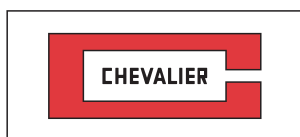


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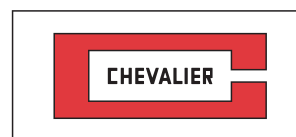


**CHEVALIER INTERNATIONAL  
HOLDINGS LIMITED**

**其士國際集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 025)**



**CHEVALIER PACIFIC  
HOLDINGS LIMITED**

**其士泛亞控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 508)**

**DISCLOSEABLE TRANSACTION**

**MAJOR TRANSACTION**

**THE SALE AND PURCHASE AGREEMENT**

Before Stock Exchange trading hours on 29 June 2010, the Vendor, CPHL, the Purchaser and CRE entered into the Sale and Purchase Agreement pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares at the Consideration of HK\$326,640,000. The Sale Shares represent 80% of the issued share capital in Pacific Coffee at Completion.

Immediately after Completion, the Purchaser and the Vendor will hold 80% and 20% of the issued share capital in Pacific Coffee respectively. Members of the Pacific Coffee Group will cease to be subsidiaries of the CIHL Group and CPHL Group but will be accounted for as associated companies of the CIHL Group and CPHL Group.

**THE SHAREHOLDERS AGREEMENT**

On the Completion Date, the Purchaser, the Vendor, Pacific Coffee, CRE and CPHL will enter into the Shareholders Agreement to regulate their relationship among themselves in respect of the affairs of, and their dealings with, Pacific Coffee after Completion (including, without limitation, its operations, management and business).

Pursuant to the Shareholders Agreement, the Purchaser shall grant the Put Option to the Vendor to sell all (but not part only) of the issued share capital of Pacific Coffee held by the Vendor during the Relevant Period. The exercise price of the Put Option is the higher of (i) HK\$81,660,000; and (ii) 12.1 times of the EBITDA as shown in the audited consolidated profit and loss account of Pacific Coffee for the latest financial year prior to the exercise of the Put Option multiplied by the percentage shareholding to be acquired by the Purchaser under the Put Option.

## **LISTING RULES IMPLICATIONS**

The Disposal constitutes a discloseable transaction for CIHL under Chapter 14 of the Listing Rules.

The Disposal constitutes a major transaction for CPHL under Chapter 14 of the Listing Rules and is subject to the approval of the CPHL Shareholders. As no CPHL Shareholder has a material interest in the Disposal which is different from the other CPHL Shareholders, no CPHL Shareholder is required to abstain from voting. CIHL, the controlling shareholder of CPHL interested in 1,285,829,330 CPHL Shares (representing approximately 54.14% of the issued share capital of CPHL) as at the date hereof, has given its written approval for the Sale and Purchase Agreement and the transactions contemplated thereunder. The written approval has been accepted in lieu of holding a special general meeting to approve the Sale and Purchase Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

Subject to the proposal to effect the cancellation of the share premium account and the transfer of the credit arising therefrom to the contributed surplus account of CPHL becoming effective and the Completion of the Disposal, CPHL will consider to distribute all of the proceeds arising from the Disposal to the CPHL Shareholders by way of a special dividend. Further announcement in this regard will be made by CPHL as and when appropriate.

CPHL expects to despatch a circular containing, among other things, information on the Sale and Purchase Agreement and other information as required under the Listing Rules to the CPHL Shareholders on or before 21 July 2010.

CIHL and CPHL will comply with the applicable Listing Rules requirements in the event the Vendor exercises the Put Option in accordance with the terms of the Shareholders Agreement.

Reference is made to the announcement of CPHL dated 26 April 2010 which stated that CPHL was in discussions with potential buyer in relation to a potential realisation of interest in a subsidiary of the CPHL Group. The directors of CIHL and CPHL are pleased to announce that the Vendor, a wholly-owned subsidiary of CPHL, entered into the Sale and Purchase Agreement with the Purchaser, a wholly-owned subsidiary of CRE, before Stock Exchange trading hours on 29 June 2010 in relation to the disposal by the Vendor of an 80% equity interest in Pacific Coffee to the Purchaser. Details of the terms of the Sale and Purchase Agreement are set out below.

# THE SALE AND PURCHASE AGREEMENT

## Date

29 June 2010

## Parties

- (i) Chevalier Pacific Limited, as the Vendor;
- (ii) Festive Wise Limited, as the Purchaser;
- (iii) CPHL; and
- (iv) CRE, as the guarantor to guarantee the payment obligation of the Purchaser of the Consideration.

