
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 Construction Holdings Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims 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 CONSTRUCTION HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

**GENERAL MANDATE TO ISSUE AND REPURCHASE
THE COMPANY'S SECURITIES
TERMINATION OF EXISTING SHARE OPTION SCHEME
ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF 2002 ANNUAL GENERAL MEETING**

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

A notice convening the 2002 Annual General Meeting of Chevalier Construction Holdings Limited to be held at 22nd Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong on Friday, 20th September, 2002 at 10:00 a.m. is set out on pages 16 to 18 of this circular.

Whether or not you are able to attend the 2002 Annual General Meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Standard Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the 2002 Annual General Meeting (or any adjournment thereof). Completion of a form of proxy will not preclude you from attending and voting at the 2002 Annual General Meeting (or any adjournment thereof) in person if you so wish.

30th July, 2002

LETTER FROM THE CHAIRMAN



CHEVALIER CONSTRUCTION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors

CHOW Yei Ching (*Chairman*)
KUOK Hoi Sang (*Vice Chairman*)
WONG Kie Ngok, Alexander
TAM Kwok Wing

Registered Office

Cedar House,
41 Cedar Avenue,
Hamilton, HM12,
Bermuda

Independent Non-Executive Directors

TING Hok Shou, Dennis O.B.E., J.P.
SUN Kai Dah, George

Principal Place of Business

22nd Floor,
Chevalier Commercial Centre,
8 Wang Hoi Road,
Kowloon Bay,
Hong Kong

30th July, 2002

To the shareholders of the Company

Dear Sir/Madam,

**GENERAL MANDATE TO ISSUE AND REPURCHASE
THE COMPANY'S SECURITIES
TERMINATION OF EXISTING SHARE OPTION SCHEME
ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF 2002 ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide shareholders of the Company (the "Shareholders") with all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the resolutions as mentioned herein and which, inter alia, will be dealt with at the annual general meeting of the Company to be held at 22nd Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong on Friday, 20th September, 2002 at 10:00 a.m. (the "2002 Annual General Meeting"). Set out on pages 16 to 18 of this circular is the notice convening the 2002 Annual General Meeting.

LETTER FROM THE CHAIRMAN

This circular contains the following information which are required to be sent to Shareholders under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”):

- (1) an explanatory statement in connection with the proposed resolution for the approval of the general mandate for the repurchase by the Company of its own shares of HK\$0.10 (“Shares”); and
- (2) a summary of the terms and conditions of the new share option scheme of the Company.

THE REPURCHASE PROPOSAL

The Company is allowed by its Memorandum of Association and Bye-laws and the Companies Act 1981 of Bermuda (as amended) to repurchase its own Shares. Its Bye-laws also allow it to provide financial assistance for the purpose of purchasing its own Shares.

Resolution 5 to be proposed at the 2002 Annual General Meeting (“Resolution 5”) relates to the granting of a general mandate to the Directors of the Company to repurchase, on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), Shares up to a maximum of 10 per cent of the issued share capital of the Company as at the date of the proposed resolution (the “Repurchase Proposal”).

The Shares to be purchased by the Company are fully paid-up. As at 22nd July, 2002, being the latest practicable date prior to the printing of this document (the “Latest Practicable Date”), there were 249,000,000 Shares in issue. Therefore, subject to the passing of the proposed Resolution 5 at the 2002 Annual General Meeting and on the assumption that no additional Shares will be issued and that prior to the date of the proposed resolution, no Shares will be repurchased by the Company, the Company would be allowed under the mandate to repurchase a maximum of 24,900,000 Shares.

The Directors of the Company believe that the Repurchase Proposal is in the interests of the Company and its shareholders. Trading conditions on the Stock Exchange have sometimes been volatile in recent years and there have been occasions when the Shares were trading at a substantial discount to their underlying net asset value. Repurchases of Shares may enhance the Company’s net asset value per Share and earnings per Share. In these circumstances, the ability of the Company to repurchase the Shares can be beneficial to those shareholders who retain their investment in the Company since their percentage interest in the assets of the Company would increase in proportion to the number of Shares repurchased by the Company. Furthermore, exercise of the mandate granted under the Repurchase Proposal by the Directors of the Company would increase the volume of trading in the Shares on the Stock Exchange.

