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CHINA MANDARIN HOLDINGS LIMITED

中國東方實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00009)

- (1) PROPOSED CAPITAL REORGANISATION AND
CHANGE IN BOARD LOT SIZE**
- (2) PROPOSED OPEN OFFER OF NEW SHARES ON THE BASIS OF
SEVEN OFFER SHARES FOR EVERY NEW SHARE
HELD ON RECORD DATE;**
- (3) WHITEWASH WAIVER; AND**
- (4) RESUMPTION OF TRADING**

Financial adviser to the Company



Grand Vinco Capital Limited

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

PROPOSED CAPITAL REORGANISATION

The Company proposes to effect the Capital Reorganisation which will involve the following:

- (i) Capital Reduction: the issued share capital of the Company be reduced by cancelling the paid-up capital to the extent of HK\$0.09 on each Share such that the nominal value of all issued Shares will be reduced from HK\$0.10 each to HK\$0.01 each;
- (ii) Share Subdivision: subject to the Capital Reduction becoming effective, each of the authorised but unissued Shares of HK\$0.10 each in the share capital of the Company be subdivided into ten New Shares of HK\$0.01 each;
- (iii) Share Premium Reduction: the entire amount standing to the credit of the share premium account of the Company be reduced; and

- (iv) Elimination of Accumulated Losses: the credit arising from the Capital Reduction and the Share Premium Reduction be transferred to the contributed surplus account of the Company, and the application of the appropriate sum therein to set off against the total accumulated losses of the Company.

The Board further proposes to change the board lot size for trading in the Shares of the Company from 2,000 Shares to 60,000 New Shares upon the Capital Reorganisation becoming effective.

PROPOSED OPEN OFFER OF NEW SHARES ON THE BASIS OF SEVEN OFFER SHARES FOR EVERY NEW SHARE HELD ON RECORD DATE

The Company proposes to raise approximately HK\$199.4 million, before expenses, by an open offer of 18,294,360,000 Offer Shares at the subscription price of HK\$0.0109 per Offer Share on the basis of seven Offer Shares for every New Share held on the Record Date payable in full upon application.

The Open Offer will only be available to the Qualifying Shareholders. To qualify for the Open Offer, Shareholders must be registered as the members of the Company on the Record Date and not be a Prohibited Shareholder. The register of members will be closed from Friday, 13 August 2010 to Friday, 20 August 2010, both dates inclusive, to determine the eligibility for the Open Offer.

The Open Offer is fully underwritten by the Underwriter, who has however entered into the Sub-underwriting Arrangements with the Sub-underwriter to ensure that the Company will maintain the minimum public float requirement in compliance with the Listing Rules. The terms of the Open Offer are agreed after arm's length negotiation between the Company and the Underwriter.

The Open Offer is conditional. In particular, it is subject to the Underwriter not terminating the Underwriting Agreement, the granting of the Whitewash Waiver by the Executive and the Independent Shareholders' approval. Accordingly, the Open Offer may or may not proceed.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the New Shares and the Offer Shares.

WHITEWASH WAIVER

The Underwriter is interested in 507,500,000 Existing Shares as at the date of this announcement, representing approximately 19.42% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertaking, the Underwriter has irrevocably undertaken to take up all of his entitlement under the Open Offer, being 3,552,500,000 Offer Shares.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the balance of the Offer Shares which are not subscribed by the Qualifying Shareholders on a fully underwritten basis. The Underwriter has however entered into the Sub-underwriting Arrangements with the Sub-underwriter to ensure that the Company will maintain the minimum public float requirement in compliance with the Listing Rules. Assuming the Underwriter would have to take up his maximum underwriting obligation pursuant to the Underwriting Agreement and with the Sub-underwriting Arrangements being effected, the Underwriter will increase his shareholding from approximately 19.42% of the existing issued share capital of the Company to 75% of the then enlarged issued share capital of the Company upon completion of the Open Offer.

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

WARNING OF THE RISKS OF DEALING IN THE SHARES

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

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

GENERAL

The Capital Reorganisation is subject to the approval of a special resolution passed by the Shareholders on a vote taken by way of poll at the SGM. As none of the Shareholders is interested in the Capital Reorganisation, no Shareholder is required to abstain from voting at the SGM.

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

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

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

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

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Thursday, 24 June 2010 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on Monday, 12 July 2010.

