

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 a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in the Company, you should at once hand this circular and the accompanying form of proxy which accompanies the annual report of the Company in respect of the year ended 31st December, 2001 to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected, for transmission to the purchaser or transferee.

This circular is addressed to the Shareholders in connection with the Annual General Meeting to be held on 23rd May, 2002. This circular is not and does not constitute an offer of, nor is it calculated to invite offers for shares or other securities of the Company.

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.



HI SUN GROUP LIMITED

高陽集團有限公司*

(Incorporated in Bermuda with limited liability)

**PROPOSALS FOR BONUS ISSUE OF SHARES,
AND
GENERAL MANDATE FOR
ISSUE AND REPURCHASE OF SHARES**

A notice convening the Annual General Meeting of the Company to be held at Suite 2316, 23/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong on 23rd May, 2002 at 10:00 a.m. together with the form of proxy for use at the Annual General Meeting are contained in the annual report of the Company in respect of the year ended 31st December, 2001. Whether or not you intend to attend the Annual General Meeting, you are requested to complete the form of proxy and return it in accordance with the instructions printed thereon as soon as possible to the principal place of business of the Company at 1801-1804, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong, and in any event not less 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 in person at the Annual General Meeting or any adjourned meeting should you so desire.

* For identification purpose only

26th April, 2002

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DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company in respect of the year ended 31st December, 2001, to be held at Suite 2316, 23/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong on 23rd May, 2002 at 10:00 a.m.
“AGM Notice”	notice of the Annual General Meeting which is set out in the annual report of the Company for the year ended 31st December, 2001 which are despatched to the Shareholders together with this circular
“Board”	the board of Directors
“Bonus Issue”	the issue of Bonus Shares on and subject to the terms and conditions set out in this circular
“Bonus Shares”	new Shares to be issued pursuant to the Bonus Issue
“Company”	Hi Sun Group Limited (高陽集團有限公司), a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange
“Directors”	the directors of the Company
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	22nd April, 2002 being the latest practicable date prior to the printing of this circular
“New Issue Mandate”	the general mandate proposed to be granted to the Directors to exercise the powers of the Company to allot, issue and deal with Shares up to a maximum of 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as enlarged by the Bonus Issue as at the date of the Annual General Meeting pursuant to an ordinary resolution to be proposed at the Annual General Meeting
“New Repurchase Mandate”	the general mandate proposed to be granted to the Directors to exercise the powers of the Company to repurchase Shares up to a maximum of 10 per cent. of the issued share capital of the Company as enlarged by the Bonus Issue as at the date of the Annual General Meeting pursuant to an ordinary resolution to be proposed at the Annual General Meeting
“Record Date”	23rd May, 2002, being the record date by reference to which entitlements to the Bonus Issue will be determined

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Registrar”	Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong
“Shareholders”	registered holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

EXPECTED TIMETABLE

2002

Last day for trading in Shares cum entitlements to the Bonus Issue	Wednesday, 15th May
First day for trading in Shares ex entitlements to the Bonus Issue	Thursday, 16th May
Latest time for lodging transfer form for entitlements to qualify for the Bonus Issue	4:00 p.m. Friday, 17th May
Register of members closes (both days inclusive) from	Tuesday, 21st May
to	Thursday, 23rd May
Latest time for proxy forms to be returned	10:00 a.m. on Tuesday, 21st May
Record date for determination of entitlements to the Bonus Issue	Thursday, 23rd May
Annual General Meeting	10:00 a.m. on Thursday, 23rd May
Register of members reopens	Friday, 24th May
Despatch of certificates for the Bonus Shares	on or before Thursday, 30th May
Expected first day of dealing in the Bonus Shares	Thursday, 6th June

LETTER FROM THE BOARD



HI SUN GROUP LIMITED

高陽集團有限公司*

(Incorporated in Bermuda with limited liability)

Board of Directors:

Executive Directors

CHEUNG Yuk Fung (*Chairman*)

KUI Man Chun

LI Wenjin

CHAN Yiu Kwong

SU Terry Lumin

XU Chang Jun

WANG Xiao Qing

Independent non-executive Directors:

Colin Clive HILES

XU Sitao

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office and Principal

Place of Business:

1801-1804 Riley House

88 Lei Muk Road

Kwai Chung

New Territories

Hong Kong

26th April, 2002

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR BONUS ISSUE OF SHARES
AND
GENERAL MANDATE FOR
ISSUE AND REPURCHASE OF SHARES**

INTRODUCTION

The Directors by two announcements both dated 12th April, 2002 announced, inter alia, the results of the Company for the financial year ended 31st December, 2001, the proposed Bonus Issue to the Shareholders whose names appear on the registers of members of the Company on the Record Date on the basis of one new Share for every one existing Share then held and the proposed grant to the Directors the New Issue Mandate and New Repurchase Mandate.

