
THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

If you have sold or transferred all your shares in **Silver Grant International Industries Limited**, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser and transferee.

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Silver Grant International Industries Limited **(銀 建 國 際 實 業 有 限 公 司)**

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES

A notice convening an extraordinary general meeting of Silver Grant International Industries Limited (the “Company”) to be held at Grand Rooms I & II, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, the 27th day of May, 2003 at 10:15 a.m. (or as soon as practicable immediately after the conclusion or adjournment of the annual general meeting of the Company convened at the same place and date at 10:00 a.m.) or any adjournment thereof is set out on pages 9 to 12 of this circular. Whether or not the shareholders propose to attend the meeting, they are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the registered office of the Company at Suite 4901, 49th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the meeting should they so wish.

Hong Kong, 30th April, 2003

LETTER FROM THE BOARD



Silver Grant International Industries Limited (銀建國際實業有限公司)

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

Directors:

ZHU Dengshan (*Chairman*)
HUI Xiao Bing (*Vice Chairman*)
GAO Jian Min (*Managing Director*)
LIU Tianni (*Deputy Managing Director*)
GU Jianguo
CHEN Yongcun
CHUENG Chung Kiu
YUEN Wing Shing
YANG Bin
KANG Dian*
ZHANG Lu*

Registered Office:

Suite 4901
49th Floor
Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

30th April, 2003

* *Independent non-executive director*

To the Shareholders

Dear Sir or Madam,

GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES

INTRODUCTION

The Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) contain provisions to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange. The Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (“the Companies Ordinance”) allows companies incorporated in Hong Kong, if so permitted by their articles of association, to repurchase their own shares.

At the extraordinary general meeting of the Company held on 27th May, 2002, general mandates were granted to the directors of the Company (the “Directors”) to exercise the powers of the Company to repurchase shares of the Company (“Shares”) and to issue Shares. Under the terms of the Listing Rules, these general mandates will lapse at the conclusion of the next annual general meeting of the Company.

LETTER FROM THE BOARD

Ordinary resolutions will therefore be proposed at an extraordinary general meeting of the Company to be held on 27th May, 2003 (“Extraordinary General Meeting”) immediately following the annual general meeting of the Company convened for that date to approve fresh general mandates to repurchase Shares and to issue Shares.

The purpose of this circular is to provide you with information regarding the proposed general mandates to repurchase Shares and to issue Shares.

GENERAL MANDATE TO REPURCHASE SHARES

At the Extraordinary General Meeting, an ordinary resolution will be proposed to grant a general mandate to the Directors to exercise the powers of the Company to repurchase on the Stock Exchange Shares representing up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of the resolution (“the Repurchase Mandate”).

In accordance with the Listing Rules, an explanatory statement to provide shareholders with all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the resolution to approve the Repurchase Mandate is set out in the Appendix hereto.

GENERAL MANDATE TO ISSUE SHARES

An ordinary resolution will be proposed at the Extraordinary General Meeting to grant to the Directors a general mandate to issue Shares representing up to 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of the resolution (“Issue Mandate”) in order to ensure flexibility and discretion to the Directors to issue any Shares. In addition, an ordinary resolution will be proposed to extend the general mandate to issue Shares by adding to it the number of Shares repurchased under the Repurchase Mandate.

EXTRAORDINARY GENERAL MEETING

Set out on pages 9 to 12 of this circular is a notice convening the Extraordinary General Meeting to consider the ordinary resolutions relating to the Repurchase Mandate, the Issue Mandate and the extension of the Issue Mandate.

A form of proxy for use at the Extraordinary General Meeting is enclosed. Whether or not you intend to be present at the Extraordinary General Meeting, you are requested to complete the form of proxy and return it to the registered office of the Company in accordance with the instructions printed thereon not later than 48 hours before the time fixed for holding the Extraordinary General Meeting. Completion and deposit of the form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting if you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the granting of the Repurchase Mandate, the Issue Mandate and the extension of the Issue Mandate are in the best interests of the Company and its shareholders and accordingly the Directors recommend that all shareholders should vote in favour of the resolutions to be proposed at the Extraordinary General Meeting.

Yours faithfully,
By Order of the Board
GAO Jian Min
Managing Director

The following is the explanatory statement as required by the Listing Rules, to provide requisite information to you for your consideration of the Repurchase Mandate.

The circular also constitutes the memorandum as required under Section 49BA(3) of the Companies Ordinance.

1. LISTING RULES

The Listing Rules permit companies whose primary listings 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 Listing Rules provide that all on-market share repurchases by a company with its primary listings 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 repurchases.

(b) Source of Funds

Repurchases must be made out of funds which are legally available for such purpose in accordance with the company's constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established.

(c) Maximum Number of Shares to be Repurchased

A maximum of 10% of the issued share capital of the company at the date of the passing of the resolution granting the general mandate may be repurchased on the Stock Exchange.

2. SHARE CAPITAL

As at 26th April, 2003 (the latest practicable date prior to the printing of the circular ("the Latest Practicable Date")), the issued share capital of the Company comprised 1,312,221,611 Shares.

Subject to the passing of ordinary resolution and on the basis that no further Shares are issued or repurchased prior to the Extraordinary General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 131,222,161 Shares.

