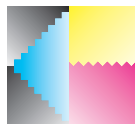

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about 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 Kwong Hing International Holdings (Bermuda) Limited (the "Company"), you should at once hand this circular with the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is addressed to the shareholders of the Company for information in connection with the SGM of the Company to be held on Monday, 4th February, 2002. This circular is not and does not constitute an offer, nor is it calculated to invite offers for, shares in or other securities of the Company.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



KWONG HING INTERNATIONAL HOLDINGS (BERMUDA) LIMITED

(incorporated in Bermuda with limited liability)

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY EXISTING SHARE HELD AND GRANT OF GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Financial adviser to Kwong Hing International Holdings (Bermuda) Limited
and manager of the Rights Issue



Kingsway Capital Limited

Underwriter



Kingsway SW Securities Limited

Independent financial adviser
to the Independent Board Committee



Hantec Capital Limited

It should be noted that the Underwriter may terminate its obligation under the Underwriting Agreement by notice in writing given by the Underwriter to the Company at any time prior to 4:00 p.m. on Thursday, 28th February, 2002, being the fourth business day immediately after the last day for acceptance of the Rights Issue if: (1) the occurrence of the following events would, in the reasonable opinion of the Underwriter, materially and adversely affect the business, financial or trading position or prospects of the Group as a whole or otherwise make it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Rights Issue: (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); (b) the occurrence of any local, national or international event or change of a political, military, financial, economic, currency (including a change in the system with which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict); or (c) the occurrence of any change in market conditions (including volatility in market conditions in Hong Kong or else where and suspension or material restriction or trading in securities); (2) any change occurs in the circumstances of the Company or any members of the Group which would materially and adversely affect the prospects of the Group as a whole; (3) the Company commits any breach of or omits to observe any of the obligations and undertakings expressed to be assumed by it under the Underwriting Agreement; (4) the Underwriter shall receive notification of, or shall otherwise become aware of, the fact that any of the representations or warranties given by the Company under the Underwriting Agreement was, when given on the relevant dates, untrue or inaccurate and the Underwriter shall reasonably determine that any such untrue representation or warranty represents a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have an adverse effect on the Rights Issue; or (5) the Company shall fail promptly to send out any announcement or circular, in such manner (and as appropriate with such contents) as the Underwriter may reasonably request in accordance with the Underwriting Agreement for the purpose of preventing the creation of a false market in the securities of the Company. Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed. Full details of the Underwriter's right to terminate are set out in the section headed "Underwriting arrangement" of the letter from the Board on page 9 of this circular.

It should also be noted that the existing Shares will be dealt in on an ex-rights basis from Monday, 28th January, 2002. Dealings in the Rights Shares in their nil-paid form will take place from Wednesday, 6th February, 2002 to Tuesday, 19th February, 2002 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form during the period from Wednesday, 6th February, 2002 to Tuesday, 19th February, 2002 who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (being Thursday, 28th February, 2002 which is the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Wednesday, 6th February, 2002 to Tuesday, 19th February, 2002 will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

A notice convening the SGM to be held at Units C-D, 8th Floor, Mai Shun Industrial Building, 18-24 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong on Monday, 4th February, 2002 at 10:30 a.m. is set out on pages 27 to 30 of this circular. Whether or not you intend to be present at the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the Company's Hong Kong branch share registrar, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so desire.

18th January, 2002

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RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

TERMINATION OF THE UNDERWRITING AGREEMENT

It should be noted that the Underwriter may terminate its obligation under the Underwriting Agreement by notice in writing given by the Underwriter to the Company at any time prior to 4:00 p.m. on Thursday, 28th February, 2002, being the fourth business day immediately after the last day for acceptance of the Rights Issue if:

- 1. the occurrence of the following events would, in the reasonable opinion of the Underwriter, materially and adversely affect the business, financial or trading position or prospects of the Group as a whole or otherwise make it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Rights Issue:**
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof);**
 - (b) the occurrence of any local, national or international event or change of a political, military, financial, economic, currency (including a change in the system with which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict); or**
 - (c) the occurrence of any change in market conditions (including volatility in market conditions in Hong Kong or else where and suspension or material restriction or trading in securities);**
- 2. any change occurs in the circumstances of the Company or any members of the Group which would materially and adversely affect the prospects of the Group as a whole;**
- 3. the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement;**
- 4. the Underwriter shall receive notification of, or shall otherwise become aware of, the fact that any of the representations or warranties given by the Company under the Underwriting Agreement was, when given on the relevant dates, untrue or inaccurate and the Underwriter shall reasonably determine that any such untrue representation or warranty represents a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have an adverse effect on the Rights Issue; or**
- 5. the Company shall fail promptly to send out any announcement or circular, in such manner (and as appropriate with such contents) as the Underwriter may reasonably request in accordance with the Underwriting Agreement for the purpose of preventing the creation of a false market in the securities of the Company.**

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this circular.

Number of Rights Shares to be issued	1,933,200,000 Rights Shares
Amount to be raised by the Rights Issue	approximately HK\$77.3 million before expenses
Basis of the Rights Issue	one Rights Share for every existing Share held on the Record Date
Subscription price	HK\$0.04 per Rights Share payable in full on acceptance
Right of excess application	Qualifying Shareholders will have the right to apply for Rights Shares in excess of their provisional allotments

EXPECTED TIMETABLE

2002

Last day of dealings in Shares on a cum-rights basis	Friday, 25th January
First day of dealings in Shares on an ex-rights basis	Monday, 28th January
Latest time for lodging transfers of Shares	4:00 p.m. on Tuesday, 29th January
Register of members closed (both dates inclusive)	Wednesday, 30th January to Monday, 4th February
Latest time for return of proxy form for SGM (not less than 48 hours)	10:30 a.m. on Saturday, 2nd February
Expected date of SGM	10:30 a.m. on Monday, 4th February
Record Date	Monday, 4th February
Despatch of the Prospectus Documents	Monday, 4th February
Register of members re-opens	Tuesday, 5th February
First day of dealings in nil-paid Rights Shares	Wednesday, 6th February
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Monday, 11th February
Last day of dealings in nil-paid Rights Shares	Tuesday, 19th February
Latest time for payment for and acceptance of Rights Shares	4:00 p.m. on Friday, 22nd February
Rights Issue expected to become unconditional	4:00 p.m. on Thursday, 28th February
Announcement of results of acceptance of the Rights Issue	Friday, 1st March
Despatch of refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares	Tuesday, 5th March
Certificates for fully-paid Rights Shares expected to be despatched on or before	Tuesday, 5th March
First day of dealings in the fully-paid Rights Shares	Thursday, 7th March

