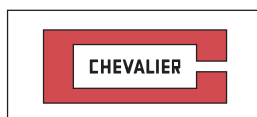

IMPORTANT

If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer, 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 to the purchaser or the 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 the 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.



CHEVALIER INTERNATIONAL HOLDINGS LIMITED

其士國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 25)

MAJOR TRANSACTION

* For identification purpose only

CONTENTS

	<i>Pages</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
INTRODUCTION	6
THE SHARE SALE AGREEMENT	7
IMPLICATIONS UNDER THE LISTING RULES	11
INFORMATION ON THE CPHL GROUP	11
REASONS FOR AND BENEFITS OF THE SHARE SALE	12
INTENDED USE OF PROCEEDS	13
FINANCIAL EFFECTS OF THE SHARE SALE	13
INFORMATION ON THE CIHL GROUP	13
INFORMATION ON THE PURCHASER	13
ADDITIONAL INFORMATION	13
APPENDIX I – FINANCIAL INFORMATION ON THE CIHL GROUP	14
APPENDIX II – GENERAL INFORMATION	16

DEFINITIONS

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

“Asset Reorganisation”	the reorganisation of the assets of the CPHL Group involving the disposal of the entire issued share capital of Sharp Rise to the Company pursuant to the Asset Reorganisation Agreement
“Asset Reorganisation Agreement”	the agreement dated 17 June 2011 entered into between the Company and CPHL in relation to the Asset Reorganisation
“Asset Reorganisation Completion”	completion of the Asset Reorganisation
“Business Day(s)”	a day or days (excluding Saturday, Sunday and public holiday(s)) on which licensed banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Capital Reduction”	the proposed reduction of the issued share capital of CPHL through a cancellation of the paid-up capital of CPHL to the extent of HK\$0.04 on each existing issued CPHL Share from HK\$0.05 to HK\$0.01 and the reduction of the nominal value of all CPHL Shares comprising the authorised share capital of CPHL from HK\$0.05 to HK\$0.01 each
“Capital Reorganisation”	the proposed capital reorganisation of CPHL which involves (i) the Capital Reduction; (ii) the Share Premium Reduction; and (iii) the transfer of the credit arising from the Capital Reduction and the Share Premium Reduction to the contributed surplus account of CPHL
“CIHL Board”	the board of Directors
“CIHL Group”	the Company and its subsidiaries
“CIHL Share(s)”	ordinary share(s) of HK\$1.25 each in the share capital of the Company
“CIHL Shareholder(s)”	holder(s) of CIHL Share(s)

DEFINITIONS

“Company”	Chevalier International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 25)
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consultancy Option Agreements”	(a) the option agreement entered into between CPHL and Dadra Inc. dated 10 February 2010, pursuant to which an option to subscribe for 75,000,000 CPHL Shares at HK\$0.30 per CPHL Share (as adjusted by the share subdivision pursuant to the ordinary resolution passed by CPHL Shareholders on 30 March 2010) was granted by CPHL to Dadra Inc.; and (b) the option agreement entered into between CPHL and Exponential Opportunities Limited dated 10 February 2010, pursuant to which an option to subscribe for 75,000,000 CPHL Shares at HK\$0.30 per CPHL Share (as adjusted by the share subdivision pursuant to the ordinary resolution passed by CPHL Shareholders on 30 March 2010) was granted by CPHL to Exponential Opportunities Limited
“Consultant Options”	the options granted by CPHL to Dadra Inc. and Exponential Opportunities Limited pursuant to the Consultancy Option Agreements entitling them to subscribe for a total of 150,000,000 CPHL Shares at HK\$0.30 per CPHL Share (as adjusted by the share subdivision pursuant to the ordinary resolution passed by CPHL Shareholders on 30 March 2010), which were cancelled pursuant to the deeds of termination entered into between CPHL and each of Dadra Inc. and Exponential Opportunities Limited respectively both dated 15 July 2011
“CPHL”	Chevalier Pacific Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 508)
“CPHL Board”	the board of directors of CPHL
“CPHL Group”	CPHL and its subsidiaries

