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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in 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, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** all your shares in Ngai Hing Hong Company 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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## NGAI HING HONG COMPANY LIMITED

*(Incorporated in Bermuda with limited liability)*

*Directors:*

Hui Sai Chung (*Chairman*)

Hui Kwok Kwong

*(Deputy Chairman and Managing Director)*

Wong Chi Ying, Anthony

Lai Kam Wah

Ching Yu Lung

Liu Sau Lai

Ho Wai Chi, Paul\*

Fong Pong Hing\*

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Principal office and place of business:*

Unit 3, 6th Floor

Hopeful Factory Centre

10 Wo Shing Street

Fo Tan

New Territories

Hong Kong

\* *Independent Non-executive Directors*

17th October 2003

*To the shareholders*

Dear Sir or Madam,

### **GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE ITS OWN SHARES BY THE COMPANY**

#### **INTRODUCTION**

The directors (the “Directors”) of Ngai Hing Hong Company Limited (the “Company”) propose to grant to the Directors of the Company general mandates to issue shares and to repurchase fully paid up ordinary shares of the Company.

At the annual general meeting of the Company held on 5th December 2002, general mandates were given by the Company to the Directors to exercise the powers of the Company to issue shares and to repurchase its own shares. Such mandates will lapse at the conclusion of the forthcoming Annual General Meeting (“AGM”) of the Company to be held on Wednesday, 3rd December 2003 at 10:00 a.m. at Caine Room, Level 7, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong. Ordinary resolutions will therefore be proposed at the AGM to grant new general mandates to issue shares and to repurchase its own shares.

The purpose of this circular is to give you further details of the abovementioned proposals, approval to which will be sought at the AGM. This circular also contains the explanatory statement in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) in respect of the general mandate to repurchase shares of the Company.

### **GENERAL MANDATE TO ISSUE SHARES**

It is proposed to grant a general mandate to the Directors to allot, issue and dispose of shares of the Company not exceeding 20 per cent. of the issued share capital of the Company in issue as at the date of the resolution granting the general mandate in order to provide flexibility to the Company to raise fund by issue of shares efficiently.

### **GENERAL MANDATE TO REPURCHASE SHARES**

An ordinary resolution will also be proposed at the AGM that the Directors be given a general mandate to exercise all powers of the Company to repurchase issued and fully paid shares of the Company. Under such mandate, the number of shares that the Company may repurchase shall not exceed 10 per cent. of the share capital of the Company in issue as at the date of the resolution approving the general mandate to repurchase shares. The Company’s authority is restricted to repurchases made on the Stock Exchange in accordance with the Listing Rules of the Stock Exchange. On 17th October 2003 (the “Latest Practicable Date”), being the latest practicable date prior to printing of this circular there were in issue an aggregate of 300,000,000 ordinary shares of HK\$0.10 each in the Company (“Shares”). Subject to the passing of the resolution at the AGM and on the basis that no further Shares are issued or repurchased by the Company prior to the AGM, the Company would be able to repurchase up to 30,000,000 Shares during the period ending on the earliest of the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held or the revocation or variation of the authority given under the resolution by an ordinary resolution of the shareholders of the Company in general meeting.

The Directors have no present intention to repurchase any Shares but consider that the mandate will provide the Company the flexibility to make such repurchase when appropriate and beneficial to the Company. Such repurchases may enhance the net asset value of the Company and/or earnings per Share. As compared with the financial position of the Company as at 30th June 2003 (being the date of its latest audited accounts), the Directors consider that there would not be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed purchases were to be carried out in full during the proposed repurchase period. No repurchase would be made in circumstances that would have a material adverse impact on the working capital or gearing position of the Company.

The Memorandum of Association and Bye-laws of the Company and Bermuda law provide that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or funds of the Company that would otherwise be available for dividend or distribution or the proceeds of a new issue of shares made for such purpose. The amount of premium payable on repurchase may only be paid out of either the funds of the Company that would otherwise be available for dividend or distribution or out of the share premium account of the Company. The Company is empowered by its Memorandum of Association and Bye-laws to repurchase its Shares, and will only apply funds legally available for such purpose in accordance with its Memorandum of Association, Bye-laws and the applicable law of Bermuda. Under Bermuda law, the shares so repurchased will be treated as cancelled but the aggregate amount of authorised share capital will not be reduced.

## **DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS**

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of the associates of any of the Directors has any present intention, in the event that the proposal is approved by shareholders, to sell Shares to the Company.

No connected person of the Company (as defined in the Listing Rules of the Stock Exchange) has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorised to make repurchases of Shares.

## **UNDERTAKING OF THE DIRECTORS**

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the proposed resolution in accordance with the Listing Rules of the Stock Exchange and all applicable laws of Bermuda, and in accordance with the regulations set out in the Memorandum of Association and Bye-laws of the Company.

## **EFFECT OF TAKEOVERS CODE AND PUBLIC FLOAT**

A repurchase of Shares by the Company may result in an increase in the proportionate interests of a substantial shareholder of the Company in the voting rights of the Company, which could give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “Code”).

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, Good Benefit Limited and its associates, Ever Win Limited and Evergrow Company Limited who together held approximately 53.25 per cent. of the issued share capital of the Company, was the only substantial shareholder holding more than 10 per cent. of the issued share capital of the Company. In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the resolution, the shareholding of Good Benefit Limited and its associates in the Company would be increased to approximately 59.16 per cent. of the issued share capital of the Company respectively and such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Code or reduce the amount of Shares held by the public to less than 25 per cent.. The Directors have no intention to exercise the power of the Company to make repurchases which would result in the Shares held by the public reduced to less than 25 per cent. of the issued shares of the Company.

## SHARE PRICES

The highest and lowest market prices for Shares recorded on the Stock Exchange during each of the previous 12 months from 1st October 2002 to 30th September 2003 are as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2002</b>		
October	0.720	0.600
November	0.790	0.650
December	0.750	0.630
<b>2003</b>		
January	0.970	0.720
February	1.060	0.850
March	0.980	0.760
April	0.930	0.760
May	0.930	0.810
June	1.120	0.880
July	1.190	0.960
August	1.310	1.100
September	1.370	1.180

## GENERAL

During each of the six months preceding the date of this circular, no Shares had been repurchased by the Company.

## RECOMMENDATION

The Directors consider that the granting of the mandates to issue shares and to repurchase Shares of the Company are in the interests of the Company and its shareholders and so recommend you to vote in favour of the relevant resolutions at the AGM. The Directors will vote all their shareholdings in favour of such resolutions.

Yours faithfully,  
**Hui Sai Chung**  
*Chairman*