DEFINITIONS

In this circular (other than in the notice of the SGM), the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“business day”	a day (excluding Saturday) on which banks are open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System, established and operated by Hongkong Clearing
“Code”	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases
“Company”	Kwong Hing International Holdings (Bermuda) Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hantec”	Hantec Capital Limited, an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee in relation to the Rights Issue
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hongkong Clearing”	Hong Kong Securities Clearing Company Limited
“Independent Board Committee”	an independent committee of the Board comprising Mr. Tsui Wing Yin and Mr. Lau Chung Man, Louis
“Kingsway”	Kingsway Capital Limited, an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong), a fellow subsidiary of Kingsway Securities and the financial adviser to the Company and manager of the Rights Issue
“Kingsway Securities”	Kingsway SW Securities Limited, a securities dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong), a fellow subsidiary of Kingsway and the underwriter of the Rights Issue
“Latest Practicable Date”	11th January, 2002, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Mr. Li”	Mr. Li Man Tak, an executive Director, owning 28,100,000 Shares
“Overseas Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company on the Record Date and whose addresses as shown on such register are outside Hong Kong
“Prospectus”	a prospectus containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares
“Qualifying Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company at the close of business on the Record Date other than the Overseas Shareholder(s)
“Rayten”	Rayten Limited, a company which is beneficially owned by all the executive Directors including Mr. Li Man Ching, Ms. Li Mei Lin, Mr. Li Man Shun and Mr. Li as to 27%, 25%, 24% and 24% respectively of the issued share capital of Rayten Limited
“Record Date”	4th February, 2002, being the date by reference to which entitlements to the Rights Issue are expected to be determined
“Rights Issue”	the rights issue of one Rights Share for every existing Share held on the Record Date
“Rights Share(s)”	new Share(s) to be issued and allotted under the Rights Issue at the subscription price of HK\$0.04 per Rights Share
“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company which is proposed to be convened on Monday, 4th February, 2002 to consider the Rights Issue and the granting of the general mandates to issue and repurchase Shares, the notice of which is set out on pages 27 to 30 of this circular
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Underwriter”	Kingsway Securities
“Underwriting Agreement”	the agreement dated 8th January, 2002 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



KWONG HING INTERNATIONAL HOLDINGS (BERMUDA) LIMITED

(incorporated in Bermuda with limited liability)

Executive Directors:

Li Man Ching (*Chairman*)
Li Mei Lin (*Deputy Chairman*)
Li Man Shun
Li Man Tak

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Tsui Wing Yin
Lau Chung Man, Louis

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

18th January, 2002

To the Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE RIGHTS SHARE FOR EVERY EXISTING SHARE HELD
AND GRANT OF GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES**

INTRODUCTION

It was announced on 8th January, 2002 that, subject to the satisfaction of the conditions of the Rights Issue as mentioned in the section headed "Conditions of the Rights Issue" below, the Company proposed to raise approximately HK\$77.3 million, before expenses, by way of the Rights Issue of 1,933,200,000 Rights Shares, on the basis of one Rights Share for every existing Share held on the Record Date, at the subscription price of HK\$0.04 per Rights Share.

Kingsway has been appointed as the financial adviser to the Company and the manager of the Rights Issue. Hantec has been appointed as the independent financial adviser to the Independent Board Committee. Both Kingsway and Hantec are independent third parties not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

The purpose of this circular is to give you further information regarding, amongst other things, the Rights Issue and the granting of the general mandates to the Directors to issue and repurchase Shares.

Under the Listing Rules, the Rights Issue is required to be approved by the independent Shareholders at a general meeting of the Company at which any controlling shareholder and its

LETTER FROM THE BOARD

respective associates shall abstain from voting as, pursuant to Rule 7.19(6) of the Listing Rules, the Rights Issue involves an increase in the issued share capital of the Company by more than 50%. As at the Latest Practicable Date, Rayten and Mr. Li together were interested in approximately 43.81% of the issued share capital of the Company. Thus, all the executive Directors (including Mr. Li Man Ching, Ms. Li Mei Lin, Mr. Li Man Shun and Mr. Li) shall abstain from voting at the SGM to approve the Rights Issue pursuant to Rule 7.19(6)(a) of the Listing Rules.

This circular also contains the notice of the SGM at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Rights Issue and the granting of the general mandates to the Directors to issue and repurchase Shares.

THE RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue:	one Rights Share for every existing Share held on the Record Date
Number of Shares in issue:	1,933,200,000 Shares as at the Latest Practicable Date
Number of Rights Shares:	1,933,200,000 Rights Shares
Subscription price for Rights Shares:	HK\$0.04 per Rights Share

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus, for information only, to the Overseas Shareholders.

To qualify for the Rights Issue, a Shareholder must:

1. be registered as a member of the Company on the Record Date; and
2. have an address in Hong Kong which appears on the register of members of the Company on the Record Date.

In order to be registered as members on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company's branch share registrar in Hong Kong, by 4:00 p.m. on Tuesday, 29th January, 2002. The Company's branch share registrar in Hong Kong is Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 30th January, 2002 to Monday, 4th February, 2002, both dates inclusive. No transfer of Shares will be registered during this period.

Subscription price for the Rights Shares

The subscription price for the Rights Shares is HK\$0.04 per Rights Share payable in full upon acceptance of the assured entitlements and (where applicable) application for excess Rights Shares under the Rights Issue.

LETTER FROM THE BOARD

Such subscription price represents:

- (i) a discount of about 33.33% to the closing price of HK\$0.06 per Share as quoted on the Stock Exchange on 7th January, 2002, being the last trading day immediately preceding the Company's announcement on 8th January, 2002 in respect of the proposed Rights Issue;
- (ii) a discount of about 38.08% to the average closing price of HK\$0.0646 per Share for the last 10 trading days up to and including 7th January, 2002;
- (iii) a discount of about 20.00% to the theoretical ex-rights price of about HK\$0.05 per Share based on the closing price per Share on 7th January, 2002; and
- (iv) a discount of about 2.44% to the closing price of HK\$0.041 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Such subscription price was determined after arm's length negotiations with the Underwriter. The Directors consider the terms of the Rights Issue to be fair and reasonable and in the best interests of the Company and the Shareholders.

Status of the Rights Shares

The Rights Shares (when issued and fully-paid) will rank *pari passu* with the then existing Shares in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the fully-paid Rights Shares.

