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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 licensed securities dealer, 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 the transfer was effected for transmission to the purchaser or transferee.

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CHEVALIER INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTION

PROPOSED PRIVATISATION OF



CHEVALIER CONSTRUCTION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

BY CHEVALIER INTERNATIONAL HOLDINGS LIMITED

BY WAY OF A SCHEME OF ARRANGEMENT

(UNDER SECTION 99 OF THE BERMUDA COMPANIES ACT)

AT THE CANCELLATION PRICE OF HK\$0.25 PER SCHEME SHARE

**Financial adviser to
Chevalier International Holdings Limited**



**Independent financial adviser to the board of directors and
the independent board committee of
Chevalier International Holdings Limited**



A letter from Access Capital Limited containing its advice to the board of directors and the independent board committee of Chevalier International Holdings Limited in relation to the proposed privatisation of Chevalier Construction Holdings Limited by Chevalier International Holdings Limited is set out on pages 15 to 27 of this circular.

A letter from the independent board committee of Chevalier International Holdings Limited containing its recommendations in relation to the proposed privatisation of Chevalier Construction Holdings Limited by Chevalier International Holdings Limited is set out on page 14 of this circular.

A notice convening the special general meeting of Chevalier International Holdings Limited to be held at 10:00 a.m. on Friday, 5th December, 2003 at 22nd Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong is set out on page 32 of this circular.

Whether or not you are able to attend the special general meeting of Chevalier International Holdings Limited, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Standard Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting (or any adjournment thereof). Completion and return of a form of proxy will not preclude you from attending and voting at the special general meeting (or any adjournment thereof) in person if you so wish.

19th November, 2003

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DEFINITIONS

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

“Access Capital”	Access Capital Limited, the independent financial adviser to the CIHL Board and the CIHL Independent Board Committee, a deemed licensed corporation under the SFO licensed to conduct types 1, 4, 6 and 9 of the regulated activities under the SFO
“Announcement”	an announcement dated 31st October, 2003 jointly made by CIHL and CCHL in relation to the Proposal
“associate”	has the meaning ascribed to it under the Listing Rules
“Authorisation(s)”	all necessary authorisations, registrations, filing, rulings, consents, permissions and approvals in connection with the Proposal
“Cancellation Price”	HK\$0.25 in cash per CCHL Share
“CCHL”	Chevalier Construction Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange, and in respect of which approximately 35.9% of the issued share capital is owned by CIHL as at the Latest Practicable Date
“CCHL Board”	board of CCHL Directors
“CCHL Director(s)”	director(s) of CCHL
“CCHL Group”	CCHL and its subsidiaries
“CCHL Independent Shareholder(s)”	shareholders of CCHL Shares (other than CIHL, CIHL Directors and any of their respective associates and concert parties)
“CCHL Share(s)”	share(s) of HK\$0.10 each in the capital of CCHL
“CIHL”	Chevalier International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“CIHL Board”	board of CIHL Directors
“CIHL Director(s)”	director(s) of CIHL
“CIHL Group”	CIHL and its subsidiaries

DEFINITIONS

“CIHL Independent Board Committee”	independent committee of the CIHL Board, comprising Mr. Wong Wang Fat, Andrew and Mr. Chow Ming Kuen, Joseph, both are independent non-executive CIHL Directors
“CIHL Independent Shareholder(s)”	holder(s) of CIHL Share(s) (other than CIHL Directors and their respective associates and concert parties)
“CIHL Share(s)”	share(s) of HK\$1.25 each in the capital of CIHL
“CIHL Shareholder(s)”	holder(s) of CIHL Shares
“CiTL”	Chevalier iTech Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Court Meeting”	a meeting of the CCHL Independent Shareholders to be convened at the direction of the Supreme Court of Bermuda to consider the Proposal
“Dr. Chow”	Chow Yei Ching, the chairman of both CIHL Board and CCHL Board
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	30th October, 2003, being the last trading day prior to the suspension of trading in the CIHL Shares and CCHL Shares pending the release of the Announcement
“Latest Practicable Date”	17th November, 2003 being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules
“Mr. Kuok”	Kuok Hoi Sang, a CIHL Director and a CCHL Director
“Mr. Tam”	Tam Kwok Wing, a CIHL Director and a CCHL Director
“Proposal”	the proposed privatisation of CCHL by CIHL by way of the Scheme

DEFINITIONS

“Relevant Authorities”	appropriate government and/or governmental bodies, regulatory bodies, courts or institutions
“Scheme”	the scheme of arrangement under section 99 of the Companies Act involving the cancellation of all the Scheme Shares
“Scheme Share(s)”	CCHL Share(s) held by the Scheme Shareholders
“Scheme Shareholder(s)”	holder(s) of the CCHL Share(s) other than CIHL
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Somerley”	Somerley Limited, the financial adviser to CIHL, a licensed corporation under the SFO licensed to conduct types 1, 4, 6 and 9 of the regulated activities under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers issued by the Securities and Futures Commission
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



CHEVALIER INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Executive directors

CHOW Yei Ching (*Chairman and Managing director*)

KUOK Hoi Sang (*Managing director*)

FUNG Pak Kwan

KAN Ka Hon

WONG Kie Ngok, Alexander

TAM Kwok Wing

Independent non-executive directors

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

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

Registered office

Canon's Court,
22 Victoria Street,
Hamilton, HM12,
Bermuda

Principal place of business

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

19th November, 2003

To CIHL Shareholders

Dear Sir and Madam:

CONNECTED TRANSACTION

**PROPOSED PRIVATISATION OF
CHEVALIER CONSTRUCTION HOLDINGS LIMITED
BY CHEVALIER INTERNATIONAL HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 99 OF THE BERMUDA COMPANIES ACT)
AT THE CANCELLATION PRICE OF HK\$0.25 PER SCHEME SHARE**

INTRODUCTION

On 31st October, 2003, CIHL and CCHL jointly announced that on 30th October, 2003, CIHL requested CCHL Board to put forward a proposal to the CCHL Shareholders other than CIHL regarding the proposed privatisation of CCHL by way of the Scheme involving the cancellation of all CCHL Shares not held by CIHL.

The purpose of this circular is to provide you with, among other things, further information on the Proposal, the letter from Access Capital to the CIHL Board and the CIHL Independent Board Committee, the letter from the CIHL Independent Board Committee to the CIHL Independent Shareholders and the notice of the special general meeting of CIHL to be held for CIHL Independent Shareholders to consider, and if thought fit, to approve the Proposal.

LETTER FROM THE BOARD

TERMS OF THE PROPOSAL

The Cancellation Price per Scheme Share under the Proposal which will be payable in cash represents:

- (a) a premium of approximately 16.3% over the closing price of HK\$0.215 per CCHL Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 16.3% over the average closing price of approximately HK\$0.215 per CCHL Share based on the daily closing prices as quoted on the Stock Exchange over the 10 trading days up to and including the Last Trading Day;
- (c) a premium of approximately 23.8% over the average closing price of approximately HK\$0.202 per CCHL Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 37.4% over the average closing price of approximately HK\$0.182 per CCHL Share based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 3.7% over the closing price of HK\$0.241 per CCHL Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (f) a discount of approximately 18.6% to the audited consolidated net asset value per CCHL Share of HK\$0.307 as at 31st March, 2003.

As at the Latest Practicable Date, there were 249,000,000 CCHL Shares in issue and the Scheme Shareholders were interested in 159,614,556 CCHL Shares, representing approximately 64.1% of the issued share capital of CCHL.

The Cancellation Price was arrived at after taking into consideration, among other things, the prevailing and historical market price of the CCHL Shares and the net asset value of CCHL. On the basis of the Cancellation Price per Scheme Share, the Proposal values the entire issued share capital of CCHL at approximately HK\$62.3 million. The aggregate Cancellation Price payable under the Proposal amounting to approximately HK\$39.9 million will be financed by general banking facilities available to CIHL. Somerley, the financial adviser to CIHL, is satisfied that sufficient financial resources are available to CIHL for the implementation of the Proposal.

The making of the Proposal is subject to CIHL Independent Shareholders' approval pursuant to Rule 2.4 of the Takeovers Code.

