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

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your 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 proxy 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)*

### **PROPOSED CONSOLIDATION OF SHARES**

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A notice convening a special general meeting of Chevalier International Holdings Limited to be held at 22nd Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong, on Thursday, 5 June, 2003, at 10:00 a.m. is set out on pages 9 to 10 of this circular. A form of proxy for use at the special general meeting is enclosed. Whether or not you are able to attend the special general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting, or any adjournment thereof, to Chevalier International Holdings Limited's Hong Kong branch share registrars, Standard Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting should you so wish.

20 May, 2003

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## EXPECTED TIMETABLE

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Latest time for return of form of proxy in respect of the SGM .....	10:00 a.m. on Tuesday, 3 June, 2003
Date and time of the SGM .....	10:00 a.m. on Thursday, 5 June, 2003
Effective date of the Consolidation .....	Friday, 6 June, 2003
Original counter for trading in Existing Shares in the form of existing <i>pink</i> share certificates in board lots of 2,000 Existing Shares temporarily closes .....	9:30 a.m. on Friday, 6 June, 2003
Temporary counter for trading in New Shares in board lots of 400 New Shares in the form of existing <i>pink</i> share certificates opens .....	9:30 a.m. on Friday, 6 June, 2003
Original counter for trading in New Shares in board lots of 2,000 New Shares in the form of new <i>red</i> share certificates reopens .....	9:30 a.m. on Friday, 20 June, 2003
Parallel trading in New Shares in the form of existing <i>pink</i> share certificates and new <i>red</i> share certificates commences .....	9:30 a.m. on Friday, 20 June, 2003
Parallel trading in New Shares in the form of existing <i>pink</i> share certificates and new <i>red</i> share certificates ends .....	4:00 p.m. on Monday, 14 July, 2003
Temporary counter for trading in New Shares in board lots of 400 New Shares in the form of existing <i>pink</i> share certificates closes .....	Monday, 14 July, 2003
Matching service for the sale and purchase of odd lots of New Shares .....	from Friday, 20 June to Monday, 14 July, 2003
Free exchange of existing <i>pink</i> share certificates for new <i>red</i> share certificates for New Shares .....	from Friday, 6 June to Thursday, 17 July, 2003

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings, unless the context requires otherwise:*

“ADR(s)”	the Company’s securities are listed on the New York Stock Exchange in the form of American Depositary Receipts
“Board”	the board of Directors
“Business Day(s)”	a day, other than a Saturday or a Sunday, on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for the business of dealing in securities
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Chevalier International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Consolidation”	the proposed consolidation of every five issued and unissued Existing Shares of HK\$0.25 each in the share capital of the Company into one New Share of HK\$1.25 as described herein
“Director(s)”	the director(s) of the Company from time to time
“Existing Share(s)”	existing share(s) of HK\$0.25 each in the share capital of the Company
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	16 May, 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	share(s) of HK\$1.25 each in the share capital of the Company on completion of the Consolidation
“SGM”	the special general meeting of the Company to be held on Thursday, 5 June, 2003 at 10:00 a.m., notice of which is set out on pages 9 and 10 of this circular and any adjournment thereof

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## DEFINITIONS

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“Share Registrars”	Standard Registrars Limited, the Company’s Hong Kong branch share registrars
“Shareholders”	holders of Shares (or New Shares after completion of the Consolidation)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## LETTER FROM THE BOARD

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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*

CHENG Ming Fun, Paul J.P.

WONG Wang Fat, Andrew O.B.E. (Hon.), J.P.

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

*Registered office*

Cedar House,  
41 Cedar Avenue,  
Hamilton, HM12,  
Bermuda

*Principal place of business*

22nd Floor,  
Chevalier Commercial Centre,  
8 Wang Hoi Road,  
Kowloon Bay,  
Hong Kong

20 May, 2003

*To the Shareholders*

Dear Sir or Madam,

### PROPOSED CONSOLIDATION OF SHARES

#### INTRODUCTION

The Board announced on 30 April, 2003 that it proposes to effect the Consolidation by consolidating every five issued and unissued Existing Shares of HK\$0.25 each in the share capital of the Company into one New Share of HK\$1.25 each in the share capital of the Company.

The purpose of this circular is to provide Shareholders with all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the resolution as mentioned herein and which, inter alia, will be dealt with at the SGM to be held at 22nd Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong on Thursday, 5 June, 2003 at 10:00 a.m..

