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

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Chevalier International Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agents through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**CHEVALIER INTERNATIONAL HOLDINGS LIMITED**

**其士國際集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock code: 025)

**DISCLOSEABLE TRANSACTION**

**Financial adviser to Chevalier International Holdings Limited**



**SOMERLEY LIMITED**

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\* For identification purpose only

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## DEFINITIONS

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

“Acquisition”	the proposed acquisition of 44% interest in the registered capital of Beijing Feng Tong Xiang Rui by Chevalier Chengdu
“Agreement”	the sale and purchase agreement dated 18th October, 2005 entered into among Beijing Feng Tong Xiang Rui, Shanghai Fu Cheng, Chevalier Chengdu, Shanghai Xi Cheng and Shanghai Yu Qing in relation to the Acquisition
“associates”	has the meaning ascribed thereto under the Listing Rules
“Beijing Feng Rui Residential Area”	北京鳳瑞住宅小區, the residential property project which Beijing Feng Tong Xiang Rui develops in Huairou District, Beijing, the PRC
“Beijing Feng Tong Xiang Rui”	北京鳳桐祥瑞房地產開發有限公司 (Beijing Feng Tong Xiang Rui Real Estate Company Limited), a company established in the PRC with limited liability, principally engaged in the development of Beijing Feng Rui Residential Area
“Board”	the board of Directors
“Chevalier Chengdu”	其士(成都)投資管理有限公司 (Chevalier (Chengdu) Investment Management Limited), a wholly foreign-owned enterprise established in the PRC with limited liability, a wholly-owned subsidiary of the Company
“Company”	Chevalier International Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	RMB150,493,200 (equivalent to HK\$144,705,000) in cash, being the total consideration payable by Chevalier Chengdu to the Vendor for the Acquisition

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## DEFINITIONS

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“Deposit”	RMB13,191,200 (equivalent to HK\$12,683,846) in cash paid by Chevalier Chengdu to the Vendor in accordance with the Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	4th November, 2005, being the latest practicable date for ascertaining certain information contained herein prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Companies
“Outstanding Sites”	areas with an aggregate size of 148.46 mu (equivalent to approximately 98,974 sq. m.), the land use rights certificates of which have yet to be granted for as at the date of the Agreement
“PRC”	The People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this circular
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Fu Cheng” or “Vendor”	上海福城房地產開發有限公司 (Shanghai Fu Cheng Property Development Company Limited), a company established in the PRC with limited liability
“Shanghai Xi Cheng”	上海熙誠實業有限公司 (Shanghai Xi Cheng Industrial Company Limited), a company established in the PRC with limited liability
“Shanghai Yu Qing”	上海裕清企業發展有限公司 (Shanghai Yu Qing Corporation Development Company Limited), a company established in the PRC with limited liability
“Share(s)”	share(s) of HK\$1.25 each in the share capital of the Company

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## DEFINITIONS

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“Shareholder(s)”	holder(s) of the Share(s)
“Site”	the land site of 438.5 mu (equivalent to approximately 292,335 sq. m.) where Beijing Feng Rui Residential Area is located
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“mu”	one mu is equivalent to approximately 666.67 sq. m.
“RMB”	Renminbi, the lawful currency of the PRC
“sq. m.”	square meters
“% ”	per cent.

*In this circular, the exchange rate of HK\$1.00 to RMB1.04 has been used for reference only.*

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## LETTER FROM THE BOARD

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### CHEVALIER INTERNATIONAL HOLDINGS LIMITED

其士國際集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock code: 025)

*Executive Directors:*

Chow Yei Ching (*Chairman and Managing Director*)

Kuok Hoi Sang (*Managing Director*)

Fung Pak Kwan

Tam Kwok Wing

Kan Ka Hon

Chow Vee Tsung, Oscar

Ho Chung Leung

*Independent non-executive Directors:*

Wong Wang Fat, Andrew O.B.E., J.P.

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

Li Kwok Heem, John

*Registered office:*

Canon's Court

22 Victoria Street

Hamilton, HM 12

Bermuda

*Head office and principal place  
of business:*

22nd Floor,

Chevalier Commercial Centre,

8 Wang Hoi Road,

Kowloon Bay,

Hong Kong

8th November, 2005

*To the Shareholders*

Dear Sir or Madam,

### DISCLOSEABLE TRANSACTION

#### INTRODUCTION

On 21st October, 2005, the Directors announced that on 18th October, 2005 Chevalier Chengdu, a wholly-owned subsidiary of the Company entered into the Agreement, as a purchaser, with the Vendor, as a seller, in relation to the proposed acquisition of 44% interest in the registered capital of Beijing Feng Tong Xiang Rui for a total cash consideration of RMB150,493,200 (equivalent to HK\$144,705,000).

