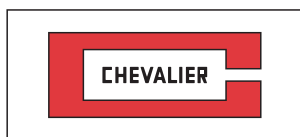


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**CHEVALIER INTERNATIONAL
HOLDINGS LIMITED**

其士國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 025)



**CHEVALIER PACIFIC
HOLDINGS LIMITED**

其士泛亞控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 508)

JOINT ANNOUNCEMENT

**MAJOR TRANSACTION AND
CONNECTED TRANSACTION**

**involving acquisition of interest in
a Philippines mining project,
issue of Consideration Shares and
if required, Convertible Bonds
and deemed disposal of interest in
Chevalier Pacific Holdings Limited**

**MAJOR TRANSACTION AND
CONNECTED TRANSACTION**

**involving acquisition of interest in
a Philippines mining project,
issue of Consideration Shares and
if required, Convertible Bonds**

On 2 August 2010, the Purchaser, a wholly-owned subsidiary of CPHL, the Vendor and the Warrantors entered into the Agreement, pursuant to which, (i) the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 36% of the issued share capital of the Target Company at Completion, for a total consideration of HK\$648 million, subject to adjustment; and (ii) the Vendor has granted the Purchaser the Call Option, at the consideration of HK\$1, to purchase the balance of the 64% of the Target Company at a total consideration of HK\$1,152 million, subject to adjustment. The Call Option is exercisable in whole or in part during a term of 6 years after Completion.

The Target Company will be incorporated in the Kingdom of Bahrain or such other jurisdiction which has preferential tax treaty with the Philippines, to hold the Vendor's existing interests of (i) 40% in Massart; and (ii) 40% in Aquiflex, a company incorporated in the Philippines, which is the registered holder of 50% of the registered share capital of Massart. The interests in Aquiflex and Massart shall be credited as fully paid up at Completion. Massart is a company incorporated in the Philippines which has obtained exploration rights in respect of the Project.

Upon Completion, the Purchaser will have 36% interest in the Target Company which in turn has an effective 60% economic interest in Massart (being a direct 40% interest in Massart and an indirect 20% interest in Massart via the Target Company's 40% interest in Aquiflex which in turn holds 50% interest in Massart). Each of Massart and Aquiflex will be accounted for as associated company of the Target Company. Taking into account the Purchaser's 36% interest in the Target Company and given the rights of the Purchaser under the Call Option to purchase remaining 64% interest in the Target Company, the Target Company will be accounted for as a subsidiary of CPHL.

The considerations for the Sale Shares and the Call Option Shares will be adjusted in accordance with the valuation report to be prepared in accordance with Chapter 18 of the Listing Rules on a dollar-to-dollar basis based on the attributable interests of the Sale Shares and the Call Option Shares in the Project provided that the consideration payable for the Sale Shares and the Call Option Shares shall not be more than HK\$1,500,000,000 and HK\$2,666,666,666 respectively (in which case the valuation of the Project will be HK\$6,944,444,444). If the valuation of the Project is less than HK\$1,500,000,000 (as such the consideration payable for the Sale Shares is less than HK\$324,000,000), the Purchaser shall have no obligation to proceed with Completion.

Assuming there is no adjustment to the consideration for the Sale Shares and no Share will be issued and/or repurchased by CPHL from the date of this announcement up to Completion, the consideration for the Sale Shares will be satisfied by way of (i) HK\$100 million in cash; (ii) HK\$548 million by way of issue of 928,813,559 Consideration Shares, at the issue price of HK\$0.59 each, representing approximately 28.11% of the share capital of CPHL as enlarged by the Consideration Shares. In the event of an upward adjustment of the consideration payable for the Sale Shares, it will be satisfied by way of issue of further Consideration Shares (up to 29.90% of the share capital of CPHL as enlarged by issue of the Consideration Shares) and Convertible Bonds which will entitle holder thereof to convert the principal amount of the Convertible Bonds into the Shares at an initial conversion price of HK\$0.59, subject to adjustment. The consideration payable for the Call Option Shares will be by way of issue of convertible bonds on the same terms as the Convertible Bonds, save that key dates such as the maturity date, early redemption date and expiration date of conversion will be adjusted with reference to the date of the issue of such convertible bonds accordingly.

Assuming there is no adjustment to the consideration for the Sale Shares and no Share will be issued and/or repurchased by CPHL from the date of this announcement up to Completion, the Consideration Shares to be allotted and issued to the Vendor represent (i) approximately 39.11% of the existing issued share capital of CPHL as at the date of this announcement; (ii) approximately 28.11% of the issued share capital of CPHL (as enlarged by the Consideration Shares, assuming no exercise of the Options); and (iii) approximately 26.89% of the issued share capital of CPHL as enlarged by the Consideration Shares after the exercise of the Options.

Assuming there is an upward adjustment to the consideration for the Sale Shares to HK\$1,500,000,000 and no Share will be issued and/or repurchased by CPHL from the date of this announcement up to Completion, up to a further 84,244,153 Consideration Shares will be issued so that the aggregate Consideration Shares represent up to 29.90% of the share capital of CPHL (as enlarged by all the Consideration Shares), the balance of the consideration of HK\$802,295,950 will be satisfied by the issue of Convertible Bonds. As such, the Consideration Shares and the Conversion Shares to be issued at the initial Conversion Price will represent approximately 42.65% and 57.25% of the existing issued share capital of CPHL as at the date of this announcement, respectively. If all the principal amount of the Convertible Bonds are converted into Conversion Shares at the initial Conversion Price of HK\$0.59, the 1,359,823,644 Conversion Shares to be allotted and issued represent (i) approximately 57.25% of the existing issued share capital of CPHL as at the date of this announcement; (ii) approximately 28.64% of the issued share capital of CPHL (as enlarged by the Consideration Shares and the Conversion Shares, assuming no exercise of the Options); and (iii) approximately 27.76% of the issued share capital of CPHL (as enlarged by the Consideration Shares and the Conversion Shares and after the exercise of the Options).

50% of the Consideration Shares and 50% of the Convertible Bonds to be issued for the Sale Shares shall be subject to lock-up arrangement for a period of one year from date of issue.

Convertible bonds to be issued on the exercise of Call Option will have the same conversion price as the Convertible Bonds issued for the Sale Shares, subject to shareholders approval in general meeting of CPHL and (if applicable) CIHL at the relevant time.

FURTHER TRANSACTION

Given the Target Company's interest of 40% in Massart and 40% in Aquiflex upon Completion, each of Massart and Aquiflex will be treated as associated company of the Target Company. The Vendor and the Purchaser have been in discussion in respect of securing potential rights over a 10.1% interest in Aquiflex from other shareholders of Aquiflex. If the transaction materializes, based on the accounting policies and HKFRS, the interests of Aquiflex and Massart can be consolidated into the accounts of CPHL.

Further announcements will be made and the relevant Listing Rules requirements will be complied with upon the entering into of any legally binding contracts in respect of the above.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition (whether measured in terms of the consideration of HK\$648 million or the capped consideration of HK\$1,500 million) constitutes a major transaction for CPHL and CIHL under the Listing Rules. The deemed disposal of interest in CPHL by CIHL as a result of the Acquisition also constitutes a major transaction for CIHL under the Listing Rules. As Ms Fan, a director of CPHL, holds 90% ultimate beneficial interests in the Vendor, the Acquisition also constitutes a connected transaction of CPHL and CIHL and will be subject to independent shareholders approval of CPHL and CIHL at their respective special general meeting.

