
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional advisor.

If you have sold all your shares in Kwong Hing International Holdings (Bermuda) Limited, you should at once hand this circular and the accompanying form of proxy 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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**KWONG HING INTERNATIONAL HOLDINGS
(BERMUDA) LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 1131)

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

The AGM Notice is set out on pages 3 to 11 of the 2003/2004 Annual Report and a form of proxy for use at the Annual General Meeting is enclosed therein. Whether or not you intend to attend the Annual General Meeting, you are requested to complete the form of proxy and return it to the Company's head office and principal place of business in Hong Kong at Units C-D, 8th Floor, Mai Shun Industrial Building, 18-24 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong so as to be received not less than 48 hours before the time appointed for holding the Annual General Meeting. The return of a form of proxy will not preclude a Shareholder from attending and voting in person.

30th July 2004

DEFINITIONS

“2003/2004 Annual Report”	The 2003/2004 Annual Report of the Company
“Annual General Meeting”	The Annual General Meeting of the Company to be held on Wednesday, 25th August 2004
“AGM Notice”	The notice convening the Annual General Meeting, which is set out in the 2003/2004 Annual Report sent together with this circular
“Bye-laws”	The bye-laws of the Company
“Company”	Kwong Hing International Holdings (Bermuda) Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Directors”	The directors of the Company
“HK\$” and “cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“Latest Practicable Date”	23rd July 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Memorandum of Association”	The memorandum of association of the Company
“Ordinary Resolution No. 4A”	The ordinary resolution No. 4A to be proposed and passed at the Annual General Meeting for the matter as set out in the AGM Notice
“Ordinary Resolution No. 4B”	The ordinary resolution No. 4B to be proposed and passed at the Annual General Meeting for matter as set out in the AGM Notice
“Ordinary Resolution No. 4C”	The ordinary resolution No. 4C to be proposed and passed at the Annual General Meeting for matter as set out in the AGM Notice

DEFINITIONS

“SFO”	The Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong, as amended from time to time
“Share(s)”	Ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Repurchase Mandate”	A general mandate proposed to be granted to the Directors at the Annual General Meeting to repurchase Shares not exceeding 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution granting such mandate
“Shareholder(s)”	Holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	The Hong Kong Code on Takeovers and Mergers

LETTER FROM THE BOARD



KWONG HING INTERNATIONAL HOLDINGS (BERMUDA) LIMITED

(Incorporated in Bermuda with limited liability)

Directors:

Mr. Li Man Ching

Ms. Li Mei Lin

Mr. Li Man Shun

Mr. Fung Chi Ki

Mr. Tsui Wing Yin*

Mr. Lau Chung Man, Louis*

Mr. So Kim Wah*

Registered Office:

Clarendon House,

2 Church Street,

Hamilton, HM II,

Bermuda

Head Office and Principal

Place of Business:

Units C-D, 8th Floor,

Mai Shun Industrial Building,

18-24 Kwai Cheong Road,

Kwai Chung, New Territories,

Hong Kong.

* *Independent non-executive Directors*

30th July 2004

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Pursuant to the ordinary resolutions of the Company passed at the annual general meeting of the Company held on 28th August 2003, which granted general mandates to the Directors:

- (i) to allot, issue and deal with Shares not exceeding 20 per cent. of the aggregate nominal value of the then existing issued share capital of the Company at the date of resolution;

LETTER FROM THE BOARD

- (ii) to repurchase Shares with an aggregate nominal value of up to 10 per cent. of the aggregate nominal value of the then issued share capital of the Company.

In addition, a further ordinary resolution was passed to extend the general mandate to issue Shares by the addition of any Shares repurchased by the Company under the authority to repurchase Shares.

No Shares have been repurchased pursuant to the general mandate to repurchase Shares.

In accordance with the Listing Rules, these general mandates will lapse at the conclusion of the Annual General Meeting. The Directors believe that renewal of the general mandates and the amendments to the Bye-laws are in the interests of the Company and its Shareholders.

