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CHINA STRATEGIC HOLDINGS LIMITED

(中策集團有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code : 235)

- (1) VERY SUBSTANTIAL ACQUISITION;**
- (2) CHINA STRATEGIC UNDERTAKING;**
- (3) DEBT FINANCING TO FINANCE THE ACQUISITION;**
- (4) PROPOSED PLACING OF CONVERTIBLE NOTES UNDER
SPECIFIC MANDATE;**
- (5) PROPOSED PLACING OF SHARES UNDER SPECIFIC MANDATE;**
- (6) CONNECTED TRANSACTIONS; MANAGEMENT AGREEMENT**
- (7) APPOINTMENT OF DIRECTORS;**
- AND**
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Financial adviser to the Company



BNP PARIBAS
CORPORATE & INVESTMENT BANKING

CN Placing Agent and Share Placing Agent



KINGSTON SECURITIES LIMITED

INTRODUCTION

Reference is made to the Placing Announcement, the Consortium Letter Announcement and the Signing Announcement of the Company dated 20 August 2009, 2 September 2009 and 13 October 2009, respectively, in respect of the Company's proposed placing of convertible redeemable notes and the Company's intention to use the net proceeds thereof to, in conjunction with Primus, acquire more than 90% of the share capital of Nan Shan, the consortium arrangements between the Company and Primus, the establishment of the Purchaser and the signing of the Share Purchase Agreement.

THE SHARE PURCHASE AGREEMENT

Further to the Signing Announcement, the Board is pleased to announce that on 13 October 2009, the Purchaser (a subsidiary of the Company of which the Company indirectly owns 80% and PFH Holdings owns 20%) and the Seller entered into the Share Purchase Agreement pursuant to which the Seller and the Purchaser agreed that subject to the satisfaction of various conditions, the Seller will sell (or cause one or more of its Subsidiaries to sell) and the Purchaser will purchase 767,893,139 shares of common stock of Nan Shan, which represent approximately 97.57% of the issued and outstanding share capital of Nan Shan. The purchase price for the Sale Shares is agreed at US\$2,146,588,190.

As at the date of this announcement, the Purchase Price is anticipated to be financed in the following manner:

- (a) approximately US\$1,205 million will be financed by the net proceeds from the CN Placing and the Share Placing;
- (b) approximately US\$640 million will be financed using a portion of the Debt Financing granted to a subsidiary of the Purchaser (with the remaining portion to be applied as described in the section headed "Debt Financing to Finance the Acquisition" below); and
- (c) the remaining balance of the Purchase Price, being approximately US\$301 million, will be financed by the Primus Investor Group.

Conditions precedent and completion

The completion of the Acquisition is conditional upon the satisfaction or waiver of certain conditions, key details of which are set out in this announcement. Upon Acquisition Completion, through its 80% indirect ownership in the Purchaser, the Company will have an indirect and effective interest in approximately 78.06% of the entire issued share capital of Nan Shan.

Other Transaction Documents

In conjunction with the Acquisition, the Purchaser and the Seller also entered into the Disclosure Letter and the Tax Covenant and prior to Acquisition Completion, may also enter into the Transitional Services Agreement. In connection with the deposit of the Escrow Amount into escrow, the Seller and the Purchaser also entered into the Escrow Agreement pursuant to which the Seller and the Purchaser appointed the Escrow Agent and established the escrow account.

CHINA STRATEGIC UNDERTAKING

In connection with the Acquisition and the payment obligations of the Purchaser under the Share Purchase Agreement, the Company has separately irrevocably agreed to the Seller that it shall, on or prior to the Acquisition Completion Date and subject to the fulfilment of all the conditions precedent set forth in the Share Purchase Agreement and the Conditional Placing Agreement, direct the CN Placing Agent to pay the net proceeds from the CN Placing, being an aggregate amount of HK\$7,600 million (or its equivalent in any other currency) to the Seller (or any other persons as directed by the Seller) for the purpose of partially satisfying the Purchaser's obligation to make payment of the Purchase Price.

DEBT FINANCING TO FINANCE THE ACQUISITION

Each of the Lenders has given a commitment letter and a term sheet to Primus to provide the Debt Financing on the terms and conditions to be set out in the Facility Agreement. The Lenders have committed to provide debt financing of up to a maximum of the NT\$ equivalent of US\$700 million (up to a maximum of NT\$24 billion) and each of the Lenders has agreed to underwrite 50% of such commitment (subject to certain terms and conditions).

APPOINTMENT OF DIRECTORS AND RESIGNATION OF CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

The Board is pleased to announce that Mr. Frederick Ma Si-Hang has been appointed as a non-executive Director and chairman of the Company and Mr. Or Ching Fai has been appointed as an executive Director, chief executive officer and vice chairman of the Company, both with effect from the date of this announcement.

The Board also hereby announces that Ms. Chiu Ching Ching and Mr. Yeung Kwok Yu have tendered their resignations as the chairperson and chief executive officer of the Company, respectively, and that the Board has accepted their respective resignations with effect as of the date of this announcement. Each of Ms. Chiu Ching Ching and Mr. Yeung Kwok Yu will remain as executive Directors.

PROPOSED PLACING OF CONVERTIBLE NOTES

Reference is made to the Placing Announcement pursuant to which the Company announced that it and the CN Placing Agent have entered into the Conditional Placing Agreement and under which the Company has conditionally agreed to place, and the CN Placing Agent has agreed to, as agent for the Company, procure subscribers for the Convertible Notes or, failing which, to subscribe as principal the Convertible Notes in an aggregate principal amount of HK\$7,800 million at a conversion price of HK\$0.10 per Conversion Share. The net proceeds raised from the CN Placing will be used entirely to fund the Acquisition.

PROPOSED PLACING OF SHARES

The Board is pleased to announce that on 9 November 2009, the Company and the Share Placing Agent entered into the Conditional Share Placing Agreement pursuant to which the Company agrees to conditionally place and the Share Placing Agent agrees to, as agent of the Company, procure purchasers during the Placing Period on a best efforts basis, for the Placing Shares at the Share Placing Price. The Placing Shares will be allotted and issued pursuant to a specific mandate to be sought from the Shareholders at the EGM to be convened in accordance with the Listing Rules.

It is currently envisaged that the Share Placing and the CN Placing will be considered and approved at the same EGM based on detailed information to be disclosed to all Shareholders in the Circular. The Share Placing is subject to the terms and conditions detailed below in the section headed “Conditional Share Placing Agreement” in this announcement.

On the assumption that all Placing Shares are fully placed, the gross proceeds from the Share Placing will be approximately HK\$4,000 million and the net proceeds from the Share Placing will be approximately HK\$3,960 million (equivalent to approximately US\$507 million as at the date of this announcement). The purpose of the Share Placing is to allow the Company to raise further funds to meet its portion of the Purchase Price, being approximately US\$231 million in addition to the net proceeds from the CN Placing, and the remaining balance of up to approximately US\$276 million from the net proceeds of the Share Placing will be used to meet potential future working capital needs relating to the Acquisition and to Nan Shan which may be required following Acquisition Completion.

The Share Placing is conditional upon:

- (a) the grant of approval by the Shareholders for the increase in the authorised share capital of the Company from HK\$800,000,000 to HK\$20,000,000,000 by the creation of 192,000,000,000 additional new Shares;
- (b) the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Conversion Shares in respect of the CN Placing (subject to conditions to which neither the CN Placing Agent nor the Company may reasonably object);
- (c) the Stock Exchange granting listing of and permission to deal in the Placing Shares (which may be subject to a condition that the Share Purchase Agreement has not been terminated prior to the satisfaction or waiver of all the conditions precedent contained therein);
- (d) the grant of approval by the Shareholders of the Conditional Placing Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares, upon exercise of the compulsory conversion right by the Company under the Convertible Notes) at the EGM;
- (e) the grant of approval by the Shareholders of the Conditional Share Placing Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the relevant Placing Shares) at the EGM;
- (f) the grant of approval by the Shareholders of the Share Purchase Agreement and the transactions contemplated thereunder (including but not limited to the Acquisition of Nan Shan) at the EGM;

- (g) the Conditional Placing Agreement not having been terminated prior to the satisfaction of all the conditions precedent contained therein, either by mutual agreement between the parties to the Conditional Placing Agreement or automatically in the case the conditions precedent contained therein are not satisfied on or before the long stop date stated therein; and
- (h) the Share Purchase Agreement not having been terminated prior to the satisfaction or waiver of all the conditions precedent contained therein, either by mutual agreement between the parties to the Share Purchase Agreement or automatically in the case the conditions precedent contained therein are not satisfied or waived on or before the Long Stop Date.

Neither the Company nor the Share Placing Agent may waive any of the conditions precedent set out above.

SPECIFIC MANDATE TO ISSUE THE CONVERSION SHARES AND THE PLACING SHARES

As mentioned in the Placing Announcement and pursuant to the Conditional Share Placing Agreement:

- (i) the Company will place the Convertible Notes and the Placing Shares to raise funds for the satisfaction by the Purchaser of its payment obligations under the Share Purchase Agreement and other potential future working capital needs relating to the Acquisition and to Nan Shan which may be required following Acquisition Completion;
- (ii) the Conversion Shares and the Placing Shares to be allotted and issued upon Conversion and completion of the Share Placing (as the case may be) will be allotted and issued pursuant to a specific mandate to be sought from the Shareholders at the EGM to be convened in accordance with the Listing Rules; and
- (iii) full Conversion of the Convertible Notes and the issue of the Placing Shares (assuming that the Placing Shares are fully placed) will result in the issue of 118,000,000,000 new Shares which will result in a significant dilution of the shareholding of the existing Shareholders.

In this regard, the EGM will be held to consider and, if thought fit, approve, among other things, the grant of a specific mandate to authorise the issue and allotment of such amount of the Conversion Shares and the Placing Shares. Application will be made to the Stock Exchange for the listing of, and permission to deal in, all the Conversion Shares and the relevant Placing Shares.

CONNECTED TRANSACTIONS

Management Agreement

Pursuant to the Consortium Letter Announcement and the Signing Announcement, the Company announced that it had entered into the Consortium Letter and that in anticipation of the Acquisition, on 8 October 2009, PFH Holdings, on behalf of Primus Investor, transferred 80 shares in the Purchaser, representing 80% of the entire issued share capital of the Purchaser, to a wholly-owned subsidiary of the Company. The Board is pleased to further announce that on 12 October 2009, the Management Agreement was entered into between the Company, Primus Investor, PFH Holdings, the Purchaser, Mr. Morse and Mr. Ng. Pursuant to the Management Agreement, the parties thereto agreed, among other things:

- (i) the making of the Equity Contribution Amounts to the Purchaser on or prior to Acquisition Completion by each of the Company and the Primus Investor Group in the proportion of 80% and 20%, respectively for the purpose of enabling the Purchaser to meet its payment obligations under the Share Purchase Agreement;
- (ii) the composition of the Purchaser Board and the appointment of directors onto the Purchaser Board;
- (iii) the appointment of Mr. Morse and Mr. Ng as Co-CEOs of the Purchaser, the terms of such appointment to be set out in the Employment Agreements; and
- (iv) the sharing of expenses (on a pro rata basis in accordance with the Company and Primus Investor's shareholding in the Purchaser) incurred in respect of the Transactions by the Company and Primus Investor.

The Employment Agreements

Pursuant to the Management Agreement, the Company, Primus Investor, PFH Holdings, the Purchaser, Mr. Morse and Mr. Ng also agreed that the Employment Agreements will be entered into in respect of the terms of appointment of Mr. Morse and Mr. Ng as Co-CEOs of the Purchaser and the Service Fees payable by the Company to Mr. Morse and Mr. Ng for services performed by each of them in connection with the Transactions and the preparation of the Bid by the Purchaser.

The Option Agreements

Pursuant to the Management Agreement and in respect of the appointment of Mr. Or and Mr. Ma as Directors, the Company will enter into the Option Agreements pursuant to which the Company will grant to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma, the Share Options.

LISTING RULES IMPLICATIONS

Very Substantial Acquisition and Specific Mandate

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and will accordingly be subject to the approval of Shareholders at the EGM under Rule 14.49 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than Mr. Ma in respect of the Specific Mandate to issue those Option Share to be granted to Mr. Ma only, no Shareholder has an interest in any of the Acquisition, the Share Purchase Agreement, the Conditional Placing Agreement, the Conditional Share Placing Agreement, the Specific Mandate, the CN Placing and the Share Placing which is materially different from the other Shareholders, and accordingly, no Shareholder (other than Mr. Ma in respect of the Specific Mandate to issue those Option Share to be granted to Mr. Ma only) is required to abstain from voting on the resolutions to be proposed at the EGM to approve the above-mentioned matters and the transactions contemplated thereunder.

