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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)

**MAJOR DISPOSAL,
DISCLOSEABLE TRANSACTION
AND
RESUMPTION OF TRADING**

Financial adviser to Chevalier International Holdings Limited



The Disposal and the Acquisition

On 28 November 2008, the Company and TELC entered into the Agreement, pursuant to which the Company shall sell the CHKL Sale Shares to TELC in two tranches for a total cash consideration of HK\$695,640,000 (subject to adjustment); and TELC shall sell and the Group shall acquire the STE Equity Interest and the TCE Equity Interest for a total cash consideration of HK\$121,000,000 (subject to adjustment).

Listing Rules implications

The Disposal constitutes a major transaction for the Company under the Listing Rules while the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. The Disposal is subject to the approval of the Shareholders. As no Shareholder has a material interest in the Disposal which is different from the other Shareholders, no Shareholder is required to abstain from voting. Dr. Chow, the

controlling Shareholder holding 55.73% of the total issued Shares as at the date hereof, has given his written consent for the Disposal. The written consent has been accepted in lieu of holding a special general meeting to approve the Disposal pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, information on the Agreement and the Equity Transfer Agreements, the financial information of the Group and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable.

Suspension and Resumption

Trading of the Shares has been suspended with effect from 9:30 a.m. on 1 December 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption in trading of the Shares with effect from 9:30 a.m. on 5 December 2008.

THE AGREEMENT

Date

28 November 2008

Parties

- (i) the Company; and
- (ii) TELC.

TELC is a subsidiary of Toshiba Corporation specialised in elevator and escalator related business. Since 1970, the Company, through its subsidiaries, has been an overseas distributor of certain products of Toshiba including, among other things, elevators and office equipments. To the best of the Directors' knowledge, information and belief and after making all reasonable enquiries, apart from the aforesaid business relationship, TELC and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

There was no prior transaction between the Group and TELC and its ultimate beneficial owners in the last 12 months which would otherwise require aggregation under Rule 14.22 of the Listing Rules.

Subject matters

There are two separate transactions in the Agreement, the Disposal and the Acquisition. Subject to the terms and conditions of the Agreement,

- (i) the Company shall sell and TELC shall purchase the CHKL First Tranche Shares at the First Closing free from any encumbrances and with all rights now and hereafter attaching thereto at the date of First Closing including the right to all dividends declared in respect thereof after the First Closing;
- (ii) TELC shall sell and the Company (or its designated subsidiary) shall purchase the STE Equity Interest and TCE Equity Interest at the First Closing; and
- (iii) subject to the due completion of the First Closing, the Company shall sell and TELC shall purchase the CHKL Second Tranche Shares free from encumbrances and with all rights now and hereafter attaching thereto at the date of Second Closing including the right to all dividends declared in respect thereof after the Second Closing. For the avoidance of doubt, TELC shall be entitled to 49% of the consolidated profits of the CHKL Group as from the First Closing; and 51% of the consolidated profits of the CHKL Group as from the Second Closing.

As soon as practicable after the signing of the Agreement, TELC shall execute the Equity Transfer Agreements as transferor and the Company shall procure that CLEL shall execute the Equity Transfer Agreements as transferee for the STE Equity Interest and TCE Equity Interest.

Consideration

- (i) The consideration for the CHKL First Tranche Shares shall be HK\$668,360,000, subject to adjustment as described in the paragraph headed “Adjustment to the consideration” below. The consideration shall be paid by TELC in cash in the following manner:
 - (a) HK\$534,688,000 shall be paid to the Company in cash at the First Closing; and

- (b) the balance of HK\$133,672,000 shall be paid on or before the anniversary of the date of First Closing.

The consideration for the CHKL Second Tranche Shares shall be HK\$27,280,000 and shall be paid by TELC in cash at the Second Closing.

- (ii) The consideration for the STE Equity Interest shall be HK\$35,000,000, which shall be paid in cash at the First Closing.
- (iii) The consideration for the TCE Equity Interest shall be HK\$86,000,000, which shall be paid in cash at the First Closing.

However, if the 5th day after all the conditions (as detailed in the paragraph headed “Conditions” below) are satisfied or waived falls on a date between the 25th and 31st of March 2009 (both dates inclusive), the First Closing shall take place on 31 March 2009 save and except that the payment obligations under (i)(a), (ii) and (iii) above shall be satisfied within 5 Business Days after 31 March 2009.

