

CHILCO RIVER HOLDINGS INC

FORM 8-K
(Current report filing)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **April 20, 2007**

CHILCO RIVER HOLDINGS, INC.

(Exact Name of Registrant as Specified in Charter)

Nevada
(State or Other Jurisdiction
of Incorporation)

000-50911
(Commission File Number)

98-0419129
(IRS Employer Identification No.)

355 Lemon Ave., Suite C
Walnut, CA 91789
(Address of Principal Executive Offices and Zip Code)

Registrant's telephone number, including area code: **(909) 869-7933**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement

On April 19, 2007, the registrant, Chilco River Holdings, Inc., entered into a placement agent agreement (the “Agency Agreement”) with Chung Lien Investment Management Limited, a Hong Kong corporation (“Chung Lien”), by which the registrant engages Chung Lien as advisor and placement agent to raise funds from investors of up to \$10,000,000 by June 30, 2007 (the “Offering”).

Pursuant to the Agency Agreement, the registrant agreed to (1) pay Chung Lien compensation fee in an amount equal to 8% of the aggregate gross proceeds raised by Chung Lien and received by the registrant (the “Agent Commissions”); (2) issue to Chung Lien warrants exercisable for a term of five years to purchase up to 1,500,000 shares of common stock of the Corporation at \$0.45 per share, subject to terms and conditions of a form of Warrant (the “Warrants”); (3) reimburse expenses incurred by Chung Lien in connection with the Offering up to \$30,000 (the “Expense Reimbursement”); (4) deposit \$250,000 in a segregated account at a financing institution designated by Chung Lien for the sole purpose of funding any losses due to currency fluctuations resulting from funds in Chinese currency held by Chung Lien on behalf of other investors from the date of receipt of such funds and the closing date of the Offering (the “Currency Deposit”); and (5) file a registration statement for common shares issuable upon exercise of the Warrants within 90 days after the signing of the Agency Agreement. In addition, the registrant agreed not to offer its common stock in any financing transaction at a price lower than \$0.75 per share before June 30, 2007.

On April 19, 2007, the registrant entered into a subscription agreement (the “Subscription Agreement”) with Chung Lien, under which the registrant, in consideration of \$1,000,000, issued a five-year convertible debenture in the principal amount of \$1,000,000 bearing an 11% annual interest rate, and convertible into shares of common stock of the registrant at the greater of \$0.75 per share or 70% of the five-day average market trading price of the common stock of the registrant immediately preceding the date of conversion. The principal and interest payments are due on a monthly basis beginning on April 19, 2007. The registrant also agreed to file a registration statement with the Securities and Exchange Commission to register the resale of the common stock issuable upon conversion of the debenture no later than September 30, 2007. The registrant may prepay in cash or common stock all or portion of the debenture at any time prior to the maturity date without penalty. Tom Liu (the registrant’s Chief Executive Officer) and David Liu, two shareholders of the registrant, each pledged 600,000 shares of common stock, a total of 1,200,000 shares of common stock, to secure the repayment of the debenture.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

The information set forth under Item 1.01 of this Current Report on Form 8-K is incorporated by reference in response to this Item 2.03.

Item 3.02. Unregistered Sale of Equity Securities

The information set forth under Item 1.01 of this Current Report on Form 8-K is incorporated by reference in response to this Item 3.02. The offering of convertible debenture and issuance of the Warrants were conducted by the Company in an offshore transaction pursuant to an exemption from registration available under Rule 903 of Regulation S of the Securities Act of 1933, as amended (the “Securities Act”). The securities are “restricted securities” as defined under Rule 144 of the Securities Act.

Item 7.01. Regulation FD

The registrant issued a press release on April 20, 2007 with respect the transaction with Chung Lien. The information set forth under Item 1.01 of this Current Report on Form 8-K is incorporated by reference in response to this Item 7.01.

Item 9.01. Financial Statements and Exhibits

Copies of the forms of the Placement Agent Agreement, the Subscription Agreement, the Convertible Debenture, the Warrants and the press release are filed as exhibits to this Current Report on Form 8-K and are incorporated herein by reference.

1. Form of Placement Agent Agreement dated April 19, 2007 with Chung Lien Investment Management Limited.
 2. Form of Subscription Agreement dated April 19, 2007 by Chung Lien Investment Management Limited.
 3. Form of Convertible Debenture dated April 19, 2007 issued to Chung Lien Investment Management Limited.
 4. Form of Warrants dated April 19, 2007 issued to Chung Lien Investment Management Limited.
 5. Press release dated April 20, 2007.
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SIGNATURES

In accordance with the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHILCO RIVER HOLDINGS, INC.
(Registrant)

Date: April 25, 2007

By: /s/ Tom Liu
Tom Liu
Chief Executive Officer

PLACEMENT AGENT AGREEMENT

This Placement Agent Agreement (“Agreement”) is entered into this 19th day of April, 2007 (the “Effective Date”), by and between **CHILCO RIVER HOLDINGS, INC.**, a Nevada corporation (the “Company”) and **CHUNG LIEN INVESTMENT MANAGEMENT LIMITED**, a corporation organized under the laws of Hong Kong (the “Agent”). The Company desires to engage the Agent to provide consulting and other services in connection with a proposed financing transaction. The Agent will serve as an agent for the Company on a best efforts basis in connection with the financing transaction on general terms and conditions to be determined. The purpose of this Agreement is to set forth the terms and conditions of the agency relationship between the Company and the Agent.

1. Engagement of Agent . The Company engages Agent as adviser and placement agent for the Company, with respect to the sale by the Company in connection with the proposed financing transaction to investors of convertible debentures (the “Debentures”) in the aggregate amount up to U.S.\$10,000,000 (the “Offering”) by June 30, 2007 (the “Closing Date”). The Company, at its sole discretion, may terminate this Agreement at any time by providing the Agent a five days advance written notice.

2. Offering . The terms of the Offering will be determined by the board of directors after evaluation of market conditions. The Offering will be more fully described in a subscription agreement (the “Subscription Agreement”) to be prepared by the Company. The securities offered and sold in the Offering shall be offered and sold pursuant to an applicable exemption from registration available under the Securities Act of 1933, as amended (the “1933 Act”).

3. Agent’s Compensation . In consideration for the services to be performed by the Agent, the Company shall pay to the Agent, or cause the Agent to be paid, compensation as provided in this section.

3.1 Agent Commissions . The Company shall pay to the Agent and any other agents acting as agent for the Company in connection with the Offering a cash selling agent compensation fee in an amount equal to eight percent (8%) of the aggregate gross proceeds of the Offering received by the Company (the “Agent Commissions”). The Agent Commissions shall be paid directly from the proceeds of the Offering.

3.2 Agent Warrants . The Agent also will receive warrants (the “Warrants”) to purchase up to 1,500,000 restricted shares of common stock of the Company. The terms, conditions and exercise price of the warrants to be issued to the Agent shall be economically equivalent to the terms, conditions and exercise price of the securities issued by the Company in the Offering.

3.3 Currency Deposit. The Company has deposited US\$250,000 (the “Currency Deposit”) in a segregated account at a financing institution designated by Agent for the sole purpose of funding any losses due to currency fluctuations resulting from funds in Chinese currency held by Agent on behalf of other investors from the date of receipt of such funds and the closing date of the Offering. The Currency Deposit shall be returned to Chilco in full on the earlier of the closing date of the Offering or June 30, 2007, whichever is earlier. If Chilco elects not to accept all of investment funds raised by the Agent, and if the funds raised by the Agent have been converted to U.S. dollars from Chinese or other foreign currency, the Currency Deposit shall be used to cover any currency exchange loss incurred to convert the funds to the original currency in which the funds were tendered. The remaining Currency Deposit shall be returned to Chilco after deducting the actual amount of currency exchange loss, if any. Notwithstanding the foregoing, if the Investment fails to close for any reason, the Currency Deposit will be promptly returned to Chilco in full.

4. Representations and Warranties of the Company. The Company represents and warrants that:

4.1 The Company is a corporation duly incorporated, validly existing, and in good standing under the laws of the State of Nevada with power and authority to own assets and to conduct its business.

4.2 The Company’s common shares, when issued and delivered, shall be duly and validly issued, fully paid and non-assessable.

4.3 The Subscription Agreement will not contain any untrue statement or material fact or omit to state any material fact required to be stated or necessary to make the statements in the Subscription Agreement not misleading; provided, however, that this representation and warranty does not apply to statements or omissions made in reliance upon and in conformity with information furnished to the Company in connection with the Subscription Agreement by Agent directly or through or by counsel on Agent’s behalf.

4.4 Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated in this Agreement (in compliance with the terms and provisions of this Agreement), shall conflict with, or result in a breach of, the Articles of Incorporation of the Company, Bylaws of the Company, or any other agreement or instrument to which the Company is a party or by which it is bound.

4.5 This Agreement has been duly authorized, executed, and delivered on behalf of the Company, and is the valid, binding, and enforceable obligation of the Company, except to the extent that obligations concerning indemnification under this Agreement may be limited by applicable securities laws or federal bankruptcy provisions.

5. Representations and Warranties of the Agent . The Agent represents and warrants that:

(a) The Agent is a corporation duly formed under the laws of Hong Kong, validly existing and in good standing, with all requisite power and authority to enter into this Agreement and to carry out its obligations hereunder.

(b) This Agreement has been duly authorized, executed and delivered by the Agent and is a valid and binding agreement enforceable in accordance with its terms.

(c) The Agent understands and confirms that this transaction is intended to be exempt from registration under the 1933 Act by virtue of section 4(2) of the 1933 Act, the provisions of Rule 506 of Regulation D promulgated thereunder, or the exception from the registration requirements available under Regulations S of the 1933 Act. The Agent shall conduct the Offering in compliance with the requirements of Regulation D or Regulation S.

(d) The Agent is registered in all applicable jurisdictions in which the Offering will be made and will conduct the Offering in compliance with all applicable registration requirements and securities laws.

(e) The Agent will use its best efforts to conduct the Offering in compliance with the requirements of Regulation D and in this regard the Agent will have:

(i) During the course of the Offering, and to the extent any representations are made concerning the Offering or matters set forth in the Subscription Agreement, not made any untrue statement of a material fact and not omitted to state a material fact required to be stated or necessary to make any statement not misleading;

(ii) Not offered, offered for sale, or sold the securities, except to the extent permitted by Regulation D, by means of:

(A) Any advertisement, article, notice, or other communication mentioning the securities published in any newspaper, magazine or similar medium or broadcast over television or radio;

(B) Any seminar or meeting, the attendees of which have been invited by any general solicitation or general advertising; or

(iii) Prior to the sale of any of the securities, reasonably believed that each subscriber and his or her purchaser representative, if any, met the suitability and other investor standards set forth in the Subscription Agreement; the Agent will prepare and maintain memoranda and other appropriate records substantiating the foregoing;

(iv) Only used sales materials other than the Subscription Agreement which have been approved for use in this Offering by the Company;

(v) During the course of the Offering provided each offeree with a copy of the Subscription Agreement;

(vi) Until the last closing date, promptly distributed any supplement or amendment to the Subscription Agreement received from the Company to persons who previously received a copy of the Subscription Agreement and who the Agent believes continue to be interested in the Company and included such supplement or amendment in all deliveries of the Subscription Agreement made after receipt of any such supplement or amendment; and

(vii) Not made any representations on behalf of the Company other than those contained in the Subscription Agreement, nor have acted as an agent of the Company in any other capacity except as expressly set forth herein.

(f) All the funds raised by the Agent in the Offering shall be earned or obtained by the investors through lawful means.

6. Covenants of the Company. The Company covenants that:

6.1 Amendments and Supplements. The Company shall not at any time make any amendment or supplement to the Subscription Agreement without previously providing Agent with (a) a copy of such amendment or supplement, and (b) a reasonable opportunity to comment regarding the same.

6.2 Compliance with Laws. The Company shall use best efforts to comply with, and to continue to comply with, applicable state and federal securities and other laws so as to permit the continuation of the Offering.

6.3 Outstanding Capitalization. On the Closing Date, the Company will deliver to the Agent a certificate of its Chief Executive Officer setting forth the authorized and outstanding capitalization, including common shares, preferred stock, options, warrants and convertible securities, on the Closing Date after giving effect to the Closing.

6.4 Registration of Common Stock Underlying Warrants and Debentures. The Company shall use commercially reasonable effort to file a registration statement on Form SB-2 (or such other form as may be available) to register common shares issuable upon exercise of the Warrants and convertible under the Debentures under the 1933 Act, within ninety (90) days after the Effective Date.

6.5 Future Offering. After the execution of the first Subscription Agreement in connection with the Offering until June 30, 2007, the Company agrees not to offer its shares of its common stock in any financing transactions at a price lower than \$0.75 per share.

7. Covenants of the Agent. The Agent will use its best efforts to conduct the Offering in a manner intended to be in compliance with the offering procedures and the suitability standards set forth in the Subscription Agreement and with the requirements of Regulation D and Regulation S of the 1933 Act, and the Securities Exchange Act of 1934, as amended (the "1934 Act"). The Agent will:

(a) During the course of the Offering, and to the extent any representations other than those set forth in the Subscription Agreement are made, not make any untrue statement of a material fact or omit to state a material fact required to be stated or necessary to make any statement made not misleading concerning the Offering, or any matters set forth in or contemplated by the Subscription Agreement; and

(b) Take all actions necessary to fulfill its duties under Rule 15c2-4 under the 1934 Act, which duties relate to transmission or maintenance of funds received from potential participants.

