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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** all your shares in Lei Shing Hong Limited you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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## **LEI SHING HONG LIMITED**

*(Incorporated in Hong Kong under the Companies Ordinance)*

### **GENERAL MANDATES TO REPURCHASE SHARES AND WARRANTS AND TO ISSUE SHARES**

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A notice convening the 2002 Annual General Meeting of Lei Shing Hong Limited to be held at Charter II, Function Room Level, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on 27 May 2002 at 10:00 a.m. is contained in the 2001 annual report of the Company. Shareholders are advised to read the notice and to complete and return the form of proxy enclosed with the 2001 annual report of the Company as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the meeting.

18 April 2002

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## LETTER FROM THE MANAGING DIRECTOR

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### LEI SHING HONG LIMITED

*(Incorporated in Hong Kong under the Companies Ordinance)*

*Directors:*

Gan Khian Seng (*Managing Director*)

Yong Foo San, J P

Volker Josef Eckehard Harms

Lau Chor Lok

Lau Kwok Kee

Lim Mooi Ying Marianne

Fung Ka Pun\*

Tan Ghee Kiat\*

Christopher Patrick Langley\*

*Registered Office:*

8/F New World Tower I

18 Queen's Road Central

Hong Kong

*\* Independent Non-Executive Directors*

18 April 2002

To the shareholders of Lei Shing Hong Limited

Dear Sir or Madam,

### **GENERAL MANDATES TO REPURCHASE SHARES AND WARRANTS AND TO ISSUE SHARES**

#### **INTRODUCTION**

Pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Companies Ordinance, listed companies incorporated in Hong Kong may in certain circumstances, if authorised by their Articles of Association, purchase their own shares.

On 28 May 2001, general mandates were given by the Company to the Board of Directors to exercise the powers of the Company to repurchase shares of HK\$1.00 each ("Shares") and Warrants ("Warrants") of the Company and to issue new shares. Under the Hong Kong Companies Ordinance and the Listing Rules, these general mandates will lapse at the conclusion of the forthcoming annual general meeting of the Company. Ordinary resolutions will therefore be proposed at the forthcoming annual general meeting of the Company to be held on 27 May 2002 (the "Annual General Meeting") for the grant of these mandates.

The purpose of this circular is to provide you with information regarding the proposed general mandates to repurchase Shares and Warrants and to issue such Shares.

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## LETTER FROM THE MANAGING DIRECTOR

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### GENERAL MANDATE TO REPURCHASE SHARES AND WARRANTS

The ordinary resolution set out in item 6B of the notice of the Annual General Meeting if passed, will give the Directors a general and unconditional mandate to exercise the powers of the Company to repurchase Shares and Warrants at any time until the next annual general meeting of the Company following the passing of the ordinary resolution or such earlier period as stated in the ordinary resolution up to a maximum of: (i) in the case of Shares, 10 per cent of the aggregate nominal amount of the issued share capital of the Company; and (ii) in the case of Warrants, 10 per cent of the Warrants which are in issue, at the date of passing the resolution (the “Repurchase Mandate”).

An explanatory statement as required under the Listing Rules to provide the requisite information regarding the Repurchase Mandate is set out in the appendix to this circular.

### GENERAL MANDATE TO ISSUE SHARES

At the Annual General Meeting, ordinary resolutions set out in item 6A and 6C of the notice of the Annual General Meeting will be proposed which, if passed, will give the Directors a general mandate to issue new Shares representing up to the sum of (i) 20 per cent of the aggregate nominal amount of the issued share capital of the Company at the date of passing the resolution plus (ii) the number of Shares repurchased by the Company subsequent to the passing of such resolution (the “Issue Mandate”).

### RECOMMENDATION

The notice of the Annual General Meeting, which contains, inter alia, ordinary resolutions to approve the Repurchase Mandate and the Issue Mandate, is set out in the 2001 annual report of the Company which have been despatched to the shareholders on 26 April 2002. There is enclosed a form of proxy for use at the Annual General Meeting. You are requested to complete the form of proxy and return it to the registered office of the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the meeting, whether or not you intend to be present at the meeting. The completion and return of the form of proxy will not prevent you from attending and voting in person at the Annual General Meeting should you so wish.

The Directors consider that the grant of the Repurchase Mandate and the Issue Mandate are in the interests of the Company and its shareholders as a whole and accordingly recommend shareholders to vote in favour of the ordinary resolutions to be proposed at the Annual General Meeting to approve the Repurchase Mandate and the Issue Mandate.

Yours faithfully,  
**Gan Khian Seng**  
*Managing Director*

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the Repurchase Mandate and also constitutes the memorandum as required under Section 49BA(3) of the Hong Kong Companies Ordinance.