Certificates for Rights Shares

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Right Shares are expected to be posted by Tuesday, 5th March, 2002 to those who have accepted and (where applicable) applied for, and paid for the Rights Shares at their own risk.

Rights of Overseas Shareholders

The Prospectus Documents will not be registered or filed, as the case may be, under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda. As the Directors are of the view that the offer of Rights Shares to Overseas Shareholders would or might, in the absence of compliance with registration or other special formalities in other jurisdictions, be unlawful or impractical, the Company will send the Prospectus to Overseas Shareholders for their information only but no provisional allotment of Rights Shares will be made to the Overseas Shareholders and no provisional allotment letter or form of application for excess Rights Shares will be sent to the Overseas Shareholders.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Overseas Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sales, less expenses, of HK\$100 or more will be paid pro rata to the Overseas Shareholders. The Company will retain individual amounts of less than HK\$100.

LETTER FROM THE BOARD

Application for excess Rights Shares

The Qualifying Shareholders are entitled to apply for unsold entitlements of the Overseas Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares may be made by completing the appropriate application form. The Directors will allocate the excess Rights Shares at their discretion on a fair and reasonable basis.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue.

No part of the share capital of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares to be listed or dealt in on any other stock exchange.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by Hongkong Clearing. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms registered in the branch register of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

The first day of dealings in the Rights Shares in their fully-paid form is expected to commence on Thursday, 7th March, 2002.

UNDERWRITING ARRANGEMENT

Undertaking from Rayten and Mr. Li

As at the Latest Practicable Date, Rayten and Mr. Li are interested in 818,740,000 Shares and 28,100,000 Shares respectively, together representing approximately 43.81% of the total issued share capital of the Company. Rayten and Mr. Li have irrevocably undertaken to the Company and the Underwriter to take up their entitlements under the Rights Issue in full. In addition, Rayten and Mr. Li have also undertaken to the Company and the Underwriter that from the date of the Underwriting Agreement and up to and inclusive of Friday, 22nd February, 2002, being the final acceptance date of the Rights Issue, Rayten and Mr. Li shall remain the registered and beneficial owners of at least 818,740,000 Shares and 28,100,000 Shares respectively. Furthermore, Rayten and Mr. Li have undertaken to the Company and the Underwriter that they will not apply for any Rights Shares by way of the application for excess Rights Shares.

LETTER FROM THE BOARD

Underwriting Agreement

- Date: 8th January, 2002
- Underwriter: Kingsway Securities, who is independent of, and not connected with, the directors, chief executive or substantial shareholders of the Company, any of its subsidiaries or any of their respective associates
- Commission: 3% of the total subscription price of the Rights Shares underwritten by the Underwriter

As Rayten and Mr. Li have irrevocably undertaken to take up their entitlements under the Rights Issue of 818,740,000 Rights Shares and 28,100,000 Rights Shares respectively, the remaining balance of 1,086,360,000 Rights Shares will be fully underwritten by the Underwriter.

Termination of the Underwriting Agreement

The Underwriter may terminate its obligation under the Underwriting Agreement by notice in writing given by the Underwriter to the Company at any time prior to 4:00 p.m. on Thursday, 28th February, 2002, being the fourth business day immediately after the last day for acceptance of the Rights Issue if:

1. the occurrence of the following events would, in the reasonable opinion of the Underwriter, materially and adversely affect the business, financial or trading position or prospects of the Group as a whole or otherwise make it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Rights Issue:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof);
 - (b) the occurrence of any local, national or international event or change of a political, military, financial, economic, currency (including a change in the system with which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict); or
 - (c) the occurrence of any change in market conditions (including volatility in market conditions in Hong Kong or else where and suspension or material restriction or trading in securities);
2. any change occurs in the circumstances of the Company or any members of the Group which would materially and adversely affect the prospects of the Group as a whole;
3. the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement;
4. the Underwriter shall receive notification of, or shall otherwise become aware of, the fact that any of the representations or warranties given by the Company under the Underwriting Agreement was, when given on the relevant dates, untrue or inaccurate and the Underwriter shall reasonably determine that any such untrue representation or warranty represents a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have an adverse effect on the Rights Issue; or

LETTER FROM THE BOARD

5. the Company shall fail promptly to send out any announcement or circular, in such manner (and as appropriate with such contents) as the Underwriter may reasonably request in accordance with the Underwriting Agreement for the purpose of preventing the creation of a false market in the securities of the Company.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon, amongst other things, each of the following conditions being fulfilled on or before 4:00 p.m. on Thursday, 28th February, 2002 (unless an earlier date is indicated):

1. the approval of the Rights Issue at the SGM;
2. the Listing Committee of the Stock Exchange granting or agreeing to grant, subject to allotment, and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms prior to Wednesday, 6th February, 2002, being the expected date of commencement of dealings in the Rights Shares in nil-paid form;
3. if required, the obtaining of the necessary permission of the Bermuda Monetary Authority for the issue of the Rights Shares, on or before Monday, 4th February, 2002, being the expected date of despatch of the Prospectus Documents; and
4. the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms or otherwise.

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company is as follows:

	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue (assuming all Qualifying Shareholders had taken up the Rights Shares in full)		Immediately after completion of the Rights Issue (assuming no Qualifying Shareholders take up the Rights Shares except Rayten and Mr. Li)	
	Shares	%	Shares	%	Shares	%
Rayten	818,740,000	42.35%	1,637,480,000	42.35%	1,637,480,000	42.350%
Mr. Li	28,100,000	1.46%	56,200,000	1.46%	56,200,000	1.460%
Public	1,086,360,000	56.19%	2,172,720,000	56.19%	1,086,360,000	28.095%
Underwriter	–	–	–	–	1,086,360,000	28.095%
Total	<u>1,933,200,000</u>	<u>100.00%</u>	<u>3,866,400,000</u>	<u>100.00%</u>	<u>3,866,400,000</u>	<u>100.000%</u>

LETTER FROM THE BOARD

REVIEW OF OPERATIONS AND PROSPECTS

The Group is principally engaged in the manufacture and sale of knitted fabrics and dyed yarns and the provision of dyeing, bleaching, setting and finishing services.

After the capital reorganisation of the Group which took place in October 2001, the par value of each of the issued shares of HK\$0.10 each in the share capital of the Company was reduced to HK\$0.01 each and each of the unissued shares was subdivided into 10 new Shares.

