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CHINA MANDARIN HOLDINGS LIMITED

中國東方實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00009)

DISCLOSEABLE TRANSACTION: FORMATION OF A JOINT VENTURE COMPANY

THE JV AGREEMENT

On 21 June 2010, Grimston, a wholly-owned subsidiary of the Company entered into the JV Agreement with Filmko in connection with the formation of the JV Company to be engaged in the Film's development, production and promotion and to deal with matters concerning copyrights and distribution of the Film.

Pursuant to the JV Agreement, Grimston and Filmko will hold 35% and 65% of the equity interests of the JV Company respectively.

The total investment amount provided in the JV Agreement is HK\$206,000,000. The Investors shall make their investment contribution to the JV Company in proportion to their respective equity interests in the JV Company by way of shareholders' loans to be made on a monthly basis. Grimston will pay a sum of HK\$15,000,000 as its initial investment contribution to the JV Company within 15 days of the date of the JV Agreement. The Directors expect that each Investor's entire contribution would be fully made in approximately 15 months following the date of the JV Agreement. The Company intends to fund its investment contribution by the internal resources of the Group and/or by external sources of finance such as bank facilities upon such terms and in such manner to be decided by the Company as and when required.

GENERAL

The Company has assessed the size of its investment in the JV Company and as the applicable percentage ratios under the Listing Rules exceed 5% but are less than 25%, the JV Agreement constitutes a discloseable transaction for the Company under the Listing Rules.

* For identification purposes only

THE JV AGREEMENT

Date: 21 June 2010

Parties: (1) Filmko International Limited

(2) Grimston Limited, a wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Filmko and its ultimate beneficial owner(s) are Independent Third Parties.

Information on the JV Company

Name: Talent Films Limited.

Place of incorporation: Hong Kong.

Shareholding: The registered capital of the JV Company will be HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Grimston and Filmko will hold 35% and 65% of the equity interests of the JV Company respectively.

Scope of business: The JV Company will mainly be engaged in the production, promotion and distribution of the Film.

The Investors agreed to, through the JV Company, engage (1) Filmko Entertainment for the Film's production and production administration; and (2) Filmko Films Distribution for the Film's promotion and distribution.

Upon the completion of the scripts for the Film, the JV Company shall be the owner of all the intellectual property rights of the scripts. The JV Company will also possess all the intellectual property rights and the distribution right of the Film and production materials. Grimston and Filmko shall enjoy equal benefits of such rights.

Total investment amount: HK\$206,000,000.

According to the JV Agreement, each of the Investors is respectively required to make their investment contribution in proportion to their respective equity interests in the JV Company, i.e. (i) HK\$72,100,000 (being 35% of the total investment) by Grimston; and (ii) HK\$133,900,000 (being 65% of the total investment) by Filmko by way of shareholders' loans to be made on a monthly basis. Grimston will pay a sum of HK\$15,000,000 to the JV Company as its initial investment contribution within 15 days of the date of the JV Agreement.

Pursuant to the JV Agreement, Grimston has to make its investment contribution on the 30th day of each calendar month after receiving from Filmko the monthly budget of the JV Company and a written notice stating the amount of contribution payable by Grimston for the following month. Filmko is also responsible for providing all the records and evidence on the expenses it has paid for and on behalf of the JV Company for each month.

If the total expenses of the JV Company in any particular month are less than the budget prepared by Filmko mentioned above, Grimston is entitled to reduce its investment contribution by the amount of such surplus. In contrast, if the total expenses of the JV Company in any particular month exceed the budget, Grimston shall satisfy the shortfall by adding such amount to its investment contribution in the following month.

The Directors expect that the entire contribution will be fully made in approximately 15 months following the date of the JV Agreement.

Profit sharing:

Profit generated by the JV Company from the distribution of the Film shall be distributed between the Investors in proportion to their respective equity interests in the JV Company as repayment of their shareholders' loans. The net profit generated thereafter shall be distributed between the Investors as dividends according to their respective shareholdings in the JV Company.