DEFINITIONS

“CPHL SGM”	the special general meeting of CPHL to be convened and held to consider and, if thought fit, approve, among others, the Capital Reorganisation, the Asset Reorganisation and the respective transactions contemplated thereunder
“CPHL Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of CPHL before the Capital Reorganisation is effective, or where the context requires, the ordinary share(s) of HK\$0.01 each in the issued share capital of CPHL after the Capital Reorganisation is effective
“CPHL Shareholder(s)”	holder(s) of CPHL Share(s)
“Director(s)”	the director(s) of the Company
“Dr. CHOW”	Dr. CHOW Yei Ching, the Chairman of the Company and the controlling CIHL Shareholder holding 154,682,359 CIHL Shares (representing approximately 55.73% of the entire issued share capital of the Company) as at the Latest Practicable Date
“Encumbrances”	includes without any limitation, with respect to any asset, any option, right to acquire, right of pre-emption, mortgage, charge, pledge, lien, hypothecation, title retention, right of set-off, counterclaim, trust arrangement or other security or any equity or restriction (including any restriction imposed under the Companies Ordinance, Chapter 32 of the laws of Hong Kong)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent CPHL Shareholder(s)”	CPHL Shareholder(s) other than (i) the Purchaser and parties acting in concert with it and their respective associates; (ii) the Company, parties acting in concert with it (including Mr. KUOK Hoi Sang and Mr. TAM Kwok Wing) and associates of the Company; (iii) Mr. Oscar CHOW and parties acting in concert with him; and (iv) those who are interested in or involved in the Asset Reorganisation

DEFINITIONS

“Independent Third Parties”	persons who are not connected persons (as defined in the Listing Rules) of the Company and are third parties independent of and not connected with the Company or its connected persons (as defined in the Listing Rules)
“Last Trading Day”	17 June 2011, being the last trading day of the CPHL Shares immediately prior to the suspension in trading on the Stock Exchange on 20 June 2011 pending the release of the joint announcement of the Company, CPHL and the Purchaser dated 12 July 2011 in relation to, among other things, the Asset Reorganisation, the Capital Reorganisation, the Share Sale and the Offer
“Latest Practicable Date”	6 September 2011, 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
“Long Stop Date”	31 December 2011
“Material Adverse Change”	as at the Share Sale Completion, the number of food and beverages outlets operated by the Remaining CPHL Group being reduced to less than seven (7)
“Mr. Oscar CHOW”	Mr. CHOW Vee Tsung, Oscar, an Executive Director of the Company and the Managing Director of CPHL
“Offer”	subject to the Share Sale Completion, a mandatory unconditional general offer to be made by Kingston Securities Limited on behalf of the Purchaser to acquire all the issued CPHL Shares (other than those already owned or agreed to be acquired by the Purchaser or parties acting in concert with it) in accordance with the Takeovers Code
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Wincon Capital Investment Limited, a company incorporated in the BVI with limited liability
“Remaining CPHL Group”	the CPHL Group immediately after the Asset Reorganisation Completion

DEFINITIONS

“Sale Shares”	1,285,829,330 CPHL Shares, representing approximately 54.14% of the entire issued share capital of CPHL as at the date of the Share Sale Agreement, to be acquired by the Purchaser from the Company pursuant to the terms and conditions of the Share Sale Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share Premium Reduction”	the proposed reduction of a sum of HK\$30.0 million standing to the credit of the share premium account of CPHL, with the credit arising therefrom being transferred to the contributed surplus account of CPHL
“Share Sale”	the proposed sale of the Sale Shares by the Company to the Purchaser pursuant to the terms and conditions of the Share Sale Agreement
“Share Sale Agreement”	the agreement dated 17 June 2011 and entered into between the Company and the Purchaser in relation to the Share Sale
“Share Sale Completion”	completion of the Share Sale
“Share Sale Conditions”	the conditions to Share Sale Completion as set out under the sub-section headed “Conditions” under the section headed “The Share Sale Agreement” in this circular
“Sharp Rise”	Sharp Rise Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of CPHL before the Asset Reorganisation Completion
“Special Distribution”	the special distribution of HK\$0.04563 per CPHL Share in cash to be made by CPHL to the qualifying CPHL Shareholders subject to completion of the Asset Reorganisation and the Capital Reorganisation taking effect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“%”	per cent.

LETTER FROM THE BOARD



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

Non-Executive Directors:

Dr. CHOW Ming Kuen, Joseph #

Mr. SUN Kai Dah, George #

Mr. YANG Chuen Liang, Charles #

Dr. KO Chan Gock, William

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

Independent Non-Executive Directors

9 September 2011

To the CIHL Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

Reference is made to the announcement dated 12 July 2011 jointly made by the Company, CPHL and the Purchaser, in which the CIHL Board announced, among other things, that the Company and the Purchaser entered into the Share Sale Agreement, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares at an aggregate consideration of HK\$243,622,000, and the announcement of the Company dated 19 July 2011.