In November 2001, the Group raised net proceeds of approximately HK\$16 million through a top-up placement of 181,100,000 Shares and subscription of 322,200,000 new Shares. The proceeds were used to repay bank indebtedness and as general working capital to strengthen the financial position of the Group.

Taking into account the impact of the tragic event on 11th September, 2001, which has further dampened the world economy, the business environment in the coming year is expected to be highly competitive and more difficult. The Board believes that the Group's business will not be significantly improved in the near future, although the benefit from the enhanced production facilities will be steadily realized.

In view of this unprecedented difficult business environment, the Group will continuously focus on cutting costs, rationalizing its operations, pursuing a cautionary credit policy for its customers and improving product quality in order to achieve a better return for its shareholders.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

In view of the current market conditions and the considerable amount intended to be raised for the purposes as stated below, the Directors consider that the Rights Issue provides a good opportunity for the Group to raise funds to enhance its production facilities and to strengthen its financial position.

The estimated expenses of the Rights Issue is approximately HK\$2.3 million, which will be borne by the Company. The net proceeds of the Rights Issue are expected to be about HK\$75 million: about HK\$20 million is intended to be used to upgrade and enhance production facilities, about HK\$18 million is for the repayment of bank indebtedness and the remaining balance of about HK\$37 million will be used as general working capital for the Group.

As the Rights Issue could also allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company, the Directors consider that it is in the interests of the Company and its Shareholders as a whole to raise the capital through the Rights Issue.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Existing Shares will be dealt in on an ex-rights basis from Monday, 28th January, 2002. Dealings in the Rights Shares in their nil-paid form will take place from Wednesday, 6th February, 2002 to Tuesday, 19th February, 2002 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form during the period from Wednesday, 6th February, 2002 to Tuesday, 19th February, 2002 who are in any doubt about their position are recommended to consult their

LETTER FROM THE BOARD

professional advisers. Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Wednesday, 6th February, 2002 to Tuesday, 19th February, 2002 will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the SGM, separate ordinary resolutions will be proposed to seek the approval of the Shareholders to grant to the Directors general mandates to:

- (i) allot and issue Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company as enlarged by the Rights Issue and to allot and issue further Shares purchased by the Company pursuant to the repurchase mandate referred to in (ii) below; and
- (ii) repurchase Shares up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the Rights Issue.

A statement explaining the proposed general mandate to repurchase Shares is set out in Appendix I to this circular in accordance with the Listing Rules in respect of a repurchase of securities by a company with its primary listing on the Stock Exchange.

SGM

Set out on pages 27 to 30 of this circular is a notice convening the SGM to be held on Monday, 4th February, 2002 at 10:30 a.m. at Units C-D, 8th Floor, Mai Shun Industrial Building, 18-24 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong, at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Rights Issue and the grant of the general mandates to issue and repurchase Shares.

You will find enclosed a form of proxy for use at the SGM. Whether or not you intend to be present at the meeting, you are requested to complete and return the form of proxy to the Company's Hong Kong branch share registrar, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so desire.

All the executive Directors (including Mr. Li Man Ching, Ms. Li Mei Lin, Mr. Li Man Shun and Mr. Li) shall abstain from voting at the SGM to approve the Rights Issue pursuant to Rule 7.19(6)(a) of the Listing Rules.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular which contains its recommendation to the independent Shareholders as to voting at the SGM regarding the Rights Issue.

LETTER FROM THE BOARD

Your attention is also drawn to the letter received from Hantec which contains its advice to the Independent Board Committee as regards the Rights Issue and the principal factors and reasons considered by it in arriving thereat. The text of the letter from Hantec is set out on pages 16 to 20 of this circular.

The Independent Board Committee has considered the terms of the Rights Issue and the advice given by Hantec and is of the opinion that the terms of the Rights Issue are fair and reasonable so far as the independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends that independent Shareholders should vote in favour of the ordinary resolution numbered 1 to be proposed at the SGM in relation to the Rights Issue.

The Directors consider that the proposed ordinary resolutions for the approval of the Rights Issue and the general mandates to issue and repurchase Shares are in the best interest of the Company. Accordingly, the Directors recommend that independent Shareholders should vote in favour of all the ordinary resolutions to be proposed at the SGM.

FURTHER INFORMATION

Your attention is drawn to the appendices to this circular.

By Order of the Board
Kwong Hing International Holdings (Bermuda) Limited
Li Man Ching
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



KWONG HING INTERNATIONAL HOLDINGS (BERMUDA) LIMITED
(incorporated in Bermuda with limited liability)

18th January, 2002

To the Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE RIGHTS SHARE FOR EVERY EXISTING SHARE HELD**

We refer to the letter from the Board set out on pages 6 to 14 of the circular (the “Circular”) which contains details of, amongst other matters, the Rights Issue and the Underwriting Agreement and in which this letter is to be included. Terms defined in the Circular shall have the same meanings in this letter.

Under the Listing Rules, the Rights Issue is required to be approved by the independent Shareholders at a general meeting of the Company as, pursuant to Rule 7.19(6) of the Listing Rules, it involves an increase in the issued share capital of the Company by more than 50%. We, as the independent non-executive Directors, have been appointed by the Board to constitute the Independent Board Committee to consider the terms of the Rights Issue and to advise the independent Shareholders in relation to them. The Independent Board Committee has appointed Hantec as the independent financial adviser to advise the Independent Board Committee as to whether the terms of the Rights Issue are fair and reasonable so far as the independent Shareholders are concerned.

We wish to draw your attention to the letter from Hantec containing its advice regarding the Rights Issue, as set out on pages 16 to 20 of the Circular. Having considered the terms of the Rights Issue and the advice given by Hantec, the Independent Board Committee is of the opinion that the terms of the Rights Issue are fair and reasonable so far as the independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends that independent Shareholders should vote in favour of the ordinary resolution numbered 1 which will be proposed at the SGM to approve, amongst other matters, the Rights Issue.

Yours faithfully,
Tsui Wing Yin **Lau Chung Man, Louis**
Independent Board Committee

LETTER FROM HANTEC

The following is the text of a letter from Hantec in connection with the Rights Issue which has been prepared for the purpose of inclusion in this circular:



45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

18th January, 2002

*To the Independent Board Committee of
Kwong Hing International Holdings (Bermuda) Limited*

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY EXISTING SHARE HELD

We refer to our appointment to advise the Independent Board Committee in respect of the Rights Issue, details of which are set out in the letter from the Board (the "Board Letter") contained in the circular of the Company dated 18th January, 2002 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

Given that the Rights Issue will increase the issued share capital of the Company by more than 50%, pursuant to rule 7.19(6) of the Listing Rules, the Rights Issue is therefore subject to the approval of the independent Shareholders at the SGM.

