
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 election form 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

其士國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 25)

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
Mr MA Chi Wing
Miss Lily CHOW

Non-Executive Directors

Dr CHOW Ming Kuen, Joseph[#]
Mr SUN Kai Dah, George[#]
Mr YANG Chuen Liang, Charles[#]
Professor POON Chung Kwong[#]
Dr KO Chan Gock, William

[#] *Independent Non-Executive Director*

Registered Office

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Principal Place of Business

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9 October 2014

To the Shareholders

Dear Sir/Madam,

**SCRIP DIVIDEND SCHEME
IN RELATION TO THE FINAL DIVIDEND
FOR THE YEAR ENDED 31 MARCH 2014**

Introduction

On 27 June 2014, the board of directors (the "Board") of Chevalier International Holdings Limited (the "Company") had recommended a final dividend (the "Final

* *For identification purposes only*

Dividend”) for the year ended 31 March 2014 of HK\$0.65 per ordinary share of the Company of HK\$1.25 each in the share capital of the Company (the “Share”) payable in cash to the shareholders of the Company (the “Shareholders”) whose names appear on the Register of Members of the Company at the close of the business on 12 September 2014 (the “Record Date”), with an option granted to Shareholders to receive new and fully paid Shares in lieu of cash or partly in cash and partly in shares under the scrip dividend scheme (the “Scheme”). At the annual general meeting of the Company held on 29 August 2014, the Final Dividend was approved by the Shareholders. To determine the entitlement of the Shareholders to the Final Dividend, the Register of Members of the Company was closed from 8 September 2014 to 12 September 2014 (both dates inclusive) during which period no transfer of Shares would be registered. Any person who had acquired the Shares of the Company should have lodged the share transfer and such share transfer should have been accepted for registration by 4:30 p.m. on 5 September 2014 in order to qualify for the Final Dividend.

The purpose of this circular is to set out the procedures and conditions which apply in relation to the Scheme and the action which should be taken by Shareholders in relation thereto.

Particulars of the Scheme

Shareholders have the following choices in respect of the satisfaction of the Final Dividend:

- (i) a cash dividend of HK\$0.65 per Share; or
- (ii) an allotment and issue of new Shares (the “New Shares”) credited as fully paid and having an aggregate market value (as calculated below) equal to the total amount of the Final Dividend which the Shareholders would otherwise be entitled to receive in cash in the amount of HK\$0.65 per Share, save for adjustment for fraction as mentioned below; or
- (iii) partly by payment of cash and partly by allotment and issue of the New Shares.

For the purpose of calculating the number of New Shares to be allotted pursuant to the Scheme, the market value of the New Shares has been fixed at HK\$12.64 per Share (the “Average Closing Price”), which is the average value of the closing prices per Share as quoted on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the five consecutive trading days commencing from, and including, 5 September 2014.

Accordingly, the number of the New Shares which Shareholders are entitled to receive, in respect of the existing Shares registered in their names as at the Record Date is calculated as follows:

$$\begin{array}{rcccl} \text{Number of New Shares} & & \text{Number of existing} & & \text{HK\$0.65 (Final Dividend} \\ \text{to be received} & = & \text{Shares held on the} & \times & \text{per Share)} \\ & & \text{Record Date and elected} & & \hline & & \text{for New Shares} & & \text{HK\$12.64 (Average} \\ & & & & \text{Closing Price)} \end{array}$$

As at the Record Date, there were 292,874,003 Shares in issue. If no election for New Shares were received, the total cash dividend payable by the Company would be approximately HK\$190,368,000.

Assuming all Shareholders elected to receive all of their entitlement to the Final Dividend in the form of New Shares, the maximum number of the New Shares to be issued under the Scheme will be 15,060,767 Shares, representing approximately 5.14% of the existing issued share capital of the Company and approximately 4.89% of the issued share capital of the Company as enlarged by the issue of New Shares.

The last day on which Shareholders will be entitled to elect how they wish to receive their entitlement to the Final Dividend is 24 October 2014. The New Shares, on issue, will rank pari passu in all respects with the existing issued Shares, except that they will not be entitled to the Final Dividend. They will rank in full for all future dividends and distributions which may be declared, made or paid. No Shareholder will be entitled to be issued any fraction of a Share under the Scheme and the number of the New Shares to be issued to each Shareholder (other than those who elect to receive their full entitlement to the Final Dividend in cash) shall be rounded down to the nearest whole number. As the fractional amount would be insignificant in terms of the fractional entitlement to the New Shares under the Scheme, therefore, fractional entitlements to the New Shares in respect of choices (ii) and (iii) above will be disregarded and the benefit thereof will accrue to the Company.

Advantage of the Scrip Dividend

The Scheme will give the Shareholders an opportunity to increase their investment in the Company at market value without incurring brokerage fees, dealing costs or stamp duty. The Scheme will also benefit the Company to the extent that cash which would otherwise have been paid to the Shareholders who elect to receive the New Shares, in whole or in part, will be retained for use as working capital of the Company.

Effect of the Scrip Dividend

Shareholders should note that the issue of the New Shares under the Scheme may give rise to disclosure requirements under Part XV of the Securities and Futures Ordinance (Cap 571, Laws of Hong Kong) for those Shareholders who may have notifiable interests in the Company. Shareholders who are in any doubt as to how these provisions may affect them as a result of the issue of New Shares are recommended to seek their own professional advice. Shareholders who are in any doubt as to their taxation position are also recommended to seek their own professional advice.

