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**CHEVALIER iTECH
HOLDINGS LIMITED**
其士科技控股有限公司*
(Incorporated in Bermuda with
limited liability)
(Stock code: 508)

**CHEVALIER INTERNATIONAL
HOLDINGS LIMITED**
其士國際集團有限公司*
(Incorporated in Bermuda with
limited liability)
(Stock code: 025)

MAJOR TRANSACTION

DISCLOSEABLE TRANSACTION



PACIFIC COFFEE (HOLDINGS) LIMITED

Financial Adviser

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

On 6th April, 2005, CIL entered into the Agreement with the Vendors and the Associated Parties to acquire from them their respective interests in Pacific Coffee, which in aggregate represents the entire issued share capital of Pacific Coffee for a cash consideration of HK\$205 million. Details of the Agreement are set out below.

The Acquisition constitutes a major transaction for CiTL. CiTL has received a written approval in respect of the Acquisition from CIHL, which at the date of this announcement holds approximately 50.77% of the issued share capital of CiTL. No shareholder of CiTL, including CIHL and its associates, is interested in the Acquisition except as a shareholder of CiTL, therefore no shareholder of CiTL would be required to abstain from voting at a general meeting of CiTL to approve the Acquisition. To the best of the knowledge, information and belief of the respective Boards of CiTL and CIHL and having made all reasonable enquiry, none of the Vendors, the Associated Parties and the Warrantor or their respective associates have any interests in CIHL or CiTL. Accordingly, under Rule 14.44 of the Listing Rules, a general meeting of CiTL for its shareholders to approve the Acquisition will not be held. A circular containing further details of the Agreement and financial information relating

to Pacific Coffee and CiTL will be despatched to the shareholders of CiTL as soon as practicable.

The Acquisition constitutes a discloseable transaction for CIHL under the Listing Rules. A circular containing further information in respect of the Agreement and other information as required under the Listing Rules will be despatched to the shareholders of CIHL as soon as practicable.

Trading in the shares of CiTL on the Stock Exchange was suspended with effect from 9:30 a.m. on Monday, 4th April, 2005 at the request of CiTL pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the shares of CiTL with effect from 9:30 a.m. on Monday, 11th April, 2005.

AGREEMENT DATED 6TH APRIL, 2005

Parties to the Agreement

Vendors and Associated Parties:	Various corporations and individuals. To the best of the knowledge, information and belief of the respective Boards of CiTL and CIHL and having made all reasonable enquiry, the Vendors (and in cases where the Vendor is a corporation, their ultimate beneficial owners) and the Associated Parties are independent of CIHL and CiTL or any of their respective connected persons, and are not connected persons of CIHL or CiTL.
Warrantor:	Empress Dowager Limited. To the best of the knowledge, information and belief of the respective Boards of CiTL and CIHL and having made all reasonable enquiry, the Warrantor and its ultimate beneficial owner are independent of CIHL and CiTL or any of their respective connected persons, and are not connected persons of CIHL or CiTL.
Purchaser:	CIL, a wholly-owned subsidiary of CiTL
Guarantor:	CiTL, to guarantee the performance of the obligations of CIL under the Agreement

Asset to be acquired

400,337 ordinary shares of Pacific Coffee, being the entire issued share capital of Pacific Coffee.

Pacific Coffee's first outlet was established in 1993. Pacific Coffee now operates 39 retail outlets in Hong Kong and five in Singapore. Pacific Coffee sells high quality, premium roasted whole bean coffees, specialty coffees and cold beverages, baked goods and pastries along with coffee-related hardware and supplies. Pacific Coffee also sells its branded products to wholesale accounts and provides coffee services to corporate customers including hotels, restaurants, clubs and large corporations. In addition, Pacific Coffee Group is also engaged in the wholesale of selected coffee beans in Hong Kong, Macau, the PRC and Singapore.

For the year ended 31st March, 2003, Pacific Coffee recorded an audited consolidated profit before and after tax of approximately HK\$6.2 million and HK\$4.3 million respectively. For the year ended 31st March, 2004, Pacific Coffee recorded an audited consolidated profit before and after tax of approximately HK\$11.9 million and HK\$9.4 million respectively. EBITDA of Pacific Coffee for 2003 and 2004 was approximately HK\$17.6 million and HK\$24.0 million respectively.

As at 31st March, 2004, the audited consolidated net asset value of Pacific Coffee was approximately HK\$70.3 million.

Consideration

The consideration for the Acquisition was HK\$205 million in cash, which was agreed between CIL and the Vendors after arm's length negotiations. The consideration represents approximately 22 times of the 2004 audited consolidated net profit of Pacific Coffee and 8.5 times of the 2004 EBITDA of Pacific Coffee. The Boards of both CiTL and CIHL are of the view that the consideration for the Acquisition is reasonable after taking into account the growth rate of Pacific Coffee in the past years, the growth potential in demand for specialty coffee in Hong Kong, the southeast Asia region and the PRC market, as well as the goodwill of Pacific Coffee.

