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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other licensed securities dealers, 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 agents 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: 025)

**DISCLOSEABLE TRANSACTION –  
FORMATION OF A JOINT VENTURE COMPANY**

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## DEFINITIONS

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*In this circular, the following expressions have the meanings as set out below unless the context requires otherwise*

“Board”	board of Directors
“Citiway”	Citiway Engineering Limited, (誠偉工程有限公司) a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company
“CiTL”	Chevalier iTech Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange
“Company”	Chevalier International Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange
“Cui Tian Project”	one of the Property Development Projects located in Cui Tian industrial village, Lo Wu, Shenzhen, the PRC
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Joint Venture Agreement”	the joint venture agreement dated 11th December, 2004 entered into between Citiway and the JV Partner for the establishment of the Joint Venture Company
“Joint Venture Company”	Shenzhen Chevalier Golden Peak Real Estate Development Co., Ltd. (深圳其士金峰園房地產開發有限公司)
“JV Partner”	Shenzhen Golden Peak Investment Development Co., Ltd. (深圳市金峰園投資發展有限公司), a company established in the PRC with limited liability
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Latest Practicable Date”	21st January, 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Companies

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## DEFINITIONS

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“PRC”	The People’s Republic of China which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property Development Projects”	the four property development projects to be carried out by the Joint Venture Company pursuant to the Joint Venture Agreement
“Shares”	ordinary shares of HK\$1.25 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SFO”	Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Xi Ling Project”	one of the Property Development Projects located in Xi Ling village, Lo Wu, Shenzhen, the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	Square metre

*All amounts in RMB have been translated into HK\$ at the rate of HK\$1.00 = RMB1.06 in this circular for illustration purpose only.*

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## LETTER FROM THE BOARD

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### CHEVALIER INTERNATIONAL HOLDINGS LIMITED

其士國際集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 025)

*Executive Directors:*

Chow Yei Ching (*Chairman and Managing Director*)

Kuok Hoi Sang (*Managing Director*)

Fung Pak Kwan

Tam Kwok Wing

Kan Ka Hon

Chow Vee Tsung, Oscar

Ho Chung Leung

*Independent non-executive Directors:*

Wong Wang Fat, Andrew O.B.E. (Hon.), J.P.

Chow Ming Kuen, Joseph O.B.E., J.P.

Li Kwok Heem, John

*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

25th January, 2005

*To the Shareholders*

Dear Sir or Madam,

### DISCLOSEABLE TRANSACTION – FORMATION OF A JOINT VENTURE COMPANY

#### INTRODUCTION

On 4th January, 2005, the Directors announced that Citiway, a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with JV Partner on 11th December, 2004 for the establishment of the Joint Venture Company in the PRC. Upon the establishment, the Joint Venture Company will be owned as to 46% by the Group and as to 54% by the JV Partner. Pursuant to the Joint Venture Agreement, the Joint Venture Company will carry out four property development projects.

The formation of the Joint Venture Company constitutes a discloseable transaction of the Company under the Listing Rules. The purpose of this circular is to provide you with further information on the Joint Venture Company and other information as set out in Appendix to this circular.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### THE JOINT VENTURE AGREEMENT

**Date:** 11th December, 2004

**Parties:**

The foreign party: Citiway, a wholly-owned subsidiary of the Company

The PRC party: Shenzhen Golden Peak Investment Development Co., Ltd., a company established in the PRC with limited liability and is principally engaged in the property investment.

To the best knowledge, information and belief of the Directors and after making all reasonable enquiries, as at the Latest Practicable Date, the JV Partner and its ultimate beneficial owners are not connected persons of the Company (as defined under the Listing Rules) and are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

### The Joint Venture Company

Pursuant to the terms and conditions of the Joint Venture Agreement, Citiway and the JV Partner have agreed to set up the Joint Venture Company as an equity joint venture company in the PRC for a term of 50 years commencing from the date of issue of business license of the Joint Venture Company. The Joint Venture Company has already obtained its business license.

Pursuant to the Joint Venture Agreement, the Joint Venture Company will carry out four property development projects (as set out below) and its scope of business includes property development; management of service apartments, shopping mall, hotel, motel and guesthouse; property management; sale and lease of properties; and other related services.

### Capital contribution

Pursuant to the Joint Venture Agreement, the total investment of the Joint Venture Company is RMB125.0 million (equivalent to approximately HK\$117.9 million). The registered capital of the Joint Venture Company is RMB50.0 million (equivalent to approximately HK\$47.2 million). The Group will contribute RMB23.0 million in cash (equivalent to approximately HK\$21.7 million) which will be financed by its internal resources. The JV Partner will contribute RMB27.0 million in cash (equivalent to approximately HK\$25.5 million). Upon the establishment, the Joint Venture Company will be owned as to 46% by the Group and as to 54% by the JV Partner, which is in proportion to their capital contribution.

