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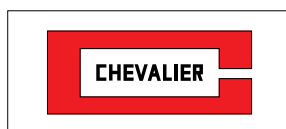
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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**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 through whom the sale or transfer was effected for transmission to the purchaser or the 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: 025)**

**DISCLOSEABLE TRANSACTION**

**Financial adviser to Chevalier International Holdings Limited**



**VXL FINANCIAL SERVICES LIMITED**

**卓越企业融资有限公司**

*(to be re-named as Optima Capital Limited)*

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## DEFINITIONS

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

“Agreements”	the Subscription Agreement and the JV Agreement
“Board”	the board of Directors
“Changchun New Star”	長春新星宇聖馳房地產開發有限責任公司 (Changchun New Star Universe Sheng Chi Real Estate Development Co. Ltd. **) established under the laws of the PRC and which will be transformed into a sino-foreign equity joint venture company pursuant to the JV Agreement
“Company”	Chevalier International Holdings Limited (Stock code: 25), an exempted company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Completion”	date of completion of the Subscription Agreement
“CPHL”	Chevalier Pacific Holdings Limited (Stock code: 508), an exempted company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Agreement”	the sino-foreign joint venture agreement dated 19 July 2007 made between the JV parties relating to the formation of Changchun New Star as a sino-foreign joint venture enterprise under the laws of the PRC
“JV Board”	the board of Changchun New Star
“JV Parties”	collectively, VLL and NSUC
“Latest Practicable Date”	7 August 2007, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NSUC”	新星宇建設有限責任公司 (New Star Universe Construction Development Co. Ltd. **), a company established under the laws of the PRC with limited liability

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## DEFINITIONS

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“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this circular
“PRC GAAP”	the General Accepted Accounting Principles of the PRC
“Redevelopment Project”	the residential redevelopment project of Changchun New Star involving the redevelopment of the shanty areas at Fan Jia Dian, Lu Yuan District in Changchun City, Jilin Province, the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the shareholders of the Company
“Shares”	ordinary share(s) of HK\$1.25 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed subscription by VLL of 96% equity interest in the enlarged registered capital of Changchun New Star pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement relating to the increase in capital of Changchun New Star dated 19 July 2007 made between the JV Parties by way of the Subscription
“VLL”	Victoria Link Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“mu”	refers to the PRC measurement units of land area, and one mu is equivalent to approximately 666.67 sq. m.
“RMB”	Renminbi, the lawful currency of the PRC
“sq. m”	square metres
“%”	per cent

\* *the Chinese name is for identification only*

\*\* *the English translation of the Chinese name is for identification purpose only*

*The exchange rate of RMB1.00 to HK\$1.03 used in this circular is for reference only.*

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## LETTER FROM THE BOARD

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# CHEVALIER INTERNATIONAL HOLDINGS LIMITED 其士國際集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 025)**

*Executive Directors:*

Chow Yei Ching (*Chairman and Managing Director*)  
Kuok Hoi Sang (*Vice Chairman and Managing Director*)  
Tam Kwok Wing (*Deputy Managing Director*)  
Chow Vee Tsung, Oscar  
Fung Pak Kwan  
Kan Ka Hon  
Ho Chung Leung

*Independent non-executive Directors:*

Chow Ming Kuen, Joseph O.B.E., J.P.  
Li Kwok Heem, John  
Sun Kai Dah, George

*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

10 August 2007

*To the Shareholders*

Dear Sir or Madam,

## DISCLOSEABLE TRANSACTION

### INTRODUCTION

On 24 July 2007, the Company announced that VLL, a wholly-owned subsidiary of the Company, entered into the Agreements on 19 July 2007 after the trading hours with NSUC whereby VLL agreed to subscribe for such new registered capital of Changchun New Star representing 96% of the total equity interests of Changchun New Star after the increase in the registered capital of it, in the total subscription amount of RMB192 million (equivalent to approximately HK\$197.8 million). Upon Completion, Changchun New Star will be owned by VLL and NSUC in the proportion of 96% and 4% respectively. The business activities of Changchun New Star are property development and sale operations. It is the approved developer for the Redevelopment Project located at Changchun City, Jilin Province, the PRC.

The total investment amount of Changchun New Star will be approximately RMB375 million (equivalent to approximately HK\$386.3 million). The enlarged registered capital of Changchun New Star will be RMB200 million (equivalent to approximately HK\$206 million).