PROPOSED CAPITAL REORGANISATION

The Capital Reorganisation will involve the Capital Reduction, the Share Subdivision, the Share Premium Reduction and the Elimination of Accumulated Losses.

Capital Reduction and Share Subdivision

The Capital Reduction involves the reduction of the issued share capital of the Company by cancelling the paid-up capital to the extent of HK\$0.09 on each Share such that the nominal value of all issued Shares will be reduced from HK\$0.10 each to HK\$0.01 each.

Subject to the Capital Reduction becoming effective, each of the authorised but unissued Shares of HK\$0.10 each in the share capital of the Company will be subdivided into ten New Shares of HK\$0.01 each.

Share Premium Reduction and Elimination of Accumulated Losses

The Share Premium Reduction will involve the reduction of the entire amount standing to the credit of the share premium account of the Company as at the date of this announcement. The balance of the share premium account as at the date of this announcement was approximately HK\$224,095,000.

The credit amount arising from the Capital Reduction and the Share Premium Reduction will be transferred to the contributed surplus account of the Company. Based on 2,613,480,000 Shares in issue as at the date of this announcement, a credit of approximately HK\$235,213,200 will arise as a

result of the Capital Reduction. On the basis of the balance of the contributed surplus account of the Company of HK\$44,072,000 as at 31 December 2009, the contributed surplus account of the Company will become HK\$503,380,200 after such transfer.

The audited balance of the accumulated losses of the Company is HK\$340,146,000 as at 31 December 2009. The Board proposes to apply part of such contributed surplus to set off against the total accumulated losses of the Company as at 31 December 2009. The balance of the contributed surplus account is expected to be HK\$163,234,200 after setting off in full the total accumulated losses of the Company and may be applied in future in such manner as permitted by the Companies Act and the Bye-laws. The Company at present has no intention to distribute such remaining balance of the contributed surplus to the Shareholders.

Effects of the Capital Reorganisation

Upon completion of the Capital Reduction and the Share Subdivision (assuming no further Shares will be issued after the date of this announcement), the effect on share capital of the Company is summarised as follows:

	Authorised share capital	Issued share capital
Before Capital Reduction and Share Subdivision	HK\$1,000,000,000 divided into 10,000,000,000 Shares of HK\$0.10 each	HK\$261,348,000 divided into 2,613,480,000 Shares of HK\$0.10 each
After Capital Reduction and Share Subdivision	HK\$1,000,000,000 divided into 100,000,000,000 New Shares of HK\$0.01 each	HK\$26,134,800 divided into 2,613,480,000 New Shares of HK\$0.01 each

The effect of Capital Reorganisation on share capital, share premium, contributed surplus and accumulated losses of the Company is summarised as follows:

<i>(Figures in HK\$ approximate)</i>	Issued share capital	Share premium	Contributed surplus	Accumulated losses
Balance before Capital Reorganisation	261,348,000	224,095,000	44,072,000	(340,146,000)
Capital Reduction	(235,213,200)	–	235,213,200	–
Share Premium Reduction	–	(224,095,000)	224,095,000	–
Elimination of Accumulated Losses	–	–	(340,146,000)	340,146,000
Balance after Capital Reorganisation	<u>26,134,800</u>	<u>–</u>	<u>163,234,200</u>	<u>–</u>

The New Shares will rank pari passu in all respects with each other. Other than the expenses incurred in relation to the Capital Reorganisation, the implementation of the Capital Reorganisation will not alter the underlying assets, business operations, management or financial position of the Company or the relative interests or rights of the Shareholders. Save as disclosed above, the Capital Reorganisation itself will not have any material effect on the financial position of the Group.

Reasons for the Capital Reorganisation

The Directors believe that it would be beneficial to the Company by reducing the par value of the Shares from HK\$0.10 to HK\$0.01, which would improve flexibility in future for the Company to raise fund via the issue of New Shares. In addition, the Company will eliminate the accumulated losses with the credit amount arising from the Capital Reorganisation, thus allowing greater flexibility for the Company to pay dividend in the future.

As such, the Board is of the view that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, there were no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into Shares.

Conditions of the Capital Reorganisation

The Capital Reorganisation will be conditional upon:

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

Subject to the fulfillment of the conditions of the Capital Reorganisation, the effective date of the Capital Reorganisation is expected to be on Monday, 23 August 2010.

Application for listing of the New Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares.

