contributors of the Group’s businesses. The Board believes that it is in the best interest of the Company to focus its resources and future investment in its film production and property investment businesses. Accordingly, the Board is of the view that the Disposal represents a good opportunity for the Company to dispose of the Target and focus the resources in its core business in order to maintain its competitiveness and achieve the greatest returns for the Shareholders.

The Directors are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and that the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As the applicable percentage ratios of the Disposal under the Listing Rules exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“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
“Completion”	completion of the sale and purchase of the Sale Share and the Sale Loan in accordance with the terms and conditions of the Sale and Purchase Agreement
“Directors”	the directors of the Company

“Disposal”	the Disposal of the Sale Share and the Sale Loan by the Company as contemplated under the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Guarantor”	Zhang Yong, the sole ultimate beneficial owner of the Purchaser
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Billion Base Investments Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by the Guarantor
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 3 December 2009 and entered into between the Purchaser and the Vendor in relation to the sale and purchase of the Sale Share and the Sale Loan
“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Target to the Company on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion, as at the date of the Sale and Purchase Agreement, the Target was indebted to the Company in the amount of HK\$15,191,838.32
“Sale Share”	1 ordinary share of US\$1.00 in the issued share capital of the Target, representing the entire issued share capital of the Target
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Film City Enterprises Limited, a company incorporated in the British Virgin Islands, whose entire issued share capital is beneficially owned by the Vendor

“Vendor”	Grimston Limited, a company incorporated in the British Virgin Islands with limited liability, is wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of PRC
“US\$”	United States dollars, the lawful currency of United States of America
“%”	per cent.

The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

By order of the Board
China Mandarin Holdings Limited
Lai Pik Chi Peggy
Chairman

Hong Kong, 3 December 2009

As at the date of this announcement, the Board comprises eight Directors. The executive Directors are Ms. Lai Pik Chi, Peggy (Chairman), Ms. Law Kee, Alice (Chief Executive Officer), Mr. Kwok Tsz Wing (Deputy Chairman) and Mr. Hui Wai Lee, Willy; the non-executive Director is Mr. Sin Kwok Lam; and the independent non-executive Directors are Mr. Choy Sze Chung, Jojo, Mr. Tsui Pui Hung and Mr. Chan Tung Tak, Alain.

* *for identification purpose only*