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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)

MAJOR TRANSACTION RELATING TO ACQUISITION OF 100% EQUITY INTEREST IN A PROPERTY HOLDING AND LETTING COMPANY AND RESUMPTION OF TRADING

THE ACQUISITION

After Stock Exchange trading hours on 6 January 2011, the Purchaser entered into the Acquisition Agreement with the Vendor, pursuant to which and subject to fulfillment or waiver (as the case may be) of certain conditions, the Vendor has agreed to sell and procure a fellow subsidiary of the Vendor to sell and the Purchaser has agreed to purchase respectively the Sale Share and the Sale Loan at an aggregate consideration of HK$686,500,000 (subject to adjustment(s)).

The Sale Share represents the entire issued share capital of Kwai Hei as at the date of this announcement. The principal asset of Kwai Hei is the Property, which represents a parcel of ground in Kwai Chung, New Territories, Hong Kong with the building erected thereon (now known as No. 8 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong). The Property has a gross floor area of approximately 379,989 sq. ft. and is currently occupied and operated by a sub-tenant as a cold storage under the Sub-Lease. The Property is subject to the Lease and Sub-Lease.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval of the Shareholders by way of poll.

As no Shareholder would have a material interest in the Acquisition which is different from the interests of the other Shareholders, no Shareholder would be required to abstain from voting. Dr. Chow, the controlling Shareholder interested in 154,682,359 Shares (representing approximately 55.73% of the issued share capital of the Company) as at the date hereof, has given his written consent for the Acquisition Agreement and the transactions contemplated thereunder. The written consent has been accepted in lieu of holding a special general meeting to approve the Acquisition Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.41(a), a circular containing, among other things, details of the Acquisition Agreement, the accountants' report of Kwai Hei, the financial information of the Group, the valuation report on the Property and other information as required under the Listing Rules shall be despatched to the Shareholders on or before 28 January 2011. As additional time is required for the Company to prepare the relevant information for inclusion in the circular, the Company will apply to the Stock Exchange for a waiver from the strict compliance with Rule 14.41(a) of the Listing Rules for an extension of the deadline for the despatch of the circular to a date not later than 28 February 2011.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 7 January 2011 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 10 January 2011.

* *For identification purpose only*

THE ACQUISITION AGREEMENT

Date

6 January 2011

Parties

(i) Purchaser: Legend One Limited, an investment holding company and a subsidiary of the Company; and

(ii) Vendor: Goodman HK Investments, an investment holding company.

To the best of the Directors' knowledge, information and belief after making reasonable enquiries, the Vendor and its 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 Share, being one ordinary share of HK$1 each in the capital of Kwai Hei beneficially and legally owned by the Vendor, representing the entire issued share capital of Kwai Hei as at the date of this announcement; and (ii) the Sale Loan. The principal amount of the Sale Loan is approximately HK$490,000,000 as at the date of this announcement.

The Sale Share and the 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.

The principal asset of Kwai Hei is the Property, which represents a parcel of ground in Kwai Chung, New Territories, Hong Kong with the building erected and the fixtures and fittings thereon (now known as No. 8 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong). The Property has a gross floor area of approximately 379,989 sq. ft. and is currently occupied and operated by a sub-tenant as a cold storage for a term of 14 years from 15 February 2005 to 11 February 2019 under the Sub-Lease. The current rent under the Lease is approximately HK$3.3 million per month (exclusive of rates, Government rent, utility charges and all outgoings). The Property is subject to the Lease and the Sub-Lease.

Consideration

The aggregate consideration for the Sale Share and the Sale Loan is HK$686,500,000 (to be adjusted by adding the adjusted net current assets or deducting the adjusted net current liabilities of Kwai Hei set out in the Completion Accounts), which shall be apportioned as follows:

(i) the consideration for the Sale Loan shall be equal to the principal amount of the Sale Loan; and

(ii) the consideration for the Sale Share shall be a sum equivalent to the Consideration less the consideration for the Sale Loan,

provided that where the adjusted net current assets value shown in the Completion Accounts exceeds HK$5,000,000, it shall be taken as HK$5,000,000 (i.e. the Consideration shall not be increased by more than HK$5,000,000).

