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If you have sold or transferred all your securities in The Kwong Sang Hong International Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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THE KWONG SANG HONG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 189)

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

AND

AMENDMENTS TO THE BYE-LAWS

A notice of the Annual General Meeting to be held at the Gloucester Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Friday, 23rd April, 2004 at 10:00 a.m. is set out in the 2003 annual report of the Company. A form of proxy for use by the Shareholders at the Annual General Meeting is enclosed with the 2003 annual report of the Company which has been despatched to the Shareholders together with this circular. Whether or not you intend to attend and vote at the Annual General Meeting in person, you are requested to complete the form of proxy enclosed with the 2003 annual report of the Company in accordance with the instructions printed thereon and return it to the Company's principal office in Hong Kong at 26th Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the Annual General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting should you so wish.

23rd March, 2004

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

“Annual General Meeting”	the annual general meeting of the Company to be held at the Gloucester Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Friday, 23rd April, 2004 at 10:00 a.m. or at any adjournment thereof
“associate”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company
“Company”	The Kwong Sang Hong International Limited, a company incorporated in Bermuda with limited liability, and the securities of which are listed on the main board of the Stock Exchange
“connected persons”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Latest Practicable Date”	23rd March, 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Repurchase Mandate”	the general and unconditional mandate to repurchase shares in the capital of the Company up to 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the resolution
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the holders of the Shares

DEFINITIONS

“Share(s)”	the ordinary share(s) of HK\$0.40 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a subsidiary for the time being of the Company within the meaning of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) whether incorporated in Hong Kong or elsewhere and “Subsidiaries” shall be construed accordingly
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“%”	per cent.

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LETTER FROM THE BOARD



THE KWONG SANG HONG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:

Thomas Lau, Luen-hung (*Chairman*)

Joseph Lau, Luen-hung

Simon Lo, Lin-shing

Wilson Cheng, Kam-biu

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Non-executive Directors:

Gerald To, Hin-tsun

Alan Lam, Man-bun*

Phillis Loh, Lai-ping*

Loretta Lau, Suk-han

Principal Office in Hong Kong:

26th Floor

MassMutual Tower

38 Gloucester Road

Wanchai

Hong Kong

* *Independent Non-executive Director*

23rd March, 2004

To the Shareholders

Dear Sir or Madam,

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES AND AMENDMENTS TO THE BYE-LAWS

INTRODUCTION

The purpose of this circular is to give you information regarding the following resolutions to be proposed at the Annual General Meeting to enable the Shareholders to make an informed decision on whether to vote for or against the resolutions.

The resolutions include (i) granting to the Directors the Repurchase Mandate; (ii) granting to the Directors a general and unconditional mandate (a) to issue further shares representing up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the resolution and (b) to issue shares not exceeding the aggregate nominal amount of share capital so repurchased pursuant to the Repurchase Mandate; and (iii) approving the amendments to the Bye-laws to align with the amended Listing Rules which will take effect on 31st March, 2004 and the SFO which has become effective on 1st April, 2003.

LETTER FROM THE BOARD

GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed to grant to the Directors a general and unconditional mandate to exercise all powers of the Company to repurchase issued shares in the share capital of the Company subject to the criteria set out in this document. In particular, Shareholders should note that the maximum number of shares that may be repurchased pursuant to the Repurchase Mandate will be such number which represents 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the resolution subject to the Listing Rules. The Repurchase Mandate will end on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by law or the Bye-laws, and the date upon which such authority is revoked or varied by ordinary resolution of the Company in general meeting.

In accordance with the Listing Rules, the Company is required to send to the Shareholders an explanatory statement which is set out in the Appendix I of this circular.

GENERAL MANDATES TO ISSUE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed to grant to the Directors a general and unconditional mandate to issue further shares representing up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the resolution.

Subject to the passing of the aforesaid ordinary resolutions of the Repurchase Mandate and general mandate to issue shares, an ordinary resolution will also be proposed to authorise the Directors to issue shares in the capital of the Company in an amount not exceeding the aggregate nominal amount of the shares in the capital of the Company purchased pursuant to the Repurchase Mandate.

