

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action 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 all** your shares of Fong's Industries 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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## **FONG'S INDUSTRIES COMPANY LIMITED**

*(Incorporated in Bermuda with limited liability)*

**PROPOSALS FOR  
ADOPTION OF CHINESE NAME  
AND  
GENERAL MANDATES TO REPURCHASE ITS OWN SHARES  
AND TO ISSUE SHARES**

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The notice convening a Special General Meeting of Fong's Industries Company Limited ("the Company") to be held at 8th Floor, 22-28 Cheung Tat Road, Tsing Yi, Hong Kong on Wednesday, 22nd May, 2002 at 10:30 a.m. (or so soon thereafter as the Annual General Meeting of the Company to be convened for the same day and place shall have been concluded or adjourned) is set out on pages 8 to 10 of this circular.

Whether you are able to attend or not, please complete and return 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 at 8th Floor, 22-28 Cheung Tat Road, Tsing Yi, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the meeting.

29th April, 2002

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## DEFINITIONS

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

“AGM”	the Annual General Meeting of the Company to be held at 8th Floor, 22-28 Cheung Tat Road, Tsing Yi, Hong Kong on Wednesday, 22nd May, 2002 at 10:00 a.m.;
“Company”	Fong’s Industries Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange;
“Directors”	the directors of the Company for the time being;
“Latest Practicable Date”	23rd April, 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Ordinary Resolution(s)”	the proposed ordinary resolution(s) as referred to in the SGM Notice;
“Repurchase Mandate”	a general mandate to the Directors to exercise the power of the Company to repurchase Shares during the period as set out in Ordinary Resolution no.1 up to 10 per cent. of the issued share capital of the Company as at the date of passing the Ordinary Resolution no.1;
“SGM”	the Special General Meeting of the Company to be held at 8th Floor, 22-28 Cheung Tat Road, Tsing Yi, Hong Kong on Wednesday, 22nd May, 2002 at 10:30 a.m. (or so soon thereafter as the AGM to be convened for the same day and place shall have been concluded or adjourned);
“SGM Notice”	the notice convening the SGM as set out on pages 8 to 10 of this circular;
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time);
“Share Buyback Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange;

## DEFINITIONS

“Share Issue Mandate”	a general mandate to the Directors to exercise the power of the Company to allot and issue Shares during the period as set out in Ordinary Resolution no.2 up to 20 per cent. of the issued share capital of the Company as at the date of passing the Ordinary Resolution no.2;
“Special Resolution”	the proposed special resolution as referred to in the SGM Notice;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeover Code”	Hong Kong Codes on Takeovers and Mergers; and
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.

# LETTER FROM THE CHAIRMAN



## FONG'S INDUSTRIES COMPANY LIMITED

*(Incorporated in Bermuda with limited liability)*

*Directors:*

Mr. Fong Sou Lam (*Chairman*)  
Mr. Lee Che Chiu (*Managing Director*)  
Mr. Fong Kwok Leung, Kevin  
Mr. Fong Kwok Chung, Bill  
Mr. Cheuk Hon Kin, Kelvin  
Dr. Tsui Tak Ming, William  
Ms. Poon Hang Sim, Blanche  
\* Mr. Cheung Chiu Fan  
\* Mr. Lui Chi Lung, Louis

*\* Independent Non-Executive Director*

*Head Office and Principal*

*Place of Business:*

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

*Registered Office:*

Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

29th April, 2002

*To the shareholders,*

Dear Sir or Madam,

**PROPOSALS FOR  
ADOPTION OF CHINESE NAME  
AND  
GENERAL MANDATES TO REPURCHASE ITS OWN SHARES  
AND TO ISSUE SHARES**

**1. INTRODUCTION**

The purpose of this circular is to provide you with the relevant information regarding the proposed adoption of Chinese name and the proposed renewal of the general mandates to issue and allot Shares and to repurchase Shares and to seek your approval of the Special Resolution and Ordinary Resolutions relating to these matters at the SGM.

**2. ADOPTION OF CHINESE NAME**

As the Company is a company incorporated in Bermuda, only its English name appears in its Certificate of Incorporation. Accordingly, the Company has been registered as an overseas company in its English name only under Part XI of the Hong Kong Companies Ordinance. The Chinese name 「立信工業有限公司」 now appears in the Company's documents has been used as a Chinese translation of its English name. As an overseas company is now allowed to register a Chinese name in Hong Kong notwithstanding the fact that only the English name of a company appears in the Certificate of Incorporation, the Directors propose the adoption of the Chinese name 「立信工業有限公司」 to formalise its use by the Company in Hong Kong.