8. Expenses of Offering. The Company will pay all expenses incurred by it in the performance of its obligations to be set forth in the Subscription Agreement, including but not limited to the fees and expenses of the Company's counsel and accountants and the cost of qualifying the Offering, and the sale of the securities, in various states or obtaining an exemption from state registration requirements. The Company will reimburse the Agent for actual expenses, including but not limited to accounting, legal and professional fees, incurred by the Agent in connection with the Offering, not to exceed US\$30,000.00.

The provisions of this Section shall survive any termination of this Agreement.

9. Conditions to Agent's Obligations. The obligations of the Agent in this Agreement shall be subject to the accuracy of and compliance with, as of the date hereof, and on each closing date for the sale of the Common Shares, the representations, covenants, and warranties contained in Sections 4 and 6 hereof, the performance by the Company of its obligations hereunder.

10. Conditions to Company's Obligations. The obligations of the Company shall be subject to the accuracy as of the date hereof and on the commencement date of the Offering of the representations and warranties made by the Agent in Sections 5 and 7 of this Agreement.

11. Indemnification.

(a) The Company agrees that it shall indemnify and hold harmless, Agent, its members, directors, officers, employees, agents, affiliates and controlling persons within

the meaning of Section 20 of the 1934 Act and Section 15 of the 1933 Act (any and all of whom are referred to as an “Indemnified Party”), from and against any and all losses, claims, damages, liabilities, or expenses, and all actions in respect thereof (including, but not limited to, all legal or other expenses reasonably incurred by an Indemnified Party in connection with the investigation, preparation, defense or settlement of any claim, action or proceeding, whether or not resulting in any liability), incurred by an Indemnified Party: (i) arising out of, or in connection with, any actions taken or omitted to be taken by the Company, its affiliates, employees or agents, or any untrue statement or alleged untrue statement of a material fact contained in any of the financial or other information furnished to the Agent by or on behalf of the Company or the omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or (ii) with respect to, caused by, or otherwise arising out of any transaction contemplated by the Agreement or the Agent’s performing the services contemplated hereunder; provided, however, the Company will not be liable under clause (ii) hereof to the extent, and only to the extent, that any loss, claim, damage, liability or expense is finally judicially determined to have resulted primarily from the Agent’s gross negligence or bad faith in performing such services.

(b) The Agent will indemnify and hold harmless the Company, its stockholders, directors, officers, employers, agents, affiliates and controlling persons (any and all of whom are referred to as an “Indemnified Party”) from and against any losses, claims, damages, or liabilities, joint or several, to which the Indemnified Party may become subject, under the 1933 Act, the 1934 Act, the various state securities acts or otherwise insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Subscription Agreement, in any other offering documentation or state “blue sky” application prepared on behalf of the Company or any amendment or supplement thereto, or arise out of or are based upon the omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Subscription Agreement, in any other offering documentation or in any state “blue sky” application prepared on behalf of the Company or such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by the Agent specifically for use in the preparation thereof. The Agent also will reimburse the Indemnified Party for such legal or other expenses reasonably incurred in connection with investigating or defending any such loss, claim, damage, liability or action as to which the Agent is required to indemnify the Indemnified Party.

If the indemnification provided for herein is conclusively determined (by an entry of final judgment by a court of competent jurisdiction and the expiration of the time or denial of the right to appeal) to be unavailable or insufficient to hold any Indemnified Party harmless in respect to any losses, claims, damages, liabilities or expenses referred to therein, then the Company with respect to

Section 11(a) or the Agent with respect to Section 11 (b) of this Agreement shall contribute to the amounts paid or payable by such Indemnified Party in such proportion as is appropriate and equitable under all circumstances taking into account the relative benefits received by the Company on the one hand and the Agent on the other, from the transaction or proposed transaction under the Agreement or, if allocation on that basis is not permitted under applicable law, in such proportion as is appropriate to reflect not only the relative benefits received by the Company on the one hand and the Agent on the other, but also the relative fault of the Company and the Agent; provided, however, in no event shall the aggregate contribution of the Agent and/or any Indemnified Party be in excess of net compensation actually received by the Agent and/or such Indemnified Party pursuant to this Agreement.

Neither the Company nor the Agent shall settle or compromise or consent to the entry of any judgment in or otherwise seek to terminate any pending or threatened action, claim, suit or proceeding in which any Indemnified Party is or could be a party and as to which indemnification or contribution could have been sought by such Indemnified Party hereunder (whether or not such Indemnified Party is a party thereto), unless such consent or termination includes an express unconditional release of such Indemnified Party, reasonably satisfactory in form and substance to such Indemnified Party, from all losses, claims, damages, liabilities or expenses arising out of such action, claim, suit or proceeding.

The foregoing indemnification and contribution provisions are not in lieu of, but in addition to, any rights which any Indemnified Party may have at common law hereunder or otherwise, and shall remain in full force and effect following the expiration or termination of the Agent's engagement and shall be binding on any successors or assigns of the Company and successors or assigns to all or substantially all of the Company's business or assets.

The provisions of this Section shall survive any termination of this Agreement.

12. Notices. Any notice, consent, authorization or other communication to be given hereunder shall be in writing and shall be deemed duly given and received when delivered personally, when transmitted by fax, three days after being mailed by first class mail, or one day after being sent by a nationally recognized overnight delivery service, charges and postage prepaid, properly addressed to the party to receive such notice, at the following address or fax number for such party (or at such other address or fax number as shall hereafter be specified by such party by like notice):

(a) If to the Company, to:

Chilco River Holdings, Inc.
355 Lemon Avenue, Suite C
Walnut, CA 91789
Attention: Tom Liu, President

With copy to:

Dorsey & Whitney LLP
Republic Plaza Building
Suite 4700, 370 Seventeenth Street
Denver, CO 80202-5647
Attention: Kenneth Sam, Esq.

(b) If to the Agent, to:

Chung Lien Investment Management Limited
1/F Skyroom Terrace 11
Hei Wo Street, North Point
Hong Kong
Attention: Shi-Min Du, Managing Director

The provisions of this Section shall survive any termination of this Agreement.

13. Company to Control Transactions. The prices, terms and conditions under which the Company shall offer or sell any securities shall be determined by the Company in its sole discretion. The Company shall have the authority to control all discussions and negotiations regarding any proposed or actual offering or sale of securities. Nothing in this Agreement shall obligate the Company to actually offer or sell any Securities or consummate any transaction. The Company may terminate any negotiations or discussions at any time and reserves the right not to proceed with any offering or sale of Securities; provided, however, that the Company shall reimburse the Agent for actual expenses incurred by the Agent in connection with the Offering upon such termination without respect to the limitations set forth in Section 8. The provisions of this Section shall survive any termination of this Agreement.

14. Confidentiality of Company Information. The Agent, and its officers, directors, employees and agents shall maintain in strict confidence and not copy, disclose or transfer to any other party (1) all confidential business and financial information regarding the Company and its affiliates, including without limitation, projections, business plans, marketing plans, product development plans, pricing, costs, customer, vendor and supplier lists and identification, channels of distribution, and terms of identification of proposed or actual contracts and (2) all confidential technology of the Company. In furtherance of the foregoing, the Agent agrees that it shall not transfer, transmit, distribute, download or communicate, in any electronic, digitized or other form or media, any of the confidential technology of the Company. The foregoing is not intended to preclude the Agent from utilizing, subject to the terms and conditions of this Agreement, the Subscription Agreement and/or other documents prepared or approved by the Company for use in the Offering.

All communications regarding any possible transactions, requests for due diligence or other information, requests for facility tours, product demonstrations or management meetings, will be submitted or directed to the Company, and the Agent shall not contact any employees, customers, suppliers or contractors of the Company or its affiliates without express permission. Nothing in this Agreement shall constitute a grant of authority to the Agent or any representatives thereof to remove, examine or copy any particular document or types of information regarding the Company, and the Company shall retain control over the particular documents or items to be provided, examined or copied. If the Offering is not consummated, or if at any time the Company so requests, the Agent and its representatives will return to the Company all copies of information regarding the Company in their possession.

The provisions of this Section shall survive any termination of this Agreement.

15. Press Releases and Announcements. The Company shall control all press releases or announcements to the public, the media or the industry regarding any offering, placement, transaction or business relationship involving the Company or its affiliates. Except for communication to Offerees in furtherance of this Agreement and the provision of the Subscription Agreement, the Agent will not disclose the fact that discussions or negotiations are taking place concerning a possible transaction involving the Company, or the status or terms and conditions thereof.

16. Assignment Prohibited. No assignment of this Agreement shall be made without the prior written consent of the other party.

17. Amendments. Neither party may amend this Agreement or rescind any of its existing provisions without the prior written consent of the other party.

18. Governing Law. This Agreement shall be construed, and the rights and liabilities determined, in accordance with the law of the State of Nevada, without regard to the conflicts of laws rules of such jurisdiction.

19. Waiver. Neither Agent's nor the Company's failure to insist at any time upon strict compliance with this Agreement or any of its terms nor any continued course of such conduct on their party shall constitute or be considered a waiver by Agent or the Company of any of their respective rights or privileges under this Agreement.

20. Severability . If any provision herein is or should become inconsistent with any present or future law, rule or regulation of any sovereign government or regulatory body having jurisdiction over the subject matter of this Agreement, such provision shall be deemed to be rescinded or modified in accordance with such law, rule or regulation. In all other respects, this Agreement shall continue to remain in full force and effect.

21. Counterparts . This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and will become effective and binding upon the parties at such time as all of the signatories hereto have signed a counterpart of this Agreement.

All counterparts so executed shall constitute one Agreement binding on all of the parties hereto, notwithstanding that all of the parties are not signatory to the same counterpart. Each of the parties hereto shall sign a sufficient number of counterparts so that each party will receive a fully executed original of this Agreement.

22. Entire Agreement . This Agreement and all other agreements and documents referred herein constitutes the entire agreement between the Company and the Agent. No other agreements, covenants, representations or warranties, express or implied, oral or written, have been made by any party hereto to any other party concerning the subject matter hereof. All prior and contemporaneous conversations, negotiations, possible and alleged agreements, representations, covenants and warranties concerning the subject matter hereof are merged herein.

23. Arbitration . The parties agree that this Agreement and all controversies that may arise between the Agent and the Company, whether occurring prior, on or subsequent to the date of this Agreement, will be determined by arbitration in accordance with the rules and procedures of the American Arbitration Association (the "AAA"). The parties understand that:

- (a) Arbitration is final and binding on the parties.
- (b) The parties are waiving their right to seek remedies in court, including the right to a jury trial.
- (c) Pre-arbitration discovery is generally more limited than and different from court proceedings.
- (d) The arbitrators' award is not required to include factual findings or legal reasoning and any party's right to appeal or to seek modification or rulings by the arbitrators is strictly limited.

The award of the arbitrators, will be final, and judgments upon the award may be entered in any court, state or federal, having jurisdiction. The parties hereby submit themselves to the jurisdiction of any state or federal court for the purpose of entering such judgment.

Any forbearance to enforce an agreement to arbitrate will not constitute a waiver of any rights under this Agreement except to the extent stated herein.

THIS AGREEMENT IS GOVERNED BY AN ARBITRATION CLAUSE CONTAINED IN SECTION 23 OF THIS AGREEMENT.

CHUNG LIEN INVESTMENT MANAGEMENT LIMITED

By: /s/ Shi-Min Du
Name: Shi-Min Du
Its: Managing Director

CHILCO RIVER HOLDINGS, INC.

By: /s/ Tom Liu
Name: Tom Liu
Its: President

CHILCO RIVER HOLDINGS, INC.

(a Nevada corporation)

355 Lemon Ave., Suite C
Walnut, CA 91789

SUBSCRIPTION AGREEMENT

—
Instructions

PLEASE COMPLETE AND SIGN TWO COPIES OF THE SUBSCRIPTION AGREEMENT

April, 2007

Chilco River Holdings, Inc.

**SUBSCRIPTION AGREEMENT
CONVERTIBLE DEBENTURES**

The undersigned (the “**Purchaser**”) hereby irrevocably subscribes for and agrees to purchase from Chilco River Holdings, Inc., a Nevada corporation (the “**Corporation**”) convertible debentures in the principal amount of the Subscription Price set forth in the Subscription and Subscriber Information below (the “**Debentures**”) for and in consideration of the Subscription Price to be paid in cash at closing (the “**Purchase Price**”) (the “**Offering**”). The Debentures are convertible into shares of Common Stock, \$0.001 par value (the “**Common Shares**”), at the greater of US\$0.75 per share or 70% of the 5-day average market trading price of the Common Shares immediately preceding the date of conversion, subject to certain adjustments (collectively the Debentures and the Common Shares are referred to as the “**Securities**”). The Debentures will be in substantially the form attached hereto as **Exhibit A**. The Purchaser agrees to be bound by the terms and conditions set forth in the attached “Terms and Conditions of Subscription for Securities” including without limitation the representations, warranties and covenants set forth in the applicable schedules attached thereto. The Purchaser further agrees, without limitation, that the Corporation may rely upon the Subscriber’s representations, warranties and covenants contained in such documents.

