
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 licensed securities dealer 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 Fong's Industries Company Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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FONG'S INDUSTRIES COMPANY LIMITED

立信工業有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00641)

**REPURCHASE MANDATE TO PURCHASE CONVERTIBLE BONDS
AND
NOTICE OF SPECIAL GENERAL MEETING**

A letter from the Board of Fong's Industries Company Limited (the "Company") is set out on pages 3 to 5 of this circular.

A notice convening a special general meeting of the Company to be held on Friday, 2 May, 2008 at 8th Floor, 22-28 Cheung Tat Road, Tsing Yi, Hong Kong at 11:00 a.m. is set out on pages 8 to 9 of this circular.

If you are not able to attend such meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the principal place of business of the Company in Hong Kong at 8th Floor, 22-28 Cheung Tat Road, Tsing Yi, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for the holding of such meeting or any adjournment thereof.

Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so desire.

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DEFINITIONS

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

“Board”	the board of Directors
“Bye-Laws”	the bye-laws of the Company
“Company”	Fong’s Industries Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Convertible Bonds”	the zero coupon convertible bonds due 2011 issued by the Company, details of which are set out in the Company’s announcement dated 19 April 2006
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	10 April, 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Notice of SGM”	the notice convening the SGM set out on pages 8 to 9 of this circular
“PRC”	the People’s Republic of China and for the purpose of this circular shall exclude Hong Kong, Macau and Taiwan
“Repurchase Mandate”	the mandate to purchase Convertible Bonds as described in the explanatory statement set out in the Appendix to this circular
“SGM”	the special general meeting of the Company to be held at 8th Floor, 22-28 Cheung Tat Road, Tsing Yi, Hong Kong on Friday, 2 May, 2008 at 11:00 a.m.
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company

DEFINITIONS

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong



FONG'S INDUSTRIES COMPANY LIMITED

立信工業有限公司*

(Incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Fong Sou Lam (*Chairman*)
Mr. Wan Wai Yung (*Managing Director*)
Mr. Fong Kwok Leung, Kevin
Mr. Fong Kwok Chung, Bill
Mr. Tou Kit Vai
Mr. Tsui Wai Keung
Dr. Tsui Tak Ming, William
Ms. Poon Hang Sim, Blanche

Independent non-executive Directors:

Mr. Cheung Chiu Fan
Dr. Yuen Ming Fai
Dr. Keung Wing Ching

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Head office and principal place of
business in Hong Kong:*

8th Floor,
22-28 Cheung Tat Road
Tsing Yi
Hong Kong

15 May, 2008

To the Shareholders

Dear Sir or Madam,

**REPURCHASE MANDATE TO PURCHASE CONVERTIBLE BONDS
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information on the proposal to grant the Directors the Repurchase Mandate.

* For identification purpose only

LETTER FROM THE BOARD

REPURCHASE MANDATE

As set out in the Company's announcement dated 19 April 2006, the Company issued the Convertible Bonds with an aggregate principal amount of HK\$800 million with an initial conversion price of HK\$8.37 per Share. As set out in the Company's announcement dated 26 October 2007, the conversion price of the Convertible Bonds had been adjusted to HK\$7.62 per Share pursuant to the terms and conditions of the Convertible Bonds. The Directors believe that the obtaining of the Repurchase Mandate is in the best interests of the Company and its Shareholders as a whole. Therefore, a SGM will be convened whereby an ordinary resolution will be proposed for consideration and, if thought fit, to approve a grant to the Directors the Repurchase Mandate to exercise the powers of the Company to purchase the Convertible Bond up to a maximum of 10% of the outstanding Convertible Bonds as at the date of the passing of such resolution at any time until 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 the Bye-Laws or any applicable laws of Bermuda to be held; and (iii) the date on which the authority set out in the resolution is revoked or varied by an ordinary resolution of the Shareholders of the Company in general meeting.

Under the Listing Rules, the Company is required to give to the Shareholders all information which is reasonably necessary to enable the Shareholders to make an informed decision as to whether to vote for or against the resolution to grant to the Directors the Repurchase Mandate. The explanatory statement required by the Listing Rules is set out in the Appendix to this circular.

SGM

Set out on pages 8 to 9 of this circular is the Notice of SGM to be held on Friday, 2 May, 2008 for the purpose of considering and, if thought fit, passing the resolution to approve the grant of the Repurchase Mandate.

A form of proxy is herewith enclosed for use at the SGM. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the principal place of business of the Company in Hong Kong at 8th Floor, 22-28, Cheung Tat Road, Tsing Yi, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for the holding of such meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so desire.

