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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)

MAJOR DISPOSAL AND DISCLOSEABLE TRANSACTION

Financial adviser to Chevalier International Holdings Limited

**OPTIMA
CAPITAL**
Optima Capital Limited

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DEFINITIONS

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

“Acquisition”	the acquisition of the STE Equity Interest and the TCE Equity Interest pursuant to the terms and conditions of the Agreement and Equity Transfer Agreements
“Agreement”	the agreement dated 28 November 2008 entered into between the Company and TELC regarding the sale and purchase of the CHKL Sale Shares, the STE Equity Interest and the TCE Equity Interest
“Board”	the board of Directors
“Business Days”	shall mean days (other than Saturday) on which commercial banks are generally open for banking business in Hong Kong and Japan
“CHKL”	Chevalier (HK) Limited, a wholly-owned subsidiary of the Company as at the date of the Agreement
“CHKL Group”	CHKL together with its subsidiaries and its associated company, Shiba Tech Corporation Limited, as at the First Closing
“CHKL First Tranche Shares”	59,113,600 CHKL Shares, which shall represent 49% of the issued share capital of CHKL as at the First Closing
“CHKL Sale Shares”	together, the CHKL First Tranche Shares and the CHKL Second Tranche Shares
“CHKL Second Tranche Shares”	2,412,800 CHKL Shares, which shall represent 2% of the issued share capital of CHKL as at the First Closing
“CHKL Shares”	ordinary shares of CHKL of HK\$0.25 each
“CLEL”	Chevalier Lifts and Escalators (China) Limited, a wholly-owned subsidiary of the Company
“Company”	Chevalier International Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 25)
“Convertible Bonds”	the 2.125% convertible bonds due 2011 of the Company
“CPHL”	Chevalier Pacific Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 508) and a subsidiary of the Company
“Directors”	the directors of the Company
“Disposal”	the disposal of the CHKL Sale Shares pursuant to the terms and conditions of the Agreement
“Dr. Chow”	Dr. Chow Yei Ching, the Chairman and Managing Director of the Company and the controlling Shareholder
“Elevator Business”	the business of research and development, design, assembly, sale, marketing, distribution, installation, maintenance, repair and/or servicing of elevators, escalators, autowalks, moving ramp products and/or their derivative products and/or their components, and manufacturing of components of elevators, escalators, autowalks, moving ramp products and/or their derivative products

DEFINITIONS

“Equity Transfer Agreements”	the equity transfer agreements in respect of each of the transfer of 20% of the equity interest in STE and TCE to be executed between TELC and CLEL, which form part of the terms of the Agreement
“First Closing”	closing of the sale and purchase of the CHKL First Tranche Shares and the transfer of the beneficial interest in STE Equity Interest and TCE Equity Interest on or before 31 March 2009 unless agreed to be postponed by both the Company and TELC
“First Closing Date”	the date on which the First Closing takes place
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	21 January 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macao Special Administrative Region and Taiwan for the purpose of this circular
“Reorganisation”	the reorganisation of CHKL to be implemented pursuant to the Agreement as a result of which the sole business of the CHKL Group shall be Elevator Business
“Second Closing”	closing of the sale and purchase of the CHKL Second Tranche Shares on or before 31 March 2010 or any other dates as agreed by both the Company and TELC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$1.25 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“STE”	Toshiba Elevator (Shenyang) Co., Ltd., a wholly-foreign owned enterprise established in the PRC
“STE Equity Interest”	20% of the registered capital of STE
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCE”	Toshiba Elevator (China) Co., Ltd., a sino-foreign cooperative joint venture company established in the PRC
“TCE Equity Interest”	20% of the registered capital of TCE
“Toshiba Group”	Toshiba Corporation and its subsidiaries, including TELC
“TELC”	Toshiba Elevator and Building Systems Corporation
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

For illustration purpose, amounts in RMB in this circular are translated into HK\$ at the exchange rate of RMB1 to HK\$1.135.

