



## CHEVALIER INTERNATIONAL HOLDINGS LIMITED

其士國際集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 25)

### DISCLOSEABLE TRANSACTION – JOINT DEVELOPMENT PROJECT

On 27th June, 2006, Chevalier Chengdu, a wholly-owned subsidiary of the Company, entered into the Development Agreement with the JV Partners to undertake the Joint Development Project. Chevalier Chengdu and the JV Partners will bear the cost and share the economic interests in the Joint Development Project on a 51:49 basis.

The Joint Development Project will be named 華僑廣場 (Hua Qiao Plaza) and constructed on a site situated at Chang Jiang Road Central in Hefei, Anhui Province, the PRC. The Joint Development Project would comprise office building, shopping mall, hotel and service apartment. The total investment of the Joint Development Project amounts to RMB750,000,000 (equivalent to approximately HK\$721,153,846).

The Development Agreement constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing further details of the Development Agreement will be despatched to the shareholders of the Company as soon as practicable.

#### INTRODUCTION

The Board is pleased to announce that Chevalier Chengdu, a wholly-owned subsidiary of the Company, has entered into an agreement with 安徽省華僑飯店 (Anhui Province Hua Qiao Hotel) and 安徽安興聯合總公司 (Anhui Anxing Lianhe Corporation) on 27th June, 2006 whereby the parties to the agreement agreed to undertake the Joint Development Project.

#### THE DEVELOPMENT AGREEMENT DATED 27TH JUNE, 2006

##### Parties:

- (1) Chevalier Chengdu, a wholly-owned subsidiary of the Company established as a wholly foreign-owned enterprise in the PRC with limited liability. Chevalier Chengdu is principally engaged in property investment as well as provision of business consulting services;
- (2) 安徽省華僑飯店 (Anhui Province Hua Qiao Hotel), a state-owned company established in the PRC and is principally engaged in the provision of tourism services and property development;
- (3) 安徽安興聯合總公司 (Anhui Anxing Lianhe Corporation), a state-owned company established in the PRC and is principally engaged in trading of building materials, property development, property management and provision of business consulting services.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, the JV Partners and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

##### Major Terms

The Joint Development Project involves development of a commercial complex on a site situated at Chang Jiang Road Central in Hefei, Anhui Province, the PRC. Majority portion of the Development Site is owned by 安徽省華僑飯店 (Anhui Province Hua Qiao Hotel) which has agreed to transfer it to the Joint Development Project for development as described below in further details. The remaining area of the Development Site would be acquired from independent third parties.

Pursuant to the Development Agreement, Chevalier Chengdu and the JV Partners will bear the cost and share the economic interests in the Joint Development Project on a 51:49 basis. The total investment for the Joint Development Project is RMB750,000,000 (equivalent to approximately HK\$721,153,846), of which RMB108,440,000 (equivalent to approximately HK\$104,269,231) and RMB112,870,000 (equivalent to approximately HK\$108,528,846) will be contributed by the JV Partners and Chevalier Chengdu respectively, and the remaining is expected to be financed by external borrowings or be borne by Chevalier Chengdu and the JV Partners on a 51:49 basis. The JV Partners will make their initial contribution of RMB108,440,000 (equivalent to approximately HK\$104,269,231) in the form of the JV Partners' Land. The JV Partners' Land shall be transferred to the Joint Development Project with good titles and free of lien, encumbrances or other third parties' rights. Accordingly, the JV Partners shall bear all land premium for, and the cost for demolition and resettlement of occupants in the existing buildings over, the JV Partners' Land, if required, at their own cost. The agreed value of the JV Partners' Land of RMB108,440,000 (equivalent to approximately HK\$104,269,231) is arrived at after arms-length negotiations between Chevalier Chengdu and the JV Partners and with reference to the Directors' knowledge of recent market prices of comparable development sites. Chevalier Chengdu has made part of its initial contribution in the sum of RMB5 million (equivalent to approximately HK\$4.8 million) by way of cash on 11th July, 2006, and the remaining RMB107,870,000 (equivalent to approximately HK\$103,721,154) will be contributed in stages to the Joint Development Project according to the terms of the Development Agreement in the future.

The Group will finance its cash contribution to the Joint Development Project from internal resources.

Pursuant to the Development Agreement, any additional fundings required for the Joint Development Project in addition to the initial cash contribution to be made by Chevalier Chengdu will be raised from external borrowings, failing which Chevalier Chengdu and the JV Partners shall extend further fundings to the Joint Development Project in the ratio of 51:49 which is the same as their respective interests in the Joint Development Project.

It is intended that in due course the Joint Development Project will be undertaken by a Joint Venture Company to be established in the PRC among Chevalier Chengdu and the JV Partners. The formation of the Joint Venture Company and the transfer of the JV Partners' Land under the Joint Development Project to the Joint Venture Company are subject to the PRC relevant government approvals. Once the Joint Venture Company is set up, the contributions made by Chevalier Chengdu and the JV Partners to the Joint Development Project will be transferred to the Joint Venture Company as their respective capital contributions.