If you are a “U.S. Purchaser”, complete and sign the **U.S. Accredited Investor Certificate – Exhibit B**. A “U.S. Purchaser” is (a) any “U.S. person” as defined in Regulation S under United States federal securities laws, (b) any person purchasing securities on behalf of any “U.S. Person” or any person in the United States, (c) any person that receives or received an offer of the securities while in the United States, or (d) any person that is in the United States at the time the purchaser’s buy order was made or this subscription agreement was executed or delivered.

SUBSCRIPTION AND SUBSCRIBER INFORMATION

Please print all information (other than signatures), as applicable, in the space provided below

Chung Lien Investment Management Limited (Name of Purchaser)	
Account Reference (if applicable): _____ _____	
By: _____ _____	
Authorized Signature	
Managing Director (Official Capacity or Title – if the Subscriber is not an individual)	
Shi-Ming Du _____ (Name of individual whose signature appears above if different than the name of the subscriber printed above.)	
1/F Skyroom Terrace 11, Hei Wo Street, North Point, Hong Kong (Subscriber’s Address, including Municipality and Province)	
S.I.N. or Taxation Account of Subscriber 852 823 00830 _____	
(Telephone Number)	(Email Address)

Aggregate Subscription Price: U.S.\$1,000,000.00 (the “ Subscription Price ”)
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If the Subscriber is signing as agent for a principal or beneficial purchaser for whom it is not purchasing as trustee or agent for accounts fully managed by it (the “<i>Disclosed Principal</i>”), complete the following:
_____ (Name of Principal)
-
_____ (Principal’s Address)

-

Account Registration Information :

Chung Lien Investment Management Limited

(Name)

(Account Reference, if applicable)

1/F Skyroom Terrace 11, Hei Wo Street, North Point, Hong Kong
(Address, including Postal Code)

Delivery Instructions as set forth below :

Chung Lien Investment Management Limited

(Name)

(Account Reference, if applicable)

1/F Skyroom Terrace 11, Hei Wo Street, North Point, Hong Kong
(Address)

Shi-Ming Du 852 823 00830
(Contact Name) (Telephone Number)

SUBSCRIPTION AGREEMENT
FOR CONVERTIBLE DEBENTURES OF
CHILCO RIVER HOLDINGS, INC.
(a Nevada corporation)

1. **Subscription** : The undersigned or the Disclosed Principal, if applicable (collectively, the “**Subscriber**”) hereby irrevocably subscribes for and agrees to purchase from Chilco River Holdings, Inc., a Nevada corporation (“**Chilco**”, the “**Corporation**” or the “**Company**”) debentures in the principal amount of the Subscription Price (the “**Debentures**”) in consideration of the Subscription Price to be paid in cash at closing (the “**Purchase Price**”)(the “**Offering**”). The Debentures are convertible into shares of Common Stock, \$0.001 par value (“**Common Shares**”), at the greater of US\$0.75 per share or 70% of the 5-day average market trading price of the Common Shares immediately preceding the date of conversion, subject to certain adjustments (collectively the Debentures and the Common Shares are referred to in this agreement as the “**Securities**”). The Debentures will be in substantially the form attached hereto as **Exhibit A**. All figures are in United States Dollars unless otherwise specified. Such Subscription is subject to the following terms and conditions:

a. **Tender of Purchase Price** : Subscriber tenders to Chilco the Purchase Price either by a check payable to the order of “Chilco River Holdings, Inc.” or wire transfer pursuant to the instructions set forth on **Schedule I**.

b. **Closing** : Upon receipt by Chilco of the Purchase Price, the closing (the “**Closing**”) shall occur prior to 12:00 p.m. on **April 19, 2007** at the offices of **Dorsey & Whitney LLP, Republic Plaza Building, Suite 4700, 370 Seventeenth Street, Denver, CO 80202-5647** or at such other time or place as may be agreed to by Chilco and the Subscriber (the “**Closing Date**”). All funds will be delivered to Chilco. The Securities subscribed for herein will not be deemed issued to, or owned by, the Subscriber until the Subscription Agreement has been executed by the Subscriber and countersigned by Chilco, and all payments required to be made herein have been made. The Closing is subject to the fulfillment of the following conditions (the “**Conditions**”) which Conditions Chilco and the Subscriber covenant to exercise their reasonable best efforts to have fulfilled on or prior to the Closing Date:

- (i) the Subscriber shall have tendered the Purchase Price to Chilco;
- (ii) all relevant documentation and approvals as may be required by applicable securities statutes, regulations, policy statements and interpretation notes, by applicable securities regulatory authorities and by applicable rules shall have been obtained and, where applicable, executed by or on behalf of the Subscriber;
- (iii) Chilco’s board of directors shall have authorized and approved the execution and delivery of this Subscription Agreement (“**Agreement**”) and other related transaction documents;
- (iv) David Liu and Tom Liu shall have in aggregate pledged 1,200,000 shares of the Company’s common stock for each U.S.\$1,000,000 in principal of Debentures to secure repayment of such Debentures under the form of Pledge Agreement insubstantially the form attached hereto as **Exhibit C**; and

(v) the representations and warranties of Chilco and the Subscriber set forth in this Agreement shall be true and correct as of the Closing Date.

c. **Issuance of Securities** : Within five (5) days after the Closing Date, Chilco will deliver the certificates representing the Debentures subscribed for to the Subscriber at the address set forth in the registration instructions set forth on the signature page (unless Subscriber otherwise instructs Chilco in writing). None of the Debentures or the Common Shares issuable upon conversion of Debentures have been registered under the Securities Act of 1933, as amended (the “*U.S. Securities Act*”), or the securities laws of any state in the United States.

2. **Representations and Warranties** : Subscriber hereby represents and warrants to Chilco:

- a. SUBSCRIBER UNDERSTANDS THAT THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCY.
- b. Unless paragraph (c) below applies, Subscriber is not an underwriter and Subscriber acquired the Securities solely for investment for its own account and not with a view to, or for, resale in connection with any distribution of securities within the meaning of the U.S. Securities Act; and the Securities are not being purchased with a view to or for the resale, distribution, subdivision or fractionalization thereof; and the undersigned has no contract, undertaking, understanding, agreement, or arrangement, formal or informal, with any person to sell, transfer, or pledge to any person the securities for which it hereby subscribes, or any part thereof; and it understands that the legal consequences of the foregoing representations and warranties to mean that it must bear the economic risk of the investment for an indefinite period of time because the Securities have not been registered under the U.S. Securities Act, and, therefore, may be resold only if registered under the U.S. Securities Act or if an exemption from such registration is available.
- c. In case of the purchase by you of the Securities as agent or trustee for any beneficial principal, you are duly authorized trustee or agent of such beneficial purchaser with due and proper power and authority to execute and deliver, on behalf of each such beneficial purchaser, this Agreement and all other documentation in connection with the purchase of the Securities hereunder, to agree to the terms and conditions herein and therein set out and make the representations, warranties, acknowledgements and covenants herein and therein contained, all as if each such beneficial purchaser were the Subscriber and the Subscriber’s actions as trustee or agent are in compliance with all applicable law and you and each beneficial purchaser acknowledges that the Corporation is required by law to disclose to certain regulatory authorities the identity of each beneficial purchaser of the Securities for whom it may be acting;
- d. The Subscriber understands the speculative nature and risks of investments associated with Chilco, and confirms that the Securities would be suitable and consistent with its investment program and that its financial position enables Subscriber to bear the risks of this investment, and that there may not be any public market for the Securities.
- e. The Securities subscribed for herein may not be transferred, encumbered, sold,

hypothecated, or otherwise disposed of to any person, except in compliance with the U.S. Securities Act and applicable state securities or "blue sky" laws. The Subscriber acknowledges that the Securities are "restricted securities," as such term is defined under Rule 144 of the U.S. Securities Act, and may not be offered, sold, transferred, pledged, or hypothecated to any person in the absence of registration under the U.S. Securities Act or an opinion of counsel satisfactory to the Corporation that registration is not required. Without limiting the generality or application of any other covenants, representations, warranties or acknowledgements of the Subscriber respecting resale of the Securities, if the Subscriber decides to offer, sell or otherwise transfer any of the Securities, it will not offer, sell or otherwise transfer any of such Securities directly or indirectly, unless:

the sale is to the Corporation;

the sale is made outside the United States in a transaction satisfying the requirements of Regulation S under the U.S. Securities Act and in compliance with applicable local laws and regulations;

the sale is made pursuant to the exemption from the registration requirements under the U.S. Securities Act provided by Rule 144 thereunder and in accordance with any applicable state securities or "blue sky" laws;

the Securities are sold in a transaction that does not require registration under the U.S. Securities Act or any applicable state laws and regulations governing the offer and sale of Securities, and it has prior to such sale furnished to the Corporation an opinion of counsel to that effect, which opinion and counsel shall be reasonably satisfactory to the Corporation; or

the Securities are registered under the U.S. Securities Act and any applicable state laws and regulations governing the offer and sale of such Securities,

and the Subscriber understands that the Corporation may instruct its registrar and transfer agent not to record any transfer of the Securities without first being notified by the Corporation that it is satisfied that such transfer is exempt from or not subject to the registration requirements of the U.S. Securities Act and applicable state securities laws.

- f. At the time of subscription, the Subscriber reviewed the economic consequences of the purchase of the Securities with its attorney and/or other financial advisor, was afforded access to the books and records of the Corporation, conducted an independent investigation of the business of the Corporation, and was fully familiar with the financial affairs of the Corporation. The Subscriber consulted with its counsel with respect to the U.S. Securities Act and applicable federal and state securities laws. The Corporation has not provided the Subscriber with any representations, statements, or warranties as to the Securities. The Subscriber has received copies of, or has access to, the Corporation's Form 10-KSB for the year ended December 31, 2005, the Corporation's Form 10-QSB for the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005, and the Corporation's current reports on Form 8-K filed since January 1, 2006, all of which are filed electronically on EDGAR.
- g. The Subscriber had the opportunity to ask questions of the Corporation and receive additional information from the Corporation to the extent that the Corporation possessed such information, or could acquire it without unreasonable effort or expense, necessary to evaluate the merits and risks of an investment in Chilco.

- h. The Subscriber confirms that (i) it is able to bear the economic risk of the investment, (ii) it is able to hold the Securities for an indefinite period of time, (iii) it is able to afford a complete loss of its investment and that it has adequate means of providing for its current needs and possible personal contingencies, and that it has no need for liquidity in this investment, (iv) this investment is suitable for the Subscriber based upon his investment holdings and financial situation and needs, and this investment does not exceed ten percent of Subscriber's net worth, and (v) the Subscriber by reason of its business or financial experience could be reasonably assumed to have the capacity to protect its own interests in connection with this investment.
- i. The Subscriber has not purchased the Securities as a result of any form of general solicitation or general advertising, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio, or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising.
- j. The Subscriber confirms that this transaction is intended to be exempt from registration under the U.S. Securities Act by virtue of section 4(2) of the U.S. Securities Act, the provisions of Rule 506 of Regulation D promulgated thereunder, or the exception from the registration requirements available under Regulations S of the U.S. Securities Act and confirms that it is an "accredited investor" (as that term is defined under Rule 501(a) as promulgated under Regulation D of the U.S. Securities Act).
- k. Unless the Subscriber has completed and delivered a **U.S. Accredited Investor Certificate** , attached hereto as **Exhibit B** , the Subscriber represents and acknowledges that:
 - (i) it is not a "U.S. person", as defined in Regulation S under the U.S. Securities Act (which definition includes but is not limited to (A) any individual resident in the United States, (B) any partnership or corporation organized or incorporated under the laws of the United States, (C) any partnership or corporation formed by a U.S. person under the laws of any foreign jurisdiction principally for the purpose of investing in securities not registered under the U.S. Securities Act, or (D) any estate or trust of which any executor, administrator or trustee is a U.S. person), and is not purchasing the Securities for the account or benefit of a "U.S. person"
 - (ii) it was not offered any of the Securities in the United States, did not receive any materials relating to the offer of the Securities in the United States, and did not execute this Agreement or any other materials relating to the purchase of the Securities in the United States; and
 - (iii) the Certificates representing the Securities delivered pursuant to this Subscription shall bear a legend in the following form:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE

TRANSFERRED ONLY (A) TO THE COMPANY, (B) IF THE SECURITIES HAVE BEEN REGISTERED IN COMPLIANCE WITH THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS (C) IN COMPLIANCE WITH THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT IN ACCORDANCE WITH RULE 144 THEREUNDER, IF APPLICABLE, AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE LAWS AND REGULATIONS GOVERNING THE OFFER AND SALE OF SECURITIES, AND THE HOLDER HAS, PRIOR TO SUCH SALE, FURNISHED TO THE COMPANY AN OPINION OF COUNSEL OF RECOGNIZED STANDING, OR OTHER EVIDENCE OF EXEMPTION, REASONABLY SATISFACTORY TO THE COMPANY. HEDGING TRANSACTIONS INVOLVING THE SECURITIES REPRESENTED HEREBY MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH U.S. SECURITIES LAWS. ”

If the Certificates representing the Securities have been held for a period of at least one (1) year and if Rule 144 under the U.S. Securities Act is applicable (there being no representations by Chilco that Rule 144 is applicable), then the undersigned may make sales of the Securities only under the terms and conditions prescribed by Rule 144 of the U.S. Securities Act or exemptions therefrom. Chilco shall use commercially reasonable efforts to cause its legal counsel to deliver an opinion or such other documentation as may reasonably be required to effect sales of the Securities under Rule 144.

