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CHINA MANDARIN HOLDINGS LIMITED

中國東方實業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00009)

DISCLOSEABLE TRANSACTION: DISPOSAL OF PROPERTY

The Board wishes to announce that the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Provisional Agreement with the Purchaser on 11 January 2011 pursuant to which the Vendor provisionally agreed to dispose of the Property at the Purchase Price of HK\$44,092,780. As the applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules.

INTRODUCTION

The Board wishes to announce that the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Provisional Agreement with the Purchaser on 11 January 2011 pursuant to which the Vendor provisionally agreed to dispose of the Property at the Purchase Price of HK\$44,092,780. The Property comprises a total gross floor area of approximately 22,046 sq. ft. The principal terms of the Provisional Agreement are set out below.

* For identification purpose only

PROVISIONAL AGREEMENT

Date:

11 January 2011

Parties:

Vendor: Mandarin Laboratory (International) Limited, an indirect wholly-owned subsidiary of the Company

Purchaser: Hayson Development Limited, a company incorporated in Hong Kong

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (i) the Purchaser is principally engaged in property investment, while the Other Owners are registered owners of other units/floors of and in the Building; (ii) the Purchaser, the Other Owners and their respective ultimate beneficial owners are third parties independent of the Company and the connected persons (as defined in the Listing Rules) of the Company. The Company has no relationship with the Purchaser, the Other Owners and/or their respective ultimate beneficial owners and does not have any transactions with the Purchaser, the Other Owners and/or their respective ultimate beneficial owners completed within 12 months prior to the Disposal.

The Property

The entire 3rd Floor and the roof floor (inclusive of the fresh water tank on the roof) of an industrial building known as Cheung Fai Industrial Building, Nos. 131- 133 Wai Yip Street, Kowloon, Hong Kong, comprises a total gross floor area of approximately 22,046 sq. ft, whereas the gross floor area of 3rd Floor and the roof floor is 14,652.5 sq. ft and 7,393.89 sq. ft respectively.

The Property is currently used by the Group for film processing.

Condition precedent

It is a condition of the Provisional Agreement that the Vendor and all the Other Owners would complete the sale of the respective units/floors of the Building with the Purchaser and/or the respective purchasers under and in accordance with the terms of the respective provisional agreements for sale and purchase and the subsequent agreements for sale and purchase, provided that:

- (a) subject to the provision of sub-paragraph (a) below and save for the default of the Purchaser, if the Vendor and/or the Other Owners refuse(s) to complete the sale of the Property and/or the respective units/floors under and in accordance with the terms of the respective provisional agreements for sale and purchase and the subsequent agreements for sale and purchase, the Purchaser shall

have the right to determine the Provisional Agreement and the subsequent agreement for sale and purchase. If the Vendor is not in default, the Vendor and the Purchaser shall enter into a cancellation agreement at their respective costs and expense and the Vendor shall refund the deposits that had been paid by the Purchaser without any interest, costs and compensation.

However, if the Vendor is in default, the Vendor shall be liable to the Purchaser and/or purchasers of other units/floors of the Building for either a decree of specific performance or for all loss and damages including legal costs and estate agent's commission that the Purchaser and the purchasers of other units/floors of the Building may suffer and/or incur as a result thereof. The Vendor, if in default, shall also be held liable for the loss and damages that the Other Owners would suffer and/or incur on account of the Purchaser and/or the other purchasers not purchasing from the Other Owners their respective units/floors of the Building;

- (b) if the Vendor and/or the Other Owners fail(s) to prove and give title to the Property and/or their respective units/floors (as the case may be), the Purchaser and/or the other purchaser(s) shall have the right to determine the provisional agreements for sale and purchase (including the Provisional Agreement) and the subsequent agreements for sale and purchase, in which case, the Vendor and the Purchaser shall enter into a cancellation agreement at their respective costs and expenses and the Vendor shall refund the deposits that had been paid by the Purchaser without any interest, costs and compensation. Neither shall the Vendor, the Purchaser nor the Other Owners have the right to claim against the other or any third parties on account of the provisional agreements for sale and purchase (including the Provisional Agreement) and/or the subsequent agreements for sale and purchase (as the case may be); and
- (c) save for the default of the Vendor, if the Purchaser and/or the other purchasers fail(s) and/or refuse(s) to complete the purchase of the Property and the respective units/floors of the Building otherwise than due to title problem or any one or more the Other Owners failing to complete the sale of their respective units/floors of the Building, the Vendor shall have the right to absolutely forfeit the deposits paid by the Purchaser under the Provisional Agreement and to claim against the Purchaser for all loss and damages including legal costs and estate agent's commission that the Vendor may incur and/or suffer as a result thereof.