The purpose of this circular is to provide you with further details of the Subscription and other information required under the Listing Rules.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### THE AGREEMENTS BOTH DATED 19 JULY 2007

#### Parties:

- (i) 新星宇建設有限責任公司, (New Star Universe Construction Development Co. Ltd. \*\*), i.e. NSUC, which is independent and is not connected with the Company and its connected person, as defined in the Listing Rules; and
- (ii) Victoria Link Limited, i.e. VLL, a wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief and after making all reasonable enquiries, NSUC and its ultimate beneficial owners are third parties independent of the Company and its connected persons, as defined under the Listing Rules.

There is also no prior transaction and relationship with each of NSUC and each of its ultimate beneficial owners which require aggregation under Rule 14.22 of the Listing Rules.

Pursuant to the Subscription Agreement, NSUC will increase the registered capital of Changchun New Star from RMB8 million (equivalent to approximately HK\$8.2 million) to RMB200 million (equivalent to HK\$206 million); and VLL agreed to subscribe for the entire increased portion of the registered capital of Changchun New Star of RMB192 million (equivalent to approximately HK\$197.8 million) in cash.

#### INFORMATION ON CHANGCHUN NEW STAR

Changchun New Star was established on 23 August 2006 under the PRC laws to engage in development and sale of properties. At present, Changchun New Star is 100% owned by NSUC with a registered capital of RMB8 million (equivalent to approximately HK\$8.2 million).

Pursuant to the Subscription Agreement, Changchun New Star will enlarge its registered capital to RMB200 million (equivalent to approximately HK\$206 million) by way of subscription by VLL of new capital of RMB192 million (equivalent to approximately HK\$197.8 million) into Changchun New Star in cash. Upon Completion and subject to the approval of the relevant PRC regulatory authorities of the JV Agreement and the articles of association of Changchun New Star, Changchun New Star will become a sino-foreign joint venture company under the laws of the PRC and the term of the joint venture shall be 30 years from the date of issue of the business license of Changchun New Star as a sino-foreign joint venture enterprise. Changchun New Star is the approved developer for the Redevelopment Project located at Changchun City, Jilin Province, the PRC. The Redevelopment Project involves the redevelopment of certain shanty areas at Fan Jia Dian, Lu Yuan District of the Changchun City in the PRC. The redevelopment has a site area of 766 mu which is planned to be developed as a residential apartment complex with a total floor area of not less than approximately 766,050 sq. m.

The Changchun New Star financial statements were prepared under the PRC GAAP. As at 30 June 2007, the audited net asset value of Changchun New Star was amounted to approximately RMB7.2 million (equivalent to approximately HK\$7.4 million); and the aggregate unaudited net loss attributable to Changchun New Star for the period from the date of establishment i.e. 23 August 2006 to 31 December 2006 is as follows:

	<b>2006</b> <b>RMB</b>
Unaudited net loss before taxation and extraordinary items	(344,818)
Unaudited net loss after taxation and extraordinary items	(344,818)

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## LETTER FROM THE BOARD

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### **Information on the JV Parties**

VLL is an investment holding company incorporated on 26 June 2007 in Hong Kong with limited liability, and is a wholly owned subsidiary of the Company.

NSUC is a company established on 29 December 2005 under the PRC laws and is principally engaged in properties development.

### **Total investment and registered capital of Changchun New Star**

The total investment amount of Changchun New Star after transformation as a sino-foreign joint venture will be RMB375 million (equivalent to approximately HK\$386.3 million), which shall be the maximum investment amount to be made towards Changchun New Star by the JV Parties under the laws of the PRC. The possible funding arrangements and obligations of the JV Parties in respect of the part of the total investment amount in excess of the registered capital is further described in the paragraph below as well as the section headed "Funding" below. The enlarged registered capital of Changchun New Star will be RMB200 million (equivalent to approximately HK\$206 million), of which RMB192 million (equivalent to approximately HK\$197.8 million) will be subscribed by VLL as new capital in cash and the remaining RMB8 million (equivalent to approximately HK\$8.2 million) represents the existing registered capital already owned by NSUC as at the date of this circular. Accordingly, VLL and NSUC will hold 96% and 4% respectively of the enlarged registered capital of Changchun New Star. The profits derived from Changchun New Star are to be shared in proportion to the JV Parties' contributions to the registered capital of Changchun New Star.

The remaining balance of RMB175 million (equivalent to approximately HK\$180.3 million) of the total investment amount of Changchun New Star will be either funded by financing from financial institutions or as loans by the JV Parties, as approved by the JV Board from time to time. Pursuant to the JV Agreement, if Changchun New Star raises borrowings from any financial institutions, the JV Parties are obliged to provide guarantees or other security, as and when required by such financial institution, in proportion to their contributions to the registered capital of Changchun New Star.