The entire consideration will be financed by the internal resources of the CiTL Group only. Given the current cashflow position, the cash and the cash equivalent securities of the CiTL Group, the Board of CiTL considers the Acquisition will not have a significant adverse impact on the CiTL Group's liquidity.

Upon completion of the Acquisition, CIL will pay to the Vendors HK\$164 million in cash, representing 80% of the consideration. The remaining HK\$41 million of the consideration, being the Escrow Amount, will be deposited with the Escrow Agent. The release of such Escrow Amount will be subject to the terms of the Escrow Agreement to be entered between the Vendors, the Warrantor, the Purchaser and the Escrow Agent on completion of the Agreement. In the event of any breach of warranties given by the Warrantor (which relate to various aspects of the Pacific Coffee Group, including but not limited to its assets and liabilities, investments, accounts and records), the liability of the Warrantor shall be an amount equal to the diminution in value of the Sale Shares thereby caused and such amount will be deducted from the Escrow Amount. In the event of any dispute between the Warrantor and CIL as to the amount of the diminution, it will be resolved by final judgment of the courts of the relevant jurisdiction.

It is further provided under the warranties that in the event the audited consolidated net profit before tax (excluding exceptional and extraordinary items) of Pacific Coffee for the eleven months ended 28th February, 2005 is three percent lower than that set out in the consolidated management accounts of Pacific Coffee provided to CIL, CIL will be compensated with an amount equal to eight times of the shortfall, which will be settled by the Warrantor by deducting the same amount from the Escrow Amount.

Claims under the warranties are limited to the Escrow Amount.

50% of the Escrow Amount, together with interest accrued thereon, less any deduction or compensation as aforesaid will be released to the Warrantor on the later of (i) 28 days from the date of issuance of the audited consolidated financial statements of the Pacific Coffee Group for the eleven months ended 28th February, 2005 (and if such date is not a Business Day, then the following Business Day) and (ii) two months after the date of completion of the Agreement, provided that such date is no later than 30th November, 2005. The balance of any remaining sum of the Escrow Amount will be released to the Warrantor on the earlier of (i) 31st July, 2006 and (ii) the date of issuance of the audited financial statement of Pacific Coffee and its then subsidiaries for the period commencing from 1st April, 2005 and ending 31st March, 2006 (and if such date is not a Business Day, then the following Business Day).

Completion

Completion of the Agreement shall take place on 20th May, 2005 or any other date as may be agreed between Mr. Neir, on behalf of the Vendors, and CIL.

BACKGROUND TO AND REASONS FOR THE ACQUISITION

The Board was approached by Anglo Chinese Corporate Finance, Limited, the financial adviser to the Vendors in January 2005 regarding an investment opportunity in Pacific Coffee. After carrying out financial and legal due diligence on the businesses of Pacific Coffee, the CiTL Group commenced negotiations with the Vendors in acquiring the entire issued share capital of Pacific Coffee. The Agreement was reached between the parties to the Agreement on 6th April, 2005.

The businesses of the CiTL Group have been deteriorating which is reflected by the diminishing turnover of the CiTL Group in the recent years. The Boards of both CiTL and CIHL consider the Acquisition not only enables the CiTL Group to capture the fast growing and lucrative specialty coffee business in Hong Kong, the PRC and neighbouring countries, it also enables the CiTL Group to diversify its businesses and broaden its income stream.

The respective Boards of CiTL and CIHL consider the terms of the Acquisition, including the consideration, are fair and reasonable and the Acquisition is beneficial to CiTL and CIHL and their respective shareholders.

OTHER INFORMATION

CiTL is an investment holding company which, through its subsidiaries, is principally engaged in the trading and servicing of computer and business machines, provision of network system and solution services, provision of technical and maintenance services and investment in securities. Under the Agreement, Mr. Neir, who is the chief executive officer and a director of Pacific Coffee, has undertaken to use his best endeavours to ensure that the employment contracts of certain key employees of Pacific Coffee shall include a provision requiring six months notice of termination. The management of CiTL believes that such provision mitigates any possible disruption to the operation of Pacific Coffee due to the change of control. In the event of any resignation of key employees, CiTL would have sufficient time to recruit appropriate and competent replacement.

CIHL is an investment holding company which, through its subsidiaries, is principally engaged in the business of construction and engineering, insurance and investment, property investment, hotel investment and information technology.

LISTING RULES IMPLICATIONS

Under the Listing Rules, the Acquisition constitutes a major transaction for CiTL and would normally require shareholders' approval at a general meeting of CiTL. According to Rule 14.44 of the Listing Rules, in the event that a written shareholders' approval has been obtained from a shareholder who holds more than 50% in nominal value of the securities giving the right to attend and vote at the general meeting to approve the transaction, the general meeting for shareholders to approve the transaction is not required. CiTL has received a written approval in respect of the Acquisition from CIHL, which at the date of this announcement holds approximately 50.77% of the issued share capital of CiTL. No shareholder of CiTL, including CIHL and its associates, is interested in the Acquisition except as a shareholder of CiTL, therefore no shareholder of CiTL would be required to abstain from voting at a general meeting of CiTL to approve the Acquisition. To the best of the knowledge, information and belief of the respective Boards of CiTL and CIHL and having made all reasonable enquiry, none of the Vendors, the Associated Parties and the Warrantor or their respective associates have any interests in CIHL or CiTL. Accordingly, under Rule 14.44 of the Listing Rules, a general meeting of CiTL for its shareholders to approve the Acquisition will not be held. A circular containing further details of the Agreement and financial information on Pacific Coffee and CiTL will be despatched to the shareholders of CiTL as soon as practicable.

