

CHINA INTERNATIONAL HOLDINGS LIMITED
(Bermuda Company Registration No. 23356)
(Incorporated in Bermuda)

ACQUISITION OF 20% EQUITY INTEREST IN LIUHE COUNTY YUKUN MINING CO. LTD.

The Board of Directors of China International Holdings Limited (the “Company”) wishes to announce that it has on 15 July 2011 entered into:

- a) an Acquisition and Debt Assumption Agreement (the “Agreement”) with Suzhou Resources & Capital Associate Innovation Limited Liability Partnership (the “Seller”) for the acquisition of 20% of the equity interest in Liuhe County Yukun Mining Co. Ltd. (“Liuhe” or the “Project”) at the total acquisition price of RMB32,000,000 (the “Consideration”); and the assumption of the pro rata share of Liuhe’s existing debts to the Seller in the amount of RMB6,862,700;
- b) a Supplemental Agreement to the Agreement mentioned above with the Seller and Liuhe (the “Supplement Agreement”).

(the Agreement and the Supplemental Agreement collectively, the “Transaction Documents”) (the “Transaction”).

Background to the Transaction

Liuhe is a gold exploration and mining company incorporated in Liuhe County Jilin Province in Northeast region of China with registered capital of RMB10 million and gold mining license of the 1.28 square kilometres Project site. The major assets of Liuhe are its gold mining and exploration licenses for the Project site as well as for the 26.85 square kilometres surrounding area of the Project site, and mining equipment.

The Seller is a venture investment fund managed by Resources & Capital Associates Innovation, Beijing, an investment manager. The Seller acquired its stake in Liuhe in 2009 and plans to realize its investment by a sale process with the sale of 31% interest in Liuhe to a third party who is an existing 17% shareholder, and the sale of 20% interest in Liuhe to the Company. The Seller will hold no interest in Liuhe following the sale process.

The Project

The Project area was explored and mined for gold since late 1990s but the small scale mining operation was suspended in 2008 when shallow high grade ore had been mined out. In the past few years, with rising gold price, the Project area has seen increased exploration activities by Liuhe which resulted in increased resources identified.

The existing mining license issued by Jilin Province permits daily mining of 25 ton of raw ore and will expire in April 2012. Liuhe has submitted an application for increased daily mining capacity of 300 ton in 2010. The 300 ton daily mining plan has been approved recently, and the further approval on environment is required along with other approvals before the new mining license is issued by the provincial authority in Jilin Province which is expected to be obtained before end of 2011.

The Project consists of underground mining and processing of raw ore by milling and floatation. Since the filing of application for 300 ton daily mining capacity in 2010, further resources have been identified which, if confirmed, are expected to support a larger scale of operation.

The Project is a gold mining project and will require a substantial time to achieve various milestones before the Company's investments can achieve any return on investment.

Based on information from the Project company, the investment amount for 300 ton daily mining capacity will be RMB87 million. It is intended that the funding for Phase I development will come from further equity contribution from shareholders in form of rights issue.

We believe the capital requirement and funding sources are reasonable based on existing studies of the Project site.

Consideration

No independent valuation was carried out.

The Company performed legal due-diligence on the Seller and Liuhe's gold mining license. The legal due-diligence report reveals that Liuhe has been properly incorporated, and its gold mining license has been validly issued by Jilin Provincial Land and Natural Resources Administrative Agency.

Financial due-diligence has been conducted by the Company's management team without involvement of external advisers as Liuhe's key asset is its gold exploration and mining licenses.

The Consideration of RMB32 million was arrived at on a willing buyer willing seller basis after taking into consideration the funds and working capital required to carry out the development phases of the Project.

The Company, through its subsidiary in China, Beijing Shiji Longquan, will acquire a 20% equity interest and a related shareholder loan from the Seller at the same valuation and conditions as the simultaneous sale of a 31% interest by the Seller to a third party independent of the Company.

(1) Consideration and Payment Terms

- (i) Equity interest – 100% of equity is valued at RMB160 million, with 20% interest valued at RMB32 million;
- (ii) Seller's Shareholder loan of RMB17.5 million to be split pro rata between the acquirers, with the Company's share at RMB6.8627 million;
- (iii) Total acquisition cost to the Company is therefore RMB38.8627 million. The total investment amount for the Company falls below the threshold which would require shareholders approval.

