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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)

### ISSUE OF HK\$450,000,000 2.125 PER CENT. CONVERTIBLE BONDS DUE 2011 AND RESUMPTION OF TRADING OF SHARES

The Company and Goldman Sachs International entered into the Purchase Agreement, under which the Company agreed to issue, and the Purchaser agreed to subscribe for, HK\$450,000,000 in aggregate principal amount of 2.125 per cent. Convertible Bonds due 2011.

The Bonds are convertible into Shares at an initial conversion price of HK\$11.20 per Share. Application will be made for the listing of and permission to deal in the Shares to be issued on conversion of the Bonds.

Upon full conversion of the Bonds, and based on the Conversion Price (as defined hereinafter) (assuming no adjustment to the Conversion Price), a total of 40,178,571 new Shares will be issued, representing approximately 14.42% of the existing issued share capital of the Company and 12.60% of the issued share capital of the Company as enlarged by the issue of the New Shares.

The net proceeds of the issue of the Bonds are estimated to be approximately HK\$433 million. The Company intends to apply the net proceeds for the Company's development and expansion of existing businesses and potential investment in new businesses, and for general working capital.

At the request of the Company, trading in the Shares was suspended on the Stock Exchange from 9.30 a.m. on 27 July 2006 pending the release of this announcement. Application for the resumption of trading in the Shares has been made by the Company to the Stock Exchange to the effect that trading in Shares will resume at 9.30 a.m. on 28 July 2006.

The Directors are pleased to announce that on 26 July 2006, Chevalier International Holdings Limited (the "Company") and Goldman Sachs International (the "Purchaser") entered into the Purchase Agreement, under which, subject to certain terms and conditions (the "Conditions"), the Company agreed to issue, and the Purchaser agreed to subscribe for, HK\$450,000,000 in aggregate principal amount of 2.125 per cent. Convertible Bonds due 2011 (the "Bonds").

#### PURCHASE AGREEMENT

**Date:**

26 July 2006

**Issuer:**

The Company

**Bonds to be issued:**

An aggregate of HK\$450,000,000 2.125 per cent. Convertible Bonds due 2011

**Subscriber of the Bonds:**

The Purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

**Consideration for the Bonds:**

HK\$434,250,000

**Principal terms of the Bonds:**

*Maturity:*

28 July 2011 (the "Maturity Date")

Unless previously converted or purchased or redeemed, each Bond shall be redeemed by the Company at 121.3 per cent. of its principal amount together with accrued interest on the Maturity Date

*Interest:*

The Bonds bear interest from 28 July 2006 at the rate of 2.125 per cent. per annum of the principal amount of the Bonds. Interest is payable semi-annually in arrear on 28 January and 28 July in each year.

*Conversion Price:*

HK\$11.20 per share (“**Share**”) of par value HK\$1.25 in the capital of the Company (the “**Conversion Price**”), subject to adjustments under the Conditions for the consolidation, subdivision and reclassification of the Shares, capitalization of profits or reserves, issue of Shares by way of scrip dividend, distribution to shareholders of the Company, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price, other offers to shareholders of the Company.

This initial Conversion Price represents:–

- a. a premium of approximately 16.06 % to the closing price of HK\$9.65 per Share traded on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 26 July 2006;
- b. a premium of approximately 15.11% to the average closing price of HK\$9.73 per Share as quoted on the Stock Exchange for the last five trading days up to and including 26 July 2006; and
- c. a premium of approximately 16.91% to the average closing price of HK\$9.58 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 26 July 2006.

Upon full conversion of the Bonds, and based on the Conversion Price (as defined hereinafter) (assuming no adjustment to the Conversion Price), a total of 40,178,571 new Shares (“**New Shares**”) will be issued, representing approximately 14.42% of the existing issued share capital of the Company and 12.60% of the issued share capital of the Company as enlarged by the issue of the New Shares. The New Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 9 September 2005, which has not been utilised.

*Conversion Period:*

The holders of the Bonds shall have the right to convert their Bonds into Shares at any time during the following period:

at any time on and after 7 August 2006 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on 21 July 2011 (but, except as provided in Conditions, in no event thereafter) or if such Bond shall have been called for redemption before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than seven business days (in the place aforesaid) prior to the date fixed for redemption thereof (the “**Conversion Period**”).

