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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 FORMATION OF A JOINT VENTURE COMPANY

On 11th December, 2004, Citiway, a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with the JV Partner for the establishment of the Joint Venture Company, an equity joint venture company established in the PRC. Upon the establishment, the Joint Venture Company will be owned as to 46% by the Group and as to 54% by the JV Partner. Pursuant to the Joint Venture Agreement, the Joint Venture Company will carry out four property development projects.

Pursuant to the Joint Venture Agreement, the total investment of the Joint Venture Company will amount to RMB125.0 million (equivalent to approximately HK\$117.9 million) with registered capital of RMB50.0 million (equivalent to approximately HK\$47.2 million). The registered capital of the Joint Venture Company will be contributed as to RMB23.0 million in cash (equivalent to approximately HK\$21.7 million) by the Group and as to RMB27.0 million in cash (equivalent to approximately HK\$25.5 million) by the JV Partner. The Group and the JV Partner will contribute their own share of registered capital in cash within one month after the issue of the Joint Venture Company's business license.

The Group and the JV Partner also agreed to provide shareholder's loan to the Joint Venture Company of amount RMB127.0 million in cash (equivalent to approximately HK\$119.8 million) and RMB149.2 million in a form of parcel of land (equivalent to approximately HK\$140.8 million) respectively for the Xi Ling Project. In addition, the Group will also advance an amount of RMB50.0 million (equivalent to approximately HK\$47.2 million) to the Joint Venture Company as part of the cost for the demolition work under phase two of the Xi Ling Project.

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

THE JOINT VENTURE AGREEMENT DATED 11TH DECEMBER, 2004

Parties:

The foreign party: Citiway, a wholly-owned subsidiary of the Company

The PRC party: Shenzhen Golden Peak Investment Development Co., Ltd., a company established in the PRC with limited liability which is principally engaged in the property investment. To the best knowledge, information and belief of the Directors and after making all reasonable enquiries, as at the date of announcement, the JV Partner and its ultimate beneficial owners are not connected persons of the Company (as defined under the Listing Rules) and are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

The Joint Venture Company

Pursuant to the terms and conditions of the Joint Venture Agreement, Citiway and the JV Partner have agreed to set up the Joint Venture Company as an equity joint venture company in the PRC for a term of 50 years commencing from the date of issue of business license of the Joint Venture Company. As at the date of this announcement, the business license of the Joint Venture Company has not been issued yet.

The scope of business of the Joint Venture Company includes property development, management of service apartment, shopping mall, hotel, motel and guesthouse, property management, sale and lease of properties and other related services.

Capital contribution

Pursuant to the Joint Venture Agreement, the total investment of the Joint Venture Company will be RMB125.0 million (equivalent to approximately HK\$117.9 million). The registered capital of the Joint Venture Company is RMB50.0 million (equivalent to approximately HK\$47.2 million) which will be contributed as to RMB23.0 million in cash (equivalent to approximately 21.7 million) by the Group financed by its internal resources and as to RMB27.0 million in cash (equivalent to approximately HK\$25.5 million) by the JV Partner. Upon the establishment, the Joint Venture Company will be owned as to 46% by the Group and as to 54% by the JV Partner.

The Joint Venture Company will become a 46% owned associated company of the Group upon its establishment and its accounts will be equity accounted for in the Group's consolidated accounts.

Pursuant to the Joint Venture Agreement, it is agreed that in the event when further injection of funds are required after the registered capital is fulfilled, the Joint Venture Company could raise fund through financial institution in the PRC or from abroad. In the event that the additional fund could not be obtained from financial institutions, it is agreed, after arm's length negotiations between the JV Partner and the Group, that the JV Partner and the Group should extend shareholders' loan to the Joint Venture Company on a 50:50 basis.

Profit sharing

The Group and the JV Partner will share all profit and loss, costs and risk in proportion to their respective interest in the registered capital of the Joint Venture Company unless it is specified otherwise under the Joint Venture Agreement (such as the Xi Ling Project and the Cui Tian Project as described below).

Composition of board of directors of the Joint Venture Company

The board of directors of the Joint Venture Company will comprise seven directors, of which four will be appointed by the JV Partner and three will be appointed by Citiway.