Adjustment to the consideration

The consideration for the CHKL Sale Shares was agreed between the parties based on arm’s length negotiations with reference to the profitability and net asset value of the Elevator Business only of the CHKL Group. In the event that the consolidated net asset value of the CHKL Group as of the First Closing Date (the “Closing CHKL NAV”) shall differ from HK\$78,521,728 (the “Agreed CHKL NAV”) by more than HK\$2,000,000, the consideration shall be adjusted in the following manner:

- (i) if the Closing CHKL NAV is higher than the Agreed CHKL NAV, TELC shall within 30 days from the date on which the Closing CHKL NAV is agreed or determined pay to the Company a sum equivalent to 51% of the difference between the Closing CHKL NAV and the Agreed CHKL NAV; and
- (ii) if the Closing CHKL NAV is less than the Agreed CHKL NAV, the Company shall within 30 days from the date on which the Closing CHKL NAV is agreed or determined pay to TELC a sum equivalent to 51% of the difference between the Closing CHKL NAV and the Agreed CHKL NAV.

The total consideration for the STE Equity Interest and TCE Equity Interest was agreed between the parties based on arm's length negotiations with reference to the combined net asset value and potential profitability of STE and TCE as further elaborated in the paragraph headed "Reasons for the Acquisition and the Disposal" below.

In the event that the aggregate net asset value of STE and TCE as of the First Closing Date as shown in the respective audited accounts of STE and TCE as at the First Closing Date prepared under generally accepted accounting principles in the PRC (the "Combined Closing STE and TCE NAV") shall be less than RMB400,000,000 (the "Agreed STE and TCE NAV") (equivalent to approximately HK\$454.0 million) by more than RMB10,000,000 (equivalent to approximately HK\$11.4 million), TELC shall within 30 days from the date on which the Combined Closing STE and TCE NAV is determined pay to the Company a sum equivalent to 20% of the difference between the Combined Closing STE and TCE NAV and the Agreed STE and TCE NAV. For the avoidance of doubt, no adjustment to the consideration will be made if the Combined Closing STE and TCE NAV is higher than the Agreed STE and TCE NAV.

Conditions

First Closing is conditional upon the satisfaction or waiver of the following conditions on or before 31 March 2009:

- (i) the Reorganisation has been duly carried out and completed to the satisfaction of TELC (acting reasonably);
- (ii)
 - (a) all consent, approvals, clearances and authorisations of any relevant government or regulatory authorities and/or other relevant third parties as may be necessary for the completion of the Reorganisation and/or the execution and implementation of the Agreement by the Company have been obtained;
 - (b) receipt by CHKL of all relevant consents and approvals from third parties as may be necessary in conjunction with the Reorganisation such that all existing rights of the CHKL Group in relation to its Elevator Business is not in any way adversely affected by the Reorganisation after the First Closing;

- (c) none of the consents, approvals, clearances, and authorisations referred to in (a) and (b) above have been revoked, withdrawn or modified at any time before the First Closing;
- (iii) the passing by the Shareholders of a resolution to approve the Agreement and the transactions contemplated under the Agreement in accordance with the Listing Rules;
- (iv) the clearance of all announcement(s) and circular(s) required to be issued by the Company under the Listing Rules and granting of all approvals, if necessary, by the Stock Exchange in respect of all transactions contemplated by the Agreement;
- (v) receipt by the Company to its reasonable satisfaction of written evidence issued by the relevant competent authorities in the PRC approving the transfer of both of the STE Equity Interest and TCE Equity Interest as contemplated under the Equity Transfer Agreements;
- (vi) the warranties, representations and undertakings given by the parties to the Agreement will be true and correct as of the First Closing Date;
- (vii) the Company and TELC will have performed and complied with each of its covenants contained in the Agreement; and
- (viii) no law or regulation or governmental order will have been enacted, entered, enforced, promulgated, issued in the jurisdictions in which the CHKL Group operates or deemed applicable to the consummation of the transactions contemplated by the Agreement by any federal, state, local, foreign, international or multinational entity or authority exercising executive, legislative, judicial, regulatory, administrative or taxing functions of or pertaining to government.

