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## IMPORTANT

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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, stock broker, solicitor, professional accountant or other appropriate independent advisers.

**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 transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim 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)**

## MAJOR TRANSACTION

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\* For identification purpose only

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## DEFINITIONS

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

“Anhui Travel”	安徽省旅遊集團有限公司 (Anhui Province Travel Group Company Limited*), a state-owned enterprise established in the PRC
“Anxing Development”	安徽安興發展股份有限公司 (Anhui Anxing Development Joint-Stock Company Limited*), a joint-stock company established in the PRC with limited liability
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Chevalier Chengdu”	Chevalier (Chengdu) Investment Management Limited, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Chevalier Hefei”	Chevalier Investment (Hefei) Limited, a company established in Hong Kong with limited liability, a direct wholly-owned subsidiary of the Target Company and an indirect wholly-owned subsidiary of the Company
“Company”	Chevalier International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 025)
“Completion”	completion of the Disposal
“Completion Date”	the date on which Completion takes place
“connected person(s)”	has the meanings ascribed to it in the Listing Rules
“Consideration”	the consideration of HK\$245,999,820.50 payable by the Purchaser to the Vendor for the acquisition of the Sale Share pursuant to the terms of the Disposal Agreement
“CPHL”	Chevalier Pacific Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 508) and a subsidiary of the Company
“Directors”	the directors of the Company
“Disposal”	the proposed disposal of the Sale Share by the Vendor to the Purchaser pursuant to the Disposal Agreement

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## DEFINITIONS

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“Disposal Agreement”	the agreement dated 3 April 2010 entered into among the Vendor, the Purchaser and the Guarantors in relation to the Disposal and the Loan Repayment
“Dr. Chow”	Dr. Chow Yei Ching, the Chairman of the Company and the controlling Shareholder
“Group”	the Company and its subsidiaries
“Guarantors”	the Company and Intime
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huaqiao Hotel”	安徽省華僑飯店有限公司 (Anhui Province Huaqiao Hotel Company Limited*), a sino-foreign joint-venture enterprise owned as to 19%, 30% and 51% by Anhui Travel, Anxing Development and Chevalier Hefei respectively as at the date of the Disposal Agreement
“Huaqiao Loan”	the loan with principal amount of RMB118,501,991.89 (equivalent to approximately HK\$135 million) owed by Huaqiao Hotel to Chevalier Chengdu as at the date of the Disposal Agreement and the interests accrued thereon
“Huaqiao Plaza Project”	a construction project to develop a commercial complex known as 華僑廣場 (Huaqiao Plaza*) at a parcel of land situated at the junction of Changjiang Zhong Road and Qunli Road, Luyang District, Hefei, Anhui Province, the PRC
“Intime”	Intime Department Store (Group) Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1833)
“Latest Practicable Date”	24 May 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loans”	the loans (other than the Huaqiao Loan) owing by the Target Group to the Group as at the date of the Disposal Agreement
“Loan Repayment”	the repayment of the Loans and the Huaqiao Loan by the Target Group to the Group pursuant to the terms of the Disposal Agreement

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## DEFINITIONS

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“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this circular
“Purchaser”	Intime Department Store (Hong Kong) Company Limited, a company established in Hong Kong with limited liability and a wholly-owned subsidiary of Intime
“Sale Share”	the one issued share with par value of US\$1 of the Target Company, representing the entire issued share capital of the Target Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Shares”	ordinary shares of HK\$1.25 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Smartco Holdings Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Target Group”	the Target Company, Chevalier Hefei and Huaqiao Hotel
“Transfer Agreements”	the two equity transfer agreements entered into between 銀泰百貨有限公司 (Intime Department Store Co., Ltd.*) and Anhui Travel and Anxing Development respectively on 3 April 2010 in relation to the 19% and 30% equity interest in Huaqiao Hotel
“Vendor”	Chevalier Development China Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metres
“%”	per cent.

*In this circular, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.1379. Such exchange rate has been used, where applicable, for the purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

\* For identification purpose 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:*

Dr. Chow Yei Ching (*Chairman*)  
Mr. Kuok Hoi Sang (*Vice Chairman and Managing Director*)  
Mr. Tam Kwok Wing (*Deputy Managing Director*)  
Mr. Chow Vee Tsung, Oscar  
Mr. Ho Chung Leung

*Non-executive Director:*

Dr. Ko Chan Gock, William

*Independent non-executive Directors:*

Dr. Chow Ming Kuen, Joseph O.B.E., J.P.  
Mr. Sun Kai Dah, George  
Mr. Yang Chuen Liang, Charles J.P.