The Consideration shall be payable in cash in the following manner:

(i) HK$34,175,000 as an initial deposit which has been paid by the Purchaser upon signing of the MOU;

(ii) HK$68,350,000 as a further deposit which has been paid by the Purchaser upon signing of the Acquisition Agreement; and

(iii) the balance of the Consideration shall be paid by the Purchaser upon Completion.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor having taken into account (i) the estimated market value of the Property with reference to comparable sale transactions of similar properties in the same district in Hong Kong; and (ii) the net asset value of Kwai Hei.

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:

(i) the passing of a resolution approving the execution of the Acquisition Agreement and the transactions contemplated thereby by the Shareholders in a general meeting of the Company or, where applicable, by the grant of a written Shareholders' approval from a Shareholder or a closely allied group of Shareholders holding, together, more than 50% in the nominal value of the Shares having the right to attend and vote at the relevant general meeting (if a general meeting is to be convened) in lieu of holding a general meeting in accordance with the Listing Rules;

(ii) Kwai Hei remaining the sole and beneficial owner of the Property which is subject to the Lease and Sub-Lease but otherwise shall be free from all charges, claims, third party rights, equitable interests, liens, options, pledges, security interests, rights of first refusal, similar restrictions of any kind, and/or third party rights whatsoever (save and except those contemplated to be released upon Completion); and

(iii) there being no breach of any of the representations, warranties and undertakings made or given by the Vendor in favour of the Purchaser as set out in the Acquisition Agreement on Completion, except for any breach which would not reasonably be expected to have, whether alone or in aggregate with other breaches of the representations, warranties and undertakings made or given by the Vendor, a material adverse effect (for the avoidance of doubt, where there is any breach of representations, warranties or undertakings on Completion which would not reasonably be expected to have, whether alone or in aggregate with other breaches of representations, warranties or undertakings by the Vendor, a material adverse effect, the Purchaser is obliged to proceed with Completion without prejudice to any rights and remedies the Purchaser may have).

Conditions (ii) and (iii) above are capable of being waived in writing by the Purchaser. 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 Vendor shall be entitled to forfeit and keep the Deposits without prejudice to other rights and remedies of the Vendor. In the event that the Acquisition Agreement is terminated due to the breach or non-performance of the Vendor, the Deposits with accrued interest shall be returned to the Purchaser within three Business Days from (and exclusive of) the date of termination without prejudice to other rights and remedies of the Purchaser. If the Acquisition Agreement is terminated due to reason other than a breach or non-performance of the Vendor or the Purchaser, the Deposits without interest shall be returned to the Purchaser within three Business Days after (and exclusive of) the date of termination.

Completion

Subject to the fulfillment or waiver (as the case may be) of the conditions precedent, Completion shall take place on 1 April 2011 or such other date as may be agreed by the Purchaser and Vendor in writing.

Upon Completion, Kwai Hei will become a subsidiary of the Company. The results, assets and liabilities of Kwai Hei will be consolidated into the financial statements of the Group.

INFORMATION ON KWAI HEI

Kwai Hei is a company incorporated in Hong Kong. It is principally engaged in property holding and letting. The principal asset of Kwai Hei is the Property, the particulars of which are disclosed in the paragraph headed "Assets to be acquired" above.

Summarised below are the audited financial information of Kwai Hei for the two years ended 31 March 2010 and 2009 prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 March	
	2010	2009
	HK$ million	*HK$ million*
Profit before taxation	**52.6**	22.1
Profit after taxation	**43.9**	20.4

According to the unaudited financial statements of Kwai Hei, the net asset value of Kwai Hei as at 30 November 2010 was approximately HK$83.3 million.

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 development and investment, food and beverages, and computer and information communication technology.

The local economy of Hong Kong continues to grow on the back of strong merchandise and service exports, the reaching of the re-export volume to the level prior to the financial crisis in late 2008 and the continued fall of unemployment rates. Coupled with the sustained low interest rate environment and the abundant liquidity in the market, the improved economic fundamentals have driven the property market in Hong Kong to boom further. In particular, the measures implemented by the Hong Kong government to revitalize local industrial building in April 2010 and the edging rentals have drawn buying interests for whole-block industrial development. In light of the above, the Directors are optimistic about the prospects of the property market in Hong Kong and consider that it is an opportune time to acquire the Property for investment purpose. Moreover, the Directors are of the view that the Acquisition would generate stable rental revenue and return and provide capital appreciation potential to the Group.