Connected Transactions - The Management Agreement, the Employment Agreements and the Option Agreements

The sharing of expenses incurred in respect of the Transactions (on a pro rata basis in accordance with the Company and the Primus Investor Group's shareholding in the Purchaser), the payment of the Service Fees pursuant to the Employment Agreements and the grant of the Share Options by the Company to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma pursuant to the Option Agreements will constitute connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules which will require approval of the independent shareholders of the Company.

In addition, the grant of the Share Options to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma pursuant to the Option Agreements must comply with the requirements under Chapter 15 of the Listing Rules. Accordingly, the terms of the Option Agreements and the grant of the Share Options must be approved by the Stock Exchange and by the Shareholders in general meeting, subject to the requirements under Chapter

15 of the Listing Rules. As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no member of the Primus Investor Group and neither PFH Holdings, Mr. Morse, Mr. Ng or Mr. Or is a Shareholder.

As at the date of this announcement, the Employment Agreements and the Option Agreements remain in negotiation. As and when the Employment Agreements and the Option Agreements are finalised (which are expected to be finalised prior to the despatch of the Circular), further details of such agreements will be disclosed publicly to inform the market as appropriate.

EFFECT ON SHAREHOLDING

Assuming completion of the Share Placing in full, full exercise of existing share options of the Company and the Share Options granted under the Specific Mandate to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma, full conversion of the Convertible Notes at the Conversion Price of HK\$0.10 and full conversion of the Old Convertible Notes, the shareholding of the existing Shareholders will be decreased from 100% to approximately 1.81%.

DESPATCH OF CIRCULAR

A circular containing, among other things, further information on (1) the Conditional Placing Agreement, the Conditional Share Placing Agreement, the Specific Mandate, the CN Placing, the Share Placing and the Increase in Authorised Share Capital, (2) the Acquisition, the Share Purchase Agreement, Nan Shan and the risk factors relating to the Acquisition and Nan Shan, and (3) the Management Agreement, the Employment Agreements and the Option Agreements, together with a notice of EGM, will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended from 9:30 a.m. on 13 October 2009 pending the issue of this announcement. An application has been made by the Company to the Stock Exchange for the trading in the Shares to resume from 9:30 a.m. on 10 November 2009, following the publication of this announcement.

Shareholders and potential investors should note that (1) the Conditional Placing Agreement, the Conditional Share Placing Agreement, the CN Placing, the Share Placing and the Specific Mandate, and (2) the Acquisition and the Share Purchase Agreement are subject to the Conditions and other various conditions which may or may not be fulfilled. There is therefore no assurance that all or any of these matters will proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 13 October 2009, the Purchaser (a subsidiary of the Company of which the Company indirectly owns 80% and PFH Holdings owns 20%) and the Seller entered into the Share Purchase Agreement pursuant to which the Seller and the Purchaser agreed that subject to the satisfaction of the Conditions, the key details of which are set out in the section headed “The Share Purchase Agreement — 3. Conditions Precedent”, the Seller will sell (or cause one or more of its Subsidiaries to sell) and the Purchaser will purchase 767,893,139 shares of common stock of Nan Shan, which represent approximately 97.57% of the issued and outstanding share capital of Nan Shan. The purchase price for the Sale Shares is agreed at US\$2,146,588,190.

As at the date of this announcement, the Seller is the indirect beneficial owner of 767,893,139 shares of common stock of Nan Shan, which represent approximately 97.57% of the issued and outstanding share capital of Nan Shan. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Seller is a third party independent of the Company and connected persons of the Company.

Acquisition Completion is conditional upon the satisfaction or waiver of the Conditions, the key details of which are set out in this announcement. Upon Acquisition Completion, through its 80% indirect ownership in the Purchaser, the Company will have an indirect and effective interest in approximately 78.06% of the entire issued share capital of Nan Shan.

THE SHARE PURCHASE AGREEMENT

Date: 13 October 2009

Parties: (1) Purchaser
(2) Seller

Sale Shares: Subject to the satisfaction of the Conditions, at Acquisition Completion, the Seller will sell (or cause one or more of its Subsidiaries to sell) and the Purchaser will purchase the Sale Shares

1. ASSET TO BE ACQUIRED

The Sale Shares represent approximately 97.57% of the issued and outstanding share capital of Nan Shan. Upon Acquisition Completion, Nan Shan will become an indirectly owned subsidiary of the Company.

2. DEPOSIT AND CONSIDERATION; ESCROW AGREEMENT

The Purchase Price for the Sale Shares is US\$2,146,588,190 (which is inclusive of the STT Tax) and shall be satisfied in cash in the following manner:

- (a) as at the date of the Share Purchase Agreement, the Primus Investor Group has deposited an amount equal to the Escrow Amount into an escrow account which is in the name of the Seller and the Purchaser and held for the benefit of the Seller and the Purchaser by the Escrow Agent in accordance with the Escrow Agreement; and
- (b) at Acquisition Completion, the Purchaser and the Seller shall jointly instruct the Escrow Agent to pay to the Seller the Escrow Amount, and the Purchaser shall pay the balance of the Purchase Price (which is inclusive of the STT Tax) to the Seller.

The Purchase Price was arrived at after arm's length negotiation between the Company, Primus Investor, the Purchaser and the Seller. In considering the Purchase Price, the Board took into account various factors, including, Nan Shan's well-recognised brand name, extensive customer base, sophisticated product offerings, and highly regarded management team. On this basis, the Board concluded that Nan Shan has attractive future growth prospects, and thus, represents a unique opportunity for the Company to diversify its business. The Board therefore considers that the Purchase Price is fair and reasonable, and the Transaction is in the interest of the Company and the Shareholders taken as a whole.

As at the date of this announcement, the Purchase Price is anticipated to be financed as follows:

- (a) approximately HK\$7,600 million (equivalent to approximately US\$974 million as of the date of this announcement) will be satisfied by the net proceeds from the CN Placing as disclosed in the Placing Announcement, and approximately US\$231 million will be satisfied by the net proceeds from the Share Placing;

- (b) approximately US\$640 million will be financed using a portion of the Debt Financing, a commitment letter and term sheet in respect of which was addressed to Primus on 26 August 2009. The details of the Debt Financing are set out in the section headed “Debt Financing to Finance the Acquisition” below; and
- (c) the remaining balance of the Purchase Price, being approximately US\$301 million (which includes the Escrow Amount), will be financed by the Primus Investor Group in cash.

In connection with the deposit of the Escrow Amount by the Primus Investor Group, the Escrow Agreement was entered into by the Seller, the Purchaser and the Escrow Agent pursuant to which each of the Seller and the Purchaser appointed the Escrow Agent for the purpose of establishing the escrow account to hold the Escrow Amount in escrow for the benefit of the Seller and the Purchaser. The Escrow Amount was deposited into the escrow account by the Primus Investor Group on 13 October 2009.

3. *CONDITIONS PRECEDENT*

- (a) The respective obligations of the Seller and the Purchaser to complete the Transactions are subject to the fulfilment or waiver, at or prior to Acquisition Completion of, *inter alia*, each of the following Conditions:
 - (i) there being no law or governmental order or pending proceedings by any governmental authority in the United States or the ROC that prohibits or makes illegal the sale of the Sale Shares or the execution, delivery or performance of the Transitional Services Agreement or the Tax Covenant; and
 - (ii) approvals required by the ROC Financial Supervisory Commission, the ROC Investment Commission, the ROC Fair Trade Commission and the Bermuda Monetary Authority having been received.
- (b) The obligations of the Purchaser to complete the Transactions shall be subject to the following key Conditions:
 - (i) as at the date of the Share Purchase Agreement, no Material Adverse Effect having occurred since 1 December 2008;
 - (ii) the Purchaser having obtained the proceeds of the Debt Financing or, in the event any portion of the Debt Financing becomes unavailable, the Purchaser shall have obtained any such portion from alternative sources;

- (iii) the conditions (a) through (d) set forth within the Placing Announcement having been satisfied, and the Conditional Placing Agreement entered into in connection therewith not having been terminated;
- (iv) the approvals required from all regulators listed in paragraph 3(a) above not being subject to conditions or restrictions that are materially burdensome to the Purchaser or Nan Shan; and
- (v) since the date of the Share Purchase Agreement, a Material Adverse Effect shall not have occurred.

4. ACQUISITION COMPLETION

Acquisition Completion shall take place on the Acquisition Completion Date, whereupon the Purchaser will be the beneficial owner of the Sale Shares and Nan Shan will become an indirectly-owned subsidiary of the Company.

5. TERMINATION

Termination Events

The Share Purchase Agreement may be terminated prior to Acquisition Completion:

- (a) by the mutual written consent of the Seller and the Purchaser;
- (b) by either the Seller or the Purchaser if Acquisition Completion has not occurred on or before the Long Stop Date, provided that this right to terminate the Share Purchase Agreement shall not be available to any party whose failure to take any action required to fulfil any of such party's obligations under the Share Purchase Agreement has caused or resulted in the failure of Acquisition Completion to occur prior to the Long Stop Date;
- (c) by the Seller or the Purchaser in the event of the issuance of a final, non-appealable governmental order prohibiting the completion of the sale of the Sale Shares;
- (d) by the Purchaser (but only so long as the Purchaser is not in material breach of its obligations under the Share Purchase Agreement) if there has been a material breach by the Seller of any warranty given by the Seller in the Share Purchase Agreement, covenant or undertaking not susceptible to cure such that one or more of the Conditions are not capable of being fulfilled as at the Long Stop Date; or

- (e) by the Seller (but only so long as the Seller is not in material breach of its obligations under the Share Purchase Agreement) if there has been a material breach by the Purchaser of any warranty given by the Purchaser in the Share Purchase Agreement, covenant or undertaking of the Purchaser not susceptible to cure such that one or more of the Conditions are not capable of being fulfilled as at the Long Stop Date.

Reverse Termination Fee

A reverse termination fee in the amount equal to the Escrow Amount will be payable to the Seller if the Share Purchase Agreement is terminated on the basis that the Acquisition Completion fails to take place prior to the Long Stop Date and at the time of such termination, the Purchaser fails either to obtain the Debt Financing or the Company has not, for any reason, contributed (or caused to be contributed) its portion of cash equity to the Purchaser (or caused such portion to be received by the Seller) for the satisfaction of the Purchaser's payment obligations under the Share Purchase Agreement in accordance with the China Strategic Undertaking detailed below in the section headed "China Strategic Undertaking" and all the Conditions (other than the Financing Conditions) which the Purchaser is subject to have been satisfied.

Under the Escrow Agreement, if and when such reverse termination fee becomes payable, the Escrow Amount (which is equivalent to the reverse termination fee and which has been deposited into the escrow account by the Primus Investor Group) will be released to the Seller pursuant to the sole instruction of the Seller. There is no arrangement between the Company and the Primus Investor Group for the reverse termination fee to be shared between them. The Company and members of the Primus Investor Group have agreed on 9 November 2009 that the Primus Investor Group shall bear the full amount of the reverse termination fee if and when it becomes payable.

Liability Limitation

If Acquisition Completion does not occur, in no event shall the Purchaser and Primus Investor, on the one hand, or the Seller, on the other hand, be subject to liability in excess of the Liability Limitation (such Liability Limitation shall be inclusive of the amount of the reverse termination fee in the case of the Purchaser and Primus Investor) for all losses or damages of any kind arising from or in connection with breaches by the Purchaser or the Seller, as the case may be, of any of the representations, warranties, covenants and agreements in the Share Purchase Agreement or otherwise.

6. NO PUBLIC DISTRIBUTION OF THE SALE SHARES

The Purchaser has warranted to the Seller as at the date of the Share Purchase Agreement until the expiration date of the applicable statute of limitations that the Sale Shares are being acquired by the Purchaser for its own account and without a view to the public distribution or sale of the Sale Shares or any interest in them in a public distribution.

7. THE NAN SHAN BRAND; EMPLOYEES AND AGENTS OF NAN SHAN

It is the intention of the Purchaser to maintain the Nan Shan brand. The Purchaser has agreed, as set out in the Share Purchase Agreement, to maintain the existing employment terms and conditions, base and incentive compensation rates and opportunities and benefits packages (including retirement and death benefits, but, for the avoidance of doubt, excluding equity incentives) for Nan Shan's employees and Nan Shan's existing agency organisational and commission structure for a minimum of two years following Acquisition Completion. The Purchaser has also agreed with the Seller that employees of Nan Shan shall be entitled to participate in benefits plans comparable to Nan Shan's existing benefits plans and be entitled to holiday entitlements and sick pay as was applicable prior to Acquisition Completion. Effective as of Acquisition Completion, the Purchaser has agreed to assume obligation and liability for, among other things, bonuses, severance payments and/or benefits, workers' compensation and other incentive and benefits plans for employees and former employees payable to them prior to Acquisition Completion. Other than as set out in the Share Purchase Agreement, as at the date of this announcement, there are no other agreements between the Company and the Seller in relation to compensations for Nan Shan's employees. However, the Company understands that there are currently on-going discussions between Nan Shan and Nan Shan's existing employees and agents regarding various transitional issues. Nevertheless, the Company has been informed that these discussions remain in the negotiation stage and that no decision has been reached regarding any of the key transitional issues as of the date of this announcement.