3. REASONS FOR REPURCHASE

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

4. FUNDING OF REPURCHASE

Repurchase would be financed from available cash flow or working capital facilities of the Company and its subsidiaries which will be funds legally available for such purpose in accordance with the memorandum and articles of association of the Company and the Companies Ordinance. The Companies Ordinance provides that the amount of capital repaid in connection with a Share repurchase may only be paid from the distributable profits of the Company and/or the proceeds of a new issue of Shares made for the purpose. The Companies Ordinance further provides that the amount of premium payable on repurchase may only be paid out of the distributable profits of the Company. Where the repurchased Shares were issued at a premium, any premium payable on repurchase may be paid out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase to such extent allowable under the Companies Ordinance.

There might be material adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited consolidated accounts contained in the annual report for the year ended 31st December, 2002 in the event that the Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. 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 requirements 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 date of this circular were as follows:

	Shares	
	Highest	Lowest
	Price HK\$	Price HK\$
2002		
April	0.74	0.64
May	0.83	0.68
June	0.74	0.67
July	0.75	0.65
August	0.72	0.68
September	0.77	0.69
October	0.71	0.67
November	0.70	0.66
December	0.70	0.62
2003		
January	0.70	0.64
February	0.74	0.65
March	0.67	0.62

6. UNDERTAKING

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 ordinary resolution No.1 set out in the notice of Extraordinary General Meeting in accordance with the Listing Rules and the Companies Ordinance.

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. HONG KONG CODES ON TAKEOVERS AND MERGERS AND SHARE REPURCHASES

If on exercise of the powers 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 Hong Kong Codes on Takeover and Mergers and Share Repurchases ("the Takeover 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 Takeover Code.

As at the Latest Practicable Date, the following shareholders were interested 5% or more of the issued share capital of the Company as recorded in the register of the Company kept under Section 336(1) of Part XV (Disclosure of Interests) of the Securities and Futures Ordinance of Hong Kong:

- (1) Silver Grant International Holdings Limited held 198,820,022 Shares representing approximately 15.15% of the issued share capital of the Company;
- (2) 中國信達資產管理公司 China Cinda Asset Management Corporation indirectly held 175,768,000 Shares representing approximately 13.39% of the issued share capital of the Company;
- (3) China Construction Bank indirectly held 119,294,400 Shares representing approximately 9.09% of the issued share capital of the Company;
- (4) China Everbright Holdings Company Limited indirectly held 108,600,000 Shares representing approximately 8.28% of the issued share capital of the Company; and
- (5) the Company through an associated company was indirectly interested in 130,536,000 Shares respectively approximately 9.95% of the issued share capital of the Company.

To the best of the knowledge and belief of the Company, no other person, together with his/her associates, was beneficially interested in Shares representing 5% or more of the issued share capital of the Company.

In the event that the Directors exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the ordinary resolution No.1 set out in the notice of Extraordinary General Meeting, then (if the present shareholdings otherwise remains the same) the attributable shareholdings of Silver Grant International Holdings Limited, 中國信達資產管理公司 China Cinda Asset Management Corporation, China

Construction Bank, China Everbright Holdings Company Limited and the Company (together the “Shareholders”) in the Company would be increased from approximately 15.15%, 13.39%, 9.09%, 8.28% and 9.95% to approximately 16.83%, 14.88%, 10.10%, 9.20% and 11.05% respectively of the issued share capital of the Company.

The Directors are not aware of any consequences which may arise under the Takeover Code as a consequence of any purchases made under the Repurchase Mandate unless certain of these Shareholders are parties acting in concert with each other, in which case, a general offer obligation under the Takeover Code will arise in the event that the total shareholding of such Shareholders acting in concert reaches 30% or more of the issued share capital of the Company. However, the Directors are not aware that any of the Shareholders are parties acting concert with each other.

8. SHARE REPURCHASE MADE BY THE COMPANY

The Company has not purchased any of its Shares (whether on the Stock Exchange or otherwise) in the 6 months preceding the date of this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Silver Grant International Industries Limited **(銀 建 國 際 實 業 有 限 公 司)**

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Silver Grant International Industries Limited (the “Company”) will be held at Grand Rooms I & II, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, the 27th day of May, 2003 at 10:15 a.m. (or as soon as practicable immediately after the conclusion or adjournment of the annual general meeting of the Company convened for the same place and date at 10:00 a.m.) or any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) subject to paragraph (b) 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 of the Company on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or 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;
- (b) the aggregate nominal amount of shares of the Company which may be repurchased by the Company 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 at the date of the passing of this resolution and the said approval shall be limited accordingly; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (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 law to be held; and
 - (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.”

2. “THAT:

- (a) subject to paragraph (c) of this resolution and pursuant to Section 57B of the Companies Ordinance, 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;
- (b) the approval in paragraph (a) 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;
- (c) 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 (a) of this resolution, otherwise than pursuant to (i) a Right Issue (as hereinafter defined) or (ii) the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes or other securities issued by the Company which carry rights to subscribe for or are convertible into shares of the Company or (iii) the exercise of options 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 (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association 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

NOTICE OF EXTRAORDINARY GENERAL MEETING

(d) 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 law to be held; and
- (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution; and

“Rights Issue” means an offer of shares or issue of options, 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 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 then holdings of such shares of the Company (or, where appropriate such other securities) (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** subject to the passing of resolution Nos.1 and 2 set out in the notice convening this meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares in the Company pursuant to 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 the 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
TUNG Tat Chiu, Michael
Secretary

Hong Kong, 30th April, 2003.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered Office:

Suite 4901
49th Floor
Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed.
3. To be valid, a form of proxy, together with the 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 registered office of the Company at Suite 4901, 49th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.