CHANGE IN BOARD LOT SIZE

The Shares are currently traded on the Stock Exchange in board lots of 2,000 Shares each and the market value per board lot is HK\$69 subsequent to the Capital Reorganisation, based on the theoretical ex-entitlement price after completion of the Open Offer of HK\$0.0345 (based on the closing price of HK\$0.2 per Share as quoted on the Stock Exchange on the Last Trading Day). In order to raise the board lot value, the Company is pleased to announce that the board lot size of the New Shares for trading on the Stock Exchange will be increased to 60,000 New Shares upon the Capital Reorganisation becoming effective. The estimated market value per board lot of the New Shares will be HK\$2,070, based on the theoretical ex-entitlement price after completion of the Open Offer of HK\$0.0345 (based on the closing price of HK\$0.2 per Share as quoted on the Stock Exchange on the Last Trading Day).

Free exchange of Share certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may submit existing certificates for the Shares in board lot of 2,000 Shares to the branch share registrar of the Company in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for exchange from Monday, 23 August 2010 to Wednesday, 22 September 2010 (both dates inclusive), at the expense of the Company for certificates for the New Shares in board lot of 60,000 New Shares. Thereafter, certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.5 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each new share certificate issued for the New Shares. Nevertheless, the existing certificates for the Shares will continue to be good evidence of legal title and will be valid for dealings, trading and settlement purpose after the Capital Reorganisation has become effective and may be exchanged for certificates for the New Shares at any time in accordance with the foregoing.

PROPOSED OPEN OFFER

Issue statistics

Basis of the Open Offer:	Seven Offer Shares for every New Share held on the Record Date
Subscription Price:	HK\$0.0109 per Offer Share payable in full upon application
Number of Existing Shares in issue:	2,613,480,000 Existing Shares as at the date of this announcement
Number of New Shares in issue upon the Capital Reorganisation having become effective:	2,613,480,000 New Shares

Number of Offer Shares:	18,294,360,000 Offer Shares, representing 700% of the existing issued share capital of the Company and 87.5% of the then issued share capital of the Company as enlarged by the Offer Shares
Number of Offer Shares to be subscribed by the Underwriter under the Irrevocable Undertaking:	3,552,500,000 Offer Shares
Maximum number of Offer Shares underwritten:	Up to 14,741,860,000 Offer Shares
Number of New Shares in issue immediately upon completion of the Open Offer:	20,907,840,000 New Shares

As at the date of this announcement, there were no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into Shares.

Subscription Price

The Subscription Price of HK\$0.0109 per Offer Share will be payable in full upon application for the Offer Shares. The Subscription Price represents:

- (i) a discount of approximately 94.55% to the closing price of HK\$0.2 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 94.67% to the average closing price of approximately HK\$0.2044 per Share for the last 5 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a discount of approximately 94.64% to the average closing price of approximately HK\$0.2032 per Share for the last 10 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a discount of approximately 68.41% to the theoretical ex-entitlement price of approximately HK\$0.0345 per Share based on the closing price of HK\$0.2 as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a discount of approximately 87.46% to the net tangible asset value per Share of approximately HK\$0.0869 as shown in the Group's audited consolidated financial statements made up to 31 December 2009.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the prevailing market conditions. As the Offer Shares are offered to all Qualifying Shareholders, the Directors would like to set the Subscription Price at a level that would attract the Qualifying Shareholders to participate in the Open Offer.

The Board considers the Subscription Price is attractive enough to allow all Qualifying Shareholders to participate in the Open Offer on the basis of the following:

- (i) the Subscription Price of HK\$0.0109 represents substantial discount to the respective average closing price as set out above;
- (ii) the Directors are optimistic that the Film and New Films would become box office success in view of the overwhelmingly positive feedback from the Ip Man Series;
- (iii) the Directors believe that the Shareholders when considering the Subscription Price would also take into account of the Company's prospect; and
- (iv) after the Capital Reorganisation becoming effective, the accumulated losses of the Company would be eliminated and the Company would be in a better position to distribute dividend to the Shareholders.