The Joint Venture Company will become a 46% owned associated company of the Group upon its establishment and its accounts will be equity accounted for in the Group's consolidated accounts.

Pursuant to the Joint Venture Agreement, it is agreed that should further injection of funds are required after the registered capital is fulfilled, the Joint Venture Company could raise funds through financial institution in the PRC or from abroad. In the event that the additional fund could not be raised from financial institutions, it is agreed, the JV Partner and the Group would extend shareholders' loan to the Joint Venture Company on a 50:50 basis. The Group agreed to such arrangement after arm's length negotiations with the JV Partner and taking into account the profit sharing arrangement under the Xi Ling Project and Cui Tian Project (as described below) which were also agreed to be shared between the JV Partner and the Group on a 50:50 basis.

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## LETTER FROM THE BOARD

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### **Profit sharing**

The Group and the JV Partner will share all profit and loss, costs and risk in proportion to their respective interest in the Joint Venture Company unless it is specified otherwise under the Joint Venture Agreement (such as the Xi Ling Project and the Cui Tian Project as described below).

### **Composition of board of directors of the Joint Venture Company**

The board of directors of the Joint Venture Company will comprise seven directors, of which four will be appointed by the JV Partner and three will be appointed by Citiway.

### **Responsibilities of the JV Partner and the Group**

The JV Partner is responsible for, among other things, the followings:

- (i) to apply for the relevant approvals from the relevant PRC government authorities for the establishment of the Joint Venture Company;
- (ii) to properly manage the demolition work and resettlement of the existing residents on the development site (the “Resettlement”) of Xi Ling Project and Cui Tian Project. The JV Partner will be responsible for all claims or litigations against the Joint Venture Company and relevant costs incurred therefrom, should those claims or litigations relate to the Resettlement. The Joint Venture Company will be responsible for all claims or litigations against the Joint Venture Company and relevant costs incurred therefrom, should those claims or litigations relate to the design, quality or delay in completion of Xi Ling Project or Cui Tian Project;
- (iii) to carry out relevant procedures and apply for relevant approvals in relation to the change of land usage and the transfer of land use right for the parcel of land where the Xi Ling Project is situated, such that the Joint Venture Company could obtain the development rights and land use rights within four months after the issue of the Joint Venture Company’s business license;
- (iv) to carry out relevant procedures and apply for relevant approvals in relation to the change of land usage and the transfer of land use right for the parcel of land where the Cui Tian Project is situated, such that the Joint Venture Company could obtain the development rights and land use rights;
- (v) to bear all costs in relation to the application of the land use right for the Xi Ling Project, including, among other things, the costs involved in the demolition work, the Resettlement, and other costs associated with the change of land usage.

The JV Partner will also be responsible to contribute a shareholder’s loan of approximately RMB149.2 million (equivalent to approximately HK\$140.8 million) by transferring a parcel of land to the Joint Venture Company for the Xi Ling Project. For details of such shareholder’s loan from the JV Partner, please refer to the paragraph headed “Information on Xi Ling Project and Cui Tian Project”.

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## LETTER FROM THE BOARD

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The Group is responsible for, among other things, the followings:

- (i) to assist the JV Partner, if necessary, in obtaining relevant approvals from the relevant PRC authorities;
- (ii) to provide additional funding of RMB77.0 million (equivalent to approximately HK\$72.6 million), in the form of shareholder's loan, to the Joint Venture Company for the Xi Ling Project within one month after the issue of the business license of the Joint Venture Company;
- (iii) to further provide RMB50.0 million (equivalent to approximately HK\$47.2 million) to the Joint Venture Company as shareholder's loan within one month after the land use right for the Xi Ling Project being granted;
- (iv) to assist the Joint Venture Company in purchasing necessary equipments and building materials in the international market.

### **Pre-emptive right**

The transfer of interest in the Joint Venture Company by either Citiway or the JV Partner is subject to their respective pre-emptive right. The pre-emptive right of each party under the Joint Venture Agreement will expire (i) 60 days after the issue of a written notice from either party regarding the transfer of its interest in the Joint Venture Company; or (ii) upon the issue of a written confirmation by either party for the surrender of its pre-emptive right.

### **Other terms of the Joint Venture Agreement**

#### *Advance to the Joint Venture Company*

It is agreed that, in addition to the shareholder's loan of RMB127.0 million (equivalent to approximately HK\$119.8 million), the Group will make an advance of RMB50.0 million (equivalent to approximately HK\$47.2 million) to the Joint Venture Company as part of the costs for the demolition work for phase two of the Xi Ling Project to facilitate the Joint Venture Company to obtain the relevant development rights. The advance will be accounted for as a payable due by the Joint Venture Company to the Group in the books of the Joint Venture Company. The Group intends to make the advance out of its internal resources. The JV Partner will pledge its 54% interest in the Xi Ling Project as collateral for such advance provided by the Group. As at the Latest Practicable Date, the terms of this advance, such as the repayment period and the interest rate have not been agreed yet. In the event that the land use right for the project cannot be obtained within six months after the advance was made to the Joint Venture Company, the JV Partner will replace the Group as the lender of the shareholder's loan by repaying the Group RMB50.0 million (equivalent to approximately HK\$47.2 million).