TELC may at any time waive in writing the conditions set out in (i) to (iv), (vi) and (vii)(where applicable) above, while the Company may at any time waive in writing any conditions in (v), (vi) and (vii)(where applicable) above.

Reorganisation

Other than the Elevator Business, CHKL and its subsidiaries currently also engages in some other business undertakings. For the purpose of the Agreement, the parties to the Agreement agree that all non-Elevator Business related companies, assets and liabilities,

operations, undertakings, commitments or otherwise shall be spun off from CHKL and its subsidiaries before the First Closing such that the sole business of the CHKL Group shall be Elevator Business as from the First Closing. The Company shall procure the completion of the Reorganisation before the First Closing in accordance with the terms contained in the Agreement, provided that certain steps for the Reorganisation as contemplated in the Agreement may extend beyond the First Closing.

Completion

The parties shall use all reasonable endeavours to procure the satisfaction of the conditions on or before 31 March 2009.

First Closing shall take place on the date determined in the manner set out below or such other date as the parties to the Agreement may agree in writing:

- (i) if the 5th day after all the conditions above are satisfied or waived falls after the 25th of that month, the First Closing shall take place on the last day of the following month;
- (ii) if the 5th day after all the conditions above are satisfied or waived falls on or before the 25th of that month, the First Closing shall take place on the last day of that month; or
- (iii) if the 5th day after all the conditions above are satisfied or waived falls on a date between the 25th and 31st of March 2009 (both dates inclusive), the First Closing shall take place on 31 March 2009 save and except that the respective payment obligations of TELC and the Company shall be satisfied within 5 Business Days after 31 March 2009.

It is the parties' intention that the transfer of the CHKL First Tranche Shares and the transfer of STE Equity Interest and TCE Equity Interest shall take place on the First Closing Date simultaneously.

Conditional on the due completion of the First Closing, the Second Closing shall take place on or before 31 March 2010 or such other date as the parties to the Agreement may agree in writing.

INFORMATION ON CHKL GROUP

The CHKL Group is the business unit of the Group principally engaged in the Elevator Business. As at 31 March 2008, the unaudited combined net asset value of the Elevator Business only of the CHKL Group amounted to approximately HK\$78.5 million. The unaudited combined results of the Elevator Business only of the CHKL Group for each of the two years ended 31 March 2007 and 2008 were as follows:

	<i>2007</i>	<i>2008</i>
	<i>HK\$' million</i>	<i>HK\$' million</i>
Profit before taxation	174.6	175.9
Profit after taxation	143.2	143.1

The aforesaid unaudited combined financial figures of the CHKL Group were prepared under generally accepted accounting principles in Hong Kong based on management accounts of the companies comprising the CHKL Group. In addition, the above unaudited figures were prepared based on certain assumptions which include, among others things, the assumption that the Reorganisation has been completed and the group structure of the CHKL Group had been in place incorporating the financial effects after the Reorganisation throughout the two financial years ended 31 March 2007 and 2008.

INFORMATION ON STE AND TCE

STE is a wholly-foreign owned enterprise established in the PRC in 1995 which is engaged principally in the manufacturing, sale, installation, repair, maintenance, development and design of elevators, escalators and related components in the northern part of the PRC.

TCE is a sino-foreign cooperative joint venture company established in the PRC in 1994 which is engaged principally in the manufacturing, sale, installation, repair, maintenance, development and design of elevators, escalators and related facilities in the PRC.

As at 31 December 2007, the net asset value of STE and TCE based on their respective audited accounts prepared in accordance with generally accepting accounting principles in the PRC amounted to approximately RMB118.0 million (equivalent to approximately HK\$133.9 million) and RMB274.2 million (equivalent to approximately HK\$311.2 million) respectively. The audited results of STE and TCE for each of the two years ended 31 December 2006 and 2007 based on their audited accounts were as follows:

	2006		2007	
	<i>RMB'</i> <i>million</i>	<i>(equivalent to</i> <i>HK\$' million)</i>	<i>RMB'</i> <i>million</i>	<i>(equivalent to</i> <i>HK\$' million)</i>
STE				
Loss before and after taxation	18.0	20.4	27.6	31.4
TCE				
Profit before taxation	12.6	14.3	29.2	33.1
Profit after taxation	7.0	8.0	21.2	24.1

REASONS FOR THE ACQUISITION AND THE DISPOSAL

The Company is an investment holding company which, through its subsidiaries, is principally engaged in the business of construction and engineering, insurance and investment, property, food and beverages, information technology and others. The Company currently has operations in China, South East Asia, Europe, North America, Australia and the Middle East. In particular, the Company's presence in the PRC property market includes cities such as Shanghai, Chengdu, Beijing, Shenzhen, Hefei and Changchun.

TELC was established in 2001 when Toshiba Corporation spun off its elevator and escalator business as a subsidiary. TELC is one of the world's leading companies in elevators and moving walks, with a network of 6 affiliates in 3 countries.

TELC and the Company have enjoyed a positive relationship since 1970 when the Company became an overseas distributor of Toshiba elevators, with responsibility for sales and engineering in Hong Kong and Singapore. The Company has been the distributor of Toshiba brand elevators and escalators in Hong Kong since 1970. The Company believes that the Acquisition and the Disposal will offer CHKL the opportunity to maximise its full potential through business synergies with TELC.

Business cooperation and coordination with TELC will be reinforced through an equity-based partnership which would further enhance the business of sales, installation, repair and maintenance of escalators, elevators and related products in Hong Kong and Singapore. By introducing TELC as the major shareholder, the Directors believe CHKL would be in a stronger position to further strengthen its competitiveness and marketability

in Hong Kong and Singapore and reinforce its ability to meet demand for elevator renewal projects in the region. Following the First Closing, the Company will hold a 51% interest in CHKL and CHKL will be accounted for as a subsidiary of the Company. After the Second Closing, the Company will continue to hold a 49% interest in CHKL and CHKL will be accounted for as an associated company of the Company. The Group is therefore able to continue to benefit from the business growth in CHKL after the Disposal. The Group is expected to record a gain from the Disposal of approximately HK\$648 million based on the Agreed CHKL NAV. The actual gain from the Disposal would however depend on the actual audited net asset value of CHKL Group as of the First Closing Date.

The Acquisition would on the other hand enable the Group and TELC to become strategic partners in the development of elevator business in the PRC. The Group would be able to further strengthen and expand its current distribution network of escalators and elevators via its branches in various cities of the PRC, including Shenzhen, Zhuhai, Guangzhou, Wuhan, Chengdu, Shanghai, Dalian and Beijing through closer connection with the 2 subsidiaries of TELC. The Group's interests in STE and TCE will be accounted for as associated companies of the Company after the transfer. Despite STE and TCE incurred a combined net loss after taxation amounting to approximately RMB11.0 million and RMB6.4 million (equivalent to approximately HK\$12.4 million and HK\$7.3 million respectively) for each of the years ended 31 December 2006 and 2007 respectively, the Company has confidence in the profitability potential of STE and TCE, taking note of (i) the steps in place to enhance the efficient use of resources among STE and TCE; (ii) the business plan of STE and TCE to put more efforts on marketing and promotion; and (iii) the enormous business opportunities brought by the rapid urbanisation in the PRC.

With the new cross shareholding relationship, the Group and TELC will use the Group's management resources to enhance sales, installation and maintenance in the PRC, the largest elevator equipment market in the world. Building further on that, both the Group and TELC will seek to extend the already strong presence in Hong Kong and Singapore, to expand maintenance operations in the Southeast Asia, and to reinforce their ability to meet demand for elevator renewal projects in the region, and to enter into new markets such as India and Middle East.

The proceeds from the Disposal (net of expenses) are estimated to be approximately HK\$688 million. The Company intends to apply the proceeds from the Disposal to repay the bank borrowings of the Group and for general working capital purposes. The consideration for the Acquisition will be satisfied by internal resources of the Group.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Agreement are fair and reasonable, and the Disposal and the Acquisition are in the interest of the Company and the Shareholders as a whole.

GENERAL

The Disposal constitutes a major transaction for the Company under the Listing Rules and requires the approval of the Shareholders. As no Shareholder has a material interest in the Disposal which is different from the other Shareholders, no Shareholder is required to abstain from voting. Dr. Chow, the controlling Shareholder holding 154,682,359 Shares (representing approximately 55.73% of the total of 277,564,090 issued Shares) as at the date hereof, has given his written consent for the Disposal. The written consent has been accepted in lieu of holding a special general meeting to approve the Agreement pursuant to Rule 14.44 of the Listing Rules. The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

A circular containing, among other things, information on the Agreement and the Equity Transfer Agreements, the financial information of the Group and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

Trading of the Shares has been suspended with effect from 9:30 a.m. on 1 December 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption in trading of the Shares with effect from 9:30 a.m. on 5 December 2008.