It is the intention of the parties that the current Nan Shan management team will remain in place following Acquisition Completion.

8. TRANSITIONAL SERVICES

It is currently envisaged that the level of transitional services which Nan Shan requires from the Seller and its affiliates will gradually reduce and no such services may be required at the time of Acquisition Completion. If such transitional services are required, then on or prior to Acquisition Completion, a Transitional Services

Agreement will be entered into between, *inter alia*, the Seller, the Purchaser and Nan Shan. An agreed form of the Transitional Services Agreement is attached to the Share Purchase Agreement which will be subject to further amendments to take into account the level of services required by Nan Shan at Acquisition Completion.

9. GOVERNING LAW AND DISPUTE RESOLUTION

The Share Purchase Agreement is governed by English law and any dispute, controversy or claim arising out of or in connection with, or relating to, the Share Purchase Agreement or the Transactions shall be finally settled exclusively by arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce.

10. OTHER TRANSACTION DOCUMENTS

In addition to the Share Purchase Agreement, the Disclosure Letter, the Escrow Agreement and the Transitional Services Agreement, in connection with the Acquisition, the Purchaser also entered into the Tax Covenant pursuant to which the Seller agrees to reimburse the Purchaser for, among other things and subject to certain enumerated exceptions, approximately 97.57% of any tax liabilities of Nan Shan for which inadequate provision or reserve was made on the financial statements for the year ended 30 November 2008, any tax liabilities of Nan Shan arising outside the ordinary course of business between 30 November 2008 and the Acquisition Completion and any out-of-pocket legal and accounting expenses associated with any such tax liabilities.

11. DISCLOSURE LETTER

The Disclosure Letter was delivered to the Purchaser by the Seller on the date of the Share Purchase Agreement. All information contained in the Disclosure Letter will be treated as qualifying the warranties given by the Seller in the Share Purchase Agreement, to the extent that the information fairly discloses the fact, matter, event or circumstances concerned. Among other matters disclosed in the Disclosure Letter, the contents of the Transaction Documents and all transactions referred to therein and all matters contained or referred to in the contents of the data room established by the Seller (which forms the disclosure bundle) are deemed disclosed to the Purchaser.

CHINA STRATEGIC UNDERTAKING

In connection with the Acquisition and the payment obligations of the Purchaser under the Share Purchase Agreement, the Company has separately irrevocably agreed to the Seller that it shall, on or prior to the Acquisition Completion Date and subject to the fulfilment of all the Conditions set forth in the Share Purchase Agreement and the conditions precedent set forth in the Conditional Placing Agreement, direct the CN Placing Agent to pay an amount equivalent to HK\$7,600 million (or its equivalent in any other currency) to the Seller (or any other persons as directed by the Seller) for the purpose of satisfying the Purchaser's obligation to make payment of the Purchase Price.

DEBT FINANCING TO FINANCE THE ACQUISITION

Each of the Lenders has given a commitment letter and a term sheet to Primus to provide the Debt Financing to a subsidiary of the Purchaser on the terms and conditions to be set out in the Facility Agreement. The Lenders have committed to provide debt financing of up to a maximum of the NT\$ equivalent of US\$700 million (up to a maximum of NT\$24 billion) and each of the Lenders has agreed to underwrite 50% of such commitment. Approximately US\$640 million of the Purchase Price will be financed using a portion of the Debt Financing granted to the Purchaser. The remainder will be used to fund an interest reserve account as may be required by the Lenders and to pay certain fees and expenses incurred in connection with the Transactions and the Debt Financing. The negotiation of the Facility Agreement remains ongoing and has not finalised. As and when the terms of the Facility Agreement are finalised, the Company will make appropriate disclosures to further inform the market.

APPOINTMENT OF DIRECTORS AND RESIGNATION OF CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

Appointment of Directors, chairman and chief executive officer of the Company

The Board is pleased to announce that Mr. Frederick Ma Si-Hang has been appointed as non-executive Director and chairman of the Company and Mr. Or Ching Fai has been appointed as executive Director, chief executive officer and vice chairman of the Company, both with effect from the date of this announcement.

Mr. Frederick Ma Si-Hang, aged 57, graduated from the University of Hong Kong with a Bachelor's degree in Arts (Honours) in 1973, majoring in economics and history. Mr. Ma was the Secretary for Financial Services and the Treasury of the Government of the Hong Kong Special Administrative Region for the period between

2002 and 2007, among many of his responsibilities, one of which is to oversee the insurance industry in Hong Kong as the chairman of the Insurance Advisory Committee of Hong Kong. Mr. Ma was the Secretary for Commerce and Economic Development of the Government of the Hong Kong Special Administrative Region for 2007 and 2008. Mr. Ma has rich experiences in the financial services industry; he was the Head of Institutional Banking and Second Vice-President of Chase Manhattan Bank at its Hong Kong Branch Office and Canadian Branch Office respectively. Mr. Ma was also the managing director of RBC Dominion Securities in its London Office and Asia-Pacific Chief Executive of JP Morgan Private Bank. Mr. Ma was an executive director and the group chief financial officer of Pacific Century CyberWorks Limited (now known as PCCW Limited) and was the deputy chairman and managing director of Kumagai Gumi (HK) Limited (now known as HKC (Holdings) Limited) and was also a non-executive director of MTR Corporation Limited, which shares are all listed on the main board of the Stock Exchange. Mr. Ma is an Honorary Professor of the School of Economics and Finance at the University of Hong Kong. Mr. Ma was awarded a Gold Bauhinia Star from the Hong Kong Special Administrative Region in 2009.

Save as disclosed above, Mr. Ma did not hold any directorships in any Hong Kong and overseas listed public companies in the last three years and does not hold any other positions with the Company or other members of the Group.

Mr. Ma has not entered into any service contract with the Company and his directorship with the Company is subject only to the retirement by rotation and re-election at the annual general meeting of the Company in accordance with the article of association of the Company. Mr. Ma is not subject to any fixed term of service with the Company. Mr. Ma is entitled to receive an annual remuneration of HK\$3,500,000 (pro rata adjusted for any period shorter than a year), which is determined by reference to his duties and responsibilities and the prevailing market conditions. Mr. Ma may also be entitled to a bonus for each financial year of the Company which is at the discretion of the Board and determined by reference to Mr. Ma's performance and the Group's performance for the financial year concerned. He is deemed to be interested in 3,000,000 shares in the Company by virtue of being the settlor and a beneficiary of a discretionary trust for the purpose of Part XV of the SFO.

Save as disclosed herein, Mr. Ma does not have any relationships with any directors, senior management, substantial or controlling shareholder of the Company nor any interest in the shares in the Company within the meaning of Part XV of the SFO as at the date of this announcement.

Save as disclosed above, Mr. Ma is not aware of any other matters that need to be brought to the attention of the holders of securities of the Company nor is there any information to be disclosed by the Company pursuant to any of the requirements under rule 13.51(2) of the Listing Rules.

Mr. Or Ching-Fai, aged 60, graduated from The University of Hong Kong with a Bachelor's degree in economics and psychology. Mr. Or is a Justice of the Peace and has rich experiences in the insurance, banking and financial services industries. He was the general manager and a director of The Hongkong and Shanghai Banking Corporation Limited. He was also the chairman of HSBC Insurance Limited. Mr. Or was the chief executive and vice-chairman of Hang Seng Bank Limited. He was also the chairman of Hang Seng Insurance Company Limited and Hang Seng Bank (China) Limited. Mr. Or was the chairman of the Hong Kong Association of Banks; the vice president and a Council Member of the Hong Kong Institute of Bankers; the chairman of Executive and Campaign Committee of the Community Chest of Hong Kong. Mr. Or is currently a Vice Patron of the Board of the Community Chest of Hong Kong. Mr. Or was awarded a Silver Bauhinia Star from the Hong Kong Special Administrative Region and Honorary University Fellowships from The University of Hong Kong in 2009. Mr. Or has been Chairman of the Financial Services Advisory Committee and a Member of the Services Promotion Programme Committee of the Hong Kong Trade Development Council. He has been a Member of the Risk Management Committee of Hong Kong Exchanges and Clearing Limited, a Member of the Aviation Development Advisory Committee. He is the Deputy Chairman of the Council of City University of Hong Kong and a Council Member of The University of Hong Kong; an adviser of the Employers' Federation of Hong Kong, a member of the 5th East Asian Games Planning Committee and a director of 2009 East Asian Games (Hong Kong) Limited. Mr. Or was a director of Cathay Pacific Airways Limited and Hutchison Whampoa Limited and is currently an independent non-executive director of Esprit Holdings Limited and a vice chairman and an independent non-executive director of G-Resources Group Limited, which shares are all listed on the main board of The Stock Exchange of Hong Kong Limited.

Save as disclosed above, Mr. Or did not hold any directorships in any Hong Kong and overseas listed public companies in the last three years and does not hold any other positions with the Company or other members of the Group.

Mr. Or has not entered into any service contract with the Company and Mr. Or's term of directorship with the Company is subject only to the retirement by rotation and re-election at the annual general meeting of the Company in accordance with the article of association of the Company. Mr. Or is not subject to any fixed term of service with the Company. Mr. Or is entitled to receive a monthly salary of

HK\$770,000 and a year-end payment equivalent to one month of his basic salary (pro rata adjusted for any period shorter than a year), which is determined by reference to his duties and responsibilities and the prevailing market conditions. Mr. Or may also be entitled to a bonus for each financial year of the Company which is at the discretion of the Board and determined by reference to Mr. Or's performance and the Group's performance for the financial year concerned.

Save as disclosed herein, Mr. Or does not have any relationships with any directors, senior management, substantial or controlling shareholder of the Company nor any interest in the shares in the Company within the meaning of Part XV of the SFO as at the date of this announcement.

Save as disclosed above, Mr. Or is not aware of any other matters that need to be brought to the attention of the holders of securities of the Company nor is there any information to be disclosed by the Company pursuant to any of the requirements under rule 13.51(2) of the Listing Rules.

Resignation of chairperson and chief executive officer of the Company

The Board also hereby announces that Ms. Chiu Ching Ching and Mr. Yeung Kwok Yu have tendered their resignations as the chairperson and chief executive officer of the Company, respectively, and that the Board has accepted their respective resignations with effect as of the date of this announcement. The Board and each of Ms. Chiu Ching Ching and Mr. Yeung Kwok Yu confirm that there is no disagreement with each other and there is no other matter relating to the resignations of each of them in their respective roles as chairperson and chief executive officer of the Company that need to be brought to the attention of the Shareholders or the Stock Exchange. Each of Ms. Chiu Ching Ching and Mr. Yeung Kwok Yu will remain as executive Directors.

PROPOSED PLACING OF CONVERTIBLE NOTES

For the purpose of satisfying the Purchase Price, the Company will place the Convertible Notes under Specific Mandate in accordance with the Conditional Placing Agreement. Pursuant to the Placing Announcement, the Company and the CN Placing Agent have entered into the Conditional Placing Agreement under which the Company has conditionally agreed to place, and the CN Placing Agent has agreed to, as agent for the Company, procure subscribers for the Convertible Notes or, failing which, to subscribe as principal the Convertible Notes in an aggregate principal amount of HK\$7,800 million at a conversion price of HK\$0.10 per Conversion Share.

The net proceeds raised from the CN Placing will be entirely used to fund the Acquisition. Further details of the Conditional Placing Agreement and the Convertible Notes are set out in the Placing Announcement. Completion of the Conditional Placing Agreement is subject to the following conditions:

- (a) the grant of approval by the Shareholders for the increase in the authorised share capital of the Company from HK\$800,000,000 to HK\$20,000,000,000 by the creation of 192,000,000,000 additional new Shares;
- (b) the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Conversion Shares in respect of the CN Placing (subject to conditions to which neither the CN Placing Agent nor the Company may reasonably object);
- (c) the grant of approval by the Shareholders of the Conditional Placing Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares, upon exercise of the compulsory conversion right by the Company under the Convertible Notes) at the EGM;
- (d) the grant of approval by the Shareholders of the Share Purchase Agreement and the transactions contemplated thereunder (including but not limited to the Acquisition of Nan Shan) at the EGM; and
- (e) the Share Purchase Agreement having been entered into by the Company (or by a member of the Group) and the Seller, and not having been terminated prior to the satisfaction or waiver of all the conditions precedent contained therein, either by mutual agreement between the parties to the Share Purchase Agreement or automatically in the case the conditions precedent contained therein are not satisfied or waived on or before the Long Stop Date.