The Directors of the Company do not expect there to be any material adverse impact on the working capital or gearing position of the Company, as compared with the position disclosed in the latest audited financial statements of the Company, for the year ended 31st March, 2002, as a result of repurchases made under the Repurchase Proposal even if the mandate is exercised in full. However, no purchase would be made in circumstances that would have a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the latest published audited financial statements) unless the Directors of the Company consider that such purchases would be in the best interests of the Company notwithstanding such material adverse impact.

LETTER FROM THE CHAIRMAN

FUNDING OF REPURCHASE

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Bye-laws and the Companies Act 1981 of Bermuda (as amended) which provide that Shares may be repurchased out of the profits of the Company and/or out of the proceeds of a fresh issue of Shares made for this purpose and/or even out of the capital paid up on the repurchased Shares.

DISCLOSURE OF INTERESTS

The Directors of the Company have undertaken to the Stock Exchange to exercise the power of the Company to make purchases pursuant to the proposed Resolution 5 in accordance with the Listing Rules and all applicable laws.

None of the Directors of the Company nor, to the best of their knowledge having made all reasonable enquiries, any of their associates presently intend to sell Shares to the Company under the Repurchase Proposal in the event that the Repurchase Proposal is approved by shareholders at the 2002 Annual General Meeting.

Meanwhile, the Company has not been notified by any connected persons of the Company that they have a present intention to sell any Shares, or that they have undertaken not to sell any Shares held by them to the Company, in the event that the Repurchase Proposal is approved by shareholders at the 2002 Annual General Meeting.

If as a result of any Share repurchase, a shareholder's proportionate interest in the voting capital of the Company increases, such an increase will be treated as an acquisition for the purposes of Code on Takeovers and Mergers (the "Takeovers Code") and, if such an increase results in a change of control, may in certain circumstances give rise to an obligation to make a general offer for Shares under Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Chevalier International Holdings Limited ("CIHL") together with its subsidiaries beneficially held 89,385,444 Shares in aggregate representing approximately 35.90 per cent of the total issued share capital of the Company and controls more than one third of the voting rights of the Company. In addition, Dr Chow Yei Ching, a Director of the Company and the controlling shareholder of CIHL, held 61,036,489 Shares representing approximately 24.51 per cent. in the issued share capital of the Company. Save as set out above, to the best knowledge and belief of the Directors of the Company, there is no other person who is beneficially interested in Shares representing 10 per cent or more of the issued share capital of the Company.

In the event that the Directors exercise in full the power to repurchase Shares which is proposed to be granted pursuant to Resolution 5, then (if the present shareholdings otherwise remain the same) the attributable shareholding of CIHL and Dr Chow Yei Ching, a party acting in concert with it, in the Company would increase to approximately 67.12 per cent of the issued share capital of the Company. The Directors of the Company consider that such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. Save as disclosed herein, the Directors of the Company currently are not aware of any consequences which will arise under the Takeovers Code as a result of any purchases made under the Repurchase Proposal

LETTER FROM THE CHAIRMAN

SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the previous twelve months prior to the Latest Practicable Date were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
July 2001	0.19	0.19
August 2001	0.12	0.095
September 2001	0.128	0.09
October 2001	0.126	0.11
November 2001	0.115	0.105
December 2001	0.118	0.108
January 2002	0.12	0.095
February 2002	0.135	0.082
March 2002	0.11	0.097
April 2002	0.14	0.09
May 2002	0.14	0.095
June 2002	0.118	0.10

REPURCHASE OF SHARES MADE BY THE COMPANY

The Company has not purchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

SHARE ISSUE MANDATE

Resolution 4 to be proposed at the 2002 Annual General Meeting (“Resolution 4”) relates to the granting of a general mandate which will empower the Directors to issue new Shares not exceeding 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of the resolution (including making and granting offers, agreements and options which would or might require Shares to be issued, allotted or disposed of) during the period up to the next annual general meeting of the Company, or at the expiration of the period within which the next annual general meeting of the Company is required by law to be held, or on revocation of Resolution 4 by an ordinary resolution of the Shareholders at general meeting, whichever is the earliest.

LETTER FROM THE CHAIRMAN

EXTENSION OF SHARE ISSUE MANDATE

Resolution 6 to be proposed at the 2002 Annual General Meeting (“Resolution 6”) relates to the extension of the 20 per cent. general mandate to be granted. Subject to the passing at the 2002 Annual General Meeting of Resolution 4, Resolution 5 and Resolution 6, the Directors will be given a general mandate to add all those number of Shares which may from time to time be purchased under the Repurchase Proposal to the 20 per cent. general mandate, thus, the limit of the share issue mandate would include, in addition to the 20 per cent. limit as aforesaid, the number of Shares purchased under the Repurchase Proposal.

TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME

The Stock Exchange announced certain amendments to Chapter 17 of the Listing Rules in relation to share option scheme on 23rd August, 2001, which came into effect on 1st September, 2001. The Company adopted a share option scheme on 28th December, 1995 (the “Existing Scheme”). The Existing Scheme will be expired on 27th December, 2005. As at the Latest Practicable Date, no options were outstanding and options granted which were cancelled amounted to 18,348,000 Shares. The Directors propose that the Existing Scheme be terminated and that a new share option scheme (the “New Scheme”) be adopted with rules in compliance with the revised Listing Rules to provide the directors and employees of, as well as advisers and consultants to, the Company and its subsidiaries with the opportunity to acquire proprietary interests in the Company, which will encourage the grantees of such options to work towards enhancing the value of and for the benefit of the Company. A summary of the principal terms of the New Scheme is set out in the Appendix to this letter.

The Shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company shall not exceed 10 per cent. of the Shares in issue on the adoption date. The limit as to the Options which may be granted under the New Scheme may be refreshed by way of Shareholders’ approval in general meeting, subject to a limit of 30 per cent. of the issued share capital of the Company from time to time in respect of all shares which may be issued under all option schemes of the Group. For the purpose of determining the limit of 30 per cent. of the issued share capital of the Company, shares issued pursuant to exercise of options granted under all share option schemes of the Company will be excluded. As at the Latest Practicable Date, there were 249,000,000 Shares in issue. Assuming there is no further allotment and issue of Shares and repurchase of Shares, upon the adoption of the New Scheme by the Shareholders in the 2002 Annual General Meeting, the Company may grant options (“Options”) entitling holders thereof to subscribe for 24,900,000 Shares (“Scheme Mandate Limit”). Resolution 7 to be proposed at the 2002 Annual General Meeting (“Resolution 7”) relates to the termination of the Existing Scheme and the adoption of the New Scheme.

Pursuant to the Listing Rules, the Directors are required to state the value of all Options that can be granted pursuant to the New Scheme as if they had been granted on the Latest Practicable Date in this circular. However, the Directors consider that it is not appropriate to state such value as a number of variables which are necessary for the calculation of the value of the Options have not been determined. Such variables include the subscription price, exercise period, any lock up period, any performance targets set and other relevant variables. The subscription price payable for the Shares to be issued on

LETTER FROM THE CHAIRMAN

exercise of Options depends on the price of the Shares as quoted on the Stock Exchange, which in turns depends on when Options are granted under the New Scheme. It is also difficult to ascertain with accuracy the subscription price of the Shares given the volatility the Share price may experience during the 10 year-life span of the New Scheme. The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to Shareholders. However, Shareholders should note that, in compliance with the Listing Rules, estimated valuations of Options granted during any financial period will be provided based on the Black-Scholes option pricing model, binomial model or a comparable generally accepted methodology in the Company's interim and final statements of its financial results.

The New Scheme is conditional on, inter alia,

- (a) approval by the Shareholders of the Company in the 2002 Annual General Meeting of the adoption of the New Scheme;
- (b) the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of the Options under the New Scheme, up to 10 per cent. of Shares in issue as at the date of the 2002 Annual General Meeting when the New Scheme is to be adopted; and
- (c) the Bermuda Monetary Authority granting consent in respect of the granting of options and the issue of shares upon exercise of options granted under the New Scheme, if so required.

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of the Options under the New Scheme.

THE 2002 ANNUAL GENERAL MEETING

The form of proxy for use at the 2002 Annual General Meeting is enclosed herein. Whether or not you are able to attend the meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Branch Share Registrars in Hong Kong, Standard Registrars Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible and in any event not later than forty-eight hours before the time appointed for holding the meeting or any adjourned meeting. Completion and delivery of the form of proxy will not prevent you from attending and voting at the 2002 Annual General Meeting if you so wish.

LETTER FROM THE CHAIRMAN

RECOMMENDATION

The Directors believe that the Repurchase Proposal, the adoption of the share issue mandate and the extension of the share issue mandate are in the best interests of the Company and its Shareholders and accordingly recommend all the Shareholders to vote in favour of Resolution 4, Resolution 5 and Resolution 6 at the 2002 Annual General Meeting.

