THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Mandarin Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

MAJOR DISPOSAL AND CONNECTED TRANSACTION

Financial adviser

VINCO 域高

Grand Vinco Capital Limited

(Wholly owned subsidiary of Vinco Financial Group Limited)

Independent financial adviser

VEDA | CAPITAL
智略資本

A letter from the Independent Board Committee is set out on page 14 of this circular and a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 24 of this circular.

A notice convening the SGM of China Mandarin Holdings Limited to be held on 29 January 2010 at 2:30 p.m. at 5/F, Cheung Fai Industrial Building, 131 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM if you so wish.

12 January 2010

* *For identification purpose only*

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

"Announcement"	the announcement of the Company dated 23 December 2009 with respect to the Disposal
"associates"	has the meaning ascribed to this term under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, a Sunday or a 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 Target Sale Shares, the Inter-companies Balance 1 and the assumption of all liabilities under the Inter-companies Balance 2 and the Inter-companies Balance 3 in accordance with the terms and conditions of the Sale and Purchase Agreement
"connected person(s)"	has the meaning ascribed to this term under the Listing Rules
"Consideration"	HK$29,000,000, being the consideration for the sale and purchase of the Target Sale Shares, the Inter-companies Balance 1 and assumption of all liabilities under the Inter-companies Balance 2 and the Inter-companies Balance 3 and will be satisfied by the Purchaser in cash
"Directors"	the directors of the Company
"Disposal"	the Disposal of the Target Sale Shares and the Target Inter-companies Balances by the Company as contemplated under the Sale and Purchase Agreement
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of PRC

"Independent Board Committee"	the independent board committee of the Company comprising all the three independent non-executive Directors, namely Choy Sze Chung, Jojo, Mr. Tsui Pui Hung, Mr. Chan Tung Tak, Alain, established to give recommendation to the Independent Shareholders regarding the Disposal
"Independent Financial Adviser" or "Veda Capital"	Veda Capital Limited, a licensed corporation to carry on type 6 regulated activity (advising on corporate finance) under the Securities and Futures Ordinance, acting as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal
"Independent Shareholders"	Shareholders other than the Purchaser and its associates
"Inter-companies Balance 1"	all obligations, liabilities and debts owing or incurred by the Target Company 1 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 and as at the date of the Sale and Purchase Agreement, the Target Company 1 is indebted to the Vendor of approximately HK$103 million
"Inter-companies Balance 2"	and all obligations, liabilities and debts owing or incurred by the Vendor to the Target Company 2, 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 and as at the date of the Sale and Purchase Agreement, the Vendor is indebted to the Target Company 2 of approximately HK$2 million
"Inter-companies Balance 3"	and all obligations, liabilities and debts owing or incurred by the Vendor to the Target Company 3, 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 and as at the date of the Sale and Purchase Agreement, the Vendor is indebted to the Target Company 3 of approximately HK$6 million
"Latest Practicable Date"	8 January 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

"Licence Agreements"	agreements which are entered into prior to the date of the Sale and Purchase Agreement by the subsidiaries of the Vendor with their customers for the licence granted by such subsidiaries to their customers for the display of certain films and movies which remains to be performed, in whole or in part
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Wong"	Mr. Wong Pak Ming, a former executive Director
"PRC"	the People's Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Purchaser"	Pegasus Motion Pictures Limited, a company incorporated in Hong Kong with limited liability, which is wholly and beneficially owned by Mr. Wong
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 17 December 2009 and entered into between the Purchaser and the Vendor in relation to the sale and purchase of the Target Sale Shares, the Inter-companies Balance 1 and assumption of all liabilities under the Inter-companies Balance 2 and the Inter-companies Balance 3 by the Purchaser
"Sale Shares 1"	100 ordinary shares of HK$1.00 each in the issued share capital of the Target Company 1, representing the entire issued share capital of the Target Company 1
"Sale Shares 2"	500,000 ordinary shares of HK$1.00 each in the issued share capital of the Target Company 2, representing the entire issued share capital of the Target Company 2
"Sale Shares 3"	10,000 ordinary shares of US$1.00 each in the issued share capital of the Target Company 3, representing the entire issued share capital of the Target Company 3
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held on 29 January 2010 at 2:30 p.m. and convened for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder

"Share(s)"	ordinary issued share(s) of HK$0.1 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Companies"	together, the Target Company 1, the Target Company 2 and the Target Company 3
"Target Company 1"	Elite Films Limited, a company incorporated in Hong Kong, whose entire issued share capital is beneficially owned by the Vendor
"Target Company 2"	Motion Picture Limited, a company incorporated in Hong Kong, whose entire issued share capital is beneficially owned by the Vendor
"Target Company 3"	Pioneer Films Limited, a company incorporated in the British Virgin Islands, whose entire issued share capital is beneficially owned by the Vendor
"Target Inter-companies Balances"	together, all obligations, liabilities and debts owing or incurred by the Target Company 1 to the Vendor and all obligations, liabilities and debts owing or incurred by the Vendor to the Target Company 2 and the Target Company 3, on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion
"Target Sale Shares"	together, the Sale Shares 1, the Sale Shares 2 and the Sale Shares 3
"Vendor"	Grimston Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

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)

Executive Directors:
Ms. Lai Pik Chi, Peggy *(Chairman)*
Ms. Law Kee, Alice *(Chief Executive Officer)*
Mr. Kwok Tsz Wing *(Deputy Chairman)*
Mr. Hui Wai Lee, Willy

Non-executive Director:
Mr. Sin Kwok Lam

Independent Non-executive Directors:
Mr. Choy Sze Chung, Jojo
Mr. Tsui Pui Hung
Mr. Chan Tung Tak, Alain

Registered Office:
Clarendon House
2, Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:
5/F, Cheung Fai Industrial Building
131 Wai Yip Street, Kwun Tong
Hong Kong

12 January 2010

To the Shareholders

Dear Sir or Madam

MAJOR DISPOSAL AND CONNECTED TRANSACTION

INTRODUCTION

On 23 December 2009, the Board announced that on 17 December 2009 after the trading hours, the Vendor entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Target Sale Shares, the Inter-companies Balance 1 and to assume all liabilities under the Inter-companies Balance 2 and the Inter-companies Balance 3 by the Purchaser.

The consideration for the sale and purchase of the Target Sale Shares, the Inter-companies Balance 1 and assumption of all liabilities under the Inter-companies Balance 2 and the Inter-companies Balance 3 is HK$29,000,000, which is payable by the Purchaser to the Vendor in cash. The Disposal constitutes a major transaction and a connected transaction on the part of the Company under the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM.

* *For identification purpose only*

The purpose of this circular is to provide Shareholders with (i) further details with respect to the Disposal and transactions contemplated thereunder; (ii) financial information on the Group; (iii) valuation report; (iv) general information of the Company; and (v) a notice of SGM.

THE SALE AND PURCHASE AGREEMENT

Date: 17 December 2009

Parties: (1) Vendor : Grimston Limited; and

(2) Purchaser : Pegasus Motion Pictures Limited

The Purchaser is principally engaged in film acquisition, production and distribution. The Purchaser is wholly and beneficially owned by Mr. Wong. Therefore, the Purchaser and its associates are connected persons of the Company.

Assets/Liabilities to be disposed/assumed

(A) The Target Sale Shares comprising

(i) the Sale Shares 1, being 100 shares of HK$1 each in the issued share capital of the Target Company 1, representing the entire issued share capital of the Target Company 1 as at the Latest Practicable Date;

(ii) the Sale Shares 2, being 500,000 shares of HK$1 each in the issued share capital of the Target Company 2, representing the entire issued share capital of the Target Company 2 as at the Latest Practicable Date; and

(iii) the Sale Shares 3, being 10,000 shares of US$1 each in the issued share capital of the Target Company 3, representing the entire issued share capital of the Target Company 3 as at the Latest Practicable Date.

(B) Target Inter-companies Balances being (i) all obligations, liabilities and debts owing or incurred by the Target Company 1 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; and (ii) all obligations, liabilities and debts owing or incurred by the Vendor to the Target Company 2 and 3 respectively, 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 Sale and Purchase Agreement, the Target Company 1 is indebted to the Vendor the sum of approximately HK$103 million and the Vendor is indebted to the Target Company 2 and Target Company 3 of approximately HK$2 million and approximately HK$6 million respectively.

Consideration

The consideration for the sale and purchase of the Target Sale Shares, the Inter-companies Balance 1 and assumption of all liabilities under the Inter-companies Balance 2 and the Inter-companies Balance 3 is HK$29,000,000. The Consideration shall be payable in cash in the following manner:

(a) HK$20,000,000, being the Deposit and part of the Consideration, has been paid by the Purchaser to the Vendor upon the signing of the Sale and Purchase Agreement; and

(b) the remaining HK$9,000,000 shall be payable by the Purchaser to the Vendor upon Completion.

The Consideration was determined through arm's length negotiations between the Vendor and the Purchaser and on a commercial basis with reference to (i) the aggregate net liabilities value of the Target Companies, which was mainly contributed by the retained losses recorded by the Target Company 1 and does not carry any value to the Group; (ii) the aggregate losses of the Target Companies; (iii) the business prospects of the Target Companies; and (iv) the valuation of the film library (including 109 films) held by the Target Companies in the amount of approximately HK$26,000,000 as at 30 November 2009 based on discounted cashflow method performed by BMI Appraisals Limited, an independent valuer. As such, the Directors (including the independent non-executive 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 Independent Shareholders as a whole.

