
IMPORTANT

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 in HUNG FUNG GROUP HOLDINGS LIMITED you should at once hand this circular 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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HUNG FUNG GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Directors:

Lo Ming Chi, Charles
Yu Wai Man
Wu Wing Kit*
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19 July 2002

* *independent non-executive directors*

To the shareholders

Dear Sir or Madam,

GENERAL MANDATE TO REPURCHASE SECURITIES

INTRODUCTION

It is proposed that at the annual general meeting of Hung Fung Group Holdings Limited (the “Company”) for the year ended 31 March 2002, a resolution will be proposed to grant to the directors of the Company (the “Directors”) a general mandate to repurchase securities of the Company. This letter contains the explanatory statement in compliance with the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and gives all the information reasonably necessary to enable shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own shares.

GENERAL MANDATE TO REPURCHASE SECURITIES

At the annual general meeting to be held on 23 August 2002, an ordinary resolution will be proposed that the Directors are given a general mandate to exercise all powers of the Company to repurchase issued and fully paid shares of the Company. On 18 July 2002, (the “Latest Practicable Date”), being the latest practicable date prior to the printing of this letter, there were in issue an aggregate of 10,229,841,900 shares of HK\$0.01 each in the share capital of the Company (the “Share(s)”). Exercise in full of the mandate, on the basis that no further Share is issued prior to the date of the annual general meeting, could accordingly, result in up 1,022,984,190 Shares being repurchased by the Company.

The Directors have no present intention to repurchase any Shares but consider that the mandate will provide the Company with the flexibility to make such repurchases when appropriate and beneficial to the Company. Such repurchases may enhance the net value of the Company and/or earnings per share. As compared with the financial position of the Company as at 31 March 2002 (being the date of its latest audited accounts), the Directors consider there would be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed repurchases were to be carried out in full during the proposed period. No repurchase would be made in circumstances that would have a material adverse impact on the working capital or gearing ratio of the Company.

The Company is empowered by its Memorandum of Association and Bye-laws to repurchase its Shares. Bermuda law provides that the amount of capital repaid in connection with a Share repurchase may only be paid out of either the capital paid up on the relevant Shares, or funds of the Company that would otherwise be available for dividend or distribution or the proceeds of a new issue of Shares made for such purpose. The amount of premium payable on repurchase may only be paid out of either the funds of the Company that would otherwise be available for dividend or distribution or out of the share premium account of the Company.

DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of the associates of any of the Directors has any present intention, in the event that the proposal is approved by Shareholders, to sell Shares to the Company.

No connected person of the Company (as defined in the Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorized to make repurchases of Shares.

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the proposed resolution in accordance with the Listing Rules and all applicable laws of Bermuda and in accordance with the regulations set out in the Memorandum of Association and Bye-laws of the Company.

EFFECT OF TAKEOVERS CODE

A repurchase of Shares by the Company may result in an increase in the proportionate interests of a substantial shareholder of the Company in the voting rights of the Company, which could give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “Code”).

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, Vision Century Group Limited (“Vision Century”), who held 57.39% of the issued share capital of the Company, is the only substantial shareholder of the Company holding more than 10% of the issued share capital of the Company. In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the resolution, the shareholding of Vision Century in the Company would be increased to approximately 63.77% of the issued share capital of the Company. Such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Code in relation to Vision Century.

GENERAL

During the six months preceding the date of this letter, no securities of the Company have been repurchased by the Company on the Stock Exchange.

During each of the previous twelve months, the highest and lowest traded prices for Shares on the Stock Exchange were as follows:

Month	Per Share	
	Highest HK\$	Lowest HK\$
2001		
July	*	*
August	*	*
September	*	*
October	*	*
November	*	*
December	*	*
2002		
January	*	*
February	*	*
March	*	*
April	*	*
May	0.016	0.010
June	0.011	0.010

* *Shares of the Company was suspended from trading from 22 January 2001 to the 13 May 2002.*

RECOMMENDATION

The Directors consider that the granting of the mandate to repurchase securities of the Company is in the interest of the Company and so recommend you to vote in favour of the resolution at the forthcoming annual general meeting.

Yours faithfully
Lo Ming Chi, Charles
Chairman