The Directors also believe that the proposed termination of the Existing Scheme and the adoption of the New Scheme are in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of Resolution 7 at the 2002 Annual General Meeting.

DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the form of the New Scheme is available for inspection during normal business hours at the principal place of business of the Company up to and including the date of the 2002 Annual General Meeting.

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

Unless defined in the “Letter from the Chairman” in this circular, terms used in this appendix shall have the following meanings:

“Board”	means the board of Directors of the Company;
“business day”	means a day on which the Stock Exchange is generally open for business of dealing in securities;
“Date of Grant”	shall mean the date on which the Board decides to make an offer of Option to the prospective Participant which must be a business day;
“Grantee”	means a Participant who has been granted an Option under the New Scheme;
“Group”	means the Company and its subsidiaries;
“Individual Limit”	shall have the meaning as set out in paragraph 8;
“Option Period”	shall have the meaning as set out in paragraph 9;
“Participant”	shall have the meaning as set out in paragraph 3;
“Scheme Limit”	shall have the meaning as set out in paragraph 7;
“Scheme Mandate Limit”	shall have the meaning as set out in paragraph 7; and
“Subscription Price”	shall have the meaning as set out in paragraph 12.

The following is a summary of the salient features of the New Scheme:

1. The purpose of the New Scheme is to provide Participants with the opportunity to acquire ownership interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and the Shareholders as a whole.
2. The New Scheme is to be administered by the Board, and the decisions of the Board shall be final and binding on all parties. The Board shall have the right to (i) interpret and construe the provisions of the New Scheme; (ii) determine the persons who will be offered Options under the New Scheme and the number of Shares and the Subscription Price, subject to paragraph 12 below in relation to such Options; (iii) subject to paragraph 21, make such appropriate and equitable adjustments to the terms of the Options granted under the New Scheme as it deems necessary; and (iv) make such other decisions or determinations as it shall deem appropriate in the administration of the New Scheme. The Board shall have the power to delegate its powers to the managing director of the Company or any committee established by the Board from time to time to grant Options to Participants and to determine the Subscription Price and other terms (if any) of such grant including, but without limitation, the minimum period for which an Option must be held and the minimum performance targets (if any) which must be reached before an Option can be exercised in whole or in part.

3. The Participants of the New Scheme include:
- (i) any full-time employee of the Company or of any subsidiary;
 - (ii) directors (including non-executive directors and independent non-executive directors) of the Company or of any subsidiary;
 - (iii) part time employees with weekly work hours of 15 hours or above of the Company or of any subsidiary; and
 - (iv) advisors and consultants to the Company or to any subsidiary in the areas of technical, financial or corporate managerial who, at the sole determination of the Board, have contributed to the Group (the assessment criteria of which are (i) contribution to the development and performance of the Group; (ii) quality of work performed for the Group; (iii) initiative and commitment in performing his/her duties; and (iv) length of service or contribution to the Group).
4. The Board is entitled at any time within ten years after the adoption date to make an offer to any Participant in its absolute discretion to take up an Option, pursuant to which such Participant may subscribe for such number of Shares as the Board may determine at the Subscription Price. The date on which an offer is made to a Participant shall be the Date of Grant for the purpose of the New Scheme and shall be a business day.
5. Each grant of Options to any director, chief executive or substantial shareholder of the Company shall be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the proposed grantee of the Options). Where any grant of Options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- (a) representing in aggregate over 0.1 per cent. of the Shares in issue (or such other percentage as may be from time to time be specified by the Stock Exchange); and
 - (b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange at the date of each grant, in excess of HK\$5 million (or such other amount as may be from time to time be specified by the Stock Exchange),

such further grant of Options must be approved (voting by way of poll) by the shareholders of the Company. All connected persons (as defined in the Listing Rules) of the Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular containing the requirements under Chapter 17 of the Listing Rules to be sent to the Shareholders for the relevant resolution.

6. The New Scheme will prohibit the making of any offer or the granting of any Option at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law.
7. The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and all other share option schemes of the Company must not exceed 30 per cent. of the Shares in issue from time to time ("Scheme Limit"). No options will be granted under the New Scheme at any time if such grant will result in the Scheme Limit being exceeded. In determining the Scheme Limit, the following Shares are to be excluded from the calculation of the number of Shares in issue:
 - (a) Shares issued pursuant to the New Scheme and all other share option schemes; and
 - (b) any pro rata entitlements to subscribe for further Shares pursuant to the issue of Shares mentioned in (a) above.