Conditions precedent

Completion shall be conditional upon and subject to:

(1) the passing by the Independent Shareholders at the SGM to be convened and held of the necessary resolution to approve the Sale and Purchase Agreement and the transactions contemplated hereunder;

(2) the warranties given by the Purchaser under the Sale and Purchase Agreement remaining true and accurate in all material respects; and

(3) the warranties given by the Vendor under the Sale and Purchase Agreement remaining true and accurate in all material respects.

If the conditions have not been satisfied on or before 4:00 p.m. on 18 February 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.

As at the Latest Practicable Date, none of the above conditions have been satisfied.

Completion

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

Upon Completion, each of the Target Companies will cease to be a subsidiary of the Company.

Undertakings and Indemnities

The undertakings to made by each of the Purchaser and the Target Companies in favour of the Vendor

Pursuant to the Sale and Purchase Agreement, upon Completion each of the Purchaser and the Target Companies shall jointly execute an undertaking deed in favour of the Vendor. Pursuant to the undertakings to be entered into by the Purchaser and the Target Companies upon Completion, each of the Target Companies shall duly perform its obligations under the Licence Agreements entered into by the subsidiaries of the Vendor with their customers for the licence granted by such subsidiaries to their customers for the display of certain films and movies which remains to be performed, in whole or in part.

The deed of indemnity in connection with the potential liability to be or may be incurred under the Licence Agreements

Under the Licence Agreements, the subsidiaries of the Vendor shall procure the Target Companies to grant licence to the counterparties of the Licence Agreements for the display of certain films held by the Target Companies. If the Target Companies after the Disposal fail to grant such licence, the Group will be liable for breach of the Licence Agreements. After arm's length negotiation, each of the Purchaser and the Target Companies jointly agrees to execute the deeds of indemnity in favour of the Vendor to indemnify the Vendor all the claims, damages, losses arising from the non-performance of all or any of the obligations of the Target Companies under the Licence Agreements.

The deed of tax indemnity in connection with the potential tax liability to be or may be incurred by Target Company 3

Since its incorporation in 2001 and up to the date of the Agreement, the Target Company 3 was carried on the business of selling films and film licences to overseas customer and has retained earnings of about HK$6 million. As there was unclear tax position of the taxation status, the Vendor agrees to indemnify the Purchaser and the Target Company 3 the potential tax liability of maximum amount of HK$1 million for a period of two years after Completion after arm's length negotiation. Pursuant to the Sale and Purchase Agreement, upon Completion the Vendor shall execute the deed of tax indemnity in favour of the Purchaser and Target Company 3 to indemnify the Purchaser and Target Company 3 in respect of the tax liability incurred or may be incurred by Target Company

3 for the period from the Completion Date to two years after, with the indemnified amount of not exceeding HK$1 million. The Directors take the view that it is fair and reasonable and in the interest of the Independent Shareholders to execute the deed of tax indemnity in favour of the Purchaser and the Target Company 3.

The deed of indemnity in connection with the potential liability to be or may be incurred by Target Company 3 in relation to "Seven Swords"

Pursuant to the Sale and Purchase Agreement, upon Completion the Vendor shall also execute another deed of indemnity in favour of the Purchaser and the Target Company 3 to indemnify the Purchaser and the Target Company 3 in respect of the liability incurred or may be incurred by Target Company 3 in relation to the film namely "Seven Swords (七劍)". The Company co-operated with five other parties in the production and distribution of the film "Seven Swords". During the distribution of "Seven Swords", the Company had disputes with the PRC party in relation to the revenue generated from "Seven Swords" in the PRC, the Company therefore retained the PRC's profit entitlement in the sum of about HK$1.7 million (the "Lien") from the "Seven Swords" worldwide (apart from the PRC) distribution royalties. The purpose of the deed of indemnity is to indemnify the Purchaser and the Target Company 3 against any potential liability in case that the PRC party institutes any proceedings and has valid claims against the Target Company 3 for the Lien. The Board anticipates that the maximum claims of the PRC party will not exceed the Lien. The Directors take the view that it is fair and reasonable and in the interest of the Independent Shareholders to execute the deed of indemnity in favour of the Purchaser and the Target Company 3.

INFORMATION ON THE TARGET COMPANIES

Each of the Target Companies is engaged in production and distribution of films and movies.

Set out below are the financial results of each of the Target Companies for the two years ended 31 December 2007 and 31 December 2008:

Target Company 1

	For the year ended 31 December 2007	For the year ended 31 December 2008
	HK$'000	*HK$'000*
	(audited)	(audited)
Profit/(Loss) before taxation	(26,292)	(32,739)
Profit/(Loss) after taxation	(26,292)	(32,739)

The unaudited net liabilities of the Target Company 1 as at 30 November 2009 was approximately HK$103 million, which was contributed by substantially retained losses recorded by the Target Company 1.

Target Company 2

	For the year ended 31 December 2007	For the year ended 31 December 2008
	HK$'000	*HK$'000*
	(audited)	(audited)
Profit/(Loss) before taxation	(394)	61
Profit/(Loss) after taxation	(394)	837

The unaudited net assets of the Target Company 2 as at 30 November 2009 was approximately HK$2 million, which was contributed by mainly trade and other receivables and bank balances and cash of the Target Company 2.

Target Company 3

	For the year ended 31 December 2007	For the year ended 31 December 2008
	HK$'000	*HK$'000*
Profit/(Loss) before taxation	666	(53)
Profit/(Loss) after taxation	666	(53)

The unaudited net assets of the Target Company 3 as at 30 November 2009 was approximately HK$6 million, which was contributed by mainly trade and other receivables and bank balances and cash of the Target Company 3.

FINANCIAL EFFECTS

Earnings

Upon Completion, each of the Target Companies will cease to be a subsidiary of the Group and the financial results of which will be deconsolidated from the Group.

It is estimated that the aggregate gain on Disposal of the Target Companies is approximately HK$28 million, which is calculated on the basis that the consideration of the Disposal less (i) the difference between (1) the costs of Target Inter-companies Balances and (2) the aggregate net liabilities value of the Target Companies in the amount of approximately HK$51,000; and (ii) the costs and expenses incurred by the Company in connection with the Disposal in the amount of approximately HK$800,000.

Net assets

Assuming the Completion, each of the Target Companies will cease to be a subsidiary of the Group and both total assets and total liabilities of the Group will be decreased.

It is estimated that the net assets of the Group will be increased by approximately HK$28 million, which is calculated on the basis that the net proceeds from the Disposal of HK$28 million less the difference between the costs of Target Inter-companies Balances and the aggregate net liabilities value of the Target Companies in the amount of approximately HK$51,000.

Working capital

Assuming the Completion, it is estimated that the working capital of the Group will be increased by approximately HK$28 million.

The Board intends to use 30% of the net proceeds from the Disposal for repayment of debt and the remaining 70% of the net proceeds 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 property investments in the PRC.

After having considered (i) the business environment for distribution of old films has become hostile in view of the illegal downloading from internet and pirated VCD or DVD distribution, the Directors consider that the future licensing income will be diminishing, as such it is a good opportunity to dispose of the old film library at a premium; (ii) the aggregate net liabilities value of the Target Companies as at 30 November 2009; and (iii) the aggregate loss made by the Target Companies for the two years ended 31 December 2008, the Directors consider that it is in the interest of the Group to dispose of the Target Companies. The Board also considers that it is in the best interests of the Company and the Independent Shareholders as a whole to re-allocate the management and cash resources and to strengthen the operation and financial position of the Group. Upon Completion, the Company will continue to be engaged in the provision of film production services and film distribution business subsequent to the Disposal.

The Directors (including the independent non-executive Directors) are therefore 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 Independent Shareholders as a whole.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Hong Kong total box office receipts was over HK$1,000,000,000 in 2008, representing 25% of the Chinese total box office receipts in 2008. The Chinese market as a whole recorded a box office receipts of approximately RMB2,340,000,000. The Chinese film market provides tremendous opportunities and is attractive to the investors.

The Group had disposed one loss-making subsidiary and one loss-making jointly controlled entity during the year ended 31 December 2009. Both disposals has generated gains and cash flow to the Group, which will enhance the future development of the Group.

In the future, the Group would adopt a "twin-line" policy as its forward strategy, to invest in film production that offers high return and leverage, and on the other hand to invest in mainland properties that provides stable income stream and cash flow to the Group.

LISTING RULES REQUIREMENTS

The Disposal constitutes a major transaction on the part of the Company under the Listing Rules. As Mr. Wong, being the ultimate beneficial owner of the Purchaser, is a connected person of the Company, the Disposal also constitutes a connected transaction on the part of the Company and will be subject to the approval of the Independent Shareholders at the SGM by way of poll.

SGM

The SGM will be held on 29 January 2010 at 2:30 p.m. at 5/F, Cheung Fai Industrial Building, 131 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong, for the purpose of considering, and if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

A notice convening the SGM is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM if you so wish.

The Disposal is subject to, among others, the approval by the Independent Shareholders at the SGM to be taken by way of a poll. The Purchaser and its associates, who hold in aggregate approximately 1.70% of the entire issued share capital of the Company as at the Latest Practicable Date, will abstain from voting for the relevant resolutions at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder due to their interests in the Disposal.