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: 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
Ho Chung Leung
Ho Sai Hou

Independent non-executive Directors:

Chow Ming Kuen, Joseph O.B.E., J.P.
Sun Kai Dah, George
Yang Chuen Liang, Charles

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

23 January 2009

*To the Shareholders and, for information only,
holders of the Convertible Bonds*

Dear Sir or Madam,

MAJOR DISPOSAL AND DISCLOSEABLE TRANSACTION

INTRODUCTION

On 4 December 2008, the Company announced that the Company and TELC entered into the Agreement on 28 November 2008, pursuant to which the Company shall sell the CHKL Sale Shares to TELC in two tranches for a total cash consideration of HK\$695,640,000 (subject to adjustment); and TELC shall sell and the Group shall acquire the STE Equity Interest and the TCE Equity Interest for a total cash consideration of HK\$121,000,000 (subject to adjustment).

The Disposal constitutes a major transaction for the Company under the Listing Rules while the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. The Disposal is subject to the approval of the Shareholders. As no Shareholder has a material interest in the Disposal which is different from the other Shareholders, no Shareholder is required to abstain from voting. Dr. Chow, the controlling Shareholder holding 55.73% of the total issued Shares as at the date hereof, has given his written consent for the Disposal. The written consent has been accepted in lieu of holding a special general meeting to approve the Disposal pursuant to Rule 14.44 of the Listing Rules.

The purpose of the circular is to provide you with, among other things, information on the Agreement, the Equity Transfer Agreements and the Group.

THE AGREEMENT

Date

28 November 2008

Parties

- (i) the Company; and
- (ii) TELC.

* For identification purpose only

LETTER FROM THE BOARD

TELC is a subsidiary of Toshiba Corporation specialised in elevator and escalator related business. Since 1970, the Company, through its subsidiaries, has been an overseas distributor of certain products of the Toshiba Group including, among other things, elevators and office equipment. To the best of the Directors' knowledge, information and belief and after making all reasonable enquiries, apart from the aforesaid business relationship, TELC and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

There was no prior transaction between the Group and TELC and its ultimate beneficial owners in the last 12 months which would otherwise require aggregation under Rule 14.22 of the Listing Rules.

Subject matters

There are two separate transactions in the Agreement, the Disposal and the Acquisition. Subject to the terms and conditions of the Agreement,

- (i) the Company shall sell and TELC shall purchase the CHKL First Tranche Shares at the First Closing free from any encumbrances and with all rights now and hereafter attaching thereto at the date of First Closing including the right to all dividends declared in respect thereof after the First Closing;
- (ii) TELC shall sell and the Company (or its designated subsidiary) shall purchase the STE Equity Interest and TCE Equity Interest at the First Closing; and
- (iii) subject to the due completion of the First Closing, the Company shall sell and TELC shall purchase the CHKL Second Tranche Shares free from encumbrances and with all rights now and hereafter attaching thereto at the date of Second Closing including the right to all dividends declared in respect thereof after the Second Closing. For the avoidance of doubt, TELC shall be entitled to 49% of the consolidated profits of the CHKL Group as from the First Closing; and 51% of the consolidated profits of the CHKL Group as from the Second Closing.

As soon as practicable after the signing of the Agreement, TELC shall execute the Equity Transfer Agreements as transferor and the Company shall procure that CLEL shall execute the Equity Transfer Agreements as transferee for the STE Equity Interest and TCE Equity Interest.

Consideration

- (i) The consideration for the CHKL First Tranche Shares shall be HK\$668,360,000, subject to adjustment as described in the paragraph headed "Adjustment to the consideration" below. The consideration shall be paid by TELC in cash in the following manner:
 - (a) HK\$534,688,000 shall be paid to the Company in cash at the First Closing; and
 - (b) the balance of HK\$133,672,000 shall be paid on or before the anniversary of the date of First Closing.

The consideration for the CHKL Second Tranche Shares shall be HK\$27,280,000 and shall be paid by TELC in cash at the Second Closing.

- (ii) The consideration for the STE Equity Interest shall be HK\$35,000,000, which shall be paid in cash at the First Closing.
- (iii) The consideration for the TCE Equity Interest shall be HK\$86,000,000, which shall be paid in cash at the First Closing.