The long stop date stated in the Conditional Placing Agreement is 30 June 2010. The CN Placing Agent and the Company have agreed to amend the Conditional Placing Agreement to state that the long stop date for satisfying the conditions precedent of the Conditional Placing Agreement shall be 12 July 2010.

The CN Placing Agent has confirmed to the Company that the subscribers for the Convertible Notes are not PRC nationals.

PROPOSED PLACING OF SHARES

The Board is pleased to announce that on 9 November 2009, the Company and the Share Placing Agent entered into the Conditional Share Placing Agreement pursuant to which the Company agrees to conditionally place, and the Share Placing Agent agrees to, as agent of the Company, procure purchasers during the Placing Period on

a best efforts basis, for the Placing Shares at the Share Placing Price. The Placing Shares will be allotted and issued pursuant to a specific mandate to be sought from the Shareholders at the EGM to be convened in accordance with the Listing Rules. The Share Placing price shall be HK\$0.10, and the net Share Placing Price per Placing Share shall be approximately HK\$0.099 after deducting the commission and expenses arising from the Share Placing. The aggregate net proceeds raised upon the completion of the Share Placing will be approximately HK\$3,960 million.

On the assumption that all Placing Shares are fully placed, the gross proceeds from the Share Placing will be approximately HK\$4,000 million and the net proceeds from the Share Placing will be approximately HK\$3,960 million (or equivalent to approximately US\$507 million as at the date of the announcement).

The Directors became aware that the purchase price for the Sale Shares would likely be increased from the price stated in the Bid during the week prior to the signing of the Share Purchase Agreement. The Directors began discussions internally to consider how such increase in the purchase price would be met and considered whether such price would be funded by the Primus Investor Group or by the Company. The Directors considered if the increase in the purchase price were to be funded by the Company, whether further funds should be raised through equity financing or any other method (for example, further debt financing). Consequently, following the signing of the Share Purchase Agreement, the Directors contacted the Share Placing Agent and considered with it the feasibility and the material terms of the Share Placing. As at 14 October 2009, being the date on which the material terms of the Conditional Share Placing Agreement (including the size of the Share Placing and the Share Placing Price) were determined, the market price of the Shares was HK\$0.37, being the market price of the last trading day of the Shares prior to their suspension on 13 October 2009.

Conditional Share Placing Agreement

Date

9 November 2009

Parties

- (1) The Company; and
- (2) The Share Placing Agent.

Share Placing Agent

The Company agrees to conditionally place, and the Share Placing Agent agrees to, as agent of the Company, procure purchasers during the Placing Period, on a best efforts basis, for the Placing Shares at the Share Placing Price.

The Share Placing Agent will receive a placing commission of 1.0% of the aggregate amount equal to the Share Placing Price multiplied by the number of the Placing Shares successfully placed by the Share Placing Agent. The Conditional Share Placing Agreement was arrived at after arm's length negotiations between the Company and the Share Placing Agent. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Share Placing Agent and their ultimate beneficial owners are not connected with the Company and its connected persons.

The Share Placees

The Share Placing Agent has confirmed to the Company that it will use its best efforts to place the Placing Shares to not less than six Share Placees who are independent professional, institutional, corporate or individual investors.

The Company expects that the Share Placees and their ultimate beneficial owners will not be connected persons of, and are third parties independent from, the Company, the Directors, the chief executive and substantial shareholders of the Company and any of its subsidiaries and any of their respective associates. As at the date of this announcement, the Directors are unable to determine whether any such Share Placee will become a substantial shareholder of the Company as a result of completion of the Share Placing.

Conditions

The placing of the Placing Shares is conditional upon, among other things, the satisfaction of the following conditions on or before the Long Stop Date (or such other date as may be agreed between the Company and the Share Placing Agent):

- (a) the grant of approval by shareholders of the Company for the increase in the authorised share capital of the Company from HK\$800,000,000 to HK\$20,000,000,000 by the creation of 192,000,000,000 additional new Shares;
- (b) the Stock Exchange granting or agreeing to grant listing of and permission to deal in the conversion shares in respect of the CN Placing (subject to conditions to which neither the CN Placing Agent nor the Company may reasonably object);

- (c) the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Placing Shares (subject to a condition that the Share Purchase Agreement has not been terminated prior to the satisfaction or waiver of all the conditions precedent contained therein);
- (d) the grant of approval by the Shareholders of the Conditional Placing Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares upon exercise of the compulsory conversion right by the Company under the Convertible Notes) at the EGM;
- (e) the grant of approval by the Shareholders of the Conditional Share Placing Agreement and the transactions contemplated thereunder (including but not limited to the issue of the relevant Placing Shares) at the EGM;
- (f) the grant of approval by the Shareholders of the Company of the Share Purchase Agreement and the transactions contemplated thereunder (including but not limited to the Acquisition of Nan Shan) at the EGM;
- (g) the Conditional Placing Agreement not having been terminated prior to the satisfaction of all the conditions precedent contained therein, either by mutual agreement between the parties to the Conditional Placing Agreement or automatically in the case the conditions precedent contained therein are not satisfied on or before the long stop date stated therein; and
- (h) the Share Purchase Agreement not having been terminated prior to the satisfaction or waiver of all the conditions precedent contained therein, either by mutual agreement between the parties to the Share Purchase Agreement or automatically in the case the conditions precedent contained therein are not satisfied or waived on or before the Long Stop Date.

Neither the Company nor the Share Placing Agent may waive any of the conditions precedent set out above. If any of these conditions are not fulfilled on or before the Long Stop Date, the Conditional Share Placing Agreement shall terminate and the parties thereto shall be released and discharged from their respective obligations and none of the parties thereto shall have any claim against the other for any costs or losses (save for any prior breaches of the Conditional Share Placing Agreement). The Share Placing Agent shall provide to the Company and the Stock Exchange all information concerning itself and the Share Placées as the Stock Exchange may reasonably require.

Completion

Obligations of the Company

Completion of the issue of the Placing Shares will take place on or before the seventh business day following the conditions set out in the Conditional Share Placing Agreement being fulfilled (or on such other date as the Company and the Share Placing Agent shall agree). Upon completion of the Conditional Share Placing Agreement, the Company is obliged to deliver (or procure the delivery of) to the Share Placing Agent: (i) the Share certificates to be issued in favour of each of the Share Placees in respect of the relevant number of Shares subscribed for by each Share Placee; and (ii) instructions in writing addressed to the Share Placing Agent directing the Share Placing Agent to pay a US Dollar amount up to the required amount (being approximately US\$231 million) to reflect the Company's 80% interest in the Purchaser raised from the Share Placing to a person as directed by the Company for the purpose of satisfying the payment obligations of the Purchaser under the Share Purchase Agreement or the Company's equity contribution obligations under the Management Agreement.

Each Share Placee has acknowledged and agreed to the Company that the Company will not issue any Placing Shares to it if the Company is of the opinion that less than twenty-five per cent. (25%) of the enlarged issued share capital of the Company (assuming full conversion of the Convertible Notes at the time of completion of the Placing and the issue of the Placing Shares (up to the amount of Placing Shares placed)) will be held by Share Placees who are not connected persons and will not issue any Shares to a Share Placee who will become connected persons of the Company if the Convertible Notes are converted in full at the time of completion of the Placing and the Placing Shares are issued.

Obligations of the Share Placing Agent

Simultaneously, against compliance by the Company with its obligations described above, the Share Placing Agent (or its nominees or agents) shall, in respect of the subscribed Placing Shares procured by them, make or procure the making of payment to the person(s) as directed by the Company for the purpose of satisfying the payment obligations of the Purchaser under the Share Purchase Agreement by way of bank transfer in cleared funds of a US Dollar amount up to the amount required (being approximately US\$231 million) to reflect the Company's 80% interest in the Purchaser. The Share Placing Agent shall pay any remaining proceeds raised from the Share Placing to the Company's account (to be notified to the Share Placing Agent on a day no less than two business days prior to the completion of the Conditional Share Placing Agreement) less all fees and expenses payable to the Share Placing Agent immediately following Acquisition Completion.

Termination

The Share Placing Agent may terminate the Conditional Share Placing Agreement without liability to the Company if any of the following events occurs:

- (a) any breach of any of the representations, warranties and undertakings set out in the Conditional Share Placing Agreement or any material breach of, or material failure to perform, any of the other obligations of the Company under the Conditional Share Placing Agreement which are required to be performed at or before the completion under the Conditional Share Placing Agreement; or
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten (10) consecutive trading days save for the purposes of clearing of this announcement or circulars relating to the matters stated in this announcement or any the ancillary agreements thereto; or
- (c) any of the following events:
 - (i) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the sole opinion of the Share Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, monetary, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or other event or series of events beyond reasonable control of the Share Placing Agent (including but not limited to acts of government, strikes, labour disputes, fire, explosion, flooding, civil commotion, economic sanctions, epidemic, pandemic, terrorism and acts of God), or affecting local securities market or the occurrence of any combination of circumstances which would, in the sole opinion of the Share Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Share Placing or otherwise makes it inexpedient or inadvisable for the Company or the Share Placing Agent to proceed with the Share Placing; or

(iii) any change in market conditions or combination of circumstances in Hong Kong or New York (including without limitation suspension or material restriction on trading in securities) which, in the sole opinion of the Share Placing Agent, would materially and adversely affect the success of the placing of the Placing Shares (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the sole opinion of the Share Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Share Placing Agent to proceed with the placing of the Placing Shares,

then and in any such case, the Share Placing Agent may immediately terminate the Conditional Share Placing Agreement without liability to the Company by giving notice in writing to the Company.

Listing

Application will be made to the Stock Exchange to grant the listing of, and permission to deal in, the relevant Placing Shares.

Effect on Shareholding Structure

Assuming completion of the Share Placing in full, full exercise of existing share options of the Company and the Share Options granted under the Specific Mandate to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma, full conversion of the Convertible Notes at the Conversion Price of HK\$0.10 and full conversion of the Old Convertible Notes, the shareholding of the existing Shareholders will be decreased from 100% to approximately 1.81%.

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the CN Placing and the Share Placing in full is set out below.

Scenario 1 - Assuming (i) completion of the Share Placing in full, (ii) completion of the Share Placing in full and full exercise of existing share option and the Share Options granted under Specific Mandate to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma (iii) the completion of the Share Placing in full, full exercise of existing share option and the Share Options granted under Specific Mandate to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma and full conversion of the Convertible Notes in the principal amount of HK\$7,800 million at the Conversion Price of HK\$0.10 per Share, and (iv) the completion of the Share Placing in full, full exercise of share option and the Share Options granted under Specific Mandate to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma, full conversion of the Convertible Notes in the principal amount of HK\$7,800 million at the Conversion Price of HK\$0.10 per Share and full conversion of the Old Convertible Notes in the principal of HK\$493,339,100 from the date of this announcement to 31 December 2009 at the conversion price of HK\$0.36 per Share (prior to adjustment)

	Existing shareholding as at the date of this announcement	No. of Shares	% (approx)	Assuming completion of the Share Placing in full	No. of Shares	% (approx)	Assuming completion of the Share Placing in full and full exercise of existing share option and the Share Options granted to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma under Specific Mandate	No. of Shares	% (approx)	Assuming completion of the Share Placing in full, full exercise of existing share option and the Share Options granted under Specific Mandate to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma, full conversion of the Convertible Notes at the Conversion Price of HK\$0.10 and full conversion of the Old Convertible Notes at the conversion price of HK\$0.36 per Share (prior to adjustment)	No. of Shares	% (approx)	Assuming completion of the Share Placing in full, full exercise of existing share option and the Share Options granted under Specific Mandate to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma, full conversion of the Convertible Notes at the Conversion Price of HK\$0.10 and full conversion of the Old Convertible Notes at the conversion price of HK\$0.36 per Share (prior to adjustment)	No. of Shares	% (approx)
Director															
Chan Ling				4,400,000	0.01		4,400,000	0.01		4,400,000	0.01		4,400,000	0.01	
Mr. Or				600,000,000	1.21		600,000,000	1.21		600,000,000	0.47		600,000,000	0.47	
Mr. Ma	3,000,000	0.13		103,000,000	0.21		103,000,000	0.21		103,000,000	0.08		103,000,000	0.08	
Mr. Ng				3,200,000,000	6.47		3,200,000,000	6.47		3,200,000,000	2.51		3,200,000,000	2.48	
Mr. Morse				3,200,000,000	6.47		3,200,000,000	6.47		3,200,000,000	2.51		3,200,000,000	2.48	
Other participants				20,400,000	0.04		20,400,000	0.04		20,400,000	0.02		20,400,000	0.02	
Public Shareholding				2,325,797,543	4.70		2,325,797,543	4.70		2,325,797,543	1.83		2,325,797,543	1.81	
1 Public Shareholders	2,325,797,543	99.87		40,000,000,000	80.89		40,000,000,000	80.89		40,000,000,000	31.38		40,000,000,000	31.05	
2 Share Placees				40,000,000,000	94.50		78,000,000,000	61.19		78,000,000,000	61.19		78,000,000,000	60.54	
3 Placees															
4 Old CN Holders															
Total	2,328,797,543	100.00		49,453,597,543	100.00		127,453,597,543	100.00		128,823,983,932	100.00		128,823,983,932	100.00	

