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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)

Connected Transactions

On 11th March, 2005, the Group entered into the PPR Agreement with the Vendors. Pursuant to the PPR Agreement, the Group agreed to acquire and the Vendors agreed to dispose of to the Group 11,935,000 PPR Shares and a shareholders' loan of HK\$1 million due by PPR to the Vendors for an aggregate cash consideration of HK\$19.3 million. At present, the Group is interested in 72.5% of the issued share capital of PPR. Upon completion of the PPR Agreement, PPR will become an indirect wholly-owned subsidiary of the Company. Further details on the PPR Agreement are set out below.

On 11th March, 2005, the Group also entered into the NordiTube Agreement with rabmer. Pursuant to the NordiTube Agreement, the Group agreed to acquire and rabmer agreed to dispose of to the Group 16,603,320 NordiTube Shares for a cash consideration of approximately SEK15.8 million (equivalent to approximately HK\$17.8 million). The Group is currently interested in 59.1% of the issued share capital of NordiTube. Upon completion of the NordiTube Agreement, the Group will be interested in 92.4% of the issued share capital of NordiTube. Further details on the NordiTube Agreement are set out below.

PPR and NordiTube are both non wholly-owned subsidiaries of the Company. As the Vendors and rabmer are substantial shareholders of PPR and NordiTube respectively, the PPR Agreement and the NordiTube Agreement therefore constitute

connected transactions of the Company under the Listing Rules. Given the relevant percentage ratios for each of the PPR Agreement and the NordiTube Agreement are below 2.5%, both the PPR Agreement and the NordiTube Agreement are only subject to announcement and reporting requirements under Rule 14A.32 of the Listing Rules.

PPR AGREEMENT DATED 11TH MARCH, 2005

Purchaser: Chevalier Pipe, a wholly-owned subsidiary of the Company

Vendors: Prosper Well and Mr. Kao Gordon Kan. Prosper Well is an investment holding company, its principal asset is its shareholding in PPR.

Assets acquired:

(1) PPR Shares

Vendors	PPR Shares	% interest in PPR
Prosper Well	5,208,000	12.0
Mr. Kao Gordon Kan	6,727,000	15.5
	11,935,000	27.5

(2) Shareholders' loan to PPR

HK\$1.0 million owed by PPR to the Vendors jointly.

The Group entered into a shareholders' agreement with the Vendors and an independent third party in 1998 to establish PPR. During the period from 2000 to 2003, the Group acquired further interest in PPR through subscriptions and acquisition. Immediately before entering into the PPR Agreement, the Group held 31,465,000 PPR Shares, representing 72.5% of the issued share capital of PPR. Upon completion of the PPR Agreement, PPR will become an indirect wholly-owned subsidiary of the Company.

PPR is principally engaged in the business of rehabilitating pipes for drinking water, flushing water, cooling water, gas, sewages and drainage using CIPP (Cured in Place Process) and spirally wound plastic pipe technologies. PPR has successfully secured contracts from non-government institutions as well as a number of government contracts from the Water Services Department, Drainage Services Department, Highways Department, Housing Authority and Airport Authority.

For the years ended 31st March, 2003 and 2004, PPR recorded audited net losses of approximately HK\$7.3 million and HK\$2.0 million respectively. There was no tax charged for the two years

ended 31st March, 2003 and 2004. As at 31st March, 2004, the shareholders' loan owed by PPR to the Vendors amounted to HK\$1.0 million and the audited net tangible asset value of PPR amounted to approximately HK\$21.0 million. The audited financial statements of PPR were prepared based on the generally accepted accounting principles in Hong Kong.

Consideration:

The aggregate consideration for the PPR Agreement is HK\$19.3 million of which the consideration for PPR Shares and shareholders' loan are HK\$18.3 million and HK\$1.0 million respectively. The aggregate consideration for the PPR Agreement represents a 184% premium over the sum of the attributable audited net tangible asset value of PPR of approximately HK\$5.8 million and HK\$1.0 million shareholders' loan due by PPR to the Vendors as at 31st March, 2004. The consideration, which will be funded by the internal resources of the Group, is payable in cash upon completion of the PPR Agreement.