All information which the Subscriber has provided concerning the Subscriber is correct and complete as of the date set forth below, and if there should be any change in such information prior to the acceptance of this Agreement by the Company, the Subscriber will immediately provide such information to the Company.

3. **Company Representations, Warranties and Covenants.** Chilco represents, warrants and covenants (and acknowledges that the Subscriber is relying on such representations, warranties and covenants) that, at the Closing Date:

- a. each of Chilco and each of its subsidiaries is a valid and subsisting corporation duly incorporated and in good standing under the laws of its jurisdiction of incorporation;
- b. Chilco will reserve or set aside sufficient shares of common stock in its treasury to issue the Common Shares issuable upon conversion of the Debentures, and all such Securities will upon payment of the recited consideration and issuance be duly and validly issued as fully paid and non-assessable;

- c. the issue and sale of the Securities by Chilco does not and will not conflict with, and does not and will not result in a breach of, any of the terms of its incorporating documents or any agreement or instrument to which Chilco is a party;
- d. Chilco has complied and will comply fully with the requirements of all applicable corporate and securities laws in all matters relating to the offering of the Securities;
- e. this Agreement has been or will be by the Closing Date, duly authorized by all necessary corporate action on the part of Chilco, and Chilco has full corporate power and authority to undertake this offering;
- f. this Agreement has been duly authorized, executed and delivered by the Corporation and constitutes a valid and legally binding obligation of the Corporation enforceable against it in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought, and by the fact that rights to indemnity, contribution and waiver, and the ability to sever unenforceable terms, may be limited by applicable law;
- g. Chilco is not an “investment company” within the meaning of the Investment Company Act of 1940;
- h. neither Chilco nor any of its affiliates, nor any person acting on its or their behalf (i) has made or will make any “directed selling efforts” (as such term is defined in Regulation S of the U.S. Securities Act) in the United States, or (ii) has engaged in or will engage in any form of “general solicitation” or “general advertising” (as such terms are defined in Rule 502 (c) under Regulation D of the U.S. Securities Act) in the United States with respect to offers or sales of the Securities; and
- i. Chilco has not, for a period of six months prior to the date hereof, sold, offered for sale or solicited, and will not for a period of six months after the Closing Date, offer, sell or solicit, any offer to buy any of its securities in a manner that would be integrated with the offer and sale of the Securities and would cause the exemption from registration set forth in Rule 506 of Regulation D or Rule 903 of Regulation S of the U.S. Securities Act to become unavailable with respect to the offer and sale of the Securities.
- j. Chilco shall use commercially reasonable effort to file a registration statement on Form SB-2 (or such other form as may be available) to register common shares issuable upon conversion of the Debentures under the U.S. Securities Act, within ninety (90) days after June 30, 2007.

4. **Governing Law** : This Subscription Agreement shall be binding upon the parties hereto, their heirs, executors, successors, and legal representatives. The laws of the State of Nevada shall govern the rights of the parties as to this Agreement.

5. **Indemnification** : Subscriber acknowledges that it understands the meaning and legal consequences of the representations and warranties contained herein, and it hereby agrees to indemnify and hold harmless Chilco and any other person or entity relying upon such information thereof from and against any and all

loss, damage or liability due to or arising out of a breach of any representation, warranty, or acknowledgement of Subscriber contained in this Agreement.

6. **Nonassignability** : Except as otherwise expressly provided herein, this Agreement may not be assigned by Subscriber.
7. **Entire Agreement** : This instrument contains the entire agreement among the parties with respect to the acquisition of the shares and the other transactions contemplated hereby, and there are no representations, covenants or other agreements except as stated or referred to herein.
8. **Amendment** : This Agreement may be amended or modified only by a writing signed by the party or parties to be charged with such amendment or modification.
9. **Binding On Successors** : All of the terms, provisions and conditions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, and legal representatives.
10. **Titles** : The titles of the sections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.
11. **Counterparts** : This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall be deemed an original and all of which taken together shall constitute one and the same document, notwithstanding that all parties are not signatories to the same counterpart.
12. **Severability** : The unenforceability or invalidity of any provision of this Agreement shall not affect the enforceability or validity of the balance of this Agreement.
13. **Disclosure Required Under State Law** : The offering and sale of the Securities is intended to be exempt from registration under the securities laws of certain states. Subscribers who reside or purchase the Securities may be required to make additional disclosures by the securities laws of various states and agrees to provide such additional disclosures as requested by Chilco upon written request.
14. **Notices**: All notes or other communications hereunder (except payment) shall be in writing and shall be deemed to have been duly given if delivered personally or sent by registered or certified mail postage prepaid, or by Express Mail Service or similar courier, addressed as follows:

If to Subscriber: At the address designated on the signature page of this Agreement.

If to the Company: Chilco River Holdings, Inc.
355 Lemon Avenue, Suite C
Walnut, CA 91789

With Copy to: Dorsey & Whitney LLP
Republic Plaza Building
Suite 4700, 370 Seventeenth Street
Denver, CO 80202-5647

17. **Time of the** Time shall be of the essence of this Agreement in all
Essence : respects.

18. **Facsimile and Counterpart Subscriptions:** Chilco shall be entitled to rely on delivery of a facsimile copy of this Agreement executed by the subscriber, and acceptance by Chilco of such executed Agreement shall be legally effective to create a valid and binding agreement between the Subscriber and Chilco in accordance with the terms hereof. In addition, this Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same document.

19. **Future Assurances:** Each of the parties hereto will from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may, either before or after the Closing, reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

SUBSCRIBER HEREBY DECLARES AND AFFIRMS THAT IT HAS READ THE WITHIN AND FOREGOING SUBSCRIPTION AGREEMENT, IS FAMILIAR WITH THE CONTENTS THEREOF AND AGREES TO ABIDE BY THE TERMS AND CONDITIONS THEREIN SET FORTH, AND KNOWS THE STATEMENTS THEREIN TO BE TRUE AND CORRECT .

IN WITNESS WHEREOF, Subscriber executed this Agreement this 19 day of April, 2007.

SUBSCRIBER:

By:* /s/ Shi-Min Du _____

Title: _____

Registration and Delivery Instructions:

Chung Lien Investment Management Limited _____

1/F Skyroom Terrace 11 _____

(Address)

Hei Wo Street, North Point, Hong Kong _____

* By the foregoing signature, I hereby certify to Chilco River Holdings, Inc. that I am duly empowered and authorized to provide the foregoing information.

This Subscription Agreement is hereby accepted by the Company this _____ day of _____, 2007.

Chilco River Holdings, Inc.

By: _____

Title: _____

Exhibit A

Form of Convertible Debenture

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Chilco River Holdings, Inc. Convertible Debenture -- Subscription Agreement

Exhibit B

U.S. ACCREDITED INVESTOR CERTIFICATE

TO: CHILCO RIVER HOLDINGS, INC.

The undersigned understands and agrees that the Securities have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the **“U.S. Securities Act”**), or applicable state securities laws, and the Securities are being offered and sold to the undersigned in reliance upon Rule 506 of Regulation D under the U.S. Securities Act.

Capitalized terms used in this Exhibit D and defined in the Agreement to which the Exhibit B is attached have the meaning defined in the Subscription Agreement unless otherwise defined herein.

The undersigned (the **“Subscriber”**) acknowledges, represents, warrants and covenants (which acknowledgements, representations, warranties and covenants shall survive the Closing) to Chilco (and acknowledges that Chilco is relying thereon) that:

- (a) it is purchasing the Securities for its own account or for the account of one or more persons for whom it is exercising sole investment discretion, (a **“Beneficial Purchaser”**), for investment purposes only and not with a view to resale or distribution and, in particular, neither it nor any Beneficial Purchaser for whose account it is purchasing the Securities has any intention to distribute either directly or indirectly any of the Securities in the United States or to U.S. Persons; provided, however, that this paragraph shall not restrict the Subscriber from selling or otherwise disposing of any of the Securities pursuant to registration thereof pursuant to the U.S. Securities Act and any applicable state securities laws or under an exemption from such registration requirements;
- (b) it, and if applicable, each Beneficial Purchaser for whose account it is purchasing the Securities is a U.S. Accredited Investor that satisfies one or more of the categories of U.S. Accredited Investor indicated below (**the Subscriber must initial “SUB” for the Subscriber, and “BP” for each Beneficial Purchaser, if any, on the appropriate line(s)**):

- _____ Category 1. A bank, as defined in Section 3(a)(2) of the U.S. Securities Act, whether acting in its individual or fiduciary capacity; or
- _____ Category 2. A savings and loan association or other institution as defined in Section 3(a)(5)(A) of the U.S. Securities Act, whether acting in its individual or fiduciary capacity; or
- _____ Category 3. A broker or dealer registered pursuant to Section 15 of the United States Securities Exchange Act of 1934, as amended; or
- _____ Category 4. An insurance company as defined in Section 2(13) of the U.S. Securities Act; or

- _____ Category 5. An investment company registered under the United States *Investment Company Act of 1940*; or
- _____ Category 6. A business development company as defined in Section 2(a)(48) of the United States Investment Company Act of 1940; or
- _____ Category 7. A small business investment company licensed by the U.S. Small Business Administration under Section 301 (c) or (d) of the United States Small Business Investment Act of 1958; or
- _____ Category 8. A plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, with total assets in excess of U.S. \$5,000,000; or
- _____ Category 9. An employee benefit plan within the meaning of the United States Employee Retirement Income Security Act of 1974 in which the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or an employee benefit plan with total assets in excess of U.S. \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons who are accredited investors; or
- _____ Category 10. A private business development company as defined in Section 202(a)(22) of the United States Investment Advisers Act of 1940; or
- _____ Category 11. An organization described in Section 501(c)(3) of the United States Internal Revenue Code, a corporation, a Massachusetts or similar business trust, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of U.S. \$5,000,000; or
- _____ Category 12. Any director or executive officer of the Corporation; or
- _____ Category 13. A natural person whose individual net worth, or joint net worth with that person's spouse, at the date hereof exceeds U.S. \$1,000,000; or
- _____ Category 14. A natural person who had an individual income in excess of U.S. \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of U.S. \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year; or
- _____ Category 15. A trust, with total assets in excess of U.S. \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the U.S. Securities Act; or
- _____ Category 16. Any entity in which all of the equity owners meet the requirements of at least one of the above categories;

- (c) it understands that upon the issuance thereof, and until such time as the same is no longer required under the applicable requirements of the U.S. Securities Act or applicable U.S. state laws and regulations, the certificates representing the Securities, and all securities issued in exchange therefor or in substitution thereof, will bear a legend in substantially the following form:

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) AND SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY; (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATIONS UNDER THE U.S. SECURITIES ACT; (C) IN ACCORDANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS; OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS, AND, IN THE CASE OF PARAGRAPH (C) OR (D), THE SELLER FURNISHES TO THE COMPANY AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY TO SUCH EFFECT.

provided that if any of the Securities are being sold pursuant to Rule 144 of the U.S. Securities Act and in compliance with any applicable state securities laws, the legend may be removed by delivery to Chilco’s transfer agent of an opinion satisfactory to Chilco and its transfer agent to the effect that the legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws.

The Subscriber acknowledges that the representations, warranties and covenants contained in this Certificate are made by it with the intent that they may be relied upon by the Corporation in determining its eligibility or the eligibility of others on whose behalf it is contracting thereunder to purchase Securities. It agrees that by accepting Securities it shall be representing and warranting that the representations and warranties above are true as at the Closing with the same force and effect as if they had been made by it at the Closing and that they shall survive the purchase by it of Securities and shall continue in full force and effect notwithstanding any subsequent disposition by it of such securities.

The Subscriber undertakes to notify the Corporation immediately of any change in any representation, warranty or other information relating to the Subscriber or any Beneficial Purchaser set forth herein which takes place prior to the Closing.

Dated this ____ day of _____, 2007.

If a Corporation, Partnership or Other Entity:

Name of Entity

Type of Entity

Signature of Person Signing

Print or Type Name and Title of Person Signing

If an Individual:

Signature

Print or Type Name

Exhibit C
Form of Pledge Agreement

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Chilco River Holdings, Inc. Convertible Debenture -- Subscription Agreement

Schedule "T"
Wire Instructions

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY, (B) IF THE SECURITIES HAVE BEEN REGISTERED IN COMPLIANCE WITH THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS (C) IN COMPLIANCE WITH THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT IN ACCORDANCE WITH RULE 144 THEREUNDER, IF APPLICABLE, AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE LAWS AND REGULATIONS GOVERNING THE OFFER AND SALE OF SECURITIES, AND THE HOLDER HAS, PRIOR TO SUCH SALE, FURNISHED TO THE COMPANY AN OPINION OF COUNSEL, OF RECOGNIZED STANDING, OR OTHER EVIDENCE OF EXEMPTION, REASONABLY SATISFACTORY TO THE COMPANY. HEDGING TRANSACTIONS INVOLVING THE SECURITIES REPRESENTED HEREBY MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH U.S. SECURITIES LAWS.

CHILCO RIVER HOLDINGS, INC.

11% Convertible Debenture
April 19, 2012

No. CD - A001
Dated: April 19, 2007

US\$1,000,000

For value received, **CHILCO RIVER HOLDINGS, INC.**, a Nevada corporation (the "**Maker**"), hereby promises to pay to the order of **Chung Lien Investment Management Limited**, a corporation organized under the laws of Hong Kong (together with its successors, representatives, and permitted assigns, the "**Holder**"), in accordance with the terms hereinafter provided, the principal amount of **One Million U.S. Dollars (\$1,000,000)**, together with interest thereon.