Ordinary resolutions and a special resolution will therefore be proposed at the Annual General Meeting to be held on Wednesday, 25th August 2004 to approve new general mandates to allot, issue and deal with Shares and to repurchase Shares and to amend the Bye-laws.

The purpose of this circular is to seek your approval of the ordinary resolutions and the special resolution to be proposed at the Annual General Meeting (i) to approve the new general mandates to allot, issue and deal with Shares; (ii) to repurchase Shares; (iii) to amend the Bye-laws; and (iv) to provide you with information regarding these matters. The AGM Notice is contained in the accompanying 2003/2004 Annual Report.

GENERAL MANDATE TO REPURCHASE SHARES

The Ordinary Resolution No.4B would grant a general mandate to the Directors to exercise the powers of the Company to repurchase, on the Stock Exchange, Shares representing up to 10 per cent. of the issued share capital of the Company at the date of resolution. In accordance with the Listing Rules the authority conferred on the Directors by the Ordinary Resolution No.4B would continue in force until the conclusion of the next annual general meeting of the Company or any earlier date as referred to in paragraph (c) of such resolution.

An explanatory statement as required under the Listing Rules, giving certain information regarding the Repurchase Mandate is set out in the Appendix of this circular.

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GENERAL MANDATE TO ISSUE SHARES

The Ordinary Resolution No.4A would grant a general mandate to the Directors to allot, issue and deal with Shares of the Company up to a limit of 20 per cent. of the issued share capital of the Company as at the date of resolution. Furthermore, the Ordinary Resolution No.4C would enable the Directors to issue, under the general mandate contained in the Ordinary Resolution No.4A, an additional number of Shares representing that number of Shares repurchased under the Repurchase Mandate. In accordance with the Listing Rules the authority conferred on the Directors by the Ordinary Resolution No.4A would continue in force until the conclusion of the next annual general meeting of the Company or any earlier date as referred to in paragraph (d) of such resolution.

AMENDMENTS TO THE BYE-LAWS

SFO

With the commencement of the SFO on 1st April 2003 and the repealing of the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong), the Directors recommend the definition of “clearing house” under Bye-law 1 shall be amended such that its reference to the Securities and Futures (Clearing Houses) Ordinance shall be deleted.

Appendix 3 to the Listing Rules

The Stock Exchange has revised the Appendix 3 to the Listing Rules which came into effect on 31st March 2004 so that a listed issuer’s bye-laws must contain the following:

- (i) the minimum seven-day period for lodgment by shareholders of the notice to nominate a director shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days before the date of such meeting;
- (ii) directors shall abstain from voting at the board meeting on any matter in which he or any of his associates has a material interest and are not to be counted towards the quorum of the relevant board meeting; and
- (iii) where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

As such, it is proposed that the relevant Bye-laws will be amended to ensure compliance with the amended provision of the Listing Rules to facilitate the implementation of the above items (i) to (iii).

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Corporate Government Issues

Based on the results of the Consultation Conclusions on Proposed Amendments to the Listing Rules Relating to Corporate Governance Issues issued in January 2003, the Stock Exchange has revised the Listing Rules which came into effect on 31 March 2004. The Directors consider that changes to the Bye-laws should be made in line with the changes required under the Listing Rules, including, but not limited to, the following:

Any vote of shareholders taken at a general meeting of a listed issuer to approve the following transactions or arrangements must be taken on a poll:

- (a) connected transactions;
- (b) transactions that are subject to independent shareholders' approval pursuant to the Listing Rules;
- (c) granting of options to a substantial shareholder or an independent non-executive director or any of their respective associates; and
- (d) any other transactions in which a shareholder has a material interest and is therefore required to abstain from voting.

To reflect this new requirement, the relevant Bye-laws will be proposed to be amended.

As such, it is proposed that the relevant Bye-laws will be amended to ensure compliance with the amended provision of the Listing Rules to facilitate the implementation of the above item.

