



CHEVALIER INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTION

The Company proposed to privatise Chevalier Singapore Holdings Limited, a subsidiary listed on the SGX-ST, by way of a voluntary unconditional cash offer for all the shares in CSHL not already held by SVL.

Dr. Chow, the Chairman and Managing Director of the Company, is interested in approximately 3.89% of the existing issued share capital of CSHL.

Success Vantage Limited, a wholly-owned subsidiary of the Company, will acquire from Dr. Chow his interests in CSHL and accordingly such acquisition is a connected transaction under Rule 14.25(1) of the Listing Rules.

INTRODUCTION

The Board of Directors of Chevalier International Holdings Limited (the "Company") wishes to announce that Success Vantage Limited ("SVL"), one of its wholly-owned subsidiaries, proposed to make a voluntary cash offer (the "Offer") for all the ordinary shares of S\$0.20 each ("CSHL Shares") in the capital of Chevalier Singapore Holdings Limited ("CSHL", a company listed on the Singapore Stock Exchange ("SGX-ST")).

THE OFFER

Offer Price

SVL will make the Offer in accordance with The Singapore Code on Takeovers and Mergers (as revised with effect from 1st January 2002) (the "Code") on the following basis:—

For each CSHL Share: S\$0.45 in cash (equivalent to approximately HK\$1.935) (the "Offer Price")

The Offer Price represents:—

- a premium of approximately 18.4 per cent. over the last traded price of S\$0.38 per CSHL Share (equivalent to approximately HK\$1.634) on the SGX-ST on 6th March 2002;
- a premium of approximately 31.1 per cent. over S\$0.3433 (equivalent to approximately HK\$1.476), the weighted average of the last transacted prices of the CSHL Shares for the three months prior to the Announcement; and
- a premium of approximately 53.9 per cent. over S\$0.2924 (equivalent to approximately HK\$1.257), the weighted average of the last transacted prices of the CSHL Shares for the twelve months prior to the Announcement.

The Offer Price has been arrived at after taking into account, inter alia, the liquidity and share price performance of CSHL, its net tangible assets and earnings performance, the cost and benefits of maintaining a listing for CSHL and the increased flexibility accorded to the Company in deploying a privatised CSHL's resources within the group.

Offer Shares

The Offer will be extended to all the issued CSHL Shares not owned by SVL (including those owned, controlled, or agreed to be acquired by parties acting or deemed to be acting in concert with SVL) (the "Offer Shares").

The Offer Shares will be acquired fully-paid and free from all liens, charges, pledges and other encumbrances and together with all rights attached thereto as at the date of this Announcement and hereafter attaching thereto, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by CSHL on or after the date of this Announcement (including any final dividend which may be declared, paid or made by CSHL in respect of the financial year ending 31st March, 2002).

Conditions of the Offer

The Offer is unconditional in all respects.

IRREVOCABLE UNDERTAKINGS

As at the date of this Announcement, the Company, owns 80,000,000 CSHL Shares, representing approximately 71.11% of the existing issued share capital of CSHL.

Dr Chow Yei Ching ("Dr Chow"), a Director and the Chairman of both the Company and CSHL, owns 4,375,000 CSHL Shares, representing approximately 3.89% of the existing issued share capital of CSHL.

Dr Chow and the Company are parties acting in concert with SVL.

SVL has received irrevocable undertakings from each of Dr Chow and the Company to accept the Offer in respect of their respective shareholdings in CSHL, amounting to an aggregate of 84,375,000 CSHL Shares, which represents approximately 75% of the existing issued share capital of CSHL.

Save as disclosed, neither SVL nor any party acting in concert with it, has received any irrevocable undertaking from any party to accept or reject the Offer.

COMPULSORY ACQUISITION AND DELISTING

In view of the irrevocable undertakings given by Dr Chow and the Company, SVL will receive acceptances representing 75% of the existing issued share capital of CSHL.

It is the intention of the Company to make CSHL its wholly-owned subsidiary. It is therefore not the intention of the Company to preserve the listing status of CSHL. If SVL holds or receives acceptances pursuant to the Offer in respect of 90% or more of the Offer Shares, it is the intention of SVL to exercise its right under Section 215(1) of the Singapore Companies Act to acquire compulsorily those Offer Shares not acquired by SVL pursuant to the Offer.

If SVL is able to proceed with the compulsory acquisition, an application will be made by SVL to delist CSHL from the SGX-ST.

Even in the event that SVL is not able to proceed with the compulsory acquisition, should SVL and any party acting in concert with it, as a result of the Offer or otherwise, own or control more than 90 per cent. of the issued share capital of CSHL, the SGX-ST will suspend the listing of CSHL Shares until such time it is satisfied that at least 10 per cent. of CSHL Shares are held by at least 1,000 shareholders who are members of the public, in accordance with the provisions of Clause 1101 of the SGX-ST Listing Manual. In such an event, SVL has no intention to undertake any placement of CSHL Shares in order for the listing suspension to be lifted.