LETTER FROM THE BOARD

INDEPENDENT FINANCIAL ADVICE

As at the Latest Practicable Date, Dr. Chow, the chairman of the CIHL Board, is interested in 61,036,489 CCHL Shares; Mr. Kuok, a CIHL Director, is interested in 1,326,437 CCHL Shares; and Mr. Tam, a CIHL Director, is interested in 625,796 CCHL Shares. Under Rule 2.4 of the Takeovers Code, the CIHL Board is therefore considered facing conflict of interest in relation to the Proposal. Rule 2.4 of the Takeovers Code requires that when the directors of the offeror faced with a conflict of interest, the board of directors of the offeror must obtain independent financial advice as to whether the making of the offer is in the interests of the offeror's shareholders. Accordingly, Access Capital was appointed to advise the CIHL Board as regards the Proposal. Access Capital has given an opinion to the CIHL Board that the Proposal is fair and reasonable to the CIHL Shareholders as a whole in the context of Rule 2.4 of the Takeovers Code. The letter from Access Capital is set out on pages 15 to 27 of this circular.

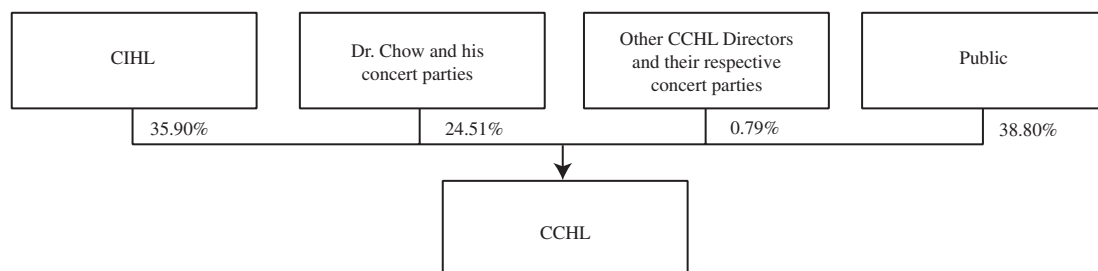
As Dr. Chow is the controlling shareholder of CIHL, a CIHL Director and a substantial shareholder of CCHL, the Proposal (which involves the acquisition of CCHL Shares by CIHL) therefore constitutes a connected transaction for CIHL under Rule 14.23 (1)(b) of the Listing Rules. The Proposal also involves acquisition by CIHL of CCHL Shares from Dr. Chow, Mr. Kuok and Mr. Tam who are the CIHL Directors and therefore also falls under Rule 14.23 (1)(a) of the Listing Rules.

The CIHL Independent Board Committee comprising the two independent non-executive CIHL Directors, Mr. Wong Wang Fat, Andrew and Mr. Chow Ming Kuen, Joseph, has been established to advise the CIHL Independent Shareholders as to whether the Proposal is fair and reasonable. The CIHL Independent Board Committee is in turn advised by Access Capital as to whether the Proposal is fair and reasonable. Access Capital's advice to the CIHL Independent Board Committee is also contained in the letter from Access Capital on pages 15 to 27 of this circular.

The Listing Rules also requires CIHL Independent Shareholders' approval of the Proposal. A special general meeting of CIHL will be convened for the CIHL Independent Shareholders to consider and, if thought fit, to approve the Proposal.

INFORMATION ON THE CCHL GROUP

The chart below illustrates the shareholding structure of CCHL as at the Latest Practicable Date:



The CCHL Group is principally engaged in building construction, building maintenance and civil engineering in Hong Kong.

LETTER FROM THE BOARD

A summary of the audited consolidated results of the CCHL Group for each of the two years ended 31st March, 2003 is set out below:

	Year ended 31st March,	
	2002	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	526,927	225,498
Profit from operations	6,514	18,043
Profit before taxation	7,376	19,231
Profit after tax but before minority interest	6,850	7,604
Profit attributable to CCHL Shareholders	6,723	7,418

As at 31st March, 2003, the audited consolidated net asset value of the CCHL Group was approximately HK\$76.4 million, representing HK\$0.307 per CCHL Share (based on 249,000,000 CCHL Shares in issue as at the Latest Practicable Date).

SHAREHOLDING STRUCTURE

The table below sets out in detail the shareholding structure of CIHL and CCHL as at the Latest Practicable Date and that of CCHL immediately upon completion of the Proposal:

	At the Latest Practicable Date				Upon successful implementation of the Proposal	
	Number of CIHL Shares	(%)	Number of CCHL Shares	(%)	Number of CCHL Shares	(%)
CIHL	N/A	N/A	89,385,444	35.90	89,385,444	100.00
Dr. Chow and his concert parties	151,739,351	55.04	61,036,489	24.51	–	–
Mr. Kuok and his concert parties	98,216	0.04	1,326,437	0.53	–	–
Mr. Tam and his concert parties	201,488	0.07	632,938	0.26	–	–
Mr. Fung Pak Kwan and his concert parties	91,290	0.03	–	–	–	–
Mr. Kan Ka Hon and his concert parties	29,040	0.01	–	–	–	–
Subtotal of CIHL and its concert parties	152,159,385	55.19	152,381,308	61.20	–	–
Public	123,549,013	44.81	96,618,692	38.80	–	–
	<u>275,708,398</u>	<u>100.00</u>	<u>249,000,000</u>	<u>100.00</u>	<u>89,385,444¹</u>	<u>100.00</u>

LETTER FROM THE BOARD

Notes:

- 1. the 159,614,556 Scheme Shares subject to the Proposal will be cancelled.*
- 2. Dr. Chow is the chairman of both CIHL and CCHL. He is also a CIHL Director and a CCHL Director. Mr. Kuok is a CIHL Director and a CCHL Director. Mr. Tam is a CIHL Director and a CCHL Director. Both Mr. Kan Ka Hon and Mr. Fung Pak Kwan are CIHL Directors. CIHL Directors (together with their close relatives (which means director's spouse, de facto spouse, children, parents and siblings) are presumed to be parties acting in concert with CIHL).*

Upon the completion of the Proposal, CCHL will become a wholly-owned subsidiary of CIHL and the listing of the CCHL Shares on the Stock Exchange will be withdrawn.

There are no outstanding options, warrants or convertible securities in CCHL as at the Latest Practicable Date.

The making of the Proposal by CIHL is subject to CIHL Independent Shareholders' approval. As at the Latest Practicable Date, the CIHL Directors who are also CIHL Shareholders, namely Dr. Chow, Mr. Kuok, Mr. Tam, Mr. Fung Pak Kwan and Mr. Kan Ka Hon and their respective concert parties and associates are in aggregate interested in 152,159,385 CIHL Shares. As all CIHL Directors are presumed to be acting in concert with CIHL under the Takeovers Code, they and their respective concert parties and associates have agreed to, and will abstain from voting in respect of their respective interests in CIHL Shares on the Proposal at the special general meeting of CIHL.

The Proposal, if made, will be subject to, among other things, approval by the CCHL Independent Shareholders at the Court Meeting. CIHL will not vote at the Court Meeting and the CCHL Shares held by CIHL will not form part of the Scheme Shares. Dr. Chow, Mr. Kuok and Mr. Tam and their respective concert parties have agreed to, and will abstain from voting on the Proposal at the Court Meeting but the CCHL Shares that they hold will form part of the Scheme Shares.

CIHL, Dr. Chow, Mr. Kuok and Mr. Tam have indicated that if the Proposal is approved at the Court Meeting, they will vote or will procure the voting of their beneficial interests in CCHL in favour of the special resolution to be proposed at the special general meeting of CCHL to be convened following the Court Meeting to approve and give effect to the Proposal (including the cancellation of the Scheme Shares and the reduction of the issued share capital of CCHL).

None of CIHL, CIHL Directors and their respective concert parties has dealt for value in CCHL Shares during the six-month period preceding the Last Trading Day and up to and including the Latest Practicable Date.