A nominal consideration is to be paid by the Purchaser for the Call Option. Upon the exercise of the Call Option, the exercise price, the value of the underlying assets and the profits and revenue attributable to the Call Option Shares will be used for the purpose of ascertaining the percentage ratios and the relevant requirements of the Listing Rules will be complied with.

Independent financial advisor will be appointed by the respective independent board committee of CIHL and CPHL to give advice and recommendation to the relevant independent board committee and the independent shareholders of CIHL and CPHL in respect of the Acquisition. Further announcement will be made upon such appointment.

A circular containing, among other things, details of the Agreement, information on the Target Company, Aquiflex and Massart, the letter from the independent financial adviser, the letter from the independent board committee, the competent person's report, the valuation report and the notices of the special general meetings are expected to be despatched to the respective shareholders of CIHL and CPHL on or before 31 December 2010 and in accordance with the Listing Rules. The reason for the delay in the despatch of the circular was due to the extra time required for the preparation of a competent person's report and the valuation report in respect of the Project as required under Chapter 18 of the Listing Rules.

The Acquisition is conditional and the transaction of the potential rights over 10.1% in Aquiflex may or may not proceed. Shareholders and potential investors of CIHL and CPHL are reminded to exercise caution when dealing in the shares of CIHL and CPHL.

Introduction

On 2 August 2010, the Purchaser, a wholly-owned subsidiary of CPHL, the Vendor and the Warrantors entered into the Agreement, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares representing 36% of the issued share capital of the Target Company at Completion, for a total consideration of HK\$648 million, subject to adjustment. CPHL is a 54.14% subsidiary of CIHL.

DETAILS OF THE AGREEMENT

- Date: 2 August 2010
- Purchaser: The Purchaser, a wholly-owned subsidiary of CPHL
- Vendor: The Vendor is an investment holding company incorporated in Samoa, the entire issued share capital of which is ultimately beneficially owned as to 90% by Ms Fan and 10% by Mr Ng.
- Warrantors: Ms Fan and Mr Ng has provided warranties under the Agreement with liability proportional to their beneficial interests in the Vendor. In addition, They have also guaranteed the due and punctual performance of obligations of the Vendor.

Ms Fan is a director of CPHL and thus a connected person of CIHL and CPHL.

To the best of the knowledge, information and belief of the board of directors of CIHL and CPHL, after making reasonable enquiries, Mr Ng is a third party independent of and not connected with CIHL and CPHL and their respective connected persons.

Assets to be purchased: 36% of the issued share capital of the Target Company at Completion.

All the Sale Shares shall be free from encumbrances and together with all rights from the date of the Target Company's incorporation and attaching thereto on or after the date of Completion.

Consideration for the Sale Shares: HK\$648 million, subject to adjustment but in no event more than HK\$1,500 million

comprising:-

— Cash HK\$100 million payable on Completion; and

— Consideration Shares HK\$548 million by way of issue of Consideration Shares, at the issue price of HK\$0.59 each, on Completion.

Call Option: The Vendor has granted the Purchaser the Call Option, at the consideration of HK\$1, to purchase the balance of the 64% of the Target Company at a total consideration of HK\$1,152 million, subject to adjustment. The Call Option is exercisable in whole or in part during a term of 6 years after Completion.

Exercise price for the Call Option: HK\$1,152 million, subject to adjustment but in no event more than HK\$2,666,666,666, comprising the convertible bonds on the same terms as the Convertible Bonds, save that key dates such as the maturity date, early redemption date and expiration date of conversion will be adjusted with reference to the date of the issue of such convertible bonds accordingly.

Adjustment of considerations: The considerations for the Sale Shares and the Call Option Shares will be adjusted in accordance with the valuation report to be prepared in accordance with Chapter 18 of the Listing Rules on a dollar-to-dollar basis based on the attributable interests of the Sale Shares and the Call Option Shares in the Project.

In the event of an upward adjustment of the consideration payable for the Sale Shares, it will be satisfied by way of issue of further Consideration Shares (up to 29.90% of the share capital of CPHL as at the date of issue of the Consideration Shares) and Convertible Bonds which will entitle holder thereof to convert the principal amount of the Convertible Bonds into the Shares at an initial conversion price of HK\$0.59, subject to adjustment.

Assuming there is a downward adjustment to the consideration for the Sale Shares, the number of Consideration Shares will be adjusted accordingly with no change in the cash portion.

The maximum amount of valuation of the Project to be adopted in the adjustment is HK\$6,944,444,444. If the valuation of the Project is less than HK\$1,500,000,000 (as such the consideration payable for the Sale Shares is less than HK\$324,000,000), the Purchaser shall have no obligation to proceed with Completion.

Obligations of the Vendor prior to Completion:

The Vendor will procure, amongst others,

- (i) the formation of the Target Company, a company to be incorporated in the Kingdom of Bahrain or such other jurisdiction which has preferential tax treaty with the Philippines, to hold the Vendor's existing interests of (a) 40% in Massart; and (b) 40% in Aquiflex, a company incorporated in the Philippines, which is the registered holder of 50% of the registered share capital of Massart; and
- (ii) the interests in Aquiflex and Massart shall be credited as fully paid up at Completion.

Completion:

Completion shall take place on 11:00 a.m. on the tenth Business Day after the fulfillment or waiver (where applicable) of the conditions precedent to the Agreement.

Conditions:

Completion is conditional upon fulfillment or waiver (as the case may be) of the following conditions:

- (i) the result of the due diligence exercise carried out by the Purchaser on the assets and liabilities, business and prospects of Aquiflex and Massart and on the books, records, constitutional documents, contracts, accounting records and any other documents relating to any of Aquiflex and Massart being satisfactory to the Purchaser, and the Purchaser being satisfied that the representations and warranties as set out in the Agreement are complete, true and accurate and written notice to that effect having been given to the Vendor;

- (ii) where prior written consent(s) in respect of any of the transactions contemplated under the Agreement is/are required from any counterparties, such counterparties having confirmed in writing and on terms satisfactory to the Purchaser that they will not seek to terminate or vary any terms of or make a claim under any such subsisting contracts as a result of the performance by the parties hereto of any of the transactions contemplated under the Agreement; and all other necessary consents and authorizations which may be required to implement and complete the Agreement having been obtained;
- (iii) the granting of the listing approval by the Stock Exchange on the Consideration Shares and the Conversion Shares;
- (iv) (a) the issued Shares remaining listed and traded on the Stock Exchange at all times from the date of the Agreement up to Completion, save for (1) any suspension not exceeding five consecutive trading days of the Stock Exchange for whatever cause, or (2) any suspension in connection with the clearance of this Announcement or any other announcements or circulars in connection with the Agreement; and