Beijing Feng Tong Xiang Rui is principally engaged in the development of Beijing Feng Rui Residential Area located in Huairou District, Beijing, the PRC. Beijing Feng Rui Residential Area has a site area of 438.5 mu (equivalent to approximately 292,335 sq. m.) and it is a luxury residential real estate development project with a total floor area of approximately 200,000 sq. m. It has three phases and will be developed into four categories of villas with floor area ranging from 324 sq. m. to 418 sq. m. Pre-sale of the first phase of the project has started.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to provide you with further information on the Agreement, Beijing Feng Tong Xiang Rui, Beijing Feng Rui Residential Area and other information as set out in the Appendix to this circular.

### THE AGREEMENT

On 18th October, 2005, Chevalier Chengdu, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which Chevalier Chengdu has conditionally agreed to acquire or will procure its nominee to acquire from the Vendor, subject to the terms and condition of the Agreement, 44% interest in the registered capital of Beijing Feng Tong Xiang Rui for a total cash consideration of RMB150,493,200 (equivalent to HK\$144,705,000).

### Parties

Vendor: Shanghai Fu Cheng, a company established in the PRC with limited liability on 18th August, 1995. Shanghai Fu Cheng is principally engaged in real estate development, consulting services, property management, interior design, sales of construction materials, metals and mechanical and electronic equipments.

Purchaser: Chevalier Chengdu, a wholly foreign-owned enterprise established in the PRC with limited liability, a wholly-owned subsidiary of the Company.

Other existing shareholders of Beijing Feng Tong Xiang Rui: Shanghai Xi Cheng and Shanghai Yu Qing

Shanghai Xi Cheng is established in the PRC with limited liability on 20th April, 2005. Shanghai Xi Cheng is principally engaged in investment management, property management, property leasing, engineering equipment leasing, a range of construction engineering services, property and business information consulting services and sales of metals, construction materials, mechanical equipments, automobile accessories and various types of merchandises. Shanghai Xi Cheng has held 11% interest in Beijing Feng Tong Xiang Rui prior to Completion and the percentage will remain unchanged upon Completion.

Shanghai Yu Qing is established in the PRC with limited liability on 26th March, 1998. Shanghai Yu Qing is principally engaged in sales of construction materials, rubber products, timber, textiles, metals and minerals and property leasing. Shanghai Yu Qing has held 25% interest in Beijing Feng Tong Xiang Rui prior to Completion and the percentage will remain unchanged upon Completion.

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## LETTER FROM THE BOARD

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To the best knowledge, information and belief of the Directors and after making all reasonable enquiries, as at the Latest Practicable Date, each of Shanghai Fu Cheng, Shanghai Xi Cheng and Shanghai Yu Qing and their respective beneficial owners are independent of the Company, the Company's connected persons or their respective associates, and are not connected persons.

### Assets to be acquired

Beijing Feng Tong Xiang Rui is principally engaged in the development of Beijing Feng Rui Residential Area located in Huairou District, Beijing, the PRC. The total area of the Site is approximately 438.5 mu.

### The Consideration and payment terms

The Consideration of RMB150,493,200 (equivalent to HK\$144,705,000) was arrived at after arm's length negotiations between Chevalier Chengdu and the Vendor and with reference to the Directors' experience in property development and investment, the general prospects of the residential property markets in Beijing and information on the property value in the proximity. The Consideration will be satisfied by the internal resources of the Group.

The Consideration is as follows:

- (i) RMB13,191,200 (equivalent to HK\$12,683,846) in cash as a non-refundable Deposit paid on the date of the Agreement; and
- (ii) the remaining balance of RMB137,302,000 (equivalent to HK\$132,021,154) will be payable by installments in accordance with the progress in obtaining the land use rights certificates of the Outstanding Sites with an aggregate size of 148.46 mu (equivalent to approximately 98,974 sq. m.) according to the following formula:

$$\text{RMB137,302,000} \times \frac{\text{Area indicated in the relevant land use rights certificate of the Outstanding Site}}{\text{Aggregate areas of the Outstanding Site}}$$

The Directors (including the independent non-executive Directors) consider that the Consideration and payment terms are fair and reasonable and on normal commercial terms.

### Condition

The Agreement is conditional on Chevalier Chengdu and/or Beijing Feng Tong Xiang Rui having obtained permissions and approvals from the relevant PRC government authorities in respect of the Acquisition.



