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CHEVALIER INTERNATIONAL HOLDINGS LIMITED

其士國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 25)

DISCLOSEABLE TRANSACTION

The Board is pleased to announce that on 17 October 2012, Quality King, AMICO, HG and CAAM entered into the Shareholders' Agreement for the purpose of regulating the business, affairs and internal management of CAAM. Pursuant to the terms of the Shareholders' Agreement, Quality King may subscribe for further CAAM Ordinary Shares and the CAAM Preference Shares with aggregate subscription monies of approximately A\$40 million (equivalent to approximately HK\$318.6 million). The CAAM Preference Shares are convertible into CAAM Ordinary Shares on a 1:1 basis.

The Transaction (based on the aggregate capital commitment for the subscription of the CAAM Ordinary Shares and CAAM Preference Shares up to a maximum of A\$40 million (equivalent to approximately HK\$318.6 million)) constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Company will comply with applicable Listing Rules if Quality King exercises the conversion rights attached to the CAAM Preference Shares or if any investments by CAAM materialise as and when appropriate.

The Board is pleased to announce that on 17 October 2012, Quality King, AMICO, HG and CAAM entered into the Shareholders' Agreement for the purpose of regulating the business, affairs and internal management of CAAM. The principal terms of the Shareholders' Agreement are set out below:

THE SHAREHOLDERS' AGREEMENT

Date

17 October 2012

Parties

- (i) Quality King;
- (ii) AMICO;
- (iii) HG; and
- (iv) CAAM.

* *For identification purpose only*

CAAM is an investment holding company incorporated in the BVI. On 12 October 2012, each of Quality King, AMICO and HG subscribed for new CAAM Ordinary Shares representing approximately 38.5%, 38.5% and 23.0% of all the issued share capital of CAAM for a cash consideration of A\$500, A\$500 and A\$300 respectively. CAAM is accounted for as an associated company of the Group and is an associate of the Company for the purpose of the Listing Rules.

AMICO and HG are also investment holding companies. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, apart from the shareholding interest of Quality King in and the representation of Quality King on the board of directors of CAAM, AMICO, HG, CAAM and their respective associates are third parties independent of the Company and its connected persons.

Business of CAAM

The business of CAAM shall be investment holding with focus on the business, operation and management of farming and agricultural products in Australia and any other business ancillary thereto. At present, CAAM does not have any subsidiaries or investments or any assets apart from the initial subscription monies paid by Quality King, AMICO and HG on 12 October 2012. CAAM has not conducted any business since incorporation. The management of CAAM are looking for and are in discussions with potential investment targets that are in line with the business objectives of CAAM as stated above.

Board composition

The board of directors of CAAM shall comprise a maximum of 10 directors. Each shareholder of CAAM holding every 15% of the total issued CAAM Ordinary Shares shall be entitled to appoint one director provided that each of Quality King, AMICO and HG, each being a founding shareholder, is entitled to appoint at least one director irrespective of its shareholding in CAAM. The chairman of the board of directors shall be the director nominated by Quality King. At present, the board of directors of CAAM comprises 5 directors, of whom 2 directors are nominated by Quality King, 2 directors are nominated by AMICO and 1 director is nominated by HG.

Further subscription of shares and financing

- (i) Subject to a resolution being passed by all the shareholders of CAAM confirming an investment, within 3 months from the date of the Shareholders' Agreement or such longer period as may be determined by the board of directors of CAAM, each of the existing shareholders of CAAM undertakes to subscribe for further CAAM Ordinary Shares at the issue price of A\$1.00 per CAAM Ordinary Share so that their respective shareholdings after such subscription and allotment shall be as follows:

| | No. of CAAM Ordinary Shares as at the date of the Shareholders' Agreement | No. of CAAM Ordinary Shares after the additional subscription | Approximate % to total | Subscription monies payable | |
|--------------|--|--|-----------------------------------|------------------------------------|---------------|
| | | | | <i>(A\$)</i> | <i>(HK\$)</i> |
| Quality King | 500 | 5,000,000 | 38.5 | 4,999,500 | 39,826,017 |
| AMICO | 500 | 5,000,000 | 38.5 | 4,999,500 | 39,826,017 |
| HG | 300 | 3,000,000 | 23.0 | 2,999,700 | 23,895,610 |
| Total | 1,300 | 13,000,000 | 100.0 | 12,998,700 | 103,547,644 |

- (ii) If CAAM requires further financing, Quality King will subscribe, either on its own or by its nominee, and CAAM shall issue and allot, CAAM Preference Shares in the amount not exceeding A\$35 million on the following principal terms:

| | |
|--|--|
| Number of CAAM Preference Shares to be issued: | Up to 35,000,000 CAAM Preference Shares |
| Issue price: | A\$1.00 per CAAM Preference Share |
| Subscription money: | Maximum of A\$35 million (equivalent to approximately HK\$278.8 million) |
| Ranking: | The CAAM Preference Shares will rank in priority to the CAAM Ordinary Shares in the event of the winding up or liquidation of CAAM |
| Dividend per CAAM Preference Share: | The dividend per CAAM Preference Share will be in the same amount as declared for and pari passu with (but in priority to) the CAAM Ordinary Shares |
| Conversion: | Holder of the CAAM Preference Shares may, at its discretion, elect at any time after one year from the date of issue to convert the CAAM Preference Shares into CAAM Ordinary Shares on a 1:1 basis |
| Voting rights: | Holder of the CAAM Preference Shares has no right to attend and vote at any general meeting of CAAM unless the rights of the CAAM Preference Shares are affected adversely |
| Transferability: | The CAAM Preference Shares are transferrable. Under the Shareholders' Agreement, Quality King undertakes not to dispose of any interest in or create any encumbrance over any of the CAAM Preference Shares without consent of the other shareholders of CAAM, save and except the transfer of all (but not some) of such CAAM Preference Shares to a wholly-owned subsidiary of Quality King or the Company |

The amount in relation to the subscription of shares and financing was determined after arm's length negotiations by the parties to the Shareholders' Agreement with reference to the estimated capital requirement for the business of CAAM.