(b) no indication being received at or before Completion from the Securities and Futures Commission and/or the Stock Exchange to the effect that the listing of the issued Shares on the Stock Exchange will or may be withdrawn or objected to (or conditions will or may be attached thereto) as a result of Completion or in connection with any transaction contemplated by the Agreement;
- (v) the receipt of a legal opinion from a firm of Philippine legal advisers nominated by the Purchaser in relation to, inter alia, the due establishment and good standing of Aquiflex and Massart, no major impediment to obtain the mining right (together with estimation of time and costs), the Target Company's ownership of shares in Aquiflex and Massart are legal and valid, and the validity of the exploration permit, on terms to the satisfaction of the Purchaser;
- (vi) the receipt of a legal opinion from a law firm of the place of incorporation of the Target Company nominated by the Purchaser in relation to, inter alia, the due establishment and good standing of the Target Company and the validity, legality and enforceability of the share transfer documents in relation to the Sale Shares and the shareholders agreement in respect of the Company to be entered into between the Purchaser and the Vendor, on terms to the satisfaction of the Purchaser;

- (vii) the receipt of a legal opinion from a firm of Samoan legal advisers nominated by the Purchaser in relation to, inter alia, the due establishment and good standing of the Vendor and the validity, legality and enforceability of the Agreement and the Deed of Indemnity against the Vendor, all on terms to the satisfaction of the Purchaser;
- (viii) the receipt of a competent person's report prepared by a technical advisor nominated by the Purchaser in relation to the Project, on terms to the satisfaction of the Purchaser and the content of which report shall be in compliance with all requirements under the Listing Rules;
- (ix) the receipt of a valuation report prepared by a business valuer nominated by the Purchaser in relation to the value of the Project on terms to the satisfaction of the Purchaser, the content of which report shall be in compliance with all requirements under the Listing Rules and the valuation of the Project shall not be less than HK\$1,500,000,000;
- (x) the passing of the necessary resolution(s) by shareholders of CPHL and CIHL, respectively (other than those who are not permitted to vote pursuant to the Listing Rules, or pursuant to any direction, order or decision of the Stock Exchange, on such resolution(s)) at the respective special general meeting in relation to, among others, transaction contemplated under the Agreement and the allotment and issue of the Consideration Shares, the issue of the Convertible Bonds, the grant of specific mandate for the issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds and the increase of authorised share capital of CPHL;
- (xi) the Acquisition by the Purchaser under the Agreement will not be treated as a reverse takeover (as defined in the Listing Rules) in respect of CPHL by the Stock Exchange;**
- (xii) the Purchaser obtains adequate financing based on the competent person's report to finance the Project;
- (xiii) shareholders agreement with respect to the Target Company, Aquiflex and Massart on terms which are to the Purchaser's satisfaction, are entered into; and

(xiv) the entering into of a Mineral Production Sharing Agreement by Massart with the Mines and Geosciences Bureau of the Department of Environmental and Natural Resources of the Philippines, on terms which are acceptable to the Purchaser and the obtaining of all necessary licence and permit for mining activities on the Project; and

(xv) the interests in Aquiflex and Massart to be held by the Target Company shall be credited as fully paid up at Completion.

If the above conditions (save for conditions (xii) and (xiv) have not been fulfilled or waived (other than conditions (iii), (iv), (v), (vi), (viii), (ix) and (x) which may not be waived) by the Purchaser before 5:00 p.m. on 31 March 2011 (or such later date as the Purchaser and the Vendor may agree in writing) and conditions (xii) and (xiv) have not been fulfilled or waived before 5:00 p.m. on the Longstop Date (or such later date as the Purchaser and the Vendor may agree in writing), all rights and obligations of the parties under the Agreement shall cease to have effect.

Long Stop Date: 3 August 2012, being the date falling eighteen months after the date of the Agreement (or such other date as the Vendor and the Purchaser may agree in writing)

Vendor's and Ms Fan's undertakings: Each of the Vendor and Ms Fan undertakes with the Purchaser (for itself and as trustee for each of Aquiflex and Massart) that she/it will not, without the written consent of the Purchaser (which shall only be withheld to protect the legitimate interests of the Purchaser, the Company, Aquiflex and Massart):-

- (i) for a period of one year immediately following completion of the transfer of the Sale Shares or the Call Option Shares (the "**Restriction Commencement Date**"), canvass, solicit or approach, or cause to be canvassed, solicited or approached, for orders any person who at any time during the 12 months immediately preceding the Restriction Commencement Date is or was:
 - (a) a client or customer of any of the Company, Aquiflex and Massart; or
 - (b) in the habit of dealing with any of the Company, Aquiflex and Massart,

where the orders relate to goods and/or services which are competitive with or of the type supplied by any of the Company, Aquiflex and Massart at any time during the 12 months immediately preceding the Restriction Commencement Date;

- (ii) for a period of one year immediately following the Restriction Commencement Date, interfere, or seek to interfere, with the continuance of supplies to any of the Company, Aquiflex and Massart from any supplier who has been supplying goods and/or services to any of the Company, Aquiflex and Massart at any time during the 12 months immediately preceding the Restriction Commencement Date;
- (iii) for a period of one year after the Restriction Commencement Date, either on its own account or in conjunction with or on behalf of any person, firm or company, carry on or participate or have an interest in, anywhere in the Philippines, any business (other than any investment in any company in which the Vendor or Ms Fan is a passive investor and has no board representation provided that such interest in the equity share capital therein does not exceed 20 per cent of the total issued equity capital of such company) of a type similar to that of the business (or a part thereof) in respect of mining, processing, sale and distribution of iron content deposit which competes directly or indirectly with the businesses of exploration development, sale and distribution of iron content deposit of mines in the Philippines; and
- (iv) for a period of two years after the Restriction Commencement Date, either on its own account or in conjunction with or on behalf of any person, firm or company, employ or solicit or endeavour to entice away from any of the Company, Aquiflex and Massart any person who to his knowledge is at the date of the Agreement an employee of any of the Company, Aquiflex and Massart and whether or not such person would commit a breach of contract by reason of leaving service or office.

Warranties:

The Vendor and the Warrantors have provided warranties in respect of the Sale Shares, the Call Option Shares, the Target Company, Aquiflex and Massart. If the case of a material breach of warranties, the Vendor and Warrantors shall indemnify the Purchaser for any loss it suffers provided that claim for such indemnity is sought within 2 years from the relevant date of transfer of the Sale Shares or the Call Option Shares, as the case may be.