LETTER FROM THE BOARD

PROCEDURES BY WHICH SHAREHOLDERS MAY DEMAND A POLL

Pursuant to the Bye-Law 70, a resolution put to the vote of a general meeting shall be decided on a show of hands unless before, or on the declaration of the result of, the show of hands a poll is duly demanded. A poll may be demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

RECOMMENDATION

The Directors are of the opinion that the Repurchase Mandate referred to in this circular is in the best interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolution relating to the Repurchase Mandate to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
Fong Sou Lam
Chairman

The following information is provided to enable the Shareholders to make an informed decision on whether to vote for or against the resolution to approve the grant of the Repurchase Mandate to the Directors to exercise the powers of the Company to purchase its own Convertible Bonds:

(A) REASONS FOR THE REPURCHASE MANDATE

The proposed Repurchase Mandate will allow the Company to reduce the potentially dilutive effects on shareholding upon conversion and (depending on the price at which the Convertible Bonds are acquired) may allow the Company to profit from such repurchase. Accordingly the Directors believe that it is in the best interests of the Company and the Shareholders as a whole to have the Repurchase Mandate from the Shareholders to enable the Company to purchase its own Convertible Bonds in the market.

The Convertible Bonds would only be repurchased in circumstances where the Directors consider that the repurchase would be in the best interests of the Company and its Shareholders.

(B) FUNDING OF REPURCHASES

The Company may only apply funds legally available for repurchases of the Convertible Bonds in accordance with its Bye-Laws, the terms and conditions of the Convertible Bonds and applicable laws of Bermuda.

(C) IMPACT ON WORKING CAPITAL OR GEARING POSITION

As compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 31 December 2007, the Directors consider that there would be no material adverse impact on the working capital and on the gearing position of the Company in the event that the Repurchase Mandate was exercised in full during the proposed purchase period. Nevertheless, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(D) DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

As the Convertible Bonds were not issued to the Directors or their associates (as defined in the Listing Rules), and to the knowledge of the Directors none of the aforesaid persons hold any Convertible Bonds as at the Latest Practicable Date, none of the Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell any Convertible Bonds (if any) to the Company or its subsidiaries under the Repurchase Mandate. No connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have a present intention to sell any Convertible Bonds (if any) to the Company or its subsidiaries nor have they undertaken not to sell any of the Convertible Bonds to the Company or its subsidiaries in the event that the Company is authorised to make purchases of Convertible Bonds. The Company will not knowingly purchase Convertible Bonds from any connected person using the Repurchase Mandate on the Stock Exchange.

In the event that the controlling shareholders of the Company become holders of any Convertible Bonds in the future, it is expected that the controlling shareholders may sell such Convertible Bonds held by them to the Company and should such transaction materialise, the Company will comply with the relevant requirements under the Listing Rules at that time.

(E) UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the powers of the Company to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and all applicable laws of Bermuda.

(F) OUTSTANDING CONVERTIBLE BONDS

As at the Latest Practicable Date, there was an aggregate principal amount of HK\$800 million of the Convertible Bonds outstanding. Subject to the passing of the relevant resolution and on the basis that none of the outstanding Convertible Bonds are redeemed or exercised prior to the SGM, the Company would be allowed under the Repurchase Mandate to purchase a maximum principal amount of HK\$80 million of the Convertible Bonds.

(G) PURCHASES OF CONVERTIBLE BONDS MADE BY THE COMPANY

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

(H) CONVERTIBLE BONDS PRICES

There has been no trading of the Convertible Bonds on the Stock Exchange during the previous 12 months.

(I) TAKEOVERS CODE

As the repurchase of Convertible Bonds do not affect the issued share capital of the Company prior to their conversion, the Directors are not aware of any direct consequences of any purchases of the Convertible Bonds which will arise under the Takeovers Code.



FONG'S INDUSTRIES COMPANY LIMITED

立信工業有限公司*

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that the special general meeting of Fong's Industries Company Limited (the "Company") will be held at 8th Floor, 22-28 Cheung Tat Road, Tsing Yi, Hong Kong on Friday, 2 May, 2008 at 11:00 a.m. to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase the zero coupon convertible bonds due 2011 issued in an aggregate principal amount of HK\$800 million by the Company on 10 May, 2006 and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate principal amount of the convertible bonds of the Company which the Company is authorised to purchase pursuant to the approval in paragraph (a) above shall not exceed ten (10) per cent. of the aggregate outstanding principal amount of the convertible bonds of the Company in issue at the date of passing of this resolution, and the said approval shall be limited accordingly; and
- (c) 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 the bye-laws of the Company or any applicable laws of Bermuda to be held; and
 - (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting."

By Order of the Board
C. K. Lee
Company Secretary

Hong Kong, 15 April, 2008

* For identification purpose only

NOTICE OF SGM

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of such member. Vote may be given either personally or by proxy. A proxy need not be a member of the Company.
2. A form of proxy in respect of the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon.
3. In order to be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority must be deposited with the Company's principal place of business in Hong Kong at 8th Floor, 22-28 Cheung Tat Road, Tsing Yi, Hong Kong, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
4. Where there are joint holders of a share of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he were solely entitled thereto, but if more than one of such holders are present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.