The Directors, except the independent non-executive Directors who will form their views after consulting the independent financial adviser to be appointed by the Independent Board Committee, consider the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Open Offer

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

- (a) the passing of necessary resolutions on a vote taken by way of poll at the SGM to approve (i) the Capital Reorganisation by the Shareholders; and (ii) the Open Offer and the Whitewash Waiver by the Independent Shareholders;
- (b) the Capital Reorganisation becoming effective;
- (c) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked listing of and permission to deal in all the New Shares;
- (d) the filing of the Prospectus Documents with the Registrar of Companies in Bermuda in accordance with the Companies Act;

- (e) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;
- (f) the Executive granting the Whitewash Waiver and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted and such other necessary waiver or consent (if any) of the Executive for the transaction contemplated under the Open Offer;
- (g) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Offer Shares by no later than the Prospectus Posting Date;
- (h) the posting of the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date;
- (i) the Underwriting Agreement becoming unconditional and not being terminated;
- (j) the performance in full by the Underwriter of his undertaking to take up his entitlement in full;
- (k) the compliance by the Company with Rule 8.08(1) of the Listing Rules in relation to public float requirement upon completion of the Open Offer; and
- (l) compliance with and performance of all the undertakings and obligations of the Company and the Underwriter under the terms of the Underwriting Agreement.

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

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

Status of the Offer Shares

The Offer Shares, when allotted, issued and fully-paid, will rank pari passu with the New Shares in issue in all respects. Holders of such Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares. Dealings in the Offer Shares will be subject to payment of stamp duty in Hong Kong.

Qualifying Shareholders

The Open Offer will only be available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus, for information only, to the Prohibited Shareholders.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of the Shares (together with the relevant share certificates) with the Company's branch registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on the Latest Lodging Date.

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferrable.

Closure of register of members

The Company's register of members will be closed from Friday, 13 August 2010 to Friday, 20 August 2010, both dates inclusive, for the purpose of, among other things, establishing entitlements to the Open Offer. No transfer of Shares will be registered during this period.

Rights of Overseas Shareholders

If, at the close of business on the Record Date, a Shareholder's address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer. The Board will make enquiries to its legal advisers as to whether the offer or the issue of the Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory bodies or stock exchanges pursuant to Rule 13.36(2) of the Listing Rules. If, after making such enquiries, the Board is of the opinion that it would be necessary or expedient not to offer the Offer Shares to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholders. The results of enquiries and the basis of any exclusion of the Overseas Shareholders will be included in the circular and/or the Prospectus. The Offer Shares which would otherwise be allotted to those Overseas Shareholders will be taken up by the Underwriter and/or subscribers procured by him.

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

No application for excess Offer Shares

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

Fractions of Offer Shares

Given the Open Offer is on the basis of seven Offer Shares for every New Share, there will not be any fractions of Offer Shares.

Share certificates for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer, share certificates for all Offer Shares are expected to be posted to the Qualifying Shareholders who have accepted and applied for and paid for the Offer Shares on or before Wednesday, 15 September 2010 by ordinary post at their own risk.

Application for listing of the Offer Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares.

Reasons for the Open Offer and the use of proceeds

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

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, the total investment amount is HK\$206,000,000. Grimston and Filmko are required to make their investment contribution to the JV Company in proportion to their respective equity interests in the JV Company, which is 35% (HK\$72,100,000) and 65% (HK\$133,900,000) respectively. Details of the JV Agreement, among other matters, are set out in the Announcement.

The estimated expense of the Open Offer is approximately HK\$6 million, which will be borne by the Company. Assuming all the Qualifying Shareholders taking up their entitlements under the Open Offer, the Company will receive gross proceeds of approximately HK\$199.4 million and net proceeds of approximately HK\$193.4 million. Approximately HK\$72 million of the net proceeds will be used for funding the investment under the JV Agreement and the remaining balance will be used for production of the New Films and as general working capital of the Company.

The net price of each Offer Share is approximately HK\$0.0106 after expenses to the Company.

The Board had considered other alternative means of fund raising before resolving to the Open Offer, including but not limited to placing, debt finance and rights issue:

- (i) placing would only be available to certain placees who were not necessarily the Shareholders. The Directors considered that it would be unfair to those Shareholders who had stayed with the Company for a considerable time, especially when the prospect of the Company would be improved;
- (ii) debt financing or bank loans were not commonly available to the film companies due to the higher risk associated with the film industry, and the fact that limited securities could be provided as collateral; and
- (iii) although rights issue was similar to an open offer except that it enabled the Shareholders to trade in nil-paid rights, trading arrangement needed to be set up with the share registrar at the expense of the Company and extra administrative work from the Company would be involved.

The Directors consider that although there would not be any trading in nil-paid rights in the Open Offer, with the entitlement of Offer Shares firmly attached to the Existing Shares held, it would ensure stability in the Company's shareholders base and allow the existing Shareholders an opportunity to participate in and share the growth of the Company.

