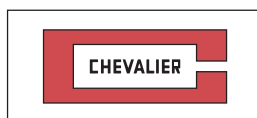

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Chevalier International Holdings Limited, you should at once hand this circular and the enclosed election form to the purchaser or transferee or to the bank, stockbroker or other agents through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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The contents of this circular have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer.



CHEVALIER INTERNATIONAL HOLDINGS LIMITED

其士國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 25)

Executive Directors

Dr CHOW Yei Ching (*Chairman*)

Mr KUOK Hoi Sang (*Vice Chairman and Managing Director*)

Mr TAM Kwok Wing (*Deputy Managing Director*)

Mr CHOW Vee Tsung, Oscar

Mr HO Chung Leung

Mr MA Chi Wing

Miss Lily CHOW

Non-Executive Directors

Dr CHOW Ming Kuen, Joseph[#]

Mr SUN Kai Dah, George[#]

Mr YANG Chuen Liang, Charles[#]

Professor POON Chung Kwong[#]

Dr KO Chan Gock, William

[#] *Independent Non-Executive Director*

Registered Office

Canon's Court

22 Victoria Street

Hamilton, HM 12

Bermuda

Principal Place of Business

22nd Floor

Chevalier Commercial Centre

8 Wang Hoi Road

Kowloon Bay

Hong Kong

7 January 2013

To the Shareholders

Dear Sir/Madam,

**SCRIP DIVIDEND SCHEME
IN RELATION TO THE INTERIM DIVIDEND
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012**

Introduction

On 29 November 2012, the board of directors (the "Board") of Chevalier International Holdings Limited (the "Company") declared that an interim dividend for the six months ended

* *For identification purpose only*

30 September 2012 (the “Interim Dividend”) of HK\$0.20 per ordinary share of the Company of HK\$1.25 each (the “Share”) be paid on 5 February 2013 to the shareholders of the Company (the “Shareholders”) whose names appear on the Register of Members of the Company at the close of the business on 20 December 2012 (the “Record Date”). It was also resolved by the Board that the Interim Dividend may be satisfied by way of cash dividend (with scrip option) (the “Scheme”). To determine the entitlement of the Shareholders to the Interim Dividend, the Register of Members of the Company was closed from 17 December 2012 to 20 December 2012 (both dates inclusive) during which period no transfer of Shares would be registered. The latest date on which transfers were accepted for registration in order to qualify for the Interim Dividend was at or before 4:30 p.m. on 14 December 2012.

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

Particulars of the Scheme

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

- (i) payment of the Interim Dividend of HK\$0.20 per Share in cash; or
- (ii) an allotment and issue of new Shares (the “New Shares”) credited as fully paid and having an aggregate market value (as described below) equal to the total amount of the Interim Dividend which the Shareholders could elect to otherwise receive in cash in the amount of HK\$0.20 per Share, subject to any fractional entitlement being disregarded as mentioned below; or
- (iii) partly by payment of cash and partly by allotment and issue of the New Shares.

For the purpose of calculating the number of New Shares to be allotted pursuant to the Scheme, the market value of the New Shares has been fixed at HK\$10.66 per Share (the “Average Closing Price”), which is the average value of the closing prices per Share as quoted on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the five consecutive trading days commencing from, and including, 27 December 2012.

Accordingly, the number of the New Shares which Shareholders are entitled to receive, in respect of the existing Shares registered in their name as at the Record Date and for which elections to receive the New Shares, will be calculated as follows:

$$\text{Number of New Shares to be received} = \text{Number of existing Shares held on the Record Date for which scrip election is made for the Interim Dividend} \times \frac{\text{HK\$0.20 (Interim Dividend per Share)}}{\text{HK\$10.66 (Average Closing Price)}}$$

Based on 277,564,090 Shares in issue as at the close of business on the Record Date, assuming all Shareholders elected to receive all of their entitlement to the Interim Dividend in the form of New Shares, the maximum number of the New Shares which may fall to be issued under the Scheme will be 5,207,581 Shares, representing approximately 1.88% of the existing issued share capital of the Company and approximately 1.84% of the issued share capital of the Company as enlarged by the issue of New Shares.

The last day on which Shareholders will be entitled to elect how they wish to receive their entitlement to the Interim Dividend is 21 January 2013. The New Shares to be issued pursuant to the Scheme will rank pari passu in all respects with the existing issued Shares, except for the Interim Dividend and will rank in full for all future dividends and distributions which may be declared, made or paid. No Shareholder will be entitled to be issued any fraction of a Share under the Scheme and the number of the New Shares to be issued to each Shareholder (other than those who elect to receive their full entitlement to the Interim Dividend in cash) shall be rounded down to the nearest whole number. Fractional entitlements to New Shares under the Scheme will be disregarded and the benefit thereof will accrue to the Company.

