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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)

### **CONNECTED TRANSACTIONS**

#### **THE SERVICE AGREEMENT**

The Board announces that on 31 August 2009, Paramount Universal and Mr. KS Cheng entered into the Service Agreement, pursuant to which Mr. KS Cheng 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.

Mr. KS Cheng is a son of Mr. KF Cheng who is a substantial Shareholder. Pursuant to Chapter 14A of the Listing Rules, Mr. KF Cheng and Mr. KS Cheng are connected persons of the Company. The transaction contemplated under the Service Agreement constitutes a connected transaction on the part of the Company.

#### **THE OTHER TRANSACTIONS**

The Board further announces that the Group has arranged for the occupation of certain hotel rooms in Sofitel Hotel as accommodation in Shanghai, the PRC by the production crew of Ip Man 2 during the period from 1 August 2009 to 15 November 2009 (both dates inclusive), it is expected that the total consideration payable by the Group to Shanghai Yinhu, the operator and beneficial owner of Sofitel Hotel, will not exceed RMB500,000. Given Mr. KF Cheng is the ultimate controlling shareholder of Shanghai Yinhu, pursuant to the Listing Rules, Shanghai Yinhu is a connected person of the Company. The hotel room rental in Sofitel Hotel constituted a connected transaction on the part of the Company.

\* for identification purpose only

The Board also discloses that on 25 August 2008 Chengdu Zhongfa, a non-wholly owned subsidiary of the Company, entered into a management agreement with Sichuan Huanghe, the then non-wholly owned subsidiary of Guangdong Huanghe, pursuant to which Sichuan Huanghe agreed to provide management service to the Shopping Arcade for a monthly management fee of RMB70,000 for the period commencing from 1 September 2008 to 31 August 2009 (both dates inclusive). Given Mr. KF Cheng is the ultimate controlling shareholder of Sichuan Huanghe, pursuant to the Listing Rules, Sichuan Huanghe is a connected person of the Company. The transaction contemplated under the management agreement constituted a connected transaction on the part of the Company.

As each of the percentage ratios for the calculation of the size tests under the Listing Rules for the aggregate of the transaction contemplated under the Service Agreement and the Other Transactions is more than 2.5% but less than 25% and the total consideration is less than HK\$10,000,000, the Service Agreement and the Other Transactions are subject to reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. KF Cheng is a businessman with diversified investments in properties development, car manufacturing, electronic industry and hotel business in the PRC. In view of the Group's continuous business development and the diversified investments portfolio held by Mr. KF Cheng, the Directors (including the independent non-executive Directors) consider that the Group may enter into other connected transactions with Mr. KF Cheng and his associates. The Board will closely monitor such possible connected transactions and the aggregate amount of the consideration of such connected transactions. The Company will comply with the applicable requirements under the Listing Rules in relation to such future possible connected transactions.

## **THE SERVICE AGREEMENT**

**Date:** 31 August 2009

**Parties:** (1) Paramount Universal; and

(2) Mr. KS Cheng

Paramount Universal is a wholly owned subsidiary of the Company and is principally engaged in film production and distribution.

Pursuant to the Service Agreement, Mr. KS Cheng 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 consideration of HK\$80,000. The consideration payable by Paramount Universal to Mr. KS Cheng in cash under the Service Agreement was arrived at after arm's length negotiation between Paramount Universal and Mr. KS Cheng with reference to the role played by Mr. KS Cheng and time required for Mr. KS Cheng in shooting Ip Man 2.

## **Reasons for entering into of the Service Agreement**

The Group is principally engaged in the provision of films production services, film distribution and property investments in the PRC.

Given Mr. KS Cheng was one of the actors for a previous film, namely Ip Man, produced by the Group, the Directors (including the independent non-executive Directors) consider that the shooting of Ip Man 2 by Mr. KS Cheng is necessary for the sake of continuity and completeness of the story development of Ip Man 2. The Directors (including the independent non-executive Directors) consider that the Service Agreement was entered into (i) in the usual and ordinary course of business of the Group; (ii) on normal commercial terms; and (iii) on terms no less favourable to the Group than terms available from independent third parties and in the interest of the Company and its Shareholders as a whole.