The Directors, except the non-executive Directors who will form their views after consulting the independent financial adviser to be appointed by the Independent Board Committee, therefore are of the view that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Date of announcement	Event	Net proceeds (approximate)	Intended use of proceeds	Actual use of proceeds
2 November 2009	Placing of new shares under general mandate	HK\$62.3 million	Repayment of debts and general working capital of the Group	Redemption of the convertible bonds held by Mr. Cheng

UNDERWRITING ARRANGEMENT

Irrevocable Undertaking

The Underwriter directly holds 507,500,000 Shares as at the date of this announcement. Pursuant to the Underwriting Agreement, he has undertaken not to transfer or otherwise dispose any Shares between the date of the Underwriting Agreement and the Latest Acceptance Date. He has also irrevocably undertaken to the Company to take up and accept 3,552,500,000 Offer Shares to which he is entitled to under the Open Offer.

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

Underwriting Agreement

Date:	23 June 2010
Underwriter:	Mr. Cheng Keung Fai
Number of Offer Shares underwritten:	A maximum number of 14,741,860,000 Offer Shares (being the total number of Offer Shares less the assured entitlement of Offer Shares to the Underwriter) not taken up by the Qualifying Shareholders (<i>Note</i>)
Underwriting commission:	2.5% of the aggregate Subscription Price of the maximum number of Offer Shares underwritten by the Underwriter

Note : in view of the Sub-underwriting Arrangements in place, the maximum number of Offer Shares (excluding the assured entitlement of Offer Shares to the Underwriter) that could be taken up by the Underwriter would be 11,620,880,000 Offer Shares, which, together with his existing shareholding and the assured entitlement of Offer Shares, would amount to 15,680,880,000 New Shares, representing 75% of the issued share capital of the Company immediately upon completion of the Open Offer.

The Directors confirm that the Company has used its best endeavours to find potential underwriter. As advised by the Directors, the Company had approached several securities firms to underwrite any Offer Shares not taken up by the Qualifying Shareholders. Mr. Cheng, a substantial Shareholder, is the only one who has expressed his strong confidence in the prospect of the Group's film businesses, and the willingness to support and underwrite the Open Offer.

The Company will comply with the minimum public float requirement for the Shares under Rule 8.08(1) of the Listing Rules. To comply with such requirement, the Underwriter has made the Sub-underwriting Arrangements with the Sub-underwriter. Pursuant to the Sub-underwriting Arrangements, in respect of those Offer Shares not taken up by the Qualifying Shareholders, the Underwriter would take up to the maximum 11,620,880,000 Offer Shares, which, together with his existing shareholding and the assured entitlement of Offer Shares, would amount to 15,680,880,000 New Shares, representing 75% of the issued share capital of the Company immediately upon completion of the Open Offer, and the Offer Shares in excess of the 11,620,880,000 Offer Shares (if any) would be taken up by the Sub-underwriter or other persons (who are (i) not connected persons of the Company; and (ii) are not parties acting in concert with any connected persons of the Company and their respective associates) procured by the Sub-underwriter, such that the Company will be able to comply with the minimum public float requirement for the Shares under the Listing Rules immediately upon completion of the Open Offer.

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

Conditions of the Underwriting Agreement

The conditions of the Underwriting Agreement have been set out in the paragraph headed "Conditions of the Open Offer" above.

Termination of the Underwriting Agreement

The Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination if prior to the Latest Time for Termination:

- (a) in the sole and reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generic with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

- (iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
 - (iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic or threatened epidemic, terrorism, strike or lock-out; or
 - (v) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances; or
 - (vi) the occurrence of any event, or series of events, beyond the control of the Underwriter which, at the sole and reasonable opinion of the Underwriter, have or would have the material and adverse effect of making the Underwriting Agreement (including the underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Open Offer or pursuant to the underwriting thereof or which have or is likely to have a material and adverse effect on the Open Offer; or
- (b) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the sole and reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the sole and reasonable opinion of the Underwriter will materially and adversely affect the business prospects or financial condition of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the announcement or circular relating to the Open Offer or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or
- (e) the circular, prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the financial condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company and which may in the sole and reasonable opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to accept the Offer Shares provisionally allotted to it.