Advantage of the Scrip Dividend

The election by Shareholders to receive the Interim Dividend in whole or in part in the form of the New Shares will enable the Shareholders to increase their investment in the Company without incurring brokerage fees, dealing costs or stamp duty. The Scheme will also benefit the Company because, to the extent that the Shareholders elect to receive New Shares, in whole or in part, such cash as would otherwise have been paid to the Shareholders will be retained for use as working capital by the Company.

Effect of the Scrip Dividend

As at the Record Date, there were 277,564,090 Shares in issue. If no election for New Shares were received, the total cash dividend payable by the Company would be approximately HK\$55,513,000.

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

Form of Election

Enclosed with this circular is a Form of Election. **No action is required if you wish to receive the whole of the Interim Dividend in cash. If you wish to receive such dividend wholly in the New Shares in lieu of cash, or in part or if you wish to make permanent election for all of your dividends in shares, you must complete and sign the enclosed Form of Election in accordance with the instructions printed thereon and lodge it with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 21 January 2013.** If you have signed the Form of Election but do not specify the number of the Shares in respect of which you wish to receive the Interim Dividend in the New Shares under the Scheme or, if you elect to receive the Interim Dividend in the New Shares in respect of a greater number of the Shares than your registered holding on the Record Date, then in either case you will be deemed to have exercised your election to receive the Interim Dividend in the New Shares in lieu of cash under the Scheme in respect of all the Shares registered in your name(s) at the close of business on the Record Date. No acknowledgement of receipt of Form of Election will be issued. The Form of Election also enables Shareholders (who choose to receive the Interim Dividend wholly in the form of New Shares) to elect to receive all future dividends wholly in the form of New Shares in lieu of cash in the event that Shareholders are given the choice of receiving New Shares or cash in respect of future dividends until notice in writing to cancel such election is received by the branch share registrar of the Company. Such permanent elections cannot be made in respect of part of your registered holding of the Shares.

The Form of Election has not been sent to the Shareholders who have previously made a permanent election to receive all future dividends wholly in the New Shares in lieu of cash. These Shareholders will receive the New Shares in lieu of cash for all the Shares registered in their names at the close of business on the Record Date, without having to complete any further Form of Election. Any Shareholder wishing to change these existing permanent elections should contact the Company's branch share registrar in Hong Kong, Tricor Standard Limited at the abovementioned address, at or before 4:30 p.m. on 21 January 2013.

Unless the Shareholders have previously made a permanent election to receive future dividends wholly in the New Shares in lieu of cash, failure to complete and return the Form of Election in accordance with the instructions printed thereon will result in the Shareholders' Interim Dividend being paid wholly in the form of cash.

Shareholders Outside Hong Kong

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

As at the Record Date, there were 8 overseas Shareholders (the “Overseas Shareholders”) having their respective addresses registered in four jurisdictions, namely Canada, England, Macau and Singapore. The Company has made enquiry in respect of the legal restrictions under the laws of those jurisdictions or the requirements of the relevant regulatory body in those jurisdictions for the Company to extend the Scheme to the Overseas Shareholders. The Board notes that there is exemption or no legal restrictions under the applicable legislation of Canada, England, Macau and Singapore with respect to the offer of New Shares to the Overseas Shareholders.

Nevertheless, the Overseas Shareholders who are in any doubt as to their position should consult their own professional advisers. It is the responsibility of the Overseas Shareholders who wish to receive the New Shares under the Scheme to comply with the laws of the relevant jurisdictions including obtaining all necessary governmental or other regulatory consents and compliance with any other similar formalities. It is also the responsibility of the Overseas Shareholders who receive New Shares under the Scheme to comply with any restrictions on the resale or trading of the New Shares which may apply to them.

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

Listing and Dealings

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

The Shares are listed and dealt in on the Stock Exchange. Save as disclosed herein, no any part of equity or debt securities of the Company is listed or dealt in on the Stock Exchange or any other stock exchange nor is listing or permission to deal is being or is proposed to be sought. The issue of the New Shares under the Scheme is conditional upon the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the New Shares to be issued under the Scheme. An application will be made to the Stock Exchange for the listing of and permission to deal in the New Shares to be issued pursuant to the Scheme. It is expected that share certificates in respect of such New Shares will be posted at the risk of those entitled thereto on or before 5 February 2013 and dealings in such New Shares is expected to commence on 5 February 2013. In the unlikely event that the New Shares are not admitted to listing by the Stock Exchange before 5 February 2013, the Forms of Election will be void and the full cash dividend will be paid to the entitled Shareholders according to their registered shareholdings on the Record Date.

Condition of the Scheme

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

Recommendation and Advice

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

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