- (2) Following the completion of the Transaction, the Company will exercise its right to nominate one director to the Board of Directors of the Project company.

Rationale for the Transaction

The Project is a re-start of an old gold project. So the development risk is relative low, especially with regards to infrastructure and approvals.

The resources identified provided a base case of economics for the project. As the current exploration has shown mineralization open in the depth, the potential for the resources to increase is high, although the size of resources upside is unclear and subject to proof by further exploration.

This is a strategic investment of the Company to venture into natural resources business and to allow the Company to participate in the growth prospects of natural resources industry and China's next phase of economic growth through meeting its resources requirements.

Risk Disclosure

Exploration risks:

The business of exploration for natural resources involves a high degree of risk. Substantial expenditure is required to establish the extent of reserves. There can be no guarantee or assurance that exploration will lead to the definite discovery certain amount of gold.

The evaluation and drilling of exploration targets may be curtailed, delayed or cancelled by the mechanical difficulties, environmental issues, compliance with government requirements or technical hazards.

Operating risks:

Industry operating risks include the risk of fire, explosions, high underground water pressure and leak, the occurrence of any of which could result in substantial losses to the Company due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. Damages occurring as a result of such risks may give rise to claims against the Company which may not be covered, in whole or part, by insurance.

Economic and commercial risks:

The current and expected future price of gold can change rapidly and significantly and this can have a substantial effect on the value of the investment in the Project and the potential future revenue and profits that might be earned from the successful development of the Project.

The demand for, and price of gold is highly dependent on a variety of factors including international supply and demand, the level of consumer product demand, the price and availability of alternative precious metals, actions taken by governments and international cartels, and global economic and political developments. International gold prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations and, in particular, a material decline in prices may have a materially adverse effect on the Project, financial condition and results of operations, assuming production is achieved.

Funding Risks

The continuation of the Project is dependant on further funding from shareholders and local banks. In the event there is shortage for funding, the Project company may not have sufficient funds to invest in the Project and carry out the subsequent phases of development required.

Regulatory Risks

Any changes in economic, political, legal and regulatory conditions or policies in China and particularly in the exploration of natural resources could adversely affect the results of the operations of the Project company and in turn, the Company's investment value in the Project.

Political and social risks

The Project is dependent on the political and social condition of China. Any adverse change in the political and social environment may adversely affect the business operations of the Project.

Technical risks

The Project company intends to engage the services of technical consultants and professionals in the course of undertaking the Project. Where Liuhe has engaged such technical consultants and professionals, it is exposed to the timely delivery and quality required of the work outsourced to such technical consultants and professionals. In the event such technical consultants and professionals are unable to perform such works as outsourced to them, Liuhe will be exposed to the ultimate contract performance of the scope of outsourced works. Liuhe's profitability will be adversely affected should we be unable to obtain other such technical consultants and professionals or are unable to perform such works from Liuhe's internal resources.

Financial Effects of the Transaction

The Consideration is funded entirely from internal sources of the Company.

The Transaction is not expected to have any significant impact on the net tangible assets and earnings per share of the Company for the current financial year.

Relative Figures Under Chapter 10 of the SGX-ST Listing Manual

The relative figures computed on the bases set out in Rules 1006 (a) to 1006 (d) of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable as Transaction does not involve a disposal of assets

(b)	Net profits attributable to the assets to be disposed of, compared with the Group's net profit	Not applicable as the asset consist of a License as described above.
(c)	Aggregate value of the Consideration, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares as at 14 July 2011 (being the Market Day immediately preceding the date of the Investment Agreement)	17.74%
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable because no shares will be issued

Based on the above, the Transaction is a discloseable transaction under Chapter 10 of the Listing Manual

Interests of Directors and Controlling Shareholders

None of the Directors and/or Substantial Shareholders of the Company have any interest, direct or indirect, in the Transaction.

ON BEHALF OF THE BOARD

Shan Chang
Chairman

15 July 2011