#### PROPOSED CONSOLIDATION OF SHARES

Pursuant to the proposal, every five existing issued and unissued ordinary shares of HK\$0.25 each in the share capital of the Company will be consolidated into one new ordinary share of HK\$1.25 each in the share capital of the Company.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the authorised and issued share capital of the Company are as follows:

	<i>HK\$</i>	<i>No. of Existing Shares</i>
Authorised share capital	425,000,000	1,700,000,000
Issued share capital	327,307,966	1,309,231,865
Colour of share certificates		pink
Board lot size		2,000

Immediately after the Consolidation becoming effective, it is expected that the authorised and issued share capital of the Company are as follows:

	<i>HK\$</i>	<i>No. of New Shares</i>
Authorised share capital	425,000,000	340,000,000
Issued share capital*	327,307,966	261,846,373
Colour of share certificates		red
Board lot size		2,000

\* Such figures will be adjusted for any shares issued or repurchased between the Latest Practicable Date and the effective date of the Consolidation. The New Shares will rank *pari passu* with each other.

As at the Latest Practicable Date, the Company had no outstanding warrants or convertible or exchangeable securities. As at the Latest Practicable Date, there were options entitling holders thereof to subscribe for 34,150,000 Existing Shares at an exercise price of HK\$0.488 per Existing Share pursuant to the Company's share option scheme. The Company's auditors has confirmed that upon the Consolidation becoming effective, the options will entitle the holders thereof to subscribe for 6,830,000 New Shares at an adjusted exercise price of HK\$2.44 per New Share.

The existing board lot of shares of the Company for trading on the Stock Exchange will remain unchanged upon the Consolidation becomes effective.

Fractions of New Shares arising upon the Consolidation will be aggregated and sold for the benefit of the Company. The Consolidation will not, of itself, alter the underlying assets, business, management or financial position of the Company, nor will the proportionate interests of the Shareholders be changed as a result of the Consolidation, save as regards, the *de-minimis* impact arising out of the treatment of fractional entitlements as referred to above.

### **Reasons for the Consolidation**

The Directors considered that it is appropriate that the traded value of the Company's board lots be commensurate with other companies of a similar market capitalisation. In addition, the proposed Consolidation will reduce the number of board lots in the market and, as a result, the handling costs and transaction charges for the Company and for those whose interests in the Company are held through CCASS will be reduced, which the Directors considered it in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company does not have any intention of raising funds upon the Consolidation becoming effective.

### **Conditions of the Consolidation**

The proposed Consolidation is conditional on the following conditions:

- (a) the passing of an ordinary resolution by the Shareholders at the SGM to approve the Consolidation; and
- (b) the Listing Committee of the Stock Exchange granting a listing of, and permission to deal in, the New Shares.

### **Listing and dealing**

Application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

For those persons whose interests in the Company are currently held through CCASS, dealings in the New Shares are expected to be capable of settlement through CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange and without any need on the part of such persons to deposit new share certificates in respect of the New Shares with HKSCC.

### **Free exchange of share certificates**

Subject to fulfilment of the conditions and the Consolidation taking effect, it is expected that, as from 6 June, 2003, new share certificates will be issued in board lots of 2,000 New Shares. Certificates in respect of the Existing Shares can be submitted to the Share Registrars at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for exchange of new share certificates, free of charge, between 9:00 a.m. and 4:00 p.m. from 6 June, 2003 to 17 July, 2003, both days inclusive. Thereafter, the pink share certificates for the Existing Shares will remain effective as documents of title, on the basis of five Existing Shares for one New Share, and may be exchanged for new red share certificates for the New Shares at any time on payment of a prescribed fee not exceeding the permitted levels under the Listing Rules. It is expected that the share certificates for New Shares will be available for collection within a period of 10 Business Days after the submission of the existing share certificates to the Share Registrars for exchange.



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## LETTER FROM THE BOARD

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### Trading arrangements for New Shares

Subject to the Consolidation becoming effective:

- (i) From 6 June, 2003, the original counter for trading in the Existing Shares in board lots of 2,000 shares will be temporarily closed. A temporary counter will be established for trading in the New Shares in board lots of 400 New Shares. Certificates for Existing Shares may only be traded at this temporary counter.
- (ii) With effect from 20 June, 2003, the original counter will be reopened for trading in the New Shares in board lots of 2,000 New Shares.
- (iii) From 20 June, 2003 to 14 July, 2003, both days inclusive, there will be parallel trading at the above two counters.
- (iv) The temporary counter for trading in the New Shares in board lots of 400 New Shares will be removed after 4:00 p.m. on 14 July, 2003. Thereafter, trading will only be in the form of the red share certificates for New Shares.