## **1. Listing Rules**

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange or on any other stock exchange recognised for the purpose by the Securities and Futures Commission and the Stock Exchange under the Hong Kong Code on Share Repurchases subject to certain restrictions, the most important of which are summarised below:

### **(a) Shareholders' Approval**

The Listing Rules provide that all on-market share repurchases by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a general mandate or by specific approval in relation to specific transactions, which complies with the provisions of rule 10.06(1)(c) and which has been passed at a general meeting of the company duly convened and held and the company has delivered a copy of such resolution, together with the necessary supporting documentation, to the Stock Exchange in accordance with rule 10.06 (1)(d).

### **(b) Trading Restrictions**

The shares to be repurchased by such company must be fully-paid up.

## **2. Share Capital**

As at 18 April 2002, being the latest practicable date for ascertaining certain information in this circular (the "Latest Practicable Date"), the issued share capital of the Company is comprised of 951,168,500 Shares and the number of Warrants in issue is 190,229,500 Warrants. On the basis that no further Shares and/or Warrants are issued prior to the Annual General Meeting, the Directors would be authorised under the Repurchase Mandate to repurchase a maximum of 95,168,500 Shares and 19,022,950 Warrants.

## **3. Reasons for Repurchases**

Repurchases of Shares and/or Warrants will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and its assets and/or its earnings per share.

#### **4. Funding of Repurchases**

Repurchase of Shares and/or Warrants would be funded entirely from the Company's available cash flow or working capital facilities which will be funds legally available for the purpose and in accordance with the Hong Kong Companies Ordinance and the Memorandum and Articles of Association of the Company.

The Hong Kong Companies Ordinance provides that the amount of capital repaid in connection with a share repurchase may only be paid from the distributable profits of the company or from the proceeds of a new issue of shares made for the purpose. The Hong Kong Companies Ordinance further provides that the amount of premium payable on repurchase may only be paid out of the distributable profits of the company. Where the repurchased shares were issued at a premium, any premium payable on repurchase may be paid out of the proceeds of a fresh issue of shares made for the purposes of the share repurchase up to certain limits specified by the Hong Kong Companies Ordinance.

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31 December 2001) in the event that the Repurchase Mandate was to be exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. Trading Prices

The highest and lowest prices at which the Shares and Warrants were traded on the Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:

Shares

	Highest HK\$	Lowest HK\$
2001		
April	—	—
May	—	—
June	2.5	2.4
July	2.55	2.3
August	3.4	2.7
September	3.55	3.3
October	3.3	3.3
November	—	—
December	4.15	3.2
2002		
January	4.1	4.1
February	—	—
March	4.175	4.1

**Warrants**

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2001</b>		
June	—	—
July	—	—
August	—	—
September	—	—
October	—	—
November	—	—
December	—	—
<b>2002</b>		
January	—	—
February	—	—
March	—	—

*Note:*

The Warrants of the Company commenced trading from 22 June 2001 and hence no trading prices for April 2001 and May 2001.

**6. General**

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and the Hong Kong Companies Ordinance.

If as a result of a share repurchase, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Hong Kong Code on Takeovers and Mergers (the "Takeover Code"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code.

As at the Latest Practicable Date, Victon Investment Limited holds 235,282,761 Shares representing 24.7% of the issued share capital of the Company and Amerdale Investments Limited holds 170,062,075 Shares representing 17.9% thereof. To the best of the knowledge and belief of the Company, Victon Investment Limited and Amerdale Investments Limited are

the only two shareholders beneficially interested in Shares representing 10% or more of the issued share capital of the Company. Based on these shareholdings and in the event the Directors exercised in full the power to repurchase Shares under the Repurchase Mandate, the shareholding of Victon Investment Limited and Amerdale Investments Limited shall be increased to 27.5% and 19.9% respectively of the issued share capital of the Company. The Directors believe that such an increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeover Code as a result of any purchases under the Repurchase Mandate. The public shareholding will not be reduced to less than 25% even if the Directors have exercised in full the power to repurchase Shares under the Repurchase Mandate.

The Directors have no intention to exercise the power of the Company to repurchase any existing Shares which could trigger any provision under the Takeover Code. None of the shareholders hold any controlling interest in the shares of the Company which may trigger the Takeover Code in the event the Repurchase Mandate is exercised.

None of the Directors nor, to the best of the knowledge of the Directors having made all reasonable enquiries, their associates has any present intention to sell any Shares and/or Warrants to the Company under the Repurchase Mandate if such Repurchase Mandate is approved by the shareholders.

No other connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares and/or Warrants to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the shareholders.

## **7. Repurchase made by the Company**

The Company had not purchased any of its Shares and/or Warrants on the Exchange in the six months preceding the date of this circular.