Responsibilities of the JV Partner and the Group

The JV Partner is responsible for, among other things, the followings:

- (i) to apply for the relevant approvals from the relevant PRC government authorities for the establishment of the Joint Venture Company;
- (ii) to properly manage the demolition work and resettlement of the existing residents on the development site (the "Resettlement") of Xi Ling Project and Cui Tian Project. The JV Partner will be responsible for all claims or litigations against the Joint Venture Company and relevant cost incurred therefrom, should those claims or litigations relates to the Resettlement. The Joint Venture Company will be responsible for all claims or litigations against the Joint Venture Company and relevant cost incurred therefrom, should those claims or litigations relate to the design, quality or delay in completion of Xi Ling Project or Cui Tian Project;

- (iii) to carry out the relevant procedures and apply for the relevant approvals in relation to the change of the land usage and the transfer of land use right for the parcel of land where the Xi Ling Project is situated, such that the Joint Venture Company could obtain the development rights and land use rights within four months after the issue of the Joint Venture Company's business license;
- (iv) to carry out the relevant procedures and apply for the relevant approvals in relation to the change of the land usage and the transfer of land use right for the parcel of land where the Cui Tian Project is situated, such that the Joint Venture Company could obtain the development rights and land use rights;
- (v) to bear all the cost in relation to the application of the land use rights for the Xi Ling Project, including, among other things, the cost involved in the demolition work, the Resettlement, and other cost associated with the change of land usage.

The Group is responsible for, among other things, the followings:

- (i) to assist the JV Partner, if necessary, in obtaining the relevant approvals from the relevant PRC authorities;
- (ii) within one month after the issue of the business license of the Joint Venture Company, the Group has to provide additional funding of RMB77.0 million (equivalent to approximately HK\$72.6 million), in the form of shareholder's loan, to the Joint Venture Company for its development in the Xi Ling Project;
- (iii) to further provide RMB50.0 million (equivalent to approximately HK\$47.2 million) to the Joint Venture Company as shareholder's loan within one month after the land use right for the Xi Ling Project has been granted;
- (iv) to assist the Joint Venture Company in purchasing necessary equipments and building material in the international market.

Pre-emptive rights

The transfer of interest in the Joint Venture Company by either Citiway or the JV Partner is subject to their respective pre-emptive right. The pre-emptive right of each party to the Joint Venture Agreement will expire (i) 60 days after the issue of a written notice from either party regarding the transfer of its interest in the Joint Venture Company or (ii) upon the issue of a written confirmation by either party for the surrender of the pre-emptive right.

Other terms of the Joint Venture Agreement

Advance to the Joint Venture Company

It is agreed that, in addition to the shareholder's loan of RMB127.0 million (equivalent to approximately HK\$119.8 million), the Group will advance an amount of RMB50.0 million (equivalent to approximately HK\$47.2 million) from the Group's internal resources to the Joint Venture Company as part of the cost for the demolition work for phase two of the Xi Ling Project so as to obtain the relevant development rights. The JV Partner will pledge its 54% interest in the Xi Ling Project as collateral for such advance provided by the Group. In the event that the land use right for the project cannot be obtained within six months after the advance was made to the Joint Venture Company, the JV Partner will replace the Group as the lender of the shareholder's loan by repaying the Group RMB50.0 million (equivalent to approximately HK\$47.2 million).

Property management

It is agreed between the JV Partner and Citiway to grant priority to a property management company in respect of the property management right of Xi Ling Project and Cui Tian Project. The property management company will be established and is expected to be equally owned by the JV Partner and Citiway. The Directors expect the capital contribution on the Group's part will not be significant, the exact amount, however is yet to be agreed between the JV Partner and Citiway.

THE PROPERTY DEVELOPMENT PROJECTS

It is intended that the Joint Venture Company will engage in four property development projects in Shenzhen, the PRC. As at the date of this announcement, development plans for two of the four projects, namely the Xi Ling Project and Cui Tian Project, have been decided. The Directors have confirmed that, the remaining two projects are still at the early stage of their plannings and there are no concrete plans as to the total investment and capital commitment amount and development plan have been agreed between the Group and the JV Partner.

The Directors confirm that when further funding is to be made to the Joint Venture Company in relation to the four property development projects as mentioned above, the Company will fully comply with the relevant reporting and disclosure requirements in the Listing Rules as and when appropriate.

Information on Xi Ling Project and Cui Tian Project

Xi Ling Project

Development

A commercial/residential complex with gross floor area of approximately 40,280 sq. m. situated at Xi Ling village in Lo Wu, Shenzhen. As at the date of this announcement, it is estimated that the total investment for the Xi Ling Project will amount to approximately RMB276.2 million (equivalent to approximately HK\$260.6 million).