The consideration has been determined after arm's length negotiations between the Group and the Vendors and taking into account principally PPR's contracts on hand, the growth potential of pipe rehabilitation industry in Hong Kong and the market leading position of PPR. The Board considers the consideration is fair and reasonable and the payment terms are acceptable given the current cashflow position of the Group.

Completion:

The PPR Agreement was completed on 15th March 2005.

The Directors (including the independent non-executive Directors) consider the PPR Agreement (including the consideration) are on normal commercial terms and are fair and reasonable to the Company and its shareholders as a whole.

NORDITUBE AGREEMENT DATED 11TH MARCH, 2005

Purchaser: Chevalier Pipe

Vendor: rabmer is an investment holding company, which through its subsidiaries, is principally engaged in building construction, underground engineering, pipe rehabilitation and trading of pipe rehabilitation systems and products.

Assets acquired:

16,603,320 NordiTube Shares, represents approximately 33.34% of the issued share capital of NordiTube. NordiTube is listed on OTC market in Sweden. rabmer acquired the 16,603,320 NordiTube Shares in OTC market in Sweden for consideration ranged from SEK0.5 to SEK1.4 per NordiTube Share in recent years.

In August 2002, the Group acquired 13.8 million NordiTube Shares, representing approximately 46.2% of the then issued share capital of NordiTube. During 2002 and 2003, the Group acquired further 15.0 million NordiTube Shares. Consequently, the Group held 28.8 million NordiTube Shares, representing 57.9% of the then issued share capital of NordiTube. In February 2004, the Group in aggregate disposed of 1.2 million NordiTube Shares. In May and July 2004, the Group in aggregate acquired further 1.8 million NordiTube Shares from independent third parties which brought the Group's shareholding in NordiTube to 29.4 million NordiTube Shares, representing approximately 59.1% of the issued share capital of NordiTube. To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, the remaining 7.6% interest in the issued share capital of NordiTube is held by third parties who are not connected persons of the Company.

Upon completion of the NordiTube Agreement, the Group will be interested in 92.4% of the issued share capital of NordiTube.

NordiTube, through its subsidiaries, is principally engaged in the design, development, manufacturing, trading and marketing of polymer-coated textile tubing for renovation and lining of existing sub-surface water, waste water and gas pipes and mains. NordiTube is a specialist in CIPP technologies with extensive expertise in the areas of fabrics/textiles, resins and applications. NordiTube's technology for pressure pipe is well accepted in Europe, the United States of America and Hong Kong.

For the year ended 31st December, 2003, NordiTube recorded audited consolidated net loss before and after tax of approximately SEK3.3 million (equivalent to approximately HK\$3.7 million) and SEK3.2 million (equivalent to approximately HK\$3.6 million) respectively. For the year ended 31st December, 2002, NordiTube recorded audited consolidated net loss before and after tax of approximately SEK7.4 million (equivalent to approximately HK\$8.4 million) and SEK7.3 million (equivalent to approximately HK\$8.2 million). As at 31st December, 2003, the audited consolidated net tangible asset value of NordiTube amounted to approximately SEK14.2 million (equivalent to approximately HK\$16.0 million). The audited financial statements of NordiTube were prepared based on the generally accepted accounting principles in Sweden.

Consideration:

The consideration for the NordiTube Agreement is SEK15.8 million (equivalent to approximately HK\$17.8 million). The consideration, which will be funded by internal resources of the Group, is

payable after the 16,603,320 NordiTube Shares are officially registered in the name of Chevalier Pipe in the share register of NordiTube.

The consideration for the NordiTube Agreement represents a premium of 236% over the attributable audited net tangible assets of NordiTube of SEK4.7 million (equivalent to approximately HK\$5.3 million) as at 31st December, 2003. The consideration was determined after arm's length negotiations between the Group and rabmer and taking into account principally the growth potential of the pipe rehabilitation industry worldwide including Europe and the United States of America. The Board considers the consideration is fair and reasonable and the payment terms are acceptable given the Group's current cashflow position.

Completion:

The NordiTube Agreement is expected to be completed within one month from the date of the NordiTube Agreement.