However, if the 5th day after all the conditions (as detailed in the paragraph headed "Conditions" below) are satisfied or waived falls on a date between the 25th and 31st of March 2009 (both dates inclusive), the First Closing shall take place on 31 March 2009 save and except that the payment obligations under (i)(a), (ii) and (iii) above shall be satisfied within 5 Business Days after 31 March 2009.

LETTER FROM THE BOARD

Adjustment to the consideration

The consideration for the CHKL Sale Shares was agreed between the parties based on arm's length negotiations with reference to the profitability and net asset value of the Elevator Business only of the CHKL Group. In the event that the consolidated net asset value of the CHKL Group as of the First Closing Date (the "Closing CHKL NAV") shall differ from HK\$78,521,728 (the "Agreed CHKL NAV") by more than HK\$2,000,000, the consideration shall be adjusted in the following manner:

- (i) if the Closing CHKL NAV is higher than the Agreed CHKL NAV, TELC shall within 30 days from the date on which the Closing CHKL NAV is agreed or determined pay to the Company a sum equivalent to 51% of the difference between the Closing CHKL NAV and the Agreed CHKL NAV; and
- (ii) if the Closing CHKL NAV is less than the Agreed CHKL NAV, the Company shall within 30 days from the date on which the Closing CHKL NAV is agreed or determined pay to TELC a sum equivalent to 51% of the difference between the Closing CHKL NAV and the Agreed CHKL NAV.

The total consideration for the STE Equity Interest and TCE Equity Interest was agreed between the parties based on arm's length negotiations with reference to the combined net asset value and potential profitability of STE and TCE as further elaborated in the paragraph headed "Reasons for the Disposal and the Acquisition" below.

In the event that the aggregate net asset value of STE and TCE as of the First Closing Date as shown in the respective audited accounts of STE and TCE as at the First Closing Date prepared under generally accepted accounting principles in the PRC (the "Combined Closing STE and TCE NAV") shall be less than RMB400,000,000 (the "Agreed STE and TCE NAV") (equivalent to approximately HK\$454.0 million) by more than RMB10,000,000 (equivalent to approximately HK\$11.4 million), TELC shall within 30 days from the date on which the Combined Closing STE and TCE NAV is determined pay to the Company a sum equivalent to 20% of the difference between the Combined Closing STE and TCE NAV and the Agreed STE and TCE NAV. For the avoidance of doubt, no adjustment to the consideration will be made if the Combined Closing STE and TCE NAV is higher than the Agreed STE and TCE NAV.

Conditions

First Closing is conditional upon the satisfaction or waiver of the following conditions on or before 31 March 2009:

- (i) the Reorganisation has been duly carried out and completed to the satisfaction of TELC (acting reasonably);
- (ii)
 - (a) all consent, approvals, clearances and authorisations of any relevant government or regulatory authorities and/or other relevant third parties as may be necessary for the completion of the Reorganisation and/or the execution and implementation of the Agreement by the Company have been obtained;
 - (b) receipt by CHKL of all relevant consents and approvals from third parties as may be necessary in conjunction with the Reorganisation such that all existing rights of the CHKL Group in relation to its Elevator Business is not in any way adversely affected by the Reorganisation after the First Closing;
 - (c) none of the consents, approvals, clearances, and authorisations referred to in (a) and (b) above have been revoked, withdrawn or modified at any time before the First Closing;
- (iii) the passing by the Shareholders of a resolution to approve the Agreement and the transactions contemplated under the Agreement in accordance with the Listing Rules;
- (iv) the clearance of all announcement(s) and circular(s) required to be issued by the Company under the Listing Rules and granting of all approvals, if necessary, by the Stock Exchange in respect of all transactions contemplated by the Agreement;
- (v) receipt by the Company to its reasonable satisfaction of written evidence issued by the relevant competent authorities in the PRC approving the transfer of both of the STE Equity Interest and TCE Equity Interest as contemplated under the Equity Transfer Agreements;

LETTER FROM THE BOARD

- (vi) the warranties, representations and undertakings given by the parties to the Agreement will be true and correct as of the First Closing Date;
- (vii) the Company and TELC will have performed and complied with each of its covenants contained in the Agreement; and
- (viii) no law or regulation or governmental order will have been enacted, entered, enforced, promulgated, issued in the jurisdictions in which the CHKL Group operates or deemed applicable to the consummation of the transactions contemplated by the Agreement by any federal, state, local, foreign, international or multinational entity or authority exercising executive, legislative, judicial, regulatory, administrative or taxing functions of or pertaining to government.