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors or management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company.

In formulating our opinion, we have not considered the taxation implications on Shareholders in relation to the subscription for, holding or disposal of the Rights Shares or otherwise, since these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares or otherwise. In particular, Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

LETTER FROM HANTEC

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

As stated in the Board Letter, the Company proposes to raise approximately HK\$77.3 million before expenses by issuing 1,933,200,000 Rights Shares at a price of HK\$0.04 per Rights Share.

The Company will provisionally allot 1,933,200,000 Rights Shares in nil-paid form in the proportion of one Rights Share for every existing Share held by Qualifying Shareholders on the Record Date. The Rights Issue is not available to Overseas Shareholders.

In arriving at our advice to the independent board committee of the Company in respect of the Rights Issue, we have taken the following principal factors and reasons into consideration:

I. Reasons for the Rights Issue

The Group is principally engaged in the manufacture and sale of knitted fabrics and dyed yarns and the provision of dyeing, bleaching, setting and finishing services.

The estimated expenses of the Rights Issue is approximately HK\$2.3 million, which will be borne by the Company. The net proceeds of the Rights Issue are expected to be about HK\$75 million: about HK\$20 million is intended to be used to upgrade and enhance production facilities, about HK\$18 million is for the repayment of bank indebtedness and the remaining balance of about HK\$37 million will be used as general working capital for the Group. In view of the current market conditions and the considerable amount intended to be raised for the purposes as stated above, the Directors consider that the Rights Issue provides a good opportunity for the Group to raise funds to enhance its production facilities and to strengthen its financial position.

According to the interim report of the Company for the six months ended 30th September, 2001, taking into account the impact of the tragic event on 11th September, 2001 which had further dampened the world economy, the business environment in the coming year is expected to be highly competitive and more difficult. The board of Directors believes that the Group's business will not be significantly improved in the near future, although the benefit from the enhanced production facilities will be steadily realised. In view of the unprecedented difficult business environment, the Group will continuously focus in cutting costs, rationalising its operations, pursuing a cautionary credit policy for its customers and improving product quality in order to achieve a better return for the Shareholders.

As the Rights Issue could also allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company, the Directors consider that it is in the interests of the Company and its Shareholders as a whole to raise the capital through the Rights Issue.

In view of the Rights Issue will enhance the Group's production facilities and strengthen the Group's financial position, we consider the Rights Issue is in the interests of the Company and the Shareholders as a whole. We also consider that the Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company rather than the private placement which would result in dilution of existing Shareholders' interests in the Company.

II. Terms of the Rights Issue

The subscription price ("the "Subscription Price") for the Rights Shares is HK\$0.04 per Rights Share payable in full upon acceptance of the assured entitlements and (where applicable) application for excess Rights Shares under the Rights Issue.

LETTER FROM HANTEC

The Subscription Price represents:

- (i) a discount of about 2.44% to the closing price of approximately HK\$0.041 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of about 33.33% to the closing price of HK\$0.06 per Share as quoted on the Stock Exchange on 7th January, 2002 (the “Last Trading Day”), being the last trading day immediately preceding the Company’s announcement on 8th January, 2002 in respect of the proposed Rights Issue;
- (iii) a discount of about 38.08% to the average closing price of HK\$0.0646 per Share for the last 10 trading days up to and including the Last Trading Day; and
- (iv) a discount of about 20.00% to the theoretical ex-rights price of approximately HK\$0.05 per Share based on the closing price of HK\$0.06 per Share on the Last Trading Day.

The Subscription Price was determined after arm’s length negotiations between the Company and the Underwriter. The Directors consider the terms of the Rights Issue to be fair and reasonable and in the best interests of the Company and the Shareholders.

We have reviewed the terms of a total of 10 rights issues carried out by listed issuers on the Stock Exchange since the beginning of July 2001 and which involved heavy calls (on the basis of one or more rights shares for every share held) on shareholders. The discounts to the closing prices on the last trading day prior to the dates of the announcements in relation to the rights issues of the 10 listed issuers ranged from approximately 27.3% to 90.2% with the mean and median of approximately 61.7% and 62.2% respectively. The discounts to the theoretical ex-rights prices per share based on the last trading day prior to the dates of the announcements in relation to the rights issues of the 10 listed issuers ranged from approximately 9.0% to 69.4% with the mean and median of approximately 39.5% and 43.3% respectively. The discount rates of the Subscription Price to the closing price of approximately 33.3% and the theoretical ex-rights price per Share of approximately 20.0% (both based on the closing price of the Shares on the Last Trading Day) fall within the above range of the recent rights issues. Taking in consideration the aforesaid rights issues, we consider that the terms of the Rights Issue are in line with the market and are fair and reasonable so far as the Shareholders are concerned.

For those Shareholders who do not take up in full their entitlements under the Rights Issue, depending on the extent to which they take up the Rights Shares, their attributable interests in the Company will be diluted after completion of the Rights Issue. The maximum dilution in shareholding for those Shareholders who do not take up any of their entitlements under the Rights Issue is 50%. We consider that the dilution is not prejudicial on the grounds that all Qualifying Shareholders are entitled to subscribe for their entitlements under the terms of the Rights Issue. As the nil-paid Rights Shares will be traded on the Stock Exchange, Qualifying Shareholders who do not take up their entitlements in full will have the opportunity to realise their nil-paid Rights Shares on the market, subject to market conditions.

Taking into consideration the foregoing, we consider that the Rights Issue is an equitable method for all Shareholders as a whole to raise new equity capital for the Company as Shareholders can choose to participate in the Rights Issue or, if they are unwilling or unable to do so, to dispose of their entitlements nil-paid in the market at a premium if one can be obtained.