As the profits ratio calculated under Rule 14.07 of the Listing Rules exceeds 25% but is below 75%, the Share Sale constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the notification, publication and shareholders'

* For identification purpose only

LETTER FROM THE BOARD

approval requirements under Chapter 14 of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no CIHL Shareholder would have a material interest in the Share Sale which is different from the interests of other CIHL Shareholders. Accordingly, no CIHL Shareholder would be required to abstain from voting if the Company were to convene a general meeting for approving the Share Sale, pursuant to Rule 14.44 of the Listing Rules. Dr. CHOW, the controlling CIHL Shareholder who is interested in 154,682,359 CIHL Shares (representing approximately 55.73% of the entire issued share capital of the Company) as at the Latest Practicable Date, has given his written consent for the Share Sale Agreement and the transactions contemplated thereunder. The written consent has been accepted in lieu of holding a special general meeting to approve the Share Sale 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, details of the Share Sale Agreement and other information in accordance with the Listing Rules.

THE SHARE SALE AGREEMENT

Date

17 June 2011

Parties

- (i) The Company, as vendor; and
- (ii) Wincon Capital Investment Limited, as Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

Asset to be disposed of

Pursuant to the Share Sale Agreement, the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, being 1,285,829,330 CPHL Shares, representing approximately 54.14% of the entire issued share capital of CPHL as at the date of the Share Sale Agreement, free from all Encumbrances and together with all rights attaching thereto with effect from the Share Sale Completion, including all rights to any dividend or other distribution (excluding the Special Distribution) declared, made or paid on or after the date of the Share Sale Completion. For the avoidance of doubt, the Purchaser will not be entitled to the Special Distribution.

LETTER FROM THE BOARD

Consideration

The consideration for the Sale Shares shall be HK\$243,622,000, which was negotiated and determined on arm's length basis between the Company and the Purchaser with reference to the prevailing market price of the CPHL Shares on the Last Trading Day and the consolidated net assets value of the CPHL Group (assuming completion of the Capital Reorganisation, the Asset Reorganisation and the Special Distribution).

Pursuant to the Share Sale Agreement, the entire consideration of the Sale Shares had been/will be satisfied in the following manner:

- (i) a refundable deposit of HK\$5,000,000 has been paid to the Company; and
- (ii) the remaining balance of HK\$238,622,000 shall be payable by the Purchaser to the Company in cash upon the Share Sale Completion.

Conditions

The Share Sale Completion under the Share Sale Agreement is conditional upon satisfaction (or waiver) of all of the following conditions (except condition (iv) below which shall be satisfied upon Share Sale Completion) on or prior to the Long Stop Date:

- (i) the passing by the Independent CPHL Shareholders (by way of poll) of the necessary resolutions approving the Asset Reorganisation Agreement and the transactions contemplated under the Asset Reorganisation Agreement at the CPHL SGM;
- (ii) if it is required under the Listing Rules or by the Stock Exchange, the passing by the CIHL Shareholders of the necessary resolutions approving the Share Sale Agreement and the transactions contemplated under the Share Sale Agreement in accordance with the Listing Rules;
- (iii) regarding the Asset Reorganisation Agreement, the consent (if applicable) from the Executive pursuant to the Takeovers Code (in particular the necessary consent as may be required from the Executive under Rule 25 of the Takeovers Code) having been obtained;
- (iv) the Asset Reorganisation having been completed;
- (v) all regulatory requirements (including but not limited to the regulatory requirements under the Listing Rules, Takeovers Code and all other relevant regulatory requirements in Hong Kong) in respect of the transactions contemplated under the Share Sale Agreement having been complied with (for the avoidance of doubt, no requirements under the Takeovers Code are applicable to the Company);