Scenario 2 - Assuming (i) completion of the Share Placing in full, (ii) completion of the Share Placing in full and full exercise of existing share option and the Share Option granted Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma under Specific Mandate, (iii) the completion of the Share Placing in full, full exercise of existing share option and the Share Options granted under Specific Mandate to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma and full conversion of the Convertible Notes in the principal amount of HK\$7,800 million at the Conversion Price of HK\$0.10 per Share, and (iv) the completion of the Share Placing in full, full exercise of share option and the Share Options granted under Specific Mandate to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma, full conversion of the Convertible Notes in the principal amount of HK\$7,800 million at the Conversion Price of HK\$0.10 per Share and full conversion of the Old Convertible Notes in the principal of HK\$493,339,100 for the period from 1 January 2010 to 31 December 2010 at the Conversion Price of HK\$0.39 per Share (prior to adjustment)

	Existing shareholding as at the date of this announcement		Assuming completion of the Share Placing in full		Assuming completion of the Share Placing in full, full exercise of existing share option and the Share Options granted under Specific Mandate		Assuming completion of the Share Placing in full, full exercise of existing share option and the Share Options granted under Specific Mandate to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma under		Assuming completion of the Share Placing in full, full exercise of existing share option and the Share Options granted under Specific Mandate to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma, full conversion of the Convertible Notes at the Conversion Price of HK\$0.10 and full conversion of the Old Convertible Notes at the conversion price of HK\$0.39 per Share (prior to adjustment)	
	No. of Shares	% (approx)	No. of Shares	% (approx)	No. of Shares	% (approx)	No. of Shares	% (approx)	No. of Shares	% (approx)
Director										
Chan Ling			4,400,000	0.01	4,400,000	0.01	4,400,000	0.01	4,400,000	0.01
Mr. Or			600,000,000	1.21	600,000,000	1.21	600,000,000	0.47	600,000,000	0.47
Mr. Ma	3,000,000	0.13	103,000,000	0.21	103,000,000	0.21	103,000,000	0.08	103,000,000	0.08
Mr. Ng			3,200,000,000	6.47	3,200,000,000	6.47	3,200,000,000	2.51	3,200,000,000	2.49
Mr. Morse			3,200,000,000	6.47	3,200,000,000	6.47	3,200,000,000	2.51	3,200,000,000	2.49
Other participants			20,400,000	0.04	20,400,000	0.04	20,400,000	0.02	20,400,000	0.02
Public Shareholding			2,325,797,543	4.70	2,325,797,543	4.70	2,325,797,543	1.83	2,325,797,543	1.81
1 Public Shareholders			40,000,000,000	80.89	40,000,000,000	80.89	40,000,000,000	31.38	40,000,000,000	31.08
2 Share Placees							78,000,000,000	61.19	78,000,000,000	60.57
3 Placees									1,264,972,051	0.98
4 Old CN Holders									128,718,569,594	100.00
Total	2,328,797,543	100.00	42,328,797,543	100.00	49,453,597,543	100.00	127,453,597,543	100.00	128,718,569,594	100.00

Under the Conditional Share Placing Agreement, the following measures will be adopted by the Company:

- (a) the Company will not issue any Placing Shares to any Share Placee unless prior written confirmation has been given by that Share Placee to the Company or the Share Placing Agent that on completion of the Conditional Share Placing Agreement, all the Shares (including the Placing Shares issued or to be issued) held by (a) the Share Placee (or to be held by the Share Placee on completion of the Conditional Share Placing Agreement, taking into account any Shares which such Share Placee will hold if any Convertible Note it is a holder of is converted in full at the time of completion of the Conditional Share Placing Agreement); (b) its associates and persons acting in concert (as defined under the Takeovers Code) with such Share Placee on the date the Placing Shares are issued will not:
 - (i) result in an obligation on the part of the Share Placee and parties acting in concert with it, to make a mandatory offer in accordance with Rule 26 of the Takeovers Code; or
 - (ii) exceed 15% of the entire issued share capital of the Company,in each case, calculated on the entire issued share capital of the Company as enlarged by the Conversion Shares upon Conversion and the issue of the Placing Shares (up to the amount of Placing Shares placed);
- (b) the Company will not issue any Placing Shares to any Share Placee unless prior written confirmation has been given by that Share Placee to the Company or the Share Placing Agent that on completion of the Conditional Share Placing Agreement, such Share Placee is a third party independent from the Company and its associates (including the directors, chief executive or substantial shareholders of the Company or its Subsidiaries or any of their respective associates). In determining whether it is a third party independent from the Company and its associates, such Share Placee shall:
 - (i) take into account any Shares which it will hold, on completion of the Conditional Share Placing Agreement, if any Convertible Note it is a holder of is converted in full at the time of completion of the Conditional Share Placing Agreement; and
 - (ii) assume that on completion of the Conditional Share Placing Agreement, the entire issued share capital of the Company is enlarged by the Conversion Shares upon Conversion and the issue of the Placing Shares (up to the amount of Placing Shares placed);

- (c) the Company will ensure that the Share Placees shall be third parties independent from the Company and its associates (including the directors, chief executive or substantial shareholders of the Company or its Subsidiaries or any of their respective associates) by requesting that the Share Placing Agent requires the Share Placees to whom it intends to place Placing Shares execute a letter confirming the above;
- (d) the Company will not issue any Placing Shares to a Share Placee if it is of the opinion that less than twenty-five per cent (25%) of the enlarged issued share capital of the Company (assuming full conversion of the Convertible Notes at the time of completion of the Conditional Share Placing Agreement and the issue of the Placing Shares (up to the amount of Placing Shares placed)) will be held by Share Placees who are not connected persons of the Company and will not issue any Shares to a Share Placee who will become a connected person of the Company if the Convertible Notes are converted in full at the time of completion of the Conditional Share Placing Agreement and the Placing Shares are issued; and
- (e) the Company will not issue any Placing Shares to a Share Placee unless prior written confirmation has been given by that Share Placee to the Company or the Share Placing Agent that it is not a PRC national and it does not contain, receive or use any capital or funds from the PRC and is not directly or indirectly controlled or influenced by PRC nationals, institutions or entities.

Reasons for the Share Placing and Use of Proceeds

As mentioned above, in addition to the CN Placing, the Company currently estimates that it would need approximately US\$231 million in additional funds to meet its portion of the Purchase Price. Assuming the Placing Shares are placed in full, net proceeds from the Share Placing of approximately HK\$3,960 million (or equivalent to approximately US\$507 million as at the date of this announcement) would be used to satisfy that additional funding requirement, and would also provide the Company with a reserve up to approximately US\$276 million to meet potential future working capital needs relating to the Acquisition and to Nan Shan which may be required following Acquisition Completion, including without limitation:

- (a) the payment of professional costs and expenses incurred by the Purchaser (on a pro rata basis in accordance with the Company and the Primus Investor Group's shareholding in the Purchaser) in respect of the Transactions by the Company and the Primus Investor Group, including the preparation of the Bid, the negotiation of the Transaction Documents, to satisfy all the Conditions and Acquisition Completion;

- (b) reservation of any remainder of such proceeds for working capital purposes for Nan Shan or other commitments of Nan Shan following Acquisition Completion, including for example, the further capitalisation of Nan Shan.

It is also envisaged that the proceeds from the Share Placing may also be used to refinance debt financings of the Group, with a view to improve the Group's capital adequacy and gearing ratios.

Benefits of the Share Placing

The Board has considered raising funds by debt financing from an independent third party but the Board believes that not only will this weaken the Company's capital adequacy and gearing ratios (and will therefore be detrimental to the Company in the long run), the terms of the independent third party loan is unattractive to the Company compared to raising funds through the Share Placing under the terms and conditions of the Conditional Share Placing Agreement. Loans from independent third parties are in general less attractive. After considering the above-mentioned factors, the Board concluded that the Share Placing is the preferred way to raise additional capital for the Company notwithstanding that the completion of the Share Placing will result in a significant dilution of the shareholding of the existing Shareholders. In addition, the Share Placing gives an opportunity to the Company to broaden its shareholder and capital base.

Sufficiency of Public Float

The Company intends to maintain the listing status of the Shares on the Stock Exchange and the 25% minimum public float requirement upon Conversion of the Convertible Notes, issue of the Conversion Shares, conversion of the Old Convertible Notes and the issue of the Placing Shares.

For the purpose of determining the public float of the Company, the Stock Exchange will not regard any connected person of the Company as a member of "the public" or shares held by a connected person as being "in public hands". In addition the Stock Exchange will not recognise as a member of "the public":

- (a) any person whose acquisition of securities has been financed directly or indirectly by a connected person;
- (b) any person who is accustomed to take instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of securities of the issuer registered in his name or otherwise held by him.

Accordingly, the Company will not issue the Placing Shares to a Share Placee if the Company is of the opinion that the issue of Placing Shares to such Share Placee will result in the public float requirement under the Listing Rules not being complied with immediately upon completion of the Conditional Share Placing Agreement.

Fund Raising in the 12 months immediately preceding the date of this announcement

Other than the proposed placing of Convertible Notes under the Conditional Placing Agreement, the Company has not undertaken any fund raising exercises in the 12 months immediately preceding the date of this announcement.

Possible adjustments to the Old Convertible Notes

The Share Placing may lead to adjustments to the exercise price of the Old Convertibles Notes. The Company will notify the holders thereof and the Shareholders by way of announcement regarding adjustments to be made (if any) pursuant to the terms of the Old Convertible Notes (as and when appropriate).

THE CONVERSION PRICE AND THE SHARE PLACING PRICE AND POTENTIAL DILUTION EFFECT OF THE CN PLACING AND SHARE PLACING

The initial Conversion Price of HK\$0.10 per Share (subject to adjustment on events such as share consolidation, share sub-division and capital distribution) represents:

- (a) a discount of approximately 65.52% to the closing price of HK\$0.29 per Share quoted on the Stock Exchange on 19 August 2009, being the last full day of trading on the Stock Exchange before the release of the Placing Announcement;
- (b) a discount of approximately 69.70% to the average closing price of HK\$0.33 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 19 August 2009; and
- (c) a discount of approximately 69.70% to the average closing price of HK\$0.33 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 19 August 2009.

The Share Placing Price represents:

- (a) a discount of approximately 72.97% to the closing price of HK\$0.37 per Share as quoted on the Stock Exchange on 12 October 2009 being the last trading day before the publication of this announcement;
- (b) a discount of approximately 70.59% to the average closing price of the Shares of HK\$0.34 per Share quoted on the Stock Exchange for the last five trading days up to and including 12 October 2009;

- (c) a discount of approximately 68.75% to the average closing price of HK\$0.32 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 12 October 2009.

On the assumption that all Convertible Notes are fully converted and all the Placing Shares are fully placed, the aggregate number of Shares to be issued under the CN Placing and the Share Placing is approximately 50.67 times the existing issued share capital of the Company.

The Conversion Price has been negotiated and arrived at on an arms' length basis between the Company and the CN Placing Agent. In determining the Conversion Price, the Company and the CN Placing Agent took into account the relatively large size of the CN Placing and the significant dilution effect on the shareholding of Shareholders following full Conversion and came to the view that such a deep discount would be necessary to attract the interest of Placees. The Share Placing Price has been negotiated and arrived at on an arm's length basis between the Company and the Share Placing Agent. In determining the Share Placing Price, the Company and the Share Placing Agent took into account the relatively large size of the Share Placing, the even larger size of the CN Placing and the significant dilution effect on the shareholding of Shareholders following the issue of the Placing Shares (assuming all the Placing Shares are fully placed) and full Conversion and came to the view that such a deep discount would be necessary to attract the interest of Share Placees.

Shareholders are also reminded that there are no lock-up provisions in the terms and conditions of the Convertible Notes and the Share Placing Agreement. Notwithstanding the significant dilution effect on the shareholding of existing Shareholders and the possible impact on the market price of the Shares upon Acquisition Completion, in considering whether or not to include any lock-up provisions in the CN Placing and the Share Placing, the Company, the CN Placing Agent and the Share Placing Agent took into account not only the relatively large size of the CN Placing and the Share Placing but also the fact that Conversion will be compulsory and will take place on a date to be determined by the Company on or before their maturity. Given that the CN Placing is fully underwritten, the CN Placing Agent and the Company came to the view that it is vital to the success of the CN Placing that the Convertible Notes are not subject any lock-up provisions. Similarly, although the Placing Shares will be placed on a best efforts basis, given that a portion of the Purchase Price will be funded by the proceeds from the Share Placing, the Company and the Share Placing Agent came to the view that it is important to the success of the Share Placing that the Placing Shares are not subject to any lock-up provisions.