All payments under or pursuant to this 11% convertible debenture ("**Debenture**") shall be made in United States Dollars in immediately available funds to the Holder at the address of the Holder first set forth above or at such other place as the Holder may designate from time to time in writing to the Maker or by wire transfer of funds to the Holder's account, instructions for which are attached hereto as Exhibit A, subject to the provisions of this Debenture, including the conversion rights set forth herein. The outstanding principal balance of this Debenture shall be due and payable on April 19, 2012 (the "Maturity Date") or at such earlier time as provided herein. The payment obligations under this Debenture is secured by that certain Pledge Agreements between the Holder and David Liu and Tom Y. Liu, respectively, all of which dated as of the date hereof.

ARTICLE I

Section 1.1 Subscription Agreement. This Debenture has been executed and delivered pursuant to the Subscription Agreement dated as of April 19, 2007 (the "Subscription Agreement") by and between the Maker and the Holder. Capitalized terms used and not otherwise defined herein shall have the meanings set forth for such terms in the Subscription Agreement.

Section 1.2 Interest.

(a) Beginning on the issuance date of this Debenture (the "Issuance Date"), the outstanding principal balance of this Debenture shall bear interest, in arrears, at a rate per annum equal to eleven percent (11%) payable monthly beginning on April 19, 2007, and thereafter on the last day of each calendar month, payable at the option of the Maker in cash or shares of the Maker's common stock, par value \$0.001 per share, (the "Common Stock"). The number of shares of Common Stock to be issued as payment of accrued and unpaid interest shall be determined by dividing (a) the total amount of accrued and unpaid interest to be converted into Common Stock by (b) the greater of (i) \$0.75 or (ii) the Conversion Price (as defined in Section 3.2(a) due hereof) on the day five business days prior to the date the interest payment is due. Furthermore, upon the occurrence of an Event of Default (as defined in Section 2.1 hereof), then to the extent permitted by law, the Maker will pay interest to the Holder, payable on demand, on the outstanding principal balance of the Note from the date of the Event of Default until such Event of Default is cured at the rate of the lesser of twelve percent (12%) and the maximum applicable legal rate per annum.

(b) Any and all payments by the Maker to or for the account of the Holder shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and all liabilities with

respect thereto, excluding (i) taxes imposed on or measured by such Holder's overall net income (whether on an exclusive, alternative or multiple basis), and franchise taxes imposed on it (in lieu of net income taxes), by any jurisdiction (or any political 'subdivision thereof) and (ii) taxes imposed due to failure on the part of such Holder to provide the Maker on a timely basis with proper and duly executed certification for an available exemption from or reduction in the rate of, withholding under the provisions of the Internal Revenue Code of 1986, as amended (the "Code") or other applicable laws (all such non-excluded taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and liabilities being hereinafter referred to as "Taxes"). Notwithstanding any provision in this Debenture to the contrary, the Maker shall not be obligated to make any payment free and clear of any U.S. withholding Tax if (i) the Holder is not eligible for protection from the imposition of such Tax under the provisions of Section 871(h) or 881(c) of the Code, or (ii) the Holder fails to provide the Maker, promptly upon the Maker's written request, with written confirmation in form and content satisfactory to the Maker that the Holder is eligible for such protection.

(c) In addition, the Maker agrees to pay any and all present or future stamp, court or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under this Debenture or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, this Debenture (hereinafter referred to as "Other Taxes").

(d) U.S. Withholding Tax.

(i) If the Holder is not a "United States person" within the meaning of Section 7701(a)(30) of the Code, such Holder shall deliver to the Maker, prior to receipt of any payment subject to withholding under the Code (or upon accepting an assignment of an interest herein), two duly signed completed copies of either IRS Form W-8BEN or any successor thereto (relating to such Holder and entitling it to an exemption from, or reduction of, withholding tax on all payments to be made to such Holder by the Maker pursuant to this Debenture) or IRS Form W-8ECI or any successor thereto (relating to all payments to be made to such Holder by the Maker pursuant to this Debenture) or such other evidence satisfactory to the Maker that such Holder is entitled to an exemption from, or reduction of, U.S. withholding tax, including any exemption pursuant to Section 871(h) or 881(c) of the Code. Thereafter and from time to time, each such Holder shall (A) promptly submit to the Maker such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to the Maker of any available exemption from or reduction of, United States withholding taxes in respect of all payments to be made to such Holder by the Maker pursuant to this Debenture, (B) promptly notify the Maker of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (C) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Holder, and as may be reasonably necessary (including the re-designation of its lending office) to avoid any requirement of applicable laws that the Maker make any deduction or withholding for taxes from amounts payable to such Holder.

(ii) If the Holder is not a "United States person" within the meaning of Section 7701(a)(3) of the Code, such Holder hereby represents that it is not a "bank" as that term is used in Section 871(h) of the Code and does not own directly, indirectly or constructively 10 percent or more of the total combined voting power of all classes of stock of the Maker.

(iii) The Holder, to the extent it does not act or ceases to act for its own account with respect to any portion of any sums paid or payable to such Holder under this Debenture (for example, in the case of a typical participation by such Holder), shall deliver to the Maker on the date when such Holder ceases to act for its own account with respect to any portion of any such sums paid or payable, and at such other times as may be necessary in the determination of the Maker (in the reasonable exercise of its discretion), (A) two duly signed completed copies of the forms or statements required to be provided by such Holder as set forth

above, to establish the portion of any such sums paid or payable with respect to which such Holder acts for its own account that is not subject to U.S. withholding tax, and (B) two duly signed completed copies of IRS Form W-8IMY (or any successor thereto), together with any information such Holder chooses to transmit with such form, and any other certificate or statement of exemption required under the Code, to establish that such Holder is not acting for its own account with respect to a portion of any such sums payable to such Holder.

(iv) The Maker may, without reduction, withhold any Taxes required to be deducted and withheld from any payment under this Debenture with respect to which the Maker is not required to pay additional amounts under this Section 1.2.

(e) Upon the request of the Maker, each Holder that is a “United States person” within the meaning of Section 7701(a)(30) of the Code shall deliver to the Maker two duly signed completed copies of IRS Form W-9. If such Holder fails to deliver such forms, then the Maker may withhold from any interest payment to such Holder an amount equivalent to the applicable back-up withholding tax imposed by the Code, without reduction.

Section 1.3 Payment on Non-Business Days. Whenever any payment to be made shall be due on a Saturday, Sunday or a public holiday under the laws of the State of Nevada, such payment may be due on the next succeeding business day and such next succeeding day shall be included in the calculation of the amount of accrued interest payable on such date.

Section 1.4 Transfer. This Debenture may be transferred or sold, subject to the provisions of Section 4.8 of this Debenture, or pledged, hypothecated or otherwise granted as security by the Holder.

Section 1.5 Replacement. Upon receipt of a duly executed, notarized and unsecured written statement from the Holder with respect to the loss, theft or destruction of this Debenture (or any replacement hereof), and without requiring an indemnity bond or other security, or, in the case of a mutilation of this Debenture, upon surrender and cancellation of such Note, the Maker shall issue a new Note, of like tenor and amount, in lieu of such lost, stolen, destroyed or mutilated Note.

ARTICLE II

EVENTS OF DEFAULT; REMEDIES

Section 2.1 Events of Default. The occurrence of any of the following events shall be an “Event of Default” under this Debenture:

(a) the Maker shall fail to make the payment of any amount of principal outstanding on the date such payment is due hereunder; or

(b) the Maker shall fail to make any payment of interest in shares of Common Stock or cash for a period of five (5) business days after the date such interest is due; or

(c) the Maker shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property or assets, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under the United States Bankruptcy Code (as now or hereafter in effect) or under the comparable laws of any jurisdiction (foreign or domestic), (iv) file a petition seeking to take advantage of any bankruptcy, insolvency, moratorium, reorganization or other similar law affecting the enforcement of creditors’ rights generally, (v) acquiesce in writing to any petition filed against it in an involuntary case under United States Bankruptcy Code (as now or hereafter in effect) or under the comparable laws of any jurisdiction (foreign or domestic), (vi) issue a notice of bankruptcy or winding down of its operations or issue a press release regarding same, or (vii) take any action under the laws of any jurisdiction (foreign or domestic) analogous to any of the foregoing; or

(d) a proceeding or case shall be commenced in respect of the Maker, without its application or consent, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, moratorium, dissolution, winding up, or composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of it or of all or any substantial part of its assets in connection with the liquidation or dissolution of the Maker or (iii) similar relief in respect of it under any law providing for the relief of debtors, and such proceeding or case described in clause (i), (ii) or (iii) shall continue undismissed, or unstayed and in effect, for a period of sixty (60) days or any order for relief shall be entered in an involuntary case under United States Bankruptcy Code (as now or hereafter in effect) or under the comparable laws of any jurisdiction (foreign or domestic) against the Maker or action under the laws of any jurisdiction (foreign or domestic) analogous to any of the foregoing shall be taken with respect to the Maker and shall continue undismissed, or unstayed and in effect for a period of sixty (60) days.

Section 2.2 Remedies Upon An Event of Default. If an Event of Default shall have occurred and shall be continuing, the Holder of this Debenture may at any time at its option, (a) declare the entire unpaid principal balance of this Debenture, together with all interest accrued hereon, due and payable, and thereupon, the same shall be accelerated and so due and payable, without presentment, demand, protest, or notice, all of which are hereby expressly unconditionally and irrevocably waived by the Maker; provided, however, that upon the occurrence of an Event of Default described in (i) Sections 2.1 (c) or (d), the outstanding principal balance and accrued interest hereunder shall be automatically due and payable, (b) subject to Section 3.4 hereof, demand that the principal amount of this Debenture then outstanding shall be converted into shares of Common Stock at a Conversion Price per share calculated pursuant to Section 3.1 hereof and demand that all accrued and unpaid interest under this Debenture shall be converted into shares of Common Stock in accordance with Section 1.2 hereof, or (c) exercise or otherwise enforce any one or more of the Holder’s rights, powers,

privileges, remedies and interests under this Debenture, the Subscription Agreement or applicable law. No course of delay on the part of the Holder shall operate as a waiver thereof or otherwise prejudice the right of the Holder. No remedy conferred hereby shall be exclusive of any other remedy referred to herein or now or hereafter available at law, in equity, by statute or otherwise.

ARTICLE III

CONVERSION; ANTIDILUTION; PREPAYMENT

Section 3.1 Conversion.

(a) At any time when the outstanding principal balance or accrued and unpaid interest thereof becomes due, this Debenture shall be convertible (in whole or in part), at the option of the Maker (the "Conversion Option"), into such number of fully paid and non-assessable shares of Common Stock (the "Conversion Rate") as is determined by dividing (x) that portion of the outstanding principal balance or due interest payment under this Debenture as of such date that the Maker elects to convert by (y) the Conversion Price (as defined in Section 3.2(a) hereof) then in effect on the date on which the Maker faxes a notice of conversion (the "Conversion Notice"), duly executed, to the Holder (at the office of the Corporation (as set forth below), Attn.: President) (the "Conversion Date"), provided, however, that the Conversion Price shall be subject to adjustment as described in Section 3.5 below. The Holder shall deliver this Debenture to the Maker at the address designated in the Subscription Agreement at such time that this Debenture is fully converted.

Section 3.2 Conversion Price.

(a) The term "Conversion Price" shall be the greater of (i) US\$0.75 per share (the "Benchmark Price"), or (ii) 70% of the 5-day average market trading price of the Common Stock as reported by Bloomberg immediately preceding the dated of conversion, subject to adjustment under Section 3.5 hereof.

Section 3.3 Mechanics of Conversion.

(a) Not later than three (3) Trading Days after any Conversion Date, the Maker or its designated transfer agent, as applicable, shall issue and deliver, by express courier a certificate or certificates representing the number of shares of Common Stock being acquired upon the conversion of this Debenture (the "Delivery Date").

(b) Except as otherwise provided in Section 3.3(a), certificates representing shares of Common Stock issued pursuant to the conversion of this Debenture shall bear a legend substantially in the form of the legend set forth on the first page of this Debenture Certificate to the extent that and for so long as such legend is required pursuant to applicable law.

Section 3.4 Ownership Cap and Certain Conversion Restrictions.

(a) Notwithstanding anything to the contrary set forth in Section 3 of this Debenture, at no time may the Holder convert all or a portion of this Debenture if the number of shares of Common Stock to be issued pursuant to such conversion, when aggregated with all other shares of Common Stock owned by the Holder at such time, would result in the Holder beneficially owning (as determined in accordance with Section 13(d) of the Exchange Act and the rules thereunder) in excess of 9.99% of the then issued and outstanding shares of Common Stock outstanding at such time; provided, however, that upon the Holder providing the Maker with a Waiver Notice that the Holder would like to waive Section 3.4(a) of this Debenture with regard to any or all shares of Common Stock issuable upon conversion of this Debenture, this Section 3.4(a) shall be of no force or effect with regard to all or a portion of the Note referenced in the Waiver Notice; provided, further, that this provision shall be of no further force or effect during the sixty-one (61) days immediately preceding the Maturity Date.

Section 3.5 Adjustment of Conversion Price.