#### *Property management*

It is agreed between the JV Partner and Citiway to grant priority to a property management company in respect of the property management right of Xi Ling Project and Cui Tian Project. The property management company has not been established but is expected to be equally owned by the JV Partner and Citiway upon establishment. Given the nature of business, the Directors do not consider a significant amount of capital will be required for the property management company. In the event that any significant capital contribution is required, the Directors expect that the contribution to be made by the Group to the property management company will be funded by the Group's internal resource. As at the Latest Practicable Date, the amount of contribution has not yet been agreed between the JV Partner and Citiway.

The Directors confirm that the Company will fully comply with the relevant Listing Rules in effect from time to time in relation to the establishment of the said property management company.



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## LETTER FROM THE BOARD

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### THE PROPERTY DEVELOPMENT PROJECTS

The Joint Venture Company will engage in four property development projects in Shenzhen, the PRC. As at the Latest Practicable Date, development plans for two of the four projects, namely the Xi Ling Project and Cui Tian Project, have been decided. The Directors have confirmed that, the remaining two projects are still at the planning stage and no concrete plan as to the total investment, capital commitment amount or the development plan have been agreed between the Group and the JV Partner.

#### Information on Xi Ling Project and Cui Tian Project

##### *Xi Ling Project*

##### *Development*

A commercial/residential complex with gross floor area of approximately 150,800 sq. m. situated at Xi Ling village in Lo Wu, Shenzhen, the PRC. As at the Latest Practicable Date, it is estimated that the total investment for the Xi Ling Project will be approximately RMB276.2 million (equivalent to approximately HK\$260.6 million).

##### *Contribution*

It is agreed that the JV Partner will contribute a shareholder's loan by transferring a parcel of land of approximately 14,788 sq. m. (subject to final confirmation of the relevant land department of the PRC government) to the Joint Venture Company. The parcel of land is valued by the JV Partner at approximately RMB149.2 million (equivalent to approximately HK\$140.8 million). Based on the Group's knowledge in the Shenzhen property market and with references to the comparable development projects in the nearby area, the Directors consider that the valuation for that parcel of land is reasonable.

The Group will contribute a shareholder's loan of RMB127.0 million (equivalent to approximately HK\$119.8 million) in cash to finance the Xi Ling Project. The entire amount will be financed by internal resources of the Group. Such shareholder's loan will be payable by the Group as to RMB77.0 million (equivalent to approximately HK\$72.6 million) within one month after the issue of its business license (as describe above) and the remaining RMB50.0 million (equivalent to approximately HK\$47.2 million) within one month after the issue of the relevant land use right of this project (as describe above). As at the Latest Practicable Date, the terms of such shareholder's loans, such as the repayment period and the interest rate have not been agreed yet.

The JV Partner and the Group will respectively have an interest of 54% and 46% in this project.

##### *Profit sharing*

After arm's length negotiations between Citiway and the JV Partner and taking into account that the Group will provide project management services relating to the Xi Ling Project, it is agreed that the profit of the Xi Ling Project will be shared between the Group and the JV Partner on a 50:50 basis.

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## LETTER FROM THE BOARD

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### *Cui Tian Project*

#### *Development*

A commercial/residential complex with a total gross floor area of approximately 78,165 sq.m. will be developed in the Cui Tian industrial village, Lo Wu, Shenzhen, the PRC. The cost of the land where the complex will be situated is estimated at approximately RMB86.8 million (equivalent to approximately HK\$81.9 million) and will be procured by the Joint Venture Company. The total investment for the Cui Tian Project is not yet finalised as at the Latest Practicable Date.

#### *Contribution*

It is stipulated that the contribution for Cui Tian Project will be shared between the JV Partner and the Group on a 50:50 basis.

#### *Profit Sharing*

The profit of the Cui Tian Project will be shared between the Group and the JV Partner on a 50:50 basis.

The Directors confirm that when further funding is required to be made to the Joint Venture Company in relation to the four property development projects as mentioned above, the Company will fully comply with the relevant reporting and disclosure requirements under the Listing Rules as and when appropriate.

### **REASONS FOR FORMING THE JOINT VENTURE COMPANY**

The principal business of the Company is investment holding, through its subsidiaries, the Company is principally engaged in the business of construction and engineering, insurance and investment, property investment, hotel investment and information technology. The principal business activities of the Joint Venture Company is to carry out the Property Development Projects. The Directors believe that the entering into of the Joint Venture Agreement is an opportunity for the Group to benefit from the growing property market in the PRC.