The Purchaser is a company established in the BVI with limited liability and a wholly-owned subsidiary of CRE. The Purchaser is a special purpose vehicle principally engaged in investment holding. CRE is listed on the Main Board of the Stock Exchange and a constituent stock of the Hang Seng Index. It has a business focus on consumer businesses in the PRC and Hong Kong. The core activities of CRE and its subsidiaries are retail, beverage, food processing and distribution and property investment. To the best of the knowledge, information and belief of the respective Boards of CIHL and CPHL after making reasonable enquiries, the Purchaser, CRE and its ultimate beneficial owners are third parties independent of and not connected with CIHL, CPHL and their respective connected persons.

Neither CIHL nor CPHL has been involved in any previous transaction with the Purchaser and its ultimate beneficial owners in the previous 12 months which would otherwise require aggregation with the Disposal pursuant to Rule 14.22 of the Listing Rules.

## Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Shares, representing 80% of the issued share capital in Pacific Coffee as at Completion, free from encumbrances and together with all rights attaching thereto with effect from Completion.

## Consideration

The Consideration for the Sale Shares is HK\$326,640,000 and shall be satisfied by the Purchaser in cash on Completion.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser having taken into account the assets and historical performance of the Pacific Coffee Group as well as the future business prospects and development potential of the Pacific Coffee Group in the PRC and the advantage of the extensive sales network and experience of CRE and its subsidiaries in the country.

## **Adjustment to the Consideration**

As soon as reasonably practicable after the Completion Date (and, in any event, within 20 Business Days after the Completion Date), the Vendor shall prepare the Completion Balance Sheet and deliver it (together with all of the Vendor's working papers) to the Purchaser's accountants for review.

In the event that the amount of the consolidated net asset value of the Pacific Coffee Group in the finalised Completion Balance Sheet is less than HK\$78,000,000, the Vendor shall refund to the Purchaser 80% of the difference in cash within fourteen Business Days after the date on which the Completion Balance Sheet is finalised.

## **Conditions precedent**

The Sale and Purchase Agreement is subject to and conditional upon the fulfillment of a number of conditions including the following:

- (i) the grant of an approval by the CPHL Shareholders in a general meeting duly convened or by written shareholders' approval in accordance with Rule 14.44 of the Listing Rules approving the execution of the Sale and Purchase Agreement and the transactions contemplated by the Sale and Purchase Agreement in accordance with the Listing Rules;
- (ii) the warranties given by CPHL and the Vendor as set out in the Sale and Purchase Agreement remaining true, accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and the Completion Date;
- (iii) the execution of the documents in relation to the Reorganisation by the parties thereto and completion of the Reorganisation in accordance with the terms and conditions as set out in the Sale and Purchase Agreement; and
- (iv) the Purchaser having completed to its reasonable satisfaction the due diligence review against the Pacific Coffee Group as to legal, financial (taxation) and business matters.

The condition set out in (i) above is not capable of being waived. CPHL and the Vendor shall use all reasonable endeavours to procure that each of the conditions is fulfilled as soon as practicable and in any event on or before 31 July 2010 (or such later date as the parties to the Sale and Purchase Agreement may otherwise agree). If each of the above conditions shall not have been fulfilled or waived by the Purchaser by 31 July 2010 (or such later date as the parties to the Sale and Purchase Agreement may otherwise agree), the Sale and Purchase Agreement shall thereupon become null and void ab initio and none of the parties shall have any rights against any other party except (where applicable) liability for failure to use all reasonable endeavours to fulfil the same.

## **Reorganisation**

As a term of the Sale and Purchase Agreement, the Reorganisation shall be fully implemented as soon as practicable after Completion but in any event not later than six months after Completion. The Reorganisation shall involve, among other things, the share allotment, share transfers, debt assignments, loan capitalisation and the transfer of certain assets, businesses and employees

between the Pacific Coffee Group and other members of the CPHL Group. Following the Reorganisation, the relevant companies, assets and employees of the CPHL Group directly relating to the business of sale of high quality, premium roasted whole bean coffees, specialty coffees and cold beverages along with coffee-related hardware and supplies will be grouped under the Pacific Coffee Group.

## **Completion**

Completion shall take place on the first Business Day after the date on which all of the conditions are satisfied or waived (if permitted) (or such later date as the parties to the Sale and Purchase Agreement may agree in writing), provided that the Completion Date shall not in any event be earlier than 7 July 2010 (unless the parties to the Sale and Purchase Agreement otherwise agree).