REASONS FOR AND BENEFITS OF THE PROPOSAL

CCHL Shares have been trading at a discount to its net asset value and the trading volume of the CCHL Shares has been thin. For the two years period up to and including the Latest Practicable Date, the CCHL Shares have been traded within the range of HK\$0.052 to HK\$0.243 per CCHL Share with an average closing price at approximately HK\$0.118 per CCHL Share. Such average closing price represents a discount of approximately 61.6% to the audited consolidated net asset value per CCHL Share of

LETTER FROM THE BOARD

HK\$0.307 as at 31st March, 2003. The average daily trading volume of the CCHL Shares for the two years period up to and including the Latest Practicable Date was 64,293 CCHL Shares. Such daily trading volume represents about 0.02% of the issued share capital of CCHL as at the Latest Practicable Date. Given the discount of the market price to the net asset value per CCHL Share and the low liquidity of the CCHL Shares on the Stock Exchange, the CCHL Directors are of the opinion that it would be difficult for CCHL to raise additional funds for its business, should CCHL wish to, through the equity market. In fact, since the listing of the CCHL Shares on the Stock Exchange in January 1996, CCHL has not raised funds in the open market, save and except for a subscription agreement entered into with Wealthy Town Investments Limited, a company beneficially owned by one of the directors of a subsidiary of CCHL in 2000.

In addition, it has been difficult for CCHL, given CCHL's small net asset base, to obtain financing and banking facilities to fund its business development and to participate in sizeable construction projects. After successful implementation of the Proposal, CCHL will become a wholly-owned subsidiary of CIHL which is in a position to give full financial support to CCHL in terms of future business development. Upon completion of the Proposal, CCHL will become part of the CIHL Group with a substantial asset base, CCHL will then be better equipped to tender for sizeable construction projects as the economy, particularly the property market, improves.

The Proposal would also result in the elimination of all connected transactions between CCHL and CIHL and in turn streamline the administrative, regulatory and compliance obligations of the CIHL Group.

Taking into accounts the above-mentioned factors, the CIHL Directors consider that the Proposal is in the interests of CIHL Shareholders.

It is the intention of CIHL to maintain the existing business of the CCHL Group upon the successful privatisation of CCHL. CIHL has no intention to seek a listing of CCHL Shares on any stock exchange in the foreseeable future.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE PROPOSAL ON CIHL

Effect on earnings

The table below set out the effects of the Proposal on the earnings of CIHL group based on the assumption that the privatisation of CCHL by CIHL had been completed at the beginning of the financial year ended 31st March, 2003.

	<i>HK\$ million</i>
Net profit of CIHL Group for the year ended 31st March, 2003	101.91
<i>Less:</i> Cost of funding (<i>Note 1</i>)	(0.8)
<i>Add:</i> Increase in earnings	
Share of the remaining 64.1% interest in the profit of HK\$7.42 million of CCHL for the year ended 31st March, 2003	4.76
Recognition of HK\$9.1 million negative goodwill arising from the Proposal as income, on a straight-line basis, over 5 years (<i>Note 2</i>)	1.82
Expected cost saving (administrative, regulatory and legal costs due to the delisting of CCHL on the Stock Exchange)	1.25
Pro forma net profit of the CIHL Group	<u>108.94</u>

Notes:

1. the cost of funding represents annual interest cost that would be incurred by CIHL based on the interest rate charged under the general banking facilities to be utilised by CIHL for the Proposal.
2. Negative goodwill represents the excess of CIHL Group's share of the remaining 64.1% interest in the net asset value of CCHL over the consideration payable for the acquisition of the remaining interest. For illustrative purpose, the Cancellation Price and the net asset value of CCHL as at 31st March, 2003 of approximately HK\$76 million, the latest published data close to the net asset value on completion of the Proposal, are adopted in the calculation of the negative goodwill.

The earnings per CIHL Share, based on 275,708,398 CIHL Shares in issue as at the Latest Practicable Date, will be increased from HK\$0.37 to HK\$0.40 after successful implementation of the Proposal.

LETTER FROM THE BOARD

Effect on net tangible asset value

The table below set out the effects of the Proposal on the net tangible asset value of CIHL based on the assumption that the privatisation of CCHL by CIHL had been completed on 31st March, 2003.

	<i>HK\$ million</i>	<i>HK\$ million</i>
Net asset value of CIHL Group as at 31st March, 2003		2,252.6
<i>Less:</i> intangible assets		
– goodwill on acquisition of subsidiaries	(3.6)	
– negative goodwill on acquisition of an associate	0.3	
– goodwill on acquisition of an associate	(2.4)	(5.7)
– other intangible assets		(4.1)
Net tangible asset value of CIHL group as at 31st March, 2003		2,242.8
<i>Add:</i> Negative goodwill arising from acquisition of 64.1% issued share capital of CCHL		
– 64.1% share of audited consolidated net tangible assets of CCHL as at 31st March, 2003	49.0	
– consideration payable to the Scheme Shareholders pursuant to the Proposal	(39.9)	9.1
Pro forma net tangible asset value of CIHL group		<u>2,251.9</u>

The net tangible asset value per CIHL Shares, based on 275,708,398 CIHL Shares in issue as at the Latest Practicable Date, will be increased from HK\$8.13 per CIHL Share to HK\$8.17 after successful implementation of the Proposal.

CONDITIONS OF THE PROPOSAL

The making of the Proposal by CIHL is subject to the approval of the Proposal (by way of poll) by the CIHL Independent Shareholders at the special general meeting of CIHL. All the CIHL Directors and their respective concert parties and associates will abstain from voting.

The Proposal, if made by CIHL, will become effective and binding on all Scheme Shareholders, subject to the fulfillment or waiver (as applicable) of the following conditions:

- (a) the approval of the Proposal (by way of poll) by a majority in number of the CCHL Independent Shareholders representing not less than three-fourths in value of the Scheme Shares present and voting either in person or by proxy at the Court Meeting to consider the Proposal, provided that:
 - (i) the Scheme is approved by at least 75% of votes attaching to the Scheme Shares held by the CCHL Independent Shareholders present and voting either in person or by proxy; and

LETTER FROM THE BOARD

- (ii) the number of votes cast against the resolution to approve the Proposal is not more than 10% of the votes attaching to the Scheme Shares held by the CCHL Independent Shareholders;
- (b) the passing of a special resolution at the special general meeting of CCHL to be convened following the Court Meeting to approve and give effect to the Proposal (including the cancellation of the Scheme Shares and the reduction of the issued share capital of CCHL) by a majority of at least three-fourths of votes cast by the CCHL Shareholders present and voting, in person or by proxy;
- (c) the sanction of the Proposal (with or without modification) by the Supreme Court of Bermuda and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Supreme Court of Bermuda for registration;
- (d) the necessary compliance with the requirements of Section 46 of the Companies Act in relation to the reduction of the issued share capital of CCHL as regards the Scheme Shares;
- (e) all Authorisations in connection with the Proposal having been obtained from, with or by (as the case may be) the Relevant Authorities, in Bermuda and/or Hong Kong and/or any other relevant jurisdictions;
- (f) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Proposal becomes effective;
- (g) all other necessary consents which may be required under any existing contractual obligations of CCHL being obtained; and
- (h) all other necessary consents which may be required under any existing contractual obligations of CIHL being obtained.

CIHL reserves the right to waive conditions (g) and/or (h), either in whole or in respect of any particular matter. In the event that condition (e) or (f) is not fulfilled by reason of an Authorisation not having been obtained, CIHL reserves the right to assess the materiality of such non-fulfillment and to waive the fulfillment of such condition to such extent where it considers appropriate. Conditions (a) to (d) cannot be waived in any event. All of the above conditions will have to be fulfilled or waived, as applicable, on or before 31st March, 2004 (or such other date as CIHL and CCHL may agree or as the Supreme Court of Bermuda may direct), otherwise the Proposal will lapse. An announcement will be made by CIHL and CCHL if the Proposal lapses.

LETTER FROM THE BOARD

WITHDRAWAL OF LISTING OF CCHL SHARES

Upon the Proposal becoming effective, all the Scheme Shares will be cancelled. CCHL will apply to the Stock Exchange for the withdrawal of the listing of the CCHL Shares on the Stock Exchange. The Proposal will lapse if it does not become effective on or before 31st March, 2004 or such later date as CIHL and CCHL may agree or as the Supreme Court of Bermuda may direct, and the Scheme Shareholders will be notified by way of a press announcement accordingly.

