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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)

(1) MAJOR TRANSACTION IN RELATION TO DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF A WHOLLY-OWNED SUBSIDIARY AND LEASEBACK OF PROPERTY IN HONG KONG AND (2) RESUMPTION OF TRADING

THE DISPOSAL

After the Stock Exchange trading hours on 11 November 2014, the Vendors (indirect wholly-owned subsidiaries of the Company) entered into the Agreement with the Purchaser, pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares and the Sale Debt at the Consideration of HK\$1,413,000,000 (subject to adjustment).

THE LEASE

Pursuant to the terms of the Agreement, the Vendors and the Purchaser have also agreed that subject to Completion, the Purchaser shall procure the Target to lease the Property back to the Vendors or their nominee(s) which is a subsidiary and/or associated company of the Group for a period of three years from the Completion Date at a monthly rental of HK\$2,100,000 for the first year and HK\$3,200,000 for each of the second and the third years.

* *For identification purpose only*

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules. Since no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Agreement and the transactions contemplated thereunder, Dr. Chow Yei Ching (who is the controlling Shareholder holding 186,682,990 Shares, representing approximately 62.85% of the total issued share capital of the Company as at the date of the Agreement) has given his written approval of the Agreement and the transactions contemplated thereunder and such written approval has been accepted in lieu of holding a general meeting for the approval of the Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. Therefore, no general meeting of the Company for the approval of the Agreement and the transactions contemplated thereunder will be convened and held. A circular containing, among other things, details of the Disposal and the Lease and other information is required under Rule 14.41(a) of the Listing Rules to be despatched to the Shareholders within 15 business days from the date of this announcement. As additional time is needed for the Company to compile the information required for the circular, an application will be made to the Stock Exchange for a waiver from the strict compliance with Rule 14.41(a) of the Listing Rules and extending the deadline for the despatch of the circular to a date on or before 23 December 2014.

RESUMPTION OF TRADING

Trading of the Shares on the Stock Exchange was halted at the request of the Company with effect from 9:00 a.m. on Wednesday, 12 November 2014 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:00 a.m. on Thursday, 13 November 2014.

After the Stock Exchange trading hours on 11 November 2014, the Vendors (indirect wholly-owned subsidiaries of the Company) entered into the Agreement with the Purchaser, pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares (representing the entire issued share capital of the Target) and the Sale Debt at the Consideration of HK\$1,413,000,000 (subject to adjustment). Details of the Agreement are set out below.

THE AGREEMENT

Date

11 November 2014

Parties

- (i) City Unicorn Investments Limited, a company incorporated in the British Virgin Islands with limited liability, as Purchaser;
- (ii) Chevalier (Development) Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, as one of the Vendors; and
- (iii) Proud Rich Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, as one of the Vendors.

The Purchaser is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Asset to be disposed of

The Sale Shares, representing the entire issued share capital in the Target, as well as the Sale Debt, representing all debts owing by the Target to the Vendors, shall be sold free from all encumbrances and third party rights together with all rights and benefits accrued thereto as at the Completion Date.

Consideration

The Consideration for the Sale Shares and the Sale Debt is HK\$1,413,000,000 which shall be paid by the Purchaser to the Vendors by way of cash in the following manner:

- (i) an initial deposit in the sum of HK\$50,000,000 upon the signing of the Agreement;
- (ii) a further deposit in the sum of HK\$91,300,000 within 14 days from the date of the Agreement; and
- (iii) the balance of the Consideration (the "Balance Payment") of HK\$1,271,700,000 (subject to adjustment) upon Completion.

The Vendors undertake to deliver to the Purchaser or the Purchaser's solicitors at least five business days prior to the Completion Date the proforma completion accounts. If the NTAV as shown in the proforma completion accounts is more or less than zero, the Balance Payment shall be adjusted upwards or downwards respectively by the amount of NTAV.

The Vendors also undertake to deliver to the Purchaser or the Purchaser's solicitors within 60 days from the Completion Date the completion accounts of the Target audited by certified public accountants (practising) (approved by the Purchaser). If the NTAV as shown in such completion

accounts is more or less than the NTAV as shown in the proforma completion accounts, the Purchaser or the Vendors (as the case may be) shall pay the difference to the other party within five days from the date of receipt of such completion accounts.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendors having taken into account, among other things, the preliminary valuation of the Property by an independent professional valuer, the net asset value of the Target as at 31 March 2014 (please refer to the section headed "Information of the Target" below) and the future potential appreciation in the value of the Property in light of the possible change of the Property to non-industrial use.

Conditions

Completion is subject to fulfillment of the conditions, inter alia, being:

- (i) the Purchaser having completed its due diligence review on the business, financial, legal and other aspects of the Target as well as the title to the Property and satisfied with the results thereof by the date falling on the expiration of 30 days from the date of the Agreement;
- (ii) the Vendors having procured the Target to give and prove a good title to the Property in accordance with Sections 13A and 13 of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong); and
- (iii) the Company having complied with the Listing Rules and/or any other rules and regulations of the Stock Exchange or other government or competent authority(ies) with respect to the transactions contemplated under the Agreement.