TELC may at any time waive in writing the conditions set out in (i) to (iv), (vi) and (vii)(where applicable) above, while the Company may at any time waive in writing any conditions in (v), (vi) and (vii)(where applicable) above. As at the Latest Practicable Date, conditions (iii) and (iv) above have been fulfilled.

Reorganisation

Other than the Elevator Business, CHKL and its subsidiaries currently also engage in some other business undertakings. For the purpose of the Agreement, the parties to the Agreement agree that all non-Elevator Business related companies, assets and liabilities, operations, undertakings, commitments or otherwise shall be spun off from CHKL and its subsidiaries before the First Closing such that the sole business of the CHKL Group shall be Elevator Business as from the First Closing. The Company shall procure the completion of the Reorganisation before the First Closing in accordance with the terms contained in the Agreement, provided that certain steps for the Reorganisation as contemplated in the Agreement may extend beyond the First Closing.

Completion

The parties shall use all reasonable endeavours to procure the satisfaction of the conditions on or before 31 March 2009.

First Closing shall take place on the date determined in the manner set out below or such other date as the parties to the Agreement may agree in writing:

- (i) if the 5th day after all the conditions above are satisfied or waived falls after the 25th of that month, the First Closing shall take place on the last day of the following month;
- (ii) if the 5th day after all the conditions above are satisfied or waived falls on or before the 25th of that month, the First Closing shall take place on the last day of that month; or
- (iii) if the 5th day after all the conditions above are satisfied or waived falls on a date between the 25th and 31st of March 2009 (both dates inclusive), the First Closing shall take place on 31 March 2009 save and except that the respective payment obligations of TELC and the Company shall be satisfied within 5 Business Days after 31 March 2009.

It is the parties' intention that the transfer of the CHKL First Tranche Shares and the transfer of the STE Equity Interest and TCE Equity Interest shall take place on the First Closing Date simultaneously.

Conditional on the due completion of the First Closing, the Second Closing shall take place on or before 31 March 2010 or such other date as the parties to the Agreement may agree in writing.

LETTER FROM THE BOARD

INFORMATION ON CHKL GROUP

The CHKL Group is the business unit of the Group principally engaged in the Elevator Business. As at 31 March 2008, the unaudited combined net asset value of the Elevator Business only of the CHKL Group amounted to approximately HK\$78.5 million. The unaudited combined results of the Elevator Business only of the CHKL Group for each of the two years ended 31 March 2007 and 2008 were as follows:

	2007	2008
	<i>HK\$' million</i>	<i>HK\$' million</i>
Profit before taxation	174.6	175.9
Profit after taxation	143.2	143.1

The aforesaid unaudited combined financial figures of the CHKL Group were prepared under generally accepted accounting principles in Hong Kong based on management accounts of the companies comprising the CHKL Group. In addition, the above unaudited figures were prepared based on certain assumptions which include, among other things, the assumption that the Reorganisation has been completed and the group structure of the CHKL Group had been in place incorporating the financial effects after the Reorganisation throughout the two financial years ended 31 March 2007 and 2008.

INFORMATION ON STE AND TCE

STE is a wholly-foreign owned enterprise established in the PRC in 1995 which is engaged principally in the manufacturing, sale, installation, repair, maintenance, development and design of elevators, escalators and related components in the northern part of the PRC.

TCE is a sino-foreign cooperative joint venture company established in the PRC in 1994 which is engaged principally in the manufacturing, sale, installation, repair, maintenance, development and design of elevators, escalators and related facilities in the PRC.

