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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: 025)

### **DISCLOSEABLE TRANSACTION**

#### **IN RELATION TO ACQUISITION OF 100% EQUITY INTEREST IN A COMPANY**

On 27 May 2011, the Purchaser entered into the Acquisition Agreement with the Vendors for the acquisition of the Sale Shares and the Kingtime Sale Loan at an aggregate consideration of HK\$286,000,000 (subject to adjustment(s)).

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **THE ACQUISITION AGREEMENT**

Date                      27 May 2011

#### **Parties**

- (i) Purchaser:      Market Phoenix Limited, an investment holding company and a subsidiary of the Company; and
- (ii) Vendors:        Cosmos Machinery (Holdings) Limited and Place Day Limited, both are investment holding companies.

To the best of the Directors' knowledge, information and belief after making reasonable enquiries, the Vendors and their ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

## **Assets to be acquired**

The assets to be acquired by the Purchaser comprise (i) the Sale Shares, being one ordinary share of US\$1 each in each of the capital of Kingtime and Million Bond respectively beneficially and legally owned by Cosmos and Place Day respectively, representing the entire issued share capital of Kingtime and Million Bond respectively as at the date of this announcement; and (ii) the Kingtime Sale Loan.

The Sale Shares and the Kingtime Sale Loan shall be sold free from all encumbrances or any third party rights together with all rights attached to them as at the Completion Date. Kingtime and Million Bond are investment holding companies holding respectively 51% and 49% equity interest in TTI.

TTI is the owner of the Property, which represents all that piece or parcel of ground in Tsing Yi Island, New Territories, Hong Kong with the messuages erections and buildings erected thereon now known as Nos.29-33 Tsing Yi Road, Tsing Yi Island, New Territories, Hong Kong. The Property has a gross floor area of approximately 253,470 sq. ft.

As at the date of the announcement, TTI has applied for and obtained the Waiver in principle.

## **Consideration**

The aggregate consideration for the Sale Shares and the Kingtime Sale Loan is HK\$286,000,000 (to be adjusted by adding or deducting, as the case may be, the Adjusted Net Current Assets Value), which shall be apportioned as follows:

- (i) the total consideration for the sale of the Kingtime Sale Share and the Kingtime Sale Loan (the “Kingtime Consideration”), being a sum equal to 51% of the Consideration, which shall be payable to Cosmos:
  - (a) the consideration for the Kingtime Sale Loan shall be a sum equal to the principal amount of the Kingtime Sale Loan; and
  - (b) the consideration for the Kingtime Sale Share shall be a sum equal to the Kingtime Consideration less the principal amount of the Kingtime Sale Loan;
- (ii) the consideration for the sale of the Million Bond Sale Share, being a sum equal to 49% of the Consideration.

Provided that the Adjusted Net Current Assets Value shall not exceed HK\$20,000,000 (i.e. the Consideration shall not be increased or reduced by more than HK\$20,000,000).

The Consideration shall be payable by the Purchaser to the Vendors in the following manner:

- (i) HK\$14,535,000 as deposit paid by the Purchaser to Cosmos upon the signing of the Acquisition Agreement by way of a cashier's order issued by a licensed bank in Hong Kong in favour of Cosmos;
- (ii) HK\$13,965,000 as deposit paid by the Purchaser to Place Day upon the signing of the Acquisition Agreement by way of a cashier's order issued by a licensed bank in Hong Kong in favour of the agent of Place Day; and
- (iii) the balance of the Consideration shall be paid at or before 1:00 pm on the Completion Date by way of two cashier's orders issued by a licensed bank in Hong Kong in favour of the Cosmos and Place Day respectively.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendors having taken into account (i) the estimated market value of the Property which is determined by reference to comparable sale transactions of similar properties in the same district in Hong Kong; and (ii) the net asset values of Kingtime, Million Bond and TTI.

The Consideration will be financed by internal resources and external financing of the Group.

### **Conditions precedent**

Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:-

- (a) TTI remaining the sole and beneficial owner of the Property free from encumbrances and/or third party rights save and except for a building order;
- (b) the Waiver remaining valid and in force;
- (c) TTI having terminated the employment of all its existing employees and paid all the remunerations and entitlements in relation thereto;
- (d) the Purchaser having seen the original title deeds in respect of the Property;

- (e) all outstanding loan(s) owed by Kingtime and Million Bond to TTI shall be fully repaid;
- (f) vacant possession of the Property will be delivered to the Purchaser;
- (g) there being no breach of any of the warranties on Completion, except for any breach(es) which have a material adverse effect;
- (h) no event having occurred since the date of the Acquisition Agreement to Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of Kingtime, Million Bond and/or TTI;
- (i) all necessary statutory governmental and regulatory obligations having been complied with and all necessary regulatory authority in Hong Kong, governmental and third party consents and approvals (including those person entitled to any pre-emption rights) and waivers contemplated under the Acquisition Agreement having been obtained without any condition (or subject to other conditions reasonably acceptable to the parties to the Acquisition Agreement).

If any of the conditions precedent has not been fulfilled or waived (as the case may be) on the Completion Date, the rights and obligations of the parties under the Acquisition Agreement shall lapse and cease to have effect except for antecedent breach.

In the event that the Acquisition Agreement is terminated due to any breach or non-performance of the Purchaser, the Vendors shall be entitled to forfeit and keep the deposit without prejudice to other rights and remedies of the Vendors. In the event that the Acquisition Agreement is terminated due to the breach or non-performance of the Vendors, the deposit shall be returned to the Purchaser within three Business Days after (and exclusive of) the date of termination without prejudice to other rights and remedies of the Purchaser including to apply for an order of specific performance against the defaulting Vendor(s). If the Acquisition Agreement is terminated due to reason other than a breach or non-performance of the Vendors or the Purchaser, the deposit shall be returned to the Purchaser within three Business Days after (and exclusive of) the date of termination.

