
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, 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 and the enclosed form of election to the purchaser or transferee or to the bank, stockbroker or other agents through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CHEVALIER INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors

CHOW Yei Ching (*Chairman and Managing Director*)
KUOK Hoi Sang (*Managing Director*)
FUNG Pak Kwan
KAN Ka Hon
WONG Kie Ngok, Alexander
TAM Kwok Wing

Independent Non-Executive Directors

WONG Wang Fat, Andrew O.B.E. (Hon.), J.P.
CHOW Ming Kuen, Joseph O.B.E., J.P.

Registered Office

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Hamilton, HM12
Bermuda

Principal Place of Business

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Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay
Hong Kong

16th September, 2003

To the Shareholders

Dear Sir/ Madam,

SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND FOR THE YEAR ENDED 31ST MARCH, 2003

PARTICULARS OF SCRIP DIVIDEND SCHEME

It was approved by shareholders at the Annual General Meeting of the Company held on Wednesday, 3rd September, 2003 that a final dividend of HK\$0.1 per ordinary share of the Company ("Share") for the year ended 31st March, 2003 will be paid to shareholders whose names appear in the Register of Members of the Company on Friday, 29th August, 2003 ("Record Date") and that shareholders are entitled to elect to receive an allotment of new shares of HK\$1.25 each ("New Shares") credited as fully paid in lieu of part of or the whole cash dividend ("the Scrip Dividend Scheme"). The Register of Members of the Company has been closed from Monday, 25th August, 2003 to Friday, 29th August, 2003, both days inclusive, during which period no transfer of shares has been effected.

Accordingly, shareholders have the following choices to receive the final dividend:

- (a) a cash dividend of HK\$0.1 per Share; or
- (b) an allotment of New Shares having an aggregate market value (as defined below), save for the adjustment for fractions, equal to the amount of the final dividend which shareholders would otherwise receive in cash; or
- (c) partly cash and partly New Shares.

The number of New Shares to be allotted to shareholders pursuant to the Scrip Dividend Scheme was to be calculated by reference to the market value per New Share based on the average closing price of HK\$3.41 per Share for the five consecutive trading days from Monday, 25th August, 2003 to Friday, 29th August, 2003 less a discount of 5% which was fixed at HK\$3.2395 per Share. Accordingly, the number of New Shares which shareholders will receive in respect of their shareholdings on Record Date under the Scrip Dividend Scheme will be calculated as follows:

$$\begin{array}{r} \text{Number of New Shares} \\ \text{to be allotted} \end{array} = \begin{array}{r} \text{Number of existing Shares} \\ \text{held on Friday, 29th August, 2003} \\ \text{for which share election is made} \end{array} \times \frac{\text{HK\$0.1}}{\text{HK\$3.2395}}$$

The New Shares to be issued will rank pari passu in all respects with existing Shares, except that they will not rank for the final dividend for the year ended 31st March, 2003. The number of New Shares to be allotted to each shareholder will be rounded down to the nearest whole number of New Shares. Fractional entitlements to New Shares will not be issued to shareholders but will be aggregated for the benefit of the Company.

The Scrip Dividend Scheme will give shareholders an opportunity to increase their investment in the Company below market value without incurring brokerage and stamp duty costs. It will also be the advantage of the Company because, to the extent that shareholders elect to receive New Shares, in lieu of part of or the whole cash dividend, such cash which would otherwise have been paid to shareholders will be retained for working capital by the Company.

SCRIP DIVIDEND SCHEME AND ITS EFFECT

A Form of Election is enclosed in this circular for use by shareholders who wish to receive the final dividend wholly in New Shares or partly cash and partly New Shares, or to make a permanent election to receive new shares of the Company in lieu of all future cash dividend.

Shareholders who wish to receive New Shares in lieu of final cash dividend, in whole or in part, should complete and sign the Form of Election in accordance with the instructions printed thereon and return it to the Branch Share Registrars of the Company in Hong Kong, Standard Registrars Limited of G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong before 4:00 p.m. on Friday, 3rd October, 2003. No acknowledgement of receipt of the Form of Election will be issued.