LETTER FROM HANTEC

III. Financial effects of the Rights Issue

Net assets

Set out below is the pro forma adjusted consolidated net assets of the Group and the pro forma adjusted consolidated net assets value per Share before and after the Rights Issue:

	<i>HK\$' million</i>
Unaudited consolidated net assets of the Group as at 30th September, 2001 as stated in the interim report of the Company	291.1
Proceeds from placing of new Shares on 29th November, 2001	16.1
Pro forma unaudited adjusted consolidated net assets of the Group before the Rights Issue	<u>307.2</u>
Estimated net proceeds from the Rights Issue	<u>75.0</u>
Pro forma unaudited adjusted consolidated net assets of the Group after the Rights Issue	<u>382.2</u>
Pro forma unaudited adjusted consolidated net tangible assets value per Share:	
– before the Rights Issue (based on 1,933,200,000 Shares in issue)	HK\$0.16
– after the Rights Issue (based on 3,866,400,000 Shares in issue)	HK\$0.10

Based on the above table, the pro forma adjusted consolidated net assets of the Group will be increased from approximately HK\$307.2 million before the Rights Issue to approximately HK\$382.2 million after the Rights Issue. The adjusted consolidated net asset value per Share will be decreased by approximately 37.5% from approximately HK\$0.16 to approximately HK\$0.10 after the Rights Issue. We consider that the decrease in adjusted consolidated net asset value per Share immediately after the Rights Issue is not prejudicial to the Qualifying Shareholders because the Qualifying Shareholders have an equal opportunity to participate in the Rights Issue and therefore minimise the suffering from the decrease in the total value of the Shares held.

Gearing level

Based on the total liabilities of the Group of approximately HK\$74.3 million as at 30th September, 2001 as stated in the interim report of the Company for the six months ended 30th September, 2001, the gearing level of the Group will decrease from approximately 0.24 (calculated by HK\$74.3 million of total liabilities divided by the pro forma unaudited adjusted consolidated net assets of the Group before the Rights Issue of approximately HK\$307.2 million) before the Rights Issue to approximately 0.19 (calculated by HK\$74.3 million of total liabilities divided by the pro forma unaudited adjusted consolidated net assets of the Group after the Rights Issue of approximately HK\$382.2 million) immediately after the Rights Issue. We consider that the decrease in gearing level of the Group is in the interest of the Company and its Shareholders.

As the adjusted consolidated net assets of the Group will be increased by approximately HK\$75 million after the Rights Issue, we are of the view that the Rights Issue will enhance the financial position of the Group and enlarge the capital base of the Group, which are in the interests of the Company and the Shareholders.

LETTER FROM HANTEC

IV. Use of proceeds of the Rights Issue

The estimated expenses of the Rights Issue is approximately HK\$2.3 million, which will be borne by the Company. The net proceeds of the Rights Issue are expected to be about HK\$75 million: about HK\$20 million is intended to be used to upgrade and enhance production facilities, about HK\$18 million is for the repayment of bank indebtedness and the remaining balance of about HK\$37 million will be used as general working capital for the Group. In view of the current market conditions and the considerable amount intended to be raised for the purposes as stated above, the Directors consider that the Rights Issue provides a good opportunity for the Group to raise funds to enhance its production facilities and to strengthen its financial position.

According to the interim report of the Company for the six months ended 30th September, 2001, taking into account the impact of the tragic event on 11th September, 2001 which had further dampened the world economy, the business environment in the coming year is expected to be highly competitive and more difficult. The board of Directors believes that the Group's business will not be significantly improved in the near future, although the benefit from the enhanced production facilities will be steadily realised. In view of the unprecedented difficult business environment, the Group will continuously focus in cutting costs, rationalising its operations, pursuing a cautionary credit policy for its customers and improving product quality in order to achieve a better return for the Shareholders. Based on the aforesaid, we consider that the upgrading of production facilities and lowering of bank borrowings are in the interests of the Company and the Shareholders. We also consider that the use of proceeds is in line with the Group's business strategies and the general working capital can provide flexibility to the Group's operation.

V. Underwriting arrangements

As at the Latest Practicable Date, Rayten and Mr. Li were interested in 818,740,000 Shares and 28,100,000 Shares respectively, representing approximately 42.35% and 1.46% respectively of the total issued share capital of the Company. Rayten and Mr. Li have irrevocably undertaken to the Company and the Underwriter to take up their entitlements under the Rights Issue in full. In addition, Rayten and Mr. Li have also undertaken to the Company and the Underwriter that from the date of the Underwriting Agreement and up to and inclusive of Friday, 22nd February, 2002, being the final acceptance date of the Rights Issue, Rayten and Mr. Li shall remain the registered and beneficial owners of at least 818,740,000 Shares and 28,100,000 Shares respectively.

Shareholders should be also noted that if the Underwriter exercise the right to terminate the Underwriter's obligations under the Underwriting Agreement, the Rights Issue will not proceed. Details of the provisions granting the Underwriter the right are in the Board Letter. We consider the provisions granting the Underwriter the rights are in normal commercial terms and in line with market practice.

RECOMMENDATION

Taking into consideration of the above principal factors of consideration, we concur with the Directors' view that the terms of Rights Issue are fair and reasonable so far as the interests of the independent Shareholders are concerned. The Rights Issue will allow all Qualifying Shareholders to participate in the growth of the Group. Accordingly, we recommend the independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
Hantec Capital Limited
Thomas Lai
Director

This appendix serves as an explanatory statement as required by the Listing Rules to provide the requisite information to you for your consideration of the proposal to permit the granting of the general mandate given to the Directors to repurchase Shares.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company was HK\$19,332,000 comprising 1,933,200,000 Shares. Immediately following the Rights Issue, the issued share capital of the Company will be HK\$38,664,000 comprising 3,866,400,000 Shares.

Subject to the passing of the relevant ordinary resolution and assuming that no further Shares are issued and that no further Shares are purchased by the Company prior to the SGM, the Directors will be authorised to purchase up to 386,640,000 Shares pursuant to the repurchase mandate.

2. 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 the Shareholders to enable the Directors to purchase Shares 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 or its earnings per Share or both and will only be made when the Directors believe that such purchases will benefit the Company and the Shareholders as a whole.

3. FUNDING OF REPURCHASES

In repurchasing Shares, the Company must fund the repurchase entirely from the Company's available cash flow or working capital facilities legally available for such purpose in accordance with its memorandum of association and bye-laws and the laws of Bermuda.

The Directors do not propose to exercise the repurchase mandate to such extent as could, in the circumstances, have a material adverse effect on the working capital or the gearing level of the Company which in the opinion of the Directors is from time to time appropriate for the Company.

4. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell Shares to the Company under the general mandate to repurchase Shares in the event that it is granted by the Shareholders at the SGM.

No connected person, as defined in the Listing Rules, has notified the Company that he has a present intention to sell any Shares to the Company, or that he has undertaken not to sell any Shares held by him to the Company, in the event that the general mandate to repurchase Shares is granted by the Shareholders at the SGM.