LETTER FROM THE BOARD

- (vi) as at the date of Share Sale Completion, the warranties given by the Company under the Share Sale Agreement remaining true and accurate in all material respects;
- (vii) no Material Adverse Change having occurred;
- (viii) from the date of the Share Sale Agreement to (and including) the date of Share Sale Completion, no moratorium, suspension or imposition of other material limitation(s) on the trading of CPHL Shares having been requested by the Stock Exchange or other stock exchange(s) (save for the suspension pending the release of any announcement in connection with the transactions contemplated under the Share Sale Agreement or temporary suspension for a period of not more than ten (10) consecutive trading days);
- (ix) the current listing of the CPHL Shares on the Stock Exchange having been maintained and the CPHL Shares continuing to be traded at any time from the date of the Share Sale Agreement to the Share Sale Completion (save for any suspension of the trading in CPHL Shares pending the approval by the SFC or the Stock Exchange being granted in connection with the Share Sale Agreement and the Offer) and there being no indication from the SFC or the Stock Exchange as at the Share Sale Completion or at any time prior to the Share Sale Completion that the listing of the CPHL Shares on the Stock Exchange will be or may be revoked or objected;
- (x) the Capital Reduction proposed to be implemented by CPHL after the date of the Share Sale Agreement becoming effective, upon (a) the passing by the CPHL Shareholders of the necessary resolutions approving the Capital Reduction at the CPHL SGM; (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new CPHL Shares; and (c) the compliance with the relevant procedures and requirements under Bermuda law (where applicable) and the Listing Rules to effect the Capital Reduction;
- (xi) the Share Premium Reduction proposed to be implemented by CPHL after the date of the Share Sale Agreement becoming effective, upon (a) the passing by the CPHL Shareholders of the necessary resolutions approving the Share Premium Reduction at the CPHL SGM; and (b) the compliance with the relevant procedures and requirements under Bermuda law (where applicable) and the Listing Rules to effect the Share Premium Reduction;
- (xii) upon completion of the Capital Reduction, the Share Premium Reduction and the Asset Reorganisation, the distribution of the credit standing in the contributed surplus account of CPHL arising from the Capital Reduction as declared by the CPHL Board becoming effective; and
- (xiii) within seven (7) days of the release of the announcement in connection with the transactions contemplated under the Share Sale Agreement (and such date shall not be later than 22 July 2011), the Consultancy Option Agreements having been terminated by CPHL (in accordance with the terms acceptable to CPHL) with Dadra Inc. and Exponential Opportunities Limited respectively.

LETTER FROM THE BOARD

The Share Sale Agreement and the transactions contemplated under the Share Sale Agreement have been approved by Dr. CHOW, the controlling CIHL Shareholder on 8 July 2011 in accordance with the Listing Rules. Accordingly, condition (ii) above has been satisfied.

Exponential Opportunities Limited confirmed that it does not hold any CPHL Shares and Dadra Inc. confirmed that it holds 400,000 CPHL Shares as at 30 June 2011. The Company has been informed by CPHL that on 15 July 2011, CPHL entered into the deeds of termination with Dadra Inc. and Exponential Opportunities Limited respectively whereby all parties thereto mutually agree to terminate the Consultancy Option Agreements. Accordingly, condition (xiii) above has been satisfied.

The Purchaser may at any time by notice in writing to the Company waive any of the above Share Sale Conditions (other than conditions (i), (ii), (iii) and (v)) including in particular the cancellation of the option to subscribe for the CPHL Shares under the Consultancy Option Agreements.

If any of the conditions above is not satisfied on or prior to the Long Stop Date (and such condition has not been waived by the Purchaser previously), the Purchaser shall be entitled to issue a notice to the Company on the Long Stop Date, (a) to waive any conditions not having been satisfied by then, (b) to defer the Share Sale Completion and the Long Stop Date to a date (which shall be a Business Day) no later than fourteen (14) Business Days after the original Long Stop Date, provided that the Purchaser shall notify the Company in writing on the original Long Stop Date of the date so deferred, or (c) to rescind the Share Sale Agreement. If trading in the CPHL Shares has been suspended pending the release of an announcement in connection with the transactions contemplated under the Share Sale Agreement and such trading has not been resumed within thirty (30) days from the date of the Share Sale Agreement, the Share Sale Agreement shall cease to have any effect upon the lapse of the said 30-day period.

In such circumstances, the Share Sale Agreement and any matters provided in the Share Sale Agreement and the rights and obligations provided in the Share Sale Agreement and of each of the parties to the Share Sale Agreement, save in respect of claims arising out of antecedent breach of the terms of the Share Sale Agreement by a party against the other party, shall become null and void and cease to have any effect. The Company shall within five (5) Business Days of such termination of the Share Sale Agreement refund the deposit of HK\$5,000,000 to the Purchaser.

Completion

Share Sale Completion is to take place on the seventh (7th) Business Day after all the conditions (save for condition (iv) which shall be fulfilled or waived on the date of Share Sale Completion) referred to above have been fulfilled or waived in accordance with the terms of the Share Sale Agreement (or such other date as may be agreed between the Company and the Purchaser pursuant to the terms of the Share Sale Agreement).

Following the Share Sale Completion, the Company will cease to hold any interest in CPHL and CPHL will cease to be a subsidiary of the Company.

LETTER FROM THE BOARD

Warranty

It is a term of the Share Sale Agreement that the Company warranted that, as at the date of the Share Sale Completion, the amount of cash and cash equivalents of CPHL shall not be less than HK\$150,000,000. Part of such fund shall be used to pay off the relevant legal and professional fees and expenses incurred by CPHL in connection with the Share Sale Agreement and the Asset Reorganisation Agreement up to an amount of HK\$3,000,000.