Other major
responsibilities
of the Investors:

Filmko is mainly responsible for obtaining relevant licences, permits and approvals in relation to the filming, production, distribution, and promotion of the Film in the PRC or other countries. It will provide assistance to the JV Company in relation to the filming and production of the Film.

Filmko will procure Filmko Entertainment to (i) transfer all intellectual property rights and distribution rights to the JV Company upon the completion of the Film production and (ii) prepare and maintain a detailed and complete accounts and records in relation to the production and production administration of the Film. Further, Filmko will also procure Filmko Films Distribution to (i) pay to the JV Company the balance of the distribution revenue (after deducting distribution commission of 3% to Filmko Films Distribution) on a monthly basis which will be included in the total revenue of the Film; (ii) prepare and maintain a detailed and complete accounts and records in relation to the promotion and distribution of the Film.

Grimston is mainly responsible for the placement of suitable personnel to supervise and manage the accounting matters of the JV Company.

Board composition: The board of directors of the JV Company shall comprise five members. Grimston will nominate two directors to the board of the JV Company and Filmko will nominate three directors.

The quorum for any board meeting shall be three directors and shall include at least one director nominated by Grimston.

SOURCE OF FUNDING OF THE COMPANY

The total investment amount as provided in the JV Agreement is HK\$206,000,000. The Investors shall make their investment contribution to the JV Company in proportion to their respective equity interests in the JV Company by way of shareholders' loans. The Company intends to fund its investment contribution of HK\$72,100,000 by the internal resources of the Group and/or by external sources of finance such as bank facilities upon such terms and in such manner to be decided by the Company as and when required. Apart from the capital contribution towards the total investment amount, Grimston does not have other capital commitment under the JV Agreement.

REASONS FOR THE COOPERATION

The Group is principally engaged in film production and related businesses and property investments in the PRC.

Filmko is the holding company of the Filmko Entertainment and Filmko Films Distribution which have constituted a Hong Kong-based entertainment group dedicated to making quality films for audiences all over Asia and beyond. It has produced and released a number of well-received films including "July Rhapsody", "Inner Senses", "The Floating Landscape", "Star Runner", "Koma", "Butterfly", "Home Sweet Home" and "Black Night", in which some of them were well appraised in many international film festivals competitions. Under the JV Agreement, Filmko will engage Filmko Entertainment for the Film's production and production administration and Filmko Films Distribution for the Film's promotion and distribution. Therefore, the Board is of the view that through the cooperation with Filmko, the Company would be able to benefit from the resources, expertise and business connections of Filmko in the film industry in Hong Kong which in turn would benefit the business of the Group.

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

LISTING RULES IMPLICATION

The Company has assessed the size of its investment on the JV Company and as the applicable percentage ratios under the Listing Rules exceed 5% but are less than 25%, the JV Agreement constitutes a discloseable transaction for the Company under the Listing Rules.

Apart from the investment contributions set out above, there are no further capital commitments that are required to be contributed by the Investors to the JV Company at this stage. If there are any further capital commitments to be made by the shareholders of the JV Company, further announcement will be made by the Company if and when appropriate pursuant to the requirements under the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“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
“Directors”	the directors of the Company
“Film”	the film “大鬧天宮” (working title) to be produced under the JV Agreement
“Filmko”	Filmko International Limited, a company incorporated in the BVI with limited liability and an Independent Third Party
“Filmko Entertainment”	Filmko Entertainment Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Filmko and an Independent Third Party
“Filmko Films Distribution”	Filmko Films Distribution (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Filmko and an Independent Third Party
“Grimston”	Grimston Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	party(ies) who and whose ultimate beneficial owner(s) is/are independent of and not connected with the Company, the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries and their respective associates
“Investors”	Filmko and Grimston
“JV Agreement”	the joint venture agreement dated 21 June 2010 and entered into between the Filmko and Grimston in connection with the formation of the JV Company to be engaged in the Film’s development, production and promotion and to deal with matters concerning copyrights and distribution of the Film
“JV Company”	Talent Films Limited, a company incorporated in Hong Kong with limited liability to act as the joint venture vehicle for the Investors
“Listing Rules”	the rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	Per cent.

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

Hong Kong, 21 June 2010

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