AMENDMENTS TO THE BYE-LAWS

The Stock Exchange has revised the Listing Rules and the amended Listing Rules will take effect on 31st March, 2004. In addition, the SFO has become effective on 1st April, 2003.

The Board therefore proposes to make certain amendments to the Bye-laws in compliance with the new Listing Rules and at the same time bring the Bye-laws up to date with the SFO.

It is proposed that the definition of “clearing house” within the meaning of the SFO will be adopted. Amendments to Bye-laws 66 and 71(A) will be proposed so that Hong Kong Securities Clearing Company Limited, a recognised clearing house under the SFO, and/or its nominees can appoint multiple proxies to attend and vote at any shareholders’ meeting as provided under the SFO.

LETTER FROM THE BOARD

The corporate governance issues including, among other things, disclosure of information on proposed directors before election at general meeting and notices to be given in relation thereto, and voting of members at general meeting and of directors at board meeting on any matter in which the directors and/or his associates have a material interests as required under Appendix 3 to the new Listing Rules will also be incorporated in the proposed amendments to the Bye-laws.

Set out in the notice of Annual General Meeting on pages 106 to 120 of the annual report of the Company for the year ended 30th November, 2003 are amendments to the Bye-laws that are proposed. A summary of the proposed amendments are also set out in Appendix II of this circular.

ANNUAL GENERAL MEETING

A notice of the Annual General Meeting is set out in the annual report of the Company for the year ended 30th November, 2003. At the Annual General Meeting, in addition to the ordinary business of the meeting, resolutions will be proposed to approve the general mandates for the repurchase and issue by the Company of its own Shares and the amendments to the Bye-laws respectively.

A form of proxy for the Annual General Meeting is enclosed herewith. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy and return it to the Company's principal office in Hong Kong at 26th Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event no later than 48 hours before the time appointed for holding the Annual General Meeting. The completion of a form of proxy will not preclude you from attending and voting at the Annual General Meeting in person should you so wish.

RECOMMENDATION

The Directors of the Company are of the opinion that the Repurchase Mandate, the general mandates to issue shares and the proposed amendments to the Bye-laws are in the best interests of the Company and recommend you to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
On behalf of the Board
Thomas Lau, Luen-hung
Chairman

This is an explanatory statement given to all Shareholders relating to a resolution to be proposed at the Annual General Meeting for approving the Repurchase Mandate. This explanatory statement contains all the information required pursuant to Rule 10.06(1)(b) and other relevant provisions of the Listing Rules which is set out as follows:

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company was 959,899,416 Shares of HK\$0.40 each.

Subject to the passing of the ordinary resolution granting the Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 95,989,941 Shares, being 10% of the entire issued share capital of the Company.

2. REASONS FOR REPURCHASES

The Directors believe that the Repurchase Mandate is in the best interests of the Company and its Shareholders. Whilst it is not possible to anticipate in advance any specific circumstance in which the Directors might think it appropriate to repurchase Shares, they believe that an ability to do so would give the Company additional flexibility that would be beneficial to the Company and its Shareholders as such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value per Share and/or earnings per Share. Shareholders can be assured that the Directors would only make such purchases in circumstances where they consider them to be in the best interests of the Company.

3. 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 laws of Bermuda. The laws of Bermuda provide that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or the funds of the company that would otherwise be available for distribution by way of dividend or distribution or the proceeds of a fresh issue of shares made for the purpose. The amount of premium payable on repurchase may only be paid out of either the funds of the company that would otherwise be available for distribution by way of dividend or distribution or out of the share premium account of the company. Should the Directors consider it desirable, they would be able to finance the purchase out of funds borrowed against any of the above-mentioned accounts. In addition, under the laws of Bermuda, no purchase by a company of its own shares may be effected if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. In accordance with the laws of Bermuda, the shares so repurchased would be treated as cancelled but the aggregate amount of authorised share capital would not be reduced.