The Company has not repurchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

5. DIRECTORS' UNDERTAKING

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

6. EFFECT OF THE CODE

If, on the exercise of the power to repurchase Shares pursuant to the repurchase mandate, 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 Code. As a result, a shareholder or a group of shareholders acting in concert (as defined in the Code), depending on the level of such increase, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Code.

As at the Latest Practicable Date, the substantial Shareholders of the Company are as follows:

Substantial Shareholder	Number of Shares	Approximate % of voting power as at the Latest Practicable Date	If exercised in full the power to repurchase
Rayten together with Mr. Li	846,840,000	43.81%	48.67% (<i>Note</i>)

Note: Based on 3,866,400,000 Shares in issue and Rayten together with Mr. Li holding 1,693,680,000 immediately following the Rights Issue.

Since 9th May, 2001, Rayten and Mr. Li have collectively increased their shareholding in the Company from 641,430,000 Shares (representing 39.82% of the then issued share capital of the Company) to 846,840,000 Shares (representing 43.81% of the issued share capital of the Company) as at the Latest Practicable Date.

In the event that the Directors shall exercise in full the power to repurchase Shares of the Company in accordance with the repurchase mandate and if there is no other change in the issued share capital of the Company, the interests of the above substantial Shareholders would be increased to approximately the percentage shown in the last column above. Should the Directors exercise in full the power to repurchase Shares, the interests of the substantial Shareholders would be increased to 48.67% and the substantial Shareholders would be obliged to make a mandatory general offer under Rule 26 of the Code. The Directors do not have the intention to exercise the power to repurchase Shares to an extent which would make the substantial Shareholders or any Shareholder or group of Shareholders to be obliged to make a mandatory offer under Rule 26 of the Code in this respect.

7. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the twelve months up to the Latest Practicable Date are as follows:

	Highest	Shares	Lowest
	<i>HK\$</i>		<i>HK\$</i>
2001			
February	0.055		0.050
March	0.050		0.038
April	0.056		0.036
May	0.103		0.050
June	0.110		0.072
July	0.086		0.063
August	0.081		0.054
September	0.072		0.046
October	0.070		0.051
November	0.065		0.048
December	0.080		0.052
2002			
January (up to the Latest Practicable Date)	0.064		0.040

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company and its associated corporations (within the meaning of the SDI Ordinance) which had been notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under section 31 or Part I of the Schedule to the SDI Ordinance) or which were required pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Interest in the Company

Name	Type of interest	Number of Shares held
Mr. Li Man Ching	Other <i>(Note)</i>	818,740,000
Ms. Li Mei Lin	Other <i>(Note)</i>	818,740,000
Mr. Li Man Shun	Other <i>(Note)</i>	818,740,000
Mr. Li Man Tak	Other <i>(Note)</i>	818,740,000
	Personal	28,100,000

Note: The shares are legally and beneficially owned by Rayten.

(ii) Interests in contract or arrangement

None of the Directors are materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any interest in the share capital of the Company or any associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under section 31 or part I of the Schedule to the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of Shares	Approximate % of the issued share capital as at the Latest Practicable Date
Rayten together with Mr. Li Man Tak	846,840,000	43.81%

Save as disclosed herein, no person has notified the Company that he has interests amounting to 10% or more of the issued share capital of the Company at the date of this circular pursuant to Section 16(1) of the SDI Ordinance.

MATERIAL CONTRACTS

No contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company) have been entered into by the Company or its subsidiaries within the two years preceding the date of this circular which may be material.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st March, 2001, being the date to which the latest published audited accounts of the Group were made up.

LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

SERVICE CONTRACTS

As at the Latest Practicable Date, no Directors have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

EXPERT

The following is the qualifications of the expert which has given its opinion or advice which is contained in this circular:

Name	Qualification
Hantec	Registered investment adviser

Hantec has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

Hantec also confirms that it does not have any shareholding in the Company or any of its subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Hantec also confirms that it does not have any interest, direct or indirect, in any assets which have been, since 31st March, 2001 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

MISCELLANEOUS

1. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
2. The head office and principal place of business of the Company in Hong Kong is at Units C-D, 8th Floor, Mai Shun Industrial Building, 18-24 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.
3. The company secretary of the Company is Mr. Fung Chi Ki, who is an associate member of the Hong Kong Society of Accountants and a fellow member of the Chartered Institute of Management Accountants.
4. The branch share registrar of the Company in Hong Kong is Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.
5. The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company, at Units C-D, 8th Floor, Mai Shun Industrial Building, 18-24 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong during normal business hours on any weekday (public holidays excepted) up to and including the date of the SGM:

- (i) the audited consolidated accounts of the Group for the two financial years ended 31st March, 2001 and 2000;
- (ii) the memorandum of association and bye-laws of the Company;
- (iii) the written consent referred to in this Appendix;
- (iv) the letter of advice from Hantec, the text of which is set out on pages 16 to 20 of this circular;
and
- (v) this circular.

NOTICE OF THE SGM



KWONG HING INTERNATIONAL HOLDINGS (BERMUDA) LIMITED

(incorporated in Bermuda with limited liability)

NOTICE is hereby given that a special general meeting of Kwong Hing International Holdings (Bermuda) Limited (the “Company”) will be held at 10:30 a.m. on Monday, 4th February, 2002 at Units C-D, 8th Floor, Mai Shun Industrial Building, 18-24 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT**, subject to the fulfilment of the conditions in respect of the Rights Issue (as defined below) as set out in the circular dated 18th January, 2002 (the “Circular”) a copy of which has been tabled at the meeting and initialled by the Chairman for the purpose of identification:
 - (a) the issue by way of rights (the “**Rights Issue**”) of 1,933,200,000 shares (the “**Rights Share(s)**”) of HK\$0.01 each in the capital of the Company (the “**Share(s)**”) to the holders of Shares whose names appear on the register of members of the Company at the close of business on Monday, 4th February, 2002, in the proportion of one Rights Share for every Share then held at the subscription price of HK\$0.04 per Rights Share and otherwise on the terms of the Rights Issue as set out in the Circular be and is hereby approved, and the directors of the Company (the “**Directors**”) be and are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue provided that in the case of shareholders of the Company whose addresses as shown on the register of members of the Company at the close of business on Monday, 4th February, 2002 are in any jurisdictions outside Hong Kong (the “**Overseas Shareholders**”), the Rights Shares shall not be issued to the Overseas Shareholders but shall be aggregated and issued to a nominee to be named by the Directors and such Rights Shares shall be sold in the market as soon as practicable after dealings in nil-paid Rights Shares commence and the net proceeds of sale, after deduction of expenses, shall be distributed to the Overseas Shareholders pro rata to their respective shareholdings unless the amount falling to be distributed to any Overseas Shareholder shall be less than HK\$100 in which case such amount shall be retained for the benefit of the Company; and
 - (b) the Directors be and are hereby authorised to make such other exclusions or other arrangements in relation to the Overseas Shareholders as they may deem necessary or expedient and generally to do such things or make such arrangements as they may think fit to give effect to the Rights Issue.”
- (2) “**THAT**, conditional upon, and with effect from the date on which, ordinary resolution numbered 1 set out in the notice of special general meeting of the Company dated 4th February, 2002 of which this resolution forms part (the “Notice”) becoming unconditional and effective:
 - (a) the general mandate granted to the directors of the Company (the “Directors”) to exercise the powers of the Company to allot, issue and otherwise deal with the shares of