Change of the company name of CPHL

It was agreed in the Share Sale Agreement that, following Share Sale Completion, the name of CPHL will be changed from its existing name to a name without reference to “Chevalier” and “其士”.

IMPLICATIONS UNDER THE LISTING RULES

As the profits ratio calculated under Rule 14.07 of the Listing Rules exceeds 25% but is below 75%, the Share Sale constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no CIHL Shareholders would have a material interest in the Share Sale which is different from the interests of the other CIHL Shareholders. Accordingly, no CIHL Shareholder would be required to abstain from voting if the Company were to convene a general meeting for approving the Share Sale, pursuant to Rule 14.44 of the Listing Rules.

Dr. CHOW, the controlling CIHL Shareholder who is interested in 154,682,359 CIHL Shares (representing approximately 55.73% of the entire issued share capital of the Company) as at the Latest Practicable Date, has given his written consent to the Share Sale Agreement and the transactions contemplated thereunder. The written consent has been accepted in lieu of a general meeting to approve the Share Sale Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

INFORMATION ON THE CPHL GROUP

Existing principal activities and financial information

As at the Latest Practicable Date, the Company owns approximately 54.14% of the issued share capital of CPHL. The CPHL Group is principally engaged in the business of food and beverages.

For the year ended 31 March 2010, the CPHL Group recorded audited consolidated loss before taxation from continuing operations of approximately HK\$26.1 million and audited consolidated loss after taxation from continuing operations of approximately HK\$26.4 million. Taking into account of the profit from discontinued operations, the CPHL Group recorded audited consolidated loss after taxation of approximately HK\$22.1 million for the year ended 31 March 2010. The audited consolidated shareholders' funds of the CPHL Group as at 31 March 2010 amounted to approximately HK\$403.3 million.

LETTER FROM THE BOARD

For the year ended 31 March 2011, the CPHL Group recorded audited consolidated loss before taxation from continuing operations of approximately HK\$50.2 million and audited consolidated loss after taxation from continuing operations of approximately HK\$52.6 million. Taking into account of the profit from discontinued operations, the CPHL Group recorded audited consolidated profit after taxation of approximately HK\$146.8 million for the year ended 31 March 2011. The audited consolidated shareholders' funds of the CPHL Group as at 31 March 2011 were approximately HK\$282.8 million.

Shareholding structure

Set out below is a table showing the shareholding structure of CPHL (i) as at the date of this circular; and (ii) immediately upon Share Sale Completion. The figures below assume that there is no changes in the shareholding structure of CPHL after the date hereof and have not taken into account the level of acceptance of the Offer.

	As at the date hereof		Immediately upon Share Sale Completion	
	<i>Number of CPHL Shares</i>	<i>Approximate percentage of shareholding in CPHL</i>	<i>Number of CPHL Shares</i>	<i>Approximate percentage of shareholding in CPHL</i>
The Purchaser	–	–	1,285,829,330	54.14
The Company	1,285,829,330	54.14	–	–
Mr. Oscar CHOW (<i>Note 1</i>)	174,120,000	7.33	174,120,000	7.33
Mr. KUOK Hoi Sang ("Mr. KUOK") (<i>Note 2</i>)	24,000,000	1.01	24,000,000	1.01
Mr. TAM Kwok Wing ("Mr. TAM")	4,104,000	0.17	4,104,000	0.17
Other public CPHL Shareholders	<u>887,041,840</u>	<u>37.35</u>	<u>887,041,840</u>	<u>37.35</u>
Total	<u>2,375,095,170</u>	<u>100.00</u>	<u>2,375,095,170</u>	<u>100.00</u>

Notes:

- (1) Mr. Oscar CHOW is an Executive Director of the Company and the Managing Director of CPHL.
- (2) Mr. KUOK is the Vice Chairman and Managing Director of the Company and an Executive Director of CPHL.

REASONS FOR AND BENEFITS OF THE SHARE SALE

The Share Sale serves to realise the Company's investments in CPHL, unlock the capital gain attributable to the Sale Shares and generate significant cash inflow for the Company.

In view of the above, the Directors (including the Independent Non-Executive Directors) are of the view that the terms of the Share Sale Agreement are fair and reasonable and the Share Sale is in the interests of the Company and the CIHL Shareholders as a whole.

LETTER FROM THE BOARD

INTENDED USE OF PROCEEDS

The proceeds (after deducting related expenses) from the Share Sale are estimated to amount to approximately HK\$228.6 million and are intended to be retained as general working capital and for business development of the CIHL Group.