Tax indemnity:	<p>In relation to the Sale Shares, the Vendor and the Warrantors shall provide a tax indemnity to the Purchaser on the Completion Date in respect of the any tax claims against the Target Company, Aquiflex or Massart in respect of events occurred on or before the Completion.</p> <p>In relation to any Call Option Shares acquired under the Call Option, the Vendor and the Warrantors shall provide a tax indemnity to the Purchaser on the relevant date of transfer of the Call Option Shares in respect of any tax claims against the Target Company, Aquiflex or Massart in respect of the death of the Warrantors or events relating to the transfer of the Call Option Shares occurred on or before such transfer.</p> <p>The limitation period under the tax indemnities will be 7 years (or such statutory limitation period the relevant tax authority to which jurisdiction the Target Company, Aquiflex or Massart submits may initiate a claim against) from the date of the transfer of the Sale Shares or the relevant Call Option Shares.</p>
Cost and expenses on competent person's report and valuation report:	<p>The Vendor shall assist the Purchaser in the preparation of the competent person's report and the valuation report for the purpose of fulfilment of the requirements under the Listing Rules, at the costs and expenses of the Purchaser. In particular, as further exploratory drilling, core sample analysis and metallurgical analysis will be required by CPHL to produce the required reports by its consultants to meet the requirements of the Listing Rules, the Vendor will procure Massart to assist CPHL in managing this work by contracting on behalf of CPHL the necessary drilling contractors, metallurgical services from the Philippines based laboratories and will also employ on behalf of CPHL the geologist and technicians required to perform this work. CPHL will provide the strategy, high level management and coordination and manage the funding for this work.</p>
Lock up:	<p>50% of the Consideration Shares and 50% of the Convertible Bonds for the Sale Shares shall be subject to lock-up arrangement for a period of one year from the date of issue.</p>
Limitation of Liabilities:	<p>The maximum liabilities of the Vendor and the Warrantors for breach of warranties and undertakings (including tax indemnity) shall be limited to the Consideration. The liabilities of Ms Fan and Mr Ng shall be proportional to their respective beneficial interest in the Vendor as at the date of the Agreement.</p>

In the event all conditions precedent are fulfilled and the Vendor fails to complete, the maximum liabilities of the Vendor and the Warrantors is limited to the actual costs and expenses incurred by CPHL in the negotiation and settlement of the Agreement and fulfillment of the Conditions and vice versa. In addition, the Purchaser may seek specific performance remedy.

Otherwise, each party shall bear their own costs and expenses in then negotiation and settlement of the Agreement.

In case the Acquisition proceeds as contemplated under the Agreement, the transfer tax and/or the stamp duty in relation to the transfer of the Sale Shares shall be borne by the Purchaser.

Governing Law: Hong Kong law

Basis and funding of the Consideration

The consideration payable for the Sale Shares (including the Issue Price of the Consideration Shares and if there is upward adjustment to the Consideration, the Conversion Price of the Convertible Bonds) and the exercise price of Call Option Shares were determined after arm's length negotiations between the Vendor and the Purchaser having regards to, among other things, (i) average comparable transaction prices per MT of iron content deposit in completed transactions of metals and mining related acquisition in the past 20 months by listed companies worldwide; (ii) the average closing price of the Share of HK\$0.6540 as quoted on the Stock Exchange for the last 5 consecutive trading days immediately preceding and including the Last Trading Day; (iii) the fact that CPHL has declared the CPHL Final Dividend; and (iv) the valuation report to be prepared in accordance with Chapter 18 of the Listing Rules for any adjustment of the considerations for the Sale Shares and the Call Option Shares.

CPHL intends to fund the cash portion of the considerations from its internal resources and external financing (including but not limited to debt and/or equity financing).

In view of the effective capped consideration at HK\$1,500,000,000 for all the Sale Shares and the requirement that the valuation of the Project shall not be less than HK\$1,500,000,000 (as such the consideration payable for the Sale Shares will not be less than HK\$324,000,000) otherwise CPHL has no obligation to proceed with the Acquisition, the respective boards of directors of CIHL and CPHL (save for the independent non-executive directors whose view will be formed after considering the recommendation from the independent financial advisers to be appointed by CIHL and CPHL respectively) consider that the considerations payable under the Agreement are fair and reasonable and in the interests of CIHL and CPHL, respectively, and their respective shareholders taken as a whole.

Upon completion of the acquisition of the Sale Shares, the Purchaser will have 36% interest in the Target Company which in turn has an effective 60% economic interest in Massart (being a direct 40% interest in Massart and an indirect 20% interest in Massart via the Target Company's 40% interest in Aquiflex which in turn holds 50% interest in Massart). Each of Massart and Aquiflex will be accounted for as associated company of the Target Company. Taking into account the Purchaser's 36% interest in the Target Company and given the rights of the Purchaser under the Call Option to purchase remaining 64% interest in the Target Company, the Target Company will be accounted for as a subsidiary of CPHL.

Consideration Shares

Assuming there is no adjustment to the consideration for the Sale Shares and no Share will be issued and/or repurchased by CPHL from the date of this announcement up to Completion, the Consideration Shares to be allotted and issued to the Vendor represent (i) approximately 39.11% of the existing issued share capital of CPHL as at the date of this announcement; (ii) approximately 28.11% of the issued share capital of CPHL (as enlarged by the Consideration Shares, assuming no exercise of the Options); and (iii) approximately 26.89% of the issued share capital of CPHL as enlarged by the Consideration Shares after the exercise of the Options.

Assuming there is a downward adjustment to the consideration for the Sale Shares, the number of Consideration Shares will be adjusted accordingly with no change in the cash portion.

Assuming there is an upward adjustment to the consideration for the Sale Shares to HK\$1,500,000,000 and no Share will be issued and/or repurchased by CPHL from the date of this announcement up to Completion, a further 84,244,153 Consideration Shares will be issued so that the aggregate Consideration Shares represent up to 29.90% of the share capital of CPHL (as enlarged by the Consideration Shares) and the balance of the consideration will be satisfied by issue of Convertible Bonds. As such, the Consideration Shares and the Conversion Shares to be issued will represent approximately 99.9% of the existing issued share capital of CPHL as at the date of this announcement.

The Consideration Shares will be issued pursuant to a specific mandate sought at the SGM, and when issued upon Completion, will rank *pari passu* in all respects with the existing Shares then in issue and be entitled to dividends and other rights carried by the Shares.

An application will be made by CPHL for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

Convertible Bonds

Issuer: CPHL

Convertible Bonds to be issued on the Completion Date: Assuming an upward adjustment of the consideration for the Sale Shares to HK\$1,500,000,000, up to an aggregate principal amount of HK\$802,295,950.

Principal terms of the Convertible Bonds:

- Maturity:** The tenth anniversary date of the date of issue of the Convertible Bonds (the “**CB Maturity Date**”)
- Unless previously converted or purchased or redeemed, each Convertible Bond shall be redeemed by CPHL at 100% of its principal amount in cash on the CB Maturity Date.
- Interest:** The Convertible Bonds bear nil interest.
- Conversion Price:** The Conversion Price shall be initially at HK\$0.59 per Share, subject to adjustments in the event of any consolidation, subdivision or reclassification of the Shares.
- Conversion Period:** Holders of the Convertible Bonds shall have the right to convert their Convertible Bonds into Shares at any time during at any time on and after the date of issue up to the close of business on the fourteenth Business Day immediately prior to the CB Maturity Date
- Redemption at the option of CPHL:** CPHL shall redeem the Convertible Bonds at 100% of the principal amount of the Convertible Bonds on the CB Maturity Date.
- Prior to the CB Maturity Date, CPHL may redeem all the Convertible Bonds at any time when it is obliged to make extra payments due to changes in tax law or regulations of Bermuda or Hong Kong.
- Redemption at the option of the bondholders:** Not allowed in general.
- Listing:** No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon conversion of the Convertible Bonds.
- Denomination:** The Convertible Bonds will be in registered form and denominated in HK\$2,950,000.
- Transfer:** Freely transferable in multiples of HK\$2,950,000 (or such lesser amount as may represent the balance outstanding principal amount of the Convertible Bond) but may not be transferred to any connected persons of CPHL without the prior consent of CPHL.