After Completion, the issued share capital in Pacific Coffee indirectly held by CPHL will decrease from 100% to 20% and the members of the Pacific Coffee Group will cease to be subsidiaries of the CIHL Group and the CPHL Group. The results of the Pacific Coffee Group will no longer be consolidated into the consolidated financial statements of the CIHL Group and the CPHL Group but will be accounted for as associated companies in the CIHL Group and the CPHL Group.

## **THE SHAREHOLDERS AGREEMENT**

On Completion, the Purchaser, the Vendor, Pacific Coffee, CRE and CPHL will enter into the Shareholders Agreement to regulate their relationship among themselves in respect of the affairs of, and their dealings with, Pacific Coffee after Completion (including, without limitation, its operations, management and business). Set out below are the major terms of the Shareholders Agreement:

### **Composition of the Board of Pacific Coffee**

The Board of Pacific Coffee should comprise five directors, of which four will be nominated by the Purchaser and one will be nominated by the Vendor. In the event that the Vendor holds less than 10% of the issued share capital of Pacific Coffee, the Vendor's right to nominate directors to the Board of Pacific Coffee shall cease and the Vendor shall procure the removal of the then existing director(s) nominated by it.

### **Financing**

During the Relevant Period, except as expressly provided in the Shareholders Agreement, the parties to the Shareholders Agreement agree that the Purchaser shall have the sole discretion to determine the funding plan and requirement of the Pacific Coffee Group for the purposes of the business of the Pacific Coffee Group, including the manner in which such requirement is to be met, for the Relevant Period. The Purchaser agrees that it shall procure that, among other things, it shall be solely responsible for the funding of the Pacific Coffee Group for the purposes of its business in the PRC for the Relevant Period.

## The Put Option

Pursuant to the Shareholders Agreement, the Purchaser shall grant the Put Option to the Vendor to sell all (but not part only) of the issued share capital of Pacific Coffee held by the Vendor during the Relevant Period. The exercise price of the Put Option is the higher of (i) HK\$81,660,000; and (ii) 12.1 times of the EBITDA as shown in the audited consolidated profit and loss account of Pacific Coffee for the latest financial year prior to the Put Option being exercised multiplied by the percentage shareholding to be acquired by the Purchaser under the Put Option.

## Others

The Shareholders Agreement shall also contain other usual terms for agreement of this type such as the issuance of new shares of Pacific Coffee, restriction on transfer, tag along and drag along rights.

## INFORMATION ON THE PACIFIC COFFEE GROUP

Pacific Coffee is an indirect wholly-owned subsidiary of CPHL incorporated in the BVI with limited liability. The Pacific Coffee Group is principally engaged in the sale of high quality, premium roasted whole bean coffees, specialty coffees and cold beverages along with coffee-related hardware and supplies. The Pacific Coffee Group also sells its branded products to wholesale customers and provides coffee services to corporate customers including banks, airlines, clubs and multinational companies. In addition, the Pacific Coffee Group is also engaged in the wholesale of selected coffee beans in Hong Kong, Macau, the PRC and Singapore. Pacific Coffee established its first coffeehouse in 1992 and as at the date hereof, it operates 90 owned coffeehouses of which 83 are in Hong Kong, 4 are in Singapore and 3 are in the PRC. It also operates 5 coffeehouses under franchise arrangements in Malaysia, Macau and the PRC. Most of these coffeehouses are located in core commercial districts, prime shopping and residential areas, tourist centres or transport hubs in their respective cities.

Summarised below are the unaudited combined financial information (after elimination of intercompany transactions) of the Pacific Coffee Group for the two years ended 31 March 2009 and 2010 which are included in the audited consolidated financial statements of the CIHL Group and the CPHL Group prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 March	
	2009	2010
	<i>HK\$ million</i>	<i>HK\$ million</i>
(Loss)/profit before taxation	(21.8)	<b>17.9</b>
(Loss)/profit after taxation	(20.3)	<b>17.6</b>

The performance of the Pacific Coffee Group has been affected by the severe and rapid market deterioration since the third quarter of 2008, during which the Pacific Coffee Group incurred more promotional expenses with a view to boosting sales. Impairment losses were also recorded on certain coffeehouses with less satisfactory performance. As a result, the Pacific Coffee Group recorded a loss for the year ended 31 March 2009. With a gradual recovery in the economy, the sales of the Pacific Coffee Group stabilised during the year ended 31 March 2010. The streamlining



of internal processes in the Hong Kong operations resulted in an improvement in the gross profit margin. Together with the improvement in the results of its overseas operations, the Pacific Coffee Group managed to turnaround and recorded a net profit for the year ended 31 March 2010.