The pink share certificates for Existing Shares will cease to be marketable and will not be acceptable for delivery and settlement purposes, albeit that they will remain effective as documents of title, as referred to above.

### Arrangement on odd lot trading

In order to facilitate the trading of odd lots of New Shares as a result of the Consolidation, the Company has appointed BNP Paribas Peregrine Securities Limited at 36th Floor, Asia Pacific Finance Tower, 3 Garden Road, Central, Hong Kong (Telephone number: (852) 2825 1888) to act as agent in providing a “matching service” to those Shareholders who wish to top-up or sell their holdings of odd lots of the New Shares during the period from 20 June, 2003 to 14 July, 2003, both dates inclusive. Holders of New Shares in odd lots who wish to take advantage of this facility either to dispose of or top up their odd lots to a board lot may, directly or through their brokers, contact Mr Hugo Leung of BNP Paribas Peregrine Securities Limited during such period.

**Shareholders should note that successful matching of the sale and purchase of odd lots of New Shares is not guaranteed and will depend on there being adequate amounts of odd lots of New Shares available for such matching. Shareholders are recommended to consult their professional advisers if they are in any doubt about the matching facility described above.**

### Arrangement in respect of American Depositary Receipts

The Company has securities in the form of ADRs listed on The New York Stock Exchange. Each ADR represents 25 Existing Shares. As at the Latest Practicable Date, there is no outstanding ADRs. It is also proposed that upon the Consolidation becoming effective, new ADR will represent 25 New Shares.

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## LETTER FROM THE BOARD

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### **SPECIAL GENERAL MEETING**

The notice convening the SGM is set out on pages 9 and 10 of this circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Share Registrars at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event by no later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you wish.

### **RECOMMENDATION**

The Board considers that the Consolidation is in the interests of the Company and the Shareholders. Accordingly, the Board recommends that the Shareholders should vote in favour of the resolution to be proposed at the SGM.

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

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## NOTICE OF SPECIAL GENERAL MEETING

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### **CHEVALIER INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**NOTICE IS HEREBY GIVEN** that the Special General Meeting of Chevalier International Holdings Limited (the “Company”) will be held on Thursday, 5 June, 2003 at 10:00 a.m. at 22nd Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong to consider and, if thought fit, pass the following resolution as an ordinary resolution:

#### **ORDINARY RESOLUTION**

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the new shares of the Company in issue and the shares of the Company to be issued upon exercise of the options granted under the share option scheme of the Company:

- (i) the 1,700,000,000 shares of HK\$0.25 each in the authorised share capital of the Company be consolidated into 340,000,000 shares of HK\$1.25 each and every five existing issued and unissued shares of HK\$0.25 each in the share capital of the Company be consolidated into one new share of HK\$1.25 in the share capital of the Company (“Consolidated Shares”) with effect from June 6, 2003 (Hong Kong time);
- (ii) all fractions of the Consolidated Shares to which holders of issued shares of HK\$1.25 each would otherwise be entitled be aggregated and sold for the benefit of the Company and that a broker be appointed by the Company to transfer the shares so sold to the purchasers thereof; and
- (iii) the board of directors of the Company be authorised to do all things and execute all documents as appropriate to effect and implement any of the foregoing.”

By Order of the Board  
**Kan Ka Hon**  
*Company Secretary*

Hong Kong, 20 May, 2003

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## NOTICE OF SPECIAL GENERAL MEETING

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*Registered office*

Cedar House,  
41 Cedar Avenue,  
Hamilton, HM12,  
Bermuda

*Principal place of business*

22nd Floor,  
Chevalier Commercial Centre,  
8 Wang Hoi Road,  
Kowloon Bay,  
Hong Kong

*Notes:*

- (a) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, to vote in his stead. A proxy need not be a member of the Company.
- (b) In order to be valid, a form of proxy, together with the power of attorney or other authority (if any), must be deposited at the Company's branch share registrars in Hong Kong, Standard Registrars Limited of G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Special General Meeting or any adjourned meeting. Completion of the form of proxy will not preclude members of the Company from attending and voting in person at the Special General Meeting or any adjourned meeting should they so wish.
- (c) Where there are joint registered holders of any share, any one of such persons may vote at the Special General Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders shall be present at the meeting personally or by proxy, that one of the holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.