## LETTER FROM THE CHAIRMAN

### 3. GENERAL MANDATE TO REPURCHASE SHARES

An ordinary resolution will be proposed at the SGM to grant to the Directors the Repurchase Mandate, details of which are set out in Ordinary Resolution no.1 in the SGM Notice. The Shares which may be repurchased pursuant to the Repurchase Mandate is up to 10 per cent. of the issued share capital of the Company at the date of passing of the resolution approving the Repurchase Mandate.

An explanatory statement as required under the Share Buyback Rules, giving certain information regarding the Repurchase Mandate, is set out in the Appendix I hereto.

### 4. GENERAL MANDATE TO ISSUE SHARES

An ordinary resolution will be proposed at the SGM to grant to the Directors the Share Issue Mandate. In addition, an ordinary resolution will also be proposed to authorise an extension of the Share Issue Mandate by adding to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the Share Issue Mandate the number of Shares purchased under the Repurchase Mandate, if granted.

Details of the Share Issue Mandate and the extension of the Share Issue Mandate are set out in Ordinary Resolutions no.2 and no.3 in the SGM Notice.

### 5. SPECIAL GENERAL MEETING

Set out on pages 8 to 10 of this circular is the SGM Notice at which a Special Resolution will be proposed to adopt the Chinese name of the Company, and the Ordinary Resolutions will be proposed to approve the Repurchase Mandate, the Share Issue Mandate and the extension of the Share Issue Mandate.

### 6. ACTION TO BE TAKEN

A form of proxy for use at the SGM is enclosed. Whether or not you intend to be present at the SGM, you are requested to complete the form of proxy and return it to the principal place of business of the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the SGM.

### 7. RECOMMENDATION

The Directors believe that the adoption of the Chinese name, the Repurchase Mandate, the Share Issue Mandate and the extension of the Share Issue Mandate are in the best interests of the Company as well as its shareholders. Accordingly, the Directors recommend that all shareholders of the Company should vote in favour of all the resolutions set out in the SGM Notice.

Yours faithfully,  
**FONG SOU LAM**  
*Chairman*

This appendix serves as an explanatory statement, as required by the Listing Rules and Share Buyback Rules to provide requisite information to you for your consideration of the proposal to permit the repurchase of Shares up to a maximum of 10% of the issued share capital of the Company as at the date of Repurchase Mandate. For the purpose of this appendix, the term “shares” shall be as defined in the Takeover Code to mean shares of all classes and securities which carry a right to subscribe or purchase shares.

## 1. SHARE BUYBACK RULES

The Share Buyback Rules permit companies whose primary listing is on the Stock Exchange to repurchase their fully paid up shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

### (a) Shareholders' Approval

The Share Buyback Rules provide that all on-market share repurchases by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a specific approval in relation to specific transactions or by a general mandate to the directors of the company to make such repurchase.

### (b) Source of Funds

Repurchase must be made out of funds which are legally available for the purpose and in accordance with the laws of Bermuda and the memorandum of association and bye-laws of the company.

The company is empowered by its memorandum of association and bye-laws to purchase its shares. The laws of Bermuda provide that the amount of capital paid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or out of funds of the company otherwise available for dividend or distribution or the proceeds of a fresh issue of shares made for the purpose. The amount of premium payable on repurchase may only be paid out of funds of the company otherwise available for dividend or distribution or out of the share premium account of the company.

## 2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 562,146,285 Shares.

Subject to the passing of the Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the SGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 56,214,628 Shares representing not more than 10% of the issued share capital at the Latest Practicable Date.

## 3. REASONS FOR REPURCHASE

The Directors believe that the Repurchase Mandate affords the Company the flexibility and ability in pursuing the best interests of the Company and its shareholders. Such purchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share of the Company and will only be made when the Directors believe that such a purchase will benefit the Company and its shareholders.

#### 4. FUNDING OF REPURCHASE

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and bye-laws and the laws of Bermuda.

On the basis of the consolidated financial position of the Company as at 31st December, 2001 being the date to which the latest published accounts of the Company were made up, the Directors consider that in the event that the Repurchase Mandate were to be carried out in full at any time during the proposed repurchase period, there might be an adverse impact on the working capital position of the Company. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirement of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

#### 5. SHARE PRICES

The highest and lowest prices at which the Shares of the Company have traded on the Stock Exchange during each of the previous 12 months before the printing of this circular were as follows:

Month	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2001</b>		
April	0.81	0.52
May	0.83	0.52
June	0.75	0.58
July	0.67	0.60
August	0.69	0.63
September	0.65	0.58
October	0.71	0.63
November	0.70	0.64
December	0.73	0.67
<b>2002</b>		
January	0.87	0.70
February	0.87	0.82
March	0.95	0.85

#### 6. GENERAL

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

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company under the Repurchase Mandate if such is approved by the shareholders.