Notwithstanding the significant dilution effect on the shareholding of existing Shareholders, the Directors, including the independent non-executive Directors, are of the opinion that the Conversion Price and the Share Placing Price are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole as the proceeds from the CN Placing and the Share Placing will be used to fund the Purchase Price and will also be used to fund the management and development of Nan Shan, which will become a key asset of the Company following Acquisition Completion. As such, the proceeds raised from the CN Placing and the Share Placing are to be used entirely to enhance long-term value to the Shareholders. Although it is envisaged that there may be a near-term impact on the market price of the Shares upon completion of the CN Placing and the Share Placing given the significant dilution of the shareholding of existing Shareholders and the lack of any lock-up period for the Convertible Notes and the Placing Shares, the Directors remain of the view that the long-term value to each Shareholder will be enhanced by the Acquisition and the continuing development of Nan Shan. In addition, Shareholders are afforded the opportunity at the EGM to consider whether or not the CN Placing and the Share Placing are in their best interests and to vote accordingly.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$800,000,000 divided into 8,000,000,000 Shares. In anticipation of the issue of new Shares upon Conversion of the Convertible Notes and the issue of the Placing Shares, the Directors propose to increase the authorised share capital of the Company from HK\$800,000,000 divided into 8,000,000,000 Shares to HK\$20,000,000,000 divided into 200,000,000,000 Shares by creation of an additional HK\$19,200,000,000 divided into 192,000,000,000 Shares.

The increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolutions by the Shareholders at the EGM.

CONNECTED TRANSACTIONS

Pursuant to the Consortium Letter Announcement and the Signing Announcement, the Company announced that it had entered into the Consortium Letter and that in anticipation of the Acquisition, on 8 October 2009, PFH Holdings, on behalf of Primus Investor, transferred 80 shares in the Purchaser, representing 80% of the entire issued share capital of the Purchaser, to a wholly-owned subsidiary of the Company. The Board is now pleased to announce that on 12 October 2009, the Management Agreement was entered into between the Company, Primus Investor, PFH Holdings, the Purchaser, Mr. Morse and Mr. Ng. Pursuant to the Management Agreement, the parties thereto agreed as follows.

The Management Agreement

Equity Contribution

In order that the Purchaser shall be able to pay the Purchase Price upon Acquisition Completion, the Company and the Primus Investor Group agreed to make equity contributions to the Purchaser, on or prior to Acquisition Completion, in the proportion of 80% by the Company and 20% by Primus Investor totalling 100% of the amount to be invested in the Purchaser. Payment by a party of its Equity Contribution Amount shall be made directly to the Purchaser in the case of the Primus Investor Group and may be made directly to the Seller in the case of the Company. The obligation by a party to make payment of its Equity Contribution Amount shall be subject to the fulfilment of all the conditions precedent set forth in the Share Purchase Agreement and, in the case of the Company, shall, in addition, be subject to the fulfilment of all the conditions precedent set forth in the Conditional Placing Agreement.

Composition of the Purchaser Board

The Company and the Primus Investor Group agreed that the Purchaser Board shall at all times consist of seven persons, five to be nominated by the Company and two to be nominated by the Primus Investor Group. As at the date of this announcement, the nominees of the Company are Mr. Lee Sun Man, Mr. Hui Richard Rui, Ms. Chiu Ching Ching and Mr. Chow Kam Wah and Mr. Eugene Chuang Yue Chien and the nominees of the Primus Investor Group are Mr. Morse and Mr. Ng.

The parties to the Management Agreement also agreed that any decision to be taken by the Purchaser Board will require the majority approval of its directors, provided that a quorum for a meeting of the Purchaser Board must include at least three director nominees of the Company and one director nominee of the Primus Investor Group, or in the case where following due notification of a Purchaser Board meeting, a quorum fails to convene for at least two occasions in respect of the same meeting, the party who failed to direct his nominees to attend such meeting acknowledges and agrees that the non-defaulting party shall have the right to convene such meeting with a quorum comprising of no less than two of the non-defaulting party's director nominees.

The removal of the directors of the Purchaser, or any one of them, shall only be effected by either resolution of the Purchaser Board or by an ordinary resolution of the members' meeting of the Purchaser duly convened in accordance with its memorandum and articles of association. New directors replacing a removed director must be nominated by that party who originally had nominated that outgoing director. No removed director shall be eligible for re-election as a new director of the Purchaser Board.

Appointment of Mr. Morse and Mr. Ng as Co-CEOs of the Purchaser

The Purchaser Board has appointed (i) Mr. Morse as its chairman and Mr. Ng as its vice-chairman and (ii) Mr. Morse and Mr. Ng as Co-CEOs of the Purchaser effective as of 13 October 2009 and subject to the entering of the Employment Agreement, for a term of five years from the date of Acquisition Completion.

Sharing of expenses

The Company, on the one part, and the Primus Investor Group, on the other part, shall, subject to the approval of the independent shareholders of the Company at general meeting (if required), be responsible (and be reimbursed as appropriate) for their respective pro rata portion (in accordance with their respective shareholding in the Purchaser) of all out-of-pocket expenses and fees incurred by PFH Holdings or its affiliates and the Company in connection with the Transactions, including all professional and legal fees and expenses, which are payable prior to or at Acquisition Completion.

As at the date of this announcement, PFH Holdings and its affiliates had incurred estimated total expenses of approximately US\$15.4 million in relation to the Transactions. Accordingly, approximately US\$12.3 million of such expenses will be payable by the Company on the basis of its 80% ownership in the Purchaser. Such estimated expenses include fees for financial advisory services, legal advice, strategy consultant advice, accountants' advice, public relations consultancy work, and the establishment of the Purchaser, Primus Nan-Shan Holding (UK) Company Limited and Primus Nan-Shan Holding (Taiwan) Company Limited.

The Employment Agreements

Service Fees

For services performed by each of Mr. Morse and Mr. Ng in connection with the Transactions and the preparation of the Bid, the Company has also agreed in the Management Agreement that, subject to Acquisition Completion and, if required, the approval by independent Shareholders of the Company at general meeting and/or the approval of the Stock Exchange, it will pay the Service Fees to Mr. Morse and Mr. Ng in equal shares. The payment of the Service Fees to Mr. Morse and Mr. Ng will be set out in detail in the Employment Agreements which are currently being negotiated between the Company and each of Mr. Morse and Mr. Ng. As and when the Employment Agreements are finalised, the terms of the Employment Agreements will be disclosed accordingly to keep the market informed and will be subject to approval of the Shareholders at the EGM.

The Option Agreements

Share Options

Concurrently with and subject to Acquisition Completion and, if required, approval by independent shareholders of the Company at general meeting and/or the approval of the Stock Exchange, the Company has agreed in the Management Agreement that it will enter into Option Agreements with each of Mr. Morse and Mr. Ng. Separately, the Company will also enter into Option Agreements with each of Mr. Or and Mr. Ma upon Acquisition Completion. The Option Agreements, when finalised, will include a term that the Company agree to grant to each of Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma the following number of share options at the Exercise Price in accordance with the terms and conditions set out in their respective Option Agreements.

Director	Share options
Mr. Morse	Such number of share options representing 3,200 million Shares in the Company when exercised
Mr. Ng	Such number of share options representing 3,200 million Shares in the Company when exercised
Mr. Or	Such number of share options representing 600 million Shares in the Company when exercised
Mr. Ma	Such number of share options representing 100 million Shares in the Company when exercised

To the extent not already vested or exercised in accordance with the vesting and exercise schedule below, the Share Options will lapse automatically on the date which is five years from the date of their respective grant.

The Share Options will vest and become exercisable in the following manner, provided at the time of their vesting or exercise (as the case may be), Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma (as the case may be) remains employed by the Purchaser or the Company (as the case may be):

Timing of the vesting of the Share Options	Amount of Share Options to be vested and exercised by the each of Mr. Morse and Mr. Ng	Amount of Share Options to be vested and exercised by Mr. Or	Amount of Share Options to be vested and exercised by Mr. Ma
On the date which is one month after the Share Options are granted	Such number of Share Options representing 640,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 120,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 20,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period
On a date which is 12 months after the grant of the Share Options	Such number of share options representing 640,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 120,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 20,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period
On a date which is 24 months after the grant of the Share Options	Such number of share options representing 640,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 120,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 20,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period
On a date which is 36 months after the grant of the Share Options	Such number of share options representing 640,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 120,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 20,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period
On a date which is 48 months after the grant of the Share Options	Such number of share options representing 640,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 120,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 20,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period

The respective Option Agreements of Mr. Morse and Mr. Ng will also provide that under certain circumstances, including an initial public offer of either the Purchaser or Nan Shan, the Share Options shall fully and automatically vest and become exercisable. The respective Share Options granted to each of Mr. Morse and Mr. Ng will immediately lapse if they resign their respective employment with the Purchaser other than for good reasons or are terminated for cause.

The Share Options to be granted pursuant to the Option Agreements will be granted in accordance with the requirements under Chapter 15 of the Listing Rules. In particular, the Share Options will be granted at a time and in a manner such that at no time will Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma's aggregate interests in the Company (assuming full exercise of the Share Options) exceed 10% of the Company's entire issued share capital.

The Option Agreements do not constitute share option schemes of the Company and accordingly, they do not fall within the requirements under Chapter 17 of the Listing Rules. However, the grant of the Share Options must comply with the requirements under Chapter 15 of the Listing Rule. The Option Agreements are currently being negotiated between the Company and each of Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma. As and when the Option Agreements are finalised, the terms of the Option Agreements will be disclosed publicly to keep the market informed and will also be subject to approval of the Stock Exchange and the Shareholders at the EGM. All disclosure requirements under Chapter 15 will be complied with.

The Board is of the view that it is important to (a) the success of the completion of the Acquisition and (b) the continuing management and development of Nan Shan following Acquisition Completion that Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma join the Group's management team. In respect of the Acquisition, Mr. Morse and Mr. Ng have been closely involved in the negotiations with the Seller and in conjunction with Mr. Or, they have developed strong communications with Nan Shan's management team which the Board believes are vital to the transition process and also the continuing development and management of Nan Shan following Acquisition Completion. The Board also expects Mr. Morse, Mr. Ng and Mr. Or to play a key role in obtaining the relevant regulatory approvals in Taiwan and in communicating with the Taiwanese regulators in this regard. Accordingly, the Board is of the view that the Share Options to be granted to each of Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma appropriately incentivize and reward each of them in the performance of their roles in the Company, Nan Shan and the Purchaser. The Board also notes that the vesting schedule of the Share Options is linked directly with Acquisition Completion and the employment of each of Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma with the Group for the next five years following Acquisition Completion. Accordingly, the Board is of the view that the Share Options appropriately align the interest of Shareholders with the performance of each of Mr. Morse, Mr. Ng, Mr. Ma and Mr. Or in the Company, Nan Shan and the Purchaser.

The Exercise Price is determined after consideration of a number of factors, including the appropriate reward to be awarded to Mr. Morse, Mr. Ng, Mr. Ma and Mr. Or to incentivize them to join the Group and maintain their performance in the Group for five years following Acquisition Completion, the potential enhancement in

Shareholders' value and benefits to Shareholders of their employment upon Acquisition Completion given the expertise and experience each of them have in the financial services sector. The Board also took into consideration the Conversion Price, the Share Placing Price and the need to attract valuable personnel to the Group for the management and development of Nan Shan in determining the Exercise Price.

In view of the factors stated above, the Directors are of the view that the grant of the Share Options to Mr. Morse, Mr. Ng, Mr. Ma and Mr. Or at the Exercise Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY

The Company is an investment holding company. The Group is principally engaged in investment holding and manufacturing and trading of batteries products.

INFORMATION ON THE PURCHASER

Reference is further made to the Signing Announcement pursuant to which the Company announced that it has identified the Purchaser as the investment vehicle to enter into the Share Purchase Agreement, purchase and hold (through Primus Nan-Shan Holding (Taiwan) Company Limited and Primus Nan-Shan Holding (UK) Company Limited, both 100% owned subsidiaries of the Purchaser) the Sale Shares and that in anticipation of the Acquisition, on 8 October 2009 PFH Holdings transferred 80 shares, representing 80% of the entire issued share capital of the Purchaser, to a wholly-owned subsidiary of the Company, for a consideration of US\$8.00. The remainder of the 20% of the entire issued share capital of the Purchaser is held by PFH Holdings as of the date of this announcement.