RECOMMENDATION

The Directors consider that the terms of the Sale and Purchase Agreement and the transaction contemplated thereunder are fair and reasonable to the Company and in the interests of the Independent Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the appendices to this circular.

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

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Disposal.

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)

12 January 2010

To the Independent Shareholders

Dear Sir or Madam,

MAJOR DISPOSAL AND CONNECTED TRANSACTION

We refer to the circular of the Company dated 12 January 2010 (the "**Circular**") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise you as to whether the terms of the Disposal are fair and reasonable. Veda Capital has been appointed as independent financial adviser to advise you and us in this regard.

Having taken into account the principal reasons and factors considered by, and the advice of, Veda Capital as set out in its letter of advice to you and us on pages 15 to 24 of the Circular, we are of the opinion that the Disposal is in the interests of the Company and the Independent Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend you to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Disposal.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. Choy Sze Chung, Jojo **Mr. Tsui Pui Hung** **Mr. Chan Tung Tak, Alain**

* *For identification purpose only*

The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, which has been prepared for the purpose of inclusion in this circular.

Veda Capital Limited
Suite 1302, 13/F
Takshing House
20 Des Voeux Road Central
Hong Kong

12 January 2010

To the Independent Board Committee and the Independent Shareholders of China Mandarin Holdings Limited

Dear Sirs,

MAJOR DISPOSAL AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and the reasonableness of the Disposal, details of which are set out in the circular to the Shareholders dated 12 January 2010 (the "**Circular**"), of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context requires otherwise.

On 23 December 2009, the Board announced that on 17 December 2009, the Vendor entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Target Sale Shares, the Inter-companies Balance 1 and to assume all liabilities under the Inter-companies Balance 2 and the Inter-companies Balance 3 by the Purchaser.

The consideration for the sale and purchase of the Target Sale Shares, the Inter-companies Balance 1 and assumption of all liabilities under the Inter-companies Balance 2 and the Inter-companies Balance 3 is HK$29,000,000, which shall be payable by the Purchaser to the Vendor in cash. The Disposal constitutes a major transaction and a connected transaction on the part of the Company under the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM.

The Independent Board Committee, comprising Mr. Choy Sze Chung, Jojo, Mr. Tsui Pui Hung and Mr. Chan Tung Tak, Alain, has been established to advise the Independent Shareholders for Disposal as to (i) whether the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Disposal is in the interests of the Company and the Independent Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the Disposal at the SGM. The appointment of Veda Capital has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Director(s) and the management. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Director(s) and the management, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the date of the SGM. We have also assumed that all statements of belief, opinion and intention made by the Director(s) in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Director(s) and have been confirmed by the Director(s) that no material facts and representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Director(s) and management of the Company. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our recommendation regarding the Disposal.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the Disposal, we have taken into consideration the following factors and reasons:

Background and financial information of the Group

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 property investments in the PRC.

According to the Group's 2008 annual report (the "**AR 2008**"), the turnover of the Group was approximately HK$63.23 million for the year ended 31 December 2008, which represented a decrease of approximately 17.58% as compared to the turnover for the year ended 31 December 2007 of approximately HK$76.72 million. As advised by the Company, the decrease in turnover was mainly because that only one film was shown during the year and the box office receipts were not satisfactory as the film was put on show during the period of the Beijing Olympic Game. The loss attributable to Shareholders was approximately HK$216.32 million for the year ended 31 December 2008, which represented an increase in net loss attributable to Shareholders of approximately 439.89% as compared to the loss attributable to Shareholders for the year ended 31 December 2007 of approximately HK$40.07 million. As set out in AR 2008, the substantial loss for the Group was mainly attributable to (i) the impairment loss due to decrease in revaluation on the fair value of the investment property in the PRC; (ii) the impairment loss on the fair value of film rights of certain films of the Group; (iii) realized losses on disposal of Hong Kong listed shares; and (iv) decrease in revenue due to the unexpected market situation relating to the film distribution.

According to the Group's 2009 interim report (the "**IR 2009**"), the turnover of the Group from continuing operation was approximately HK$85.60 million for the six months ended 30 June 2009, represented an increase of approximately 338.87% as compared to the corresponding figure of approximately HK$19.51 million generated from the continuing operation for the six months ended 30 June 2008. As advised by the Company, such increase in turnover from continuing operation was mainly attributable to the satisfactory box office receipts on the two films which were put on show during the Christmas and Lunar New Year period. The Group has recorded loss attributable to Shareholders of approximately HK$23.04 million for the six months ended 30 June 2009, which represented an increase in net loss attributable to Shareholders of approximately 65.33% as compared to the loss attributable to Shareholders for the six months ended 30 June 2008 of approximately HK$13.94 million. As advised by the Company, the loss was mainly caused by non-cash derivative losses.

Information of the Target Sale Shares and the Target Inter-companies Balances

(A) The Target Sale Shares

(i) the Sale Shares 1, being 100 shares of HK$1 each in the issued share capital of the Target Company 1, representing the entire issued share capital of the Target Company 1 as at the Latest Practicable Date;

(ii) the Sale Shares 2, being 500,000 shares of HK$1 each in the issued share capital of the Target Company 2, representing the entire issued share capital of the Target Company 2 as at the Latest Practicable Date; and

(iii) the Sale Shares 3, being 10,000 shares of US$1 each in the issued share capital of the Target Company 3, representing the entire issued share capital of the Target Company 3 as at the Latest Practicable Date.

As set out in the Letter from the Board, each of the Target Companies is engaged in production and distribution of films and movies. Set out below are the financial results of each of the Target Companies for the two years ended 31 December 2007 and 31 December 2008:

Target Company 1

	For the year ended 31 December 2007	**For the year ended 31 December 2008**
	HK$'000	*HK$'000*
	(audited)	(audited)
Profit/(Loss) before taxation	(26,292)	(32,739)
Profit/(Loss) after taxation	(26,292)	(32,739)

The unaudited net liabilities of the Target Company 1 as at 30 November 2009 was approximately HK$103 million, which was contributed by substantially retained losses recorded by the Target Company 1.

Target Company 2

	For the year ended 31 December 2007	**For the year ended 31 December 2008**
	HK$'000	*HK$'000*
	(audited)	(audited)
Profit/(Loss) before taxation	(394)	61
Profit/(Loss) after taxation	(394)	837

The unaudited net assets of the Target Company 2 as at 30 November 2009 was approximately HK$2 million, which was contributed by mainly trade and other receivables and bank balances and cash of the Target Company 2.

Target Company 3

	For the year ended 31 December 2007	**For the year ended 31 December 2008**
	HK$'000	*HK$'000*
Profit/(Loss) before taxation	666	(53)
Profit/(Loss) after taxation	666	(53)

The unaudited net assets of the Target Company 3 as at 30 November 2009 was approximately HK$6 million, which was contributed by mainly trade and other receivables and bank balances and cash of the Target Company 3.

(B) Target Inter-companies Balances

Target Inter-companies Balances being (i) all obligations, liabilities and debts owing or incurred by the Target Company 1 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; and (ii) all obligations, liabilities and debts owing or incurred by the Vendor to the Target Company 2 and 3 respectively, 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 set out in the Letter from the Board, as at the date of Sale and Purchase Agreement, the Target Company 1 is indebted to the Vendor the sum of approximately HK$103 million and the Vendor is indebted to the Target Company 2 and Target Company 3 of approximately HK$2 million and approximately HK$6 million respectively.

Reasons for the Disposal

As set out in the Letter from the Board, after having considered (i) the business environment for distribution of old films has become hostile in view of the illegal downloading from internet and pirated VCD or DVD distribution, the Directors consider that the future licensing income will be diminishing, as such it is a good opportunity to dispose the old film library at a premium; (ii) the aggregate net liabilities value of the Target Companies as at 30 November 2009; and (iii) the aggregate loss made by the Target Companies for the two years ended 31 December 2008, the Directors consider that it is in the interest of the Group to dispose of the Target Companies. The Board also considers that it is in the best interests of the Company and the Independent Shareholders as a whole to re-allocate the management and cash resources and to strengthen the operation and financial position of the Group. Upon Completion, the Company will continue to be engaged in the provision of film production services and film distribution business subsequent to the Disposal.

The Directors are therefore 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 Independent Shareholders as a whole. As advised by the Company, it intends to use the 30% of net proceeds from the Disposal for repayment of debt and the remaining 70% of the net proceeds as general working capital of the Group.

As set out in IR 2009, the Group is now under a transformation process. During the six months ended 30 June 2009, the name of the Group was changed, a new management was formed, and the unpromising subsidiary was disposed. Restructuring has been taken place to reflect the new direction of the Group, which is to focus on film production, film distribution and property investment businesses. The Group would adopt a “twin-line” policy as its forward strategy, to invest in film production that offers high return and leverage, and on the other hand to invest in mainland properties that provides stable income stream and cash flow to the Group. The Group would put forth the following plans in the latter half of the year 2009: (1) “Ip Man” is well received by the public and the production of “Ip Man 2” is now under progress and is expected to be shown during the summer of 2010; (2) the Group would dedicate its effort to promote the film library in order to raise the distribution income of the Group; (3) the Group is finding opportunity to dispose the non-profit making investment at a reasonable price; and (4) marketing research would be conducted in discovering the taste of both Hong Kong and the mainland audience, and topics of the film will base on the favour of the audience. Hence, films produced would be able to cater the needs of the audience in Hong Kong and the mainland. We were also advised by the Company, the film library held by the Target Companies consisted of 109 films (the "**Film Library**"), most of which has been released for more than 3 years and in view of the difficult business environment for the distribution of old films business as a result of the illegal downloading from internet and pirated VCD or DVD distribution, the Directors will focus on promoting the film library which consisted of the released films with short history and the new films to be released.