The Underwriter will be entitled to by notice in writing to the Company rescind the Underwriting Agreement if prior to the Latest Time for Termination or such other earlier date and/or time as the Company and the Underwriters may mutually agree:

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

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

CHANGES IN SHAREHOLDING STRUCTURE

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

Shareholder	As at the date of this announcement		Immediately after Capital Reorganisation		Immediately after completion of the Open Offer (assuming all the Qualifying Shareholders take up their assured entitlement of Offer Shares)		Immediately after completion of the Open Offer on the assumption as set out in the Note	
	Number of Existing Shares	%	Number of New Shares	%	Number of New Shares	%	Number of New Shares	%
Underwriter and parties acting in concert with him	507,500,000	19.42	507,500,000	19.42	4,060,000,000	19.42	15,680,880,000	75
Public Shareholders	2,105,980,000	80.58	2,105,980,000	80.58	16,847,840,000	80.58	5,226,960,000	25
Total	<u>2,613,480,000</u>	<u>100</u>	<u>2,613,480,000</u>	<u>100</u>	<u>20,907,840,000</u>	<u>100</u>	<u>20,907,840,000</u>	<u>100</u>

Note:

- Assuming: (1) no Qualifying Shareholders except the Underwriter take up their assured entitlements of Offer Shares; and (2) the Underwriter would have to take up his maximum underwriting obligation pursuant to the Underwriting Agreement and with the Sub-underwriting Arrangements being effected.
- Apart from that discussed in the above chart, as at date of this announcement, the Underwriter and its concert parties do not hold any convertible securities, warrants or options or did not enter into any outstanding derivative in respect of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

In order to comply with the minimum public float requirement under Rule 8.08(1) of the Listing Rules, the Company, with the assistance of its branch share registrar, will closely monitor the acceptances of the Offer Shares by the Qualifying Shareholders.

APPLICATION FOR WHITEWASH WAIVER

Whitewash Waiver

The Underwriter is interested in 507,500,000 Existing Shares (equivalent to 507,500,000 New Shares after the Capital Reorganisation) as at the date of this announcement, representing approximately 19.42% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertaking, the Underwriter has irrevocably undertaken to take up all of his entitlement under the Open Offer, being 3,552,500,000 Offer Shares.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the balance of the Offer Shares which are not subscribed by the Qualifying Shareholders on a fully underwritten basis. The Underwriter has however made the Sub-underwriting Arrangements with the Sub-underwriter to ensure that the Company will maintain the minimum public float for the Shares in compliance with the Listing Rules. Assuming the Underwriter would have to take up his maximum underwriting obligation pursuant to the Underwriting Agreement and with the Sub-underwriting Arrangements being effected, the Underwriter will increase his shareholding from approximately 19.42% of the existing issued share capital of the Company to 75% of the then enlarged issued share capital of the Company upon completion of the Open Offer.

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

WARNING OF THE RISKS OF DEALING IN THE SHARES

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

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

INFORMATION ON THE UNDERWRITER

The Underwriter is a substantial Shareholder who is a private investor not engaged in the business of underwriting. As at the date of this announcement, the Underwriter holds approximately 19.42% of the issued share capital of the Company.

As confirmed by the Underwriter, neither he nor any of the parties acting in concert with him has acquired any Shares or dealt in any of the relevant securities of (as defined in Note 4 to Rule 22 of the Takeovers Code) the Company in the six months prior to and up to the date of this announcement.

Save for the undertaking by the Underwriter to apply for his assured entitlement of Offer Shares, the Underwriter or parties acting in concert with him have not received any irrevocable commitment to vote for or against the Whitewash Waiver. There is no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares entered into by the Underwriter or any parties acting in concert with him and which might be material to the Open Offer and the Whitewash Waiver.

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

EXPECTED TIMETABLE

The expected timetable for the Open Offer set out below is indicative only based on the assumption that (1) the Capital Reorganisation and change in board lot size will become effective; (2) the Open Offer and the Whitewash Waiver will be approved by the Independent Shareholders at the SGM; (3) the Whitewash Waiver will be granted by the Executive; and (4) the Underwriting Agreement having become unconditional and not having been terminated. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