(a) The Benchmark Price shall be subject to adjustment from time to time as follows:

(i) Adjustments for Stock Splits and Combinations. If the Maker shall at any time or from time to time after the Issuance Date, effect a stock split of the outstanding Common Stock, the applicable Benchmark Price in effect immediately prior to the stock split shall be proportionately decreased. If the Maker shall at any time or from time to time after the Issuance Date, combine the outstanding shares of Common Stock, the applicable Benchmark Price in effect immediately prior to the combination shall be proportionately increased. Any adjustments under this Section 3.5(a)(i) shall be effective at the close of business on the date the stock split or combination occurs.

(ii) Adjustments for Certain Dividends and Distributions. If the Maker shall at any time or from time to time after the Issuance Date, make or issue or set a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in shares of Common Stock, then, and in each event, the applicable Benchmark Price in effect immediately prior to such event shall be decreased as of the time of such issuance or, in the event such record date shall have been fixed, as of the close of business on such record date, by multiplying, the applicable Benchmark Price then in effect by a fraction:

(1) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date; and

(2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance.

or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution.

(iii) Adjustment for Other Dividends and Distributions. If the Maker shall at any time or from time to time after the Issuance Date, make or issue or set a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in other than shares of Common Stock, then, and in each event, an appropriate revision to the applicable Conversion Price shall be made and provision shall be made (by adjustments of the Conversion Price or otherwise) so that the holders of this Debenture shall receive upon conversions thereof, in addition to the number of shares of Common Stock receivable thereon, the number of securities of the Maker which they would have received had this Debenture been converted into Common Stock on the date of such event and had thereafter, during the period from the date of such event to and including the Conversion Date, retained such securities (together with any distributions payable thereon during such period), giving application to all adjustments called for during such period under this Section 3.5(a)(iii) with respect to the rights of the holders of this Debenture; provided, however, that if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Conversion Price shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions.

(iv) Adjustments for Reclassification, Exchange or Substitution. If the Common Stock issuable upon conversion of this Debenture at any time or from time to time after the Issuance Date shall be changed to the same or different number of shares of any class or classes of stock, whether by reclassification, exchange, substitution or otherwise (other than by way of a stock split or combination of shares or stock dividends provided for in Sections 3.5(a)(i), (ii) and (iii), or a reorganization, merger, consolidation, or sale of assets provided for in Section 3.5(a)(v)), then, and in each event, an appropriate revision to the Conversion Price shall be made and provisions shall be made (by adjustments of the Conversion Price or otherwise) so that the Holder shall have the right thereafter to convert this Debenture into the kind and amount of shares of stock and other securities receivable upon reclassification, exchange, substitution or other change, by holders of the number of shares of Common Stock into which such Note might have been converted immediately prior to such reclassification, exchange, substitution or other change, all subject to further adjustment as provided herein.

(v) Adjustments for Reorganization, Merger, Consolidation or Sales of Assets. If at any time or from time to time after the Issuance Date there shall be a capital reorganization of the Maker (other than by way of a stock split or combination of shares or stock dividends or distributions provided for in Section 3.5(a)(i), (ii) and (iii), or a reclassification, exchange or substitution of shares provided for in Section 3.5(a)(iv)), or a merger or consolidation of the Maker with or into another corporation where the holders of outstanding voting securities prior to such merger or consolidation do not own over fifty percent (50%) of the outstanding voting securities of the merged or consolidated entity, immediately after such merger or consolidation, or the sale of all or substantially all of the Maker's properties or assets to any

other person (an "Organic Change"), then as a part of such Organic Change an appropriate revision to the Conversion Price shall be made and

provision shall be made (by adjustments of the Conversion Price or otherwise) so that the Holder shall have the right thereafter to convert such Note into the kind and amount of shares of stock and other securities or property of the Maker or any successor corporation resulting from Organic Change. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 3.5(a)(v) with respect to the rights of the Holder after the Organic Change to the end that the provisions of this Section 3.5(a)(v) (including any adjustment in the applicable Conversion Price then in effect and the number of shares of stock or other securities deliverable upon conversion of this Debenture) shall be applied after that event in as nearly an equivalent manner as may be practicable.

(b) Record Date. In case the Maker shall take record of the holders of its Common Stock for the purpose of entitling them to subscribe for or purchase Common Stock or Convertible Securities, then the date of the issue or sale of the shares of Common Stock shall be deemed to be such record date.

(c) No Impairment. The Maker shall not, by amendment of its Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Maker, but will at all times in good faith, assist in the carrying out of all the provisions of this Section 3.5 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the Holder against impairment.

(d) Certificates as to Adjustments. Upon occurrence of each adjustment or readjustment of the Conversion Price or number of shares of Common Stock issuable upon conversion of this Debenture pursuant to this Section 3.5, the Maker at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to the Holder a certificate setting forth such adjustment and readjustment, showing in detail the facts upon which such adjustment or readjustment is based. The Maker shall, upon written request of the Holder, at any time, furnish or cause to be furnished to the Holder a like certificate setting forth such adjustments and readjustments, the applicable Conversion Price in effect at the time, and the number of shares of Common Stock and the amount, if any, of other securities or property which at the time would be received upon the conversion of this Debenture. Notwithstanding the foregoing, the Maker shall not be obligated to deliver a certificate unless such certificate would reflect an increase or decrease of at least five percent (5%) of such adjusted amount.

(e) Issue Taxes. The Maker shall pay any and all issue and other taxes, excluding federal, state or local income taxes, that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of this Debenture pursuant thereto; provided,

however, that the Maker shall not be obligated to pay any transfer taxes resulting from any transfer requested by the Holder in connection with any such conversion.

(f) Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of this Debenture. In lieu of any fractional shares to which the Holder would otherwise be entitled, the Maker shall round all fractional shares down.

(g) Reservation of Common Stock. The Maker shall at all times when this Debenture shall be outstanding, reserve and keep available out of its authorized but unissued Common Stock, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of this Debenture and all interest accrued thereon.

(h) Regulatory Compliance. If any shares of Common Stock to be reserved for the purpose of conversion of this Debenture or any interest accrued thereon require registration or listing with or approval of any governmental authority, stock exchange or other regulatory body under any federal or state law or regulation or otherwise before such shares may be validly issued or delivered upon conversion, the Maker shall, at its sole cost and expense, in good faith and as expeditiously as possible, endeavor to secure such registration, listing or approval, as the case may be.

Section 3.6 Prepayment.

(a) Prepayment Upon an Event of Default. Notwithstanding anything to the contrary contained herein, upon the occurrence of an Event of Default described in Sections 2.1 hereof, the Holder shall have the right, at such Holder's option, to require the Maker to prepay in cash all or a portion of this Debenture at a price equal to one hundred percent (100%) of the aggregate principal amount of this Debenture plus all accrued and unpaid interest applicable at the time of such request ("Mandatory Prepayment Price") by providing the Maker notice of default (the "Holder's Notice"). Nothing in this Section 3.6(a) shall limit the Holder's rights under Section 2.2 hereof.

(b) Voluntary Prepayment. Notwithstanding anything to the contrary contained herein, the Maker, at its option and sole discretion, may prepay in cash or Common Stock, subject to the terms and conditions set forth herein, all or a portion of this Debenture, at any time prior to the Maturity Date without penalty, by providing the Holder notice of prepayment.

(c) Payment of Prepayment Price. If the Holder shall elect to have its Notes prepaid pursuant to Section 3.6(a) above, the Maker shall pay the Mandatory Prepayment Price to the Holder within thirty (30) days of the Maker's receipt of the Holder's Notice.

Section 3.7 No Rights as Shareholder. Nothing contained in this Debenture shall be construed as conferring upon the Holder, prior to the conversion of this Debenture, the right to vote or to receive dividends or to consent or to receive notice as a shareholder in respect

of any meeting of shareholders for the election of directors of the Maker or of any other matter, or any other rights as a shareholder of the Maker.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Notices. Any notice, demand, request, waiver or other communication required or permitted to be given hereunder shall be in writing and shall be effective (a) upon hand delivery by telex (with correct answer back received), telecopy or facsimile at the address or number designated in the Subscription Agreement (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The Maker will give written notice to the Holder at least ten (10) days prior to the date on which the Maker takes a record (x) with respect to any dividend or distribution upon the Common Stock, (y) with respect to any pro rata subscription offer to holders of Common Stock or (z) for determining rights to vote with respect to any Organic Change, dissolution, liquidation or winding-up and in no event shall such notice be provided to such holder prior to such information being made known to the public. The Maker will also give written notice to the Holder at least ten (10) days prior to the date on which any Organic Change, dissolution, liquidation or winding-up will take place and in no event shall such notice be provided to the Holder prior to such information being made known to the public. The Maker shall promptly notify the Holder of this Debenture of any notices sent or received, or any actions taken with respect to the other debentures of similar character, which may have been issued to other investors.

Section 4.2 Governing Law. This Debenture shall be governed by and construed in accordance with the internal laws of the State of Nevada, without giving effect to any of the conflicts of law principles which would result in the application of the substantive law of another jurisdiction. This Debenture shall not be interpreted or construed with any presumption against the party causing this Debenture to be drafted.

Section 4.3 Headings. Article and section headings in this Debenture are included herein for purposes of convenience of reference only and shall not constitute a part of this Debenture for any other purpose.

Section 4.4 Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief. The remedies provided in this Debenture shall be cumulative and in addition to all other remedies available under this Debenture, at law or in equity (including, without limitation, a decree of specific performance and/or other injunctive relief), no remedy contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy

and nothing herein shall limit a holder's right to pursue actual damages for any failure by the Maker to comply with the terms of this Debenture. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the holder thereof and shall not, except as expressly provided herein, be subject to any other obligation of the Maker (or the performance thereof). The Maker acknowledges that a breach by it of its obligations hereunder will cause irreparable and material harm to the Holder and that the remedy at law for any such breach may be inadequate. Therefore the Maker agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available rights and remedies, at law or in equity, to seek and obtain such equitable relief, including but not limited to an injunction restraining any such breach or threatened breach, without the necessity of showing economic loss and without any bond or other security being required.

Section 4.5 Enforcement Expenses. The Maker agrees to pay all costs and expenses of enforcement of this Debenture, including, without limitation, reasonable attorneys' fees and expenses.

Section 4.6 Binding Effect. The obligations of the Maker and the Holder set forth herein shall be binding upon the successors and assigns of each such party, whether or not such successors or assigns are permitted by the terms hereof.

Section 4.7 Amendments. This Debenture may not be modified or amended in any manner except in writing executed by the Maker and the Holder.

Section 4.8 Transfer of Debenture.

(a) Registration of Debenture. The Maker shall keep at its office a register in which the Maker shall provide for the registration of this Debenture and any stated interest thereon and for the registration of transfer of this Debenture. Transfer of this Debenture may only be effected in accordance with the provision of Section 4.8(b).

(b) Transfer of Debenture. Subject to this Section 4.8, the Holder may either in person or by its duly authorized representative (at its option), surrender the same at the Maker's office for registration of transfer or exchange, accompanied if surrendered for transfer by a written instrument of transfer duly executed by such Holder or its representative. In case the Holder shall so request transfer or exchange of this Debenture, the Maker shall, without expense to the Holder (other than transfer taxes, if any), deliver to or upon its order one or more Debentures in the same aggregate unpaid principal amount as the Debenture so surrendered, each dated the later of the date of, or the date to which interest has been paid on, the Debenture so surrendered, in the principal amount of \$100,000 or an integral multiple thereof and registered in such name or names as shall be specified by the Holder.

(c) Transfer Notice. Prior to any transfer or attempted transfer of this Debenture, the Holder shall give ten days' prior written notice to the Maker of its intention to

effect such transfer. Any such notice shall describe the manner and circumstance of the proposed transfer in sufficient detail, and shall contain an undertaking by the Holder to furnish such further information as may be required, to enable the counsel for the Maker to render the opinion referred to below. Promptly upon receiving any such notice, the Maker shall submit a copy thereof to its counsel. If, in the opinion of counsel to the Maker, the proposed transfer of this Debenture may be effected without registration under the Securities Act, the Maker shall, as promptly as practicable, so notify the Holder and the Holder shall thereupon be entitled to transfer this Debenture in accordance with the provisions of Section 4.8(b) and the terms of the notice delivered by the Holder to the Maker. If, in the opinion of the counsel to the Maker, the proposed transfer of this Debenture may not be effected without registration of this Debenture under the Securities Act, the Maker shall, as promptly as practicable, so notify the Holder and the Holder shall not effect the transfer with respect to which it gave notice to the Maker. The Holder shall not under any circumstances transfer this Debenture until receipt from the Maker of notice pursuant to this Section that such transfer may be effected without registration of this Debenture under the Securities Act. Any attempted transfer prior to receipt of such notice from the Maker shall be void and of no force or effect.