According to the unaudited combined financial statements of the Pacific Coffee Group as at 31 March 2010, the Pacific Coffee Group had net assets of approximately HK\$1.2 million. Taking into account the capitalisation and forgiveness of the loans due by the Pacific Coffee Group to the other members of the CPHL Group in the course of Reorganisation, the net asset value of the Pacific Coffee Group as at 31 March 2010 would have amounted to approximately HK\$79.4 million.

## **REASONS FOR THE DISPOSAL**

CIHL 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. CPHL is principally engaged in the business of food and beverages, investments in securities and natural resources.

CRE is a company listed on the Main Board of the Stock Exchange and a constituent stock of the Hang Seng Index. It has a business emphasis on consumer business in the PRC and Hong Kong. The core activities of CRE and its subsidiaries are retail, beverage, food processing and distribution and property investment. CRE has established an extensive sale network in the PRC and Hong Kong and as referred to in the annual report of CRE for the year ended 31 December 2009, it operates over 2,800 multi-format stores in 16 provinces, municipalities and special administrative regions. It was the largest supermarket chain in the PRC, the largest brewer by volume in the PRC and the largest supplier of Chinese foodstuffs in Hong Kong.

The directors of CIHL and CPHL see increasing demand for high-quality coffee in the PRC, particularly in the Pearl River Delta prompted by rising living standards. Immediately after Completion, the Purchaser and the Vendor will hold 80% and 20% of the issued share capital in Pacific Coffee respectively. By introducing CRE as the major shareholder and taking advantage of the extensive network and experience of CRE in the food and beverages market in the PRC, the directors of CIHL and CPHL consider that the Pacific Coffee Group will be in a better position to strengthen its competitiveness, build up stronger consumer recognition of the “Pacific Coffee” brand, expand its retail network coverage in the PRC and seize a bigger market share in a more efficient manner. As the CPHL Group will continue to hold a 20% interest in Pacific Coffee after Completion, CIHL and CPHL will continue to benefit from the business growth of the Pacific Coffee Group after the Disposal.

Following Completion, in addition to the holding of the 20% stake in Pacific Coffee, CPHL will continue its food and beverages business of the Igor’s group through wholly-owned subsidiaries, as well as its other business in securities investment. As announced by CPHL on 1 April 2010, CPHL entered into a memorandum of understanding in relation to a possible acquisition of certain mining projects in the Philippines. The possible acquisition is still under negotiation and may or may not materialise. If the acquisition materialise, it may bring a new revenue stream for the CPHL Group in the longer term.

Having considered the above, the respective Boards of CIHL and CPHL (including the independent non-executive directors of CIHL and CPHL) consider that the terms of the Sale and Purchase Agreement are fair and reasonable and the entering into of the Sale and Purchase Agreement is in the interests of CIHL and CPHL and their respective shareholders as a whole.

## **USE OF PROCEEDS AND GAIN ON THE DISPOSAL**

CPHL announced on 15 June 2010 a proposal to effect the cancellation of the share premium account and the transfer of the credit arising therefrom to the contributed surplus account of CPHL. The proposal is subject to, among other things, the approval of the CPHL Shareholders and compliance with applicable procedures and requirements under Bermuda law and the Listing Rules. Subject to the aforesaid proposal becoming effective and the Completion of the Disposal, CPHL will consider to distribute all of the proceeds arising from the Disposal to the CPHL Shareholders by way of a special dividend. Further announcement in this regard will be made by CPHL as and when appropriate.

Based on the carrying value of the CPHL Group's investment in the Pacific Coffee Group attributable to the Sale Shares as at 31 March 2010 (which comprises the unaudited combined net assets of the Pacific Coffee Group taking into account the capitalisation and forgiveness of the loans due to the other members of the CPHL Group of approximately HK\$79.4 million and the intangible assets net of deferred tax liabilities relating to the Pacific Coffee Group of approximately HK\$119.5 million), the expenses directly attributable to the Disposal of approximately HK\$3.5 million (which will be paid out of the working capital of the CPHL Group) and the proceeds from the Disposal, it is estimated that a gain of approximately HK\$164.0 million will be recorded by the CPHL Group as a result of the Disposal. CIHL will share approximately 54.14% of such gain to be recorded by the CPHL Group.

## **LISTING RULES IMPLICATIONS**

The Disposal constitutes a discloseable transaction for CIHL under Chapter 14 of the Listing Rules.