Form of Election

A Form of Election is enclosed with this circular.

No action is required if you wish to receive the whole of the Final Dividend in cash.

If you wish to receive such dividend wholly in the New Shares in lieu of cash, or in part or if you wish to make permanent election for all of your dividends in shares, you must complete and sign the enclosed Form of Election in accordance with the instructions printed thereon and lodge it with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 24 October 2014. No acknowledgement of receipt of Form of Election will be issued.

If you do not specify the number of the Shares in respect of which you wish to receive the Final Dividend in the New Shares under the Scheme or if you elect to receive the Final Dividend in the New Shares in respect of a greater number of the Shares than your registered holding on the Record Date, you will be deemed to have exercised your election to receive New Shares in respect of all the Shares registered in your name(s) at the close of business on the Record Date.

The Form of Election also enables Shareholders (who choose to receive the Final Dividend wholly in the form of New Shares) to elect to receive all future dividends wholly in the form of New Shares in lieu of cash in the event that Shareholders are given the choice of receiving New Shares or cash in respect of future dividends until notice in writing to cancel such election is received by the branch share registrar of the Company. Such permanent elections cannot be made in respect of part of your registered holding of the Shares.

The Form of Election has not been sent to the Shareholders who have previously made a permanent election to receive all future dividends wholly in the New Shares in lieu of cash. These Shareholders will receive the New Shares in lieu of cash for all the Shares registered in their names at the close of business on the Record Date, without having to complete any further Form of Election. Any Shareholder who wishes to change these existing permanent elections should contact the Company's branch share registrar in Hong Kong, Tricor Standard Limited at the abovementioned address, at or before 4:30 p.m. on 24 October 2014.

Shareholders who do not complete and return the Form of Election in accordance with the instructions printed thereon will receive the Shareholders' Final Dividend in cash.

Shareholders Resident Outside Hong Kong

This circular will not be registered or filed under the securities legislation of any jurisdiction outside Hong Kong. If you are resident outside Hong Kong, this circular only constitutes an invitation to participate in the Scheme if such an invitation can be legally made to you without the Company having to meet any legal, or registration or dealer requirements outside Hong Kong. Shareholders residing in a jurisdiction where it would be illegal for the Company to make such an invitation will be deemed to have received this circular for information purpose only.

As at the Record Date, there were 8 overseas Shareholders (the “Overseas Shareholders”) with their respective addresses registered in four jurisdictions, namely Canada, England, Macau and Singapore. The Company has made enquiry in respect of the legal restrictions under the laws or regulatory requirements in the aforementioned jurisdictions regarding the feasibility of extending the Scheme to the Overseas Shareholders. The Board notes that there is no legal restrictions, or an exemption is available under the applicable legislation of each jurisdiction, namely Canada, England, Macau and Singapore, to permit the offer of New Shares to the Overseas Shareholders pursuant to the Scheme.

In view of the above, no Shareholders will be excluded from participating in the Scheme. Nevertheless, the Overseas Shareholders who are in any doubt as to their position should consult their own professional advisers. It is the responsibility of the Overseas Shareholders who wish to receive the New Shares under the Scheme to comply with the laws of the relevant jurisdictions including obtaining all necessary governmental or other regulatory consents or other similar formalities. Overseas Shareholders who receive New Shares under the Scheme must also comply with any restrictions on the resale or trading of the New Shares which may apply to them.

This circular and the Form of Election do not constitute or form part of an offer or solicitation of any offer to purchase the securities of the Company, and the Form of Election is non-transferable.

Listing and Dealings

Shares issued by the Company have been admitted as eligible securities for deposit and settlement in the Central Clearing and Settlement System (“CCASS”) established and operated by Hong Kong Securities Clearing Company Limited. Dealings in the Shares may be settled through CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of these settlement arrangements and how such arrangements will affect their rights and interests.

The Shares are listed and dealt in on the Stock Exchange. Save as disclosed herein, no equity or debt securities of the Company is listed or dealt in on the Stock Exchange or any other stock exchange. No listing or permission to deal is being or is proposed to be sought. The issue of the New Shares under the Scheme is conditional upon the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the New Shares. An application will be made to the Stock Exchange for the listing of and permission to deal in the New Shares. It is expected that share certificates in respect of such New Shares will be posted at the risk of those entitled thereto on or before 11 November 2014 and dealings in such New Shares are expected to commence on 11 November 2014. Shareholders who elect for the Final Dividend wholly or partly in scrip form will receive one share certificate for the New Shares.

Condition of the Scheme

The Scheme is conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the New Shares.

In the unlikely event that the New Shares are not admitted to the listing by the Stock Exchange before 11 November 2014, the Forms of Election will be void and Final Dividend will then be paid wholly in cash.

Recommendation and Advice

Whether or not it is to the Shareholders' advantage to receive cash or the New Shares, in whole or in part, depends upon their own individual circumstances, and the decision in this regard and all effects resulting therefrom are the sole responsibility of each Shareholder. The effects on the tax position of any Shareholder will depend on that Shareholder's particular circumstances. If you are in any doubt as to what to do, you should consult your professional advisers. Shareholders who are trustees are recommended to take professional advice as to whether the choice to receive cash or the New Shares under the Scheme is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

Yours faithfully
For and on behalf of the Board
Chevalier International Holdings Limited
CHOW Yei Ching
Chairman