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MASCOTTE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 136)

ANNOUNCEMENT NOVATION AND FURTHER EXTENSION OF THE LOAN

On 5 December 2008, the Company announced that in relation to the Loan, it has entered into (i) the Deed of Novation with the Borrower, the Guarantor and the New Borrower pursuant to which the New Amended Facility Letter is discharged and the Novated Loan Agreement is created and novated from the Borrower to the New Borrower; (ii) the Amendment Agreement to amend the Novated Loan Agreement with the New Borrower and to further extend the repayment date of the Total Outstanding Loan from 4 December 2008 to 4 February 2009, subject to early repayment; and (iii) the New Guarantee with the Guarantor in favour of the Company in respect of the New Borrower's obligations under the Novated Loan Agreement.

The Company will make further announcement regarding the above matter as and when required under the Listing Rules.

Reference is made to the Company's circular dated 22 August 2008 (the "**Circular**") and announcement dated 15 October 2008 (the "**Announcement**"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Circular and the Announcement.

NOVATION AND FURTHER EXTENSION OF THE LOAN

As disclosed in the Announcement, the Company agreed to unconditionally extend the repayment date of the Total Outstanding Loan to 4 December 2008. As at 4 December 2008, a total amount of HK\$192,000,000 remains outstanding, comprising (i) HK\$160,000,000, being the Total Outstanding Loan; (ii) HK\$30,000,000, being the interest accrued on the Total Outstanding Loan during the period from 2 August 2008 to 4 December 2008 (both days inclusive) at a monthly interest rate of approximately 4.5%; and (iii) HK\$2,000,000, being an extension fee (collectively, the "**Outstanding Debt**").

On 5 December 2008, the Company entered into a deed of novation (the “**Deed of Novation**”) with the Borrower, the Guarantor and a member of the Offshore Group namely, Key Rise International Ltd. (the “**New Borrower**”) and pursuant to which the New Amended Facility Letter is discharged and a novated loan agreement (the “**Novated Loan Agreement**”) is created and novated from the Borrower to the New Borrower. Under the Deed of Novation, the New Borrower is bound by the Novated Loan Agreement as the New Amended Facility Letter relates to the Borrower and assumes under the Novated Loan Agreement all the obligations and liabilities of the Borrower arising under the New Amended Facility Letter. Simultaneously, the Guarantor executed a new guarantee (the “**New Guarantee**”) in favour of the Company in support of the obligations and liabilities of the New Borrower to the Company under the Novated Loan Agreement. The terms and conditions of the New Guarantee are substantially similar to those in the Guarantee. Accordingly, the Borrower is released from any obligation under the New Amended Facility Letter to be performed on or after the date of the Deed of Novation and the Guarantor is released from any obligation under the Guarantee to be performed on or after the date of the Deed of Novation.

On the same date, the Company entered into an amendment agreement to amend the Novated Loan Agreement with the New Borrower (the “**Amendment Agreement**”) and pursuant to which the Company agreed to further extend the repayment date of the Total Outstanding Loan from 4 December 2008 to 4 February 2009, subject to early repayment. The New Borrower shall pay to the Lender a total amount of HK\$195,840,000 on or before 4 February 2009 comprising: (i) the Outstanding Debt; and (ii) HK\$3,840,000, being the interest accrued or to be accrued on the Total Outstanding Loan during the period from 5 December 2008 to 4 February 2009 (both days inclusive) at a monthly interest rate of 1%, subject to early repayment. In view of the recent global financial turmoil and the massive interest rate cut by central banks worldwide, the Board is of the view that the monthly interest rate of 1% payable by the New Borrower on the Total Outstanding Loan is fair and reasonable and in the interests of the Company.

REASONS FOR THE NOVATION AND FURTHER EXTENSION OF THE LOAN

As disclosed in the Announcement, the 3rd Party Acquisition is still ongoing. However, according to the Guarantor, it has not proceeded to a stage where it can reasonably be expected to be completed in the near future and thus the Board and the Guarantor are simultaneously working on the acquisition of the Shanxi Coal Mines (the “**Acquisition**”) as an alternative fund raising arrangement. The Guarantor proposed to acquire the controlling equity interest of the Shanxi Coal Mines through the New Borrower, which will be the offshore holding company ultimately investing in the Shanxi Coal Mines. Since the Borrower has been in existence for some time and has incurred certain costs unrelated to the Shanxi Coal Mines, the Guarantor, the Company and the potential investors agreed to use the New Borrower, being a newly incorporated special purpose vehicle, for the purpose of the Acquisition.

