THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

SHANG HUA HOLDINGS LIMITED
上華控股有限公司*

(Incorporated in Bermuda with limited liability)

Directors:

Executive Directors

Ms. Zhou Hongwen *(Chairman)*
Mr. Cheng Dongsheng *(Deputy Chairman)*
Ms. Zhou Liping *(CEO)*
Ms. Li Wei
Mr. Sun Darui

Independent non-executive Directors

Mr. Tsang Link Carl, Brian
Mr. Chan Pei Cheong, Andy
Mr. Shea Chun Lok, Quadrant

Registered office:

Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Principal office:

Room 701, 7th Floor
Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay
Kowloon
Hong Kong

30th September, 2002

To the shareholders

Dear Sir or Madam,

PROPOSED GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

GENERAL MANDATE TO ISSUE SHARES

Approval is being sought from the shareholders at the annual general meeting of Shang Hua Holdings Limited (the "Company") to be held on 15th November, 2002 (the "Annual General Meeting") to grant a general mandate in order to ensure flexibility and discretion to the directors of the Company (the "Directors") in the event it becomes desirable for the Company to issue shares of HK$0.10 each up to an aggregate of 20 per cent. of its existing issued share capital as at the date of passing the relevant resolution (the "General Mandate").

* *For identification purpose only*

As at 24th September, 2002, being the latest practicable date prior to the printing of this document for ascertaining such information (the "Latest Practicable Date"), the aggregate number of shares in issue was 775,472,663. Subject to the passing of the relevant ordinary resolution and on the basis that no further shares are issued or repurchased prior to the Annual General Meeting, the Company will be allowed under the General Mandate to issue a maximum of 155,094,532 shares. The obtaining of such a mandate is in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Directors wish to state that they have no immediate plans to issue any new shares of the Company.

REPURCHASE MANDATE

The Listing Rules permit companies with a primary listing on The Stock Exchange of Hong Kong Limited (the "Exchange") to repurchase their own securities, subject to certain restrictions, on the Exchange. At the Annual General Meeting, an ordinary resolution will be proposed to grant to the Directors a general mandate to, inter alia, repurchase up to 10 per cent. of the shares of the Company in issue as at the date of the passing of the relevant resolution (the "Repurchase Mandate").

The Company is required by the particular rules in the Listing Rules regulating such share repurchases to send to the shareholders an explanatory statement containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the Repurchase Mandate. Such information is provided below:

1. Reasons for Repurchase Mandate

The Directors believe that the Repurchase Mandate is in the best interests of the Company and its shareholders. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company's shares and its assets and/or its earnings per share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders. The Company does not have any present intention to exercise such Repurchase Mandate.

2. Funding of repurchases and impact on working capital or gearing position

Repurchases must be funded out of funds legally available for such purpose in accordance with the memorandum of association and bye-laws of the Company and the laws of Bermuda. It is envisaged that the Company would derive the funds from its distributable profits.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts for the year ended 30th June, 2002) in the event that the mandate to repurchase shares is exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the 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.

3. Undertaking

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

4. Directors and connected persons

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their associates have any present intention, if the Repurchase Mandate is approved by the shareholders at the Annual General Meeting, to sell any shares to the Company or its subsidiaries.

No connected persons of the Company or their associates (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 Company is authorised to make repurchase of shares.

5. Share capital

As at the Latest Practicable Date, the issued share capital of the Company comprised 775,472,663 shares of HK$0.10 each. Subject to the passing of the relevant ordinary resolution and on the basis that no further shares are issued or repurchased prior to the Annual General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 77,547,266 shares.

6. Takeovers Code

If as a result of 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 the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). As a result, a shareholder, or group of shareholders acting in concert depending on the level of increase of the shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Pioneer Wealth Ltd., being the controlling shareholder of the Company, is beneficially interested in 34.76 per cent. of the issued share capital of the Company. In the event that the Directors should exercise in full the Repurchase Mandate, the attributable shareholding of Pioneer Wealth Ltd. will be increased to approximately 38.62 per cent. of the issued share capital of the Company. The Directors consider that such an increase would give rise to an obligation on the part of Pioneer Wealth Ltd. to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors would review the current position of the Company and consider from time to time whether to exercise the Repurchase Mandate in full. The Directors have no present intention to exercise the Repurchase Mandate to such an extent as would trigger a takeover obligation by the controlling shareholder.

7. Share prices

The highest and lowest prices at which the Company's shares were traded on the Exchange during each of the previous twelve months were as follows:

	Highest Traded Price *HK$*	Lowest Traded Price *HK$*
2001		
September	0.223	0.175
October	0.290	0.190
November	0.300	0.170
December	0.320	0.245
2002		
January	0.250	0.190
February	0.192	0.171
March	0.196	0.172
April	0.305	0.169
May	0.218	0.175
June	0.203	0.180
July	0.182	0.119
August	0.112	0.085

8. Share repurchases made by the Company

The Company has not repurchased any securities (whether on the Exchange or otherwise) in the past six months preceding the Latest Practicable Date.

RECOMMENDATION

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

PROXY FORM

A form of proxy for use at the Annual General Meeting is enclosed with the 2002 Annual Report. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the Annual General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

Yours faithfully,
On behalf of the Board
Zhou Liping
Executive Director