FINANCIAL EFFECTS OF THE SHARE SALE

Upon Share Sale Completion, the Company will cease to hold any interest in CPHL and CPHL will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the CIHL Group's financial statements.

Based on the Company's interest in the shareholders' funds of the Remaining CPHL Group of HK\$173.7 million assuming the Capital Reorganisation, the Asset Reorganisation and the Special Distribution had taken place on 31 March 2011 as set out in the unaudited pro forma financial information on the Remaining CPHL Group in Appendix III of the circular of CPHL dated 25 August 2011 and the net proceeds from the Share Sale, the CIHL Group is expected to record a gain of approximately HK\$134.6 million from the Share Sale. The Company considers that the Share Sale does not have any material impact on the total assets and total liabilities of the CIHL Group.

CIHL Shareholders and investors should note that the exact financial effects of the Share Sale on the CIHL Group is subject to audit and is yet to be determined with reference to the value attributable to the Sale Shares as at the date of the Share Sale Completion.

INFORMATION ON THE CIHL GROUP

The CIHL Group is principally engaged in the businesses of construction and engineering, insurance and investment, property development and investment, food and beverages, and computer and information communication technology.

INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company incorporated in the BVI with limited liability.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Chevalier International Holdings Limited
CHOW Yei Ching
Chairman

1. FINANCIAL INFORMATION ON THE CIHL GROUP

Financial information on the CIHL Group for each of the three years ended 31 March 2009, 2010 and 2011 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chevalier.com>):

- annual report of the Company for the year ended 31 March 2009 published on 29 July 2009 (pages 60 to 160);
- annual report of the Company for the year ended 31 March 2010 published on 30 July 2010 (pages 41 to 152); and
- annual report of the Company for the year ended 31 March 2011 published on 27 July 2011 (pages 37 to 156).

2. STATEMENT OF INDEBTEDNESS**i. Borrowings and debts***Borrowings*

As at the close of business on 31 July 2011, being the latest practicable date of ascertaining certain information relating to this indebtedness statement, the CIHL Group had outstanding secured bank borrowings and unsecured bank borrowings of approximately HK\$1,170.1 million and HK\$1,473.5 million respectively.

Pledge of assets

As at the close of business on 31 July 2011, being the latest practicable date of ascertaining certain information relating to this indebtedness statement, the CIHL Group had pledged its properties, inventories and bank deposits with carrying values of HK\$2,124.8 million, HK\$17.3 million and HK\$52.5 million respectively to secure the general banking facilities granted to the CIHL Group.

Contingent liabilities

As at the close of business on 31 July 2011, being the latest practicable date of ascertaining certain information relating to this indebtedness statement, the CIHL Group had contingent liabilities in respect of guarantees issued for backup banking facilities utilised by associates and a joint venture partner of HK\$231.2 million and HK\$168.3 million respectively.

ii. Disclaimer

Save as aforesaid, and apart from intra-group liabilities and normal trade payables in the normal course of business, as at the close of business on 31 July 2011, the CIHL Group did not have any debt securities, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that after taking into account the present internal financial resources of the CIHL Group and the available banking facilities, the CIHL Group will have sufficient working capital for its present requirements for at least the next 12 months following the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE CIHL GROUP

Upon Share Sale Completion (on the basis that the Asset Reorganisation has been completed as a condition to the Share Sale Completion), the CIHL 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.

The Directors consider that upon Share Sale Completion, the CIHL Group's financial and cash position can be further strengthened, and the CIHL Group will be able to make investment promptly when opportunities arise.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the CIHL Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

i. Directors' and chief executive' interests in securities

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares (within the meaning of part XV of the SFO) or debentures of the Company and 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 the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have 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 Part XV of the SFO or is 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 – CIHL Shares*

Name of Director	Capacity	Number of CIHL Shares			Total	Approximate percentage of shareholding (%)
		Personal interest	Family interests			
Dr. CHOW	Beneficial owner	154,682,359 [#]	–	154,682,359	55.73	
Mr. KUOK	Beneficial owner	98,216	–	98,216	0.04	
Mr. TAM	Beneficial owner	169,015	32,473	201,488	0.07	
Mr. HO Chung Leung	Beneficial owner	40,000	–	40,000	0.01	

[#] Dr. CHOW beneficially owned 154,682,359 CIHL Shares, representing approximately 55.73% of the entire issued share capital of the Company. These CIHL Shares were the same as those CIHL Shares disclosed in the section “Substantial shareholders’ interests in securities” below.

