
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 enclosed proxy 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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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, HM 12,
Bermuda

Independent Non-Executive Directors

SUN Kai Dah, George
Du Shue Chu

Principal Place of Business

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

31st July, 2003

To the Shareholders

Dear Sir/Madam,

GENERAL MANDATES TO ISSUE AND REPURCHASE THE COMPANY'S SECURITIES

INTRODUCTION

The purpose of this circular is to provide 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 Wednesday, 3rd September, 2003 at 10:00 a.m. ("the 2003 Annual General Meeting").

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 ordinary shares of HK\$0.1 each in the share capital of the Company ("the Share(s)"). 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 2003 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 23rd July, 2003, being the latest practicable date prior to the printing of this circular (“the Latest Practicable Date”), there were 249,000,000 Shares in issue. Therefore, subject to the passing of the proposed Resolution 5 at the 2003 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 Share 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 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 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 trading volume of 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, 2003, 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.

FUNDING OF REPURCHASES

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 repurchases pursuant to the proposed Resolution 5 in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (“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 2003 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 2003 Annual General Meeting.

If, on the exercise of the powers granted under the Repurchase Proposal, a shareholder’s proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of rule 32 of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (“the Takeovers Code”). As a result, a shareholder or a group of shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of such increase, may obtain or consolidate control of the Company and thereby obliged to make a mandatory general offer in accordance with rule 26 of the Takeovers Code.

As at the Latest Practicable Date and insofar the Directors of the Company are aware of, the substantial shareholders of the Company are as follows:

Name of Substantial Shareholder	Number of Shares held	% of Issued Share Capital	
		at present	if power is exercised in full to repurchase Shares
CHOW Yei Ching (Notes 1 and 3)	150,421,933	60.41%	67.12%
MIYAKAWA Michiko (Note 2)	150,421,933	60.41%	67.12%
Chevalier International Holdings Limited ("CIHL") (Note 3)	89,385,444	35.90%	39.89%
Chevalier (HK) Limited ("CHK") (Note 3)	16,736,674	6.72%	7.47%
Firstland Company Limited ("Firstland") (Note 3)	16,736,674	6.72%	7.47%

Notes:—

- These shares are held by Dr Chow Yei Ching as (i) personal interest of 61,036,489, (ii) corporate interest of 89,385,444 in which Dr Chow is deemed to be interested in (ii) under the Securities and Futures Ordinance ("the SFO").
- These shares are held by Dr Chow. The entire share capital of which is in turn held by his wife, Ms Miyakawa Michiko as deemed family interests under Part XV of the SFO, considered to be substantial shareholder of the Company.
- These shares of 16,736,674 are held by Firstland, a company incorporated in Hong Kong and a wholly-owned subsidiary of CHK. CHK is a company incorporated in Hong Kong and a wholly-owned subsidiary of CIHL. CIHL is a company incorporated in Bermuda. The entire share capital of which is in turn wholly-owned by CHK, CIHL and Dr Chow held by reason of their deemed indirect interests in 16,736,674 shares under Part XV of the SFO.

In the event that the Directors of the Company shall exercise in full such powers under the Repurchase Proposal and on the basis that there is no other change in the then issued share capital of the Company, the interest of the above substantial shareholders would be increased to approximately the percentage shown in the last column above. 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.

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 were as follows:

	Highest HK\$	Lowest HK\$
July 2002	0.100	0.080
August 2002	0.100	0.061
September 2002	0.134	0.058
October 2002	0.073	0.070
November 2002	0.062	0.052
December 2002	0.075	0.075
January 2003	0.142	0.080
February 2003	0.120	0.098
March 2003	#	#
April 2003	0.080	0.045
May 2003	0.124	0.090
June 2003	0.118	0.055

No Shares were traded for the month

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 2003 Annual General Meeting (“Resolution 4”) relates to the granting of a general mandate which will empower the Directors of the Company 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.

EXTENSION OF SHARE ISSUE MANDATE

Resolution 6 to be proposed at the 2003 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 2003 Annual General Meeting of Resolution 4, Resolution 5 and Resolution 6, the Directors of the Company 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 repurchased under the Repurchase Proposal.

THE 2003 ANNUAL GENERAL MEETING

The form of proxy for use at the 2003 Annual General Meeting is enclosed in the Annual Report 2002-2003 of the Company being sent to shareholders together with this circular. 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 G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the 2003 Annual General Meeting should you so wish.

RECOMMENDATION

The Directors of the Company 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 shareholders to vote in favour of the relevant resolutions to be proposed at the 2003 Annual General Meeting.

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