The listing of the CCHL Shares will not be withdrawn if the Proposal is not approved or lapses.

SPECIAL GENERAL MEETING

A notice of the special general meeting of CIHL is set out on page 32 of this circular. Whether or not you are able to attend the special general meeting of CIHL, you are requested to complete and return the accompanying form of proxy in accordance with the instruction printed thereon to Standard Registrars Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjourned meeting. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the special general meeting of CIHL in person if you so wish.

ADDITIONAL INFORMATION

Your attention is drawn to letter of advice from Access Capital on pages 15 to 27 of this circular.

Subject to the approval for making of the Proposal by the CIHL Independent Shareholders, the making of the Proposal by CIHL will become unconditional. A scheme document setting out details of the Proposal (including its conditions) together with, among others, a notice convening the Court Meeting will be sent to the CCHL Shareholders in due course. Further announcement will be made by CIHL as to the progress and indicative timetable for the implementation of the Proposal by press notice as and when appropriate.

Yours faithfully,
for and on behalf of
Chevalier International Holdings Limited
Chow Yei Ching
Chairman and Managing Director

LETTER FROM THE CIHL INDEPENDENT BOARD COMMITTEE



CHEVALIER INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

19th November, 2003

To the CIHL Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

We refer to the circular (the “Circular”) dated 19th November, 2003 issued by CIHL of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

The CIHL Independent Board Committee has been formed to advise the CIHL Independent Shareholders in respect of the Proposal. Access Capital has been appointed the independent financial adviser to advise us in this respect. We wish to draw your attention to the letter from the Board as set out on pages 4 to 13 and the letter from Access Capital as set out on pages 15 to 27.

The CIHL Independent Board Committee, having taken into account the advice of Access Capital, considers the implementation of the Proposal is fair and reasonable (with regard to the requirements as prescribed under Chapter 14 of the Listing Rules) to CIHL and the CIHL Shareholders as a whole. Accordingly, we recommend CIHL Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the special general meeting of CIHL to approve the Proposal.

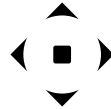
Yours faithfully,

Wong Wang Fat, Andrew **Chow Ming Kuen, Joseph**

CIHL Independent Board Committee

LETTER FROM ACCESS CAPITAL

The following is the full text of the letter from Access Capital to the CIHL Board and CIHL Independent Board Committee in relation to the Proposal.



ACCESS
CAPITAL

3rd Floor
No. 8 Queen's Road Central
Hong Kong

19th November, 2003

The CIHL Independent Board Committee
and the Board of Directors
Chevalier International Holdings Limited
Chevalier Commercial Centre
22nd Floor
8 Wang Hoi Road
Kowloon Bay
Hong Kong

Dear Sirs,

**PROPOSED PRIVATISATION OF
CHEVALIER CONSTRUCTION HOLDINGS LIMITED
BY
CHEVALIER INTERNATIONAL HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT**

1. INTRODUCTION

We refer to our appointment by Chevalier International Holdings Limited (the “Company” or “CIHL”) to advise the CIHL Board and the independent board committee comprising the independent non-executive directors of CIHL (“CIHL Independent Board Committee”) in respect of the proposed privatisation of Chevalier Construction Holdings Limited (“CCHL”) by CIHL by way of a scheme of arrangement (the “Proposal”), details of which are contained in the “Letter from the Board” set out on pages 4 to 13 of the circular to the shareholders of CIHL (“CIHL Shareholders”) dated 19th November, 2003 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings given to them in the Circular, unless the context otherwise requires.

CIHL has requested the CCHL Board to put forward a proposal to the shareholders of CCHL (other than CIHL) (the “Scheme Shareholders”) regarding the Proposal. According to the Proposal, CIHL intended to cancel the shares of CCHL (other than the shares held by CIHL) (the “Scheme Shares”) at a Cancellation Price of HK\$0.25 per Scheme Share to be payable in cash. As at the Latest Practicable Date, the Scheme Shareholders were interested in 159,614,556 CCHL Shares, representing approximately 64.1%

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of the issued share capital of CCHL. It is noted that the amount of cash required in order to effect the Proposal by CIHL will be approximately HK\$39.9 million and will be financed by general banking facilities available to CIHL.

The implementation of the Proposal would constitute a connected transaction for CIHL under the requirements as prescribed in Chapter 14 of the Listing Rules. Accordingly, approval from the CIHL Shareholders would be required for the implementation of the Proposal. As Dr. Chow Yei Ching (“Dr. Chow”, the chairman and a director of CIHL and of CCHL), Mr. Kuok Hoi Sang (“Mr. Kuok”, a director of CIHL and of CCHL) and Mr. Tam Kwok Wing (“Mr. Tam”, a director of CIHL and of CCHL) are Scheme Shareholders, they would be required to abstain from voting in the special general meeting of CIHL to consider the implementation of the Proposal. As at the Latest Practicable Date, Dr. Chow has a direct interest in 61,036,489 CCHL Shares, Mr. Kuok has a direct interest in 1,326,437 CCHL Shares, and Mr. Tam and his family have a direct interest in 632,938 CCHL Shares. Furthermore, as all CIHL Directors are presumed to be acting in concert with CIHL, the other CIHL Directors have also agreed to abstain from voting at the aforesaid special general meeting. Consequently, the CIHL Board has a conflict of interest in deciding to make the Proposal.

Where the directors of an offeror are faced with a conflict of interest, Rule 2.4 of the Takeovers Code requires that an offeror obtains competent independent advice as to whether the making of the offer is in the interests of the offeror’s shareholders. Accordingly, an independent financial adviser must be appointed to advise the CIHL Board as to whether the making of the Proposal is in the interests of the CIHL Shareholders.

The Proposal also constitutes a connected transaction for CIHL under the Listing Rules, which requires that a CIHL Independent Board Committee be established to consider the Proposal and to give its recommendation to the CIHL Independent Shareholders as to whether the implementation of the Proposal is, or is not, fair and reasonable (with regard to the requirements as prescribed under Chapter 14 of the Listing Rules) to CIHL and the CIHL Shareholders as a whole.

In connection with the Proposal, Access Capital has been appointed initially as the independent financial adviser to the CIHL Board and, subsequently, as the independent financial adviser to the CIHL Independent Board Committee and to advise (i) the CIHL Board as to whether the making of the Proposal is in the interests of the CIHL Shareholders and (ii) the CIHL Independent Board Committee as to whether the implementation of the Proposal, is or is not, fair and reasonable to CIHL and the CIHL Shareholders as a whole.

Apart from the normal professional fees payable to us in connection with our appointment as the independent financial adviser to the CIHL Board and the CIHL Independent Board Committee in respect of the Proposal, no arrangement exists whereby Access Capital will receive any fees or benefits from CIHL, CCHL, or any of their respective associates or parties acting in concert with any of them.

2. BASIS OF OUR OPINION

In formulating our advice, we have relied to a considerable extent on the statements, information, opinions and representations contained in the Circular and the information and representation provided to us by the management and the directors of CIHL (“CIHL Directors”). We have assumed that all such

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statements, information, opinions and representations contained or referred to in the Circular or otherwise provided by the management of the Company and the CIHL Directors (and for which they are solely responsible) were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the assumptions and opinions made or provided by the management of the Company and the CIHL Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and the CIHL Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the CIHL Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company and any of its subsidiaries.

3. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration of the following factors and reasons:

3.1 Background information

3.1.1 About CIHL

CIHL is an investment holding company, the shares of which are listed on the main board of the Stock Exchange.

CIHL, through its subsidiaries, is principally engaged in marketing, installation and maintenance of lifts and escalators, curtain walls and aluminium windows, air-conditioning systems, electrical and mechanical systems, power equipment and industrial equipment; environmental engineering; supply and installation of building materials and equipment; sale, servicing and leasing of automobiles; property development, investment and management; hotel investment and management; investment, insurance underwriting and brokerage; provision of a wide range of voice and data communication equipment and services, system integrated IT solutions; and sale, distribution and servicing of business machines.