The Disposal constitutes a major transaction for CPHL under Chapter 14 of the Listing Rules and is subject to the approval of the CPHL Shareholders. As no CPHL Shareholder has a material interest in the Disposal which is different from the other CPHL Shareholders, no CPHL Shareholder is required to abstain from voting. CIHL, the controlling shareholder of CPHL interested in 1,285,829,330 CPHL Shares (representing approximately 54.14% of the issued share capital of CPHL) as at the date hereof, has given its written approval for the Sale and Purchase Agreement and the transactions contemplated thereunder. The written approval has been accepted in lieu of holding a special general meeting to approve the Sale and Purchase Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

CPHL will despatch a circular containing, among other things, information on the Sale and Purchase Agreement and other information as required under the Listing Rules to the CPHL Shareholders on or before 21 July 2010.

CIHL and CPHL will comply with the applicable Listing Rules requirements in the event the Vendor exercises the Put Option in accordance with the terms of the Shareholders Agreement.



## DEFINITIONS

“Board”	in relation to a company, means its board of directors
“Business Day”	means a day (excluding a Saturday or Sunday) on which banks in Hong Kong are open for business
“BVI”	the British Virgin Islands
“CIHL”	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)
“CIHL Group”	CIHL and its subsidiaries including CPHL
“Completion”	completion of the Disposal
“Completion Balance Sheet”	a draft completion statement for the Pacific Coffee Group as at 30 June 2010 to be prepared by the Vendor after Completion for the purpose of determining the adjustment, if any, to the Consideration
“Completion Date”	the date on which Completion takes place
“connected person(s)”	has the meanings ascribed to it in the Listing Rules
“Consideration”	the consideration of HK\$326,640,000 payable by the Purchaser to the Vendor for the acquisition of the Sale Shares pursuant to the terms of the Sale and Purchase Agreement
“CPHL”	Chevalier Pacific Holdings Limited, a company incorporated in Bermuda with limited liability and a direct non wholly-owned subsidiary of CIHL, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 508)
“CPHL Group”	CPHL and its subsidiaries
“CPHL Share(s)”	the ordinary share(s) of HK\$0.05 each in the capital of CPHL
“CPHL Shareholder(s)”	the holder(s) of the CPHL Share(s)
“CRE”	China Resources Enterprise, Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 291)
“Disposal”	the proposed disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement

“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Pacific Coffee”	Pacific Coffee (Holdings) Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of CPHL as at the date of the Sale and Purchase Agreement
“Pacific Coffee Group”	Pacific Coffee and its subsidiaries as at Completion
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement
“Purchaser”	Festive Wise Limited, a company established in the BVI with limited liability and a wholly-owned subsidiary of CRE
“Put Option”	the put option to be granted by the Purchaser to the Vendor under the Shareholders Agreement to sell all (but not part only) of the issued share capital of Pacific Coffee held by the Vendor to the Purchaser during the Relevant Period according to the terms set out in Shareholders Agreement
“Relevant Period”	the period commencing from the date of the Shareholders Agreement to the date of expiration of three years from the date of the Shareholders Agreement
“Reorganisation”	the proposed reorganisation of the Pacific Coffee Group being contemplated under the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the agreement dated 29 June 2010 entered into among the Vendor, CPHL, the Purchaser and CRE in relation to the Disposal
“Sale Shares”	the 43,564,800 ordinary shares of US\$0.10 in the capital of Pacific Coffee, representing 80% of the issued share capital of Pacific Coffee as at Completion
“Shareholders Agreement”	the shareholders agreement to be entered into among the Purchaser, the Vendor, Pacific Coffee, CRE and CPHL on Completion for the purpose of regulating their relationship among themselves in respect of the affairs of, and their dealings with, Pacific Coffee after Completion (including, without limitation, its operations, management and business)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Chevalier Pacific Limited, a company established in Hong Kong with limited liability and an indirect wholly-owned subsidiary of CPHL
“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*

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

Hong Kong, 29 June 2010

*As at the date of this announcement, the Board of CIHL 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 and Ho Chung Leung 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.*

*As at the date of this announcement, the Board of CPHL comprises Dr Chow Yei Ching (Chairman), Mr Chow Vee Tsung, Oscar (Managing Director), Mr Kuok Hoi Sang, Miss Lily Chow, Mr Chang Wan Lung, Robert, Miss Fan Amy Lizhen and Mr Cheung Ka Heng, Frankie as executive directors and Mr Wu King Cheong, Mr Leung Kwong Kin and Mr Lau Kai Shu, Frank as independent non-executive directors.*

website: <http://www.chevalier.com>

\* For identification purpose only