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

## 7. TAKEOVER 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 purposes of Rule 32 of the Takeover Code. As a result, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code.

As at the Latest Practicable Date, Mr. Fong Sou Lam, Mr. Fong Kwok Leung, Kevin and Mr. Fong Kwok Chung, Bill together with their associates (as defined in the Listing Rules) were interested in aggregate of 356,469,601 Shares, representing approximately 63.41% of the Shares issued by the Company. In the event the Directors exercised in full the power to repurchase Shares pursuant to the Repurchase Mandate, the shareholdings of the aforesaid persons, together with their associates in the Company would be increased to approximately 70.46% of the issued share capital of the Company and the number of Shares held by the public would not fall below 25% of the issued share capital of the Company. The Directors are not aware of any consequence which may arise under the Takeover Code as a result of any repurchases made under the Repurchase Mandate.

## 8. SHARE PURCHASE MADE BY THE COMPANY

During the period since its last annual general meeting held on 23rd May, 2001 to the Latest Practicable Date, the Company had purchased a total of 4,380,000 Shares through the Stock Exchange as follows:-

Month of repurchase	No. of Shares of HK\$0.10 each	Price per Share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
<b>2001</b>				
June	1,586,000	0.65	0.63	1,016,580
July	200,000	0.64	0.62	125,040
August	400,000	0.64	0.64	256,000
September	710,000	0.64	0.58	432,300
October	992,000	0.71	0.64	672,600
November	492,000	0.67	0.66	325,880
	<u>4,380,000</u>			<u>2,828,400</u>

The above Shares purchased were subsequently cancelled upon repurchase and accordingly the issued capital of the Company was diminished by the nominal value of those Shares. The premium payable on repurchase was charged against the share premium account. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to capital redemption reserve.

# NOTICE OF SPECIAL GENERAL MEETING



## FONG'S INDUSTRIES COMPANY LIMITED

*(Incorporated in Bermuda with limited liability)*

**NOTICE IS HEREBY GIVEN** that a 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 Wednesday, 22nd May, 2002 at 10:30 a.m. (or so soon thereafter as the Annual General Meeting of the Company to be convened for the same day and place shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolutions, with or without modification, as Special Resolution and Ordinary Resolutions of the Company:—

### AS A SPECIAL RESOLUTION

1. **"THAT** 立信工業有限公司 be adopted as the Company's Chinese name for the purpose of registration under Part XI of the Companies Ordinance in Hong Kong."

### AS ORDINARY RESOLUTIONS

1. **"THAT:**
  - (i) subject to paragraph (ii) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
  - (ii) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (i) of this Resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution, and the said approval shall be limited accordingly; and
  - (iii) for the purposes of this Resolution:

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

- (a) the conclusion of the next annual general meeting of the Company; or
- (b) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or
- (c) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

## NOTICE OF SPECIAL GENERAL MEETING

2. **“THAT:**

- (i) subject to paragraph (iii) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require shares to be allotted be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require shares to be allotted after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (i) of this Resolution, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined); or (b) an issue of shares upon the exercise of subscription rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to the grantees as specified in such scheme or similar arrangement of shares or rights to acquire shares of the Company; or (c) any issue of shares pursuant to the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes and other securities of the Company which carry rights to subscribe for or are convertible into shares of the Company; or (d) an issue of shares pursuant to any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of the dividend on shares of the Company in accordance with the bye-laws of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution and the said approval shall be limited accordingly; and
- (iv) for the purposes of this Resolution:

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

- (a) the conclusion of the next annual general meeting of the Company; or
- (b) the expiration. of the period within which the next annual general meeting of the Company is required by law to be held; or
- (c) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting;

## NOTICE OF SPECIAL GENERAL MEETING

“Rights Issue” means an offer of shares of the Company or issue of option, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the Directors of the Company to holders of shares, or any class of shares, whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their holdings of such shares (or, where appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

3. “**THAT** the general mandate granted to the Directors of the Company to exercise the powers of the Company to allot, issue and deal with any additional shares of the Company pursuant to Ordinary Resolution no.2 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution no.1 set out in the notice convening this meeting, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution.”

By Order of the Board  
**C. K. LEE**  
*Company Secretary*

Hong Kong, 29th April, 2002.

*Notes:*

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the principal place of business of the Company at 8th Floor, 22-28 Cheung Tat Road, Tsing Yi, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.