NOTICE OF THE SGM

HK\$0.01 each in the capital of the Company (the “Shares”) as approved by the shareholders of the Company at the special general meeting held on 22nd October, 2001, to the extent not already exercised be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);

- (b) subject to paragraph (d) of this Resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional Shares or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements and options which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) of this Resolution shall authorise the Directors during the Relevant Period (as defined below) to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period (as defined below);
- (d) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (b) of this Resolution otherwise than pursuant to (i) a rights issue (as defined below); or (ii) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company, or (iii) the exercise of rights of conversion or subscription under the terms of any securities which are convertible into Shares or the share option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to directors and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares, shall not exceed the aggregate of: (aa) 20 per cent. of the aggregate nominal amount of the issued share capital of the Company in issue immediately following the Rights Issue (as defined in ordinary resolution numbered 1 set out in the Notice) and (bb) if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company, the nominal amount of share capital of the Company purchased by the Company subsequent to the passing of this Resolution up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue immediately following the Rights Issue and the said approval shall be limited accordingly; and
- (e) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda law or the Company’s bye-laws to be held; or
- (iii) the revocation or variation of the approval given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“rights issue” means an offer of Shares open for a period fixed by the Directors to holders of Shares on the register of members on a fixed record date in proportion to

NOTICE OF THE SGM

their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong).”

(3) “**THAT**, conditional upon, and with effect from the date on which, ordinary resolution numbered 1 set out in the Notice becoming unconditional and effective:

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase shares in the capital of the Company be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of the shares of the Company which the Company is authorised to purchase pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue immediately following the Rights Issue (as defined in ordinary resolution numbered 1 set out in the Notice), and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda law or the Company’s bye-laws to be held; or

(iii) the revocation or variation of the approval given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

(4) “**THAT** conditional upon ordinary resolution numbered 3 set out in the Notice becoming unconditional and effective, the aggregate nominal amount of shares which are purchased by the Company pursuant to and in accordance with the said ordinary resolution numbered 3 shall be added to the aggregate nominal amount of the shares in the Company that may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by the Directors pursuant to and in accordance with ordinary resolution numbered 2 set out in the Notice.”

By Order of the Board

Kwong Hing International Holdings (Bermuda) Limited

Li Man Ching

Chairman

Hong Kong, 18th January, 2002

NOTICE OF THE SGM

*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

Notes:

- (1) A member entitled to attend and vote at the above meeting is entitled to appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a member of the Company.
- (2) A form of proxy of the meeting is enclosed. If the appointer is a corporation, the form of proxy must be under its common seal or, under the hand of an officer or attorney duly authorised on its behalf.
- (3) To be valid, a form of proxy must be deposited at the Company's Hong Kong branch share registrar, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof.



KWONG HING INTERNATIONAL HOLDINGS (BERMUDA) LIMITED
(incorporated in Bermuda with limited liability)

**FORM OF PROXY FOR USE BY SHAREHOLDERS
AT THE SPECIAL GENERAL MEETING TO BE HELD
AT 10:30 A.M. ON MONDAY, 4TH FEBRUARY, 2002**

I/We ¹ _____ of _____
_____ being the registered holder(s) of ²
_____ shares of HK\$0.01 each in the capital of
KWONG HING INTERNATIONAL HOLDINGS (BERMUDA) LIMITED (the “Company”), hereby appoint ³
the Chairman of the meeting or _____ of
_____ as my/our proxy to attend and vote for me/us and
on my/our behalf in the manner indicated below, or if no such indication is given then to vote as my/our proxy
thinks fit, at the special general meeting of the Company to be held at 10:30 a.m. on Monday, 4th February,
2002 at Units C-D, 8th Floor, Mai Shun Industrial Building, 18-24 Kwai Cheong Road, Kwai Chung, New
Territories, Hong Kong or at any adjournment thereof for the purpose of considering and, if thought fit, passing
the resolutions set out in the notice convening the said special general meeting in the Company’s circular dated
18th January, 2002 (the “Notice of the SGM”).

RESOLUTIONS		FOR ⁴	AGAINST ⁴
1.	Ordinary Resolution No. 1		
2.	Ordinary Resolution No. 2		
3.	Ordinary Resolution No. 3		
4.	Ordinary Resolution No. 4		

Dated this _____ day of _____ 2002 Signature of shareholders ⁵ _____

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
2. Please insert the number of shares registered in your name(s) to which this form of proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all the shares in the capital of the Company registered in your name(s).
3. If any proxy other than the Chairman of the meeting is preferred, strike out the words “the Chairman of the meeting or” and insert the name and address of the proxy desired in the space provided. If this space is not completed, the Chairman of the meeting will act as your proxy. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON WHO SIGNS IT.**
4. Please indicate by an “X” in the space provided how you wish your votes to be cast. Without such specific directions the proxy may at his/her discretion vote for or against the resolution or abstain from voting.
5. This form of proxy must be signed by the appointer or his attorney duly authorised in writing, or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney so authorised. In the case of joint holders, this form of proxy must be signed by the member whose name stands first.
6. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy or by authorised representative, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holders.
7. In order to be valid, this form of proxy, duly executed, and the power of attorney, or other authority (if any) under which it is executed or a notially certified copy thereof, must reach the office of the Company’s Hong Kong branch share registrar, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the meeting.
8. The proxy need not be a member of the Company but must attend the meeting in person to represent you.
9. Completion and delivery of this form of proxy will not preclude you from attending and voting at the meeting if you so wish. In that event, this form of proxy will be deemed to have been revoked.