Shareholders who wish to receive the whole of the final dividend in cash need NOT complete the Form of Election.

Shareholders who wish to give notice that they do not want to receive the Form of Election in respect of all future cash dividend of the Company with an option to receive new shares, should complete the Notice on the reverse of the Form of Election and return it to the Branch Share Registrars of the Company in Hong Kong.

If shareholders do not specify the number of Shares in respect of which they elect to receive New Shares, or if they elect to receive New Share in respect of a greater number of Shares than their registered holding on Record Date, they will be deemed to have chosen to receive New Shares in respect of all Shares of which they were then registered as the holders.

Shareholders who elect to receive the final dividend wholly in the form of New Shares may also elect to receive all future cash dividend with an option to receive new shares, wholly in the form of new shares of the Company by completing Box D on the Form of Election. Shareholders who have previously made a permanent election for new shares in respect of all future dividend of the Company need not return the Form of Election. The above election or Notice may be revoked at any time by giving seven-day notice in writing to the Branch Share Registrars of the Company in Hong Kong. The Form of Election will not be sent to shareholders who have made the above election or given the above Notice in future unless they notify the Branch Share Registrars of the Company in Hong Kong of their wish to revoke their above election or Notice.

Shareholders should note that the allotment of New Shares under the Scrip Dividend Scheme may give rise to notification requirements under the Securities and Futures Ordinance for those shareholders who have notifiable interests (under the Ordinance, 5% or more interest in the issue share capital of the Company) in the Company. Shareholders who are in any doubt as to how these provisions may affect them are recommended to seek their own professional advice.

If no elections for the scrip dividend are received, the total cash dividend payable by the Company would be approximately HK\$26,867,637.3. The Company, being an exempted company incorporated in Bermuda, is designated as non-resident for Bermuda exchange control purposes and has been granted an assurance by the Minister of Finance in Bermuda under the Exempted Undertakings Tax Protection Act 1966. Accordingly, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital assets, gain or appreciation will be payable by it or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to Shares, debentures or other obligations of the Company held by non-residents of Bermuda.

OVERSEAS SHAREHOLDERS

No shareholders whose registered addresses are outside Hong Kong and Macau will be permitted to participate in the Scrip Dividend Scheme. Such shareholders will receive the final dividend for the year in cash and no Form of Election would be sent to such shareholders.

STOCK EXCHANGE LISTING AND DESPATCH OF DIVIDEND CHEQUES/SHARE CERTIFICATES

Application has been made to the Listing Committee of The Stock Exchange of Hong Kong Limited for listing of and permission to deal in New Shares to be issued pursuant to the Scrip Dividend Scheme. No equity or debt securities of the Company are listed or dealt in on any other stock exchange nor is listing or permission to deal on any other stock exchange being or proposed to be sought. The relevant share certificates for New Shares and/or the dividend cheques will be posted to respective shareholders at their own risk on or about Friday, 10th October, 2003.

Dealings in New Shares may be settled through the Central Clearing and Settlement System and you should seek the advice of your stockbroker or other professional adviser for details of these settlement arrangements and how such arrangements will affect your rights and interests.

RECOMMENDATION AND ADVICE

Whether or not it is your advantage to elect to receive your final dividend in New Share or cash, in whole or in part, depends upon your own individual circumstances, and the decision in this regard and all effects resulting therefrom are the responsibility of each shareholder. If you are in any doubt as to what to do, you should consult your professional adviser as to whether or not you are permitted to receive the final dividend in scrip form or if consent from any government or others is required. Shareholders who are trustees are recommended to seek professional advice as to whether the choice of final dividend is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

Yours faithfully,
By Order of the Board
CHEVALIER INTERNATIONAL HOLDINGS LIMITED
CHOW Yei Ching
Chairman and Managing Director