*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

26 May 2010

*To the Shareholders*

Dear Sir or Madam,

### MAJOR TRANSACTION

#### INTRODUCTION

On 3 April 2010, the Vendor, the Purchaser and the Guarantors entered into the Disposal Agreement pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Share from the Vendor. The Purchaser also agreed to provide advances to or take up the obligation of the Target Group for the Loan Repayment. The Consideration and the principal amount under the Loan Repayment amount to approximately HK\$532 million in total.

The Directors noted that on 3 April 2010, 銀泰百貨有限公司 (Intime Department Store Co., Ltd.\*), an indirect wholly-owned subsidiary of Intime, also entered into the Transfer Agreements with each of Anhui Travel and Anxing Development pursuant to which 銀泰百貨有限公司 (Intime Department Store Co., Ltd.\*) will acquire the 19% and 30% equity interests in Huaqiao Hotel respectively from Anhui Travel and Anxing Development. Completion of the Disposal Agreement is not inter-conditional with the completion of the Transfer Agreements.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The Disposal together with the Loan Repayment constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders. As no Shareholder has a material interest in the Disposal and the Loan Repayment which is different from the other Shareholders, no Shareholder is required to abstain from voting. Dr. Chow, the controlling Shareholder holding 154,682,359 Shares (representing approximately 55.73% of the issued share capital of the Company) as at the Latest Practicable Date, has given his written approval for the Disposal Agreement and the transactions contemplated thereunder. The written approval has been accepted in lieu of holding a special general meeting to approve the Disposal Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, information on the Disposal Agreement, a property valuation report on the Huaqiao Plaza Project and other information of the Group.

### THE DISPOSAL AGREEMENT

#### Date

3 April 2010

#### Parties

- (i) Vendor: Chevalier Development China Limited, an indirect wholly-owned subsidiary of the Company
- (ii) Purchaser: Intime Department Store (Hong Kong) Company Limited
- (iii) Guarantors: the Company as the guarantor to the Vendor and Intime as the guarantor to the Purchaser

The Purchaser is a company established in Hong Kong with limited liability and a wholly-owned subsidiary of Intime. The Purchaser is principally engaged in investment holding and Intime is principally engaged in the operation and management of department stores in the PRC. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Purchaser, Intime and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

The Company has not involved in any previous transaction with the Purchaser and its ultimate beneficial owners in the previous 12 months which would otherwise require aggregation with the Disposal and the Loan Repayment pursuant to Rule 14.22 of the Listing Rules.

#### Asset to be disposed of

Pursuant to the Disposal Agreement, the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Share, representing the entire issued share capital in the Target Company. The Target Company holds the entire equity interest in Chevalier Hefei, which in turn holds a 51% interest in Huaqiao Hotel. The principal asset of Huaqiao Hotel is the Huaqiao Plaza Project.

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## LETTER FROM THE BOARD

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### **Settlement of the Loans and the Huaqiao Loan**

As at the date of the Disposal Agreement, the Target Group owed the Group the Loans and the Huaqiao Loan, the principals of which amounted to HK\$150,959,541.84 and RMB118,501,991.89 (equivalent to approximately HK\$135 million) respectively. Pursuant to the terms of the Disposal Agreement, the Purchaser also agreed that it will provide advances to the Target Group for the purpose of making full repayment of the Loans. In addition, the Target Group shall also repay the Huaqiao Loan in full before Completion. In the event that the Huaqiao Loan cannot be repaid in full by the Completion Date, the Purchaser or Intime shall take up the repayment obligation of the Huaqiao Loan and repay the Huaqiao Loan in full on the Completion Date.

### **Consideration**

The Consideration for the Sale Share is HK\$245,999,820.50. The Consideration and the repayment of the Loans, which amount to approximately HK\$397 million in total, shall be satisfied by the Purchaser in the following manner:

- (i) 10% of the Consideration and the repayment of the Loans, being approximately HK\$39.7 million in total, has been paid by the Purchaser or its nominee to the Vendor or its nominee in cash within 10 business days after the signing of the Disposal Agreement;
- (ii) not less than 30% of the Consideration and the repayment of the Loans on a cumulative basis, being approximately HK\$119.1 million in total, will have been paid by the Purchaser to the Vendor in cash (a) within 10 business days after obtaining the approval from the relevant authorities in charge of foreign invested enterprises in respect of the Transfer Agreements or after obtaining a new approval certificate by Huaqiao Hotel; or (b) by 31 May 2010, whichever is the earlier;
- (iii) 65% of the Consideration and the repayment of the Loans on a cumulative basis, being approximately HK\$258.0 million in total, will have been paid by the Purchaser to the Vendor in cash within 10 business days from the Completion Date;
- (iv) 85% of the Consideration and the repayment of the Loans, on a cumulative basis, being approximately HK\$337.4 million in total, will have been paid by the Purchaser to the Vendor in cash by 31 December 2010; and
- (v) the Consideration and the repayment of the Loans will have been paid in full by the Purchaser to the Vendor in cash within 12 months after the signing of the Disposal Agreement.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser having taken into account principally the attributable net asset value of the Target Group as at 28 February 2010, the amount of the Group's investment and an estimated return thereon in the Huaqiao Plaza Project.



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## LETTER FROM THE BOARD

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### **Adjustment**

To the best of the Directors' knowledge and information, certain portion of the completed Huaqiao Plaza Project should be reserved for the resettlement of the original occupants. Pursuant to the preliminary development plan of the Huaqiao Plaza Project, it is planned that 8,046.49 sq.m. in respect of the residential area and approximately 810 sq.m. in respect of the commercial area (together, the "Planned Resettlement Areas") will be delivered to the registered original occupants for resettlement after completion of the Huaqiao Plaza Project.

Pursuant to the terms of the Disposal Agreement, if the resettlement areas ultimately delivered to the original occupants after completion of the Huaqiao Plaza Project exceed 103% of the Planned Resettlement Areas, the costs and expenses associated with such excess resettlement areas shall be borne by the Vendor in proportion to its shareholding in Huaqiao Hotel.

### **Conditions precedent**

The Disposal Agreement is subject to and conditional upon the fulfillment of following conditions:

- (i) Huaqiao Hotel having repaid the Huaqiao Loan (including all the interests accrued thereon) to Chevalier Chengdu in full before the Completion Date or in the event that the Huaqiao Loan cannot be repaid by Huaqiao Hotel in full by the Completion Date, the Purchaser or Intime shall take up the repayment obligation of the Huaqiao Loan and repay the Huaqiao Loan in full on the Completion Date; and
- (ii) compliance by the Company of the applicable requirements under the Listing Rules, including approval by the Shareholders, in respect of the Disposal Agreement and the transactions contemplated thereunder.

### **Completion**

Subject to the fulfillment of the above conditions precedent, Completion shall take place on a date (i) on which each of the Vendor and the Purchaser having delivered to each other the completion documents pursuant to the Disposal Agreement; and (ii) on which the four existing directors and one existing supervisor of Huaqiao Hotel nominated by the Vendor having been replaced by the four new directors and one new supervisor nominated by the Purchaser and such changes having been filed with the relevant industrial and commercial authority; and (iii) no earlier than 30 June 2010 and no later than 10 July 2010.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE TARGET GROUP AND THE HUAQIAO PLAZA PROJECT

#### The Target Group

The Target Company is an indirect wholly-owned subsidiary of the Company incorporated in the BVI on 23 July 2008 with limited liability. It is principally engaged in investment holding.

Chevalier Hefei is a direct wholly-owned subsidiary of the Target Company established in Hong Kong with limited liability. It is principally engaged in investment holding.

Huaqiao Hotel was established as a sino-foreign joint-venture enterprise in January 2009 under the PRC laws to engage in property development, 51% interest of which is directly owned by Chevalier Hefei.

Based on the unaudited consolidated financial statements of the Target Group which are prepared under Hong Kong Financial Reporting Standards, the Target Group did not record any turnover for the period from 23 July 2008 (date of incorporation) to 31 March 2009 and for the six months ended 30 September 2009. As Huaqiao Hotel is accounted for as a jointly controlled entity of the Target Group, the Target Group recorded a share of loss in a jointly controlled entity amounting to approximately HK\$22,000 and HK\$1,144,000 for the period from 23 July 2008 to 31 March 2009 and for the six months ended 30 September 2009 respectively. The losses (both before and after taxation) of the Target Group were approximately HK\$470,000 and HK\$1,149,000 for the period from 23 July 2008 to 31 March 2009 and for the six months ended 30 September 2009 respectively. The Target Group recorded consolidated unaudited net liabilities of approximately HK\$940,000 and HK\$1,511,000 as at 30 September 2009 and 28 February 2010 respectively.