A brief description of the proposed amendments to the Bye-laws is set out below:

Bye-law 1	To adopt definitions of "associate" and "Listing Rules".
	To amend the definition of "clearing house" so that the reference to the repealed Securities and Futures (Clearing Houses) Ordinance is substituted by the reference to the SFO.
Bye-law 78	To reflect the new requirement under the Listing Rules on a meeting of shareholders to approve certain transactions.
Bye-laws 85 and 86A	To reflect the restriction on voting by those shareholders whom the Company is aware is restricted from voting, as required by the new requirements in Appendix 3 of the Listing Rules.

LETTER FROM THE BOARD

Bye-law 109 (B)(ii), (iiA), (iiB) and (iii)	To be consistent with the new requirements in Appendix 3 of the Listing Rules so that subject to certain exceptions, a Director shall abstain from voting at the board meeting on any contract or arrangement in which he or any of his associates has a material interest nor shall be counted towards the quorum of the relevant board meeting.
Bye-law 115	To be consistent with the new requirements in Appendix 3 of the Listing Rules which stipulates that the minimum period for lodgment of the requisite notices to propose a person for election as a Director is seven days and the period shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days before the day of such meeting.

RECOMMENDATION

The Directors believe that the general mandate to issue Shares of the Company, the Repurchase Mandate and the amendments to the Bye-laws are in the best interests of the Company as well as its Shareholders. Accordingly, the Directors recommend that all Shareholders vote in favour of the resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
Li Man Ching
Chairman

1. SHARE CAPITAL

As at Latest Practicable Date, the issued share capital of the Company was 388,573,200 Shares and there were outstanding of share options entitling the holders thereof to subscribe for an aggregate of 22,233,800 Shares. Subject to the passing of the necessary ordinary resolutions and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, exercise in full of the Repurchase Mandate could accordingly result in up to 38,857,320 Shares being repurchased by the Company during the course of the period prior to the next annual general meeting of the Company.

3. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and its Shareholders to have a general authority from Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases 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 repurchases will benefit the Company and its Shareholders.

3. FUNDING OF REPURCHASES

Repurchases of Shares will be funded entirely from the Company's available cash flow or working capital facilities, which will be funds legally available for the purchase in accordance with the Memorandum of Association and Bye-Laws and the applicable laws of Bermuda.

The Directors do not propose to exercise the Repurchase Mandate to such an 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. No material adverse effect on the working capital requirements or gearing levels of the Company (as compared with the position disclosed in the audited accounts contained in the annual financial statements for the year ended 31st March 2004) is anticipated in the event that the Repurchase Mandate is exercised in full at any time.

4. GENERAL

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates, have any present intention if the Repurchase Mandate is approved by Shareholders to sell any Shares to the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will only exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

As at the Latest Practicable Date, Rayten Limited and Mr Li Man Tak, the substantial Shareholder of the Company, held 179,785,000 Shares, representing approximately 46.27% of the issued share capital of the Company. The shareholding of Rayten Limited and Mr Li Man Tak will be approximately 51.41% of the issued share capital of the Company if the Repurchase Mandate is fully exercised.

Should the Directors exercise in full the power to repurchase Shares, Rayten Limited and Mr Li Man Tak would be obliged to make a mandatory general offer under Rule 26 of the Takeover Code. The Directors do not have the intention to exercise the power to repurchase Shares to an extent which would make Rayten Limited, Mr Li Man Tak or any Shareholder or group of Shareholders to be obliged to make a mandatory offer under Rule 26 of the Takeover Code in this respect.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is approved by shareholders.

5. SHARE PRICES

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

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2003		
July	1.28	0.86
August	1.73	1.15
September	1.75	1.48
October	1.64	1.38
November	1.73	1.46
December	1.77	1.62
2004		
January	1.70	1.47
February	1.67	1.47
March*	–	–
April*	–	–
May*	–	–
June*	–	–
July*	–	–

* The trading of Shares has been suspended from 26 February 2004 at the direction of the Stock Exchange and will continue to be suspended until further notice.

6. SHARE PURCHASES 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.