(b) Interests in associated corporations – shares

Name of Director	Associated corporation	Capacity	Personal interest	Number of ordinary shares		Total	Approximate percentage of shareholding (%)
				Corporate interests	Family interests		
Dr. CHOW	CPHL	Interest of controlled corporation	-	1,285,829,330 [#]	-	1,285,829,330	54.14
Mr. Oscar CHOW	CPHL	Beneficial owner	174,120,000	-	-	174,120,000	7.33
Mr. KUOK	CPHL	Beneficial owner	24,000,000	-	-	24,000,000	1.01
Mr. TAM	CPHL	Beneficial owner	4,000,000	-	104,000	4,104,000	0.17

[#] Dr. CHOW had notified CPHL that under the SFO, he was deemed to be interested in 1,285,829,330 CPHL Shares which were all held by the Company as Dr. CHOW beneficially owned 154,682,359 CIHL Shares, representing approximately 55.73% of the CIHL Shares in issue.

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 or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be recorded in the register referred to therein; or (iii) 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 CIHL Shareholders	Capacity	Number of CIHL Shares held	Approximate percentage of shareholding (%)
Dr. CHOW	Beneficial owner	154,682,359	55.73
Ms. MIYAKAWA Michiko	Beneficial owner	154,682,359 (Note)	55.73

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 CIHL 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 or 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 CIHL Group or in any options in respect of such capital.

3. DISCLOSURE OF OTHER INTERESTS

i. Interests in competing business

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 CIHL Group.

ii. Interests in assets

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, any member of the CIHL Group since 31 March 2011 (the date to which the latest published audited financial statements of the Company were made up).

iii. Interests in contract or arrangement

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 CIHL Group.

4. LITIGATION AND CLAIMS

As at the Latest Practicable Date, none of the members of the CIHL Group was engaged in any litigation and/or claims that have material adverse effect on the financials, and no claim of material importance was pending or threatened against any member of the CIHL 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 CIHL 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. MATERIAL CONTRACTS

The following contracts have been entered into by the CIHL 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 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 CIHL 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 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;
- (b) 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;
- (c) the loan transfer agreement dated 22 March 2010 entered into between the CIHL 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 CIHL Group at a consideration of RMB103,000,000;
- (d) the agreement dated 3 April 2010 entered into among Chevalier Development China Limited, a wholly-owned subsidiary of the Company (as vendor), Intime Department Store (Hong Kong) Company Limited (as purchaser), the Company (as vendor’s guarantor) and Intime Department Store (Group) Company Limited (as purchaser’s guarantor) in relation to the disposal of the entire issued share capital of Smartco Holdings Limited and the repayment of certain loans at a consideration of approximately HK\$532,000,000;
- (e) the sale and purchase agreement dated 29 June 2010 entered into among Chevalier Pacific Limited, a wholly-owned subsidiary of CPHL (as vendor), Festive Wise Limited (as purchaser), CPHL (as vendor’s guarantor) and China Resources Enterprise, Limited (as purchaser’s guarantor) in relation to the disposal of 80% of the issued share capital of Pacific Coffee (Holdings) Limited at a consideration of HK\$326,640,000;

* For identification purpose only

- (f) the shareholders agreement dated 7 July 2010 pursuant to the completion of (e) mentioned above, entered into among Festive Wise Limited, Chevalier Pacific Limited, Pacific Coffee (Holdings) Limited, China Resources Enterprise, Limited and CPHL in order to regulate their relationship among themselves in respect of the affairs and business of Pacific Coffee (Holdings) Limited;
- (g) the sale and purchase agreement dated 2 August 2010 entered into among Good Rise Limited (as purchaser) (“Good Rise”), a wholly-owned subsidiary of CPHL, Erbusco Investments Limited (as vendor) (“Erbusco”), Miss FAN Amy Lizhen and Mr. NG Tai Kee (as warrantors) in respect of (i) the acquisition of 36% interest in a company to be incorporated (“Target Company”) for holding certain companies with mining exploration rights in the Philippines at HK\$648,000,000; and (ii) the grant of option by Erbusco to Good Rise to purchase the remaining 64% interest in the Target Company at the exercise price of HK\$1,152,000,000;
- (h) the termination agreement dated 8 November 2010 entered into among Good Rise, Erbusco, Miss FAN Amy Lizhen and Mr. NG Tai Kee in relation to the termination of the sale and purchase agreement mentioned in (g) above;
- (i) the agreement (the “Share Exchange Agreement”) dated 15 December 2010 entered into among International Restaurants Holdings Limited (“IRHL”, as vendor), Cafe Deco Holdings Limited (“Cafe Deco”) (formerly known as Sinochina Enterprises Limited, an indirect 60%-owned subsidiary of CPHL, as purchaser), the owners of IRHL (as vendor’s guarantors) and Sharp Rise (a wholly-owned subsidiary of CPHL, as purchaser’s guarantor) (collectively, the “Parties”) in respect of the acquisition of a 60% interest in Metro Point Enterprise Company Limited, a wholly-owned subsidiary of IRHL before completion, which was satisfied by the issue of 400 new shares in Cafe Deco (representing 40% of the issued share capital of Cafe Deco as enlarged by the issue of the aforesaid shares) to IRHL as consideration (the “Share Exchange”);
- (j) the loan agreement dated 15 December 2010 entered into between Chevalier Pacific Limited (as lender) and IRHL (as borrower) in respect of a loan in the amount of HK\$25,000,000 advanced to IRHL on 16 December 2010;
- (k) the loan agreement dated 15 December 2010 entered into between Cafe Deco (as lender) and IRHL (as borrower) as amended by a supplemental agreement dated 21 December 2010 in respect of a loan in the amount of HK\$24,920,000 advanced to IRHL on 16 December 2010;
- (l) the shareholders agreement dated 21 December 2010 entered into among the Parties for the purpose of regulating their relationship among themselves in respect of the affairs of and their dealings with Cafe Deco, its subsidiaries and associated companies after the completion of the Share Exchange Agreement;
- (m) the option agreement dated 21 December 2010 entered into between CL Holdings Limited (“CL Holdings”), a 60%-owned subsidiary of CPHL, and World Pointer Limited (“World Pointer”), a wholly-owned subsidiary of CPHL. In consideration