DEFINITIONS

“Acquisition” the acquisition of the STE Equity Interest and the TCE Equity Interest pursuant to the terms and conditions of the Agreement and Equity Transfer Agreements

“Agreement”	the agreement dated 28 November 2008 entered into between the Company and TELC regarding the sale and purchase of the CHKL Sale Shares, the STE Equity Interest and the TCE Equity Interest
“Board”	the board of Directors
“Business Days”	shall mean days (other than Saturday) on which commercial banks are generally open for banking business in Hong Kong and Japan
“CHKL”	Chevalier (HK) Limited, a wholly-owned subsidiary of the Company as at the date of the Agreement
“CHKL Group”	CHKL together with its subsidiaries and its associated company, Shiba Tech Corporation Limited as at the First Closing
“CHKL First Tranche Shares”	59,113,600 CHKL Shares, which shall represent 49% of the issued share capital of CHKL as at the First Closing
“CHKL Sale Shares”	together, the CHKL First Tranche Shares and the CHKL Second Tranche Shares
“CHKL Second Tranche Shares”	2,412,800 CHKL Shares, which shall represent 2% of the issued share capital of CHKL as at the First Closing
“CHKL Shares”	ordinary shares of CHKL of HK\$0.25 each
“CLEL”	Chevalier Lifts and Escalators (China) Limited, a wholly-owned subsidiary of the Company
“Company”	Chevalier International Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code : 25)
“Directors”	the directors of the Company
“Disposal”	the disposal of the CHKL Sale Shares pursuant to the terms and conditions of the Agreement

“Dr. Chow”	Dr. Chow Yei Ching, the Chairman and Managing Director of the Company and the controlling Shareholder
“Elevator Business”	the business of research and development, design, assembly, sale, marketing, distribution, installation, maintenance, repair and/or servicing of elevators, escalators, autowalks, moving ramp products and/or their derivative products and/or their components, and manufacturing of components of elevators, escalators, autowalks, moving ramp products and/or their derivative products
“Equity Transfer Agreements”	the equity transfer agreements in respect of each of the transfer of 20% of the equity interest in STE and TCE to be executed between TELC and CLEL, which form part of the terms of the Agreement
“First Closing”	closing of the sale and purchase of the CHKL First Tranche Shares and the transfer of the beneficial interest in STE Equity Interest and TCE Equity Interest, on or before 31 March 2009 unless agreed to be postponed by both the Company and TELC
“First Closing Date”	the date on which the First Closing takes place
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macao Special Administrative Region and Taiwan for the purpose of this announcement
“Reorganisation”	the reorganisation of CHKL to be implemented pursuant to the Agreement as a result of which the sole business of the CHKL Group shall be Elevator Business

“Second Closing”	closing of the sale and purchase of the CHKL Second Tranche Shares on or before 31 March 2010 or any other dates as agreed by both the Company and TELC
“Share(s)”	ordinary share(s) of HK\$1.25 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“STE”	Toshiba Elevator (Shenyang) Co., Ltd., a wholly-foreign owned enterprise established in the PRC
“STE Equity Interest”	20% of the registered capital of STE
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCE”	Toshiba Elevator (China) Co., Ltd., a sino-foreign cooperative joint venture company established in the PRC
“TCE Equity Interest”	20% of the registered capital of TCE
“TELC”	Toshiba Elevator and Building Systems Corporation
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

For illustration purpose, amounts in foreign currencies in this announcement are translated into HK\$ at the exchange rate of RMB1 to HK\$1.135.

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

Hong Kong, 4 December 2008

As at the date of this announcement, the Board comprises Dr. Chow Yei Ching (Chairman and Managing Director), Messrs. Kuok Hoi Sang (Vice Chairman and Managing Director), Tam Kwok Wing (Deputy Managing Director), Chow Vee Tsung, Oscar, Ho Chung Leung and Ho Sai Hou as executive Directors and Dr. Chow Ming Kuen, Joseph, Mr. Sun Kai Dah, George and Mr. Yang Chuen Liang, Charles as independent non-executive Directors.

** for identification only*