The Acquisition constitutes a discloseable transaction for CIHL under the Listing Rules. A circular containing further information on the Agreement and other information as required under the Listing Rules will be despatched to the shareholders of CIHL as soon as possible.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the shares of CiTL on the Stock Exchange was suspended with effect from 9:30 a.m. on Monday, 4th April, 2005 at the request of CiTL pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the shares of CiTL with effect from 9:30 a.m. on Monday, 11th April, 2005.

TERMS USED IN THIS ANNOUNCEMENT

“Acquisition”	the proposed acquisition of the entire issued share capital of Pacific Coffee
“Agreement”	a share purchase agreement dated 6th April, 2005 entered into between CIL, CiTL, the Vendors, the Associated Parties and the Warrantor
“associate”	has the meaning ascribed to it under the Listing Rules
“Associated Parties”	Mr. Roger King, as warrantor in respect of Albreda Investment Limited (a Vendor) under the Agreement, and Mr. Robert Naylor, the holder of options over shares in Pacific Coffee, all such options will be cancelled upon completion of the Acquisition as agreed under the Agreement
“Board”	the board of directors

“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for ordinary banking business in Hong Kong
“CIL”	Chevalier iTech Limited, a wholly-owned subsidiary of CiTL
“CIHL”	Chevalier International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“CiTL”	Chevalier iTech Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“CiTL Group”	CiTL and its subsidiaries
“EBITDA”	the earnings before interest, tax, depreciation and amortization
“Escrow Agent”	Messrs. Robertsons, the legal advisers to CIL on the Acquisition
“Escrow Amount”	the amount of HK\$41,000,000 to be deposited with the Escrow Agent on completion of the Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Neir”	Mr. Thomas Neir, the founder, who is also one of the Vendors and a director of Pacific Coffee
“PRC”	The People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement
“Pacific Coffee”	Pacific Coffee (Holdings) Limited, a company incorporated in the British Virgin Islands with limited liability on 25th July, 1995
“Pacific Coffee Group”	Pacific Coffee and its subsidiaries
“Sale Shares”	400,337 ordinary shares of Pacific Coffee, being the entire issued share capital of Pacific Coffee
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Corporations: Albreda Investment Limited, which is an investment holding company; Citicorp International Finance Corporation, which is a holding company engaging in international financing and merchant banking investment activities; Emperor Phoenix Limited, which is an investment holding company and its sole

asset is its interest in Pacific Coffee; High Class Associates Limited, which is an investment holding company and its sole asset is its interest in Pacific Coffee

Individuals: Michael and Patricia Berchtold; Katherine and Timothy Connor; Roy and Kipp Delbyck; Karen and David Handmaker; Mary Jenneskens; John and Lesley McKay; Carolyn and Brendan Miles; Christine Joanne Neir; David and Suzanne Neir; James and Catherine Neir; Paul Neir; Robert Louis Neir; Thomas Michael Neir; Thomas Michael Neir and Sally Otten; Philip Richard Oakden; James Brandon Schlueter and Laura Lee Wilbraham; Mark and Christine Silverstein; Laurie Smiley and George Bennett; Anthony and Anna Wilkinson; Daisy S. Yao and Denisa Y. Tong

“Warrantor”

Empress Dowager Limited, a company incorporated in the British Virgin Islands with limited liability on 3rd March, 2005, which has provided certain warranties to CIL in respect of the businesses of the Pacific Coffee Group pursuant to the Agreement

“HK\$”

Hong Kong dollar, the lawful currency of Hong Kong

“%”

per cent

By Order of the Board of
**Chevalier iTech
Holdings Limited**
Chow Yei Ching
Chairman

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

Hong Kong, 8th April, 2005

* *for identification only*

As at the date of this announcement, the Board of CiTL comprises Dr. Chow Yei Ching, Mr. Fung Pak Kwan, Mr. Kuok Hoi Sang, Mr. Kan Ka Hon and Miss Lily Chow as executive directors and Mr. Shinichi Yonehara, Mr. Wu King Cheong and Mr. Kwong Man Sing as independent non-executive directors.

As at the date of this announcement, the Board of CIHL comprises Dr. Chow Yei Ching, Messrs. Kuok Hoi Sang, Fung Pak Kwan, Tam Kwok Wing, Kan Ka Hon, Chow Vee Tsung, Oscar and Ho Chung Leung as executive directors, and Mr. Wong Wang Fat, Andrew, Dr. Chow Ming Kuen, Joseph and Mr. Li Kwok Heem, John as independent non-executive directors.

Please also refer to the published version of this announcement in The Standard.