#### The Huaqiao Plaza Project

On 28 November 2008, Chevalier Hefei entered into a subscription agreement with Anhui Travel and Anxing Development, pursuant to which Anxing Development and Chevalier Hefei agreed to subscribe in cash for the increased registered capital of Huaqiao Hotel of RMB78,000,000 and RMB132,600,000 respectively, and the capital required to be contributed by Anhui Travel was RMB49,400,000. As at the date of the Disposal Agreement, Huaqiao Hotel was owned as to 19%, 30% and 51% by Anhui Travel, Anxing Development and Chevalier Hefei respectively. Huaqiao Hotel holds the entire interest in the Huaqiao Plaza Project.

The Huaqiao Plaza Project occupies a site of 20,558 sq.m. which is being developed into a commercial and residential complex with expected total gross floor area of 182,002 sq.m.. The Huaqiao Plaza Project is currently under construction. As referred to in the property valuation report prepared by an independent property valuer, Zhong Xin Real Estate Evaluation Co., Ltd. Anhui Province, as set out in Appendix II to this circular, the capital value of the Huaqiao Plaza Project attributable to the 51% interest owned by the Group was RMB460,658,928 as at 31 March 2010.

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## LETTER FROM THE BOARD

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### REASONS FOR THE DISPOSAL

The Group is principally engaged in the business of construction and engineering, insurance and investment, property development and investment, food and beverages, and computer and information communication technology. In respect of the property development business, the Group's presence includes cities such as Beijing, Changchun and Chengdu in the PRC.

The net proceeds from the Disposal and the principal amount under the Loan Repayment (after deducting the related expenses) are expected to amount to approximately HK\$502 million which will be used by the Group as general working capital and possible business developments and investments.

Based on the unaudited consolidated net liabilities of the Target Group as at 28 February 2010, the carrying value of the principal amount of the Loans and the Huaqiao Loan and the estimated net proceeds from the Disposal and the principal amount under the Loan Repayment, it is estimated that a gain of approximately HK\$218 million will be recorded by the Group as a result of the Disposal.

The Company considers that the Disposal provides a good opportunity for the Group to realize its investments to generate a satisfactory return. The proceeds from the Disposal and the Loan Repayment would also bring cash inflow to the Group which is expected to be received sooner than the receipt of distributions and dividends, if any, from the Target Group if the Group were to continue to hold its equity interest in the Target Company. The cash inflow would enhance the Group's ability and flexibility to make desirable and timely investments when suitable opportunities arise. In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Disposal Agreement are fair and reasonable and the entering into of the Disposal Agreement is in the interests of the Company and the Shareholders as a whole.

### FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon Completion, the Group will continue to be engaged in the business of construction and engineering, insurance and investment, property development and investment, food and beverages, and computer and information communication technology.

For the business of property development and investment, the Group has property development projects in Beijing, Changchun and Chengdu. Most of the above property development projects in the PRC would be gradually put up for sale in coming years and are expected to generate cash inflow for the Group. Given the bullish prospects of the economy in the PRC, the Group will continue to look for opportunities in acquiring premium property development projects or land banks in the PRC.

The Board considers the Disposal and the Loan Repayment provide the Group with greater financial flexibility for financing its existing property development projects and any other potential business development and investment opportunities when they arise.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECTS OF THE DISPOSAL AND THE LOAN REPAYMENT

Following Completion and the Loan Repayment, the Group will cease to hold any equity interest in the Target Group. As disclosed above, it is estimated that the Disposal will result in a gain of approximately HK\$218 million. It is expected that the total assets of the Group will be increased by approximately HK\$218 million while there will be no material change to the total liabilities of the Group.

### LISTING RULES IMPLICATIONS

The Disposal together with the Loan Repayment constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders. As no Shareholder has a material interest in the Disposal and the Loan Repayment which is different from the other Shareholders, no Shareholder is required to abstain from voting. Dr. Chow, the controlling Shareholder holding 154,682,359 Shares (representing approximately 55.73% of the issued share capital of the Company) as at the Latest Practicable Date, has given his written approval for the Disposal Agreement and the transactions contemplated thereunder. The written approval has been accepted in lieu of holding a special general meeting to approve the Disposal Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

### GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular.

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

## 1. INDEBTEDNESS STATEMENT

### 1.1 Borrowings and debts

#### *Borrowings*

As at the close of business on 31 March 2010, being the latest practicable date for the purpose of this indebtedness statement, the Group had secured bank borrowings of HK\$230,548,000 and unsecured borrowings of HK\$976,259,000.