The Purchaser was incorporated on 24 August 2009 as an exempted company with limited liability under the laws of the Cayman Islands. Other than the activities relating to the submission of the Bid, the signing of the Share Purchase Agreement and the arrangement of the Debt Financing, the Purchaser has not engaged in any other business activities since its establishment.

INFORMATION ON THE SELLER

The Seller, a Delaware corporation, is a holding company which, through its subsidiaries, is engaged in a broad range of insurance and insurance-related activities in the United States and internationally. The Seller's primary activities include both general insurance and life insurance and retirement services operations. Other significant activities of the Seller include financial services and asset management.

INFORMATION ON NAN SHAN

Nan Shan is a licensed insurance company formed under the laws of the ROC. Nan Shan was established in July 1963 by local individuals as one of the first life insurers in Taiwan. In January 1970, the Seller became a major shareholder of Nan Shan. Nan Shan has since grown to become one of the largest life insurance companies in the ROC.

As at 30 November 2008, the total assets of Nan Shan amounted to approximately NT\$1,460 billion.

The entire issued share capital of Nan Shan is 787,000,000 shares with a par value of NT\$100 each. The paid-up capital of Nan Shan is NT\$78,700,000,000 with an authorised capital of NT\$100,000,000,000.

The issued share capital of Nan Shan is owned as to 47.75% by AIG Life Insurance Company and 49.82% by Delaware American Life Insurance Company, both of which are entities wholly-owned by the Seller. The remaining 2.43% of the issued share capital of Nan Shan is held by a group of minority shareholders (a portion of whom which the Company understands to be existing or former employees and agents, and policyholders of Nan Shan).

Since Nan Shan's establishment in 1963, it has built a long operation history and has grown to be one of the most recognised brand names in the ROC insurance industry. Among other things, Nan Shan has one of the most extensive, effective and productive insurance distribution networks in ROC.

FINANCIAL INFORMATION ON NAN SHAN

The following table is the summary of the financial information of Nan Shan prepared in accordance with ROC GAAP.

NT\$ billion	For the financial years ended (and as at)	
	30 November 2007	2008
Operating revenue	431.4	422.5
Net profit/(loss) before taxation	15.4	(58.5)
Net profit/(loss) after taxation	12.8	(46.7)
Net assets (liabilities)	102.8	83.4

Nan Shan reported a net loss before taxation of NT\$58.5 billion in 2008. This was due to one time losses related to Nan Shan's investment portfolio, including foreign exchange losses caused by the global financial crisis in 2008.

INFORMATION ON PRIMUS

The Company understands that Primus, Primus Investor, Primus Investor Group and PFH Holdings are affiliated entities. Primus is a wholly owned subsidiary of PFH Holdings. PFH Holdings is the managing entity of Primus Investor and an affiliate of the other managing entities of the other members of Primus Investor Group.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company has been looking for opportunities to diversify its income and asset base with a view to enhancing Shareholders' value. Nan Shan is a well-established insurance company in the ROC and as such, the Company is of the view that the Acquisition represents a unique opportunity for the Company to diversify its business, and is also potentially beneficial to the Hong Kong market as it offers the chance of ownership of a valuable Taiwan insurance asset by a Hong Kong listed company.

The Acquisition also represents an opportunity for the Company to partner with Primus, a privately owned financial holding company which focuses on the acquisition, integration and the establishment of financial services companies. Primus has significant operations within the Asia-Pacific region and given their expertise in investing in Asian financial institutions, the Company believes that its cooperation with Primus would significantly benefit the Company in the diversification of its business, income and asset base.

Taking into account the benefits of the Transaction, the Board is of the view that the terms of the Share Purchase Agreement are fair and reasonable and on normal commercial terms, and the Transaction is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

The Acquisition

It is currently expected that the Acquisition will constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and will accordingly be subject to the approval of Shareholders at EGM under Rule 14.49 of the Listing Rules.

The CN Placing and the Share Placing

As mentioned in the Placing Announcement and under the section headed “Conditional Share Placing Agreement”:

- (a) the Company will place the Convertible Notes to raise funds for the satisfaction by the Purchaser of its payment obligations under the Share Purchase Agreement;
- (b) the Company will place the Placing Shares to raise funds to meet the Purchase Price and other commitments relating to the Acquisition and to Nan Shan which may be required following Acquisition Completion;
- (c) the Conversion Shares and the Placing Shares (as the case may be) will be allotted and issued pursuant to a specific mandate to be sought from the Shareholders at the EGM to be convened in accordance with the Listing Rules; and
- (d) full Conversion of the Convertible Notes and the issue of the Placing Shares (assuming that the Placing Shares are fully placed) will result in the issue of 118,000,000,000 new Shares which will result in a significant dilution of the shareholding of the existing Shareholders.

The Management Agreement, the Employment Agreements and the Option Agreements

The sharing of expenses incurred in respect of the Transactions (on a pro rata basis in accordance with the Company and the Primus Investor Group’s shareholding in the Purchaser), the payment of the Service Fees pursuant to the Employment Agreements and the grant of the Share Options by the Company to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma pursuant to the Option Agreements will constitute connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules which will require approval of the independent shareholders of the Company. In addition, the grant of the Share Options to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma pursuant to the Option Agreements must comply with the requirements under Chapter 15 of the Listing Rules. Accordingly, the terms of the Option Agreements and the grant of the Share Options must be approved by the Stock Exchange and by the Shareholders in general meeting, subject to the requirements under Chapter 15 of the Listing Rules. As at the date of this announcement, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, no member of the Primus Investor Group and neither PFH Holdings, Mr. Morse, Mr. Ng nor Mr. Or is a Shareholder. As Mr. Ma is deemed to be interested in 3,000,000 shares in the Company by virtue of being the settlor and a beneficiary of a discretionary trust for the purpose of Part XV of the

SFO and, given that his interest in the Option Agreement to which he is a party, would be materially different from the other Shareholders, Mr. Ma will abstain from voting (and will instruct the trustee of such discretionary trust to abstain from voting) at the EGM in respect of the resolution to approve the Option Agreement to which he is a party and the Specific Mandate to issue those Option Shares to be granted to him.

As at the date of this announcement, the Employment Agreements and the Option Agreements remain in negotiations. As and when the Employment Agreements and the Option Agreements are finalised (which are expected to be finalised prior to the despatch of the Circular), further details of such agreements will be disclosed publicly to inform the market as appropriate.

EGM

In this regard, an EGM will be held to consider and, if thought fit, approve, among other things, (1) the Conditional Placing Agreement, the Conditional Share Placing Agreement, the CN Placing, the Share Placing and the Specific Mandate, (2) the Acquisition and the Share Purchase Agreement, (3) the Increase in Authorised Share Capital, and (4) the sharing of expenses under the Management Agreement, the payment of the Service Fees under the Employment Agreements and the grant of the Share Options under the Option Agreements.

In addition, application will be made to the Stock Exchange for the listing of, and permission to deal in, all the Conversion Shares, the Placing Shares and the Option Shares.

DESPATCH OF CIRCULAR AND THE EGM

It is currently envisaged that, (1) the Conditional Placing Agreement, the Conditional Share Placing Agreement, the CN Placing, Share Placing and the Specific Mandate, (2) the Acquisition and the Share Purchase Agreement, (3) the Increase in Authorised Share Capital, (4) the Management Agreement, the Employment Agreements and the Option Agreements will be considered and approved at the same EGM based on detailed information disclosed to all Shareholders in the Circular.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed in this announcement in relation to Mr. Ma's deemed interest in Shares, no Shareholder has an interest in (1) any of the Conditional Placing Agreement, the Conditional Share Placing Agreement, the CN Placing, Share Placing and the Specific Mandate, (2) the Acquisition and the Share Purchase Agreement, (3) the Increase in Authorised Share Capital, (4) the Management Agreement, the Employment Agreements and the Option Agreements

which is materially different from the other Shareholders, and accordingly, no Shareholder (other than Mr. Ma in respect of the Option Agreement to which he is a party) is required to abstain from voting on the resolutions to be proposed at the EGM to approve such matters. As at the date of this announcement, no member of the Primus Investor Group and neither Primus Investor, PFH Holdings, Mr. Morse, Mr. Ng nor Mr. Or is a Shareholder. Mr. Ma is deemed to be interested in 3,000,000 shares in the Company by virtue of being the settlor and a beneficiary of a discretionary trust for the purpose of Part XV of the SFO and, given his interest in the Option Agreement to which he is a party, would be materially different from the other Shareholders, Mr. Ma will abstain from voting (and will instruct the trustee of such discretionary trust to abstain from voting) at the EGM in respect of the resolution to approve the Option Agreement to which he is a party and the Specific Mandate to issue those Option Shares to be granted to him.

The Company will despatch a circular containing required information on (i) the Conditional Placing Agreement, the issue of the Convertible Notes, the Conditional Share Placing Agreement, the Specific Mandate, the CN Placing, the Share Placing and the Increase in Authorised Share Capital; (ii) the Acquisition, the Share Purchase Agreement, Nan Shan, risk factors relating to the Acquisition and Nan Shan; and (iii) the Management Agreement, the Employment Agreements and the Option Agreements, together with a notice of EGM to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended from 9:30 a.m. on 13 October 2009 pending the issue of this announcement. An application has been made by the Company to the Stock Exchange for the trading in the Shares to resume from 9:30 a.m. on 10 November 2009, following the publication of this announcement.

Shareholders and potential investors should note that (1) the Conditional Placing Agreement, the Conditional Share Placing Agreement, the CN Placing, the Share Placing and the Specific Mandate, and (2) the Acquisition and the Share Purchase Agreement, are subject to the Conditions and various other conditions which may or may not be fulfilled. There is therefore no assurance that (1) the Conditional Placing Agreement, the Conditional Share Placing Agreement, the CN Placing, the Share Placing and the Specific Mandate, and (2) the Acquisition and the Share Purchase Agreement, will proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below.

“%”	per cent.
“Acquisition”	the acquisition of 767,893,139 shares of common stock of Nan Shan (which represent approximately 97.57% of the issued and outstanding share capital of Nan Shan) by the Purchaser
“Acquisition Completion”	completion of the Acquisition in accordance with the terms of the Share Purchase Agreement
“Acquisition Completion Date”	the date on which the Acquisition Completion takes place
“associate”	has the meaning given to it in the Listing Rules
“Bid”	the bid made by Primus for and on behalf of the Company and Primus Investor in respect of the Acquisition, the binding offer of which was submitted to the Seller on 28 August 2009
“Board”	the board of Directors of the Company
“Business”	the business conducted by Nan Shan, as set forth in the Share Purchase Agreement
“business day”	a day (excluding a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and on which the Stock Exchange is open for dealing in securities
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to “China” and the “PRC” do not include Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC

“Circular”	the circular to be despatched to Shareholders as soon as practicable containing required information on: (i) the Conditional Placing Agreement, the issue of the Convertible Notes, the Conditional Share Placing Agreement, the Specific Mandate, the CN Placing and the Share Placing; (ii) the Acquisition, the Share Purchase Agreement, Nan Shan, risk factors relating to the Acquisition and Nan Shan; and (iii) the Management Agreement, the Employment Agreements and the Option Agreements, together with a notice of EGM
“CN Placing”	the placing of the Convertible Notes in a maximum aggregate principal amount up to HK\$7,800 million procured by the CN Placing Agent to selected Placees on the terms and subject to the conditions set out in the Conditional Placing Agreement
“CN Placing Agent” or “Share Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) regulated activities for the purposes of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Co-CEOs”	co-chief executive officers
“Company”	China Strategic Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“Conditional Placing Agreement”	the conditional placing agreement dated 20 August 2009 entered into between the Company and the CN Placing Agent in relation to the CN Placing, as amended, further details of which are set out in the Placing Announcement and the section headed “Proposed Placing of Convertible Notes” in this announcement
“Conditional Share Placing Agreement”	a conditional share placing agreement dated 9 November 2009 entered into between the Company and the Share Placing Agent in relation to the Share Placing
“Conditions”	the conditions precedent of the Share Purchase Agreement, the key details of which are set out in section 3. Conditions Precedent under “Share Purchase Agreement” in this announcement

“connected person”	has the meaning given to it in the Listing Rules
“Consortium Letter”	means a consortium letter dated 2 September 2009 between the Company, PFH Holdings and Primus Investor, further details of which are set out in the Consortium Letter Announcement
“Consortium Letter Announcement”	the announcement dated 2 September 2009 issued by the Company pursuant to which the Company announced that it had entered into the Consortium Letter
“Conversion Price”	HK\$0.10 per Conversion Share, subject to adjustment
“Conversion Shares”	those new Shares to be issued upon the exercise of the conversion rights under the Convertible Notes, namely, a maximum of 78,000,000,000 Shares, in aggregate, falling to be issued upon exercise of the conversion rights attached to the Convertible Notes at the initial Conversion Price in full (subject to adjustment)
“Convertible Notes”	the non-interest bearing convertible redeemable notes, to be issued by the Company to the Placees procured by the CN Placing Agent in a maximum aggregate principal amount up to HK\$7,800 million due on the Maturity Date which are convertible into an aggregate of a maximum of 78,000,000,000 Shares (subject to adjustment) at the Conversion Price;
“Debt Financing”	up to the NT\$ equivalent of US\$700 million (up to a maximum of NT\$24 billion) debt financing which the Lenders have committed to provide in respect of the Acquisition, details of which are further set out in the section headed “Debt Financing to Finance the Acquisition” in this announcement
“Director(s)”	the director(s) of the Company
“Disclosure Letter”	the disclosure letter dated the date of the Share Purchase Agreement from the Seller to the Purchaser