On the basis of the consolidated financial position of the Company as at 30th November, 2003 (being the date to which the latest published audited financial statements of the Company have been made up) and in particular the working capital position of the Company at that time and the number of Shares now in issue, the Directors consider that there might be a material adverse impact on the working capital position or the gearing position of the Company in the event that purchases of all the Shares the subject of the Repurchase Mandate were to be carried out in full during the Repurchase Mandate period. No purchase would be made in circumstances that would have a material adverse impact on the working capital position or the gearing position of the Company (as compared with the position disclosed in the latest published audited financial statements).

4. SHARE PRICES

The highest and lowest prices at which the Shares traded on the Stock Exchange during each of the previous twelve months before the printing of this document are as follows:

	Price per Share	
	Highest HK\$	Lowest HK\$
2003		
March	0.215	0.172
April	0.185	0.165
May	0.228	0.175
June	0.280	0.199
July	0.215	0.190
August	0.290	0.219
September	0.425	0.239
October	0.520	0.400
November	0.450	0.390
December	0.420	0.375
2004		
January	0.680	0.400
February	0.660	0.510

5. UNDERTAKING

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 and in accordance with the Listing Rules, the memorandum of association and bye-laws of the Company and the laws of Bermuda.

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, their associates have any present intention to sell any Shares to the Company in the event that the Repurchase Mandate is approved by the Shareholders.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Repurchase Mandate is granted by the Shareholders.

6. HONG KONG CODE ON TAKEOVERS AND MERGERS

If a Shareholder's proportionate interest in the voting capital of the Company increases as a result of a share repurchase, such increase will be treated as an acquisition for the purposes of the Takeovers 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 the Latest Practicable Date, to the best knowledge and belief of the Company, Power Jade Capital Limited held approximately 53.52% of the issued share capital of the Company. In the event that the Repurchase Mandate is exercised in full, the shareholding in the Company held by Power Jade Capital Limited would be increased to approximately 59.47% 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 the Takeovers Code.

Assuming that there is no further issue of shares in the Company between the Latest Practicable Date and date of repurchase, the exercise of Repurchase Mandate whether in whole or in part will not result in less than 25% of the issued share capital of the Company being held by the public as required by Rule 8.08 of the Listing Rules. The Directors have no intention to exercise the Repurchase Mandate to an extent as may result in a public shareholding of less than such prescribed percentage.

7. SHARE REPURCHASES MADE BY THE COMPANY

The Company had not repurchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

This appendix summarizes the proposed amendments to the Bye-laws to reflect the legislative changes to the SFO which has taken effect on 1st April, 2003 and to incorporate the changes that will be required under the revised Listing Rules which will be effective on 31st March, 2004.

Bye-law 1 – Interpretation

New definitions of “clearing house”, “Listing Rules” and “Hong Kong” will be added to bring the Bye-laws up to date with the Listing Rules and the latest legislation.

Bye-laws 66 and 71(A) – Proxy appointed by clearing house

Bye-laws 66 and 71(A) will be amended so that Hong Kong Securities Clearing Company Limited, a recognised clearing house under the SFO, and/or its nominees can appoint multiple proxies to attend and vote at any shareholders’ meeting as provided under the SFO.

Bye-law 66(A) – Voting restrictions under Listing Rules

Bye-law 66(A) will be added pursuant to the revised Listing Rules so that where any shareholder is subject to voting restrictions under the Listing Rules, any votes cast by or on behalf of such shareholder in contravention of such restriction shall not be counted.

Bye-law 112 – Appointment of Directors

Bye-law 112 will be amended to specify the lodgement period of the nomination of directors by shareholders, which will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting.

Bye-laws 119.1, 119.2 and 119.4 – Director’s interests

Bye-laws 119.1 and 119.2 will be amended to provide that Directors shall not vote for transactions in which they or their associates have a material interest. The new interpretation of “associate(s)” under the revised Listing Rules will also be adopted. Bye-law 119.1 will also be amended so that a Director’s vote shall not be counted in the quorum present at a meeting at which any contract or arrangement in which he or his associates is materially interested is considered. Bye-law 119.4 will be added to provide resolutions when questions relating to material interest of a Director or his associate(s) arise.