As at 31 December 2007, the net asset value of STE and TCE based on their respective audited accounts prepared in accordance with generally accepted accounting principles in the PRC amounted to approximately RMB118.0 million (equivalent to approximately HK\$133.9 million) and RMB274.2 million (equivalent to approximately HK\$311.2 million) respectively. The audited results of STE and TCE for each of the two years ended 31 December 2006 and 2007 based on their audited accounts were as follows:

	2006		2007	
	<i>RMB' million</i>	<i>(equivalent to HK\$' million)</i>	<i>RMB' million</i>	<i>(equivalent to HK\$' million)</i>
STE				
Loss before and after taxation	18.0	20.4	27.6	31.4
TCE				
Profit before taxation	12.6	14.3	29.2	33.1
Profit after taxation	7.0	8.0	21.2	24.1

REASONS FOR THE DISPOSAL AND THE ACQUISITION

The Company is an investment holding company which, through its subsidiaries, is principally engaged in the business of construction and engineering, insurance and investment, property, food and beverages, information technology and others. 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 and Changchun.

TELC was established in 2001 when Toshiba Corporation spun off its elevator and escalator business as a subsidiary. TELC is one of the world's leading companies in elevators and moving walks, with a network of 6 affiliates in 3 countries.

TELC and the Company have enjoyed a positive relationship since 1970 when the Company became an overseas distributor of Toshiba elevators, with responsibility for sales and engineering in Hong Kong and Singapore. The Company has been the distributor of Toshiba brand elevators and escalators in Hong Kong since 1970. The Company believes that the Disposal and the Acquisition will offer CHKL the opportunity to maximise its full potential through business synergies with TELC.

LETTER FROM THE BOARD

Business cooperation and coordination with TELC will be reinforced through an equity-based partnership which would further enhance the business of sales, installation, repair and maintenance of escalators, elevators and related products in Hong Kong and Singapore. By introducing TELC as the major shareholder, the Directors believe CHKL would be in a stronger position to further strengthen its competitiveness and marketability in Hong Kong and Singapore and reinforce its ability to meet demand for elevator renewal projects in the region. As the Company will continue to hold a 49% interest in CHKL after the Second Closing, the Group is able to continue to benefit from the business growth in CHKL after the Disposal. The Company currently has no intention to dispose of its remaining 49% interest in CHKL after the Second Closing.

The Acquisition would on the other hand enable the Group and TELC to become strategic partners in the development of elevator business in the PRC. The Group would be able to further strengthen and expand its current distribution network of escalators and elevators via its branches in various cities of the PRC, including Shenzhen, Zhuhai, Guangzhou, Wuhan, Chengdu, Shanghai, Dalian and Beijing through closer connection with the 2 subsidiaries of TELC. The Group's interests in STE and TCE will be accounted for as associated companies of the Company after the transfer. Despite STE and TCE incurred a combined net loss after taxation amounting to approximately RMB11.0 million and RMB6.4 million (equivalent to approximately HK\$12.4 million and HK\$7.3 million respectively) for each of the years ended 31 December 2006 and 2007 respectively, the Company has confidence in the profitability potential of STE and TCE, taking note of (i) the steps in place to enhance the efficient use of resources among STE and TCE; (ii) the business plan of STE and TCE to put more efforts on marketing and promotion; and (iii) the enormous business opportunities brought by the rapid urbanisation in the PRC.

With the new cross shareholding relationship, the Group and TELC will use the Group's management resources to enhance sales, installation and maintenance in the PRC, the largest elevator equipment market in the world. Building further on that, both the Group and TELC will seek to extend the already strong presence in Hong Kong and Singapore, to expand maintenance operations in the Southeast Asia, to reinforce their ability to meet demand for elevator renewal projects in the region, and to enter into new markets such as India and Middle East.