Having considered that (i) the aggregate loss making and aggregate net liabilities position of the Target Companies; (ii) the Disposal will enable the Group to re-allocate the management and cash resources and to strengthen the operation and financial position of the Group; (iii) the Disposal is aligned with the business plan of the Group to dispose the non-profit making investment and is expected to realize a gain to the Group upon Completion; and (iv) the difficult business environment for the distribution of old films business as a result of the illegal downloading from internet and pirated VCD or DVD distribution, we agree with the view of the Directors that the Disposal is in the interests of the Company and the Independent Shareholders as a whole.

Consideration

As stated in the Letter from the Board and advised by the Company, we understand that the cash Consideration of HK$29,000,000 was determined through arm's length negotiations between the Vendor and the Purchaser and on a commercial basis with reference to (i) the aggregate net liabilities value of the Target Companies, which was mainly contributed by the retained losses recorded by the Target Company 1 and does not carry any value to the Group; (ii) the aggregate losses of the Target Companies; (iii) the business prospects of the Target Companies; and (iv) the valuation of the Film Library in the amount of approximately HK$26,000,000 (the "**Valuation**") as at 30 November 2009 based on discounted cashflow method performed by BMI Appraisals Limited, an independent valuer.

We have reviewed the Valuation and observed that the Valuation has been carried out on the basis of market value under the discounted cashflow method. As set out in the Valuation, the income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar business with a similar risk profile. Also set out in the Valuation that for the purpose of the valuation and in arriving at the opinion of value, the valuer has referred to the information provided by the senior management of the Company to estimate the value of the Film Library. The valuer has also sought and received confirmation from the Company that no material facts have been omitted from the information supplied. We noted from the report from Robert Chui & Co. in Appendix IIA of the Circular that the auditors of the Company has stated that given the basis as mentioned on its report, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the Directors as set out in Appendix

II of the Circular. We also noted from the report from Grand Vinco Capital Limited in Appendix IIB of the Circular that given the basis as mentioned on its report, Grand Vinco Capital Limited is satisfied that the forecasts upon which the Valuation has been made. In light of the above, we are of the view that the Valuation has been reasonably prepared and are normal in nature without any unusual assumption and the basis of the Valuation is fair and reasonable. As such, we consider the Valuation is a good reference for Independent Shareholders to assess the fairness and reasonableness of the Consideration.

In view of the factors mentioned above and given we are of the opinion that the Valuation is a good reference for Independent Shareholders to assess the fairness and reasonableness of the Consideration, we concur with the Directors that the Consideration for the Disposal is fair and reasonable. Independent Shareholders are advised to refer to the valuation report contained in Appendix II of the Circular for details of the basis and assumptions of the Valuation.

Undertaking and indemnities

(A) The undertakings to made by each of the Purchaser and the Target Companies in favour of the Vendor (the "Undertaking")

Pursuant to the Sale and Purchase Agreement, upon Completion each of the Purchaser and the Target Companies shall jointly execute an undertaking deed in favour of the Vendor. Pursuant to the undertakings to be entered into by the Purchaser and the Target Companies upon Completion, each of the Target Companies shall duly perform its obligations under the Licence Agreements entered into by the subsidiaries of the Vendor with their customers for the licence granted by such subsidiaries to their customers for the display of certain films and movies which remains to be performed, in whole or in part.

(B) The deed of indemnity in connection with the potential liability to be or may be incurred under the Licence Agreements (the "Indemnity I")

Under the Licence Agreements, the subsidiaries of the Vendor shall procure the Target Companies to grant licence to the counterparties of the Licence Agreements for the display of certain films held by the Target Companies. If the Target Companies after the Disposal fail to grant such licence, the Group will be liable for breach of the Licence Agreements. After arm's length negotiation, each of the Purchaser and the Target Companies jointly agrees to execute the deeds of indemnity in favour of the Vendor to indemnify the Vendor all the claims, damages, losses arising from the non-performance of all or any of the obligations of the Target Companies under the Licence Agreements.

(C) The deed of tax indemnity in connection with the potential tax liability to be or may be incurred by Target Company 3 (the "Indemnity II")

Since its incorporation in 2001 and up to the date of the Agreement, the Target Company 3 was carried on the business of selling films and film licences to overseas customer and has retained earnings of about HK$6 million. As there was unclear tax position of the taxation status, the Vendor agrees to indemnify the Purchaser and the Target Company 3 the potential tax liability of maximum amount of HK$1 million for a period of two years after Completion after arm's length negotiation. Pursuant to the Sale and Purchase Agreement, upon Completion the Vendor shall execute the deed of tax indemnity in favour of the Purchaser and Target Company 3 to indemnify the Purchaser and Target Company 3 in respect of the tax liability incurred or may be incurred by Target Company 3 for the period from the Completion Date to two years after, with the indemnified amount of not exceeding HK$1 million (the "**Maximum Tax Payment**"). The Directors take the view that it is fair and reasonable and in the interest of the Independent Shareholders to execute the deed of tax indemnity in favour of the Purchaser and the Target Company 3.

(D) The deed of indemnity in connection with the potential liability to be or may be incurred by Target Company 3 in relation to "Seven Swords" (the "Indemnity III")

Pursuant to the Sale and Purchase Agreement, upon Completion the Vendor shall also execute another deed of indemnity in favour of the Purchaser and the Target Company 3 to indemnify the Purchaser and the Target Company 3 in respect of the liability incurred or may be incurred by Target Company 3 in relation to the film namely "Seven Swords (七劍)". The Company co-operated with five other parties in the production and distribution of the film "Seven Swords". During the distribution of "Seven Swords", the Company had disputes with the PRC party in relation to the revenue generated from "Seven Swords" in the PRC, the Company therefore retained the PRC's profit entitlement in the sum of about HK$1.7 million (the "**Lien**") from the "Seven Swords" worldwide (apart from the PRC) distribution royalties. The purpose of the deed of indemnity is to indemnify the Purchaser and the Target Company 3 against any potential liability in case that the PRC party institutes any proceedings and has valid claims against the Target Company 3 for the Lien. The Board anticipates that the maximum claims of the PRC party will not exceed the Lien. The Directors take the view that it is fair and reasonable and in the interest of the Independent Shareholders to execute the deed of indemnity in favour of the Purchaser and the Target Company 3.

Having consider that (i) the Undertaking and the Indemnity I were executed in the favour of the Company; (ii) as advised by the Company, the Undertaking, the Indemnity I, the Indemnity II and the Indemnity III were commercial decisions made between the Company and the Purchaser after arm's length negotiation; (iii) the Consideration after the reduction of Maximum Tax Payment and the Lien still represent a premium to the Valuation; and (iv) as set out it the Letter from the Board, it is estimated that the aggregate gain on Disposal of the Target Companies is approximately HK$28 million, based on such estimation, the Disposal still recognise a gain to the Company after taking into account the Maximum Tax Payment and the Lien, we consider the Undertaking, the Indemnity I, the Indemnity II and the Indemnity III are commercially justifiable and concur with the Directors that it is fair and reasonable to execute the Undertaking, the Indemnity I, the Indemnity II and the Indemnity III.

Financial effect of the Disposal

(i) Net asset value

As reported in IR 2009, the unaudited net asset value of the Group as at 30 June 2009 was approximately HK$158.45 million. As set out in the Letter from the Board, assuming the Completion, each of the Target Companies will cease to be a subsidiary of the Group and both total assets and total liabilities of the Group will be decreased. It is estimated that the net assets of the Group will be increased by approximately HK$28 million, which is calculated on the basis that the net proceeds from the Disposal of approximately HK$28 million less the difference between the costs of Target Inter-companies Balances and the aggregate net liabilities value of the Target Companies in the amount of approximately HK$51,000.

(ii) Earnings

As set out in the Letter from the Board, upon Completion, each of the Target Companies will cease to be a subsidiary of the Group and the financial results of which will be deconsolidated from the Group. It is estimated that the aggregate gain on Disposal of the Target Companies is approximately HK$28 million, which is calculated on the basis that the consideration of the Disposal less (i) the difference between (1) the costs of Target Inter-companies Balances and (2) the aggregate net liabilities value of the Target Companies in the amount of approximately HK$51,000; and (ii) the costs and expenses incurred by the Company in connection with the Disposal in the amount of approximately HK$800,000.

(iii) Working Capital

As set out in the Letter from the Board, assuming the Completion, it is estimated that the working capital of the Group will be increased by approximately HK$28 million.

In view the enhancement of the Disposal on the net assets, earnings and working capital of the Group, we consider the Disposal is in the interest of the Company and the Independent Shareholders as a whole.