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## LETTER FROM THE BOARD

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### Termination

The Agreement may be terminated if:

- (i) any material change in existing laws or regulations which would result in the Agreement being not enforceable or the Acquisition is not approved by the relevant PRC government authorities; or
- (ii) with the consent of all parties to the Agreement to terminate the Agreement.

### Other principal terms

Set out below are other principal terms of the Agreement:

#### *(1) Financing of Beijing Feng Tong Xiang Rui*

The investment sum of Beijing Feng Tong Xiang Rui is estimated to be approximately RMB500.0 million (equivalent to approximately HK\$480.8 million), which is inclusive of RMB90.8 million (equivalent to approximately HK\$87.3 million) invested up to date. Beijing Feng Tong Xiang Rui shall finance the operations of and investment in Beijing Feng Rui Residential Area by reinvesting proceeds from sales of the properties or borrowings from financial institutions. Any shortfall in financing the operations of and investment in Beijing Feng Rui Residential Area shall be funded by the shareholders of Beijing Feng Tong Xiang Rui by way of shareholders' loans in accordance with their respective shareholdings. The Directors are confident that the sale proceeds together with the borrowings from financial institutions will be sufficient for Beijing Feng Tong Xiang Rui's further investment needs and consider that further funding directly from the Company is unlikely.

#### *(2) Distribution of sale revenue*

The distribution of revenue from sale of properties in Beijing Feng Rui Residential Area will be as follows:

- (i) settlement of payment by Shanghai Fu Cheng on behalf of Beijing Feng Tong Xiang Rui of RMB30,341,380 (equivalent to HK\$29,174,404);
- (ii) funding for operations of and investment in the development of Beijing Feng Rui Residential Area;
- (iii) repayment of shareholders' loans, if any; and
- (iv) distribution of dividends based on the shareholders' percentage interests in Beijing Feng Tong Xiang Rui.

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## LETTER FROM THE BOARD

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### INFORMATION ON BEIJING FENG TONG XIANG RUI

Beijing Feng Tong Xiang Rui is a company established in the PRC with limited liability on 25th January, 1996 with fully paid-up registered capital of RMB29,980,000 (equivalent to HK\$28,826,923). Prior to Completion, Beijing Feng Tong Xiang Rui is owned as to 64%, 11% and 25% by Shanghai Fu Cheng, Shanghai Xi Cheng and Shanghai Yu Qing respectively. Immediately upon Completion, Beijing Feng Tong Xiang Rui will be owned as to 20%, 44%, 11% and 25% by Shanghai Fu Cheng, Chevalier Chengdu, Shanghai Xi Cheng and Shanghai Yu Qing respectively. Upon Completion, the board of directors of Beijing Feng Tong Xiang Rui will consist of seven directors, of which three will be nominated by Chevalier Chengdu or its nominee, two will be nominated by Shanghai Fu Cheng and one by each of Shanghai Xi Cheng and Shanghai Yu Qing.

Beijing Feng Tong Xiang Rui is principally engaged in the development of Beijing Feng Rui Residential Area located in Huairou District, Beijing, the PRC. Beijing Feng Rui Residential Area has a site area of 438.5 mu (equivalent to approximately 292,335 sq. m.) and it is a luxury residential real estate development project with a total floor area of approximately 200,000 sq. m. It has three phases and will be developed into four categories of villas with floor areas ranging from 324 sq. m. to 418 sq. m. Pre-sale of the first phase (the floor area is approximately one third of the entire project) of the project has started.

According to the management accounts prepared in accordance with generally accepted accounting principles in the PRC for the year ended 31st December, 2003, 31st December, 2004 and the eight months ended 31st August, 2005, Beijing Feng Tong Xiang Rui had no turnover. For the year ended 31st December, 2003, 31st December, 2004 and the eight months ended 31st August, 2005, Beijing Feng Tong Xiang Rui recorded net loss before taxation and after taxation of nil; RMB126,657 (equivalent to HK\$121,786) and RMB192,551 (equivalent to HK\$185,145) respectively. The net asset value of Beijing Feng Tong Xiang Rui as at 31st August, 2005 was approximately RMB57.1 million (equivalent to approximately HK\$54.9 million), which mainly included inventory of RMB88.2 million (equivalent to approximately HK\$84.8 million) and amounts due to Shanghai Fu Cheng of approximately RMB30.3 million (equivalent to approximately HK\$29.2 million). Subsequent to 31st August, 2005, Beijing Feng Tong Xiang Rui obtained a bank loan of RMB80.0 million (equivalent to approximately HK\$76.9 million).

### REASONS FOR THE ACQUISITION

The Company 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.