(d) Compliance with Securities Laws. The Holder of this Debenture acknowledges that this Debenture is being acquired solely for the Holder's own account and not as a nominee for any other party, and for investment, and that the Holder shall not offer, sell or otherwise dispose of this Debenture. This Debenture and any Debenture issued in substitution or replacement therefor shall be stamped or imprinted with a legend in substantially the following form:

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY, (B) IF THE SECURITIES HAVE BEEN REGISTERED IN COMPLIANCE WITH THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS (C) IN COMPLIANCE WITH THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT IN ACCORDANCE WITH RULE 144 THEREUNDER, IF APPLICABLE, AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE LAWS AND REGULATIONS GOVERNING THE OFFER AND SALE OF SECURITIES,

AND THE HOLDER HAS, PRIOR TO SUCH SALE, FURNISHED TO THE COMPANY AN OPINION OF COUNSEL, OF RECOGNIZED STANDING, OR OTHER EVIDENCE OF EXEMPTION, REASONABLY SATISFACTORY TO THE COMPANY. HEDGING TRANSACTIONS INVOLVING THE SECURITIES REPRESENTED HEREBY MAY NOT BE

Section 4.9 Consent to Jurisdiction. Each of the Maker and the Holder (i) hereby irrevocably submits to the exclusive jurisdiction of the United States District Court sitting in the Reno, Nevada and the courts of the State of Nevada located in Reno, Nevada for the purposes of any suit, action or proceeding arising out of or relating to this Debenture and (ii) hereby waives, and agrees not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Each of the Maker and the Holder consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under the Subscription Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing in this Section 4.9 shall affect or limit any right to serve process in any other manner permitted by law. Each of the Maker and the Holder hereby agree that the prevailing party in any suit, action or proceeding arising out of or relating to this Debenture shall be entitled to reimbursement for reasonable legal fees from the non-prevailing party.

Section 4.10 Parties in Interest. This Debenture shall be binding upon, inure to the benefit of and be enforceable by the Maker, the Holder and their respective successors and permitted assigns.

Section 4.11 Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

Section 4.12 Maker Waivers. Except as otherwise specifically provided herein, the Maker and all others that may become liable for all or any part of the obligations evidenced by this Debenture, hereby waive presentment, demand, notice of nonpayment, protest and all other demands' and notices in connection with the delivery, acceptance, performance and enforcement of this Debenture, and do hereby consent to any number of renewals or extensions of the time or payment hereof and agree that any such renewals or extensions may be made without notice to any such persons and without affecting their liability herein and do further consent to the release of any person liable hereon, all without affecting the liability of the other persons, firms or Maker liable for the payment of this Debenture.

Chilco River Holdings, Inc.
11% Convertible Debenture

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(a) No delay or omission on the part of the Holder in exercising its rights under this Debenture, or course of conduct relating hereto, shall operate as a waiver of such rights or any other right of the Holder, nor shall any waiver by the Holder of any such right or rights on any one occasion be deemed a waiver of the same right or rights on any future occasion.

(b) THE MAKER ACKNOWLEDGES THAT THE TRANSACTION OF WHICH THIS DEBENTURE IS A PART IS A COMMERCIAL TRANSACTION, AND TO THE EXTENT ALLOWED BY APPLICABLE LAW, HEREBY WAIVES ITS RIGHT TO NOTICE AND HEARING WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH THE HOLDER OR ITS SUCCESSORS OR ASSIGNS MAY DESIRE TO USE.

Section 4.13 Definitions. For the purposes hereof, the following terms shall have the following meanings:

“Person” means an individual or a corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

“Trading Day” means (a) a day on which the Common Stock is traded on the OTC Bulletin Board (or other exchange or market on which the Common Stock is trading), or (b) if the Common Stock is not traded on the OTC Bulletin Board (or other exchange or market on which the Common Stock is trading), a day on which the Common Stock is quoted in the over-the-counter market as reported by the National Quotation Bureau Incorporated (or any similar organization or agency succeeding its functions of reporting prices); provided, however, that in the event that the Common Stock is not listed or quoted as set forth in (a) or (b) hereof, then Trading Day shall mean any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of Nevada are authorized or required by law or other government action to close.

CHILCO RIVER HOLDINGS, INC.

By: /s/ Tom Liu

(Name): Tom Liu
Title: President

EXHIBIT A
WIRE INSTRUCTIONS

Payee: _____

Bank: _____

Address: _____

Bank No.: _____

Account No.: _____

Account Name: _____

FORM OF
NOTICE OF CONVERSION

(To be Executed by the Registered Holder in order to Convert the Note)

The undersigned hereby irrevocably elects to convert \$ _____ of the principal amount of the above Convertible Debenture No. _____ into _____ shares of Common Stock of Chilco River Holdings, Inc. (the "Maker") according to the conditions hereof, as of the date written below.

Date of Conversion _____

Applicable Conversion Price _____

Number of shares of Common Stock beneficially owned or deemed beneficially owned by the Holder on the Date of Conversion: _____

Signature _____
[Name]

Address: _____

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY, (B) IF THE SECURITIES HAVE BEEN REGISTERED IN COMPLIANCE WITH THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS (C) IN COMPLIANCE WITH THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT IN ACCORDANCE WITH RULE 144 THEREUNDER, IF APPLICABLE, AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE LAWS AND REGULATIONS GOVERNING THE OFFER AND SALE OF SECURITIES, AND THE HOLDER HAS, PRIOR TO SUCH SALE, FURNISHED TO THE COMPANY AN OPINION OF COUNSEL, OF RECOGNIZED STANDING, OR OTHER EVIDENCE OF EXEMPTION, REASONABLY SATISFACTORY TO THE COMPANY. HEDGING TRANSACTIONS INVOLVING THE SECURITIES REPRESENTED HEREBY MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH U.S. SECURITIES LAWS.

CHILCO RIVER HOLDINGS, INC.

**WARRANTS
TO PURCHASE SHARES
OF COMMON STOCK OF
CHILCO RIVER HOLDINGS, INC.**

CERTIFICATE NO.: 001

**Warrant to Purchase
1,500,000 Shares of Common Stock
April 19, 2007**

FOR VALUE RECEIVED, CHILCO RIVER HOLDINGS, INC. , a Nevada corporation (the "**Company**"), hereby certifies that CHUNG LIEN INVESTMENT MANAGEMENT LIMITED, a corporation organized under the laws of Hong Kong, its successor or permitted assigns (the "**Holder**"), is entitled, subject to the provisions of this Warrant, to purchase from the Company, at the times specified herein, 1,500,000 fully paid and non-assessable shares of Common Stock of the Company, par value \$0.001 per share (the "**Common Stock**"), at a purchase price per share equal to the Exercise Price (as hereinafter defined).

1. *Definitions* . (a) The following terms, as used herein, have the following meanings:

"**Affiliate**" shall have the meaning given to such term in Rule 12b-2 promulgated under the Securities and Exchange Act of 1934, as amended.

"**Business Day**" means any day except a Saturday, Sunday or other day on which commercial banks in the City of Los Angeles, California are authorized by law to close.

“ **Common Stock** ” means the Common Stock, par value \$0.001 per share, of the Company.

“ **Duly Endorsed** ” means duly endorsed in blank by the Person or Persons in whose name a stock certificate is registered or accompanied by a duly executed stock assignment separate from the certificate with the signature(s) thereon guaranteed by a commercial bank or trust company or a member of a national securities exchange or of the National Association of Securities Dealers, Inc.

“**Exercise Date**” means the date a Warrant Exercise Notice is delivered to the Company in the manner provided in Section 9 below.

“ **Exercise Price** ” means US\$0.45.

“ **Expiration Date** ” means 5:00 p.m. (Los Angeles, California) on sixty months from issuance date; provided that if such date shall in the City of Los Angeles, California be a holiday or a day on which banks are authorized to close, then 5:00 p.m. on the next following day which in the City of Los Angeles, California is not a holiday or a day on which banks are authorized to close.

“ **Fair Market Value** ” means as to any security, the average closing prices of such security’s sales on the Principal Market for the day as of which “Fair Market Value” is being determined, or, if there have been no sales on any such exchanges on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day. If the Common Stock is not listed or admitted to unlisted trade privileges and bid and asked prices are not so reported, the Fair Market Value shall be determined in such reasonable manner as may be prescribed by the Board of Directors of the Company.

“**Initial Warrant Exercise Date**” means the date hereof.

“ **Person** ” means an individual, partnership, corporation, trust, joint stock company, association, joint venture, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“ **Principal Market** ” means the National Association of Securities Dealers electronic over-the-counter bulletin board (“OTCBB”), or if not quoted on the OTCBB, the primary securities exchanges or market on which such security may at the time be listed or quoted for trading.

“ **Warrant Shares** ” means the shares of Common Stock deliverable upon exercise of this Warrant, as adjusted from time to time.

2. *Exercise of Warrant .*

(a) The Holder is entitled to exercise this Warrant in whole or in part at any time on or after the Initial Warrant Exercise Date until the Expiration Date. To exercise this Warrant, the Holder shall execute and deliver to the Company a Warrant Exercise Notice substantially in the form annexed hereto. No earlier than five (5) days after delivery of the Warrant Exercise Notice,

the Holder shall deliver to the Company this Warrant Certificate, including the Warrant Exercise Subscription Form forming a part hereof duly executed by the Holder, together with payment of the applicable Exercise Price. Upon such delivery and payment, the Holder shall be deemed to be the holder of record of the Warrant Shares subject to such exercise, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such Warrant Shares shall not then be actually delivered to the Holder. No fractional shares will be issued.

(b) The Exercise Price may be paid to the Company in cash or by certified or official bank check or bank cashier's check payable to the order of the Company, or by wire transfer or by any combination of cash, check or wire transfer.

(c) If the Holder exercises this Warrant in part, this Warrant Certificate shall be surrendered by the Holder to the Company and a new Warrant Certificate of the same tenor and for the unexercised number of Warrant Shares shall be executed by the Company. The Company shall register the new Warrant Certificate in the name of the Holder or in such name or names of its transferee pursuant to paragraph 6 hereof as may be directed in writing by the Holder and deliver the new Warrant Certificate to the Person or Persons entitled to receive the same.

(d) Upon surrender of this Warrant Certificate in conformity with the foregoing provisions, the Company shall transfer to the Holder of this Warrant Certificate appropriate evidence of ownership of the shares of Common Stock or other securities or property to which the Holder is entitled, registered or otherwise placed in, or payable to the order of, the name or names of the Holder or such transferee as may be directed in writing by the Holder, and shall deliver such evidence of ownership and any other securities or property to the Person or Persons entitled to receive the same.

(e) In no event may the Holder exercise these Warrants in whole or in part unless the Holder is an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended (the "U.S. Securities Act"), or the Holder is a non-U.S. person (as defined in Regulation S of the U.S. Securities Act) exercising these Warrants in an "off shore transaction" in accordance with the requirements of Regulation S of the U.S. Securities Act.

(f) Notwithstanding any other provision hereof, no Holder shall exercise these Warrants, if as a result of such conversion the holder would then become a "ten percent beneficial owner" (as defined in Rule 16a-2 under the Securities Exchange Act of 1934, as amended) of Common Stock. For greater certainty, the Warrants shall not be exercisable by the Holder or redeemed by the Company, if, after giving effect to such exercise, the holder of such securities, together with its affiliates, would in aggregate beneficially own, or exercise control or direction over that number of voting securities of the Company which is 9.99% or greater of the total issued and outstanding voting securities of the Company, immediately after giving effect to such exercise; provided, however, that upon a holder of these Warrants providing the Company with a Waiver Notice that such holder would like to waive the provisions of this paragraph 2(f) with regard to any or all shares of Common Stock issuable upon exercise of these Warrants, this paragraph 2(f) shall be of no force or effect with regard to those shares of Common Stock referenced in the Waiver Notice; provided, further, that this provision shall be of no further force

or effect during the sixty-one (61) days immediately preceding the expiration of the term of these Warrants.

(g) Notwithstanding any other provision hereof, if Holder is not a “United States person” within the meaning of Section 7701 (a)(30) of the United States Internal Revenue Code of 1986, as amended (the “Code”), the Holder shall deliver to the Company, at the time of deliver to the Company of the Warrant Exercise Notice, two duly signed completed copies of IRS Form W-8BEN or any successor thereto or such other evidence satisfactory to the Company that the Holder is not a “United State person.”

3. *Mandatory Exercise* . Following the effectiveness of a registration statement qualifying the resale of the Warrant Shares, the Company may require Warrant holders, at any time following the date that the closing bid price of the Shares as listed on a Principal Market (as defined herein), as quoted by Bloomberg L.P. (the “Closing Bid Price”) has averaged at or above \$1.00 for a period of five consecutive trading days, to exercise the Warrants and acquire Warrant Shares at the applicable exercise price per Warrant Share. The Warrant holders will be required to exercise the Warrants within five (5) business days of the receipt of notice from the Company, after which time the Warrants shall be cancelled if unexercised. As used herein, “Principal Market” shall mean The National Association of Securities Dealers Inc.’s OTC Bulletin Board, the Nasdaq SmallCap Market, or the American Stock Exchange. If the Common Shares are not traded on a Principal Market, the Closing Bid Price shall mean the reported Closing Bid Price for the Common Shares, as furnished by the National Association of Securities Dealers, Inc., for the applicable periods.

4. *Restrictive Legend* . Certificates representing shares of Common Stock issued pursuant to this Warrant shall bear a legend substantially in the form of the legend set forth on the first page of this Warrant Certificate to the extent that and for so long as such legend is required pursuant to applicable law.

5. *Covenants of the Company* .

(a) The Company hereby agrees that at all times there shall be reserved for issuance and delivery upon exercise of this Warrant such number of its authorized but unissued shares of Common Stock or other securities of the Company from time to time issuable upon exercise of this Warrant as will be sufficient to permit the exercise in full of this Warrant. All such shares shall be duly authorized and, when issued upon such exercise, shall be validly issued, fully paid and non-assessable, free and clear of all liens, security interests, charges and other encumbrances or restrictions on sale and free and clear of all preemptive rights.

(b) The Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the amount payable therefor

upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant, and (iii) use its best efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Warrant.