If any of the conditions set out in the Agreement is not fulfilled (or waived by the Purchaser) on or before the Completion Date, the Purchaser shall be entitled to cancel the transactions under the Agreement whereupon the deposits paid by the Purchaser to the Vendors shall be returned by the Vendors to the Purchaser forthwith without interest, cost or compensation.

If the conditions set out in the Agreement are fulfilled but the Purchaser fails to complete the transactions in accordance with the terms of the Agreement or the Formal Agreement (applicable as the case may be) on the Completion Date, all deposits paid by the Purchaser shall be forfeited by the Vendors.

If the conditions set out in the Agreement are fulfilled but the Vendors fail to complete the Disposal in accordance with the terms of the Agreement or the Formal Agreement (applicable as the case may be) on the Completion Date, all deposits paid by the Purchaser shall be returned to the Purchaser and the Vendors shall pay to the Purchaser a sum equivalent to the deposits paid as liquidated damages.

Completion

Subject to the fulfillment (or waiver) of the conditions set out in the Agreement, Completion shall take place on or before 31 March 2015 or such later date as may be agreed between the Vendors and the Purchaser in writing. Upon Completion, the Group will cease to hold any interest in the Target and the Target will cease to be a subsidiary of the Company.

The Lease

Subject to Completion, the Purchaser shall procure the Target to lease the Property to the Vendors or their nominee(s) which is a subsidiary and/or associated company of the Group for a period of three years from the Completion Date at a monthly rental of HK\$2,100,000 for the first year and HK\$3,200,000 for each of the second and the third years. The Vendors or such nominee(s) shall also pay a sum of HK\$4,200,000 to the Purchaser as security deposit. During the term of the Lease, the Vendors or such nominee(s) shall be entitled to serve a 6-months' prior written notice to the Purchaser to terminate the Lease. The monthly rental under the Lease was determined after arm's length negotiations between the Vendors and the Purchaser with reference to prevailing market rental of similar properties in the area adjacent to the Property.

Formal Agreement

The Vendors and the Purchaser shall negotiate in good faith and use all their reasonable endeavours to enter into a Formal Agreement on or before 17 December 2014, which shall incorporate the terms, warranties, representations and indemnities customary to transactions similar to the one contemplated in the Agreement based on the principal terms set out in the Agreement. In the event that the Vendors and the Purchaser shall fail to reach agreement on the terms of the Formal Agreement on or before the aforesaid date, the Agreement shall remain valid and of full force and effect and the parties thereto shall continue to fulfill their respective obligations under the Agreement.

INFORMATION OF THE TARGET

The Target is currently legally owned as to 50% by each of the Vendors. The Target is principally engaged in property holding and its material asset is the Property which is located at New Kowloon Inland Lot No. 5972. The Property is a 15-storey (including 2 basement levels) non-residential building with gross floor area of approximately 177,500 square feet. Upon Completion, the Property will be delivered to the Purchaser on an "as is" basis.

The Property has been accounted for as investment property and stated at fair value in the financial statements of the Target. However, a substantial portion of the Property has been occupied by the Group for self-use, which has been accounted for by the Group as property, plant and equipment and stated at cost less accumulated depreciation and impairment; while the remaining portion of the Property has been leased to an associated company of the Group, which has been accounted for as investment property and stated at fair value in the consolidated financial statements of the Group.

Set out below are certain financial information extracted from the audited financial statements of the Target prepared in accordance with Hong Kong Financial Reporting Standards:

	Year ended 31 March	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	41,653	178,132
Profit for the year	39,740	175,151

Profit of the Target for the years ended 31 March 2014 and 2013 included an increase in fair value of the Property of approximately HK\$30 million and HK\$160 million respectively. As a result, profit of the Target for the year ended 31 March 2014 was lower than that for the year ended 31 March 2013.

As at 31 March 2014, the net asset value of the Target was approximately HK\$503 million, after taking into account the fair value of the Property as at 31 March 2014 of approximately HK\$600 million based on an independent professional valuation. As at 31 March 2014, the net carrying value of the Target included in the audited consolidated financial statements of the Group was approximately HK\$146 million, after taking into account the carrying value of the Property occupied for self-use amounted to approximately HK\$73 million and the fair value of the Property under lease amounted to approximately HK\$87 million.

As at 31 March 2014, the amount due to the Target by the Group amounted to approximately HK\$137 million and the outstanding balance of the mortgage loan in respect of the Property amounted to approximately HK\$228 million. It is one of the terms of the Agreement that the Vendors shall procure repayment of the mortgage loan in respect of the Property on or before the Completion Date. If the amount was advanced by the Group to the Target to finance the repayment of the mortgage loan, the net amount of debts owing by the Target to the Group as at 31 March 2014 would have amounted to approximately HK\$91 million. The balance of such amount immediately prior to Completion would constitute as the Sale Debt.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE LEASE

The Company is an investment holding company and the Group is principally engaged in the businesses of construction and engineering, insurance and investment, property development and investment, food and beverage, car dealership and fresh produce supply.