Recommendation

Having considered the above-mentioned principal factors and reasons, in particular, taking into account that:

(i) the aggregate loss making and aggregate net liabilities position of the Target Companies;

(ii) the Disposal will enable the Group to re-allocate the management and cash resources and to strengthen the operation and financial position of the Group;

(iii) the Disposal is aligned with the business plan of the Group to dispose the non-profit making investment and is expected to realize a gain to the Group upon Completion;

(iv) the difficult business environment for the distribution of old films business as a result of the illegal downloading from internet and pirated VCD or DVD distribution;

(v) the Consideration, even after deduction of the Maximum Tax Payment and the Lien, represents a premium to the Valuation; and

(vi) the enhancement on net assets, earnings and working capital of the Group upon Completion,

we consider the Disposal is on normal commercial terms and in the ordinary and usual course of the business of the Group and the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. We would therefore recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Disposal to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Veda Capital Limited

Hans Wong	**Julisa Fong**
Managing Director	*Executive Director*

INDEBTEDNESS, LIQUIDITY AND FINANCIAL RESOURCES

At the close of business on 30 November 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately HK$90 million, comprising (i) a term loan of approximately HK$2 million; (ii) a hire purchase of approximately HK$0.1 million; (iii) an unsecured loan of approximately HK$0.2 million; (iv) a loan from Mr. Zhang Xun, a Shareholder, of approximately HK$16.7 million; (v) a loan from Mr. Wong Pak Ming, a Shareholder, of approximately HK$20.6 million; and (vi) liability component of convertible bonds of approximately HK$50.4 million.

Save as disclosed above and apart from the intra-group liabilities and normal trade bills arising in the ordinary course of business, at the close of business on 30 November 2009, the Group did not have any other outstanding indebtedness, loan capital, bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase or finance lease commitments, guarantees or contingent liabilities.

WORKING CAPITAL

The Directors consider that the Group will, following the Completion and taking into account the present internal financial resources, have sufficient working capital for its requirement in next 12 months from the date of the circular.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date of which the latest audited financial statements of the Group were made up.

The following is the text of a letter prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation of the market value as at 30 November 2009 of the 100% interest in the film library with 109 films owned by China Mandarin Holdings Limited.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

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12 January 2010

The Directors
China Mandarin Holdings Limited
5th Floor
Cheung Fai Industrial Building
No. 131 Wai Yip Street
Kwun Tong, Kowloon
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from China Mandarin Holdings Limited (referred to as the "Company") for us to provide our opinion on the market value of the 100% interest in the film library (referred to as the "Film Library") with 109 films owned by the Company. The date of valuation is 30 November 2009.

This report describes the background of the Company, the Film Library and the basis of valuation and assumptions. It also explains the valuation methodologies utilized and presents our conclusion of value.

BASIS OF VALUATION

Our valuation has been carried out on the basis of market value. Market value is defined as "*the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion*".

BACKGROUND OF THE COMPANY

The Company was listed on the Hong Kong Stock Exchange Main Board (Code: 00009) in September 2001 and became one of the largest film distribution and production firms in Hong Kong. The Company is mainly engaged in the film and television movie entertainment industry, providing one-stop service including presentation, production planning, production, post-production works as well as local and overseas distribution.

BRIEF INDUSTRY OVERVIEW

Hong Kong is among the world's largest film exporters. Hong Kong's film industry as a whole is reliant on overseas revenues, given the limited size of the domestic market. Asia, particularly in the People's Republic of China (the "PRC"), accounts for the majority of the foreign sales income. Under the newly signed "Closer Economic Partnership Arrangement" (referred to as the "CEPA"), significant market liberalisation measures are granted to Hong Kong's audio-visual service industry. The Cantonese version of films co-produced by Hong Kong and the PRC can be distributed and screened in Guangdong Province, the PRC. In addition, films and television dramas co-produced by Hong Kong and the PRC are free from the annual import quota.

Hong Kong TV companies also derive a substantial portion of their revenue from overseas markets, targeting primarily Chinese-speaking populations. Currently, the PRC has the largest television market in the world. With a surge in TV and cable channels, the PRC's demand for quality programme content is huge. Yet the PRC's market is small for Hong Kong television content due to stringent government regulations. Nevertheless, landing rights have been granted to Hong Kong's TV broadcasters to millions of homes in Guangdong Province, and much wider access of mainland-Hong Kong co-produced television programmes are provided under the newly signed CEPA. Hong Kong's TV industry is expected to greatly benefit from more opportunities from PRC.

DESCRIPTION OF THE FILM LIBRARY

The Film Library contains the copyrights of 109 films. The only major source of revenue for the Film Library is the royalty fees generated by allowing different media channels such as free TV, cable TV, airline TV, etc. to broadcast the films owned by the Film Library. The following table presents the detailed composition of the Film Library:

No.	Name of Film	片名	% Interest Owned	Genre
1	All's Well End's Well	家有囍事	100%	Comedy
2	It's A Mad Mad Mad World Too	富貴黃金屋	100%	Comedy
3	Girls Without Tomorrow 1992	現代應召女郎	100%	Drama
4	Rich Man	何日金再來	100%	Comedy
5	All's Well End's Well Too	花田囍事	100%	Comedy

No.	Name of Film	片名	% Interest Owned	Genre
6	Supernormal II	大迷信 1993	100%	Documentary
7	Insanity	觸目驚心	100%	Thriller
8	Master Wong Vs Master Wong	黃飛鴻對黃飛鴻	100%	Comedy
9	Crazy Love	李麗珍蜜桃成熟時	100%	Erotic Drama
10	The Incorruptibles	李洛夫奇案	100%	Action Drama
11	Killer's Love	兩廂情願	100%	Comedy / Thriller
12	Vendetta	再世追魂	100%	Suspense Horror
13	Laughters Of "Water Margins"	水滸笑傳	100%	Comedy
14	The Tiger's-Legend Of Canton	廣東五虎之鐵拳無敵孫中山	100%	Comedy
15	The Bride With White Hair	白髮魔女傳	100%	Period Action
16	Avenging Quartet	霸海紅英	100%	Action
17	Guns Of Dragon	虎穴屠龍之轟天陷阱	100%	Action
18	The Bride With White Hair 2	白髮魔女2	100%	Period Action
19	It's A Wonderful Life	大富之家	100% except PRC	Comedy
20	Satin Steel	重金屬	100%	Action
21	I Will Wait For You	年年有今日	100%	Romantic Comedy
22	Daughter of Darkness II	滅門慘案II借種	50%	Sexy Thriller
23	I Wanna Be Your Man	神探磨轆	100% except Taiwan	Comedy
24	Tears And Triumph	昨夜長風	50%	Drama
25	Screwball '94	不文女學堂	100%	Erotic Comedy
26	Naughty Couple	撞板風流	100%	Comedy
27	Now You See Me, Now You Don't	怪俠一枝梅	50%	Comedy
28	The Chinese Feast	金玉滿堂	50%	Comedy
29	Fake Emperor	冒牌皇帝	50%	Comedy
30	Hong Kong Graffiti	香江花月夜	100%	Musical

No.	Name of Film	片名	% Interest Owned	Genre
31	Ghost House, A True Story	猛鬼屠房	100%	Horror
32	Just Married	横紋刀劈扭紋柴	66.6%	Comedy
33	Those Were The Days	慈雲山十三太保	50%	Action Drama
34	Midnight Caller	狼吻夜驚魂	100%	Thriller
35	The Phantom Lover	夜半歌聲	65%	Romance
36	I Want To Go On Living	我要活下去	100% except PRC	Drama
37	Legendary Couple	我是一個賊	100% except PRC	Action
38	Tristar	大三元	100%	Comedy
39	Scorpio	蛇蠍夜合花	100%	Sexy Drama
40	All Of A Sudden	驚變	100%	Sexy Drama
41	All's Well End's Well '97	家有囍事	100%	Comedy
42	Up For The Rising Sun	抱擁朝陽	100% except PRC	Romance
43	Troublesome Night	陰陽路	100%	Horror
44	97 Aces Go Places	最佳拍檔之醉街拍檔	100%	Action Comedy
45	Destination - 9th Heaven	衝上九重天	100%	Romance
46	Eighteen Spring	半生緣	100% except PRC	Romance
47	Ninth Happiness	九星報喜	100%	Comedy
48	Magnificent Team	非常警察	50%	Action Drama
49	Troublesome Night 4	陰陽路4與鬼同行	100% except Philippines	Horror
50	Fascination Amour	愛情夢幻號	100%	Romantic Comedy
51	The Doctor In Spite Of Himself	醫神	100%	Comedy

No.	Name of Film	片名	% Interest Owned	Genre
52	My Heart Will Go On	還我情深	100% except PRC	Action Drama
53	The Mirror	怪談之魔鏡	100% except PRC	Horror
54	Winner Takes All	大贏家	100%	Comedy
55	Paramount Motel	情陷百樂門	100%	Action Drama
56	Perfect Match	跑馬地的月光	100%	Romance
57	Esprit D'Amour	陰陽愛	100%	Horror/Romance
58	Blue Moon	月滿抱西環	100%	Romance
59	Final Romance	願望樹	100%	Romance
60	Nightmares In Precinct 7	七號差館	100%	Horror
61	Killing End	殺科	100%	Action
62	Women's Private Parts	女人那話兒	100%	Documentary
63	Dancing Lion	醒獅	50%	Comedy
64	Street Car Named Desire	日落卡門	100%	Sexy Drama
65	Ghost For Sale	捉鬼專門店	100%	Horror/Comedy
66	Cash On Delivery	與鴨共舞	100%	Sexy Drama
67	Faithfully Yours	叛逆情緣	100%	Drama
68	The Embroidered Banner	花幟	37.5% except PRC	TV series
69	The Change of Fate	風雲變	100%	TV series
70	Ultimate Fight	終極格鬥	100%	Action Drama
71	Dragon Tiger Gate	龍虎門	66.6%	Action
72	Flash Point	導火綫	100% except PRC	Action
73	The Theatre	大劇院	100%	TV series
74	Wonder Women	女人本色	66.6%	Drama