### **Completion**

The Completion shall take place on 15 June 2011 or such other date as agreed by the Purchaser and the Vendors in writing.

### **INFORMATION ON KINGTIME, MILLION BOND AND TTI**

Kingtime and Million Bond are investment holding companies incorporated in the British Virgin

Islands, holding respectively 51% and 49% equity interest in TTI. TTI is a company incorporated in Hong Kong. It is the owner of the Property, the particulars of which are disclosed in the paragraph headed “Assets to be acquired” above.

Summarised below are the Combined Accounts for the two years ended 31 December 2010 and 2009:

	<b>For the year ended 31</b>	
	<b>December</b>	
	<b>2010</b>	<b>2009</b>
	<b><i>HK\$ '000</i></b>	<b><i>HK\$ '000</i></b>
Loss before taxation	<b>(1,300)</b>	<b>(86)</b>
Loss after taxation	<b>(1,087)</b>	<b>(73)</b>

According to the Combined Accounts, the net asset value of TTI, Kingtime and Million Bond in a combined basis as at 31 March 2011 was approximately HK\$2,654,000.

## **REASONS FOR THE ACQUISITION**

The Company is an investment holding company and the Group is principally engaged in the business of construction and engineering, insurance and investment, property (including property development, investment and management, godown and cold storage), food and beverages, and computer and information communication technology.

With the continuing growth in the Hong Kong local economy, there is an increasing demand for godown space. The Directors consider that it is an opportune time to acquire the Property for its own use.

Taking into account the above factors, the Directors consider that the terms of the Acquisition including the Consideration are fair and reasonable and the Acquisition is in the interests of the Shareholders and the Company as a whole.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios in respect of the Acquisition is above 5% and all of these ratios are below 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Kingtime Sale Share together with the Kingtime Sale Loan and the Million Bond Sale Share by the Purchaser from Cosmos and Place Day respectively pursuant to the terms of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 27 May 2011 entered into between the Purchaser and the Vendors in relation to the Acquisition
“Adjusted Net Current Assets Value”	the adjusted net current assets value shown in the management accounts, comprising the profit and loss account and balance sheet, of Kingtime, Million Bond and TTI for the period from 1 April 2011 to the Completion Date
“Board”	the board of Directors
“Business Day”	means a day (excluding Saturday, Sunday and public holidays) or days on which banks in Hong Kong are open for business
“Company”	Chevalier International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 025)
“Completion”	Completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Completion Date”	15 June 2011 or such other date as agreed by the Purchaser and the Vendors in writing
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration of HK\$286,000,000 (to be adjusted by adding or reducing the Adjusted Net Current Assets Value)
“Combined Accounts”	the unaudited accounts, comprising the combined profit and loss account and the combined balance sheet, prepared based on the profit and loss accounts and balance sheets of Kingtime, Million Bond and TTI with all of them prepared in accordance with Hong Kong Financial Reporting Standards
“Cosmos”	Cosmos Machinery (Holdings) Limited, a company incorporated under the laws of Hong Kong
“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
“Kingtime”	Kingtime Holdings Limited, a company incorporated under the laws of the British Virgin Islands and a wholly owned subsidiary of Cosmos, owns 51% of the entire issued share capital of TTI
“Kingtime Sale Loan”	all obligations, liabilities and debts owing or incurred by Kingtime to Cosmos as at the Completion Date
“Kingtime Sale Share”	one ordinary share in Kingtime, representing the entire issued share capital of Kingtime as at the date of the Acquisition Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Million Bond”	Million Bond Limited, a company incorporated under the laws of the British Virgin Islands and a wholly owned subsidiary of Place Day, owns 49% of the entire issued share capital of TTI
“Million Bond Sale Share”	one ordinary share in Million Bond, representing the entire issued share capital of Million Bond as at the date of the Acquisition Agreement
“Place Day”	Place Day Limited, a company incorporated under the laws of the British Virgin Islands
“Property”	all that piece or parcel of ground registered in the Land Registry as Tsing Yi Town Lot No. 68 together with the messuages erections and buildings erected thereon now known as Nos. 29-33 Tsing Yi Road, Tsing Yi Island, New Territories, Hong Kong
“Purchaser”	Market Phoenix Limited, a company incorporated in the British Virgin Islands with limited liability and a subsidiary of the Company
“Sale Shares”	collectively the Kingtime Sale Share and the Million Bond Sale Share
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$1.25 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TTI”	Tai Tung Industrial Equipment Limited, a company incorporated in Hong Kong with limited liability, in which 15,300,000 and 14,700,000 ordinary shares of HK\$1 each beneficially and legally owned by Kingtime and Million Bond respectively, representing in aggregate its entire issued share capital as at the date of this announcement
“Vendors”	Collectively Cosmos and Place Day
“Waiver”	TTI has applied for a wavier to permit or allow a substantial part of the Property to be used for general godown purpose instead of the

manufacture, assembly and maintenance of machinery and industrial equipment, the specified use of the Property under the government lease. The application for the waiver has been approved by the Lands Department in principle subject to the payment of a waiver fee, non-refundable administrative fee and deposit

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“sq. ft.”	square feet
“%”	per cent

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

Hong Kong, 27 May 2011

*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 and Ma Chi Wing 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.*

*\* For identification purpose only*