Mr. KS Cheng is a son of Mr. KF Cheng who is a substantial Shareholder. Pursuant to Chapter 14A of the Listing Rules, Mr. KF Cheng and Mr. KS Cheng are connected persons of the Company. The transaction contemplated under the Service Agreement therefore constitutes a connected transaction on the part of the Company. As each of the percentage ratios for the calculation of the size test under the Listing Rules is less than 2.5% and the total consideration is less than HK\$1,000,000, the transaction contemplated under the Service Agreement is exempt from all the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.31(2) of the Listing Rules.

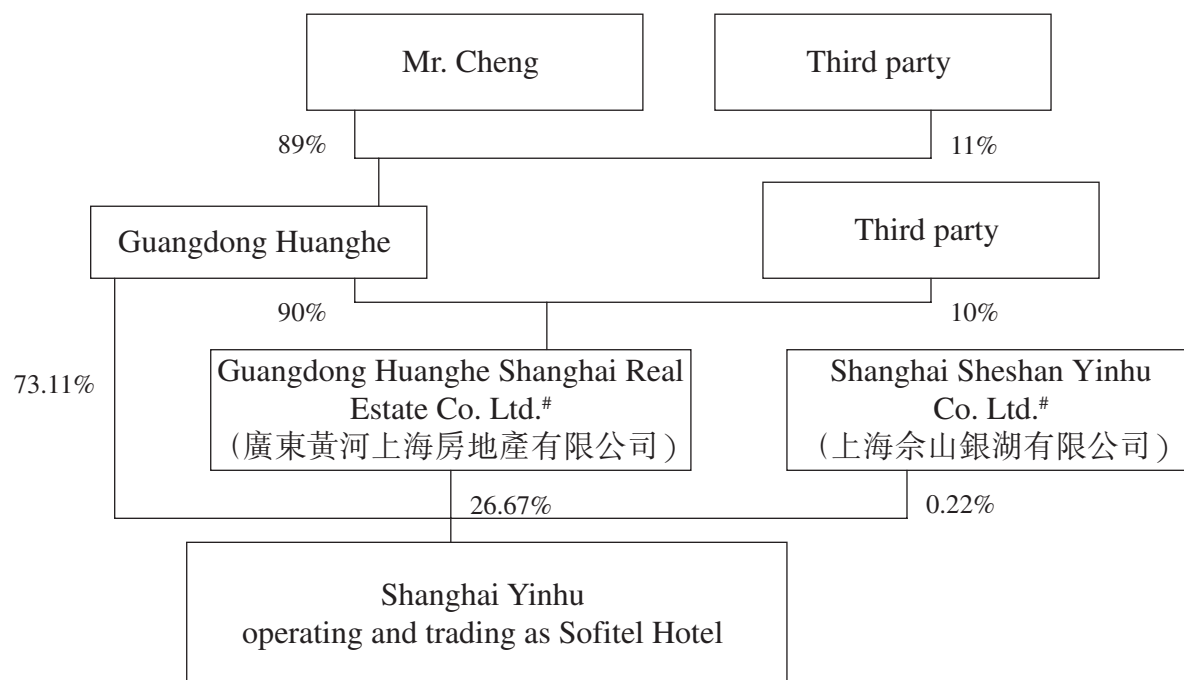
## **OTHER TRANSACTIONS**

### **(1) Hotel rooms rental in Sofitel Hotel**

The Board further announces that the Group has arranged for the occupation of certain hotel rooms in Sofitel Hotel as accommodation in Shanghai, the PRC by the production crew of Ip Man 2 during the period from 1 August 2009 to 15 November 2009 (both dates inclusive), it is expected that the total consideration payable by the Group to Shanghai Yinhu, the operator and beneficial owner of Sofitel Hotel, will not exceed RMB500,000.