Pursuant to the Subscription Agreement, VLL is obliged to make an initial contribution of RMB48 million (equivalent to approximately HK\$49.4 million) to Changchun New Star, representing 25% of the subscription money payable by VLL to Changchun New Star, prior to the issuance of the business licence of Changchun New Star as a sino-foreign joint venture enterprise. The remaining balance of RMB144 million (equivalent to approximately HK\$148.3 million) shall be paid by VLL within 6 months after the issuance of the aforesaid business licence of Changchun New Star. The issuance of the business licence is subject to the approval of the relevant PRC regulatory authority.

Save for the requirements to obtain necessary PRC governmental and regulatory approvals for the Agreements and transactions contemplated therein, there is no other conditions precedent to the Agreements. The Company shall have no obligation to complete the Agreements if the requisite PRC governmental and regulatory approvals not obtained.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Agreements, including the subscription money payable by VLL under the Subscription Agreement and the payment terms are fair and reasonable and on normal commercial terms. The Directors also consider that the Subscription in relation to the Redevelopment Project is in the ordinary and usual course of business of the Company and in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **Representation of the JV Board**

The JV Board comprises five directors. NSUC is entitled to appoint one director and VLL is entitled to appoint four directors and the chairman of the JV Board shall be one of the representatives of VLL.

### **REASONS FOR THE AGREEMENTS**

The Company is an investment holding company which, through its subsidiaries, is principally engaged in the business of construction and engineering, insurance, property development and investment, computer and information technology and food and beverages. The Company currently has operations in China, South East Asia, Europe, North America, Australia and the Middle East. In particular, the Company's presence in the PRC property market includes cities such as Shanghai, Chengdu, Beijing, Shenzhen, Hefei etc.

The purpose of the Agreement is to enable the JV Parties to form a joint venture for the Redevelopment Project. The Redevelopment Project will expand the Company's presence in the PRC property market and is expected to add value to the Company in that the Directors believe the Redevelopment Project will contribute to the revenue and earnings growth of the Group in future.

### **FUNDING**

The contribution to the registered capital of Changchun New Star by VLL was agreed upon after arm's length negotiations between the JV Parties, and is to be funded from internal resources of the Company and/or bank borrowings. No final decision has been made in respect of the split at present. However, the Directors confirm that once if there is any further funding made to the Changchun New Star in relation to the Redevelopment Project, the Company will make further announcement and will fully comply with the relevant reporting and disclosure requirements in the Listing Rules as and when appropriate. Pursuant to the Subscription Agreement, any further funding contribution to Changchun New Star will be in proportion to their shareholding in Changchun New Star.

### **FINANCIAL EFFECTS OF THE SUBSCRIPTION**

The Subscription will be satisfied in cash from the Group's internal resources. Upon Completion, the Company will hold 96% equity interest in Changchun New Star. As a result, Changchun New Star will become a subsidiary of the Company and their financials will be consolidated into the Group. The Company considers that the Subscription does not have any material impact on the assets and liabilities of the Company.

### **GENERAL**

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

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



## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular with regard to the Company and confirm, having made all reasonable enquiries and that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

### i. Directors' and chief executives' interests in securities

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to S352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

#### (a) *Interests in the Company – Shares (long position)*

Name of Directors	Capacity	Number of Shares		Total	Approximate percentage of interest (%)
		Personal interests	Family interests		
Chow Yei Ching	Beneficial owner	153,012,359 <sup>#</sup>	—	153,012,359	54.93
KUOK Hoi Sang	Beneficial owner	98,216	—	98,216	0.04
TAM Kwok Wing	Beneficial owner	169,015	32,473	201,488	0.07
FUNG Pak Kwan	Beneficial owner	93,479	—	93,479	0.03
KAN Ka Hon	Beneficial owner	29,040	—	29,040	0.01
HO Chung Leung	Beneficial owner	40,000	—	40,000	0.01

<sup>#</sup> Dr. Chow Yei Ching beneficially owned 153,012,359 Shares, representing approximately 54.93% of the Shares. These Shares were same as those shares disclosed in the section "Substantial Shareholders' interests in securities" below.