No.	Name of Film	片名	% Interest Owned	Genre
75	All's Well End's Well 2009	家有囍事2009	100% except PRC	Comedy
76	Happy Family	風流家族	100%	Comedy
77	Dry Wood Fierce Fire	乾柴烈火	100%	Romantic Comedy
78	Return From The Other World	賭神之神	50%	Drama
79	Sleeping With The Dead	枕邊凶靈	100%	Horror
80	Reunion	手足情深	100% except PRC	Action
81	Nine Girls And A Ghost	九個女仔一隻鬼	100%	Comedy
82	Feel 100% 2003	百份百感覺2003	100%	Romance
83	City of Sars	非典人生	100% except PRC	Drama
84	In Laws, Out Laws	我的大嚿父母	35%	Comedy
85	Love Trilogy	三十分鐘戀愛	100% except PRC	Drama
86	Life Express	生死速遞	100% except PRC	Drama
87	Escape From Hong Kong Island	墨斗先生	100%	Comedy Drama
88	Dating Death	失驚無神	100%	Thriller
89	Seven Swords	七劍	100%	Action
90	Love Is Butterfly	飄忽男女	100%	Romantic Comedy
91	To Where We Belongs	旺角街頭	100%	Drama
92	The Point of No Return	回頭太難	100%	Drama
93	The Young Ones	十五歲半	100%	Drama
94	Money Laundry	借黑錢	100%	Drama

No.	Name of Film	片名	% Interest Owned	Genre
95	Home of a Villain	古惑夕陽紅	100%	Drama
96	One Step Beyond	大靈通	100%	Documentary
97	When a Man Loves a Woman	愛我別走	100%	Drama
98	Fing's Raver	Fing頭K王之王	100%	Drama
99	Clueless	不解之謎	100%	Thriller
100	Deep in the Night	驚夢魂	100%	Horror
101	The Return	親情回歸	100%	Drama
102	Carry On Wise Guy	破戒	100%	Drama
103	Dirty Kung Fu	鬼馬功夫	100%	Comedy Drama
104	The Fool Escape	發圍	100%	Comedy Drama
105	When a Child is Born	有兒萬事足	100%	Comedy Drama
106	The Great Jetfoil Robbery	東星號大劫案	100%	Drama
107		男人那東西	100%	Comedy Drama
108	Fourteen Days Before Suicide	自殺前的十四天	100%	Thriller
109	To Love Ferrari	我愛法拉利	100%	Comedy Drama

SOURCE OF INFORMATION

For the purpose of our valuation, we were furnished with the financial and operational data related to the Film Library, which were provided by the senior management of the Company.

The valuation of the Film Library required consideration of all pertinent factors affecting the economic benefits of the Film Library and its abilities to generate future investment returns. The factors considered in the valuation included, but were not limited to, the following:

- The nature of the Film Library;
- The financial and operational information of the Film Library;
- The specific economic environment and competition for the market in which the Film Library is exposed to;
- Market-derived investment returns of entities engaged in similar lines of business; and
- The financial and business risks of the Film Library including the continuity of income and the projected future results.

SCOPE OF WORKS

In the course of our valuation work for the Film Library, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions provided by the senior management of the Company:

- Interviewed with the senior management of the Company;
- Obtained all relevant financial and operational information of the Film Library;
- Performed market researches and obtained statistical figures from public sources;
- Examined all relevant bases and assumptions in both the financial and operational information provided by the senior management of the Company;
- Prepared a business financial model to derive the indicated value of the Film Library; and
- Presented all relevant information of the background of the Company and the Film Library, valuation methodology, source of information, scope of works, major assumptions, comments and our conclusion of value in this report.

VALUATION ASSUMPTIONS

Given the changing environment in which the Film Library is exposed to, or will be exposed to, a number of assumptions have to be established in order to sufficiently support our concluded opinion of value of the Film Library. The major assumptions adopted in our valuation are:

- the expected future royalty income of the films is proportional to the actual royalty income from the first 3 years after the release of such films;
- the films are classified by the first 3 years' royalty income of the films;
- the royalty income exhibits a declining rate which is the same for the films within the same group;
- There will be no major changes in the existing political, legal, and economic conditions in the jurisdiction where the Film Library is exposed to, or will be exposed to;
- There will be no major changes in the current taxation law in the jurisdiction where the Film Library is exposed to, or will be exposed to, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- The financial information in respect of the Film Library has been prepared on a reasonable basis, reflecting estimates that have been arrived at after due and careful considerations by the senior management of the Company; and
- Exchange rates and interest rates will not differ materially from those presently prevailing.

VALUATION METHODOLOGY

Three generally accepted valuation methodologies have been considered in valuing the Film Library. *They are the market approach, the cost approach and the income approach.*

The *market approach* provides indications of value by comparing the subject to similar businesses, business ownership interests, and securities that have been sold in the market.

The *cost approach* provides indications of value by studying the amounts required to recreate the business for which a value conclusion is desired. This approach seeks to measure the economic benefits of ownership by quantifying the amount of fund that would be required to replace the future service capability of the business.

The *income approach* is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar business with a similar risk profile.

We considered that the *market approach* is not applicable for the valuation, as there are insufficient comparable transactions in the market. Except for "The Theatre (大劇院)", which has not been released and its royalty income can not been estimated, its value is measured by *cost approach*, we considered that the *cost approach* is not an adequate approach for the valuation, as this approach does not take future growth potential of benefit from the Film Library into consideration. Thus, we determined that the *income approach* was the most appropriate valuation approach to value the market value of all other films in the Film Library.

In the valuation, we applied the *income approach* also known as the discounted cash flow (DCF) method. We determined the market value by applying a discount rate (the cost of capital) in the DCF model to determine the net present value of the Film Library future expected cash flows. The expected cash flows were determined from the net profits after tax plus non-cash expenses such as depreciation and amortization expenses, and after-tax interest expenses and less non-cash incomes, capital expenditures and changes in working capital.

Weighted Average Cost of Capital (WACC) was adopted as the discount rate for the valuation. WACC comprises of two components: cost of equity and cost of debt.

Cost of equity takes into account two different types of risks – systematic risks and non-systematic risks. Risks that are correlated with the return from the stock market are referred to as systematic risks. Other risks that are company-specific are referred to as non-systematic risks. We determined the rate of return for systematic risks based on the Capital Asset Pricing Model ("CAPM"). The CAPM states that an investor requires excess returns to compensate systematic risks but provides no excess return for non-systematic risks.

Under the CAPM, the appropriate rate of return is the sum of the risk-free rate and a related beta times the market risk premium. We adopted the yield of the 10-year Hong Kong Exchange Fund Notes as at the date of valuation as the risk-free rate, which was 2.083%. The beta was determined as the historical beta of the Company, which is 0.538. Besides, the market risk premium we adopted in the DCF model was 10.090%. As a result, the cost of equity for the Film Library was calculated as 7.511%.

Cost of debt was determined as the best lending rate in Hong Kong as at the date of valuation, which is 5.00%. Thus, WACC was 7.074%.

As the uncertainties on the return of the Film Library were expected to be larger than that of the total equity of the Company, a 4% specific risk premium was added above the WACC. Therefore, the discount rate for the Film Library was 11.074% as at 30 November 2009.

The concept of marketability deals with the liquidity of the Film Library, that is, how quickly and easily they can be converted into cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for the Film Library. In our valuation, 30% was used as the discount for lack of marketability.

VALUATION COMMENTS

For the purpose of the valuation and in arriving at our opinion of value, we have referred to the information provided by the senior management of the Company to estimate the value of the Film Library. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK$) and no allowances have been made for any exchange transfers.

CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company or us.

Based on our investigation and analysis outlined in this report, it is of our opinion that the market value of the 100% interest in the Film Library of the Company as at 30 November 2009 is HK$26,000,000 (**HONG KONG DOLLARS TWENTY SIX MILLION ONLY).**

We hereby certify that we have neither present nor prospective interest in the Company, the Film Library or the value reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C. H. Cheng
BSc, MUD, MBA(Finance), MSc(Eng), PhD(Econ), FCIM, FRSM, SICME, SIFM, MHKIS, MCIArb, AFA, MASCE, MIET, MIEEE, MASME, MIIE, MASHRAE, MAIC
Managing Director

Marco T. C. Sze
B.Eng(Hon), PGD(Eng), MBA(Acct), CFA, AICPA/ABV, RBV
Director

Notes:

1. Dr. Tony C. H. Cheng serves as the Chairman of Institute of Mechanical Engineers, China and is a member of the Hong Kong Institute of Surveyors (General Practice), a member of the American Society of Civil Engineers, a member of the American Society of Mechanical Engineers and a member of Institute of Industrial Engineers (U.K.). He has about 15 years' experience in valuing similar assets or companies engaged in similar business activities as those of the Film Library worldwide.

2. Mr. Marco T. C. Sze is a holder of Chartered Financial Analyst, a member of the American Institute of Certified Public Accountants (AICPA) and is accredited in Business Valuation by the AICPA. In addition, he is a Registered Business Valuer under the Hong Kong Business Valuation Forum. He has over 4 years' experience in valuing similar assets or companies engaged in similar business activities as those of the Film Library in Hong Kong, the People's Republic of China and the Asia-Pacific Region.