All transfers shall be registered in the register of bondholders maintained in Bermuda or Hong Kong.

Transfer of the Convertible Bonds which registration is made in Hong Kong shall be subject to Hong Kong stamp duty.

Restriction on conversion: CPHL shall not be obliged to issue Conversion Shares if any conversion of the Convertible Bonds will (i) result in the holder of the Convertible Bonds and parties acting in concert with it being interested (whether directly or indirectly) in 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of CPHL; or (ii) trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Bonds and parties acting in concert with it; or (iii) cause the public float of CPHL to be unable to meet the requirements under the Listing Rules.

As at the date of this announcement, no convertible bond or convertible securities have been issued by CPHL. The Conversion Shares shall be issued pursuant to a specific mandate to be sought at the SGM and will rank pari passu with the Shares as at the date of issue.

Assuming there is an upward adjustment to the consideration for the Sale Shares to HK\$1,500,000,000 and no Share will be issued and/or repurchased by CPHL from the date of this announcement up to Completion, a further 84,244,153 Consideration Shares will be issued so that the aggregate Consideration Shares represent up to 29.90% of the share capital of CPHL (as at the date of issue of the Consideration Shares), the balance of the consideration of HK\$802,295,950 will be satisfied by the issue of Convertible Bonds. As such, the Consideration Shares and the Conversion Shares to be issued at the initial Conversion Price will represent approximately 42.65% and 57.25% of the existing issued share capital of CPHL as at the date of this announcement, respectively. If all the principal amount of the Convertible Bonds are converted into Conversion Shares at the initial Conversion Price of HK\$0.59, the 1,359,823,644 Conversion Shares to be allotted and issued represent (i) approximately 57.25% of the existing issued share capital of CPHL as at the date of this announcement; (ii) approximately 28.64% of the issued share capital of CPHL (as enlarged by the Consideration Shares and the Conversion Shares, assuming no exercise of the Options); and (iii) approximately 27.76% of the issued share capital of CPHL (as enlarged by the Consideration Shares and the Conversion Shares and after the exercise of the Options).

50% of the Consideration Shares and 50% of the Convertible Bonds shall be subject to lock-up arrangement for a period of one year from the date of issue and will be held by an escrow agent to be jointly appointed by the Purchaser and the Vendor.

Convertible bonds to be issued on the exercise of Call Option will have the same conversion price as the Convertible Bonds issued for the Sale Shares, subject to shareholders approval in general meeting of CPHL and (if applicable) CIHL at the relevant time.

Issue Price and Conversion Price

The Issue Price and Conversion Price of HK\$0.59 for each Consideration Share and each Conversion Share represent:

- (i) a discount of approximately 7.09% to the closing price of HK\$0.64 per Share as quoted on the Stock Exchange on the Last Trading Day less the CPHL Final Dividend resulting in a net price of HK\$0.635;
- (ii) a discount of approximately 9.09% to the average closing price of HK\$0.6540 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately preceding and including the Last Trading Day of HK\$0.6490;
- (iii) a discount of approximately 20.16% to the average closing price of HK\$0.7440 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately preceding and including the Last Trading Day of HK\$0.739;
- (iv) a discount of approximately 16.19% to the average closing price of HK\$0.7090 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days immediately preceding and including the Last Trading Day of HK\$0.7040;
- (v) a discount of approximately 13.96% to the average closing price of HK\$0.6907 per Share as quoted on the Stock Exchange for the last 45 consecutive trading days immediately preceding and including the Last Trading Day of HK\$0.6857; and
- (vi) a discount of approximately 13.93% to the average closing price of HK\$0.6905 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days immediately preceding and including the Last Trading Day of HK\$0.6855.

The Issue Price and Conversion Price were arrived at by CPHL and the Vendor after arm's length negotiation and taking into account the prevailing and historical trading prices of the Shares.

Upon Completion, the Purchaser will have 36% interest in the Target Company which in turn has an effective 60% economic interest in Massart and a right to acquire 64% interests in the Target Company under the Call Option. As such, the Target Company will be accounted for as subsidiary of CPHL.

EFFECT ON SHAREHOLDING STRUCTURE OF CPHL

Assuming no Share will be issued and/or repurchased by CPHL from the date of this announcement up to Completion, the shareholding structure of CPHL as at the date of this announcement and upon the allotment and issue of the Consideration Shares and Conversion Shares (if applicable) before and after the exercise of the Options in full are as follows:-

a. Assuming no adjustment to the consideration for the Sale Shares based on a consideration of HK\$648 million

	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares but before any exercise of the Options		Immediately after the allotment and issue of the Consideration Shares after exercise of the Options in full	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Substantial Shareholder						
CIHL	1,285,829,330	54.14	1,285,829,330	38.92	1,285,829,330	37.23
Executive Directors						
Mr Chow Vee Tsung Oscar	174,120,000	7.33	174,120,000	5.27	174,120,000	5.04
Mr Kuok Hoi Sang	24,000,000	1.01	24,000,000	0.73	24,000,000	0.70
The Vendor (Consideration Shares)	—	—	928,813,559	28.11	928,813,559	26.89
Public						
Gentfull Investment Limited	179,250,000	7.55	179,250,000	5.43	179,250,000	5.19
Other public Shareholders	<u>711,895,840</u>	<u>29.97</u>	<u>711,895,840</u>	<u>21.54</u>	<u>861,895,840</u>	<u>24.95</u>
	<u>2,375,095,170</u>	<u>100.00</u>	<u>3,303,908,729</u>	<u>100.00</u>	<u>3,453,908,729</u>	<u>100.00</u>

b. Shareholding structure assuming adjustment of the consideration for the Sale Shares to HK\$1,500,000,000 (with a valuation of the Project at HK\$6,944,444,444)

	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares but before any exercise of the Options		Immediately after the allotment and issue of the Consideration Shares and the Conversion Shares, assuming full conversion of the Convertible Bonds issued for the Sale Shares ^(Note 1) before any exercise of the Options		Immediately after the allotment and issue of the Consideration Shares and the Conversion Shares, assuming full conversion of the Convertible Bonds issued for the Sale Shares ^(Note 1) and exercise of the Options in full ^(Note 2)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Substantial Shareholder								
CIHL	1,285,829,330	54.14	1,285,829,330	37.95	1,285,829,330	27.08	1,285,829,330	26.25
Executive Directors								
Mr Chow Vee Tsung Oscar	174,120,000	7.33	174,120,000	5.14	174,120,000	3.67	174,120,000	3.56
Mr Kuok Hoi Sang	24,000,000	1.01	24,000,000	0.71	24,000,000	0.50	24,000,000	0.49
The Vendor								
(Consideration Shares)	—	—	1,013,057,712	29.90	1,013,057,712	21.34	1,013,057,712	20.68
The Vendor								
(Conversion Shares)	—	—	—	—	1,359,823,644	28.64	1,359,823,644	27.76
Public								
Gentfull Investment Limited	179,250,000	7.55	179,250,000	5.29	179,250,000	3.78	179,250,000	3.66
Other public Shareholders	711,895,840	29.97	711,895,840	21.01	711,895,840	14.99	861,895,840	17.60
	<u>2,375,095,170</u>	<u>100.00</u>	<u>3,388,152,882</u>	<u>100.00</u>	<u>4,747,976,526</u>	<u>100.00</u>	<u>4,897,976,526</u>	<u>100.00</u>