Assuming no further issue of CAAM Ordinary Shares other than those referred to in (i) above and conversion in full of the CAAM Preference Shares into CAAM Ordinary Shares by Quality King, CAAM will become a subsidiary of the Company and the shareholding structure of CAAM will be as follows:

| | No. of CAAM Ordinary Shares | Approximate % to total |
|--------------|--|-----------------------------------|
| Quality King | 40,000,000 | 83.3 |
| AMICO | 5,000,000 | 10.4 |
| HG | 3,000,000 | 6.3 |
| Total | <u>48,000,000</u> | <u>100.0</u> |

- (iii) If further funding is required by CAAM, the board of directors of CAAM shall first consider external debt financing options or arrangements including but not limited to bank financing and issue of straight or convertible bonds or notes. If external debt financing is not available, CAAM shall raise further funding by way of equity issues to the existing shareholders of CAAM or any third party.

Others

The Shareholders' Agreement also contains other usual terms for agreement of this type such as dividend policy, restriction on transfer, tag-along right and drag-along right.

Termination

If CAAM fails to make any acquisition or investment on or before 31 December 2013, CAAM shall be liquidated in such manner to be decided by the shareholders of CAAM and the Shareholders' Agreement shall terminate.

REASONS FOR THE TRANSACTIONS

The Company is an investment holding company and the Group is principally engaged in the business of construction and engineering, insurance and investment, property development and investment, food and beverage, and computer and information communication technology.

The management of the Group have been from time to time seeking new business opportunities in Hong Kong and abroad while leveraging its vast operational flexibility in order to seize the competitive edge on the global market. In this connection, the Group considered the farming and agricultural business to be an industry with promising prospects. The beneficial owners of AMICO comprise individuals who have extensive experience in the farming and agricultural industry in Australia. In order to manage the business risk and financing needs associated with the new business line in farming and agricultural, the Directors consider it desirable to partner with AMICO and HG, who have the experience and financial capability to develop this business. The investment in CAAM would provide an opportunity for the Group to broaden its business operation and diversify its income stream if CAAM completes an investment in accordance with the objective and timeframe stipulated in the Shareholders' Agreement. The further subscription of CAAM Preference Shares would provide the Group with a flexibility to increase its holding in CAAM and eventually take control over CAAM if the conversion rights attached to the CAAM Preference Shares are exercised. Taking into account the above factors, the Directors consider that the Transaction is fair and reasonable and in the interests of the Company and its shareholders as a whole.

The funding for the subscription of the CAAM Ordinary Shares and the CAAM Preference Shares will be funded by the Group's internal resources and external financing.

LISTING RULES IMPLICATIONS

The Transaction (based on the aggregate capital commitment for the subscription of the CAAM Ordinary Shares and CAAM Preference Shares up to a maximum of A\$40 million (equivalent to approximately HK\$318.6 million)) constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Company will comply with applicable Listing Rules if Quality King exercises the conversion rights attached to the CAAM Preference Shares or if any investments by CAAM materialise as and when appropriate.

DEFINITIONS

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

| | |
|-------------|---|
| “AMICO” | Australian Management Investment Company Pty Limited, a company incorporated in Australia |
| “Australia” | The Commonwealth of Australia |

| | |
|----------------------------|---|
| “Board” | the board of Directors |
| “BVI” | the British Virgin Islands |
| “CAAM” | CAAM Limited, a company incorporated in the BVI |
| “CAAM Ordinary Share(s)” | ordinary voting share(s) of CAAM with no par value |
| “CAAM Preference Share(s)” | preference share(s) of CAAM with no par value which may be issued to Quality King at an issue price of A\$1.00 per preference share |
| “Company” | Chevalier International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 25) |
| “connected persons” | has the meaning ascribed to it under the Listing Rules |
| “Directors” | directors of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “HG” | Hector Global Limited, a company incorporated in the BVI |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Quality King” | Quality King Investments Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company |
| “Shareholders’ Agreement” | the shareholders’ agreement dated 17 October 2012 and entered into among Quality King, AMICO, HG and CAAM |
| “Transaction” | the subscription of 500 CAAM Ordinary Shares and the entering into of the Shareholders’ Agreement by Quality King |
| “A\$” | Australian dollar(s), the lawful currency of Australia |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “%” | per cent |

This announcement contains translation between A\$ and HK\$ at the rate A\$1.0 = HK\$7.966. The translation rate is for indication purposes only and should not be taken as a representation that the relevant currencies could actually be converted at that rate or at all.

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

Hong Kong, 17 October 2012

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