Robert Chui & Co.
Certified Public Accountants

2109 China Resources Building
26 Harbour Road, Wanchai
Hong Kong

12 January 2010

The Board of Directors
China Mandarin Holdings Limited
5/F, Cheung Fai Industrial Building,
No. 131 Wai Yip Street,
Kwun Tong,
Hong Kong

Dear Sirs,

China Mandarin Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group")

Comfort letter on profit forecast underlying the market value of the 100% interest in the film library (referred to as the "Film Library") with 109 films owned by the Group as at 30 November, 2009 as contained in the Company's circular dated 12 January 2010 (the "Circular")

We report on the calculations of the discounted future estimated cash flows on which the assets valuation (the "Valuation") dated 12 January 2010 prepared by BMI Appraisals Limited (the "Valuer") in respect of the Valuation on the market value of 100% interest in the Film Library with 109 films owned by the Group as at 30 November, 2009 as set out in Appendix II of the Circular of the Group. The Valuation which is determined based on the discounted cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THE REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows for the valuation which is regarded as a profit forecast under Rule 14.62 of the Listing Rules.

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. The discounted future estimated cash flows do not involve the adoption of accounting policies.

The discounted future estimated cash flows depend on future events and on a number of bases and assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Consequently, we have not reviewed, considered or conducted any work on the appropriateness and validity of the bases and assumptions and express no opinion on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows, and thus the Valuation, is based.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standards on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the procedures under Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by Hong Kong Institute of Certified Public Accountants. We examined the arithmetical accuracy of the Valuation. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled and for no other purpose. We accept no responsibility to any other person in respect of, arising out of in connection with our work. Our work does not constitute any valuation of the Group.

OPINION

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out in Appendix II of the Circular.

Yours faithfully
Robert Chui & Co.
Certified Public Accountants (Practising)

VINCO 域高

12 January 2010

The Directors
China Mandarin Holdings Limited
5/F, Cheung Fai Industrial Building,
131 Wai Yip Street,
Kwun Tong, Hong Kong

We refer to the discounted cash flow forecasts underlying the valuation (the "**Valuation**") prepared by BMI Appraisals Limited ("**BMI**") in relation to the appraisal of the valuation of the market value of 100% interest of the film library owned by the Target Companies. The Valuation is regarded as a profit forecast under paragraph 29(2) of Appendix 1B of the Listing Rules and the Valuation is set out in Appendix II to the Circular. Capitalised terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

We have reviewed the forecasts upon which the Valuation has been made for which you as the Directors are solely responsible, and have discussed with you and BMI the information and documents provided by you which formed part of the basis and assumptions upon which the forecasts have been prepared. We have also considered the letter from Robert Chui & Co. regarding the calculations upon which the forecasts have been made. We have noted that no accounting policies of the Company have been adopted in its preparation as the Valuation relates only to cashflows.

On the basis of the foregoing, we are satisfied that the forecasts upon which the Valuation has been made, for which you as the directors of the Company are solely responsible, have been made after due and careful enquiry by you.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited
Alister Chung
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the circular and confirm, having made all enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular the omission of which would make any of their statements in this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, none of the Director or chief executive of the Company was deemed or taken to have an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (1) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (ii) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the: Model Code for Securities Transactions by Directors of Listed Issuers.

3. SUSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, no person (other than a Director or chief executive of the Company whose interest is disclosed under paragraph (2) above) had or was deemed or taken to have an interest or short position in the Shares to underlying shares of the Company which would fail to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or were required, pursuant to Section 336 of the SFO, to be entered in the register referred to thererin:

Name	Capacity	Number of issued shares held	Approximate percentage to the issued share capital
Cheng Keung Fai	Personal	507,500,000	19.42%
Fang Han Song	Personal	269,500,000	10.31%

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, there is no other person who had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

4. MATERIAL CONTRACTS

Saved as disclosed below, no other contract (not being contracts in the ordinary course of business) had been entered into by any member of the Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date which are or may be material:

a. the Sale and Purchase Agreement;

b. the sale and purchase agreement dated 3 December 2009 and entered into between the Vendor, as vendor and Billion Base Investments Limited, as purchaser in relation to the disposal of the sale share, representing the entire issued share capital of Film City Enterprises Limited, a company incorporated in the British Virgin Islands, whose entire issued share capital is beneficially owned by the vendor and the inter-company balance for a total consideration of HK$23,863,636;

c. the placing agreement dated 30 October 2009, subsequently replaced by a new placing agreement dated 2 November 2009 and entered into between the Company and Skyway Securities Investment Limited pursuant to which Skyway Securities Investment Limited agreed to place, on a best effort basis, up to 435,580,000 new Shares to independent placees at a price of HK$0.145 per placing share;

d. the service agreement dated 31 August 2009 and entered into between Paramount Universal Limited, a wholly owned subsidiary of the Company and Mr. Cheng Ka Sing, a son of Mr. Cheng Keung Fai who is a substantial Shareholder, pursuant to which Mr. Cheng Ka Sing should render his service as an actor to shoot Ip Man 2 for the period commencing from 10 August 2009 to 9 November 2009 (both dates inclusive) for a total consideration of HK$80,000;

e. the master agreement dated 6 May 2009 and entered into between the Vendor, and Mr. Wong pursuant to which the Vendor will procure that any of the companies (being a member of the Group) nominated and procured by the Company to enter into service agreement(s) with Mr. Wong and/or Mr. Wong Chi Woon, Edmond, Mr. Wong Pak Nin, Herrick, Ms. Wong Kit Chun, Jenny, Pure Project Limited, Big Bright Investment Limited, Pegasus Motion Pictures Production Limited, Pegasus Motion Pictures Limited, 東影影視出品有限公司, Prime Moon International Ltd and any other associates of Mr. Wong ("PM Wong Associates") with a term commencing from the date of the master agreement up to 31 December 2011 in which each of the aggregate annual amount to be paid by the Group to Mr. Wong and/or PM Wong Associate for the period from the date of the master agreement up to 31 December 2009 and for the two years ending 31 December 2010 and 2011 shall not exceed HK$5,000,000;

f. the sale and purchase agreement dated 27 March 2009 and entered into between the Vendor, as vendor and Mr. Lam Sze Ho, Owen, an independent third party, as purchaser in relation to the disposal of sale share, representing the entire issued capital of Chili Advertising & Promotions Limited, a company incorporated in Hong Kong and is a wholly owned subsidiary of the Company with a consideration of HK$500,000;

g. the loan agreement dated 20 November 2008 and entered into between the Company as borrower and Mr. Wong in relation to the loan of HK$20 million at the interest rate of Bank of China prime rate minus 2% per annum on the outstanding principal;

h. the service agreement I dated 20 November 2008 and entered into between Mandarin Films Limited ("Mandarin Films"), a wholly-owned subsidiary of the Company and Big Bright Investment Limited ("Big Bright") pursuant to which, Big Bright shall procure Mr. Wong to render his service as executive producer for a film with consideration of HK$300,000. On the same date, Mandarin Films and Mr. Wong entered into the service agreement II and service agreement III respectively. Pursuant to the service agreement II, Mr. Wong shall render his services as an actor to shoot the another film for the period up to 10 January 2009 with consideration of HK$1,000,000. Pursuant to the service agreement III, Mr. Wong shall also render his services as executive producer for a film with consideration of HK$500,000;

i. on 5 November 2008, Mandarin Films Distribution Company Limited, a wholly owned subsidiary of the Company, as tenant entered into a tenancy agreement with Pure Project Limited, as landlord in relation to the renewal of the lease in respect of a premise for the monthly rental fee of HK$51,920 for a period from 1 February 2009 to 31 August 2009. 99% of the shareholdings in Pure Project Limited is beneficially owned by Mr. Wong and the remaining 1% of the shareholdings is beneficially owned by the sister of Mr. Wong;

j. the settlement agreement dated 30 October 2008 and entered into among Chengshang Group Co., Ltd.# 成商集團股份有限公司, Chengdu Songde Investment Limited# (成都崇德投資有限公司), Chengdu Renmin Plaza Huanghe Commercial City Limited# (成都人民商場黃河商業城有限責任公司), Chengdu Zhongfa Real Estate Development Co., Ltd.# (成都中發黃河實業有限公司), a non-wholly owned subsidiary of the Company (the "PRC Subsidiary") and Sichuan Huanghe Commercial Limited# (四川黃河商業有限責任公司), pursuant to which the PRC Subsidiary agreed to pay RMB136,463,900 in aggregate to other parties for the settlement of the civil litigations number (2007)成民初字第270號, (2007)成民初字第241號, (2007)成民初字第205號, (2007)成民初字第165號, (2006)成民初字第608號, (2006)成民初字第616號, (2005)成民初字第138號 and (2007)成民初字第941號;

k. a management agreement with Sichuan Huanghe Commercial Limited# (四川黃河商業有限責任公司), a non-wholly owned subsidiary of Guangdong Huanghe Enterprise Group Limited# (廣東黃河實業集團有限責任公司), a company incorporated in PRC with limited liability, being owned as to 89% by Mr. Cheng Keung Fai, pursuant to which Sichuan Huanghe Commercial Limited# (四川黃河商業有限責任公司) agreed to provide management service to Minzu Plaza# (民族廣場) which is legally and beneficially owned by Chengdu Zhongfa Real Estate Development Co., Ltd.# (成都中發黃河實業有限公司), a non-wholly owned subsidiary of the Company, for a monthly management fee of RMB70,000 for the period commencing from 1 September 2008 to 31 August 2009;

the English translation of the Chinese company names is for identification purposes only

l. the underwriting agreement dated 2 July 2008 and entered into between the Company and Orient Securities Limited and Mr. Wong in relation to the open offer of not less than 1,426,900,000 offer shares and not more than 1,569,400,000 offer shares at HK$0.1 per offer share on the basis of nineteen offer shares for every ten shares held on record date; and

m. the conditional sale and purchase agreement dated 25 January 2008 and the supplemental agreement dated 5 February 2008 and both entered into among Sino Step Inc., a wholly-owned subsidiary of the Company, as purchaser and Mr. Cheng Keung Fai and Ms. Lam Suet Chung as vendors in respect of (i) the sale and purchase of two (2) shares of HK$1.00 each in the share capital of Profit Source International Limited, representing its entire issued share capital as at the date of the agreement and all obligations, liabilities and debts owing or incurred by Profit Source International Limited to the Vendors on completion of the Agreement for a total consideration of HK$240,000,000.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claims of material importance is known to the Directors to be pending or threatened by against the Company or any of its subsidiaries.