“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and approving the matters herein, including, among other things, the Conditional Placing Agreement, the Conditional Share Placing Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares upon exercise of the conversion rights under the Convertible Notes, and the issue of Placing Shares), the Specific Mandate, the Acquisition, the Share Purchase Agreement and the transactions contemplated under the Acquisition
“Employment Agreements”	the employments agreements to be entered into between each of Mr. Morse and Mr. Ng on the one part and the Purchaser on the other part in respect of the terms of employment of each of Mr. Morse and Mr. Ng in the Purchaser
“Equity Contribution Amounts”	the amount of equity contributions from each of the Company and the Primus Investor Group to be contributed to the Purchaser on or prior to the Acquisition Completion as stated in the Management Agreement
“Escrow Agent”	Citibank N.A., Hong Kong branch
“Escrow Agreement”	the escrow agreement entered into between the Seller, the Purchaser and the Escrow Agent in respect of the appointment of the Escrow Agent, the establishment of the escrow account and the holding in escrow of the Escrow Amount
“Escrow Amount”	US\$86 million
“Exercise Price”	the exercise price of HK\$0.10 per Share
“Facility Agreement”	The definitive form of credit facility agreement to be entered into between the Lenders and a subsidiary of the Purchaser in respect of the Debt Financing
“Financing Conditions”	the Conditions under paragraphs 3(b)(ii) and 3(b)(iii) of the section headed “Share Purchase Agreement — 3. Conditions Precedent” above

“Group”	the Company and its Subsidiaries and the expression “member of the Group” shall be construed accordingly
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	the lawful currency of Hong Kong
“Increase in Authorised Share Capital”	the increase in the authorised share capital of the Company from HK\$800,000,000 to HK\$20,000,000,000 by the creation of 192,000,000,000 additional new Shares
“Lenders”	being two Taiwanese commercial banks who are expected to provide the Debt Financing to the Purchaser
“Liability Limitation”	US\$150 million
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Long Stop Date”	a date which is nine months after the date of the Share Purchase Agreement
“Management Agreement”	the management agreement dated 12 October 2009 between the Company, the Purchaser, Primus Investor, PFH Holding, Mr. Morse and Mr. Ng pursuant to which the parties thereto agreed, among other things, the structure of the Purchaser Board, the sharing of expenses and the appointment of Mr. Morse and Mr. Ng as Co-CEOs of the Purchaser
“Material Adverse Effect”	means (a) any effect, change, event or development that, individually or in the aggregate with all other effects, changes, events or developments, has a material adverse effect on the assets, liabilities, business, financial condition or results of operations of Nan Shan or the Business, taken as a whole; <u>provided</u> that none of the following shall constitute or be deemed to contribute to a Material Adverse Effect, and otherwise shall not be taken into account in determining whether a Material Adverse Effect has occurred or would be reasonably

likely to occur: any adverse effect arising out of, resulting from or attributable to (i) (A) the ROC economy or the global economy generally or capital or financial markets generally, including changes in interest or exchange rates, (B) political conditions generally of the ROC or any other country or jurisdiction in which Nan Shan operates, (C) any hurricane, flood, tornado, earthquake or other natural disaster, or (D) changes generally affecting the industries in which Nan Shan operates, (ii) the negotiation, execution, announcement or completion of the transactions contemplated by, or the performance of obligations under, the Share Purchase Agreement or the other Transaction Documents, (iii) the identity of, or the effects of any facts or circumstances relating to, the Purchaser or any of its affiliates, (iv) changes after the date hereof in any applicable law or generally accepted accounting principles or the interpretation thereof, (v) actions expressly required to be taken pursuant to the Share Purchase Agreement or any of the other Transaction Documents or taken with the Purchaser's written consent, (vi) the effect of any action taken by the Purchaser or its affiliates or representatives in breach of the Share Purchase Agreement or any of the other Transaction Documents that is not cured prior to Acquisition Completion, (vii) any hostilities, acts of war, sabotage, terrorism or military actions, or any escalation or worsening of any such hostilities, acts of war, sabotage, terrorism or military actions, (viii) the value of, or any change or development in the value of any of the investment assets of Nan Shan, (ix) any failure by Nan Shan to achieve any projections or forecasts with respect to earnings, premiums written, loss or combined ratios or to achieve any other financial projections or forecasts (but not any underlying cause of such failure to meet any such projections or forecasts), (x) any matter set forth in the Disclosure Letter, (xi) any effect that is cured by the Seller prior to Acquisition Completion, or (xii) any matter relating to the

employees and agents of Nan Shan; provided that any effect, change, event or development referred to in sections (a)(i), (a)(iv) and (a)(vii) may constitute a Material Adverse Effect and will be taken into account in determining whether a Material Adverse Effect has occurred if such effect, change, event or development is or would be reasonably likely to have a materially disproportionate impact on Nan Shan as compared with similarly situated life insurance companies in the ROC; and (b) any effect, change, event or development that, individually or in the aggregate with all other effects, changes, events or developments, constitutes a material impairment on or material delay in the ability of the Seller or its applicable affiliates to perform their respective material obligations under the Share Purchase Agreement or to complete the transactions contemplated in the Share Purchase Agreement

“Maturity”	the maturity of the Convertible Notes, whereupon the Company shall, unless the Convertible Notes have previously been converted, repay the outstanding principal amount of the Convertible Notes
“Maturity Date”	a date being six (6) months from the date of issue of the Convertible Notes
“Mr. Ma”	Mr. Frederick Ma Si-Hang
“Mr. Morse”	Mr. Robert R. Morse
“Mr. Ng”	Mr. Wing Fai Ng
“Mr. Or”	Mr. Or Ching Fai
“Nan Shan”	Nan Shan Life Insurance Company, Ltd. (南山人壽保險股份有限公司), a company incorporated under the laws of Taiwan and whose principal address is at 168 Zhuang Jing Road, Xinyi District, 11049 Taipei City, Taiwan
“Old Convertible Notes”	the convertible redeemable notes issued by the Company in the maximum aggregate principal amount of HK\$1.32 billion due on 31 December 2010

“Option Agreements”	the option agreements to be entered into between the Company and each of Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma in respect of the granting of their respective Share Options and each an “Option Agreement”
“Option Period”	the respective period between the date of the issue of the respective Share Options granted to each of Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma and the date which is five years from the date of grant of such Share Options
“Option Shares”	an aggregate of 7,100 million Shares to be issued to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma when exercised in accordance with the terms and conditions set out in the Option Agreements at the Exercise Price
“PFH Holdings”	PFH Holdings Ltd., a company incorporated in the Cayman Islands with limited liability
“Placee(s)”	any professional, institutional, corporate or individual investor(s) procured by the CN Placing Agent to subscribe for any principal amount of the Convertible Notes pursuant to the CN Placing Agent’s obligations under the Conditional Placing Agreement
“Placing Announcement”	the announcement dated 20 August 2009 issued by the Company in respect of the proposed issuance by the Company of the Convertible Notes
“Placing Period”	the period commencing upon the signing of the Share Placing Agreement and terminating at 5:00pm on the business day prior to the date of completion under the Conditional Share Placing Agreement, unless terminated earlier pursuant to the terms of the Conditional Share Placing Agreement
“Placing Shares”	up to a maximum of 40,000,000,000 new Shares to be placed through the Share Placing Agent pursuant to the Conditional Share Placing Agreement
“Primus”	Primus Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability

“Primus Investor”	PFH Partnership Holdings, L.P., a limited partnership whose general partner is PFH GP, L.P. of which the general partner is PFH Holdings, and is an affiliate of Primus
“Primus Investor Group”	Primus Investor together with its affiliate parallel and co-invest vehicles
“Purchaser”	Primus Nan-Shan Holding Company Ltd., a company incorporated in the Cayman Islands with limited liability, which indirectly owns 100% of Primus Nan-Shan Holding (Taiwan) Company Limited and which directly owns Primus Nan-Shan Holding (UK) Company Limited
“Purchase Price”	US\$2,146,588,190
“Purchaser Board”	the board of directors of the Purchaser
“ROC” or “Taiwan”	Republic of China
“Sale Shares”	767,893,139 shares of common stock of Nan Shan, which represent approximately 97.57% of the issued and outstanding share capital of Nan Shan
“Seller”	American International Group, Inc.
“Seller Group”	the Seller and its Subsidiaries
“Service Fees”	a service fee of US\$15 million payable to Mr. Morse and Mr. Ng (in equal shares) in accordance with the terms of the Employment Agreements on the date that is three months from the Acquisition Completion Date for services performed by affiliates of PFH Holdings in connection with the Transaction and the preparation of the Bid
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)

“Share Options”	such number of share options to be granted by the Company to each of Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma representing the number of Shares as set out in the section headed “Connected Transactions — The Option Agreements — Share Options” in this announcement when exercised in accordance with the terms and conditions set out in the respective Option Agreements
“Share Placee(s)”	any professional, institutional, corporate or individual investors procured by the Share Placing Agent to subscribe for any Placing Shares pursuant to the Share Placing Agent’s obligations under the Conditional Share Placing Agreement
“Share Placing”	the placing of the Placing Shares by the Share Placing Agent on a best efforts basis
“Share Placing Price”	HK\$0.10 per Placing Share
“Share Purchase Agreement”	means the definitive share purchase agreement entered into by the Purchaser and the Seller and dated 13 October 2009 in respect of the Acquisition
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Signing Announcement”	the announcement dated 13 October 2009 issued by the Company pursuant to which the Company announced that it has entered into the Share Purchase Agreement
“Specific Mandate”	the authority to issue and allot such amount of Conversion Shares, Placing Shares (assuming full placement of the Placing Shares) and Option Shares equal to HK\$18,900,000,000 divided by HK\$0.10 per Share pursuant to a Shareholders’ resolution to be proposed at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“STT Tax”	the security transaction tax chargeable on the Purchase Price pursuant to the ROC Securities Transaction Tax Act

“Subsidiary(ies)”	with respect to any person, any corporation, general or limited partnership, joint venture, limited liability company, limited liability partnership or other person that is a legal entity, trust or estate of which (or in which) (a) the issued and outstanding shares having ordinary voting power to elect a majority of the board of directors (or a majority of another body performing similar functions) of such corporation or other person (irrespective of whether at the time any class or classes of such corporation or other person shall or might have voting power upon the occurrence of any contingency); (b) more than 50% of the interest in the capital or profits of such partnership, joint venture or limited liability company or (c) more than 50% of the beneficial interest in such trust or estate, is at the time of determination directly or indirectly owned or controlled by such person
“Takeovers Code”	the Code on Takeovers and Mergers
“Tax Covenant”	the tax covenant dated 13 October 2009 between the Seller and Purchaser in respect of the tax liabilities of Nan Shan incurred prior to Acquisition Completion
“Transaction Documents”	means, collectively, the Share Purchase Agreement, the Disclosure Letter, the Tax Covenant, the Transitional Services Agreement and the Escrow Agreement
“Transaction(s)”	the Transaction contemplated under the Transaction Documents
“Transitional Services Agreement”	a transitional services agreement which may be entered into (if required) between, <i>inter alia</i> , the Seller, the Purchaser and Nan Shan on or prior to Acquisition Completion in respect of the provision of transitional services by the Seller to Nan Shan, the agreed form of which is attached to the Share Purchase Agreement
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US Dollar” or “US\$”	the lawful currency of the United States

For the purposes of this announcement, conversion of currencies had been calculated using the following exchange rate:

US\$1 = HK\$7.8

On behalf of the board of directors of
China Strategic Holdings Limited
Yeung Kwok Yu
Director

Hong Kong, 10 November 2009

As at the date of this announcement, the Board comprises Mr. Or Ching Fai, Ms. Chiu Ching Ching, Mr. Yeung Kwok Yu, Mr. Hui Richard Rui, Ms. Chan Ling, Eva, Mr. Lee Sun Man and Mr. Chow Kam Wah as executive Directors, Mr. Frederick Ma Si-Hang as a non-executive Director and Ms. Ma Yin Fan, Mr. Phillip Fei and Mr. Leung Hoi Ying as independent non-executive Directors.