The purpose of this circular is to provide you with information regarding the proposed Bonus Issue, the New Issue Mandate and the New Repurchase Mandate, and to seek your approval at the Annual General Meeting in connection with such matters.

* For identification purpose only

LETTER FROM THE BOARD

BONUS ISSUE OF SHARES

The Directors proposed to make a Bonus Issue to those Shareholders whose names appear on the registers of members of the Company on the Record Date on the basis of one new Share for every one existing Share then held. The Bonus Shares credited as fully paid will rank *pari passu* in all respects with the existing issued Shares except that they will not rank for the Bonus Issue.

The exact total number of Bonus Shares to be issued under the Bonus Issue will not be capable of determination until the Record Date. Based on 101,018,010 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are or will be issued or repurchased prior to the Record Date, a total number of 101,018,010 Bonus Shares will be issued pursuant to the Bonus Issue and it is proposed that the Directors be authorised to capitalise the sum of HK\$1,010,180.10 being part of the amount standing to the credit of the share premium account of the Company and apply such sum in paying up in full the Bonus Shares.

An ordinary resolution set out as Ordinary Resolution No.4(A) in the AGM Notice will be proposed at the Annual General Meeting to approve the Bonus Issue.

CONDITIONS

The proposed Bonus Issue is conditional upon the following:

- (i) the passing of the ordinary resolution to approve the Bonus Issue set out in the AGM Notice; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Bonus Shares.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from Tuesday, 21st May, 2002 to Thursday, 23rd May, 2002 (both days inclusive) in order to determine entitlements to the Bonus Issue, during which period no transfers of Shares will be registered. The last day for dealing in Shares *cum* entitlements to the Bonus Issue will be on 15th May, 2002.

In order to qualify for the Bonus Issue, all transfer forms of Shares accompanied by the relevant share certificates must be lodged with the Share Registrar in Hong Kong for registration no later than 4:00 p.m. on 17th May, 2002.

LISTINGS AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Bonus Shares. It is expected that certificates for the Bonus Shares will be posted to the Shareholders on or about 30th May, 2002 at the risk of the persons entitled thereto.

The issued Shares are listed and dealt in on the Stock Exchange. Save as disclosed herein, no equity or debt securities of the Company are listed or dealt in on any other stock exchange nor is listing or permission to deal in such securities on any other stock exchange being or proposed to be sought.

LETTER FROM THE BOARD

Dealings in the Bonus Shares, which are expected to commence on 6th June, 2002 will be subject to Hong Kong stamp duty.

GENERAL MANDATE TO REPURCHASE SHARES

Pursuant to written resolutions of the sole shareholder of the Company dated 16th October, 2001, a general mandate was given by the Company to the Directors to exercise the powers of the Company to repurchase the Shares. Such mandate will lapse at the conclusion of the Annual General Meeting unless renewed at a general meeting of the shareholders of the Company. The Directors propose to seek your approval of the ordinary resolution set out as Ordinary Resolution No.4(B) in the AGM Notice to (a) revoke the existing general mandate to repurchase Shares to the extent not exercised by the Directors and (b) to grant to the Directors the New Repurchase Mandate.

An explanatory statement as required by the Listing Rules to provide the requisite information of the New Repurchase Mandate is set out in the Appendix to this circular.

GENERAL MANDATE TO ISSUE SHARES

Pursuant to written resolutions of the sole shareholder of the Company dated 16th October, 2001, a general mandate was given to the Directors to exercise the powers of the Company to issue Shares up to 20 per cent. of the then issued share capital of the Company. Such mandate will lapse at the conclusion of the Annual General Meeting unless renewed at a general meeting of the shareholders of the Company. The Directors propose to seek your approval of the ordinary resolution set out as Ordinary Resolution No.4(C) in the AGM Notice to (a) revoke the existing general mandate to issue Shares to the extent not exercised by the Directors and (b) to grant the New Issue Mandate. In addition, a separate resolution set out as Ordinary Resolution No.4(D) in the AGM Notice will be proposed to extend the New Issue Mandate which would increase the limit of the New Issue Mandate by adding to it the number of Shares repurchased under the New Repurchase Mandate.