The Directors consider the terms of the Joint Venture Agreement including the profit sharing arrangements under the Xi Ling Project and Cui Tian Project are fair and reasonable and the formation of the Joint Venture Company to carry out the Property Development Projects are in the interest of the Company and the shareholders of the Company as a whole.

### **GENERAL**

Your attention is drawn to the additional information contained in the Appendix to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Chevalier International Holdings Limited**  
**Chow Yei Ching**  
*Chairman and Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular with regard to the Company and confirm, having made all reasonable enquiries and that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

### i. Directors' and chief executives' interests in securities

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which have been 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 were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to S352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

#### (a) Interests in the Company – Shares

Name of Directors	Capacity	Number of Shares		Total	Approximate percentage of interest (%)
		Personal interests	Family interests		
CHOW Yei Ching	Beneficial owner	142,869,359*	–	142,869,359	51.28
KUOK Hoi Sang	Beneficial owner	98,216	–	98,216	0.04
FUNG Pak Kwan	Beneficial owner	93,479	–	93,479	0.03
TAM Kwok Wing	Beneficial owner	169,015	32,473	201,488	0.07
KAN Ka Hon	Beneficial owner	29,040	–	29,040	0.01
HO Chung Leung	Beneficial owner	40,000	–	40,000	0.01

\* Dr. CHOW Yei Ching (“Dr. Chow”) beneficially owned 142,869,359 Shares, representing approximately 51.28% of the issued share capital of the Company. These Shares were same as those Shares disclosed in the section “Substantial shareholders’ interests in securities” below.

## (b) Interests in Associated Corporation – shares

Name of Directors	Associated corporation	Capacity	Number of ordinary shares			Total	Approximate percentage of interest (%)
			Personal interests	Corporate interests	Family interests		
CHOW Yei Ching	CiTL	Beneficial owner and Interest of controlled corporation	6,815,854	86,994,933*	–	93,810,787	54.75
KUOK Hoi Sang	CiTL	Beneficial owner	2,400,000	–	–	2,400,000	1.40
FUNG Pak Kwan	CiTL	Beneficial owner	2,580,000	–	–	2,580,000	1.50
TAM Kwok Wing	CiTL	Beneficial owner	400,000	–	10,400	410,400	0.24
KAN Ka Hon	CiTL	Beneficial owner	451,200	–	–	451,200	0.26

\* *Dr. Chow had notified CiTL that under the SFO, he was deemed to be interested in 86,994,933 shares in CiTL which were all held by the Company as Dr. Chow beneficially owned 142,869,359 Shares, representing approximately 51.28% of the issued share capital of the Company.*

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, no other person has interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which are 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 he is taken or deemed to have taken under such provisions of the SFO); or are required, pursuant to S352 of the SFO, to be recorded in the register referred to therein; or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## ii. Substantial shareholders' interests in securities

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations in the Shares or underlying Shares which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under S336 of the SFO were as follows:

Substantial shareholder	Number of Shares held	Approximate percentage of interest (%)
CHOW Yei Ching	142,869,359	51.28
MIYAKAWA Michiko	142,869,359 ( <i>Note 1</i> )	51.28
Value Partners Limited	16,248,000	5.83
CHEAH Cheng Hye	16,248,000 ( <i>Note 2</i> )	5.83

*Note:*

- Under Part XV of the SFO, Ms. Miyakawa Michiko, the spouse of Dr. Chow, is deemed to be interested in the same parcel of 142,869,359 Shares held by Dr. Chow.
- Such interests arose through the interests in the relevant Shares owned by Value Partners Limited, a funds management company, in which Mr. Cheah Cheng Hye held approximately 31.82% shareholding interests.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, no other person had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations 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 member of the Group or in any options in respect of such capital.

## 3. LITIGATION

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

**4. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors have an interest in any business constituting a competing business to the Group.

**5. SERVICE CONTRACT**

As at the Latest Practicable Date, none of the Directors have entered, or are proposing to enter, into any service contract with the Company or its subsidiaries which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

**6. MISCELLANEOUS**

- (a) The qualified accountant of the Company is Mr. Ho Chung Leung, *FCCA*. He is a fellow member of The Association of Chartered Certified Accountants in the U.K. and a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The secretary of the Company is Mr. Kan Ka Hon, *FCCA*. He is a fellow member of The Association of Chartered Certified Accountants in the U.K. and a member of the Hong Kong Institute of Certified Public Accountants.
- (c) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda and its principal place of business is situated at 22nd Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong.
- (d) The Hong Kong branch share registrars and transfer office of the Company is Standard Registrars Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.