3.1.2 About CCHL

CCHL is an investment holding company, the shares of which are listed on the main board of the Stock Exchange following the completion of a demerger exercise from Chevalier Development International Limited (“CDIL”) completed in January 1996. CDIL was privatised in 1999.

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CCHL, through its subsidiaries, is principally engaged in building construction, building maintenance and civil engineering in Hong Kong. CCHL, through its subsidiaries, holds licenses which provides accreditation to perform construction works for the Hong Kong Special Administrative Region (“HKSAR”) Government and the Housing Authority.

As at the Latest Practicable Date, there were 249,000,000 CCHL Shares in issue and the Scheme Shareholders were interested in 159,614,556 CCHL Shares, representing approximately 64.1% of the issued share capital of CCHL.

Over the last five financial years ended 31st March, 2003, the audited consolidated turnover of CCHL and its subsidiaries (the “CCHL Group”) has been declining on a year-on-year basis and for the year ended 31st March, 2003, the amount dropped to approximately HK\$225 million which was approximately 9% of the audited consolidated turnover five years ago for the year ended 31st March, 1999 of approximately HK\$2,580 million.

Summary of the total assets, total liabilities, share capital and financial results of the CCHL Group for the five years ended 31st March, 2003 (as extracted from the published annual reports of CCHL) are as follows:

	As at 31st March,				
	1999	2000	2001	2002	2003
	<i>(HK\$ Million)</i>				
Total assets	1,081	1,163	1,031	740	624
Total liabilities	1,002	1,076	968	670	547
Minority interests	1	1	1	1	1
Share capital	229	229	249	249	249
<i>(No. of shares issued – in million)</i>					
Shareholders’ funds	78	86	62	69	76

	For the year ended 31st March,				
	1999	2000	2001	2002	2003
	<i>(HK\$ Million)</i>				
Turnover	2,580	2,391	1,226	527	225
Net profit/(loss) for the year	(78)	8	(28)	7	7

Per share basis (cents)

Earnings/(loss) basic*	(34.1)	3.4	(11.7)	2.7	3.0
Dividend	0	0	0	0	0
Net asset value (“NAV”) (at book value)	34.2	37.6	25.0	27.7	30.7

* The calculation of earnings/(loss) per CCHL Share is based on the CCHL Group’s net profit/(loss) for the year and on the weighted average number of CCHL Shares in issue during the respective years.

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According to the annual reports of CCHL for the four years ended 31st March, 2003, the continuous decline in turnover is, in general, as a result of the extremely tough operating environment due to the continued slowdown in the local Hong Kong property market, the weakness in Hong Kong economy, high unemployment levels, the unclear government policies in relation to housing and land resources, the falling investment in property assets and low homebuyer confidence, which is exacerbated by the large numbers of home owners in a negative equity position. However, more importantly, the CCHL Group is hurt by the suspension of construction projects for the Private Sector Participation Scheme (a principal source of revenue generated by the CCHL Group). Furthermore, with fewer new construction projects, especially those from the private sector, the market has become more competitive for participants in the construction business.

Notwithstanding the falling turnover over the last five years, the CCHL Group has managed to maintain a relatively stable level of profitability, recording an audited net profit of approximately HK\$7 million for each of the years ended 31st March, 2002 and 2003, aided by stringent cost control and effective project management.

3.2 Reasons for, and benefits of, the Proposal

3.2.1 Diminishing benefits of maintaining a separate listing status for CCHL as compared to the initial expectation upon the implementation of the demerger exercise in 1996

At the time of the demerger exercise for CDIL in 1996, it was anticipated by the board of CDIL that, with a positive outlook for the construction industry at that time, a separate listing of CCHL would be able to seek external financing to fuel its expansion programmes and would enjoy an enhanced status and market profile which, the then directors of CIHL believed, would be beneficial to the CCHL Group's future development and expansion. However, the property market and the economy in Asia, as well as in Hong Kong, suffered a severe turnaround and contraction, thus limiting significant expansion for CCHL.

3.2.2 CCHL's growth constrained by its limited capital and the inability to raise new equity or debt financing

Presently, CCHL's larger project construction business is limited to the International Wetland Park in Tin Shui Wai, New Territories and a primary/secondary school in Yuen Long, New Territories. Based on the limited projects offered by the HKSAR Government and the private sector, the CIHL Board concurs with the view of the CCHL Board that they do not anticipate a large number of new project tenders in the near term. Therefore, in the meantime, until a turn around in the property market that generates greater supply of large construction contracts, CCHL plans to look to medium-size non residential projects such as institutions, communal and government facilities. When the turn around materialises, CCHL would be in a position to leverage its extensive experience and track record and take a substantial portion of the large construction contracts. However, presently, the current capital of CCHL and financial support that CCHL is able to muster from CIHL is insufficient to allow it to compete seriously for such large projects.

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In addition, the consequential impact on the share price, liquidity and price level relative to the NAV per CCHL Share (as further elaborated below) has had, in the opinion of the CIHL Board, an inhibiting effect on the ability of CCHL to independently raise funds from external sources.

It is noted that CCHL Shares have been trading at a discount to its NAV and the trading volume of the CCHL Shares has been thin. For the two years period preceding and up to and including the Latest Practicable Date, the CCHL Shares have been traded within the range of HK\$0.052 to HK\$0.243 per CCHL Share with an average closing price of the CCHL Shares at approximately HK\$0.118 per CCHL Share. Such average closing price represents a discount of approximately 61.6% to the audited consolidated NAV per CCHL Share of about HK\$0.307 as at 31st March, 2003.

It is also noted that the average daily trading volume of the CCHL Shares for the two years period preceding and up to and including the Latest Practicable Date was 64,293 CCHL Shares. Such daily trading volume represents approximately 0.02% of the issued share capital of CCHL as at the Latest Practicable Date.

Given the discount of the market price to the NAV per CCHL Share, and the low liquidity of the CCHL Shares on the Stock Exchange, the CIHL Board concurs with the view of the CCHL Board that should CCHL wish to raise additional funds for CCHL's business, CCHL may have difficulty to do so through the equity market, although CCHL has no immediate need to raise any equity funds. Since the listing of the CCHL Shares on the Stock Exchange in January 1996, it is noted that CCHL has not raised funds in the open market except for a subscription agreement entered into with Wealthy Town Investments Limited, a company beneficially owned by one of the directors of a subsidiary of CCHL in 2000.

3.2.3 Potential benefits to be gained by CIHL as a result of the provision of full financial support to CCHL and elimination and streamlining of certain administrative, regulatory and compliance obligations

The CIHL Board believes that after successful implementation of the Proposal, CCHL will become a wholly-owned subsidiary of the CIHL Group, which in turn, will be in a position to give full financial support to assist CCHL in its future business development. It is also expected by the CIHL Board that CCHL, as part of the CIHL Group which has a substantial asset base, will be in a much better position to tender for construction projects of significant size upon completion of the Proposal.

The Proposal would also result in elimination of all connected transactions between CCHL and CIHL which could serve to streamline administration, regulatory and compliance obligations of CIHL Group. In particular, (i) an efficient use of financial resources, (ii) greater competitiveness in tendering for large scale projects, and (iii) cost savings from the elimination of costs associated with maintaining a listing for CCHL and other related costs as a separate listed company.

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3.3 Industry outlook for the construction industry in Hong Kong

According to the data from the Buildings Authority for the five years between 1998 to 2002 and through August 2003, there has been a steady decline in planning approvals, consents to commence works and occupation permits and consents for new buildings to commence general building and superstructure work in terms of falling gross floor area. The aforesaid data indicates a declining trend in the construction of public sector housing projects (which is a major contributing factor to the revenue of the CCHL Group).

More recently, the HKSAR Government has been trying to manage the supply side of the property market in order to develop a sustainable recovery in property prices in the residential sector. The HKSAR Government-owned railway companies are also set to defer property development plans, thereby limiting supply. The HKSAR Government plans to resume land sales in 2004, probably only on a limited basis, and extend the maximum timeframe permitted for the construction of new developments, part of an attempt to spread the supply of new housing. The HKSAR Government spending in the infrastructure sector is being reined in. The forecast for Public Housing production by the Housing Authority combined with the existing vacant privately owned units and the properties held by the HKSAR Government under the suspended Home Ownership Scheme is creating a supply/demand imbalance that will take some time to work through.