The proceeds from the Disposal (net of expenses) are estimated to be approximately HK\$688 million. The Company intends to apply the proceeds from the Disposal to repay the bank borrowings of the Group and for general working capital purposes. The consideration for the Acquisition will be satisfied by internal resources of the Group.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Agreement are fair and reasonable, and the Disposal and the Acquisition are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL ON THE GROUP

Following the First Closing, the Company will hold a 51% interest in CHKL and CHKL will continue to be a subsidiary of the Company. After the Second Closing, the Company will hold a 49% interest in CHKL. CHKL will cease to be the Company's subsidiary and thus it is expected that total assets and total liabilities of the Group will be decreased. CHKL will be accounted for as an associated company of the Company following the Second Closing and the Group will share 49% of the net asset value and results of the CHKL Group. The Group is expected to record a gain from the Disposal of approximately HK\$648 million based on the Agreed CHKL NAV. The actual gain from the Disposal would however depend on the actual audited net consolidated asset value of CHKL Group as of the First Closing Date.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Following the First Closing, STE and TCE will be accounted for as associated companies of the Company. The Group will share 20% of the net asset value and results of STE and TCE. It is expected that the Acquisition will have no material effect on the total assets and total liabilities of the Group. Subsequent to the Acquisition, it is expected the income stream of the Group can be expanded.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As mentioned in the interim report of the Company, the management is cautious about the uncertainties arising from the global economic crisis and expects that the business conditions for the second half of the Group's financial year or even 2009 remain even more challenging. Nevertheless, in light of the recent economic stimulus package imposed by the PRC Government, the management believes that the property market of the PRC, in which the Group has major focus in recent years, will warm up gradually and provide a sustainable benefit for the shareholders of the Group.

Through the cross holding relationship and partnership with TELC resulting from the Disposal and the Acquisition, the Group will have the opportunity to maximize the business synergies with TELC and further strengthen its competitiveness and marketability in exploring the global market, with a special emphasis on the buoyant markets of the PRC and Southeast Asia.

LETTER FROM THE BOARD

TRANSACTIONS WITH THE TOSHIBA GROUP

Following the First Closing and prior to the Second Closing (the “Relevant Period”), as TELC will become a substantial shareholder of CHKL, TELC will become a connected person of the Company under the Listing Rules.

As mentioned in the section headed “The Agreement” above, the Group has been an overseas distributor of certain products of the Toshiba Group, including elevators and office equipment. The Group has been purchasing and selling products carrying the Toshiba brand name from and to the Toshiba Group, paying commission to the Toshiba Group and receiving marketing fees from the Toshiba Group in its ordinary course of business from time to time. It is expected that these transactions with the Toshiba Group will continue after the First Closing in the ordinary and usual course of the Group’s business. During the Relevant Period, the transactions with the Toshiba Group will constitute continuing connected transactions for the Company under the Listing Rules. In this regard, the Group is in negotiation with the Toshiba Group on the terms of the master agreements governing the terms of the possible continuing connected transactions with the Toshiba Group during the Relevant Period.

Besides, the Company has been giving corporate guarantee in respect of borrowings and trade finance of the members of the CHKL Group (which are direct or indirect wholly-owned subsidiaries of the Company prior to the First Closing). On the First Closing Date, the Company and TELC shall enter into a shareholders’ agreement to regulate their respective rights and obligations in CHKL as shareholders. Among other things, it would be one of the terms of the shareholders’ agreement that the Company shall continue to provide such corporate guarantee in respect of the borrowings of CHKL Group during the Relevant Period, provided that TELC will provide a counter indemnity in favour of the Company for such guarantee to the extent of TELC’s shareholdings in CHKL, save and except for certain non-Toshiba business in Singapore.

The Directors expect that the transaction amount between the Group and the Toshiba Group during the Relevant Period will result in the applicable percentage ratios under the Listing Rules exceeding 2.5% and, accordingly, the aforesaid transactions would be subject to disclosure and independent shareholders’ approval requirements under Rule 14A.48 of the Listing Rules. The Company will issue further announcement and circular regarding the aforesaid transactions as and when appropriate in accordance with the requirements of the Listing Rules.

GENERAL

The Disposal constitutes a major transaction for the Company under the Listing Rules while the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. The Disposal is subject to the approval of the Shareholders. As no Shareholder has a material interest in the Disposal which is different from the other Shareholders, no Shareholder is required to abstain from voting. Dr. Chow, the controlling Shareholder holding 55.73% of the total issued Shares as at the date hereof, has given his written consent for the Disposal. The written consent has been accepted in lieu of holding a special general meeting to approve the Disposal pursuant to Rule 14.44 of the Listing Rules.