Property investment and development has been one of the core businesses of the Group. By leveraging its solid experiences in managing public housing and the government's Private Sector Participation Scheme projects in Hong Kong, the Group has stepped up investment in property development in the PRC in recent years. It has established as one of the top property developers with extensive presence in major cities including Shanghai, Shenzhen, Dongguan, Chengdu, etc. and also across various types of projects such as

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## LETTER FROM THE BOARD

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residential property, hotel and office premises. The property and hotel division of the Group has achieved substantial growths in turnover and profit by 57% and approximately 2.9 times respectively for the last financial year.

Although the PRC government has imposed austerity measures to curb over-investment, the Board is optimistic that these measures can help eliminate inefficient and speculative players in the market, thus pave way for healthy long-term growth of the PRC property market.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Acquisition is in the interest of the Company and the Shareholders as a whole and the terms of the Agreement are fair and reasonable and on normal commercial terms.

### FINANCIAL EFFECTS OF THE ACQUISITION

The financial effect of the Acquisition will be neutral on the net asset value of the Group. Nevertheless, if the Consideration exceeds the Group's attributable share of fair value of Beijing Feng Tong Xiang Rui, which will only be determined upon Completion, a goodwill will be resulted. Upon Completion, the Group's interest in Beijing Feng Tong Xiang Rui will be accounted for as a non-current asset in a jointly controlled entity of the Group at share of the net assets of such entity plus any goodwill as stated above.

The results of Beijing Feng Tong Xiang Rui, after Completion, will be equity accounted for in the financial statements of the Group. The goodwill, if any, will not be amortised but will be subject to the annual impairment review as stipulated under the Hong Kong Financial Reporting Standards.

The Acquisition will be satisfied by internal resources of the Group. The Directors believe that it will not significantly affect the cashflow position of the Group owing to its cash reserve at present.

### GENERAL

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

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

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

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

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

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

Name of Directors	Capacity	Number of Shares		Total	Approximate percentage of interest (%)
		Personal interests	Family interests		
CHOW Yei Ching ("Dr. Chow")	Beneficial owner	146,438,359*	–	146,438,359	52.57
KUOK Hoi Sang	Beneficial owner	98,216	–	98,216	0.04
FUNG Pak Kwan	Beneficial owner	93,479	–	93,479	0.03
TAM Kwok Wing	Beneficial owner	169,015	32,473	201,488	0.07
KAN Ka Hon	Beneficial owner	29,040	–	29,040	0.01
HO Chung Leung	Beneficial owner	40,000	–	40,000	0.01

\* Dr. Chow beneficially owned 146,438,359 Shares, representing approximately 52.57% of the issued share capital of the Company. These Shares were same as those Shares disclosed in the section "Substantial shareholders' interests in securities" below.

*(b) Interests in associated corporation – shares*

Name of Directors	Associated corporation	Capacity	Number of ordinary shares			Total	Approximate percentage of interest (%)
			Personal interests	Corporate interests	Family interests		
Dr. Chow	Chevalier iTech Holdings Limited ("CiTL")	Beneficial owner and interest of controlled corporation	6,815,854	104,102,933*	-	110,918,787	64.73
KUOK Hoi Sang	CiTL	Beneficial owner	2,400,000	-	-	2,400,000	1.40
FUNG Pak Kwan	CiTL	Beneficial owner	2,580,000	-	-	2,580,000	1.50
TAM Kwok Wing	CiTL	Beneficial owner	400,000	-	10,400	410,400	0.24
KAN Ka Hon	CiTL	Beneficial owner	451,200	-	-	451,200	0.26

\* Dr. Chow had notified CiTL that under the SFO, he was deemed to be interested in 104,102,933 shares in CiTL which were all held by the Company as Dr. Chow beneficially owned 146,438,359 Shares, representing approximately 52.57% of the issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, no other person has interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO); or are required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**ii. Substantial Shareholders' interests in securities**

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations in the Shares or underlying Shares which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Substantial Shareholder	Number of Shares held	Approximate percentage of interest (%)
Dr. Chow	146,438,359	52.57
MIYAKAWA Michiko	146,438,359*	52.57

\* Under Part XV of the SFO, Ms. Miyakawa Michiko, the spouse of Dr. Chow, is deemed to be interested in the same parcel of 146,438,359 Shares held by Dr. Chow.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, no other person had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or in any options in respect of such capital.

### 3. LITIGATION

As at the Latest Practicable Date, so far as is known to the Directors, none of the members of the Group are engaged in any litigation, arbitration of material importance or claim of material importance pending or threatened against any member of the Group.

### 4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

### 5. SERVICE CONTRACT

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

### 6. MISCELLANEOUS

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