**(b) Interests in associated corporation – shares (long position)**

Name of Directors	Associated corporation	Capacity	Number of ordinary shares			Total	Approximate percentage of interest (%)
			Personal interests	Corporate interests	Family interests		
Chow Yei Ching	CPHL	Interest of controlled corporation	—	107,822,933 <sup>#</sup>	—	107,822,933	50.02
KUOK Hoi Sang	CPHL	Beneficial owner	2,400,000	—	—	2,400,000	1.11
TAM Kwok Wing	CPHL	Beneficial owner	400,000	—	10,400	410,400	0.19
FUNG Pak Kwan	CPHL	Beneficial owner	2,580,000	—	—	2,580,000	1.20
KAN Ka Hon	CPHL	Beneficial owner	451,200	—	—	451,200	0.21

<sup>#</sup> Dr. Chow Yei Ching had notified CPHL that under the SFO, he was deemed to be interested in 107,822,933 shares in CPHL which were all held by the Company as Dr. Chow beneficially owned 153,012,359 Shares, representing approximately 54.93% of the Shares.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executives of the Company, no other person had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to S352 of the SFO, to be recorded in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**ii. Substantial Shareholders' interests in securities**

As at the Latest Practicable Date, so far as was known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO)

which had been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under S336 of the SFO were as follows:

Substantial Shareholders	Capacity	Number of Shares held	Number of underlying Shares held (under equity derivatives of the Company)	Approximate percentage of interest (%)
Chow Yei Ching	Beneficial owner	153,012,359(L)	—	54.93(L)
Miyakawa Michiko	Beneficial owner	153,012,359(L) (Note 1)	—	54.93(L)
The Goldman Sachs Group, Inc.	Interest of controlled corporation	—	26,993,989(L) 2,306,933(S) (Note 2)	9.69(L) 0.83(S)
Goldman Sachs (UK) L.L.C.	Interest of controlled corporation	—	23,992,101(L) 2,306,933(S) (Note 3)	8.61(L) 0.83(S)
Goldman Sachs Group Holdings (U.K.)	Interest of controlled corporation	—	23,992,101(L) 2,306,933(S) (Note 3)	8.61(L) 0.83(S)
Goldman Sachs Holdings (U.K.)	Interest of controlled corporation	—	23,992,101(L) 2,306,933(S) (Note 3)	8.61(L) 0.83(S)
Goldman Sachs International	Beneficial owner	—	23,992,101(L) 2,306,933(S) (Note 3)	8.61(L) 0.83(S)
The Goldman, Sachs & Co. L.L.C.	Interest of controlled corporation	3,001,888(L) (Note 4)	—	1.08(L)
Goldman Sachs & Co	Beneficial owner	3,001,888(L) (Note 4)	—	1.08(L)

*Notes:*

- (1) Under Part XV of the SFO, Ms. Miyakawa Michiko, the spouse of Dr. Chow, is deemed to be interested in the same parcel of 153,012,359 Shares held by Dr. Chow.
- (2) The Goldman Sachs Group, Inc. is taken to have an interest in the 3,001,888 Shares held by Goldman Sachs & Co and the 21,685,168 Shares that would be held by Goldman Sachs International upon full conversion of the Convertible Bonds (as defined below) held by Goldman Sachs International. The Convertible Bonds are issued by the Company to Goldman Sachs International on 26 July 2006. Goldman Sachs & Co and Goldman Sachs International are both wholly-owned subsidiaries of The Goldman Sachs Group, Inc.
- (3) Goldman Sachs (UK) L.L.C., Goldman Sachs Group Holdings (U.K.) and Goldman Sachs Holdings (U.K.) are taken to be interested in the 21,685,168 Shares that would be held by Goldman Sachs International upon full conversion of the Convertible Bonds. Goldman Sachs International is 99% owned by Goldman Sachs Holdings (U.K.) and 100% held by Goldman Sachs Group Holdings (U.K.) and Goldman Sachs (UK) L.L.C.

- (4) The Goldman, Sachs & Co. L.L.C. is taken to be interested in the 3,001,888 Shares held by Goldman Sachs & Co. Goldman Sachs & Co is owned as to 99.8% by The Goldman Sachs Group, Inc. and the remaining 0.2% by The Goldman, Sachs & Co. L.L.C. (which is a wholly-owned subsidiary of The Goldman Sachs Group, Inc.).

The letter “L” denotes a long position and the letter “S” denotes a short position.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executives of the Company, no other person had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or in any options in respect of such capital.

### 3. LITIGATION

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

### 4. DIRECTORS' 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 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 member of the Group which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

### 6. MISCELLANEOUS

- (a) The qualified accountant of the Company is Mr. HO Chung Leung, *FCCA*. He is a fellow member of The Association of Chartered Certified Accountants in the U.K. and a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The secretary of the Company is Mr. KAN Ka Hon, *FCCA*. He is a fellow member of The Association of Chartered Certified Accountants in the U.K. and a member of the Hong Kong Institute of Certified Public Accountants.
- (c) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda, its head office and its principal place of business is situated at 22nd Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong.
- (d) The Hong Kong branch share registrars and transfer office of the Company is Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.