#### *Pledge of assets*

As at the close of business on 31 March 2010, the Group had pledged its properties, inventories and bank deposits with carrying values of HK\$834,855,000 (subject to the finalized valuation of the properties), HK\$21,945,000 and HK\$4,953,000 respectively to secure the general banking facilities granted to the Group.

#### *Contingent liabilities*

As at the close of business on 31 March 2010, the Group had contingent liabilities in respect of guarantees issued for backup banking facilities utilized by associates and jointly controlled entities of HK\$120,928,000 and HK\$262,430,000 respectively.

### 1.2 Disclaimer

Save as aforesaid and apart from intra-group liabilities as at 31 March 2010, the Group had no other outstanding mortgages, charges, debentures, loan capital or bank overdrafts, loans or other similar indebtedness, hire purchase commitments, liabilities under acceptances, acceptance credits or any guarantees or any material contingent liabilities.

## 2. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, after taking into account the expected completion of the Disposal and the Loan Repayment, the internal resources and present banking facilities available to the Group, the Group has sufficient working capital for its requirements for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

*The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Zhong Xin Real Estate Evaluation Co., Ltd. Anhui Province, an independent property valuer, in connection with its opinion of value of the property interest of the Huaqiao Plaza Project in the PRC as at 31 March 2010.*



15th Floor  
Phoenix Emperor Business Building  
The Junction of Qianshan Road and  
Pihe Road  
Hefei  
Anhui Province  
The People's Republic of China

The Directors  
Chevalier International Holdings Limited  
22nd Floor  
Chevalier Commercial Centre  
8 Wang Hoi Road  
Kowloon Bay  
Hong Kong

26 May 2010

Dear Sirs,

**Re: The under construction development at a parcel of land situated at the junction of Changjiang Zhong Road and Qunli Road, Luyang District, Hefei, Anhui Province, the PRC**

#### **Instructions, Purpose and Date of Valuation**

In accordance with your instructions for us to value the captioned property of which an indirect 51% interest is to be disposed by Chevalier International Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market value of the property as at 31 March 2010 (the "date of valuation").

#### **Definition of Market Value**

Unless otherwise stated, our valuation of the property is our opinion of its market value which in accordance with The HKIS Valuation Standards on Properties is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

**Valuation Basis and Assumption**

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the property which is situated in the PRC, we have assumed that transferable land use rights in respect of the property for the specific land use term at nominal annual land use fee have been granted and that any premium has already been fully settled. We have relied on the advice given by the Group regarding the title to the property and have valued the entire interest of the property.

In valuing the property, we have assumed that the grantee of the property has free and uninterrupted rights to use or to assign the property for the whole of the unexpired term as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

**Method of Valuation**

The property is under development in the PRC. We have valued it on the basis that the property will be developed and completed in accordance with the Group's latest development proposals provided to us. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development. The "capital value when completed of the proposed development" represents our opinion of the aggregate selling prices of the development assuming that it were completed at the date of valuation.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

**Source of Information**

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its PRC legal advisor, King & Wood PRC Lawyers, in respect of the property in the PRC and have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land

and buildings, scheduled completion date of development, number of car parking spaces, particulars of occupancy, development schemes, construction costs, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimension, measurements and areas included in the attached valuation certificate are based on the information provided to us and are therefore only approximations. We have had no reasons to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

### **Title Investigation**

We have been provided by the Group with extracts of documents in relation to the titles to the property. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

### **Site Inspection**

We have inspected the exterior of the property. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the property is free of rot, infestation or any other structural defect. No test was carried out on any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurement to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct.

### **Currency**

Unless otherwise stated, all sums stated in our valuation are in Renminbi (“RMB”), the official currency of the PRC.

We enclose herewith our valuation certificate.

Yours faithfully,

For and on behalf of

**Zhong Xin Real Estate Evaluation Co., Ltd. Anhui Province**

**Hu Chaowei**

Registered Professional Surveyor (GP)

Registered China Real Estate Appraiser

M.H.K.I.S., M.R.I.C.S.

*General Manager*

*Note:* Mr. Hu Chaowei is a Registered Professional Surveyor who has over 17 years of experience in the valuation of properties in the PRC.



## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Total capital value in existing state as at 31 March 2010	Capital value attributable to the 51% interest owned by the Group in existing state as at 31 March 2010																
The under construction development at a parcel of land situated at the junction of Changjiang Zhong Road and Qunli Road (No. 98 Changjiang Zhong Road), Luyang District, Hefei, Anhui Province, the PRC	<p>The property comprises office, residential, hotel and commercial development which is under construction at a parcel of land with a total site area of 19,165 sq.m.</p> <p>According to the information provided by the Group, the property is planned to be developed for the following uses with a total gross floor area of 182,002 sq.m.:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Planned gross floor area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">15,205</td> </tr> <tr> <td>Hotel</td> <td style="text-align: right;">20,672</td> </tr> <tr> <td>Commercial</td> <td style="text-align: right;">79,567</td> </tr> <tr> <td>Office</td> <td style="text-align: right;">22,672</td> </tr> <tr> <td>Underground</td> <td style="text-align: right;">43,236</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">650</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>182,002</b></td> </tr> </tbody> </table>	Use	Planned gross floor area (sq.m.)	Residential	15,205	Hotel	20,672	Commercial	79,567	Office	22,672	Underground	43,236	Other	650	<b>Total</b>	<b>182,002</b>	The property is currently under construction.	RMB903,252,800	RMB460,658,928
Use	Planned gross floor area (sq.m.)																			
Residential	15,205																			
Hotel	20,672																			
Commercial	79,567																			
Office	22,672																			
Underground	43,236																			
Other	650																			
<b>Total</b>	<b>182,002</b>																			
	<p>The proposed development is scheduled for completion between 2010 and 2012. It is currently under construction.</p> <p>The land use rights of the property have been granted, where the land of He Guo Yong (2009) No. 250 with a site area of 841 sq.m. is an allocated land and is not subject to any land use term; while the land use term of the land of He Guo Yong (2009) No. 251 will expire on 16 January 2049 and 16 January 2079 for commercial and residential uses respectively.</p>																			

## Notes:

- (1) On 19 September 2008, 安徽省華僑飯店有限公司 (Anhui Province Huaqiao Hotel Company Limited\*) (“Huaqiao Hotel”) entered into the Grant Contract of State-owned Land Use Rights and the Supplemental Grant Contract of State-owned Land Use Rights with Hefei Land Resources Bureau for the obtaining of the land use rights of the property at the land premium of RMB192,140,955, which has been fully settled.
- (2) According to the 2 certificates for the Use of State-owned Land all issued by Hefei Land Resources Bureau, the land use rights of the property, comprising a total site area of 19,165 sq.m., have been granted to Huaqiao Hotel with details as follows:

Certificate no.	Date of issuance	Usage	Land use term	Site area (sq.m.)
He Guo Yong (2009) No. 250	22 June 2009	Residential (For resettlement purpose)	Allocated land: not applicable	841
He Guo Yong (2009) No. 251	22 June 2009	Commercial and Residential	Commercial: Due to expire on 16 January 2049 Residential: Due to expire on 16 January 2079	18,324
Total				<u>19,165</u>

- (3) The land of He Guo Yong (2009) No. 250 with a site area of 841 sq.m. is an allocated land, the use and transfer of which are subject to strict regulations and restrictions. The land is able to be changed into a freely transferrable property upon the payment of extra land premium to and the obtaining of approval from the relevant governmental authorities. As at the date of valuation, the estimated extra land premium amounted to approximately RMB4,038,000. In the process of our valuation, we have taken into account the aforesaid extra cost and the capital value of the land is approximately RMB6,057,000.
- (4) According to the Planning Permit for Construction Use of Land No. 340103200800033 issued by Bureau of Urban Planning of Hefei Municipality on 4 December 2008, the construction site of the property with a site area of 20,558 sq.m. is in compliance with the requirements of urban planning.
- (5) According to the Planning Permit for Construction Works No. 2009474 issued by Bureau of Urban Planning of Hefei Municipality on 30 October 2009, the construction works of the property with planned gross floor area of 182,002 sq.m., including aboveground floor area of 138,766 sq.m. and underground floor area of 43,236 sq.m. are in compliance with the construction work requirements and have been approved.
- (6) According to the Construction Permit for Construction Works No. 010009110004 issued by the Construction Commission of Hefei Municipality on 4 November 2009, the property is permitted to be developed with a gross floor area of 182,002 sq.m..
- (7) According to the Business Licence No. 0660332 dated 13 January 2009, Huaqiao Hotel has been registered as a sino-foreign joint-venture enterprise, with a registered capital of RMB 260,000,000, and the term of operation started on 21 March 1980 and will expire on 13 January 2029.
- (8) As advised by the Group, as at the date of valuation, the total construction cost expended on the proposed development was approximately RMB132,241,500. The total outstanding construction cost as at the date of valuation was approximately RMB505,345,300. We have taken into account such costs in our valuation.
- (9) The capital value when completed of the proposed development as at 31 March 2010 was approximately RMB2,158,100,800.
- (10) We have been provided with a legal opinion on the property prepared by the Group’s legal advisor which contains, inter alias, the following information:
- (i) Huaqiao Hotel is in possession of a proper legal title to the property and is entitled to transfer the property for the residual term of its land use rights;