Recently the HKSAR Government announced that they would commence the tendering of high-end property projects in the near future. Although this indicates that the recent market conditions have become more positive, no data has been disclosed. In addition, Mass Transit Railway Corporation and Kowloon Canton Railway Corporation have indicated that they will invite developers to submit proposals on their land bank but not until 2005. The CIHL Board believes that current work in progress in the property construction sector will be digested in the next 1-2 years and, as a result, the CIHL Board expects the construction market will become more active in mid 2004. Given the general cautious optimism concerning a recovery in the property sector in Hong Kong which will, in time, feed through to an increase in the level of activity in the property construction sector, we have no reason to doubt the belief of the CIHL Board.

3.4 Terms and conditions of the Proposal

The Proposal will provide that the Scheme Shares be cancelled and, in consideration thereof, each Scheme Shareholder will be entitled to receive HK\$0.25 in cash for every Scheme Share held.

Based on a total of 249,000,000 CCHL Shares in issue as at the Latest Practicable Date, the Proposal values the entire issued share capital of CCHL at approximately HK\$62.3 million. As at the Latest Practicable Day, the Scheme Shareholders were interested in 159,614,556 CCHL Shares, representing approximately 64.1% of the issued share capital of CCHL. The consideration payable under the Proposal amounting to approximately HK\$39.9 million will be financed from general banking facilities available to CIHL.

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The Cancellation Price of HK\$0.25 per Scheme Share represents:

- (a) a premium of approximately 3.73% over the closing price of HK\$0.241 per CCHL Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 16.3% over the closing price of HK\$0.215 per CCHL Share as quoted on the Stock Exchange on 30th October, 2003 (being the last trading day prior to the suspension of trading in the CCHL Shares pending the issue of the Joint Announcement) (the “Last Trading Day”);
- (c) a premium of approximately 16.3% over the average closing price of approximately HK\$0.215 of per CCHL Share based on the daily closing prices as quoted on the Stock Exchange over the 10 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 23.8% over the average closing price of approximately HK\$0.202 per CCHL Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 37.4% over the average closing price of approximately HK\$0.182 per CCHL Share based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Day; and
- (f) a discount of approximately 18.6% to the audited consolidated NAV per CCHL Share of about HK\$0.307 as at 31st March, 2003.

As indicated above, the Cancellation Price of HK\$0.25 per Scheme Share represents a significant premium over the historical market price of the CCHL Shares. It is noted that the CCHL Shares have since 15th December, 2000 been continuously traded at prices below the audited consolidated NAV per CCHL Share as at 31st March, 2003. Although the Cancellation Price represents a discount of approximately 18.6% to the audited consolidated NAV per CCHL Share of HK\$0.307 as at 31st March, 2003, the closing price of HK\$0.215 per CCHL Share as at the Last Trading Day represented an even greater discount of about 30%.

The Proposal will become effective and binding on all Scheme Shareholders subject to the fulfillment or waiver (as applicable) of, inter alia, the following conditions:

- (a) the approval of the Proposal (by way of poll) by a majority in number of the CCHL Independent Shareholders present and voting either in person or by proxy at the Court Meeting to consider the Proposal, provided that:
 - (i) the Scheme is approved by at least 75% of votes attaching to the Scheme Shares held by the CCHL Independent Shareholders present and voting either in person or by proxy; and
 - (ii) the number of votes cast against the resolution to approve the Proposal is not more than 10% of the votes attaching to the Scheme Shares held by the CCHL Independent Shareholders;

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- (b) the passing of a special resolution to approve and give effect to the Proposal (including the cancellation of the Scheme Shares and the reduction of the issued share capital of CCHL) by a majority of at least three-fourth of votes cast by the CCHL Shareholders present and voting, in person or by proxy, at the special general meeting of CCHL; and
- (c) the sanction of the Proposal (with or without modifications) by the Supreme Court of Bermuda and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Supreme Court of Bermuda for registration.

All of the above conditions will have to be fulfilled on or before 31st March, 2004 (or such other date as CIHL and CCHL may agree or as Supreme Court of Bermuda may direct), otherwise the Proposal will lapse.

3.5 Evaluation of Proposal

3.5.1 With reference to earnings

For each of the three financial years ended 31st March, 2003, the CCHL Group has recorded an audited consolidated turnover of approximately HK\$1,226 million, HK\$527 million and HK\$225 million respectively.

Despite the significant decline in turnover during the last three financial years, the CCHL Group has managed to return to profitability in the financial year ended 31st March, 2002 with a net profit of approximately HK\$7 million from a net loss of approximately HK\$28 million in the financial year ended 31st March, 2001, and maintained a stable net profit of approximately HK\$7 million in the financial year ended 31st March, 2003; the net profit margin has increased from approximately 1.33% in 2002 to approximately 3.11% in 2003.

As mentioned above, the decline in turnover for the past three financial years was resulted from the extremely tough operating environment due to the continued slowdown in the local Hong Kong property market, the weakness in Hong Kong economy, high unemployment levels, government policies, falling investment in property assets and low homebuyer confidence, which is exacerbated by the large numbers of home owners in a negative equity position. According to the annual reports of CCHL, the HKSAR Government's policy to reduce the supply of public housing has significantly reduced business opportunities for CCHL, and the outbreak of Severe Acute Respiratory Syndrome in March 2003 has further weakened homebuyer and investor confidence.

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We have identified only one company that is listed on the Growth Enterprise Market of the Stock Exchange with a market capitalisation of less than HK\$50 million and principally engaged in the construction business in Hong Kong and which is profitable and have similar turnover level to CCHL (the “Peer Company”). Set out below is the comparison of the Peer Company with CCHL:

Company name	Cancellation		Market cap (HK\$ mil)	Book Value per share (HK\$)	PER	Book Price to book	Discount to NAV per share (%)	Turnover (HK\$ mil)	Net profit (HK\$ mil)	Operating profit (HK\$ mil)	Operating Gearing ratio (%)	Operating profit/turnover (%)
	Price/closing price (HK\$)	Market cap										
CCHL												
Cancellation Price	0.25	62.3	8.39	0.307	0.81	19	225.50	7.42	18.04	-	8.00	
Closing Price												
- Latest Practicable Date	0.241	60.0	8.03	0.307	0.79	21	222.50	7.42	18.04	-	8.00	
- Last Trading Day	0.215	53.5	7.21	0.307	0.70	30	222.50	7.42	18.04	-	8.00	
WLS												
Holdings Ltd												
Closing Price												
- Latest Practicable Date	0.099	45.3	11.00	0.103	0.96	4	146.47	4.15	3.62	31	2.47	
- Last Trading Day	0.100	45.8	11.11	0.103	0.97	3	146.47	4.15	3.62	31	2.47	

As indicated in the table above, CCHL, based on the cash consideration of HK\$0.25 per Scheme Share under the Proposal, has a price earnings ratio (PER) of approximately 8.39 times which is lower than the Peer Company.

3.5.2 With reference to NAV

As indicated from the table above, although the discount of approximately 18.6% to the NAV per CCHL Share is deeper than the discount of the share price of WLS Holdings Ltd (“WLS”) to its NAV of approximately 3% (or a price to book value ratio of 0.97 times), it is significantly less than that on the Last Trading Day, when the CCHL Shares traded at about a 30% discount to the NAV per CCHL Share of about HK\$0.307.

It should be noted that the price to book value ratio of WLS mentioned in the table above was calculated based on the market price of WLS, whereas the relative ratio of CCHL was calculated based on the Cancellation Price under the Proposal which has incorporated a control/takeover premium for CIHL to increase its holdings in CCHL from approximately 35.9% to 100%. In view of the control/takeover premium factor and in order to strike a balance between offering a Cancellation Price which is fair and reasonable to CIHL and CIHL Shareholders and a price sufficiently attractive to the Scheme Shareholders to accept the Proposal, CIHL is offering to pay a price representing a discount of approximately 18.6% to the NAV per CCHL Share which is higher than the closing price per CCHL Share recorded on the Last Trading Day (which is also within the mid-range of the discounts to NAV per share of CCHL and WLS). Hence, in forming our opinion, we have considered the

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results of the above comparison together with all other factors set out in this letter as a whole to determine whether both the implementation of the Proposal and the Cancellation Price is fair and reasonable.