##### Management committee of the Joint Development Project

A management committee will be set up and it shall be responsible for decision making and monitoring of the Joint Development Project. It will comprise nine committee members, of which five will be appointed by Chevalier Chengdu, three by 安徽安興聯合總公司 (Anhui Anxing Lianhe Corporation) and the remaining one by 安徽省華僑飯店 (Anhui Province Hua Qiao Hotel). After the Joint Venture Company is set up, the management committee members will be appointed to the board of directors of the Joint Venture Company.

##### THE JOINT DEVELOPMENT PROJECT

The Joint Development Project will be named 華僑廣場 (Hua Qiao Plaza) and constructed on a site situated at Chang Jiang Road Central in Hefei, Anhui Province, the PRC. Hefei is the capital city and an important industrial centre of the Anhui Province, with a total area of approximately 7,266 square kilometers and a population of approximately 4.6 million as of 31st December, 2005. The Development Site is situated at a prime location of Hefei, which gives the Joint Development Project a competitive advantage in terms of location.

Like other PRC urban cities, Hefei has attained fast economic growth in recent years. Hefei's GDP reached approximately RMB85.4 billion in 2005 while its GDP grew approximately 16.9% over 2004. Its GDP per capita increased by approximately 14.5% over 2004 to RMB18,960

in 2005. Urban consumer expenditure in Hefei reached RMB32.4 billion in 2005, representing an increase of approximately 35.3% over 2004. This fast economic growth has created increasing demand for commercial complex. With its prime location in Hefei, the Directors believe that the Joint Development Project, when launched, would be well received by the market.

It is currently planned that the Joint Development Project would comprise office building, shopping mall, hotel and service apartment. Nevertheless, the exact development plan of the Joint Development Project is yet to be finalized.

##### Reasons for entering into the Development Agreement

The Group is principally engaged in construction, engineering, insurance, property investment, hotel investment, information technology and food and beverage. The entering into the Development Agreement will create a good opportunity for the Group to benefit from the growing property market in the PRC. As mentioned in the Company's annual report for the year ended 31st March, 2005, the Group has confidence in the long-term growth of the PRC property market and expects the austerity measures imposed by the PRC government will help to eliminate speculative players, thus paving the way for healthy long-term growth of the market. As mentioned above, the Development Site occupies a prime location in Hefei which in turn is the capital city and an important industrial centre of the Anhui Province. Given this, the Directors have confidence in the prospect of the Joint Development Project which caters for the expected increasing demand from business travelers and retailers in Hefei brought about by the continued economic growth in the city.

The Directors (including the independent non-executive Directors) consider that the Development Agreement is on normal commercial terms, which is fair and reasonable to the Company and its shareholders and the undertaking of the Joint Development Project is in the interests of the Company.

##### GENERAL

The Development Agreement constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing further details of the Development Agreement will be despatched to the shareholders of the Company as soon as practicable.

##### DEFINITIONS

"Board"	board of Directors;
"Chevalier Chengdu"	其士(成都)投資管理有限公司 (Chevalier (Chengdu) Investment Management Limited), a wholly-owned subsidiary of the Company established as a wholly foreign-owned enterprise in the PRC with limited liability;
"Company"	Chevalier International Holdings Limited, a company incorporated in Bermuda with limited liability, shares of which are listed on the Stock Exchange;
"Development Agreement"	the joint development project agreement dated 27th June, 2006 entered into between Chevalier Chengdu and the JV Partners to undertake the Joint Development Project;
"Development Site"	the site for the development of the Joint Development Project;
"Directors"	directors of the Company;
"Group"	the Company and its subsidiaries;
"Hong Kong"	Hong Kong Special Administrative Region of the PRC;
"Joint Development Project"	the commercial complex situated at Chang Jiang Road Central in Hefei, Anhui Province, the PRC to be developed by the JV Partners and Chevalier Chengdu;
"Joint Venture Company"	a company to be established in the PRC with limited liability; 安徽省華僑飯店 (Anhui Province Hua Qiao Hotel), a state-owned company established in the PRC and 安徽安興聯合總公司 (Anhui Anxing Lianhe Corporation), a state-owned company established in the PRC;
"JV Partners' Land"	a parcel of land situated at Chang Jiang Road Central in Hefei, Anhui Province, the PRC and is owned by 安徽省華僑飯店 (Anhui Province Hua Qiao Hotel) and to be contributed to the Joint Development Project by the JV Partners;
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	The People's Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"HK\$" / "RMB"	Hong Kong dollars, the lawful currency of Hong Kong; Renminbi yuan, the lawful currency of the PRC.

All amounts in RMB have been translated into HK\$ at the rate of HK\$1.0 = RMB1.04 in this announcement for illustration purpose only.

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

Hong Kong, 11th July, 2006

As at the date of this announcement, the board of directors of the Company comprises Dr. Chow Yei Ching, Messrs. Kuok Hoi Sang, Fung Pak Kwan, Chow Vee Tsung, Oscar, Tam Kwok Wing, Kan Ka Hon and Ho Chung Leung as executive Directors and Dr. Chow Ming Kuen, Joseph, Mr. Li Kwok Heem, John and Mr. Sun Kai Dah, George as independent non-executive Directors.

\* For identification purpose only