The Board understands that since the date of the Announcement, the Guarantor has been negotiating with a leading investment bank and certain international private equity funds to provide funding for the New Borrower to complete the Acquisition as well as the working capital of the New Borrower and its subsidiaries (the “**Fund Raising**”). The Board understands that the Fund Raising and the Acquisition will take more time than originally anticipated because (i) it takes time to set up a practicable shareholding structure with foreign ownership to engage in running a mining operation in the PRC in particular to seek approval from the relevant PRC government authorities concerning the shareholding structure and the foreign investment of the Offshore Group in the Shanxi Coal Mines; and (ii) the continuous deterioration in the market sentiment during the year and in particular the severe credit crunch in the past two months has significantly impacted on the progress of commercial negotiation with the potential investors.

Nevertheless, the Board understands that the Guarantor is currently making reasonable progress concerning the Fund Raising. Since the date of the Announcement, the Company and certain potential investors have attended investor conferences organized by the Guarantor and its advisors, reviewed the due diligence work performed as well as the technical review and valuation exercise conducted by the professional advisors against the Shanxi Coal Mines and interviewed the Guarantor regarding the commercial and operation aspects of the Shanxi Coal Mines. Ongoing negotiation between the Company, the Guarantor and other potential investors is in progress to finalise the terms of the Fund Raising.

As disclosed in the Company's 2008 Annual Report, the Company has implemented a diversification strategy aiming to identify suitable investment opportunities in, among others, natural resources projects. The Board is of the view that the Acquisition fits well into the aforesaid strategy and offers good potential return. To capture the co-investment opportunity between the Company, the Guarantor and the New Borrower on the Shanxi Coal Mines, the Company decided to enter into the Deed of Novation with the New Borrower and as such, certain amount of the Outstanding Debt will become part of the equity interest of the New Borrower if the Acquisition materializes and subject to finalization of commercial negotiations with the Guarantor and the potential investors of the New Borrower. The novation under the Deed of Novation will enable the Company to maintain an amicable relationship with the New Borrower and the Guarantor in pursuing the co-investment in the PRC. The Company also entered into the Amendment Agreement to further extend the repayment date of the Total Outstanding Loan to 4 February 2009 with the anticipation of setting a tighter time frame so that the Guarantor could speed up the Fund Raising and the Board will revisit the progress of the Fund Raising nearer the time.

In light of the above, although the Loan has been granted for about a year and the Fund Raising and the Acquisition are yet to complete, the Board considered that the novation arrangement and continuous extension of the repayment of the Total Outstanding Loan are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

As at the date of this announcement, the total principal amount of the Loan which remained outstanding was HK\$160,000,000; the outstanding interest yet to be paid is HK\$30,000,000; and the extension fee yet to be paid is HK\$2,000,000. Since 19 November 2007, i.e. the date of the Facility Letter, the Borrower has repaid a principal amount of the Loan of HK\$40,000,000, an interest of HK\$21,006,027 and an extension fee of HK\$5,000,000.

GENERAL

The New Borrower is a company incorporated in the British Virgin Islands with limited liabilities. It is an investment holding company and its ultimate controlling beneficial owner is the Guarantor. As far as the Directors are aware, the New Borrower, the Guarantor and the other beneficial owners of the New Borrower are not connected persons of the Company.

The Company will make further announcement regarding the above matter as and when required under the Listing Rules.

By order of the Board of
Mascotte Holdings Limited
Lo Yuen Wa Peter
Acting Chief Executive Officer

Hong Kong, 12 December 2008

As at the date of this announcement, the Board comprises Mr. Peter Temple Whitelam (Chairman), Mr. Lo Yuen Wa Peter (Acting Chief Executive Officer), Mr. Au Yeung Kai Chor and Mr. Lam Suk Ping as executive Directors, Mr. Chan Sze Hung, Ms. Kristi L Swartz and Ms. Hui Wai Man, Shirley as independent non-executive Directors.