3.6 Possible financial impact on CIHL upon completion of the Proposal

3.6.1 With regard to earnings

Based on the latest audited consolidated financial statements for the year ended 31st March, 2003 of CIHL and 275,708,398 CIHL Shares in issue after the completion of the scrip dividend scheme, CIHL has recorded a net profit of approximately HK\$101.91 million and earnings per CIHL Share of approximately HK\$0.370.

CIHL intends to finance the consideration payable under the Proposal of approximately HK\$39.9 million from general banking facilities available to it. The cost of funding the Proposal from general banking facilities available to CIHL is approximately HK\$800,000 (i.e. based on the current interest cost of the Company under such facilities, if the Company plans to repay the facilities by 31st March, 2004).

CIHL is currently holding approximately 35.9% of the issued share capital of CCHL. Upon completion of the Proposal, CCHL would become a wholly-owned subsidiary of CIHL and the financial results of CCHL will be consolidated into the financial results of CIHL. Assuming the Proposal was completed at the beginning of the financial year ended 31st March, 2003, by consolidating CCHL's results into CIHL, the pro forma net profit of the CIHL Group for the year ended 31st March, 2003 would be increased by approximately HK\$7.03 million (HK\$0.026 per CIHL Share) (which includes the 64.1% of CCHL's net profit currently interested by the Scheme Shareholders). According to the Company and as set out in the section headed "Financial effect of the Proposal on CIHL" in the "Letter from the Board", there will be a release of negative goodwill amounting to approximately HK\$9.1 million. In accordance with CIHL's current accounting policies, negative goodwill is to be amortised over a period of five years and hence, there would be a negative charge of approximately HK\$1.82 million per annum to the consolidated income statement of CIHL in each of the next five years assuming CIHL holds more than 51% of the entire issued share capital of CCHL upon completion of the Proposal.

Based on the abovementioned factors and assuming there would be a saving in cost of approximately HK\$1.25 million upon a successful privatisation of CCHL, the pro forma earnings of CIHL for the year ended 31st March, 2003 (assuming the privatisation were implemented as of 1st April, 2002) would amount to approximately HK\$108.9 million, or equivalent to approximately HK\$0.395 per CIHL Share on the basis of 275,708,398 CIHL Shares in issue after the implementation of the Proposal. Hence, there would be a slight enhancement of approximately 6.8% in earnings per CIHL Share upon completion of the Proposal.

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3.6.2 With regard to net tangible asset value ("NTAV") of the CIHL Group

According to the latest audited financial statements of CIHL, the CIHL Group recorded a NTAV of approximately HK\$2,242.8 million as at 31st March, 2003 or a NTAV per CIHL Share of approximately HK\$8.13 based on 275,708,398 CIHL Shares in issue after the implementation of the Proposal.

If CCHL becomes a wholly-owned subsidiary of CIHL, CIHL will record a negative goodwill in an amount equivalent to the discount paid by CIHL to the NTAV of CCHL. Based on the Cancellation Price of HK\$0.25 per Scheme Share and NAV of CCHL at 31st March, 2003 of approximately HK\$76.4 million, such negative goodwill amounts to approximately HK\$9.1 million. Accordingly, the NTAV of CIHL would increase to approximately HK\$2,251.9 million or HK\$8.17 per CIHL Share, representing an enhancement of approximately 0.5% in NTAV per CIHL Share.

4. CONCLUSION

We have considered the above principal factors and reasons and, in particular, taken into account the following factors in arriving at our opinion:

- (a) the background information (as set out in paragraph 3.1 above);
- (b) the reasons for, and benefits of, the Proposal (as set out in paragraph 3.2 above);
 - (i) the diminishing benefits of maintaining a separate listing status for CCHL as compared to the initial expectation upon the implementation of the demerger exercise in 1996;
 - (ii) the constraints on the potential growth of CCHL imposed by its limited capital;
 - (iii) CCHL's inability to raise new equity or debt financing independently from external sources;
 - (iv) the potential benefits to be gained by CIHL as a result of the provision of full financial support to CCHL; and
 - (v) the streamlining of certain administrative, regulatory and compliance obligations including an efficient use of financial resources, greater competitiveness in tendering for large scale projects, and cost savings from the elimination of costs associated with maintaining a listing for CCHL and other related costs as a separate listed company;
- (c) the outlook for the construction industry in Hong Kong (as set out in paragraph 3.3 above) for which the board of CIHL is cautiously optimistic in the next 12 months;

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- (d) the evaluation of the Proposal (as set out in paragraph 3.5 above) with reference to earnings and NAV per share of the Peer Company, in particular:
 - (i) the trading price of the CCHL Shares relative to the NAV per CCHL Share on the Last Trading Day; and
 - (ii) the discount that the Cancellation Price represents to the NAV per CCHL Share and also with reference to the discount to NAV per share of the share price of the Peer Company;
- (e) the possible financial impact on CIHL upon completion of the Proposal (as set out in paragraph 3.6 above) (including the cost of the Proposal, in terms of the financing of the funding for the Proposal) which results in a slight enhancement overall for the merged companies;

we believe that :

- (i) the implementation of the Proposal is in the interests of the shareholders of CIHL (with regard to Rule 2.4 of the Takeovers Code); and
- (ii) the implementation of the Proposal (including the Cancellation Price) is fair and reasonable (with regard to the requirements as prescribed under Chapter 14 of the Listing Rules) to CIHL and the shareholders of CIHL as a whole.

Accordingly, we advise both the CIHL Board and the CIHL Independent Board Committee to recommend the CIHL Independent Shareholders to vote in favour of the relevant resolution which will be proposed at the special general meeting of CIHL to approve the making of the Proposal.

Yours faithfully,
For and on behalf of
Access Capital Limited
Jeanny Leung
Managing Director

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to CIHL. The CIHL Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

DISCLOSURE OF INTERESTS**(A) CIHL Directors interest and short position in the securities of CIHL and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the CIHL Directors in the shares, underlying shares and debentures of CIHL and its associated corporations, within the meaning of Part XV of the SFO, which have been notified to CIHL and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the CIHL Directors were taken or deemed to have under such provisions of the SFO, or which were required to be and were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to CIHL and the Stock Exchange pursuant to the Model Code were as follows:

*(i) Interest in issued shares of CIHL and/or its associated corporations**(a) Interest in CIHL – shares*

Name of CIHL Director	Number of CIHL Shares held			Approximate percentage of interest (%)
	Personal interest	Family interest	Total	
Dr. Chow	138,602,863	–	138,602,863	50.27
Mr. Kuok	98,216	–	98,216	0.04
Mr. Fung Pak Kwan	91,290	–	91,290	0.03
Mr. Tam	169,015	32,473	201,488	0.07
Mr. Kan Ka Hon	29,040	–	29,040	0.01

* Dr. Chow beneficially owned 138,602,863 CIHL Shares representing approximately 50.27% of the issued share capital of CIHL. These CIHL Shares were same as those shares disclosed in the Section B below.

(b) Interest in CIHL's associated corporations – shares

Name of Director	Associated corporation	Number of ordinary shares				Total	Approximate percentage of interest (%)
		Personal interests	Corporate interests	Family interests			
Dr. Chow	CiTL	6,815,854	86,994,933*	–	–	93,810,787	54.75
	CCHL	61,036,489	89,385,444*	–	–	150,421,933	60.41
Mr. Kuok	CiTL	2,400,000	–	–	–	2,400,000	1.4
	CCHL	1,326,437	–	–	–	1,326,437	0.53
Mr. Fung Pak Kwan	CiTL	2,580,000	–	–	–	2,580,000	1.5
Mr. Kan Ka Hon	CiTL	451,200	–	–	–	451,200	0.26
Mr. Tam	CiTL	400,000	–	10,400	–	410,400	0.24
	CCHL	625,796	–	7,142	–	632,938	0.26

* Dr. Chow had notified CiTL and CCHL that under the SFO, he was deemed to be interested in 86,994,933 shares in CiTL, and 89,385,444 CCHL Shares which were all held by CIHL as Dr. Chow beneficially owned 138,602,863 CIHL Shares, representing approximately 50.27% of CIHL Shares.