Taking into account the above factors, the Directors consider that the terms of the Acquisition Agreement 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

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval of the Shareholders by way of poll.

As no Shareholder would have a material interest in the Acquisition which is different from the interests of the other Shareholders, no Shareholder would be required to abstain from voting. Dr. Chow, the controlling Shareholder interested in 154,682,359 Shares (representing approximately 55.73% of the issued share capital of the Company) as at the date hereof, has given his written consent for the Acquisition Agreement and the transactions contemplated thereunder. The written consent has been accepted in lieu of holding a special general meeting to approve the Acquisition Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.41(a), a circular containing, among other things, details of the Acquisition Agreement, the accountants' report of Kwai Hei, the financial information of the Group, the valuation report on the Property and other information as required under the Listing Rules shall be despatched to the Shareholders on or before 28 January 2011. As additional time is required for the Company to prepare the relevant information for inclusion in the circular, the Company will apply to the Stock Exchange for a waiver from the strict compliance with Rule 14.41(a) of the Listing Rules for an extension of the deadline for the despatch of the circular to a date not later than 28 February 2011.

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DEFINITIONS

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

"Acquisition"	the acquisition of the Sale Share and Sale Loan by the Purchaser from the Vendor and a fellow subsidiary of the Vendor respectively pursuant to the terms of the Acquisition Agreement
"Acquisition Agreement"	the sale and purchase agreement dated 6 January 2011 entered into between the Purchaser and the Vendor in relation to the Acquisition
"Board"	the board of Directors
"Business Day(s)"	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 Accounts"	a set of completion accounts showing the adjusted net current assets or liabilities of Kwai Hei as at Completion Date and agreed upon by the Purchaser and the Vendor
"Completion Date"	the date on which Completion takes place, being 1 April 2011 or such other date as agreed by the Purchaser and the Vendor in writing
"Consideration"	the aggregate consideration of HK$686,500,000 (to be adjusted by adding the adjusted net current assets or deducting the adjusted net current liabilities of Kwai Hei set out in the Completion Accounts) for the Sale Share and the Sale Loan under the Acquisition Agreement
"connected persons"	has the meaning ascribed to it under the Listing Rules
"Deposits"	the initial deposit and further deposit in an aggregate amount of HK$102,525,000 which have been paid by the Purchaser upon signing of the MOU and the Acquisition Agreement respectively
"Director(s)"	director(s) of the Company
"Dr. Chow"	Dr. Chow Yei Ching, the Chairman and the controlling Shareholder holding 154,682,359 Shares (representing approximately 55.73% of the issued share capital of the Company) as at the date hereof
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Kwai Hei"	Kwai Hei Investments No.1 Limited, a company incorporated in Hong Kong with limited liability
"Lease"	the lease in respect of the Property dated 15 February 2005 (as supplemented by an addendum dated 15 April 2008)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"MOU"	the memorandum of understanding signed between the Vendor and the Group on 24 November 2010 (as amended by the supplemental memorandum of understanding dated 31 December 2010) in respect of the proposed Acquisition
"Property"	all that piece or parcel of ground registered in the Tsuen Wan New Territories Land Registry as Kwai Chung Town Lot No. 360 together with the messuages, erections and buildings (including fixtures and fittings, all equipment, machinery presently located within the property) thereon now known as No. 8 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong
"Purchaser"	Legend One Limited, a company incorporated in the British Virgin Islands with limited liability and a subsidiary of the Company
"Sale Loan"	all obligations, liabilities and debts owing or incurred by Kwai Hei to a fellow subsidiary of the Vendor as at the Completion Date
"Sale Share"	one ordinary share of HK$1 each in the capital of Kwai Hei, representing the entire issued share capital of Kwai Hei as at the date of the Acquisition Agreement
"Share(s)"	ordinary share(s) of HK$1.25 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sub-Lease"	the sub-lease in respect of the Property dated 15 February 2005 (as supplemented by an addendum dated 16 June 2008)
"Vendor"	Goodman HK Investments, a company incorporated under the laws of Cayman Islands
"HK$"	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, 7 January 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.