Contribution

It is agreed that the JV Partner will contribute a parcel of land of approximately 14,788 sq. m. (subject to final confirmation of the relevant land department of the PRC government) which is estimated by the JV Partner at an amount of RMB149.2 million (equivalent to approximately HK\$140.8 million), and will be contributed to this Xi Ling Project in the form of shareholder's loan. Based on the Group's knowledge in the Shenzhen property market and references to the comparable development projects in the nearby area, the Directors consider that such valuation for that parcel of land is reasonable.

The Group will contribute a shareholder's loan of RMB127.0 million (equivalent to approximately HK\$119.8 million) to finance the Xi Ling Project. The entire amount will be financed by internal resources of the Group. Such shareholder's loan will be payable as to RMB77.0 million (equivalent to approximately HK\$72.6 million) within one month after the issue of its business license (as describe above) and as to RMB50.0 million (equivalent to approximately HK\$47.2 million) within one month after the issue of the relevant land use right of this project (as describe above).

The JV Partner and the Group will respectively have an interest of 54% and 46% in this project.

Profit sharing

After arm's length negotiations between Citiway and the JV Partner, and after taking into account that the Group will provide management services relating to the Xi Ling Project, it is agreed that the profit of the Xi Ling Project will be shared between the Group and the JV Partner on a 50:50 basis.

Cui Tian Project

Development

A commercial/residential complex with a total gross floor area of approximately 78,165 sq.m. will be developed in the Cui Tian industrial village, LoWu, Shenzhen. The cost of the land where the complex will be situated is estimated at approximately RMB86.8 million (equivalent to approximately HK\$81.9 million). The total investment for the Cui Tian Project is yet to be finalised as at the date of this announcement.

Contribution

It is stipulated that the contribution for Cui Tian Project will be shared between the JV Partner and the Group on a 50:50 basis.

Profit Sharing

The profit of the Cui Tian Project will be shared between the Group and the JV Partner on a 50:50 basis.

Reasons for the Proposed Investment

The principal activity of the Company is investment holding, through its subsidiaries, the Group engaged in the business of construction and engineering, insurance and investment, property investment, hotel investment and information technology. The Joint Venture Company will principally undertake the Property Development Projects. The Directors believe that the entering into of the Joint Venture Agreement will create a good opportunity for the Group to benefit from the growing property market in the PRC.

The Directors consider the terms of the Joint Venture Agreement are fair and reasonable and the establishment of the Joint Venture Company to undertake the Property Development Projects is in the interest of the Company and the shareholders of the Company.

GENERAL

The entering into of the Joint Venture Agreement constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing further details of the Joint Venture Agreement will be despatched to the shareholders of the Company as soon as practicable and in any event within 21 days from the publication of this announcement.

The Directors have noted the recent increases in the price and trading volume of the shares of the Company and wish to state that they are not aware of any reasons for such increases.

They also confirm that apart from the formation of the Joint Venture Company as set out above, the Company does not have any negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09, which is or may be of a price-sensitive nature.

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 the Executive Directors, and Mr. Wong Wang Fat, Andrew, Dr. Chow Ming Kuen, Joseph and Mr. Li Kwok Heem, John are the Independent Non-Executive Directors.

DEFINITIONS

“Board”	board of Directors
“Citiway”	Citiway Engineering Limited, (誠偉工程有限公司) a company incorporated in Hong Kong with limited liability and 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
“Cui Tian Project”	one of the Property Development Projects located in Cui Tian industrial village, Lo Wu, Shenzhen, the PRC

“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Joint Venture Agreement”	the joint venture agreement dated 11th December, 2004 entered into between Citiway and the JV Partner for the establishment of the Joint Venture Company
“Joint Venture Company”	Shenzhen Chevalier Golden Peak Real Estate Development Co., Ltd. (深圳其士金峰園房地產開發有限公司)
“JV Partner”	Shenzhen Golden Peak Investment Development Co., Ltd (深圳市金峰園投資發展有限公司), a company established in the PRC with limited liability
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Property Development Projects”	the four property investments to be developed by the Joint Venture Company pursuant to the Joint Venture Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xi Ling Project”	one of the Property Development Projects located in Xi Ling village, Lo Wu, Shenzhen, the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi yuan, the lawful currency of the PRC
“sq.m.”	Square metre

All amounts in RMB have been translated into HK\$ at the rate of HK\$1.00 = RMB1.06 in this announcement for illustration purpose only.

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

Hong Kong, 4th January, 2005

** For identification purpose only*

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