BACKGROUND INFORMATION ON SVL, THE COMPANY AND CSHL

SVL was incorporated in the British Virgin Islands on 31st January, 2002. It is principally an investment holding company and has an issued and paid-up share capital comprising one share of US\$1.00. It has not carried on any business since its incorporation. The directors of SVL are Dr Chow and Messrs Kuok Hoi Sang, Fung Pak Kwan and Kan Ka Hon.

The Company was incorporated in Bermuda as an exempt company on 22nd May, 1989. It is listed on The Stock Exchange of Hong Kong Limited (the "HK Stock Exchange") and has a market capitalisation of approximately HK\$700 million as at the date of this Announcement. The principal activities of the Company are investment holding while the principal activities of its subsidiaries are marketing, installation and maintenance of lifts and escalators, air-conditioning systems, electrical and mechanical systems, power equipment and industrial equipment and environmental engineering; supply and installation of building materials and equipment; sale, servicing and leasing of automobiles; property development and investment; a wide range of voice and data communication equipment and services; system integrated IT solutions; sale and servicing of business machines and household products. The directors of the Company are Dr. Chow and Messrs. Kuok Hoi Sang, Fung Pak Kwan, Fung Wo Shun, Kan Ka Hon, Wong Kie Ngok, Alexander, Tam Kwok Wing, Iain Leonard Dale, Cheng Ming Fun, Paul and Wong Wang Fat, Andrew.

CSHL is a company established in Singapore on 18th September, 1972. It is listed on the SGX-ST and has a market capitalisation of approximately S\$42.75 million (equivalent to approximately HK\$183,825,000) as at the date of this Announcement. The principal activity of CSHL is that of an investment holding company while the principal activities of its subsidiaries are to carry on the business of property investment and the provision of lift and escalator installation, servicing and engineering services. The net tangible assets of CSHL for the two financial years ended 31st March, 2001 were S\$65,835 million and S\$66,277 million (equivalent to approximately HK\$283,090,500 and HK\$284,991,100) respectively. The net profits before and after taxation of CSHL for the financial year ended 31st March, 2001 were S\$7,782 million and S\$5,619 million (equivalent to approximately HK\$33,462,600 and HK\$24,160,700), respectively. The net profits before and after taxation of CSHL for the financial year ended 31st March, 2000 were S\$6,621 million and S\$4,770 million (equivalent to approximately HK\$28,470,300 and HK\$20,511,000) respectively.

RATIONALE FOR THE OFFER

The Offer is made by SVL for the purpose of privatising CSHL.

The reasons for the privatisation are as follows:—

1. Market Performance of the CSHL Shares

The trading liquidity of the CSHL Shares has been low, with average daily trading volume of approximately 8,100 shares and 6,700 shares over the last 12 months and 36 months respectively. In addition, the CSHL Shares have been trading significantly below its net tangible assets value since August 1999.

2. No need for access to Equity Capital Markets

Since CSHL's listing in November 1994, CSHL has not raised any funds from the equity capital markets. Taking into account the non-capital intensive nature of CSHL's operations and the positive operating cashflows and zero gearing of CSHL, the Company does not foresee a need for CSHL to access the equity capital markets in the foreseeable future.

3. Better flexibility in managing CSHL's resources

Taking CSHL private will also give the Company more flexibility in managing the resources of CSHL within the Group.

DISCLOSURE

Save as disclosed in this Announcement, none of SVL, the directors of SVL, the Company, its directors, subsidiaries and associated companies and the directors (i) owns, controls or has agreed to acquire any CSHL Shares as at the date of this Announcement, or (ii) has received any irrevocable undertaking from any party to accept or reject the Offer as at the date of this Announcement.

FINANCIAL RESOURCES

The total expenses incurred in relation to the Offer, other than for acquisition of CSHL Shares already held by the Company, is estimated to amount to approximately HK\$63 million (including the payment of S\$1,968,750 (equivalent to approximately HK\$8,465,625) to Dr. Chow for his 4,375,000 CSHL Shares) and will be funded by bank borrowing.

HONG KONG LISTING RULES

Pursuant to the Rules Governing the Listing of Securities on the HK Stock Exchange (the "Listing Rules"), the acquisition by SVL of Dr. Chow's interest in CSHL constitutes a connected transaction under Rule 14.23(1)(a). As the aggregate consideration payable by SVL to Dr. Chow for his 4,375,000 CSHL Shares is S\$1,968,750 (equivalent to approximately HK\$8,465,625), the transaction falls under Rule 14.25(1) of the Listing Rules and is subject to disclosure requirement.

The Offer has been approved by all directors (including the independent non-executive directors) of the Company.

OTHER INFORMATION

Further announcement by the Company will be made upon completion of the Offer and delisting of CSHL.

In this Announcement an exchange rate of S\$1 to HK\$4.3 has been used.

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

6th March, 2002