(ii) Interest in share options of CIHL and/or its associated corporation

CIHL and CiTL adopted share option schemes on 30th September, 1991 (“the Old CIHL Scheme and Old CiTL Scheme respectively”). These schemes expired on 29th September, 2001 and no further options may be granted under the Old CIHL Scheme and Old CiTL Scheme thereafter. Details of the outstanding options as at Latest Practicable Date which have been granted under the share option schemes of CIHL and its associated corporation were as follows:

(a) Interest in CIHL – share options

Name of CIHL Director	Date of grant	Period during which options are exercisable	Exercise price per option (HK\$) (note)	Balance as at 31st March, 2003 (note)	Number of share options				Outstanding as at the Latest Practicable Date
					Exercised	Cancelled	Lapsed	Disposed of (note)	
Dr. Chow	17/12/1999	30/06/2000 – 29/06/2003	2.44	1,690,000	–	–	–	1,690,000	–
Mr. Kuok	17/12/1999	30/06/2000 – 29/06/2003	2.44	1,070,000	–	–	–	1,070,000	–
Mr. Fung Pak Kwan	17/12/1999	30/06/2000 – 29/06/2003	2.44	1,070,000	–	–	–	1,070,000	–
Mr. Kan Ka Hon	17/12/1999	30/06/2000 – 29/06/2003	2.44	1,000,000	–	–	–	1,000,000	–
Mr. Wong Kie Ngok, Alexander	17/12/1999	30/06/2000 – 29/06/2003	2.44	1,000,000	–	–	–	1,000,000	–
Mr. Tam	17/12/1999	30/06/2000 – 29/06/2003	2.44	1,000,000	–	–	–	1,000,000	–

Note: The exercise price per option and the numbers of CIHL Shares subject to the Old CIHL Scheme have been adjusted for the five into one share consolidation which became effective on 6th June, 2003.

During the period from 31st March, 2003 up to and including the Latest Practicable Date the above CIHL Directors disposed of their entire interests in the options granted to them under the Old CIHL Scheme.

(b) Interest in CIHL's associated corporation – share options

As at 31st March, 2003, the number of shares in respect of which options had been granted under the Old CiTL Scheme was 5,710,000 (adjusted for the five into one share consolidation which became effective on 6th June, 2003), representing 3.3% of the shares of CiTL in issue at that date. No options had been exercised during the period from 31st March, 2003 to 29th June, 2003. All the options expired on 29th June, 2003.

A share option scheme of CIHL (“the CIHL Scheme”) was approved by the CIHL Shareholders at the 2002 Annual General Meeting of CIHL held on 20th September, 2002. Another share option scheme of CiTL (“the CiTL Scheme”) was also approved by the CIHL Shareholders and shareholders of CiTL at their respective 2002 Annual General Meeting held on 20th September, 2002. The CIHL Scheme and the CiTL Scheme fully comply with Chapter 17 of the Listing Rules. As at the Latest Practicable Date, no share option was granted, exercised, cancelled or lapsed under the CIHL Scheme and the CiTL Scheme.

Save as disclosed above, so far is known to the CIHL Directors, as at the Latest Practicable Date, no other persons has interests or short positions in the shares, underlying shares and debentures of CIHL or any of its associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to CIHL 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 section 352 of the SFO, to be entered in the register referred to therein; or are required, pursuant to the Model Code to be notified to CIHL and the Stock Exchange.

(B) Persons who have an interest or short position which is discloseable under Division 2 and 3 of Part XV of the SFO and substantial shareholders

As at the Latest Practicable Date, the sole substantial shareholder of CIHL was Dr. Chow who held 138,602,863 CIHL Shares, representing 50.27% of the issued share capital of CIHL as recorded in the register required to be kept by CIHL under the provisions of the SFO.

So far as is known to the CIHL Directors, as at the Latest Practicable Date, save as disclosed above, no persons had interests or short positions in the CIHL Shares and underlying shares of CIHL which are required to be disclosed to CIHL and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were, directly or indirectly, 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 CIHL.

SERVICE CONTRACTS

As at the Latest Practicable Date, no CIHL Director has an unexpired service contract with CIHL or any of its subsidiaries excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation.

EXPERT AND CONSENT

The following is the qualification of the expert who has provided its advice which is contained in this circular:

Name	Qualifications
Access Capital	Access Capital Limited, the independent financial adviser to the CIHL Board and the CIHL Independent Board Committee, a deemed licensed corporation under the SFO licensed to conduct types 1, 4, 6 and 9 of the regulated activities under the SFO

Access Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name in the form and context in which they appear.

As at the Latest Practicable Date, Access Capital was not interested beneficially or otherwise in any shares in CIHL or any of its subsidiaries or associated corporations and did not have any right, whether legally enforceable or not, or option to subscribe for or to nominate persons to subscribe for any shares in CIHL or any of its subsidiaries or associated corporations nor did it have any interest, either direct or indirect, in any assets which have been acquired, or disposed of by or leased to, or are proposed to be acquired, or disposed of by or leased to, any member of the CIHL Group since 31st March, 2003 the date to which the latest published audited financial statements of CIHL Group were made up.

MISCELLANEOUS

- None of the CIHL Director has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, CIHL or any of its subsidiaries since 31st March, 2003, the date to which the latest published audited financial statements of CIHL Group were made up.
- There is no contract or arrangement entered into by any member of the CIHL Group in which any CIHL Directors are materially interested and which is significant in relation to the business of the CIHL Group.
- The CIHL Directors are not aware of any material adverse change in the financial or trading position of the CIHL Group since 31st March 2003, being the date to which the latest published audited financial statements of CIHL Group were made up.
- The English texts of this circular shall prevail over their respective Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the head office of CIHL from the date of this circular up to and including 5th December, 2003:

- the Memorandum of Association and the Bye-laws of CIHL;
- the letter from the CIHL Independent Board Committee, the text of which is set out on page 14 of this circular;
- the letter from Access Capital dated 19th November, 2003, the text of which is set out on pages 15 to 27 of this circular, and
- the letter of consent referred to in paragraph headed “Expert and consent” in this appendix.

NOTICE OF THE SPECIAL GENERAL MEETING OF CIHL



CHEVALIER INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of Chevalier International Holdings Limited (the “Company”) will be held at 10:00 a.m. on Friday, 5th December, 2003 at 22nd Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** the proposed privatisation of Chevalier Construction Holdings Limited by the Company (the “Privatisation Proposal”) by way of a scheme of arrangement (the “Scheme”) under section 99 of the Companies Act 1981 of Bermuda (as amended) as set out in the circular of the Company dated 19th November, 2003, a copy of which is tabled to this Meeting and signed by the chairman of the Meeting for identification purposes, be and is hereby approved and that the directors of the Company be and are hereby authorised to do all acts and things considered by them to be necessary or desirable in connection with the implementation of the Privatisation Proposal, including (but not limited to) the giving of consent to any modification of, or addition to, the Scheme, which the Supreme Court of Bermuda may see fit to impose.”

By Order of the Board
KAN Ka Hon
Company Secretary

19th November, 2003

Principal place of business

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

Registered office

Canon’s Court,
22 Victoria Street,
Hamilton, HM12,
Bermuda

Notes:

1. A member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and vote in his place. A proxy need not be a member of the Company.
2. A form of proxy for the meeting convened by this notice is enclosed. To be valid, this form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the branch share registrars of the Company in Hong Kong, Standard Registrars Limited, G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 48 hours before the time for holding the meeting. Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person, if the member so wishes. In the event of a member attending the meeting, the form of proxy will be deemed to have been revoked.
3. In the case of joint holder of a share, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one such joint holders be present at the meeting personally or by proxy, that one of the holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. Votes at the meeting will be taken by poll.