Despatch of Company's circular with the notice of SGM	Wednesday, 28 July
Last day of dealing in Existing Shares on a cum-entitlement basis.	Tuesday, 10 August
First day of dealing in Existing Shares on an ex-entitlement basis	Wednesday, 11 August
Latest time for lodging transfers of the Existing Shares in order to be qualified for the Open Offer	4:30 p.m. on Thursday, 12 August
Register of members of the Company to be closed	Friday, 13 August to Friday, 20 August (both dates inclusive)
Latest time for lodging forms of proxy for the SGM.	10:30 a.m. on Wednesday, 18 August
Record Date	Friday, 20 August
SGM	Friday, 20 August
Announcement of results of SGM to be published on the Stock Exchange website.	Friday, 20 August
Effective date of the Capital Reorganisation	Monday, 23 August
Effective date of the change in board lot size	Monday, 23 August
Free exchange of existing certificates for new certificates for the New Shares commences	Monday, 23 August
Register of members of the Company to be re-opened	Monday, 23 August
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of New Shares	Monday, 23 August
Despatch of the Prospectus Documents (in case of the Prohibited Shareholders, the Prospectus only)	Tuesday, 24 August
Latest time for acceptance of and payment for the Offer Shares	4:00 p.m. on Tuesday, 7 September

Designated broker ceases to stand in the market to provide
 matching services for the sale and purchase of
 odd lots of New Shares. Thursday, 9 September

Underwriting Agreement becoming unconditional. Friday, 10 September

Announcement of results of the Open Offer
 to be published on the Stock Exchange website. Friday, 10 September

Despatch of share certificates for Offer Shares Wednesday, 15 September

Dealings in Offer Shares commence Friday, 17 September

Last day of free exchange of existing certificates for
 new certificates for the New Shares Wednesday, 22 September

EFFECT OF BAD WEATHER ON THE LATEST ACCEPTANCE DATE

The Latest Acceptance Date will be postponed if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Tuesday, 7 September 2010. Instead, the Latest Acceptance Date will be rescheduled to 12:00 noon on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 12:00 noon. If the Latest Acceptance Date is postponed in accordance with the foregoing, the dates mentioned in the section headed “Expected timetable” in this announcement may be affected. An announcement will be made by the Company in such event.

GENERAL

The Capital Reorganisation is subject to the approval of a special resolution passed by the Shareholders on a vote taken by way of poll at the SGM. As none of the Shareholders is interested in the Capital Reorganisation, no Shareholder is required to abstain from voting at the SGM.

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

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

The Underwriter and parties acting in concert with him are required to abstain from voting on resolutions approving the Open Offer and the Whitewash Waiver. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for the Underwriter and parties acting in concert with him, no Shareholders have material interest in the Open Offer and the Whitewash Waiver which requires him/her to abstain from voting on the relevant resolutions at the SGM.

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

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

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Thursday, 24 June 2010 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on Monday, 12 July 2010.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement dated 21 June 2010 issued by the Company in relation to 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
“Application Form(s)”	the application form(s) for use by the Qualifying Shareholders to apply for the Offer Shares
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for normal business in Hong Kong
“Bye-laws”	the bye-laws of the Company in force from time to time
“Capital Reduction”	the reduction of the issued share capital of the Company by cancelling the paid-up capital to the extent of HK\$0.09 on each Share such that the nominal value of all issued Shares will be reduced from HK\$0.10 each to HK\$0.01 each
“Capital Reorganisation”	the Capital Reduction, the Share Subdivision, the Share Premium Reduction and the Elimination of Accumulated Losses
“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
“Companies Act”	The Companies Act 1981 of Bermuda, as amended from time to time
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Elimination of Accumulated Losses”	the transfer of the credit amount arising from the Capital Reduction and the Share Premium Reduction to the contributed surplus account of the Company, and the application of the appropriate sum therein to set off against the total accumulated losses of the Company as at 31 December 2009
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s)
“Existing Share(s)”	the ordinary share(s) of HK\$0.10 each in the existing share capital of the Company, before the Capital Reorganisation becoming effective
“Film”	the film “大鬧天宮” (“Monkey King”) (working title), details of which are contained in the Announcement
“Filmko”	Filmko International Limited, a company incorporated in the British Virgin Islands and an Independent Third Party
“Grimston”	Grimston Limited, a company incorporated in the British Virgin Island 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 Board Committee”	the independent board committee of the Company to be established to advise the Independent Shareholders regarding the Open Offer and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than the Underwriter and parties acting in concert with him and those who are involved in or interested in the Open Offer and the Whitewash Waiver and their respective associates, who are required by the Listing Rules or the Takeovers Code to abstain from voting on the relevant resolutions at the SGM