- (1) For illustration purpose only, as the holder of the Convertible Bonds shall only be entitled to exercise the conversion right attaching to the Convertible Bonds provided that any conversion of the Convertible Bonds will not (i) result in the holder of the Convertible Bonds and parties acting in concert with it being interested (whether directly or indirectly) in 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of CPHL; or (ii) trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Bonds and parties acting in concert with it; or (iii) cause the public float of CPHL to be unable to meet the requirements under the Listing Rules.
- (2) The Listing Committee of the Stock Exchange has confirmed approval for the listing of and permission to deal in the 150,000,000 Option Shares to be issued by CPHL subject to all conditions of issue as set out in the consultancy and option agreements and the announcement of CPHL dated 10 February 2010.

FURTHER TRANSACTION

Given the Target Company's interest of 40% in Massart and 40% in Aquiflex upon Completion, each of Massart and Aquiflex will be treated as associated company of the Target Company. The Vendor and the Purchaser have been in discussion in respect of securing potential rights over a 10.1% interest in Aquiflex from other shareholders of Aquiflex. If the transaction materializes, based on the accounting policies and HKFRS, the interests of Aquiflex and Massart can be consolidated into the accounts of CPHL.

Further announcements will be made and the relevant Listing Rules requirements will be complied with upon the entering into of any legally binding contracts in respect of the above.

INFORMATION OF THE VENDOR, THE TARGET COMPANY, AQUIFLEX AND MASSART

The Vendor

The Vendor was incorporated in Samoa and is an investment holding company. Save for the holding of 40% issued share capital of Aquiflex and 100% issued share capital of Joint City Limited, a Samoan Company, which is holding 40% interests in Massart, the Vendor does not hold any other investment or has any substantial business activities as at the date of this announcement. As at the date of this announcement, the Vendor is owned ultimately and beneficially as to 90% by Ms Fan and 10% by Mr Ng.

The Target Company

The Target Company will be a company with limited liability to be incorporated in the Kingdom of Bahrain or such other jurisdiction which has preferential tax treaty with the Philippines and will be a company which will be wholly-owned by the Vendor after incorporation and before Completion. Pursuant to the Agreement, the Vendor will procure the Target Company to hold the Vendor's existing interests of (i) 40% in Massart and (ii) 40% in Aquiflex, a company incorporated in the Philippines, which is the registered holder of 50% of the registered share capital of Massart. The interests in Aquiflex and Massart shall be credited as fully paid up at Completion. Upon Completion, each of Massart and Aquiflex will be treated as associated company of the Target Company.

Aquiflex

Aquiflex was incorporated in the Philippines with limited liability and is a company which is 40% owned by the Vendor as at the date of this announcement. Save for the holding of 50% issued share capital of Massart, Aquiflex does not hold any other investment or has any substantial business activities as at the date of this announcement. The Vendor's interest in the 40% interests of Aquiflex has been fully paid up.

Massart

Massart is a company incorporated in the Philippines with limited liability and has mining exploration rights in respect of the Project. Massart is owned as to 50% by Aquiflex and 40% by Joint City Limited, a Samoan company 100% owned by the Vendor. Joint City Limited's interests in the 40% interests of Massart has been fully paid up. Nevertheless, Aquiflex's 50% interests in Massart has only been paid up as to 25%. It is a requirement of the Agreement that Aquiflex's interests in Massart be credited as fully paid up at Completion. The outstanding amount of paid up capital by Aquiflex is PhP4,687,500 (equivalent to HK\$783,750).

KEY FINANCIAL INFORMATION OF AQUIFLEX AND MASSART

Aquiflex

According to the unaudited management accounts of Aquiflex prepared in accordance with Philippine Financial Reporting Standards for the period which commenced from 19 November 2009, the date of incorporation, and ended on 30 June 2010, the turnover, the net profit before and after taxation of Aquiflex and the net asset value of Aquiflex as at 30 June 2010 are set out as follows:

	PhP (in thousand)
Turnover	0
Net profit before taxation and extraordinary items	0
Net profit after taxation and extraordinary items	0
Net assets	2,500

Massart

According to the unaudited management accounts of Massart prepared in accordance with Philippine Financial Reporting Standards for the period which commenced from 4 December 2009, the date of incorporation, and ended on 30 June 2010, the turnover, the net loss before and after taxation of Massart and the net asset value of Massart as at 30 June 2010 are set out as follows:

	PhP (in thousand)
Turnover	0
Net loss before taxation and extraordinary items	(8,210)
Net loss after taxation and extraordinary items	(8,210)
Net assets	4,290

The aggregate original costs of the Vendor in the interests in Aquiflex and Massart was US\$118 million (equivalent to approximately HK\$914.5 million). As Ms Fan has an effective 90% interests in the Vendor, her aggregate original costs in respect of the Sale Shares would be approximately US\$38.23 million (equivalent to approximately HK\$296.30 million).

Licenses, approvals and similar rights

As confirmed by the Vendor, Aquiflex is an investment holding company and save for its investment in Massart has not conducted any activities. As confirmed by the Purchaser's legal advisers as to the Filipino law, Massart has obtained the following licenses required for it to commence the exploration activities in respect of the Project.

Description	Date of Issue	Expiration date
Exploration permit numbered EP-VI-OMR-19-2010 which consists of two parcels of areas located north and south of Bacolod City, covering an area of about 28,766.74 hectares and locate in the municipalities of Pontevedra, San Enrique, Valadolid, Pulupandan, Talisay, E.B. Magalona, Victorias and Manapla and the cities of Bago and Silay	13 May 2010	12 May 2012

The Project

The Project concerns the exploration, development and utilization of mining tenement in Negros Occidental, the Philippines denominated as the exploration permit numbered EP-VI-OMR-19-2010 which consists of two parcels of areas located north and south of Bacolod City, of about 28,766.774 hectares and in the municipalities of Pontevedra, San Enrique, Valladolid, Pulupandan, Talisay, E.B. Magalona, Victorias and Manapla and the cities of Bago and Silay.

Massart has systematically conducted offshore mineral exploration in the area covered by the tenement, which include sea bottom topographic survey, high resolution seismic profiling, coastal mapping of magnetite sand showings along the coast and sub-surface sampling through drilling. Based on the results of the validation and field verification conducted by the Mines and Geosciences Bureau — Central Office of the Department of Environment and Natural Resources of the Philippines on 14 to 16 July 2010, it is found that the indicated resources of about 205 MT of magnetite sand in a report prepared by Massart entitled "Titano-Magnetite Sand Deposit off the Northwestern Coast of Negros Occidental" submitted to the bureau is deemed reasonable. It was noted by the bureau that the number of holes completed at the time of the Massart's report was 67 and at the time of their survey, the number of holes drilled was 105. The bureau's report also commented that the field facilities are well organised and manned by competent personnel and found that the field laboratory is equipped with essential equipment and apparatus necessary for undertaking field analysis including megascopic analysis of sediments, porosity determination, bulk density test, grain size analysis, dry magnetic separation and specific gravity determination.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

CIHL is principally engaged in the business of construction and engineering, insurance and investment, property development and investment, food and beverages, and computer and information communication technology.