REASONS FOR THE BONUS ISSUE

The Bonus Issue will allow the Shareholders to participate in the growth of the Company by way of capitalisation of a portion of the share premium account.

ANNUAL GENERAL MEETING

The AGM Notice together with a form of proxy for use at the Annual General Meeting are contained in the annual report of the Company in respect of the year ended 31st December, 2001. At the Annual General Meeting, resolutions will be considered to approve, inter alia, the Bonus Issue and the granting of the New Repurchase Mandate and the New Issue Mandate.

Whether or not you are able to attend the Annual General Meeting, you are requested to complete the form of proxy and return it to the principal place of business of the Company at 1801-1804, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong in accordance with the instructions printed thereon not later than 48 hours before the time appointed for holding the Annual General Meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Annual General Meeting if you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the Bonus Issue, the New Repurchase Mandate and the New Issue Mandate are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of such resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
By Order of the Board
Li Wenjin
Director

THE REPURCHASE MANDATE**1. Share Capital**

As at the Latest Practicable Date, the issued share capital of the Company comprised 101,018,010 Shares. If the Bonus Issue becomes unconditional and on the basis of such issued share capital of the Company, a total of 101,018,010 Bonus Shares would be issued by the Company.

Subject to the passing of the ordinary resolutions No. 4(A), 4(B), 4(C) and 4(D) set out in the AGM Notice, and on the basis that no further Shares are or to be issued or repurchased prior to the date of the Annual General Meeting, the Company would be allowed under the New Repurchase Mandate to repurchase a maximum of 20,203,602 Shares.

2. Reasons for Repurchases

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

3. Funding of Repurchases

In repurchasing any Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Bye-Laws and applicable laws and regulations of Bermuda.

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 financial statements contained in the annual report of the Company in respect of the year ended 31st December, 2001) in the event that the New Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the New Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

4. Share Prices

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of the previous twelve months before the Latest Practicable Date were as follows:-

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
April	1.22	0.41
May	1.60	1.02
June	1.45	1.10
July	1.30	1.27
August	1.30	1.28
September	1.30	1.30
October	1.35	1.20
November	1.20	1.20
December	1.30	1.20
2002		
January	1.25	0.93
February	1.52	1.00
March	1.30	1.10

5. Undertaking and Disclosure of Interests

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 repurchase pursuant to the New Repurchase Mandate and in accordance with the Listing Rules, the Memorandum of Association and Bye-Laws of the Company and any applicable laws of Bermuda.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates (as defined in the Listing Rules) have any present intention to sell any Shares to the Company under the New Repurchase Mandate if such is approved by the Shareholders.

No 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 New Repurchase Mandate is approved by the Shareholders.

6. Hong Kong Codes on Takeovers and Mergers and Share Repurchases

If a Shareholder's proportionate interest in the voting rights of the Company increases as a result of the Directors exercising the powers of the Company to repurchase Shares pursuant to the New Repurchase Mandate, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Code. Accordingly, a Shareholder or group of Shareholders acting in concert (within the meaning under the Code), depending on the level of increase in the Shareholder's interests, could obtain or consolidate control of the Company and becomes obliged to make a mandatory offer in accordance with Rule 26 of the Code.

As at the Latest Practicable Date, the number of Shares held by Mr. Kui Man Chun, the ultimate controlling shareholder of the Company, is 63,090,303 Shares. After issuance of the Bonus Shares attributable to those number of Shares held by Mr. Kui Man Chun in the Company as at the Latest Practicable Date, Mr. Kui Man Chun shall hold 126,180,606 Shares in the Company which represents approximately 62.45 per cent. of the aggregate shareholding in the Company prior to the exercise of the New Repurchase Mandate. Upon exercise in full of the New Repurchase Mandate, the percentage shareholding of Mr. Kui Man Chun in the Company shall increase from approximately 62.45 per cent. to approximately 69.39 per cent. As Mr. Kui Man Chun (together with his associates and other Shareholders acting in concert (within the meaning under the Code), if any) holds more than 50 per cent. shareholding in the Company, the Directors are not aware of any consequences which may arise under the Code as a result of any repurchase made under the New Repurchase Mandate.

7. Share Purchase made by the Company

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