\* For identification purpose only

- (ii) Huaqiao Hotel is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;
  - (iii) All land premiums stated in the Grant Contract of State-owned Land Use Rights and Supplemental Grant Contract of Stated-owned Land Use Rights of the property have been duly paid and settled;
  - (iv) The property has been charged to Wulitun Hefei Branch of China Merchants Bank Co., Ltd. in respect of a loan in the amount of RMB 200,000,000; and
  - (v) Huaqiao Hotel is a sino-foreign joint-venture enterprise owned as to 19%, 30% and 51% by 安徽省旅遊集團有限公司 (Anhui Province Travel Group Company Limited\*), 安徽安興發展股份有限公司 (Anhui Anxing Development Joint-Stock Company Limited\*) and Chevalier Investment (Hefei) Limited respectively.
- (11) In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Grant Contract of State-owned Land Use Rights and Supplemental Grant Contract of State-owned Land Use Rights	Yes
Certificates for the Use of State-owned Land	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

\* For identification purpose only

## 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, 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 or its associated corporations (within the meaning of Part XV of the SFO) which were 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 have 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

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

Name of Directors	Capacity	Number of Shares			Approximate percentage of interest (%)
		Personal interests	Family interests	Total	
CHOW Yei Ching	Beneficial owner	154,682,359 <sup>#</sup>	–	154,682,359	55.73
KUOK Hoi Sang	Beneficial owner	98,216	–	98,216	0.04
TAM Kwok Wing	Beneficial owner	169,015	32,473	201,488	0.07
HO Chung Leung	Beneficial owner	40,000	–	40,000	0.01

<sup>#</sup> Dr. Chow beneficially owned 154,682,359 Shares, representing approximately 55.73% of the Shares. These Shares were the 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			Approximate percentage of interest (%)	
			Personal interests	Corporate interests	Family interests		
CHOW Yei Ching	CPHL	Interest of controlled corporation	–	1,285,829,330 <sup>#</sup>	–	1,285,829,330	57.01
CHOW Vee Tsung, Oscar	CPHL	Beneficial owner	174,120,000	–	–	174,120,000	7.72
KUOK Hoi Sang	CPHL	Beneficial owner	24,000,000	–	–	24,000,000	1.06
TAM Kwok Wing	CPHL	Beneficial owner	4,000,000	–	104,000	4,104,000	0.18

<sup>#</sup> Dr. Chow had notified CPHL that under the SFO, he was deemed to be interested in 1,285,829,330 shares in CPHL which were all held by the Company as Dr. Chow beneficially owned 154,682,359 Shares, representing approximately 55.73% of the Shares.

Save as disclosed above, as at the Latest Practicable Date, so far as was 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 (within the meaning of Part XV of the SFO) which were 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 have taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or were 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 was known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had 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 Shareholders	Capacity	Number of Shares held	Approximate percentage of interest (%)
CHOW Yei Ching	Beneficial owner	154,682,359	55.73
MIYAKAWA Michiko	Beneficial owner	154,682,359	55.73
		(Note)	

*Note:* Under Part XV of the SFO, Ms. Miyakawa Michiko, the spouse of Dr. Chow, is deemed to be interested in the same parcel of 154,682,359 Shares held by Dr. Chow.

Save as disclosed above, as at the Latest Practicable Date, so far as was 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 (within the meaning of Part XV of the SFO) 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 other member of the Group or in any options in respect of such capital.

## 3. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claims of material importance pending or threatened against any member of the Group.

#### 4. CONTRACTS OR ARRANGEMENT AND COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors or their respective associates had an interest in any business constituting a competing business to the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to the Company or any of its subsidiaries since 31 March 2009 (the date to which the latest published audited financial statements of the Company were made up).

As at the Latest Practicable Date, there was no contract or arrangement in which any Director was materially interested and which was significant in relation to the business of the Group.