of a sum of HK\$1 paid by World Pointer to CL Holdings, CL Holdings irrevocably and unconditionally grants to World Pointer an option to sell all (but not part only) of the 51% interest in the issued share capital of each of the three subsidiaries of World Pointer (the “World Pointer Group Companies”) to CL Holdings at a consideration of HK\$25,000,000. In consideration of a sum of HK\$1 paid by CL Holdings to World Pointer, World Pointer irrevocably and unconditionally grants to CL Holdings an option to sell all (but not part only) of the 49% interest in the issued share capital of the World Pointer Group Companies to World Pointer at a consideration of HK\$24,019,608;

- (n) the sale and purchase agreement dated 6 January 2011 entered into between Legend One Limited (“Legend One”, a subsidiary of the Company, as purchaser) and Goodman HK Investments (“Goodman” as vendor) in relation to the acquisition of one ordinary share of HK\$1 in the capital of Kwai Hei Investments No. 1 Limited (“Kwai Hei”), representing the entire issued share capital of Kwai Hei and all obligations, liabilities and debts owing or incurred by Kwai Hei to a fellow subsidiary of Goodman as at 1 April 2011, by Legend One from Goodman and a fellow subsidiary of Goodman respectively, at an aggregate consideration of HK\$686,500,000 (subject to adjustment);
- (o) the sale and purchase agreement dated 27 May 2011 entered into between Market Phoenix Limited, a subsidiary of the Company, as purchaser and Cosmos Machinery (Holdings) Limited (“Cosmos”) and Place Day Limited as the vendors in relation to the sale and purchase of the entire issued share capital of Kingtime Holdings Limited (“Kingtime”) and Million Bond Limited and all obligations, liabilities and debts owing or incurred by Kingtime to Cosmos at an aggregate consideration of HK\$297,914,581.95;
- (p) three assignment agreements all dated 31 May 2011 (US time) entered into between Strategic Capital Partners, LLC (“Strategic Capital”) as assignor and each of Chevalier Beaverton, LLC, Chevalier Gresham, LLC and Chevalier Portland Laurelhurst, LLC as assignees in relation to the assignment of all of Strategic Capital’s rights and obligations under the respective assignments in relation to acquisition of certain properties located in Oregon, the United States, at an aggregate consideration of US\$34,896,000;
- (q) the deeds of termination dated 15 July 2011 entered into between CPHL and each of Dadra Inc. and Exponential Opportunities Limited in respect of the Consultancy Option Agreements;
- (r) the Asset Reorganisation Agreement; and
- (s) the Share Sale Agreement.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that save for the entering of the Share Sale Agreement, the Directors are not aware of any material adverse change in the financial and trading position of the CIHL Group since 31 March 2011, being the date to which the latest published audited accounts of the Company were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the 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 30 September 2011:

- (a) the Company's memorandum and bye-laws;
- (b) the annual reports of the Company for each of the two financial years ended 31 March 2010 and 2011;
- (c) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (d) the Company's circular dated 28 July 2011 in relation to the proposals relating to re-election of retiring Directors, general mandate to issue shares and repurchase shares and notice of annual general meeting; and
- (e) this circular.

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.