(d) Before taking any action which would cause an adjustment reducing the current Exercise Price below the then par value, if any, of the shares of Common Stock issuable upon exercise of the Warrants, the Company shall take any corporate action which may be necessary in order that the Company may validly and legally issue fully paid and non-assessable shares of such Common Stock at such adjusted Exercise Price.

(e) Before taking any action which would result in an adjustment in the number of shares of Common Stock for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

(f) The Company covenants that during the period the Warrant is outstanding, it will use its best efforts to comply with any and all reporting obligations under the Securities Exchange Act of 1934, as amended.

(g) The Company will take all such reasonable action as may be necessary (i) to maintain a Principal Market for its Common Shares in the United States and (ii) to assure that such Warrant Stock may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Principal Market upon which the Common Stock may be listed.

(h) The Company shall preserve and maintain its corporate existence and all licenses and permits that are material to the proper conduct of its business.

(i) The Company will not close its shareholder books or records in any manner which prevents the timely exercise of this Warrant.

6. *Exchange, Transfer or Assignment of Warrant ; Registration*

(a) Each taker and holder of this Warrant Certificate by taking or holding the same, consents and agrees that the registered holder hereof may be treated by the Company and all other persons dealing with this Warrant Certificate as the absolute owner hereof for any purpose and as the person entitled to exercise the rights represented hereby.

(b) The Holder agrees that it will not transfer, hypothecate, sell, assign, pledge or encumber any Warrants or Warrant Shares unless such securities are registered under the U.S. Securities Act and registered or qualified under any applicable state securities laws or such transfer is effected pursuant to an available exemption from registration.

(c) The Holder of this Warrant has been granted certain registration rights by the Company. The registration rights are set forth in that certain Subscription Agreement between the Company and the Holder under which this Warrant was issued. The terms of the Subscription Agreement are incorporated herein by this reference.

7. *Anti-Dilution Provisions* . The Exercise Price in effect at any time and the number and kind of securities purchasable upon the exercise of the Warrant shall be subject to adjustment from time to time upon the happening of certain events as follows:

(a) In case the Company shall (i) declare a dividend or make a distribution on its outstanding shares of Common Stock in shares of Common Stock, (ii) subdivide or reclassify its outstanding shares of Common Stock into a greater number of shares, or (iii) combine or reclassify its outstanding shares of Common Stock into a smaller number of shares, the number of Warrant Shares shall be proportionately adjusted to reflect such dividend, distribution, subdivision, reclassification or combination. For example, if the Company declares a 2 for 1 stock split and the number of Warrant Shares immediately prior to such event was 200,000, the number of Warrant Shares immediately after such event would be 400,000. Such adjustment shall be made successively whenever any event listed above shall occur.

(b) Whenever the number of Warrant Shares is adjusted pursuant to Subsection (a) above, the Exercise Price shall simultaneously be adjusted by multiplying the Exercise Price immediately prior to such event by the number of Warrant Shares immediately prior to such event and dividing the product so obtained by the number of Warrant Shares, as adjusted. If an Exercise Price has not yet been established, an adjustment thereof shall be deferred until one is established pursuant to the terms of this Warrant.

(c) No adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least five percent (5%) in such price; provided, however, that any adjustments which by reason of this Subsection (c) are not required to be made shall be carried forward and taken into account in any subsequent adjustment required to be made hereunder. All calculations under this Section 7 shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be.

(d) Whenever the Exercise Price is adjusted, as herein provided, the Company shall promptly cause a notice setting forth the adjusted Exercise Price and adjusted number of Shares issuable upon exercise of each Warrant to be mailed to the Holder. The Company may retain a firm of independent certified public accountants selected by the Board of Directors (who may be the regular accountants employed by the Company) to make any computation required by this Section 7, and a certificate signed by such firm shall be conclusive evidence of the correctness of such adjustment.

(e) In the event that at any time, as a result of an adjustment made pursuant to Subsection (a) above, the Holder of this Warrant thereafter shall become entitled to receive any shares of the Company, other than Common Stock, thereafter the number of such other shares so receivable upon exercise of this Warrant shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Subsection (a), above.

(f) Irrespective of any adjustments in the Exercise Price or the number or kind of shares purchasable upon exercise of this Warrant, Warrants theretofore or thereafter issued may continue to express the same price and number and kind of shares as are stated in this Warrant.

(g) In case at any time or from time to time conditions arise by reasons of action taken by the Company, which in the reasonable opinion of its Board of Directors, are not adequately covered by the provisions of Section 7 hereof, and which might materially and adversely affect the exercise rights of the Holder hereof, the Board of Directors shall appoint a firm of independent certified public accountants, which may be the firm regularly retained by the Company, which will give their opinion upon the adjustment, if any, on a basis consistent with the standards established in the other provisions of Section 7 necessary with respect to the Exercise Price then in effect and the number of shares of Common Stock for which the Warrant is exercisable, so as to preserve, without dilution, the exercise rights of the Holder. Upon receipt of such opinion, the Board of Directors shall forthwith make the adjustments described therein.

8. *Loss or Destruction of Warrant* . Upon receipt by the Company of evidence satisfactory to it (in the exercise of its reasonable discretion) of the loss, theft, destruction or mutilation of this Warrant Certificate, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant Certificate, if mutilated, the Company shall execute and deliver a new Warrant Certificate of like tenor and date.

9. *Notices* . Any notice, demand or delivery authorized by this Warrant Certificate shall be in writing and shall be given to the Holder or the Company, as the case may be, at its address (or telecopier number) set forth below, or such other address (or telecopier number) as shall have been furnished to the party giving or making such notice, demand or delivery:

If to the Company: CHILCO RIVER HOLDINGS, INC.
355 Lemon Avenue, Suite C
Walnut, CA 91789
Attention: Tom Liu, President
Fax: 909-869-8444

with a copy to:

DORSEY & WHITNEY LLP
Republic Plaza Building
370 Seventeenth Street, Suite 4700
Denver, CO 80202-5647
Attention: Kenneth G. Sam
Fax: 303-629-3450

If to the Holder: at the address set forth on the last page of this Warrant.

Each such notice, demand or delivery shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified herein and the intended recipient confirms the receipt of such telecopy or (ii) if given by any other means, when received at the address specified herein.

10. *Rights of the Holder* . Prior to the exercise of any Warrant, the Holder shall not, by virtue hereof, be entitled to any rights of a shareholder of the Company, including, without limitation, the right to vote, to receive dividends or other distributions, to exercise any preemptive right or any notice of any proceedings of the Company except as may be specifically provided for herein.

11. *GOVERNING LAW* . THIS WARRANT CERTIFICATE AND ALL RIGHTS ARISING HEREUNDER SHALL BE CONSTRUED AND DETERMINED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEVADA, AND THE PERFORMANCE THEREOF SHALL BE GOVERNED AND ENFORCED IN ACCORDANCE WITH SUCH LAWS.

12. *Amendments; Waivers* . Any provision of this Warrant Certificate may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the Holder and the Company, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by either party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

13. *Company Reorganization* . In the event of any sale of substantially all the assets of the Company or any reorganization, reclassification, merger or consolidation of the Company where the Company is not the surviving entity, then as a condition to the Company entering into such transaction, the entity acquiring such assets or the surviving entity, as the case may be, shall agree to assume the Company's obligations hereunder.

IN WITNESS WHEREOF, the Company has duly caused this Warrant to be signed by its duly authorized officer and to be dated as of April 19, 2007.

CHILCO RIVER HOLDINGS, INC.

By: /s/ Tom Liu

Name: Tom Liu
Title: President

HOLDER:

CHUNG LIEN INVESTMENT MANAGEMENT LIMITED

By: /s/ Shi-Min Du

Name: Shi-Min Du
Title: Managing Director

1/F Skyroom Terrace 11
Hei Wo Street, North Point, Hong Kong

WARRANT EXERCISE SUBSCRIPTION FORM

(To be executed only upon exercise of the Warrant
after deliver of Warrant Exercise Notice)

To: CHILCO RIVER HOLDINGS, INC.

The undersigned irrevocably exercises the Warrant for the purchase of _____ shares (the “**Shares**”) of Common Stock, par value \$0.001 per share, of CHILCO RIVER HOLDINGS, INC., a Nevada corporation (the “**Company**”) at \$_____ per Share (the Exercise Price currently in effect pursuant to the Warrant).

The undersigned herewith makes payment of \$_____ (such payment being made in cash or by certified or official bank or bank cashier’s check payable to the order of the Company or by any permitted combination of such cash or check), all on the terms and conditions specified in the within Warrant Certificate, surrenders this Warrant Certificate and all right, title and interest therein to the Company and directs that the Shares deliverable upon the exercise of this Warrant be registered or placed in the name and at the address specified below and delivered thereto.

The undersigned is either (i) an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended (the “U.S. Securities Act”), and is exercising these Warrants in a transaction that does not require registration under the U.S. Securities Act or (ii) is not a U.S. Person or person in the United States and is exercising these Warrants in an “off shore transaction” in accordance with the requirements of Regulation S of the U.S. Securities Act. The terms U.S. Person, United States and off-shore transaction have the meanings set forth in Regulation S of the U.S. Securities Act.

Number of shares of Common Stock beneficially owned or deemed beneficially owned by the Holder on the date of Exercise:

Check this box, if applicable:

Date: _____

(Signature of Owner)

(Street Address)

(City) (State) (Zip Code)

Securities and/or check to be issued to: _____

Please insert social security or identifying number: _____

Name: _____

Street Address: _____

City, State and Zip Code: _____

Any unexercised portion of the Warrant evidenced by the within Warrant Certificate to be issued to: _____

Please insert social security or identifying number: _____

Name:

Street Address: _____

City, State and Zip Code: _____



WARRANT ASSIGNMENT FORM

Dated _____, _____

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____
(the "Assignee"),

(please type or print in block letters)

(insert address)

its right to purchase up to shares of Common Stock represented by these Warrants and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the same on the books of the Company, with full power of substitution in the premises.

Signature: _____

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN COMPLIANCE WITH THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE LAWS AND REGULATIONS GOVERNING THE OFFER AND SALE OF SECURITIES.

To be completed by transferee.

In connection with this transfer: (check one):

_____ The undersigned transferee hereby certifies that (i) it is not a U.S. Person and was not offered the Warrants while in the United States and did not execute this certificate while within the United States, (ii) it is not acquiring any of the Warrants represented by this Warrant Certificate by or on behalf of any U.S. person or person within the United States, and (iii) it has in all other respects complied with the terms of Regulation S of the United States Securities Act of 1933, as amended (the "US Securities Act"), or any successor rule or regulation of the United States Securities and Exchange Commission as presently in effect.

_____ The undersigned transferee is delivering a written opinion of U.S. counsel to the effect that this transfer of Warrants has been registered under the US Securities Act or are exempt from registration thereunder.

Signature: _____



FOR IMMEDIATE RELEASE

Chilco River Holdings Finalizes Funding Agreement

Walnut, CA – 04/20/2007, Chilco River Holdings Inc. (OTCBB: CRVH) is pleased to announce that is has finalized a deal with Chung Lien Investment Management Limited out of Hong Kong to secure the necessary funding to complete the renovation of its thriving Bruce Hotel and Casino. The financial arrangement allows for funding up to \$10,000,000 with the first \$1,000,000 deliverable next week. The completion of this arrangement will allow Chilco to meet its goal of holding the grand opening of the Bruce's casino in August.

“We are thrilled not only attaining the necessary funding to complete the casino's renovation, but also with the favorable conditions we were able to secure,” exclaimed Tom Liu, Chief Executive Officer, Chilco River Holdings. “For a company of our size to acquire funding this considerable at a 30% discount to market or at \$0.75 - whichever is higher - is simply phenomenal. I think it speaks to the tremendous potential our lenders saw in both Chilco and the Bruce.”

Located in Lima, Peru, the Bruce Hotel and Casino is one of the premier hotel and casinos in the burgeoning South American gaming market. Before its closing for renovations, the casino was thriving, with revenues in excess of \$10,000,000 and profits greater than \$4,000,000. Upon its re-opening, the casino will feature between 300-350 slot machines and a poker room in addition to its 22 pre-existing table games. In the upcoming months, Chilco will also be adding a nightclub to the Bruce's already attractive offering of amenities.

About Chilco Holdings Inc.

Chilco River Holdings, Inc. is a diversified, Peruvian-based, U.S. listed gaming company. Chilco owns and operates Lima's Bruce Hotel and Casino, the second largest casino in Peru and one of only seven licensed casinos in the country. It has developed its own line of low-priced, proprietary slot machines which are licensed in Venezuela, Columbia, Chile and Peru. The company is in the late stages of development on a Spanish-language and Chinese-language interactive poker website and it has made a significant investment in the research and development of a wireless poker gaming station.

<http://www.chilcoriverholdings.com>

<http://www.brucehotel.com>

<http://www.flavorpoker.com>

<http://www.kubukgaming.com>

Safe Harbor – NO ASSURANCES CAN BE GIVEN THAT ANY PROJECTIONS WILL BE REALIZED. This press release includes forward-looking statements that involve risks and uncertainties, including, but not limited to, product delivery, the management of growth, market acceptance of certain products and other risks. These forward-looking statements are made in reliance on the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. For further information about these factors that could affect Chilco River Holdings Inc. future results, please contact the company directly. Prospective investors are cautioned that forward-looking statements are not guarantees of performance. Actual results may differ materially from management expectations.

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