Shanghai Yinhu is principally engaged in hotel business in Shanghai, the PRC. Shanghai Yinhu is beneficially owned as to 73.11% by Guangdong Huanghe, as to 26.67% by Guangdong Huanghe Shanghai Real Estate Co. Ltd.\* (廣東黃河上海房地產有限公司) (of which Guangdong Huanghe owns 90% of the shareholding as at the date of this announcement) and as to 0.22% by Shanghai Sheshan Yinhu Co. Ltd.\* (上海佘山銀湖有限公司). Mr. KF Cheng therefore owns approximately 86.43% of the effective interests in Shanghai Yinhu. Pursuant to the Listing Rules Shanghai Yinhu is a connected person of the Company.

### *The shareholdings of Shanghai Yinhu*



The consideration payable by the Group to Shanghai Yinhu in cash was arrived at after arm's length negotiation between the Group and Shanghai Yinhu with reference to the hotel rates offered by other hotels of similar grade in the vicinity. The Directors (including the independent non-executive Directors) consider that the hotel room rate offered by Shanghai Yinhu is much lower than the comparable hotel room rates offered by other hotels of similar grade in the vicinity.

Notwithstanding the hotel rental payable by the Group to Sofitel Hotel constituted a connected transaction on the part of the Company, such connected transaction was exempt from all the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.31(2) of the Listing Rules as each of the percentage ratios for the calculation of the size test under the Listing Rules is less than 2.5% and the total consideration is less than HK\$1,000,000.

### **Reasons for the hotel room rentals in Sofitel Hotel**

The Directors (including the independent non-executive Directors) consider that the hotel room rate offered by Shanghai Yinhu is much lower than the comparable hotel room rates offered by other hotels of similar grade in the vicinity. The Directors (including the independent non-executive Directors) consider that the rental of hotel rooms in Sofitel Hotel is (i) in the usual and ordinary course of business of the Group; (ii) on normal commercial terms; and (iii) on terms no less favourable to the Group than terms available from independent third parties and in the interest of the Company and its Shareholders as a whole.

## **(2) Management agreement in connection with the Shopping Arcade**

On 25 August 2008, Chengdu Zhongfa, a non-wholly owned subsidiary of the Company, entered into a management agreement with Sichuan Huanghe, the then non-wholly owned subsidiary of Guangdong Huanghe, pursuant to which Sichuan Huanghe agreed to provide management service to the Shopping Arcade for a monthly management fee of RMB70,000 for the period commencing from 1 September 2008 to 31 August 2009 (both dates inclusive).

Chengdu Zhongfa is principally engaged in property investment. As at the date of this announcement, Chengdu Zhongfa legally and beneficially holds the entire equity interest in the Shopping Arcade.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Sichuan Huanghe is a non-wholly owned subsidiary of Guangdong Huanghe of which Mr. KF Cheng is interested in 89% of the equity interest. Sichuan Huanghe is a connected person of the Company. The transaction contemplated under the management agreement constituted a connected transaction on the part of the Company.

Sichuan Huanghe is principally engaged in a number of diversified investments, among other things, wholesale and retail businesses and the management of department stores. Prior to the acquisition of the Shopping Arcade by the Group in early 2008, Sichuan Huanghe had provided management service to the Shopping Arcade. Given Sichuan Huanghe has experience in managing the Shopping Arcade and the fee quoted by Sichuan Huanghe in relation to its management service was at the then market price, Chengdu Zhongfa therefore retained Sichuan Huanghe to provide the management service to the Shopping Arcade.

The consideration payable by the Group to Sichuan Huanghe in cash was arrived at after arm's length negotiation between the Group and Sichuan Huanghe with reference to prevailing management fee for shopping arcades in Chengdu, the PRC. The Directors (including the independent non-executive Directors) consider that the management fee charged by Sichuan Huanghe was fair and reasonable and in the interest of the Company and its Shareholders as a whole. The management agreement was entered into in the ordinary course of business of the Group and on normal commercial terms.

Notwithstanding the transaction contemplated under the management agreement constituted a connected transaction on the part of the Company, such connected transaction was exempt from all the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.31(2) of the Listing Rules as each of the percentage ratios for the calculation of size test under the Listing Rules is less than 2.5% and the total consideration is less than HK\$1,000,000.