The Directors (including the independent non-executive Directors) consider the NordiTube Agreement (including the consideration) are on normal commercial terms and are fair and reasonable to the Company and its shareholders as a whole.

REASONS FOR ENTERING INTO THE PPR AGREEMENT AND THE NORDITUBE AGREEMENT

The principal activity of the Company is investment holding. The Company, through its subsidiaries, is engaged in the business of construction and engineering, insurance and investment, property investment, hotel investment and information technology. The construction and engineering operation includes, among others, pipe rehabilitation operation.

As stated in the Company's 2004 annual report, the Group intends to become a leader in pipe rehabilitation industry. In recent years, the Company's subsidiary in Singapore, PPR Technology (S) Pte Ltd., completed approximately 100 kilometers of rehabilitation pipes. In 2003, pipe rehabilitation operation carried out by the Group contributed approximately HK\$46.5 million to the turnover of the Group, representing approximately 1.4% of the total turnover of the Group. In 2004, the turnover of the pipe rehabilitation operation increased to HK\$112.3 million, representing 3.5% of the total turnover of the Group. The Board believes the substantial growth in the pipe rehabilitation operation was largely due to the preference of pipe rehabilitation over traditional open-dig methods. The Board is optimistic that the pipe rehabilitation business will continue to grow in Hong Kong, Europe and the United States of America.

The Group already has control over PPR and NordiTube. The acquisition of further interest in PPR and NordiTube enables the Group to consolidate control in its major pipe rehabilitation operations. Consequently, the Group can implement its corporate strategies and business development plans more effectively and efficiently in the future.

In view of the above, the Directors (including the independent non-executive Directors) consider the entering into of the PPR Agreement and the NordiTube Agreement are in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATION

PPR and NordiTube are both non wholly-owned subsidiaries of the Company. As the Vendors and rabmer are substantial shareholders of PPR and NordiTube respectively, the PPR Agreement and the NordiTube Agreement therefore constitute connected transactions of the Company under the Listing Rules. Given the relevant percentage ratios for each of the NordiTube Agreement and PPR Agreement are below 2.5%, both the PPR Agreement and the NordiTube Agreement are only subject to announcement and reporting requirements under Rule 14A.32 of the Listing Rules.

DEFINITIONS

“Board”	the board of Directors
“Chevalier Pipe”	Chevalier Pipe Technologies Limited, a company incorporated in Hong Kong 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 of Hong Kong Limited
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of The People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“NordiTube Agreement”	the share sale and purchase agreement dated 11th March, 2005 for the purchase by Chevalier Pipe of 33.34% equity interest in NordiTube
“NordiTube”	NordiTube Technologies AB, a public company incorporated under the laws of Sweden, an indirect non wholly-owned subsidiary of the Company
“NordiTube Shares”	shares of nominal value of SEK0.5 each in the issued share capital of NordiTube
“PPR”	Preussag Pipe Rehabilitation Hong Kong Limited, a private company incorporated in Hong Kong with limited liability, an indirect non wholly-owned subsidiary of the Company
“PPR Agreement”	the sale and purchase agreement dated 11th March, 2005 for the purchase by Chevalier Pipe of 27.5% equity interest in PPR and the outstanding shareholders’ loan of HK\$1 million from the Vendors
“PPR Shares”	shares of HK\$1.0 each in the issued share capital of PPR
“Prosper Well”	Prosper Well Developments Limited, a company incorporated in the British Virgin Islands with limited liability, is wholly owned by Mr. Kao Gordon Kan
“rabmer”	rabmer Holding GmbH, a company incorporated under the Law of Austria
“Vendors”	together, Prosper Well and Mr. Kao Gordon Kan
“%”	per cent.
“HK\$”	Hong Kong dollar, lawful currency of Hong Kong
“SEK”	Swedish Krona, the lawful currency of Sweden

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

Hong Kong, 24th March, 2005

* *For identification only*

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

For the purpose of this announcement, amounts denominated in Swedish Krona have been translated into Hong Kong dollars at the rate of SEK1.0 = HK\$1.13.

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