Your attention is drawn to the financial information of the Group and further information set out in the appendices to this circular.

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

1. INDEBTEDNESS STATEMENT**1.1 Borrowings and debts*****Borrowings***

As at the close of business on 30 November 2008, being the latest practicable date for the purpose of this indebtedness statement, the Group had secured bank borrowings of approximately HK\$224,394,000, unsecured borrowings and overdrafts of approximately HK\$1,136,467,000 and Convertible Bonds with carrying value of HK\$403,763,000.

Pledge of assets

At the close of business on 30 November 2008, the Group had pledged its properties, inventories and bank deposits with carrying values of HK\$981,352,000, HK\$50,499,000 and HK\$137,692,000 respectively to secure the general banking facilities granted to the Group.

Contingent liabilities

As at the close of business on 30 November 2008, the Group had contingent liabilities in respect of guarantees issued for backup banking facilities utilised by associates and jointly controlled entities of HK\$200,633,000 and HK\$440,700,000 respectively.

1.2 Disclaimer

Save as aforesaid and apart from intra-group liabilities, as at 30 November 2008, the Group had no other outstanding mortgages, charges, debentures, loan capital or bank overdrafts, borrowings or other similar indebtedness, hire purchase commitments, liabilities under acceptances, acceptance credits or any guarantees or any material contingent liabilities.

2. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that upon completion of the Disposal and after taking into account the internal resources and present banking facilities available to the Group and the expected proceeds to be received from the Disposal, the Group has sufficient working capital for its requirements for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

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 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			Approximate percentage of interest (%)
		Personal interests	Family interests	Total	
CHOW Yei Ching	Beneficial owner	154,682,359 [#]	–	154,682,359	55.73
KUOK Hoi Sang	Beneficial owner	98,216	–	98,216	0.04
TAM Kwok Wing	Beneficial owner	169,015	32,473	201,488	0.07
HO Chung Leung	Beneficial owner	40,000	–	40,000	0.01

[#] Dr. Chow beneficially owned 154,682,359 Shares, representing approximately 55.73% of the Shares. These Shares were the 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	–	128,582,933 [#]	–	128,582,933	59.66
CHOW Vee Tsung, Oscar	CPHL	Beneficial owner	17,412,000	–	–	17,412,000	8.08
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

[#] Dr. Chow had notified CPHL that under the SFO, he was deemed to be interested in 128,582,933 shares in CPHL which were all held by the Company as Dr. Chow beneficially owned 154,682,359 Shares, representing approximately 55.73% 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	154,682,359 (L)	–	55.73 (L)
Miyakawa Michiko	Beneficial owner	154,682,359 (L) (Note 1)	–	55.73 (L)
The Goldman Sachs Group, Inc.	Interest of controlled corporation	–	26,993,989 (L) 2,306,933 (S) (Note 2)	9.73 (L) 0.83 (S)
Goldman Sachs (UK) L.L.C.	Interest of controlled corporation	–	23,992,101 (L) 2,306,933 (S) (Note 3)	8.64 (L) 0.83 (S)
Goldman Sachs Group Holdings (U.K.)	Interest of controlled corporation	–	23,992,101 (L) 2,306,933 (S) (Note 3)	8.64 (L) 0.83 (S)
Goldman Sachs Holdings (U.K.)	Interest of controlled corporation	–	23,992,101 (L) 2,306,933 (S) (Note 3)	8.64 (L) 0.83 (S)
Goldman Sachs International	Beneficial owner	–	23,992,101 (L) 2,306,933 (S) (Note 3)	8.64 (L) 0.83 (S)
Goldman Sachs & Co	Beneficial owner	3,001,888 (L)	–	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 154,682,359 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 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.

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 other 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 or claims of material importance pending or threatened against any member of the Group.

4. CONTRACTS OR ARRANGEMENT AND COMPETING BUSINESSES

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.

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 are proposed to be acquired, disposed of by or leased to, the Company or any of its subsidiaries since 31 March 2008 (the date to which the latest published audited financial statements of the Company were made up).