“Independent Third Party”	independent third party who is not connected person of the Company as defined in the Listing Rules and is independent of the Company and connected person(s) of the Company
“Ip Man Series”	“Ip Man” (葉問), the Group’s award-winning film, and its sequel “Ip Man 2” (葉問2)
“Irrevocable Undertaking”	the irrevocable undertaking given by the Underwriter pursuant to which the Underwriter has irrevocably undertaken to subscribe for his full entitlement pursuant to the Open Offer
“JV Agreement”	the joint venture agreement dated 21 June 2010, details of which are contained in the Announcement
“JV Company”	Talent Films Limited, a company incorporated in Hong Kong with limited liability
“Last Trading Day”	23 June 2010, being the last trading day on which the Shares were traded on the Stock Exchange
“Latest Acceptance Date”	4:00 p.m. on 7 September 2010 or such other date as may be determined by the Company, being the latest date for acceptance of, and payment for, the Offer Shares
“Latest Lodging Date”	4:30 p.m. on 12 August 2010 or such other date as may be determined by the Company, being the latest date for lodging transfer of Shares in order to qualify for the Open Offer
“Latest Time for Termination”	4:00 p.m. on Friday, 10 September 2010 or such later time to be agreed in writing between the Company and the Underwriter, being the latest time for the Underwriter to terminate the Underwriting Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“New Films”	“kung-fu” films similar or related to Ip Man Series
“New Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation becoming effective

“Offer Shares”	18,294,360,000 New Shares to be issued pursuant to the Open Offer
“Open Offer”	the proposed issue of Offer Shares on the basis of seven Offer Shares for every New Share held by the Qualifying Shareholders on the Record Date at the Subscription Price, pursuant to the terms and conditions contained herein and more particularly described in the Prospectus Documents
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is(are) in a place outside Hong Kong
“party (parties) acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“PRC”	The People’s Republic of China
“Prohibited Shareholder(s)”	those Overseas Shareholder(s), to whom the Directors, based on legal opinions provided by the Company’s legal advisers and on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place, consider it necessary or expedient not to offer the Offer Shares
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	24 August 2010, the date of despatch of the Prospectus Documents as the Underwriter may agree in writing with the Company
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Prohibited Shareholder(s), whose name(s) appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	20 August 2010, being the date by reference to which entitlements to the Open Offer will be determined
“Settlement Date”	the third Business Day after the Latest Acceptance Date

“SGM”	a special general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Capital Reorganisation by the Shareholders, the Open Offer and the Whitewash Waiver by the Independent Shareholders
“Share(s)”	Existing Share(s) or New Share(s) (as the case may be)
“Shareholder(s)”	holder(s) of the Shares
“Share Premium Reduction”	reduction of the entire amount standing to the credit of the share premium account of the Company as at the date of this announcement
“Share Subdivision”	each of the authorised but unissued Shares of HK\$0.10 each in the share capital of the Company being subdivided into ten New Shares of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	subscription price of HK\$0.0109 per Offer Share
“Sub-underwriter”	Skyway Securities Investment Limited, a licensed corporation to carry on type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the sub-underwriter under the Sub-underwriting Arrangements and an Independent Third Party
“Sub-underwriting Arrangements”	the sub-underwriting arrangements made between the Underwriter and the Sub-underwriter, pursuant to which the Sub-underwriter will be called upon to take-up, or procure other persons (who are (i) not connected persons of the Company; and (ii) are not parties acting in concert with any connected persons of the Company and their respective associates) to take-up, up to 3,120,980,000 Offer Shares, so that the minimum public float (i.e. 25% of the issued share capital) of the Company could be maintained immediately upon completion of the Open Offer
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriter” or “Mr. Cheng”	Mr. Cheng Keung Fai, a substantial Shareholder
“Underwriting Agreement”	the underwriting agreement dated 23 June 2010 entered into between the Company and the Underwriter in relation to the Open Offer

“Whitewash Waiver”

a waiver from the Executive pursuant to Note 1 on dispensation from Rule 26.1 of the Takeovers Code in respect of the Underwriter’s obligations to make a mandatory offer under Rule 26.1 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Underwriter and parties acting in concert with him as a result of the transactions contemplated under the Underwriting Agreement

“HK\$”

Hong Kong Dollars, the lawful currency of Hong Kong

“%”

per cent.

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

Hong Kong, 9 July 2010

As at the date hereof, 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.

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

* *For identification purpose only*