Purchaser Price

The Purchase Price amounts to HK\$44,092,780 and is payable by the Purchaser in cash in the following manner:

- (1) HK\$2,204,639 to be paid upon signing of the Provisional Agreement as initial deposit;
- (2) HK\$2,204,639 to be paid on or before 7 calendar days from the date of the Provisional Agreement as further deposit; and
- (3) HK\$39,683,502 to be paid upon completion on or before 2 calendar months from the date of the Provisional Agreement as balance of the Purchase Price.

The consideration payable by the Purchaser for the Property was determined after arm's length negotiations between the Group and the Purchaser on the basis of HK\$2,000 for each sq. ft of the Property, with reference to, among other things, the prevailing market value of other industrial premises of comparable size and quality in the area where the Property is located provided by the estate agent and the net book value of the Property of HK\$1,972,000 as at 31 December 2010. The Directors, including the independent non-executive Directors, consider that the Purchase Price is fair and reasonable.

Completion

Completion of the sale and purchase of the Property shall take place on or before 11 March 2011.

Legal fees and stamp duty

Each party shall pay its own legal costs. All stamp duty shall be borne by the Purchaser solely.

LEASE BACK OF THE PROPERTY

Upon completion of the Disposal, the Vendor/Group will lease back the Property, which is currently occupied by the Group for film processing, for a period of two years commencing from the date of completion for a monthly rental of HK\$60,000 inclusive of rates and management fee. The rental was determined after arm's length negotiations between the parties with reference to the rental of similar properties in the same vicinity. The Directors, including the independent non-executive Directors, consider that the rental is fair and reasonable.

INFORMATION ON THE GROUP AND REASONS FOR THE DISPOSAL

The Group is principally engaged in film production and related businesses and property investments in the People's Republic of China.

The Purchaser is principally engaged in property investment and intends to acquire the entire Building from the Vendor and the Other Owners.

With the recent general increase in property prices in Hong Kong, the Directors consider that it is in the interests of the Company and its shareholders to dispose of the Property capitalising on favourable market conditions to realise capital gain and enhance the working capital of the Group.

As the Property will be leased back to the Group, any unnecessary interruption to the Group's business will be minimised.

The Board (including the independent non-executive Directors) is of the view that the terms of the Provisional Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL

The Group acquired the Property in 1989 at a consideration of HK\$6,500,000. Based on the net book value of the Property (being HK\$1,972,000 as at 31 December 2010), it is expected that the Company will realise a gain from the Disposal of approximately HK\$42,120,780 (not taking into account the agency fees and other professional fees to be incurred) being the difference between the Purchase Price and the net book value of the Property as at 31 December 2010.

Since the acquisition of the Property in 1989, the Property has been used by the Group as office/workshop for film processing. Therefore for the two financial years immediately preceding the Disposal, no net profits were attributable to the Property.

USE OF PROCEEDS

The Company intends to use the net sale proceeds from the Disposal as general working capital.

GENERAL

As the applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the same meanings as set out below:

“Board”	the board of Directors
“Building”	Cheung Fai Industrial Building, Nos. 131-133 Wai Yip Street, Kowloon, Hong Kong
“Company”	China Mandarin Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Directors”	directors of the Company
“Disposal”	the disposal of the Property by the Vendor
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Other Owners”	registered owners of all floors/units of and in the Building, other than the Property
“Property”	the entire 3rd Floor and the roof floor (inclusive of the fresh water tank on the roof) of the Building
“Provisional Agreement”	the provisional sale and purchase agreement dated 11 January 2011 entered into between the Vendor and the Purchaser in relation to the Disposal
“Purchase Price”	HK\$44,092,780, being the amount of money payable to the Vendor by the Purchaser for the Property
“Purchaser”	Hayson Development Limited, the purchaser of the Property
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Mandarin Laboratory Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“sq. ft”	square feet

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

Hong Kong, 12 January 2011

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. Tsui Pui Hung, Mr. Chan Tung Tak, Alain and Mr. Tang Ping Sum.