6. DIRECTORS' SERVICE CONTRACTS

Ms. Lai Pik Chi, Peggy, an executive Director and chairman of the Board, has entered into a service contract with the Company on 10 October 2008 for an initial term of one-year commencing from 10 October 2008 and shall continue thereafter until terminated by either party giving to the other not less than three months' prior written notice. As at the Latest Practicable Date, Ms. Lai is entitled to a monthly remuneration of HK$50,000.

Ms. Law Kee, Alice, an executive Director and chief executive officer of the Company, has entered into a service contract with the Company on 16 October 2007 for an initial term of one-year commencing from 16 October 2007 and shall continue thereafter until terminated by either party giving to the other not less than three months' prior written notice. As at the Latest Practicable Date, Ms. Law is entitled to a monthly remuneration of HK$40,000.

Mr. Kwok Tsz Wing, an executive Director and deputy chairman of the Board, has entered into a service contract with the Company on 13 February 2009 for an initial term of one-year commencing from 13 February 2009 and shall continue thereafter until terminated by either party giving to the other not less than three months' prior written notice. As at the Latest Practicable Date, Mr. Kwok is entitled to a monthly remuneration of HK$25,000.

Mr. Hui Wai Lee, Willy, an executive Director, has entered into a service contract with the Company on 6 April 2009 for an initial term of one-year commencing from 6 April 2009 and shall continue thereafter until terminated by either party giving to the other not less than three months' prior written notice. As at the Latest Practicable Date, Mr. Hui is entitled to a monthly remuneration of HK$13,000.

Mr. Sin Kwok Lam has signed an appointment letter with the Company on 30 July 2009 for an initial term of one-year commencing from 1 August 2009 which is renewable automatically for successive terms of one year and either party may terminate the appointment letter by giving to the other not less than one month's prior written notice. As at the Latest Practicable Date, Mr. Sin is entitled to a monthly remuneration of HK$25,000.

Mr. Choy Sze Chung, Jojo has signed an appointment letter with the Company on 24 August 2009 for an initial term of one-year commencing from 1 September 2009 which is renewable automatically for successive terms of one year and either party may terminate the appointment letter by giving to the other not less than one month's prior written notice. Pursuant to his letter of appointment, Mr. Choy's remuneration is fixed at HK$10,000 per month, which commensurate with his duties and responsibilities as the independent non-executive Director and the prevailing market situation.

Mr. Tsui Pui Hung has signed an appointment letter with the Company on 7 September 2009 for an initial term of one-year commencing from 10 September 2009 which is renewable automatically for successive terms of one year and either party may terminate the appointment letter by giving to the other not less than one month's prior written notice. Pursuant to his letter of appointment, Mr. Tsui's remuneration is fixed at HK$10,000 per month, which commensurate with his duties and responsibilities as the independent non-executive Director and the prevailing market situation.

Mr. Chan Tung Tak, Alain has signed an appointment letter with the Company on 3 June 2009 for an initial term of one year commencing from 3 June 2009 which is renewable automatically for successive terms of one year and either party may terminate the appointment letter by giving to the other not less than one month's prior written notice. Pursuant to his letter of appointment, Mr. Chan's remuneration is fixed at HK$10,000 per month, which commensurate with his duties and responsibilities as the independent non-executive Director and the prevailing market situation.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

7. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTEREST

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

8. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

9. EXPERT AND CONSENT

(a) The following are the qualifications of the experts who have given their opinions and advice which are included in this circular:

Name	Qualification
BMI Appraisals Limited	Independent property valuer
Grand Vinco Capital Limited	A licensed corporate to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance
Robert Chui & Co.	Certified Public Accountants
Veda Capital	A licensed corporate to carry on type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance

(b) None of BMI Appraisals Limited, Grand Vinco Capital Limited, Robert Chui & Co. and Veda Capital has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) Each of BMI Appraisals Limited, Grand Vinco Capital Limited, Robert Chui & Co. and Veda Capital has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion or report in the form and context in which they are included.

(d) None of BMI Appraisals Limited, Grand Vinco Capital Limited, Robert Chui & Co. and Veda Capital had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up.

10. MISCELLANEOUS

(a) The registered office of the Company is located at Charendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is at 5/F, Cheung Fai Industrial Building, 131 Wai Yip Street, Kwun Tong, Hong Kong.

(c) The Company Secretary of the Company is Mr. Li Chi Chung who is a solicitor admitted in Hong Kong.

(d) The branch share registrar and transfer office of the Company is Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company at 5/F, Cheung Fai Industrial Building, 131 Wai Yip Street, Kwun Tong, Hong Kong, up to and including the date of the SGM:

(a) the memorandum and bye-laws of the Company;

(b) the consolidated audited annual reports of the Group for the two years ended 31 December 2007 and 2008 and the consolidated unaudited interim report of the Group for the six-month period ended 30 June 2009;

(c) the valuation report of the film library of the Target Companies as at 30 November 2009 prepared by BMI Appraisals Limited, the text of which is set out in Appendix II to this circular;

(d) the respective reports issued by each of Robert Chui & Co. and Grand Vinco Capital Limited in connection to the profit forecast underlying the valuation prepared by BMI Appraisals Limited, the text of which is set out in Appendix IIA and Appendix IIB respectively to this circular;

(e) the letters of consent referred to under the paragraph headed "Experts and consent" in this Appendix;

(f) a copy of each of the material contracts referred to in the paragraph headed "Material contracts" in this Appendix; and

(g) a copy of each circular issued pursuant to the requirements set out in Chapter 14 and/or 14A which has been issued since 31 December 2007.

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)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of China Mandarin Holdings Limited (the "**Company**") will be held on Friday, 29 January 2010 at 2:30 p.m. at 5/F, Cheung Fai Industrial Building, 131 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**

(a) the conditional agreement (the "**Sale and Purchase Agreement**") dated 17 December 2009 and entered into between Grimston Limited (the "**Vendor**"), a wholly owned subsidiary of the Company, as vendor and Pegasus Motion Pictures Limited as purchaser in relation to:

(i) the sale and purchase of 100 shares of HK$1.00 in the share capital of Elite Films Limited (the "**Target Company 1**"), representing its entire issued share capital; and all obligations, liabilities and debts owing or incurred by the Target Company 1 to the Vendor on or at any time prior to the completion (the "**Completion**") of the Sale and Purchase Agreement;

(ii) the sale and purchase of 500,000 shares of HK$1.00 in the share capital of Motion Picture Limited (the "**Target Company 2**"), representing its entire issued share capital; and all obligations, liabilities and debts owing or incurred by the Vendor to the Target Company 2 on or at any time prior to the Completion; and

(iii) the sale and purchase of 10,000 shares of US$1.00 in the share capital of Pioneer Films Limited (the "**Target Company** 3"), representing its entire issued share capital; and all obligations, liabilities and debts owing or incurred by the Vendor to the Target Company 3;

for a total consideration of HK$29,000,000 (a copy of the Sale and Purchase Agreement is marked "A" and produced to the Meeting and signed by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved; and

* *For identification purpose only*

(b) the Directors be and they are hereby authorized to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Sale and Purchase Agreement or any of the transactions contemplated under the Agreement."

By order of the board of directors of
China Mandarin Holdings Limited
Lai Pik Chi, Peggy
Chairman

Hong Kong, 12 January 2010

Registered Office:
Clarendon House
2, Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business:
5/F, Cheung Fai Industrial Building
131 Wai Yip Street
Kwun Tong, Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice may appoint one or more than one proxy to attend the meeting and vote on a poll instead of him. A proxy need not be a member of the Company.

2. A shareholder of the Company who has appointed more than one proxy shall only vote on a poll.

3. A form of proxy of the meeting is enclosed. If the appointer is a corporation, the form of proxy must be made under its common seal or, under the hand of an officer or attorney duly authorized on its behalf.

4. Where there are joint registered holders of any shares, any one of such persons may vote at the above meeting (or at any adjournment thereof), either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the above meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share alone be entitled to vote in respect thereof.

5. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. To be valid, a form of proxy and the power of authority (if any) under which it is signed or a notarially certified copy of such power of authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting.