
IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Chevalier International Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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 IN RELATION TO
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
A WHOLLY-OWNED SUBSIDIARY AND
LEASEBACK OF PROPERTY IN HONG KONG**

* For identification purpose only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions bear the following meanings:

“Agreement”	the conditional provisional agreement dated 11 November 2014 entered into among the Vendors on the one part and the Purchaser on the other part for the sale and purchase of the Sale Shares and the Sale Debt
“Board”	the board of Directors
“Company”	Chevalier International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock code: 25)
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Debt pursuant to the terms and conditions of the Formal Agreement
“Completion Date”	the date on which Completion takes place
“Consideration”	the aggregate consideration for the Sale Shares and the Sale Debt in the amount of HK\$1,413,000,000 (subject to adjustment)
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares and the Sale Debt by the Vendors to the Purchaser in accordance with the terms of the Formal Agreement
“Formal Agreement”	a formal agreement for the sale and purchase of the Sale Shares and the Sale Debt entered into by the Vendors and the Purchaser on 11 December 2014
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Latest Practicable Date”	19 December 2014, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to publication
“Lease”	the leaseback arrangement stipulated under the Formal Agreement, pursuant to which the Purchaser shall procure the Target to lease the Property back to the Vendors or their nominee(s) which is a subsidiary and/or associated company of the Group, subject to Completion
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers
“NTAV”	the aggregate of all tangible assets of the Target which are readily convertible into cash or cash equivalents (excluding the Property, any intangible assets and other fixed assets and deferred tax), less the aggregate of all liabilities (actual, contingent or otherwise but excluding the Sale Debt and deferred tax) and provisions of the Target as at the Completion Date
“Property”	the property located at New Kowloon Inland Lot No. 5972 held by the Target
“Purchaser”	City Unicorn Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale Debt”	all debts owing by the Target to the Vendors immediately prior to Completion
“Sale Shares”	two issued shares in the capital of the Target, representing the entire issued share capital of the Target
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) in the capital of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Peak Gain Limited, a company incorporated in Hong Kong with limited liability and is legally owned as to 50% by each of the Vendors
“Vendors”	Chevalier (Development) Company Limited (a company incorporated in Hong Kong with limited liability) and Proud Rich Limited (a company incorporated in Hong Kong with limited liability), both are indirect wholly-owned subsidiaries of the Company
“A\$”	Australian dollar(s), the lawful currency of Australia
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

LETTER FROM THE BOARD



CHEVALIER INTERNATIONAL HOLDINGS LIMITED

其士國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 25)

Executive Directors:

Dr. CHOW Yei Ching (*Chairman*)
Mr. KUOK Hoi Sang (*Vice Chairman and
Managing Director*)
Mr. TAM Kwok Wing (*Deputy Managing Director*)
Mr. CHOW Vee Tsung, Oscar
Mr. HO Chung Leung
Mr. MA Chi Wing
Miss Lily CHOW

Non-Executive Directors:

Dr. CHOW Ming Kuen, Joseph #
Mr. SUN Kai Dah, George #
Mr. YANG Chuen Liang, Charles #
Professor POON Chung Kwong #
Dr. KO Chan Gock, William

Independent Non-Executive Directors

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Head office and principal place
of business:*

22nd Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay
Hong Kong

23 December 2014

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION IN RELATION TO
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
A WHOLLY-OWNED SUBSIDIARY AND
LEASEBACK OF PROPERTY IN HONG KONG**

INTRODUCTION

Reference is made to the announcement of the Company dated 12 November 2014 in relation to the Disposal and the Lease.

* *For identification purpose only*

LETTER FROM THE BOARD

On 11 November 2014, the Vendors (indirect wholly-owned subsidiaries of the Company) entered into the Agreement with the Purchaser, pursuant to which the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares (representing the entire issued share capital of the Target) and the Sale Debt at the Consideration of HK\$1,413,000,000 (subject to adjustment). Pursuant to the terms of the Agreement, the Vendors and the Purchaser also agreed that subject to Completion, the Purchaser shall procure the Target to lease the Property back to the Vendors or their nominee(s) which is a subsidiary and/or associated company of the Group for a period of three years from the Completion Date at a monthly rental of HK\$2,100,000 for the first year and HK\$3,200,000 for each of the second and the third years. The transactions contemplated under the Agreement constitute a major transaction of the Company under the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) details of the Disposal and the Lease; and (ii) the valuation report of the Property.

THE AGREEMENT

Date

11 November 2014

Parties

- (i) City Unicorn Investments Limited, a company incorporated in the British Virgin Islands with limited liability, as Purchaser;
- (ii) Chevalier (Development) Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, as one of the Vendors; and
- (iii) Proud Rich Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, as one of the Vendors.

The Purchaser is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

LETTER FROM THE BOARD

Asset to be disposed of

The Sale Shares, representing the entire issued share capital in the Target, as well as the Sale Debt, representing all debts owing by the Target to the Vendors, shall be sold free from all encumbrances and third party rights together with all rights and benefits accrued thereto as at the Completion Date.

Consideration

The Consideration for the Sale Shares and the Sale Debt is HK\$1,413,000,000 which shall be paid by the Purchaser to the Vendors by way of cash in the following manner:

- (i) an initial deposit in the sum of HK\$50,000,000 upon the signing of the Agreement;
- (ii) a further deposit in the sum of HK\$91,300,000 within 14 days from the date of the Agreement; and
- (iii) the balance of the Consideration (the “Balance Payment”) of HK\$1,271,700,000 (subject to adjustment) upon Completion.

The Vendors undertake to deliver to the Purchaser or the Purchaser’s solicitors at least five business days prior to the Completion Date the proforma completion accounts of the Target. If the NTAV as shown in the said proforma completion accounts is more or less than zero, the Balance Payment shall be adjusted upwards or downwards respectively by the amount of NTAV.

The Vendors also undertake to deliver to the Purchaser or the Purchaser’s solicitors within 60 days from the Completion Date the completion accounts of the Target audited by certified public accountants (practising) approved by the Purchaser. If the NTAV as shown in such audited completion accounts is more or less than the NTAV as shown in the proforma completion accounts, the Purchaser or the Vendors (as the case may be) shall pay the difference to the other party within five days from the date of receipt of such completion accounts.

The Consideration was arrived at after arm’s length negotiations between the Purchaser and the Vendors having taken into account, among other things, the preliminary valuation of the Property of HK\$780 million as at 30 September 2014 by an independent professional valuer, the net asset value of the Target as at 31 March 2014 (please refer to the section headed “Information of the Target” below) and the future potential appreciation in the value of the Property in light of the possible change of the Property to non-industrial use.

LETTER FROM THE BOARD

Conditions

Completion is subject to fulfillment of the conditions, inter alia, being:

- (i) the Purchaser having completed its due diligence review on the business, financial, legal and other aspects of the Target as well as the title to the Property and is satisfied with the results thereof by the date falling on the expiration of 30 days from the date of the Agreement;
- (ii) the Vendors having procured the Target to give and prove a good title to the Property in accordance with Sections 13A and 13 of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong); and
- (iii) the Company having complied with the Listing Rules and/or any other rules and regulations of the Stock Exchange or other government or competent authority(ies) with respect to the transactions contemplated under the Agreement.

If any of the conditions set out in the Agreement is not fulfilled (or waived by the Purchaser) on or before the Completion Date, the Purchaser shall be entitled to cancel the transactions under the Agreement whereupon the deposits paid by the Purchaser to the Vendors shall be returned by the Vendors to the Purchaser forthwith without interest, cost or compensation. Condition (i) and (ii) have been fulfilled as at the Latest Practicable Date and condition (iii) has been fulfilled on the date of this circular.

If the conditions set out in the Agreement are fulfilled but the Purchaser fails to complete the transactions in accordance with the terms of the Agreement or the Formal Agreement (applicable as the case may be) on the Completion Date, all deposits paid by the Purchaser shall be forfeited by the Vendors.

If the conditions set out in the Agreement are fulfilled but the Vendors fail to complete the Disposal in accordance with the terms of the Agreement or the Formal Agreement (applicable as the case may be) on the Completion Date, all deposits paid by the Purchaser shall be returned to the Purchaser and the Vendors shall pay to the Purchaser a sum equivalent to the deposits paid as liquidated damages.

Completion

Completion shall take place on or before 31 March 2015 or such later date as may be agreed between the Vendors and the Purchaser in writing. Upon Completion, the Group will cease to hold any interest in the Target and the Target will cease to be a subsidiary of the Company.

LETTER FROM THE BOARD

The Lease

Subject to Completion, the Purchaser shall procure the Target to lease the Property to the Vendors or their nominee(s) which is a subsidiary and/or associated company of the Group for a period of three years from the Completion Date at a monthly rental of HK\$2,100,000 for the first year and HK\$3,200,000 for each of the second and the third years. The Vendors or such nominee(s) shall also pay a sum of HK\$4,200,000 to the Purchaser as security deposit. During the term of the Lease, the Vendors or such nominee(s) shall be entitled to serve a six months' prior written notice to the Purchaser to terminate the Lease. The monthly rental under the Lease was determined after arm's length negotiations between the Vendors and the Purchaser with reference to the prevailing market rental of similar properties in the area adjacent to the Property.

Formal Agreement

The Vendors and the Purchaser shall negotiate in good faith and use all their reasonable endeavours to enter into a Formal Agreement on or before 17 December 2014, which shall incorporate the terms, warranties, representations and indemnities customary to transactions similar to the one contemplated in the Agreement based on the principal terms set out in the Agreement. On 11 December 2014, the Vendors and the Purchaser entered into the Formal Agreement, the principal terms of which are the same as those terms set out in the Agreement.

INFORMATION OF THE TARGET

The Target is currently legally owned as to 50% by each of the Vendors. One share in the Target is held by Proud Rich Limited on trust for Chevalier (Development) Company Limited. The Target is principally engaged in property holding and its material asset is the Property which is located at New Kowloon Inland Lot No. 5972. The Property is a 15-storey (including 2 basement levels) non-residential building with gross floor area of approximately 177,500 square feet. Upon Completion, the Property will be delivered to the Purchaser on an "as is" basis.

The Property has been accounted for as investment property and stated at fair value in the financial statements of the Target. However, a substantial portion of the Property has been occupied by the Group for self-use and has been accounted for as property, plant and equipment and stated at cost less accumulated depreciation and impairment in the consolidated financial statements of the Group; while the remaining portion of the Property has been leased to an associated company of the Group and has been accounted for as investment property and stated at fair value in the consolidated financial statements of the Group.

LETTER FROM THE BOARD

Set out below are certain financial information extracted from the audited financial statements of the Target prepared in accordance with Hong Kong Financial Reporting Standards:

	Year ended 31 March	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	41,653	178,132
Profit for the year	39,740	175,151

Profit of the Target for the years ended 31 March 2014 and 2013 included an increase in the fair value of the Property of approximately HK\$30 million and HK\$160 million respectively. Mainly due to changes in the fair value, profit of the Target for the year ended 31 March 2014 was lower than that for the year ended 31 March 2013. Based on the valuation report of the Property set out in Appendix II to this circular prepared by Knight Frank Petty Limited, an independent property valuer, the market value of the Property was estimated to be HK\$780 million as at 30 September 2014.

As at 31 March 2014, the net asset value of the Target was approximately HK\$503 million, after taking into account the fair value of the Property as at 31 March 2014 of approximately HK\$600 million based on independent professional valuation. As at 31 March 2014, the net carrying value of the Target (excluding all debts owing by the Target to the Vendors) included in the audited consolidated financial statements of the Group was approximately HK\$146 million, after taking into account the carrying value of the Property occupied for self-use amounting to approximately HK\$73 million and the fair value of the Property under lease amounting to approximately HK\$87 million.

As at 31 March 2014, the amount due to the Target by the Group amounted to approximately HK\$137 million and the outstanding balance of the mortgage loan in respect of the Property amounted to approximately HK\$228 million. It is one of the terms of the Agreement that the Vendors shall procure repayment of the mortgage loan in respect of the Property on or before the Completion Date. If the amount were advanced by the Group to the Target to finance the repayment of the mortgage loan, the net amount of debt owing by the Target to the Group as at 31 March 2014 would have been amounted to approximately HK\$91 million. The balance of such amount immediately prior to Completion would constitute the Sale Debt.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE LEASE

The Company is an investment holding company and the Group is principally engaged in the businesses of construction and engineering, insurance and investment, property, food and beverage, car dealership, enterprise and network solutions and fresh produce supply.

The Property was acquired by the Group in August 1987. Over the years, there had been substantial appreciation in the fair value of the Property. The Directors consider that the Disposal enables the Group to unlock the value in its investment in the Property, particularly in light of the revitalisation measures announced by the Hong Kong Government in October 2009 to facilitate the redevelopment and wholesale conversion of older industrial buildings.

The Disposal will generate cash inflow to the Group to enhance its liquidity and working capital position. The proceeds from the Disposal, net of transaction costs and professional fees directly attributable thereto, are estimated to be approximately HK\$1,398 million and are intended to be used for settlement of the mortgage loan of the Property, general working capital, capital expenditure and/or future investment opportunities of the Group as and when appropriate. The leaseback arrangement under the Lease enables the Group to continue to occupy and use the Property at market rent.

Based on the above, the Directors consider the terms of the Agreement are fair and reasonable and the Disposal and the Lease are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Assets and liabilities

Based on the Consideration and the audited consolidated financial statements of the Group and the audited financial statements of the Target as at 31 March 2014, it is estimated that upon Completion, the consolidated total assets of the Group will be increased by approximately HK\$1,162 million to approximately HK\$15,087 million and the consolidated total liabilities of the Group will be decreased by approximately HK\$91 million to approximately HK\$6,758 million.

LETTER FROM THE BOARD

Earnings

It is anticipated that the Group would realise a gain on the Disposal of approximately HK\$1,253 million (net of transaction costs and professional fees), representing the difference between (i) the Consideration (net of transaction costs and professional fees); and (ii) the net carrying value of the Target in the consolidated financial statements of the Group of approximately HK\$146 million as at 31 March 2014.

Shareholders and investors should note that the actual gain on the Disposal is dependent upon the net carrying value of the Target in the consolidated financial statements of the Group as at the Completion Date and may be different from the amount calculated above. Shareholders and investors should also note that the aforesaid estimated gain was not reflected in the interim results of the Group for the six months ended 30 September 2014 announced by the Company on 27 November 2014 as the Disposal will be completed after 30 September 2014. Nevertheless, the interim results for the six months ended 30 September 2014 had reflected the increase in fair value on the portion of the Property which had been accounted for as investment property in the consolidated financial statements of the Group based on the valuation of the Property as at 30 September 2014.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

Since no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Agreement and the transactions contemplated thereunder, Dr. Chow Yei Ching (who is the controlling Shareholder holding 186,682,990 Shares, representing approximately 62.85% of the total issued share capital of the Company as at the date of the Agreement) has given his written approval of the Agreement and the transactions contemplated thereunder and such written approval has been accepted in lieu of holding a general meeting for the approval of the Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. Therefore, no general meeting of the Company for the approval of the Agreement and the transactions contemplated thereunder will be convened and held.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully
On behalf of the Board of
Chevalier International Holdings Limited
CHOW Yei Ching
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information on the Group for each of the three financial years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chevalier.com>):

- annual report of the Company for the year ended 31 March 2012 published on 27 July 2012 (pages 45 to 162);
- annual report of the Company for the year ended 31 March 2013 published on 26 July 2013 (pages 51 to 168);
- annual report of the Company for the year ended 31 March 2014 published on 23 July 2014 (pages 62 to 180); and
- interim report of the Company for the six months ended 30 September 2014 published on 19 December 2014 (pages 4 to 36).

2. INDEBTEDNESS STATEMENT**(1) Borrowings**

As at the close of business on 31 October 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately HK\$3,750 million which comprised unsecured bank and other borrowings of approximately HK\$1,669 million and secured bank borrowings of approximately HK\$2,081 million.

(2) Pledge of assets

As at the close of business on 31 October 2014, being the latest practicable date for the purpose of this indebtedness statement, the Group's bank and other borrowings and other unutilised banking facilities were secured by investment properties of approximately HK\$2,017 million, property, plant and equipment of approximately HK\$1,327 million, interests in joint ventures of approximately HK\$190 million, inventories of approximately HK\$4.7 million, debtors, deposits and prepayments of approximately HK\$78.9 million and deposits at bank of approximately HK\$85.2 million.

(3) Contingent liabilities

As at the close of business on 31 October 2014, being the latest practicable date for the purpose of this indebtedness statement, the Group had contingent liabilities in respect of guarantees issued for banking facilities utilised by associates, a joint venture and a joint venture partner amounting to approximately HK\$74.1 million, HK\$150 million and HK\$143 million respectively. In the normal course of its business, the Group had provided mortgage facilities to certain buyers of properties amounting to approximately HK\$284 million.

Disclaimers

Save as aforesaid and apart from intra-group liabilities, normal trade payables and gross amounts due to customers for contract works, the Group did not, at the close of business on 31 October 2014, being the latest practicable date for the purpose of this indebtedness statement have any mortgages, charges, debts, securities issued and outstanding or agreed to be issued, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

The Directors confirm that there was no material change in the indebtedness status of the Group since 31 October 2014 up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account the internal resources, the existing available credit facilities of the Group and the net proceeds from the Disposal, the Group has sufficient working capital for its present requirements for at least twelve months from the date of publication of this circular in the absence of unforeseen circumstances.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon Completion, the Group will continue to be engaged in the businesses of construction and engineering, insurance and investment, property, food and beverage, car dealership, enterprise and network solutions and fresh produce supply.

Benefited from the revitalisation measures which came into effect since April 2010 and the initiatives of the government to transform Kowloon east region of Hong Kong into a core business district as stated in the consultation paper (no.: CB(1)599/16-12(03)) of the Legislative Council Panel on Development in December 2011, the appreciation potential of industrial buildings had become promising in the recent years. According to a research report published in July 2014 by Midland IC&I Limited, a company which is principally engaged in the provision of property agency services in respect of commercial and industrial properties in Hong Kong, the average price per square foot of industrial buildings in Kwun Tong had increased by approximately 117.4% from approximately HK\$2,300 per square foot in the first half of the year 2010 to approximately HK\$5,000 per square foot in the first half of the year 2014.

The Directors believe that the Disposal provides the Group with an optimal opportunity to realise the capital appreciation of the Property achieved from the aforementioned reasons. The Directors are of the view that the Disposal will strengthen the Group's financial and liquidity position to meet the capital needs of the Group's future investments when opportunities arise.

Going forward, the Group will continue to tap into the construction and engineering and property markets and look for investment opportunities in various segments which can contribute growth and returns for the Group in order to maximise Shareholders' return in the medium to long term.

The following is the text of a letter and valuation certificate, prepared by Knight Frank Petty Limited, an independent valuer, in connection with the valuation of the Property for the purpose of inclusion in this circular.



4/F, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

23 December 2014

The Directors
Chevalier International Holdings Limited
22/F, Chevalier Commercial Centre
No 8 Wang Hoi Road
Kowloon Bay
Kowloon, Hong Kong

Dear Sirs

NO 21 SHEUNG YUET ROAD (ALSO KNOWN AS CHEVALIER ENGINEERING SERVICE CENTRE), KOWLOON BAY, KOWLOON, HONG KONG (THE “PROPERTY”)

In accordance with instructions from Chevalier International Holdings Limited (the “Company”) for us to value the Property held by its indirect wholly-owned subsidiaries (collectively referred to as the “Group”), we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for providing you with our opinion of the market value of the Property in its existing state as at 30 September 2014 (the “Valuation Date”) for the inclusion in a public circular of the Company for disclosure purpose in relation to the possible disposal of the Property.

BASIS OF VALUATION

In arriving at our opinion of the market value of the Property, we have followed the HKIS Valuation Standards (2012 Edition) issued by The Hong Kong Institute of Surveyors (HKIS). Under the said standards, market value is defined as:

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of an asset and liability is also estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes.

Our valuation complies with the requirements set out in the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors and the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION METHODOLOGY

As advised, the Property is currently owner-occupied by intra-group companies of the Company. Our valuation is prepared by “Direct Comparison Approach” by making reference to sales evidence as available on the market assuming that immediate vacant possession is available. In our valuation, we have also considered the possibility of the Property being able to sell on en-bloc or strata-title basis. Our valuation represents 100% interest in the Property.

VALUATION ASSUMPTIONS AND CONDITIONS

Our valuation is subject to the following assumptions and conditions:

Title Documents and Encumbrances

We have taken reasonable care to investigate the title of the Property by obtaining land search records from the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We however do not accept liability for any interpretation which we have placed on such information that is more properly within the sphere of your legal advisers. We have also assumed in our valuation that the Property was free from encumbrances, restrictions, title defects and outgoings of an onerous nature that could affect its value, unless stated otherwise as at the Valuation Date.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale.

Sources of Information

We have relied to a very considerable extent on information provided by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupancies, site and floor areas and all other relevant matters. We have not verified the correctness of any information including their translation supplied to us concerning this Property, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the Property or contained on the register of title. We assume that this information is complete and correct.

Inspection

We have inspected the exterior and, where available, portion of the interior of the Property on 28 November 2014. The inspection of the Property was undertaken by our Mr Ricky Chow, the Assistant Manager of General Valuation Department, who is a technical staff having about 17 years' experience in valuation of Hong Kong properties. Nevertheless, we have assumed in our valuation that the Property was in satisfactory exterior and interior decorative order without any unauthorised extensions or structural alterations as at the Valuation Date.

Identity of Property to be valued

We have exercised reasonable care and skill (but will not have an absolute obligation to the Company) to ensure that the Property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

Property Insurance

We have valued the Property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Areas and Age

As instructed, we have relied upon site and floor areas as advised by the Company or as available from a quoted source. Otherwise, dimensions and areas would be measured on-site or from plans and calculated in accordance with, where appropriate, the current HKIS Code of Measuring Practice and are quoted to a reasonable approximation, with reference to their source.

We have also assumed that the site areas, floor areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only. Where the age of the building is estimated, this is for guidance only.

Structural and Services Condition

We were not instructed to undertake any structural surveys, test the services or arrange for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the Property. Our valuation has therefore been undertaken on the assumption that the Property was in satisfactory repair and condition and contains no deleterious materials and that services function satisfactorily.

Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed that the Property had been constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirements and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

We enclose herewith our valuation.

Yours faithfully

For and on behalf of

Knight Frank Petty Limited

Thomas H M Lam

FRICS MHKIS MCIREA MHKSI RPS(GP)

RICS Registered Valuer

Senior Director, Head of Valuation & Consultancy

Catherine Cheung

MRICS MHKIS RPS(GP)

RICS Registered Valuer

Director, General Valuation

Notes: Thomas H M Lam is a Chartered Surveyor who has extensive experiences in market research, valuation and consultancy in China, Hong Kong, Macau and Asia Pacific region (ex-Japan).

Catherine Cheung, MRICS MHKIS RPS(GP), has been a qualified valuer with Knight Frank Petty Limited since 1992 and has over 20 years' experience in the valuation of properties in Hong Kong.

VALUATION

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2014
No 21 Sheung Yuet Road (also known as Chevalier Engineering Service Centre), Kowloon Bay, Kowloon, Hong Kong	The Property comprises a 15-storey (including two basement levels) industrial building erected on a site with a registered site area of about 1,496 square metre (16,103 square feet) completed in 1988.	As advised, as at the Valuation Date, except for an area of about 1,879.60 square metre (20,232 square feet)	HK\$780,000,000 Hong Kong Dollars Seven Hundred And Eighty Million
New Kowloon Inland Lot No 5972	<p>The immediate locality of No 21 Sheung Yuet Road is predominantly an industrial/commercial area. A residential area, to the west of the Property that clusters around MTR Kowloon Bay Station, is found, which consists of public housing estates such as Lower Ngau Tau Kok Estate and Upper Ngau Tau Kok Estate intermingled with some private residential developments like Telford Gardens and Amoy Gardens.</p> <p>According to the Occupation Permit, the Property is designed to provide godown on Basement 1 and workshops on Ground to 12th Floors (including a canteen on portion of the 12th Floor) with ancillary car parking facilities and loading/unloading facilities on portions of both Basement 2 and Ground Floor. From the approved building plans, there are a total of 1 container parking space, 9 lorry parking spaces and 9 private parking spaces.</p> <p>The total gross floor area of the Property (excluding the car parking spaces) is approximately 16,434.456 square metre (176,900 square feet) as per the approved building plans.</p> <p>New Kowloon Inland Lot No 5972 is held under Conditions of Sale No 11858 for a term from 24 September 1985 to 30 June 2047 at an annual Government rent at the amount of 3 per cent of the rateable value for the time being of the Property.</p>	<p>which was vacant, the remainder of the Property was occupied by various subsidiaries and associated companies of the Company with the latest one expiring in March 2015 at a total rent of approximately HK\$1,700,000 per month exclusive of rates and management fees.</p>	

- Notes:* (1) The registered owner of the Property was Peak Gain Limited (Re: By virtue of Conditions of Sale No 11858 of NKIL 5972) as at the Valuation Date which is an indirect wholly-owned subsidiary of the Company.
- (2) As at the Valuation Date, the Property was subject to the following encumbrances as per our land search in the Land Registry:
- (i) Letter (Re: With car parking and loading and unloading spaces lay-out plan annexed) vide memorial no UB3657172 dated 23 March 1988.
 - (ii) Certificate of Compliance by District Lands Office/Kowloon East (Re: To Mr Nelson Chow Nim-Sun of Chow Architects & Partners) vide memorial no UB3722510 dated 8 April 1988.
 - (iii) Certificate of Compliance (Re: By Registrar General's Department (The Land Office) to Messrs Michael Cheuk, Wong & Kee) vide memorial no UB3722511 dated 28 May 1988.
 - (iv) Mortgage to secure banking facilities (Re: The consideration is all moneys) in favour of Shanghai Commercial Bank Ltd vide memorial no UB5871168 dated 3 December 1993.
 - (v) Waiver Letter (Re: From Chief Estate Surveyor/Headquarters) vide memorial no 11101001840141 dated 30 September 2011.
- (3) By virtue of the Government lease, the Property is permitted for industrial or godown purposes or both. By the Waiver Letter mentioned in Notes (2) (v) above, the lot is temporarily permitted, from the date of the Waiver Letter till the re-development or the lease expiry in 2047 or earlier termination of the lease conditions, whichever shall be the earlier, for any one or more of the uses specified in Schedule A attached to this Waiver Letter, which is extracted below:
- (i) Commercial Bathhouse/Massage Establishment
 - (ii) Eating Place
 - (iii) Educational Institution
 - (iv) Information Technology and Telecommunications Industries
 - (v) Off-course Betting Centre
 - (vi) Office
 - (vii) Place of Entertainment
 - (viii) Place of Recreation, Sports or Culture
 - (ix) Private Club
 - (x) Radar, Telecommunications Electronic Microwave Repeater, Television and/or Radio Transmitter Installation
 - (xi) Religious Institution
 - (xii) Research, Design and Development Centre

- (xiii) School (excluding free-standing purpose-designed building and kindergarten)
 - (xiv) Shop and Services
 - (xv) Training Centre
- (4) The Property was situated within an area zoned for “Other Specified Uses (Business)” uses under the Draft Ngau Tau Kok & Kowloon Bay Outline Zoning Plan No S/K13/28 exhibited on 11 April 2014 as at the Valuation Date.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors or chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they had taken or were deemed to have taken under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

Name of Director	Capacity	Number of Shares		Total	Approximate percentage of shareholding (%)
		Personal Interests	Family Interests		
Dr. CHOW Yei Ching	Beneficial owner	186,682,990*	–	186,682,990	62.85
Mr. KUOK Hoi Sang	Beneficial owner	111,780	–	111,780	0.04
Mr. TAM Kwok Wing	Beneficial owner	192,356	36,956	229,312	0.08
Mr. HO Chung Leung	Beneficial owner	40,000	–	40,000	0.01

- * Dr. CHOW Yei Ching beneficially owned 186,682,990 Shares, representing approximately 62.85% of the entire issued share capital of the Company. These Shares were the same as those Shares disclosed in the subsection (b) below.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or were deemed to have taken under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be recorded in the register referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and other person's interests and short position in the Shares, underlying Shares and securities of the Company

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed to have, an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of the Group (if any) or had any options in respect of such capital:

Substantial Shareholders	Capacity	Number of Shares held	Approximate percentage of shareholding (%)
Dr. CHOW Yei Ching	Beneficial owner	186,682,990	62.85
Ms. MIYAKAWA Michiko	Beneficial owner	186,682,990**	62.85

- ** Under Part XV of the SFO, Ms. MIYAKAWA Michiko, the spouse of Dr. CHOW Yei Ching, is deemed to be interested in the same parcel of 186,682,990 Shares held by Dr. CHOW Yei Ching.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

3. INTERESTS IN GROUP'S ASSETS, CONTRACT OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 March 2014 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective close associates (within the meaning of the Listing Rules) had any interests in any business which competed or might compete with the business of the Group as at the Latest Practicable Date.

6. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (a) the equity option agreement dated 8 April 2013 entered into between, among others, Quality King Investments Limited (“Quality King”), a wholly-owned subsidiary of the Company, and CAAM Limited (“CAAM”), an associated company of the Group, in relation to the grant of certain equity option in the ordinary voting shares of CAAM by CAAM to ASCF (Cayman Islands) II Limited (the “Lender”) at nil consideration. The equity option agreement was terminated upon execution of the deed as described in (c) below;
- (b) the loan agreements dated 7 April 2014 and 14 October 2014 and made among the Company, Quality King and King Bid Company Pty Limited (“King Bid Co”), a non-wholly owned subsidiary of CAAM, in relation to the loans in an aggregate principal amount of A\$11 million (the “Existing A\$ Loans”) advanced by Quality King to King Bid Co in April and October 2014;
- (c) the deed dated 28 November 2014 executed among the Company, Quality King, CAAM, the Lender and Madison Pacific Trust Limited (the “Agent”) to give effect to certain obligations of the Company and Quality King, which include, among other things, Quality King agreed to provide certain loans to CAAM under loan agreements as described in (d) below;
- (d) the loan agreement dated 28 November 2014 between Quality King and CAAM in respect of a loan in the amount of A\$17 million advanced by Quality King to CAAM; the loan agreement dated 28 November 2014 between Quality King and CAAM in respect of a loan in the amount of approximately A\$11.7 million advanced by Quality King to CAAM; and the loan agreement dated 28 November 2014 between Quality King and CAAM in respect of a loan in the amount of US\$3.0 million advanced by Quality King to CAAM;
- (e) the deed of assignment dated 28 November 2014 entered into among the Company, Quality King and CAAM, pursuant to which the Company and Quality King agreed to assign all their interests in the agreements relating to the Existing A\$ Loans to CAAM;

- (f) the option agreement dated 28 November 2014 entered into by Quality King and CAAM, pursuant to which CAAM granted to Quality King an equity option, under which Quality King may exercise the equity option upon payment of the exercise price of US\$1 to CAAM. Upon Quality King exercising the equity option, CAAM shall issue and allot 5,096,492 ordinary voting shares of CAAM to Quality King;
- (g) the legal mortgage over ordinary voting shares of CAAM and non-voting preference shares of CAAM dated 28 November 2014 entered into by CAAM, Quality King, other shareholders of CAAM and the Agent, pursuant to which Quality King charged 5,000,000 ordinary voting shares of CAAM and 29,471,104 non-voting preference shares of CAAM held by Quality King in favour of the Lender as a security for credit facility in the amount of US\$30.0 million provided by the Lender to CAAM; and
- (h) the Agreement and the Formal Agreement.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Knight Frank Petty Limited	Independent Professional Valuer

Knight Frank Petty Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report, letter and/or reference to its name or opinion in the form and context in which they respectively appear.

As at the Latest Practicable Date, Knight Frank Petty Limited was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Knight Frank Petty Limited did not, directly or indirectly, have any interest in any assets which had since 31 March 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

- (a) The secretary of the Company is Mr. MUI Chin Leung. He is an associate member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (b) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda.
- (c) The head office and principal place of business of the Company is situated at 22nd Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 12:30 p.m. and from 2:00 p.m. to 5:00 p.m. at the head office and principal place of business of the Company in Hong Kong from the date of this circular up to and including 5 January 2015:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the letter from the Board, the text of which is set out on pages 4 to 12 of this circular;
- (c) the annual reports of the Company for each of the two years ended 31 March 2013 and 2014 and the interim report of the Company for the six months ended 30 September 2014;

- (d) the valuation report prepared by Knight Frank Petty Limited, the text of which is set out in Appendix II to this circular;
- (e) the written consent from the expert referred to in the section headed “Qualification and consent of expert” in this Appendix III;
- (f) the material contracts referred to in the section headed “Material Contracts” in this Appendix III; and
- (g) this circular.