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 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. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular and are or may be material:

- (a) the shareholders' agreement dated 31 January 2007 entered between CPHL, Sinochina Pacific Limited ("SPL") and Sinochina Enterprises Limited ("SEL"), pursuant to which the board composition, dividend policy and transfer of shares of SEL are agreed upon until the completion of the second tranche of SEL shares, details are set out in the announcement of the Company dated 1 December 2006 and the circular dated 7 February 2007;
- (b) the escrow agreement dated 31 January 2007 entered into among SPL and CPHL, in which a proportion of the consideration for the second tranche of SEL shares is placed into escrow until the expiry of the one year period following the completion of the second tranche, details of which are set out in the announcement of the Company dated 1 December 2006 and the circular dated 7 February 2007;
- (c) the agreement dated 12 March 2007 entered into between the Company and CPHL in relation to the sale and purchase of a number of subsidiaries of CPHL for an aggregate consideration of approximately HK\$56 million, details of which are set out in the announcement of the Company dated 14 March 2007 and the circular dated 4 April 2007;
- (d) the placing and subscription agreement dated 3 May 2007 entered into by the Company in relation to the placement of 32,200,000 existing ordinary shares of CPHL and the subscription of 25,384,146 new ordinary shares of CPHL, details of which are set out in the announcement of the Company dated 3 May 2007 and the circular dated 25 May 2007;
- (e) the subscription agreement dated 19 July 2007 made between Victoria Link Limited ("VLL"), a wholly-owned subsidiary of the Company, and 新星宇建設有限責任公司 (New Star Universe Construction Development Co. Ltd) ("NSUC") in relation to the increase in capital of 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.) ("Changchun New Star"), of which VLL will invest RMB192 million. The details thereof are set out in the announcement of the Company dated 24 July 2007 and the circular dated 10 August 2007;

- (f) the sino-foreign joint venture agreement dated 19 July 2007 made between VLL and NSUC in relation to the formation of Changchun New Star as a sino-foreign joint venture enterprise under the laws of the PRC, details of which are set out in the announcement of the Company dated 24 July 2007 and the circular dated 10 August 2007;
- (g) the agreement dated 16 May 2008 entered into between the Company, CPT Belgium Holdings SPRL and Sekisui Chemical Co., Ltd. regarding the sale and purchase of 75% equity interest in CPT Chevalier Pipe Technologies GmbH, details of which are set out in the announcement of the Company dated 23 May 2008 and the circular dated 13 June 2008;
- (h) the subscription agreement dated 28 November 2008 made between Chevalier Investment (Hefei) Limited (“Chevalier Hefei”), 安徽省旅遊集團有限公司 (Anhui Province Travel Group Company Limited*) (“Anhui Travel”) and 安徽安興發展股份有限公司 (Anhui Anxing Development Joint-Stock Company Limited*) (“Anxing Development”) relating to the subscription of the increased registered capital of 安徽省華僑飯店 (Anhui Province Hua Qiao Hotel*) (“Hua Qiao Hotel”);
- (i) the joint venture agreement dated 28 November 2008 entered into between Chevalier Hefei, Anhui Travel and Anxing Development in relation to the rights and obligations of the parties in Hua Qiao Hotel;
- (j) the Agreement; and
- (k) the sale and purchase agreement dated 9 January 2009 entered into between Chinaford Investment Limited (a wholly-owned subsidiary of the Company) and Dolce Field Limited in relation to the acquisition of 49% equity interest in Evernoon Century Limited and 49% of the benefit of and the interest in the relevant debt, details of which are set out in the announcement of the Company dated 13 January 2009.

7. MISCELLANEOUS

- (a) The secretary of the Company is Mr. HO Sai Hou. 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 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.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited, 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.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and 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 6 February 2009:

- (a) the Company’s memorandum and bye-laws;
- (b) the material contracts referred to in the paragraph headed “Material contracts” in this appendix;
- (c) the annual reports of the Company for each of the two financial years ended 31 March 2007 and 2008;
- (d) the interim report of the Company for the six months ended 30 September 2008; and
- (e) a copy of each circular issued by the Company pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since 31 March 2008 (the date to which the latest published audited financial statements of the Company were made up).