The total number of Shares which may be issued upon exercise of all Options to be granted under the New Scheme and all other share option schemes of the Company shall not in aggregate exceed 10 per cent. of the Shares in issue on the adoption date of the New Scheme (the "Scheme Mandate Limit"), subject to refresher of the Scheme Mandate Limit as referred to below. Options lapsed in accordance with the terms of the New Scheme or any other share option scheme of the Company shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may refresh the Scheme Mandate Limit at any time subject to prior Shareholders' approval in general meeting. However, the Scheme Mandate Limit as refreshed must not exceed 10 per cent. of the Shares in issue as at the date of the aforesaid Shareholders' approval. Options previously granted under the New Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with their respective terms or exercised) will not be counted for the purpose of calculating the limit as refreshed. A circular with relevant information as required under the Listing Rules must be sent to Shareholders in connection with the meeting at which their approval will be sought.

The Company may seek separate shareholders' approval in general meeting for granting Options beyond the Scheme Mandate Limit provided the Options in excess of the Scheme Mandate Limit are granted only to Participants specifically identified by the Company before such approval is sought. A circular with relevant information as required under the Listing Rules must be sent to Shareholders containing, amongst others, a generic description of the identified Participants, the number and terms of the Options to be granted, the purpose of granting Options to the identified Participants, and any explanations as to how the terms of these Options serve such purpose.

The maximum number of Shares referred to in this paragraph 7 and in paragraph 8 below shall be adjusted, in such manner as the auditors of the Company shall certify to be appropriate, fair and reasonable and that the requirements set out in the Note to the Listing Rule 17.03(13) are satisfied in the event of any alteration in the capital structure of the Company in accordance with paragraph 16 below whether by way of capitalisation of profits or reserves, rights issue, sub-division or consolidation of shares or reduction of the capital of the Company.

8. The total number of Shares issued and to be issued upon exercise of the Options granted to any Grantee (including both exercised and outstanding Options) in any 12-month period must not exceed 1 per cent. of the Shares in issue (the "Individual Limit"). Any further grant of Options in excess of the Individual Limit must be subject to separate Shareholders' approval in general meeting with such Grantee and his associates (as such term is defined in the Listing Rules) abstaining from voting. A circular with relevant information as required under the Listing Rules must be sent to the Shareholders disclosing, amongst others, the identity of the Grantee and the number and terms of the Options granted and proposed to be granted. The number and terms (including the Subscription Price) of Options to be granted to such Grantee must be fixed before Shareholders' approval is sought and the date of the Board meeting for proposing such further grant should be taken as the Date of Grant for the purpose of calculating the Subscription Price.
9. The option period (the "Option Period") of a particular Option is the period during which the Option can be exercised, such period to be notified by the Board to each Grantee at the time of making an offer, and in any event such period of time shall not expire later than ten years from the Date of Grant.
10. Subject to the terms of the New Scheme, the Board shall be entitled at any time within a period of ten years commencing on the adoption date, to make an Offer to any Participant, as the Board may in its absolute discretion select, to take up an Option pursuant to which such Participant may, during the Option Period, subscribe for such number of Shares as the Board may determine, at the Subscription Price. The New Scheme does not set out the minimum period for which an Option must be held and the minimum performance targets that must be reached before the Option can be exercised in whole or in part. The Offer shall specify the terms on which the Option is to be granted. Such terms may include (i) minimum periods for which an Option must be held; and/or (ii) minimum performance targets that must be reached before the Option can be exercised in whole or in part; and/or (iii) such other terms as may be imposed at the discretion of the Board either on a case-by-case basis or generally.