CPHL is principally engaged in food and beverages, investments in securities and natural resources. For the year ended 31 March 2009, the audited consolidated loss before tax and loss after tax of CPHL amounted to approximately HK\$161.4 million and HK\$158.8 million respectively. For the year ended 31 March 2010, the audited consolidated loss before tax and loss after tax of CPHL amounted to approximately HK\$22.0 million and HK\$22.1 million respectively. The audited consolidated net assets of CPHL as at 31 March 2010 amounted to approximately HK\$403.3 million (before deduction of final dividend of approximately HK\$11.3 million declared for the year ended 31 March 2010).

The Purchaser is an investment holding company.

The Acquisition is in line with CPHL's lines of natural resources business and is an opportunity for CPHL to get into the mining industry in the Philippines. The Board considers that if the transaction contemplated under the Agreement proceeds, the business of CPHL can be further diversified and the Acquisition may allow CPHL to share the results of the Project in the longer run, which is in the interest of CPHL and its Shareholders as a whole.

Following Completion, the percentage holding of CIHL in CPHL will be diluted from 54.14% as at the date of this announcement to below 50% (as illustrated in the paragraph headed "Effect on Shareholding Structure of CPHL" above). CPHL will cease to be a subsidiary of CIHL and be accounted for as an associated company of CIHL. Despite the dilution of shareholding interest in CPHL as a result of the Acquisition, CIHL will, through its shareholding in CPHL, continue to share the benefits which may be derived by CPHL from its investment in the mining industry in the Philippines as well as the results of CPHL's other existing businesses after Completion.

Based on (i) the carrying value of CIHL's investment in CPHL (including net assets of CPHL of approximately HK\$296 million before the Acquisition (calculated based on the audited net assets of CPHL as at 31 March 2010 of approximately HK\$403.3 million adjusting for the effect of the placing of Shares completed on 28 June 2010, the final and special dividends declared by CPHL on 2 June and 13 July 2010 respectively and the effect of the completion of disposal of 80% interest in Pacific Coffee (Holdings) Limited) and goodwill and capital reserves relating to the investment in CPHL of approximately HK\$1 million each); (ii) the Consideration in the range of HK\$324 million to HK\$1,500 million involving the issue of Consideration Shares at HK\$0.59 each and, where applicable, the issue of Convertible Bonds with Conversion Price of HK\$0.59 per Conversion Share; and (iii) the estimated expenses to be incurred by CIHL and CPHL in relation to the Acquisition of approximately HK\$24 million, the deemed disposal of interest in CPHL by CIHL as a result of the Acquisition is expected to result in a deemed gain in the range of approximately HK\$68 million to HK\$289 million for CIHL. The aforesaid gain has not taken into account the exploration and drilling costs to be incurred for the preparation of the competent person's report which cannot be ascertained at this moment and shall be borne by the Purchaser. Shareholders and investors should note that the actual gain to be recorded by CIHL may differ from the aforesaid figures and will depend on, among other things, the final adjusted consideration payable by the Purchaser, the resulting percentage holding of CIHL in CPHL upon Completion, the fair value of the identifiable assets and liabilities of the Target Company and the carrying value of CIHL's investment in CPHL immediately before the Completion, and shall be subject to audit. Further details of such gain will be illustrated in the circular to be despatched by CIHL to its shareholders in relation to the Acquisition.

The directors of CIHL and CPHL (save for the independent non-executive directors whose view will be formed after considering the recommendation from the independent financial advisers to be appointed by CIHL and CPHL respectively) consider the terms of the Agreement to be fair and reasonable so far as their respective shareholders are concerned and to be in the interests of their respective shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition (whether measured in terms of the consideration of HK\$648 million or the capped consideration of HK\$1,500 million) constitutes a major transaction for CPHL and CIHL under the Listing Rules. The deemed disposal of interest in CPHL by CIHL as a result of the Acquisition also constitutes a major transaction for CIHL under the Listing Rules. As Ms Fan, a director of CPHL, holds 90% ultimate beneficial interests in the Vendor and is the Warrantors, the Acquisition also constitutes a connected transaction of CIHL and CPHL and will be subject to independent shareholders approval of CPHL and CIHL at their respective special general meeting.

Only a nominal consideration of HK\$1 is paid by the Purchaser for the Call Option. Upon the exercise of the Call Option, the exercise price, the value of the underlying assets and the profits and revenue attributable to the Call Option Shares will be used for the purpose of ascertaining the percentage ratios and the relevant requirements of the Listing Rules will be complied with.

GENERAL INFORMATION

A special general meeting will be convened and held for CIHL's shareholders to consider and, if thought fit, approve the Acquisition and the transactions contemplated under the Agreement.

The SGM will be convened and held for CPHL Shareholders to consider and, if thought fit, approve the Acquisition, the transactions contemplated under the Agreement, including the grant of the specific mandate for the issue of the Consideration Shares, the issue of the Convertible Bonds, the grant of specific mandate for the issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds and the increase in authorised share capital.

To the best knowledge, information and belief of the respective boards of directors of CIHL and CPHL having made all reasonable enquiries, as at the date of this announcement, the Vendor, its ultimate shareholders, the Warrantors, and their respective associates does not hold any shares in CIHL and CPHL and no shareholders of CIHL and CPHL has a material interest in the Acquisition. No shareholder of CIHL and CPHL is thus required to abstain from voting at the respective special general meeting of CIHL and CPHL.

Independent financial advisor will be appointed by the respective independent board committee of CIHL and CPHL to give advice and recommendation to the relevant independent board committee and the independent shareholders of CIHL and CPHL in respect of the Acquisition. Further announcement will be made upon such appointment.

A circular containing, among other things, details of the Agreement, information on the Target Company, Aquiflex and Massart, the letter from the independent financial adviser, the letter from the independent board committee, the competent person's report, the valuation report and the notices of the special general meetings are expected to be despatched to the respective shareholders of CIHL and CPHL on or before 31 December 2010 and in accordance with the Listing Rules. The reason for the delay in the despatch of the circulars was due to the extra time required for the preparation of a competent person's report and the valuation report in respect of the Project as required under Chapter 18 of the Listing Rules.

The Acquisition is conditional and the transaction of acquiring the potential rights over 10.1% in Aquiflex may or may not proceed. Shareholders and potential investors of CIHL and CPHL are reminded to exercise caution when dealing in the shares of CIHL and CPHL.