*Redemption at the option of the Company:*

On or at any time after 28 July 2009 and prior to the Maturity Date, the Company may redeem all and not some only of the Bonds at a redemption price equal to the Early Redemption Amount on the redemption date together with accrued interest to but excluding the redemption date, provided, however, that no such redemption may be made unless (i) the closing price of the Shares for each of the 30 consecutive Trading Days, the last day of which falls within 5 Trading Days prior to the date upon which notice of such redemption is given was at least 130 per cent. of the applicable Early Redemption Amount in effect on such Trading Day divided by the Conversion Ratio (defined as the principal amount of the Bonds divided by the then applicable Conversion Price) or (ii) at least 95 per cent. in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled.

In addition, the Company may redeem all the Bonds at any time when it is obliged to make extra payments due to changes in tax law or regulations of Bermuda or Hong Kong after 26 July 2006,

*Redemption at the option of the bondholders*

On 28 July 2009 (the “**Put Option Date**”), the holder of each Bond will have the right at such holder’s option, to require the Company to redeem all or some only of the Bonds of such holder on the Put Option Date at 113.1 per cent. of their principal amount together with accrued interest to but excluding the redemption date.

In addition, in case of a change in control of the Company or the delisting of the Company on the Stock Exchange or an alternate stock exchange, holders of Bond may opt for early redemption at the Early Redemption Amount.

*The Early Redemption Amount*

The “**Early Redemption Amount**” of each Bond referred to above means an amount rounded up to the nearest cent, determined in accordance with the following formula:

Early Redemption Amount = Previous Redemption Amount + (Next Redemption Amount - Previous Redemption Amount) x (d/p)

Where

*Previous Redemption Amount* = the Early Redemption Amount for each HK\$5,000,000 principal amount on the Semi-Annual Date immediately preceding the date fixed for redemption as set out below (or if the Bonds are to be redeemed prior to 28 January 2007, HK\$5,000,000);

*Next Redemption Amount* = Amount on a Semi-Annual Date immediately following the Early Redemption Date;

*d* is number of days from and including the immediately preceding Semi-Annual Date to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed;

*p* is 180;

“**Early Redemption Date**” means the date on which the Early Redemption Amount is payable, pursuant to the Terms and Conditions of the Bonds;

“**Trading Day**” means a day on which the Stock Exchange is open for business.

A. In relation to Early Redemption Date which occurs before 28 July 2009:

<b>Semi-Annual Date</b>	<b>Early Redemption Amount for each Bond with denomination of HK\$5,000,000 (HK\$)</b>
28 July 2006	5,000,000.00
28 January 2007	5,101,049.31
28 July 2007	5,205,214.46
28 January 2008	5,312,591.53
28 July 2008	5,423,279.56
28 January 2009	5,537,380.63
28 July 2009	5,655,000.00

B. In relation to Early Redemption Date which occurs on or after 28 July 2009:

<b>Semi-Annual Date</b>	<b>Early Redemption Amount for each Bond with denomination of HK\$5,000,000 (HK\$)</b>
28 July 2009	5,601,840.19
28 January 2010	5,712,668.94
28 July 2010	5,826,741.40
28 January 2011	5,944,152.51
28 July 2011	6,065,000.00

#### **Conditions precedent and closing:**

The obligations of the Purchaser to subscribe and pay the net subscription moneys for the Bonds are subject to the following conditions precedent:

- (1) the fiscal agency agreement between, inter alia, the Company and the paying agents and conversion agents, in a form reasonably satisfactory to the Purchaser, shall have been executed by all parties thereto on or prior to the Closing Date;
- (2) the Stock Exchange shall have agreed, subject to any conditions reasonably satisfactory to the Purchaser, to list the New Shares issued upon conversion of the Bonds;
- (3) on or prior to the Closing Date, there shall have been delivered to the Purchaser, each in a form satisfactory to the Purchaser, opinions, dated the Closing Date, of legal advisers to the Company as to Bermuda law; English and Hong Kong law; and legal advisers to the Purchaser as to English law, and such other resolutions, consents, authorities and documents relating to the issue of the Bonds, as the Purchaser may reasonably require;
- (4) on or prior to the Closing Date, each of Chow Yei Ching, Kuok Hoi Sang, Fung Pak Kwan, Tam Kwok Wing, Kan Ka Hon, Ho Chung Leung, being executive Directors of the Company, shall have executed a lock-up agreement of Shares held by them for a period of 90 days after the Closing Date;
- (5) at the Closing Date (i) the representations and warranties of the Company shall be true, accurate and correct in all respects at, and as if made on such date; (ii) the Company shall have performed all of its obligations hereunder expressed to be performed on or before such date; and (iii) there shall have been delivered to the Purchaser a certificate, dated as of such date, of a duly authorised officer of the Company to such effect; and
- (6) at the Closing Date there shall not have occurred any change, or any development or event reasonably likely to involve a prospective change, in the financial condition, operations, business or properties of the Company and its subsidiaries as a whole, which, in the opinion of the Purchaser, is material and adverse.

The “Closing Date” shall be 28 July 2006 or such other date as shall be agreed between the Company and the Purchaser.

#### **USE OF PROCEEDS AND REASONS FOR THE ISSUE OF THE BONDS**

The Group is principally engaged in construction and engineering, insurance and investment, property and hotel investment, computer and information communication technology and food and beverage.

The net proceeds of the issue of the Bonds are estimated to be an aggregate amount of approximately HK\$433 million. The Company intends to apply the net proceeds for the Company’s development and expansion of existing businesses and potential investment in new businesses, and for general working capital. There is currently no specific allocation of the net proceeds in respect of the intended uses.

The Directors (including the independent non-executive Directors) believe that the terms of the Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of the shareholders of the Company as a whole.

#### **LISTING**

No application will be made for the listing of, or permission to deal in, the Bonds on the Stock Exchange or any other stock exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares to be issued upon conversion of the Bonds.

The Stock Exchange has requested and the Company has undertaken that in the event it comes to the attention of the Company that any of its connected persons (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) deals in the Bonds, the Company shall notify the Stock Exchange forthwith.

## SHAREHOLDING STRUCTURE

The shareholding structure<sup>1</sup> of the Company before any conversion and after conversion in full of the Bonds:-

Name of Shareholders	Shareholding		Shareholding after	
	No. of Shares	Percentage	conversion of the Bonds	at the initial Conversion Price
<b>Percentage</b>			<b>No. of Shares</b>	
CHOW Yei Ching	147,738,359	53.03	147,738,359	46.35
KUOK Hoi Sang	98,216	0.04	98,216	0.03
FUNG Pak Kwan	93,479	0.03	93,479	0.03
TAM Kwok Wing <sup>2</sup>	201,488	0.07	201,488	0.06
KAN Ka Hon	29,040	0.01	29,040	0.01
HO Chung Leung	40,000	0.01	40,000	0.01
Other existing shareholders	130,381,508	46.81	130,381,508	40.91
Bondholders	0	0.00	40,178,571	12.60
Total	<u>278,582,090</u>	<u>100%</u>	<u>318,760,661</u>	<u>100%</u>

### Notes:

1. The above shareholding information is derived from filing of disclosure notice registered in the registers maintained under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).
2. Mr. Tam is the beneficial owner of 169,015 Shares and is deemed to be interested in 32,473 Shares held by his family member.

## SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended on the Stock Exchange from 9.30 a.m. on 27 July 2006 pending the release of this announcement. Application for the resumption of trading in the Shares has been made by the Company to the Stock Exchange to the effect that trading in Shares will resume at 9.30 a.m. on 28 July 2006.

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

Hong Kong, 27 July 2006

*As at the date of this announcement, the board of directors of the Company comprises:*

*Dr. Chow Yei Ching, Messrs. Kuok Hoi Sang, Fung Pak Kwan, Chow Vee Tsung, Oscar, Tam Kwok Wing, Kan Ka Hon and Ho Chung Leung as executive directors and Dr. Chow Ming Kuen, Joseph, Mr. Li Kwok Heem, John and Mr. Sun Kai Dah, George as independent non-executive directors.*

Please also refer to the published version of this announcement in The Standard.