11. An Offer shall be deemed to have been accepted and the Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the Offer duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company within 30 days from the date on which the letter containing the Offer is delivered to the Participant. Such remittance shall not be refundable in any circumstances.
12. The initial Subscription Price shall be such price determined by the Board in its absolute discretion and notified to the Participant in the Offer and shall be no less than the highest of:
 - (a) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the Date of Grant;
 - (b) the average closing price of a Share as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the Date of Grant; and
 - (c) the nominal value of a Share on the Date of Grant.
13. The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Bye-laws of the Company and the applicable laws in Bermuda and Hong Kong for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date when the name of Grantee is registered in the register of members of the Company. Prior to the Grantee being registered on the register of members of the Company, the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions or any rights arising on a liquidation of the Company, in respect of the Shares to be issued upon the exercise of the Option.
14. Subject to the provisions of the rules of the New Scheme, the New Scheme shall be valid and effective for a period of ten years commencing on the adoption date. After the expiry of the ten-year period, no further Options shall be offered or granted but in all other respects the provisions of the New Scheme shall remain in full force and effect. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the New Scheme shall continue to be exercisable in accordance with their terms of issue after the end of the ten-year period.

15. An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the option period as stipulated in the offer letter;
- (ii) the expiry of the periods referred to below:-
 - (a) in the event of a Grantee cease to be a Participant (being an employee or an executive director) for any reason other than on his death or the termination of employment on one or more of the grounds specified in sub-paragraph (b) below and paragraph (v) below, the date of cessation of employment, unless the board of directors of the Company otherwise determine;
 - (b) in the event of a Grantee ceases to be Participant (being an employee or an executive director) upon the termination on the part of the Company or the relevant subsidiary (not for any grounds specified in paragraph (v) below), one month after the date of cessation of his employment (or such date as may be determined by the Board);

“date of cessation of employment” shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not;
 - (c) in the event a Grantee dies before exercising the option in full and none of the events which would be a ground for termination of his employment under paragraph (v) arises, 12 months from the date of death, or such longer period as the Board may determine;
 - (d) in the event of a Grantee (being a non-executive director or an independent non-executive director) ceasing to be a Participant, 12 months from the date of his retirement or resignation, or such longer period as the Board may determine;
 - (e) in the event of a corporate Grantee, upon the date of commencement of winding up of the Grantee;
- (iii) subject to the court of competent jurisdiction not making an order prohibiting the offeror to acquire the remaining Shares in an general offer, the expiry of the period of 30 days after the date on which the offer becomes or is declared unconditional;

- (iv) subject to a general offer by way of scheme of arrangement becoming effective, the expiry of the period specified by the Company in a notice to the holders of Options;
 - (v) the date on which the Grantee (being an employee or an executive director) ceases to be a Participant by reason of the termination of his employment on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other grounds on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant subsidiary;
 - (vi) the date on which the Grantee (being a non-executive director or an independent non-executive director) has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) on any other grounds at common law or pursuant to any applicable laws that the Grantee becomes no longer suitable to remain as a Director of the Company;
 - (vii) subject to a compromise or arrangement between the Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of the Company becoming effective, two business days prior to the proposed meeting whereby the proposed compromise or arrangement is approved;
 - (viii) the date of the commencement of the winding-up of the Company;
 - (ix) the date on which the Grantee commits a breach of paragraph 20 below; and
 - (x) notwithstanding any terms of the New Scheme, the date on which the Participant ceases to be employed by the Company or any subsidiary if such date occurs during the twelve-month period following the commencement date of the Option granted.
16. In the event of any capitalisation issue, rights issue, sub-division or consolidation of Shares or reduction of capital of the Company while any option granted remains exercisable, such corresponding adjustment (if any) may be made to (a) the number of Shares subject to any option so far as such option remains unexercised and subject to the New Scheme and/or (b) the Subscription Price, provided that any such adjustment shall be made on the basis that the Grantee shall have as nearly as possible the same proportion of the equity capital of the Company as that to which he was entitled before such alteration in the capital structure and the aggregate Subscription Price payable by the Grantee on the full exercise of any option shall remain as nearly as possible the same as (but not greater than) it was before such event.

The auditors for the time being of the Company shall certify in writing any adjustment made is in their opinion fair and reasonable.

No such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The Subscription Price so adjusted shall be rounded up to the nearest integral and cent respectively.