The Property was acquired by the Group in August 1987. Over the years, there had been substantial appreciation in the value of the Property. The Directors consider that the Disposal enables the Group to unlock the value in its investment in the Property, particularly in light of the revitalisation measures announced by the Hong Kong Government in October 2009 to facilitate the redevelopment and wholesale conversion of older industrial buildings. It is anticipated that the Group would realise a gain on the Disposal of approximately HK\$1,253 million (net of transaction costs and

professional fees), representing the difference between (i) the Consideration (net of transaction costs and professional fees); and (ii) the net carrying value of the Target in the consolidated financial statements of the Group of approximately HK\$146 million as at 31 March 2014.

Shareholders and investors should note that the actual gain on the Disposal is dependent upon the net carrying value of the Target in the consolidated financial statements of the Group as at the Completion Date and may be different from the amount calculated above. Shareholders and investors should also note that the aforesaid estimated gain will not be reflected in the interim results of the Group for the six months ended 30 September 2014 to be announced by the Company on or around 27 November 2014 as the Disposal will be completed after 30 September 2014. Nevertheless, the interim results for the six months ended 30 September 2014 shall reflect the fair value gain, if any, on the portion of the Property which had been accounted for as investment property in the consolidated financial statements of the Group based on the valuation of the Property as at 30 September 2014.

The Disposal will generate cash inflow to the Group to enhance its liquidity and working capital position. The proceeds from the Disposal, net of expenses directly attributable thereto, estimated to be approximately HK\$1,398 million are intended to be used for settlement of the mortgage loan of the Property, general working capital, capital expenditure and/or future investment opportunities of the Group as and when appropriate. The leaseback arrangement under the Lease enables the Group to continue to occupy and use the Property at market rent.

Based on the above, the Directors consider the terms of the Agreement are fair and reasonable and the Disposal and the Lease are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As certain applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

Since no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Agreement and the transactions contemplated thereunder, Dr. Chow Yei Ching (who is the controlling Shareholder holding 186,682,990 Shares, representing approximately 62.85% of the total issued share capital of the Company as at the date of the Agreement) has given his written approval of the Agreement and the transactions contemplated thereunder and such written approval has been accepted in lieu of holding a general meeting for the approval of the Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. Therefore, no general meeting of the Company for the approval of the Agreement and the transactions contemplated thereunder will be convened and held.

A circular containing, among other things, details of the Disposal and the Lease and other information is required under Rule 14.41(a) of the Listing Rules to be despatched to the Shareholders within 15 business days from the date of this announcement. As additional time is needed for the Company to compile the information required for the circular, an application will be made to the Stock Exchange for a waiver from the strict compliance with Rule 14.41(a) of the Listing Rules and extending the deadline for the despatch of the circular to a date on or before 23 December 2014.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Agreement”	the conditional provisional agreement dated 11 November 2014 entered into among the Vendors on the one part and the Purchaser on the other part for the sale and purchase of the Sale Shares and the Sale Debt
“Board”	the board of Directors
“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 Stock Exchange (Stock code: 25)
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Debt pursuant to the terms and conditions of the Agreement
“Completion Date”	the date on which Completion takes place
“Consideration”	the aggregate consideration for the Sale Shares and the Sale Debt in the amount of HK\$1,413,000,000 (subject to adjustment)
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares and the Sale Debt by the Vendors to the Purchaser in accordance with the terms of the Agreement

“Formal Agreement”	a formal agreement for the sale and purchase of the Sale Shares and the Sale Debt to be entered into by the Vendors and the Purchaser on or before 17 December 2014
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Lease”	the leaseback arrangement stipulated under the Agreement, pursuant to which the Purchaser shall procure the Target to lease the Property back to the Vendors or their nominee(s) which is a subsidiary and/or associated company of the Group, subject to Completion
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NTAV”	the aggregate of all tangible assets of the Target which are readily convertible into cash or cash equivalents (excluding the Property, any intangible assets and other fixed assets and deferred tax), less the aggregate of all liabilities (actual, contingent or otherwise but excluding the Sale Debt and deferred tax) and provisions of the Target as at the Completion Date
“Property”	the property located at New Kowloon Inland Lot No. 5972 held by the Target
“Purchaser”	City Unicorn Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale Debt”	all debts owing by the Target to the Vendors immediately prior to Completion
“Sale Shares”	two issued shares in the capital of the Target
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Peak Gain Limited, a company incorporated in Hong Kong with limited liability and is legally owned as to 50% by each of the Vendors

“Vendors”	Chevalier (Development) Company Limited (a company incorporated in Hong Kong with limited liability) and Proud Rich Limited (a company incorporated in Hong Kong with limited liability), both are indirect wholly-owned subsidiaries of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 12 November 2014

As at the date of this announcement, the Board of the Company 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, Yang Chuen Liang, Charles and Professor Poon Chung Kwong as Independent Non-Executive Directors; and Dr Ko Chan Gock, William as Non-Executive Director.