DEFINITIONS

Capitalised terms in this announcement shall have the following meanings

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Agreement
“Aquiflex”	Aquiflex Holdings Inc., a company incorporated in the Philippines
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Agreement”	the conditional agreement dated 2 August 2010 entered into among the Purchaser, the Vendor and the Warrantors in relation to the Acquisition
“Business Day”	a day (excluding a Saturday, Sunday or public holiday and any day on which a tropical cyclone warning no.8 or above is hoisted for any interval of more than 2 hours between 9:00 a.m. and 5:30 p.m. or on which a "black" rainstorm warning is hoisted for any interval of more than 2 hours between 9:00 a.m. and 5:30 p.m.) on which licensed banks in Hong Kong are generally open to the public for business
“Call Option”	the option granted by the Vendor to the Purchaser to purchase the balance of the 64% of the Target Company at an aggregate exercise price of HK\$1,152 million, subject to adjustment, exercisable in whole or in part during a term of 6 years after Completion
“Call Option Shares”	such number of issued and paid-up shares representing up to 64% of the issued and paid-up share capital of the Target Company as at the exercise of the Call Option

“CIHL”	Chevalier International Holdings Limited, a company with limited liability incorporated in Bermuda and whose shares are listed on the Main Board of the Stock Exchange (stock code: 25)
“Completion”	the completion of the Acquisition in accordance with the terms of the Agreement
“Completion Date”	the tenth Business Day next following the last unfulfilled condition precedent is satisfied or waived
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the aggregate consideration for the Acquisition of HK\$648 million, subject to adjustment
“Consideration Share(s)”	new Shares to be allotted and issued to the Vendor by CPHL at the Issue Price to satisfy part of the Consideration
“Convertible Bonds”	the zero coupon convertible bonds due on the tenth anniversary date of the date of issue, to be issued by CPHL up to a maximum principal amount of HK\$802,295,950 to the Vendor, which entitled holder thereof to convert the principal of the Convertible Bonds into the Shares at the Conversion Price
“Conversion Price”	the initial conversion price of HK\$0.59 per Conversion Share (subject to adjustment)
“Conversion Share(s)”	such number of new Shares up to 1,359,823,644 Shares to be allotted and issued to the holders of Convertible Bonds upon exercise of the conversion rights attaching to the Convertible Bonds at the Conversion Price
“CPHL”	Chevalier Pacific Holdings Limited, a company with limited liability incorporated in Bermuda and whose shares are listed on the Main Board of the Stock Exchange (stock code: 508)
“CPHL Final Dividend”	the final dividend of HK\$0.005 per Share for which the period for closure of register of members will be from 6 September 2010 to 9 September 2010 (both days inclusive)
“CPHL Shareholder(s)”	the holder(s) of the Shares
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issue Price”	HK\$0.59 per Consideration Share

“Last Trading Day”	30 July 2010, being the last day on which the Shares were traded on the Stock Exchange prior to the release of this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Longstop Date”	3 February 2012, being the date falling eighteen months after the date of the Agreement or such other date as the Vendor and the Purchaser may agree in writing
“Mineral Production Sharing Agreement”	the agreement under which the relevant government authority of the Philippines grants to Massart the exclusive right to conduct mining operations within, but not title over, a contract area and shares in the production whether in kind or in value as owner of the minerals therein and pursuant to which Massart shall provide the financing, technology, management and personnel necessary for the implementation thereof
“Massart”	Massart Mineral Resources, Inc., a company incorporated in the Philippines
“Mr Ng”	Mr Ng Tai Kee, who ultimately and beneficially owns the Vendor as to 10%, is a third party independent of and not connected with CIHL and CPHL and their respective connected persons
“Miss Fan”	Miss Fan Amy Lizhen, a director of CPHL and the beneficial owner of 90% of the Vendor
“Options”	the two options granted by CPHL to the consultants under two consultancy and option agreements; pursuant to each Option, the relevant consultant shall have the right to require CPHL to allot and issue a maximum of 75,000,000 Option Shares at the adjusted exercise price of HK\$0.3 per Share, subject to adjustment, exercisable within a period of two years from the date of the relevant consultancy and option agreement after provision of the consultancy services and completion of the investment by CPHL, in terms and conditions to the satisfaction of CPHL, details of which are set out in an announcement of CPHL dated 10 February 2010
“Option Shares”	an aggregate of 150,000,000 Shares, to be allotted and issued upon exercise of the Options
“Philippines”	the Republic of the Philippines

“PRC” or “China”	The People’s Republic of China which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Project”	the exploration, development and utilization of mining claim covered by exploration permit No. EP-VI-OMR-19-2010 in the Philippines as more particularly set out in the section "The Project" in this announcement
“Purchaser”	Good Rise Limited, a company incorporated in the British Virgin Islands and is wholly-owned by CPHL
“Sale Shares”	such number of shares in the issued and paid-up share capital of the Target Company, representing 36% of the issued and paid-up share capital of the Target Company as at Completion
“SGM”	the special general meeting of CPHL to be convened and held for CPHL Shareholders to consider and, if thought fit, approve, among other things, the Acquisition and the transactions contemplated under the Agreement, including the grant of specific mandate for the issue of the Consideration Shares, the issue of the Convertible Bonds, the grant of specific mandate for the issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds and the increase in authorised share capital
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of CPHL
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	a company to be incorporated in the Kingdom of Bahrain or such other jurisdiction which has preferential tax treaty with the Philippines
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Erbusco Investments Limited, a company incorporated in Samoa with limited liability
“Warrantors”	Miss Fan, being the ultimate beneficial owner of 90% of the entire issued share capital of the Vendor and Mr Ng
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“km”	kilometres
“MT”	million tonne

“PhP”	Philippines Peso, the lawful currency of the Philippines
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

An exchange rate of PhP1.00 to HK\$0.1672 has been adopted as the conversion rate of PhP into HK\$ for the purpose of this announcement. An exchange rate of US\$1.00 to HK\$7.75 has been adopted as the conversion rate of US\$ into HK\$ for the purpose of this announcement. Such exchange rates do not constitute a representation that any amounts have been, could have been, or may be exchanged at such or any other rates.

By Order of the Board
Chevalier International Holdings Limited
Chow Yei Ching
Chairman

By Order of the Board
Chevalier Pacific Holdings Limited
Chow Yei Ching
Chairman

Hong Kong, 2 August 2010

As at the date of this announcement, the board of directors of CIHL comprises Dr Chow Yei Ching (Chairman), Messrs Kuok Hoi Sang (Vice Chairman and Managing Director), Tam Kwok Wing (Deputy Managing Director), Chow Vee Tsung, Oscar and Ho Chung Leung as executive directors; Dr Chow Ming Kuen, Joseph, Messrs Sun Kai Dah, George and Yang Chuen Liang, Charles as independent non-executive directors; and Dr Ko Chan Gock, William as non-executive director.

As at the date of this announcement, the board of directors of CPHL comprises Dr Chow Yei Ching (Chairman), Mr Chow Vee Tsung, Oscar (Managing Director), Mr Kuok Hoi Sang, Miss Lily Chow, Mr Chang Wan Lung, Robert, Miss Fan Amy Lizhen and Mr Cheung Ka Heng, Frankie as executive directors and Mr Wu King Cheong, Mr Leung Kwong Kin and Mr Lau Kai Shu, Frank as independent non-executive directors.

* *For identification purpose only*