17. Any Options granted but not exercised may be cancelled if the Grantee so agrees and new Options may be granted to the Grantee under the New Scheme with available unissued Options (excluding the cancelled Options) provided such new Options fall within the limits prescribed by paragraph 7 and otherwise comply with the terms of the New Scheme.
18. The Shares issued on exercise of the Options will on issue be identical to the then existing issued Shares of the Company.
19. The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the New Scheme and in such event no further Options will be offered or granted but in all other respects the provisions of the New Scheme shall remain in full force and effect. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the New Scheme and remain unexpired immediately prior to the termination of the operation of the New Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the New Scheme.
20. An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Option. Any breach of the foregoing shall lead to automatic lapse of any outstanding Option or part thereof granted to such Grantee without incurring any liability on the part of the Company.
21. The New Scheme may be altered in any respect by resolution of the Board except those specific provisions of the New Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules (namely the definitions of “Option Period”, “Participant” and “Grantee” and the provisions in the rules of the New Scheme as set out in paragraphs 1, 3, 7 to 20 and this paragraph in this Appendix), cannot be altered to the advantage of the Participants and no changes to the authority of the Directors or administrator of the New Scheme in relation to any alteration of the terms of the New Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the New Scheme which are of a material nature, or any change to the terms of Options granted, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the terms of the New Scheme. The New Scheme so altered must comply with Chapter 17 of the Listing Rules.

NOTICE OF 2002 ANNUAL GENERAL MEETING



CHEVALIER CONSTRUCTION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of the Company will be held at 22nd Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong on Friday, 20th September, 2002 at 10:00 a.m. for the following purposes:

As Ordinary Business

1. To receive and consider the audited financial statements and the Reports of the Directors and Auditors for the year ended 31st March, 2002.
2. To re-elect retiring Directors and authorize the Board of Directors to fix their remuneration.
3. To re-appoint Auditors and authorize the Board of Directors to fix their remuneration.

And As Special Business, to consider and, if thought fit, pass with or without modification the following resolutions as Ordinary Resolutions:

4. **“THAT:**
 - (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) the exercise of subscription rights under any share option scheme of the Company or (iii) an issue of shares as scrip dividends pursuant to the Bye-laws of the Company from time to time shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and

NOTICE OF 2002 ANNUAL GENERAL MEETING

- (d) for the purposes of this Resolution and the Resolution 5:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable law of Bermuda to be held; and
- (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in General Meeting.

“Rights Issue” means the allotment, issue or grant of shares pursuant to an offer (open for a period fixed by the Directors of the Company) made to shareholders or any class thereof on the Register of Members of the Company on a fixed record date pro rata to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements of having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

5. **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period all powers of the Company to repurchase its shares in the capital of the Company, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time, be and is hereby generally and unconditionally approved; and
- (b) the aggregate nominal amount of shares to be purchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company on the date of passing this Resolution and the authority pursuant to paragraph (a) above shall be limited accordingly.”

NOTICE OF 2002 ANNUAL GENERAL MEETING

6. **“THAT** the general mandate granted to the Directors of the Company to allot, issue and deal with additional shares pursuant to Resolution 4 be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted pursuant to such general mandate the aggregate nominal amount of share in the capital of the Company, repurchased by the Company under the authority granted pursuant to Ordinary Resolution as set out in Resolution 5, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of this Resolution.”
7. **“THAT** conditional on (i) the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of and permission to deal in the shares which may be issued pursuant to the exercise of the options under the New Scheme (as defined below) of up to 10 per cent. of the total issued share capital of the Company as at the date of this Resolution; and (ii) the Bermuda Monetary Authority granting consent in respect of the granting of options and the issue of shares upon exercise of options granted under the New Scheme, if so required:-
- (a) the operation of the existing share option scheme adopted by the Company on 28th December, 1995 be and is hereby terminated. No further options may be offered or granted under such scheme save that in all other respects the provisions of such scheme shall remain in full force and effect and all options granted prior to the termination shall continue to be valid and exercisable in accordance with the terms of the scheme; and
 - (b) the share option scheme of the Company (the “New Scheme”, a copy of the rules of such scheme has been produced to this Meeting marked ‘A’ and initialled by the Chairman for the purpose of identification) be and is hereby approved AND THAT the Directors of the Company be and are hereby authorised, at their absolute discretion, to grant options and to allot and issue shares pursuant to the exercise of subscription rights attaching to any options not exceeding 10 per cent. of the aggregate amount of the issued share capital of the Company at the date of this Resolution.”

By Order of the Board
KAN Ka Hon
Company Secretary

Hong Kong, 30th July, 2002

Notes:

- (a) *A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, to vote in his stead. A proxy need not be a member of the Company.*
- (b) *In order to be valid, a form of proxy, together with the power of attorney or other authority (if any), must be deposited at the Company's Branch Share Registrars in Hong Kong, STANDARD REGISTRARS LIMITED of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting.*