#### 5. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered, or were proposing to enter, into any service contract with any member of the Group 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. EXPERT AND CONSENT

- (a) The following is the qualification of the expert who has given opinions and advices which are included in this circular:

<b>Name</b>	<b>Qualification</b>
Zhong Xin Real Estate Evaluation Co., Ltd. Anhui Province	independent property valuer

- (b) As at the Latest Practicable Date, Zhong Xin Real Estate Evaluation Co., Ltd. Anhui Province did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Zhong Xin Real Estate Evaluation Co., Ltd. Anhui Province has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its opinions and/or the references to its name in the form and context in which they are included.

- (d) As at the Latest Practicable Date, Zhong Xin Real Estate Evaluation Co., Ltd. Anhui Province did not have any direct or indirect interest in any asset which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2009, the date to which the latest published audited financial statements of the Group were made up.

## 7. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the subscription agreement and the joint venture agreement both dated 28 November 2008 entered into among Chevalier Hefei, Anhui Travel and Anxing Development relating to (i) the subscription of the increased registered capital of Huaqiao Hotel in the respective amount of RMB78,000,000 and RMB132,600,000 by Anxing Development and Chevalier Hefei; and (ii) the rights and obligations of the parties in Huaqiao Hotel respectively;
- (b) the sale and purchase agreement dated 28 November 2008 entered into between the Company and Toshiba Elevator and Building Systems Corporation in relation to, among other things, the disposal of a total of 51% of the issued share capital of Chevalier (HK) Limited by the Company at an aggregate consideration of HK\$695,640,000;
- (c) the sale and purchase agreement dated 9 January 2009 entered into between Chinaford Investment Limited (a wholly-owned subsidiary of the Company) and Dolce Field Limited in relation to the acquisition of a 49% equity interest in Evernoon Century Limited and 49% of the benefit of and interest in the relevant debt at an aggregate consideration of RMB69,456,021;
- (d) the two equity transfer agreements both dated 5 February 2009 entered into between Chevalier Lifts and Escalators (China) Limited and Toshiba Elevator and Building Systems Corporation in relation to the respective acquisition of 20% equity interest in each of Toshiba Elevator (Shenyang) Co., Ltd. and Toshiba Elevator (China) Co., Ltd. at an aggregate consideration of HK\$121,000,000;
- (e) the sale and purchase agreement entered into between 成都其士房地產發展有限公司 (Chengdu Chevalier Property Development Company Limited\*) (“CCPD”), a company established in the PRC and a jointly controlled entity of the Company in which the Group has a 49% interest, and 西藏自治區公安廳經濟適用房統建中心 (Economic Housing Building Center of Tibet Autonomous Region Provincial Public Security Department\*) (“Tibet Public Security”) on 22 October 2009 in relation to the acquisition by CCPD of a 50% interest in 成都聖華房地產開發有限公司 (Chengdu Shenghua Real Estate Development Company Limited\*) (“CSED”) at a consideration of RMB12,500,000. Pursuant to the aforesaid sale and purchase agreement, CCPD was also required to finance the construction costs of certain units with a total

\* For identification purpose only

construction area of 40,000 sq.m. in a residential apartment complex being developed by Tibet Public Security in Chengdu as the repayment of Tibet Public Security's investment in CSED;

- (f) the disposal agreement dated 22 March 2010 entered into between Richsky International Limited, a wholly-owned subsidiary of the Company, and Fortunemark International Limited in relation to the disposal of the entire issued shares in Citiway Engineering Limited at a consideration of RMB160,000,000;
- (g) the loan transfer agreement dated 22 March 2010 entered into between the Group and Fortunemark International Limited in relation to the assignment of all obligations, liabilities and debts owing and incurring by Citiway Engineering Limited to the Group at a consideration of RMB103,000,000; and
- (h) the Disposal Agreement.

#### **8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company at 22nd Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong from the date of this circular up to and including 10 June 2010:

- (a) the Company's memorandum and bye-laws;
- (b) the valuation report from Zhong Xin Real Estate Evaluation Co., Ltd. Anhui Province in respect of the property interest of the Huaqiao Plaza Project, the text of which is set out in Appendix II to this circular;
- (c) the written consent from Zhong Xin Real Estate Evaluation Co., Ltd. Anhui Province referred to in the paragraph headed "Expert and Consent" in this appendix;
- (d) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (e) the annual reports of the Company for each of the two financial years ended 31 March 2008 and 2009; and
- (f) a copy of each circular issued by the Company pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since 31 March 2009 (the date to which the latest published audited financial statements of the Company were made up).



**9. MISCELLANEOUS**

- (a) The secretary of the Company is Mr. MUI Chin Leung. He is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (b) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda. Its head office and principal place of business is situated at 22nd Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.