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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 TRANSACTION
AND
RESUMPTION OF TRADING

Financial adviser to Chevalier International Holdings Limited

Optima Capital Limited

After Stock Exchange trading hours on 16 May 2008, the Company and CPT Belgium, a wholly-owned subsidiary of the Company, entered into the Agreement with Sekisui whereby CPT Belgium conditionally agreed to sell and Sekisui conditionally agreed to purchase the Sale Share for a total consideration of US$37.5 million (equivalent to approximately HK$292.5 million). The Sale Share represents 75% of the equity interest in CPT. Upon Completion, CPT will be owned as to 75% by Sekisui and 25% by CPT Belgium.

The Disposal constitutes a major transaction for the Company under the Listing Rules and 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 55.52% of the total issued Shares as at the date hereof, has given his written consent for the Agreement. 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. A circular containing, among other things, further information on the Agreement and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable.

Trading of the Shares has been suspended with effect from 9:30 a.m. on Monday, 19 May 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares with effect from 9:30 a.m. on Monday, 26 May 2008.

THE AGREEMENT

Date

16 May 2008

Parties

(i) CPT Belgium (as seller);

(ii) Sekisui (as purchaser); and

(iii) the Company (as guarantor).

To the best of the Directors' knowledge, information and belief and after making all reasonable enquiries, Sekisui 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 Sekisui and its ultimate beneficial owners in the last 12 months which would otherwise require aggregation under Rule 14.22 of the Listing Rules.

Asset to be disposed of

The Sale Share, being 75% equity interest in CPT.

At the date of this announcement, the share capital of CPT amounts to EUR11,500,000 (equivalent to approximately HK$141.5 million), consisting of one share in the nominal amount of EUR11,500,000 (equivalent to approximately HK$141.5 million) held by CPT Belgium. Subject to Completion, CPT Belgium shall split the share in CPT into one share in the nominal amount of EUR8,625,000 (equivalent to approximately HK$106.1 million) (i.e. the Sale Share) and one share in the nominal amount of EUR2,875,000 (equivalent to approximately HK$35.4 million) and transfer the Sale Share to Sekisui. Immediately upon Completion, CPT will be owned as to 75% by Sekisui and 25% by CPT Belgium. CPT and its subsidiaries will no longer be subsidiaries of the Company. The CPT Group will no longer be consolidated into the Group but will be equity accounted for as associated companies of the Company.

The Sale Share will be sold together with any and all rights pertaining to it from 1 April 2008, including the rights to profits and dividends for all fiscal years commencing on or after 1 April 2008 and profits for prior fiscal years to the extent they have not been distributed are for the account of Sekisui.

Consideration

The consideration for the Sale Share shall be US$37.5 million (equivalent to approximately HK$292.5 million), subject to adjustment as described in the paragraph headed "Net asset value of the CPT Group" below. The consideration shall be paid by Sekisui in the following manner:

(i) an amount equal to 80% of the consideration, i.e. US$30 million (equivalent to approximately HK$234 million), shall be paid to the Company's bank account in immediately available funds on Completion; and

(ii) the balance of 20% of the consideration, i.e. US$7.5 million (equivalent to approximately HK$58.5 million), shall be paid to and held in an account maintained with an escrow agent until 30 September 2009.

The balance held in the escrow account referred to in (ii) above shall be reduced by any amount of payment that CPT Belgium shall be obliged to make to Sekisui and/or the CPT Group pursuant to the Agreement, in particular without limitation for claims based on a breach of the representations and warranties given or on indemnifications undertaken pursuant to the Agreement, provided that the escrow balance shall be reduced for purposes of the Compensation, if any, to be made by CPT Belgium regarding shortfall in the net asset value of the CPT Group pursuant to the Agreement as described below. Any remaining balance held in the escrow account (together with all the interest accrued in the escrow account) shall be released to CPT Belgium after 30 September 2009.

Net asset value of the CPT Group

The consideration of US$37.5 million for the Sale Share was agreed between the parties based on arm's length negotiations subject to the consolidated net asset value of the CPT Group being not less than US$29.5 million (equivalent to approximately HK$230.1 million) as at 31 March 2008 (the "Minimum NAV").

CPT Belgium shall deliver an unaudited net asset statement of the CPT Group as at 31 March 2008 to Sekisui on or before 30 September 2008. The aforesaid net asset statement shall be based on the audited consolidated financial statements of CPT as of 31 March 2008 which are to be prepared under generally accepted accounting principles in Germany, and adjusted so as to include members of the CPT Group only and assuming ongoing business of CPT and without taking into account the change of its shareholders. This net asset statement prepared on the aforesaid basis will be reported on by the auditors of CPT Belgium on or before 31 October 2008. If the consolidated net asset value of the CPT Group as at 31 March 2008 as shown in the aforesaid net asset statement finally accepted by both parties (the "Agreed NAV") is less than the Minimum NAV, CPT Belgium shall compensate CPT in an amount equals to the amount by which the Minimum NAV exceeds the Agreed NAV (the "Compensation") by way of:

(i) waiver of an equal amount of Shareholder's Loans;

(ii) payment by CPT Belgium into CPT's free capital reserve; or

(iii) any other method, provided that such method does not have any negative legal, tax or accounting implications,

it being understood that CPT Belgium may choose at its discretion the method of Compensation. The Compensation shall be effected by CPT Belgium within 10 Banking Days after the net asset statement has been finalised in accordance with the terms of the Agreement.

Refinancing of Shareholder's Loans and release of the guarantees

The Company and its affiliates have provided Shareholder's Loans to the CPT Group. As at the date of the Agreement, the outstanding balance of the Shareholder's Loans, subject to audit and adjustment, amounted to approximately EUR 11.1 million (equivalent to approximately HK$136.5 million). In addition, the Company and its affiliates have provided guarantees in favour of the CPT Group for banking facilities of the CPT Group. As at the date of the Agreement, the amount of facilities guaranteed by the Company and/or its affiliates comprised facilities denominated in EUR and AUD and amounted to EUR 7.5 million and AUD 12.4 million (equivalent to an aggregate of approximately HK$184.0 million), of which approximately EUR7.1 million and AUD 9.2 million (equivalent to an aggregate of approximately HK$155.4 million) have been utilised by the CPT Group.

Pursuant to the Agreement, Sekisui agreed to make available a credit line to CPT in order to replace 75% of the Shareholder's Loans on or before 30 September 2009. Sekisui also agreed that until 30 September 2009, it shall use best efforts to obtain the unconditional release of the Company and its affiliates from 75% of their obligations and liabilities under the guarantees. Until the guarantees have been replaced, Sekisui will keep the Company and its affiliates fully indemnified from any liabilities resulting from any guarantees provided by the Company and its affiliates which are in excess of their 25% share.

Conditions

Completion is conditional upon the satisfaction of the following conditions:

(i) the relevant merger control approvals or clearances from the German Federal Cartel Office and, if required, the competent cartel office of the PRC have been obtained;

(ii) the Company has obtained all consents and approvals required under the Listing Rules in connection with the Agreement and the transaction contemplated in the Agreement; and

(iii) receipt of the consideration for the Sale Share in the manner as described in the paragraph headed "Consideration" above.

CPT Belgium and Sekisui undertake to use their best efforts and to cause each of the conditions in (i) and (ii) above to be satisfied as soon as possible. If the conditions in (i) and (ii) above shall not be fulfilled on a date falling 6 months after the date of the Agreement (or any such later date as the parties may agree), CPT Belgium and Sekisui may rescind the Agreement by giving written notice to the other, and the Agreement shall cease to have force and effect. The parties aim at satisfaction of the conditions in (i) and (ii) latest by 31 August 2008. None of the above conditions are capable of being waived.

Reorganisation

Certain existing subsidiaries of CPT will not form part of the CPT Group and will not be disposed of to Sekisui. Pursuant to the terms of the Agreement, prior to the Completion Date, CPT Belgium shall at its cost and expenses initiate an internal reorganisation to transfer these companies out of CPT. If the reorganisation has not been completed at the Completion Date, CPT Belgium shall cooperate with Sekisui to continue and complete the reorganisation and indemnify Sekisui from all damages, costs, liabilities, tax or other expenses and losses that may be suffered by Sekisui or the CPT Group in relation to the reorganisation or these excluded companies.

Completion

Within 5 Banking Days after conditions (i) and (ii) have been fulfilled, Completion shall take place and the Purchaser shall pay the consideration for the Sale Share referred to in condition (iii) and in the manner as described in the paragraph headed "Consideration" above.

INFORMATION ON CPT

CPT was established in 2002 and has its headquarters in Munich, Germany. The CPT Group is principally engaged in pipe construction and rehabilitation for use in urban area. It provides pipe planning to installation services which uses two leading key technologies, the cured in place pipe technology and the spiral wound technology, across a number of markets in Europe, Australia and the Middle East.

As at 30 September 2007, the unaudited net asset value of the CPT Group amounted to approximately HK$235.4 million. The unaudited results of the CPT Group for each of the two years ended 31 March 2006 and 2007 were as follows:

	2006	*2007*
	HK$' million	*HK$' million*
Loss before taxation	12.8	6.7
Loss after taxation	11.3	8.1

The aforesaid unaudited financial figures of the CPT Group were prepared under generally accepted accounting principles in Hong Kong based on management accounts of the companies comprising the CPT Group. In addition, the above unaudited figures were prepared based on certain assumptions which include, among others things, the assumption that the reorganisation as described in the paragraph headed "Reorganisation" above has been completed and the group structure of the CPT Group had been in place incorporating the financial effects of the reorganisation throughout the two financial years ended 31 March 2006 and 2007.

REASONS FOR 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, information technology and food and beverages. 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.

Under the management of the Company, the CPT Group has become one of the leading global pipe rehabilitation companies and developed leading technologies for the rehabilitation of drinking water networks and sewer networks. The Company has also supported the set-up of a global sales and distribution network for the CPT Group. During the recent years, the CPT Group recorded remarkable growth in turnover.

Sekisui is a limited company incorporated in Japan having over 60 years of history. It has around 200 companies operating in 20 countries, providing high performance products in the fields of plastics, water environment solutions and factory produced housing. Its products range from medical, interlayer films, foam, packaging tape, industrial tape, fine chemicals, speciality chemicals, water supply and drainage systems, civil engineering systems, industrial materials and pipes, composite products and materials, to building materials.

The Directors consider that the products and services of the CPT Group and Sekisui are complementary to each other and believe that it is in the interests of CPT to partner with Sekisui, which is a sizeable player in the construction material industry, to fuel its further growth in business and improve its competitiveness and marketability.

The Disposal is expected to generate a positive return on the Company's investment in CPT and generate cash inflow for the Group. Based on the Minimum NAV and the consideration for the Sale Share, the Disposal is expected to result in an estimated gain of approximately US$15.4 million (equivalent to approximately HK$120.1 million). The actual gain or loss resulting from the Disposal however will be determined based on the actual net asset value of the CPT Group as at the Completion Date with adjustment on the Compensation, if any. The Company intends that the proceeds from the Disposal will be retained as general working capital of the Group.

Immediately upon Completion, CPT will be owned as to 75% by Sekisui and 25% by CPT Belgium. CPT and its subsidiaries will cease to be subsidiaries of the Company but will be accounted for as associated companies of the Company.

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 is in the interest of the Company and the Shareholders as a whole.

GENERAL

The Disposal constitutes a major transaction of 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 55.52% of the total issued Shares) as at the date hereof, has given his written consent for the Agreement. 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. A circular containing, among other things, further information on the Agreement 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 Monday, 19 May 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 Monday, 26 May 2008.

DEFINITIONS

"Agreement"	the agreement dated 16 May 2008 entered into between the Company, CPT Belgium and Sekisui regarding the sale and purchase of the Sale Share
"Banking Day"	shall mean days (other than Saturday or Sunday) on which banks are open for business in Munich, Germany
"Board"	the board of Directors
"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)
"Completion"	completion of the Agreement
"Completion Date"	date of Completion
"CPT"	CPT Chevalier Pipe Technologies GmbH, a company with limited liability organised under the laws of Germany and a wholly-owned subsidiary of the Company prior to Completion
"CPT Belgium"	CPT Belgium Holdings SPRL, a company with limited liability organised under the laws of Belgium and a wholly-owned subsidiary of the Company
"CPT Group"	CPT and its subsidiaries upon completion of the reorganisation as described in the paragraph headed "Reorganisation" above and to be disposed of to Sekisui pursuant to the terms and conditions of the Agreement

"Directors"	the directors of the Company
"Disposal"	the proposed disposal of the Sale Share by CPT Belgium to Sekisui 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
"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 of the PRC and Taiwan for the purpose of this announcement
"Sale Share"	one share in CPT in the nominal amount of EUR8,625,000 (equivalent to approximately HK$106.1 million)
"Sekisui"	Sekisui Chemical Co., Ltd., a stock corporation organised under the laws of Japan whose common stock is listed on the Tokyo Stock Exchange and the Osaka Securities Exchange
"Share(s)"	ordinary share(s) of HK$1.25 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholder's Loans"	the shareholder's loans advance by the Company and its affiliates to the CPT Group
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"AUD"	Australian dollars, the lawful currency of Australia
"EUR"	Euros, the official currency of European Union
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States of America

For illustration purpose, amounts in foreign currencies in this announcement are translated into HK$ at the exchange rate of US$1 to HK$7.8; EUR1 to HK$12.3 and AUD1 to HK$7.4.

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

Hong Kong, 23 May 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*