## **POSSIBLE CONNECTED TRANSACTIONS**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. KF Cheng is a businessman with diversified investments in properties development, car manufacturing, electronic industry and hotel business in the PRC. In view of the Group's continuous business development and the diversified investments portfolio held by Mr. KF Cheng, the Directors (including the independent non-executive Directors) consider that the Group may enter into other connected transactions with Mr. KF Cheng and his associates. The Board will closely monitor such possible connected transactions and the aggregate amount of the consideration of such connected transactions. The Company will comply with the applicable requirements under the Listing Rules in relation to such future possible connected transactions.

## **GENERAL**

As each of the percentage ratios for the calculation of the size tests under the Listing Rules for the aggregate of the transaction contemplated under the Service Agreement and the Other Transactions is more than 2.5% but less than 25% and the total consideration is less than HK\$10,000,000, the Service Agreement and the Other Transactions are subject to reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

Save and except for the Other Transactions, Mr. KF Cheng and his associates conducted no other transaction with the Group in the past 12 months or otherwise.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Chengdu Zhongfa”	Chengdu Zhongfa Huanghe Enterprise Limited# (成都中發黃河實業有限公司), a non-wholly subsidiary of the Company
“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 of Hong Kong
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Directors”	the directors of the Company
“Ip Man 2”	the motion picture being produced by the Group where Mr. KS Cheng, a son of Mr. KF Cheng, will be one of the actors

“Group”	the Company and its subsidiaries
“Guangdong Huanghe”	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. KF Cheng as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities The Stock Exchange of Hong Kong Limited
“Mr. KF Cheng”	Cheng Keung Fai, a substantial Shareholder and, as at the date of this announcement, Mr. KF Cheng holds approximately 23.3% of the entire issued share capital of the Company and is the holder of convertible bonds in the principal amount of HK\$63,739,409
“Mr. KS Cheng”	Cheng Ka Sing who is a son of Mr. KF Cheng and a party to the Service Agreement
“Other Transactions”	the hotel rental payable to by the Group to Sofitel Hotel and the management services provided by Sichuan Huanghe to Chengdu Zhongfa in connection with the Shopping Arcade
“Paramount Universal”	Paramount Universal Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Service Agreement”	the agreement dated 31 August 2009 and entered into between Paramount Universal and Mr. KS Cheng in relation to the provision of service by Mr. KS Cheng as an actor to shoot Ip Man 2
“Shanghai Yinhu”	Shanghai Yinhu Hotel Company Ltd.# (上海銀湖酒店有限公司) a company incorporate in the PRC with limited liability, which is beneficially owned as to 73.11% by Guangdong Huanghe, as to 26.67% by Guangdong Huanghe Shanghai Real Estate Co. Ltd.# (廣東黃河上海房地產有限公司) (of which Guangdong Huanghe owns 90% of the shareholding) and as to 0.22% by Shanghai Sheshan Yinhu Co. Ltd.# (上海佘山銀湖有限公司). Shanghai Yinhu operates and beneficially owns Sofitel Hotel as at the date of this announcement



“Shareholder(s)”	holder(s) of the issued ordinary share(s) of HK\$0.1 each in the capital of the Company
“Shopping Arcade”	Minzu Plaza <sup>#</sup> (民族廣場), a five stories shopping arcade situate at No.19 Yung Ning Lu, Jin Niu Qu, Chengdu, Sichuan, the PRC <sup>#</sup> (中國四川省成都市金牛區永陵路19號), which is legally and beneficially owned by Chengdu Zhongfa
“Sichuan Huanghe”	Sichuan Huanghe Commercial Limited <sup>#</sup> (四川黃河商業有限責任公司), a company incorporated in PRC with limited liability, a subsidiary of Guangdong Huanghe
“Sofitel Hotel”	Sofitel Shanghai Sheshan Huanghe Hotel <sup>#</sup> (上海黃河佘山索菲特大酒店), a hotel located in Sheshan, Shanghai and which is operated and beneficially owned by Shanghai Yinhu
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 1 September 2009

*For the purpose of this announcement, unless otherwise specified, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB0.885 to HK\$1.00*

*# the English translations of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

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