
IMPORTANT

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KEE SHING (HOLDINGS) LIMITED

(Incorporated in Hong Kong with Limited Liability)

Executive Directors:

Leung Shu Wing (*Chairman*)
Leung Miu King
Wong Chi Kin
Wong Choi Ying

Registered Office:

3rd Floor, Kee Shing Centre,
74-76 Kimberley Road,
Tsimshatsui,
Kowloon.

Non-Executive Directors:

Yuen Tin Fan, Francis
Kwan Hing Hin, Stephen
Tang Sai Kwan, Pipride (*resigned on 15th February, 2001*)

Independent Non-Executive Directors:

Leung Ding Bong, Ronald
Wong Kong Chi

17th April, 2002

To the Shareholders,

Dear Sir or Madam,

GENERAL MANDATE TO REPURCHASE ITS OWN SHARES

Introduction

This circular serves as the explanatory statement required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") concerning the regulation of purchases by companies of their own securities on the Stock Exchange to provide Shareholders with all the information reasonably necessary for them to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own shares.

General Mandate to Repurchase Shares

At the 2002 Annual General Meeting of the Company to be held on Thursday, 23rd May, 2002, an ordinary resolution will be proposed to renew the granting to the Directors of a general mandate, in the terms set out in the notice of Annual General Meeting (the “Buyback Mandate”), allowing the Company to repurchase its own shares up to a limit of 10 per cent in aggregate of the Company’s issued share capital at the date of passing the resolution during the period ending on the earliest of the date of the next Annual General Meeting, the day by which the next Annual General Meeting of the Company is required to be held by law and the date upon which such authority is revoked or varied. This will allow the Company to repurchase its own shares, inter alia, on-market in accordance with Stock Exchange’s rules.

Share Capital

As at 17th April, 2002, the issued shares capital of the Company comprised 445,500,000 ordinary shares of HK\$0.05 each.

Exercise in full of the Buyback Mandate, on the basis that no further shares are issued or repurchased prior to 23rd May, 2002, being the date of the 2001 Annual General Meeting, could accordingly result in up to 44,550,000 shares being repurchased by the Company during the course of the period from 23rd May, 2002 to the earliest of (i) the date of the 2003 Annual General Meeting, (ii) the date by which the next Annual General Meeting of the Company is required to be held by law and (iii) the date upon which such authority is revoked or varied.

Concerning Ordinary Resolution numbered 5, the Directors wish to state that they have no immediate plans to repurchase shares of the Company. Approval is being sought from the shareholders as a general mandate for the purposes of Section 57B of the Companies Ordinance and the Listing Rules only.

Reasons for Repurchases

The Directors believe that it is in the best interests of the Company and its Shareholders to seek a general authority from Shareholders to enable the Directors to purchase shares of the Company in the market. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per share and will only be made when the Directors believe that such a purchase will benefit the Company and its Shareholders.

Funding of Repurchases

Pursuant to the Buyback Mandate, repurchases would be funded entirely from the Company’s available cash flow or working capital facilities derived from the distributable profits of the Company which would otherwise be available for dividend or other distributions which will be funds legally available for the purpose in accordance with the Company’s Memorandum and Articles of Association and the Companies Ordinance.

On the basis of the consolidated financial position of the Company as at 31st December, 2001 (being the date to which the latest published financial statements of the Company have been made up), the Directors consider that the exercise in full of the Buyback Mandate to repurchase shares might have a

material adverse impact on the working capital position or gearing position of the Company as compared with its position as at 31st December, 2001. No purchase would be made in circumstances that might 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 considered that such purchase will benefit the Company and its Shareholders in the sense of enhanced net asset value and improved earnings per share.

Share Prices

There is no repurchase of share in the previous six months by the Company.

The highest and lowest prices at which the shares have traded on the Stock Exchange in each of the previous twelve months were as follows:

	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
April 2001	0.76	0.76
May 2001	0.70	0.62
June 2001	–	–
July 2001	–	–
August 2001	–	–
September 2001	0.58	0.40
October 2001	–	–
November 2001	0.50	0.46
December 2001	0.44	0.42
January 2002	0.44	0.44
February 2002	0.44	0.44
March 2002	0.45	0.44

General

If as a result of a share repurchase, a shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers ("Code") and if, such 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 Code.

As at 17th April, 2002, being the latest practicable date prior to printing of this document, to the best of the knowledge and belief of the Directors, Mr. Leung Shu Wing holding 41.46% of the issued share capital of the Company, is the controlling shareholder of the Company. In the event that the Directors should exercise in full the power to repurchase shares which is proposed to be granted pursuant to the resolution, the shareholding of Mr. Leung Shu Wing would be increased to approximately 46.06% of the issued share capital of the Company. Such an increase would not result in the aggregate amount of the share capital of the Company in public hand be reduced to less than 25%. The Directors consider that such an increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Code.

None of the Directors nor, to the best of their knowledge and having made all reasonable enquiries, their associates have any present intention if the Buyback Mandate is approved are exercised to sell any shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that they will exercise the Buyback Mandate in accordance with the rules of the Stock Exchange and the applicable laws of Hong Kong, the jurisdiction in which the Company is incorporated, and in accordance with the regulations set out in the Memorandum and Articles of Association of the Company.

No other connected persons (as defined in the Stock Exchange's Listing Rules) have notified the Company that they have a present intention to sell shares to the Company, or have undertaken not in do so, if the Buyback Mandate is approved and exercised.

Recommendation

The Directors recommend the proposals to all Shareholders for their favourable consideration and urge them to vote in favour of the resolution set out in the notice of Annual General Meeting as they intend to do themselves in respect of their own holdings.

Yours faithfully,

Leung Shu Wing

Chairman