
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in 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 in **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.

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



FONG'S INDUSTRIES COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 641)

GENERAL MANDATES TO ISSUE NEW SHARES AND TO REPURCHASE SHARES

The notice convening a special general meeting of Fong's Industries Company Limited to be held at Ching Room, 4th Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on 25 May, 2005 at 11:45 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 10 to 12 of this circular.

Whether you are able to attend the meeting or not, you are requested to 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 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 48 hours before the time for holding the meeting. Completion and return of the form of proxy will not prevent you from subsequently attending and voting at the meeting or any adjourned meetings should you so wish.

CONTENTS

	<i>Page</i>
Definitions	1
 Letter from the Chairman	
1. Introduction	3
2. General mandate to repurchase Shares	4
3. General mandate to issue new Shares	4
4. Special General Meeting	4
5. Action to be taken	5
6. Procedure to demand a poll	5
7. Recommendation	5
Appendix – Explanatory Statement	6
Notice of Special General Meeting	10

DEFINITIONS

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

“AGM” or “Annual General Meeting”	the annual general meeting of the Company to be held at Ching Room, 4th Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on 25 May, 2005 at 11:30 a.m.;
“Board”	the board of Directors;
“Bye-Laws”	the Bye-Laws of the Company as may be amended from time to time;
“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”	22 April, 2005, 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% of the issued share capital of the Company as at the date of passing Ordinary Resolution no. 1;
“SGM”	the special general meeting of the Company to be held on 25 May, 2005 at 11:45 a.m. (or so soon thereafter as the AGM to be convened for the same day and place shall have been concluded or adjourned), the notice of which is enclosed with this circular;
“SGM Notice”	the notice convening the SGM as set out on pages 10 to 12 of this circular;

DEFINITIONS

“Share(s)”	ordinary 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 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% of the issued share capital of the Company as at the date of passing Ordinary Resolution no. 2;
“Share Repurchase Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing of their own securities on the Stock Exchange;
“Shareholder(s)”	the holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Code on Takeovers and Mergers approved by the Securities and Futures Commission as amended from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

LETTER FROM THE CHAIRMAN



FONG'S INDUSTRIES COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Directors:

Mr. Fong Sou Lam (*Chairman*)
Mr. Wan Wai Yung (*Joint Managing Director*)
Mr. Lee Che Chiu (*Joint Managing Director*)
Mr. Fong Kwok Leung, Kevin
Mr. Fong Kwok Chung, Bill
Mr. Mo Yiu Leung, Jerry
Mr. Cheuk Hon Kin, Kelvin
Dr. Tsui Tak Ming, William
Ms. Poon Hang Sim, Blanche
Mr. Tsui Wai Keung
Mr. Peter Rainer Philipp
Mr. Cheung Chiu Fan*
Mr. Lui Chi Lung, Louis*
Dr. Yuen Ming Fai*

Head Office and Principal

Place of Business:
8th Floor
22-28 Cheung Tat Road
Tsing Yi
Hong Kong

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

* *Independent non-executive Director*

27 April, 2005

To the Shareholders

Dear Sir or Madam,

GENERAL MANDATES TO ISSUE NEW SHARES AND TO REPURCHASE SHARES

1. INTRODUCTION

At the SGM, ordinary resolutions will be proposed to grant to the Directors general mandates to allot, issue and deal with new Shares and to repurchase Shares.

The purpose of this circular is to provide you with the information regarding the Share Issue Mandate and the Repurchase Mandate and to seek your approval of the Ordinary Resolutions relating to these matters at the SGM.

LETTER FROM THE CHAIRMAN

2. 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% of the issued share capital of the Company at the date of passing the resolution approving the Repurchase Mandate.

An explanatory statement as required under the Share Repurchase Rules containing all relevant information relating to the Repurchase Mandate is set out in the Appendix to this circular. The information in the explanatory statement provides you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to grant to the Directors the Repurchase Mandate.

3. GENERAL MANDATE TO ISSUE NEW SHARES

An ordinary resolution will also 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 respectively.

The Directors wish to state that concerning the Share Issue Mandate, they have no immediate plans to issue any new Shares of the Company. Approval is being sought from Shareholders for granting such general mandate in order to ensure flexibility and discretion to the Directors when it is desirable to allot additional Shares in the capital of the Company.

4. SPECIAL GENERAL MEETING

Set out on pages 10 to 12 of this circular is the SGM Notice. At the SGM, the Ordinary Resolutions will be proposed to grant to the Directors the Repurchase Mandate, the Share Issue Mandate and the extension of the Share Issue Mandate.

LETTER FROM THE CHAIRMAN

5. ACTION TO BE TAKEN

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete the form of proxy and return it to 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 SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM.

6. PROCEDURE TO DEMAND A POLL

Pursuant to the Bye-Law 70, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the Chairman of the meeting; or
- (ii) 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
- (iii) by any 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
- (iv) by any 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 the shares conferring that right.

7. RECOMMENDATION

The Directors believe that the Repurchase Mandate, the Share Issue Mandate and the extension of the Share Issue Mandate as set out in the SGM Notice 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 for each of the Ordinary Resolutions as set out in the SGM Notice.

Yours faithfully,
By Order of the Board
FONG SOU LAM
Chairman

This appendix serves as an explanatory statement, as required by the Listing Rules and the Share Repurchase 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 the Repurchase Mandate. For the purpose of this appendix, the term “shares” shall be as defined in the Takeovers Code which mean shares of all classes and securities which carry a right to subscribe or purchase shares.

1. SHARE REPURCHASE RULES

The Share Repurchase Rules permit companies whose primary listing are 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 Repurchase 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 560,378,285 Shares.

Subject to the passing of the ordinary resolution regarding 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 56,037,828 Shares representing not more than 10% of the issued share capital of the Company at the Latest

Practicable Date during the period prior to the next annual general meeting of the Company following the passing of the resolution referred to herein or the revocation of the Repurchase Mandate by an ordinary resolution of the Shareholders.

3. REASONS FOR REPURCHASES

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 REPURCHASES

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, 2004, 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 traded prices at which the Shares have traded on the Stock Exchange during each of the previous 12 months before the Latest Practicable Date were as follows:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2004		
April	7.90	6.55
May	7.10	5.55
June	6.25	5.50
July	6.10	5.15
August	5.80	5.25
September	6.20	5.40
October	6.65	5.80
November	6.80	6.40
December	7.00	6.65
2005		
January	7.00	6.60
February	6.70	6.20
March	6.90	6.20

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 any Shares to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

7. TAKEOVERS CODE

If on exercise of the power of repurchasing 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 Takeovers Code. As a result, a Shareholder or 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 Takeovers 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 328,791,601 Shares, representing approximately 59% 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 65% of the issued share capital of the Company. The Directors are not aware of any consequence which may arise under the Takeovers Code as a result of any repurchases made under the Repurchase Mandate. The Company will not repurchase Shares if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the issued share capital of the Company.

8. SHARE PURCHASE MADE BY THE COMPANY

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

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 Ching Room, 4th Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Tsimshatsui, Kowloon, Hong Kong, on 25 May, 2005 at 11:45 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 ordinary resolutions of the Company:

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 it 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% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing 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 earlier 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% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing 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 earlier 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; and

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% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution.”

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

Hong Kong, 27 April, 2005

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 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.