

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Hi Sun Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**DISCLOSEABLE TRANSACTION**

**PROPOSED DISPOSAL OF PROPERTIES**

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## DEFINITIONS

*In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:*

“Board”	the board of Directors
“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
“Disposal”	the disposal of Property A and Property B pursuant to the Provisional Memorandum A and the Provisional Memorandum B respectively
“Formal Agreement A”	a formal agreement for sale and purchase of Property A between Netley Enterprises Limited and the Independent Third Party
“Formal Agreement B”	a formal agreement for sale and purchase of Property B between Fenella Holdings Limited and the Independent Third Party
“Full Arts”	Full Arts Metal Works Limited, a company incorporated under the laws of Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hi Sun Technology Group”	Hi Sun Technology Holding Limited and its subsidiaries
“Independent Third Party”	an independent third party not connected with any of the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules
“Latest Practicable Date”	2nd July, 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in the circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Property A”	Units 1 and 2 on 18/F. of Riley House, No.88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong
“Property B”	Units 3 and 4 on 18/F. of Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong

## **DEFINITIONS**

“Provisional Memorandum A”	the provisional memorandum for sale and purchase dated 14th June, 2002 between Netley Enterprises Limited and the Independent Third Party for the disposal of Property A
“Provisional Memorandum B”	the provisional memorandum for sale and purchase dated 14th June, 2002 between Fenella Holdings Limited and the Independent Third Party for the disposal of Property B
“Provisional Memorandums”	the Provisional Memorandum A and the Provisional Memorandum B
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Cap. 396 of the laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Netley Enterprises Limited and Fenella Holdings Limited

## **RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

LETTER FROM THE BOARD



**HI SUN GROUP LIMITED**

**高陽集團有限公司\***

*(incorporated in Bermuda with limited liability)*

*Directors*

CHEUNG Yuk Fung (*Chairman*)

KUI Man Chun

LI Wenjin

CHAN Yiu Kwong

SU Terry Lumin

XU Chang Jun

WANG Xiao Qing

*Colin Clive HILES\*\**

*XU Sitao\*\**

\*\* *Independent non-executive Directors*

*Registered Office :*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal place of business in*

*Hong Kong:*

1801-1804 Riley House

88 Lei Muk Road

Kwai Chung

New Territories

Hong Kong

5th July, 2002

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION  
SALE OF PROPERTY**

**INTRODUCTION**

On 14th June, 2002, the Directors announced that the Vendors, two wholly-owned subsidiaries of the Company, had entered into the respective Provisional Memorandums with the Independent Third Party that involved the Disposal.

The purpose of this circular is to give you further information regarding the Disposal which constitutes a discloseable transaction for the purposes of the Listing Rules.

**PROVISIONAL MEMORANDUM A**

**Date**

14th June, 2002

\* *For identification purposes only*

## LETTER FROM THE BOARD

### Parties

- Vendor : Netley Enterprises Limited, a wholly-owned subsidiary of the Company
- Purchaser : the Independent Third Party
- Property A : Units 1 and 2 on 18/F. of Riley House, No.88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong
- Consideration : The consideration of HK\$3,790,400.00 was agreed after arm's length negotiations between the parties by reference to the market value of similar properties in the market. The consideration will be satisfied fully by cash of which an initial deposit of HK\$189,520.00 has been paid upon signing of the Provisional Memorandum A. A second deposit of HK\$189,520.00 is payable on or before 28th June, 2002 with the balance payable on completion of the sale and purchase of Property A.
- Completion : Completion of the sale and purchase of Property A shall take place on or before 4:00 p.m. of 7th August, 2002 which will be conditional on the simultaneous completion of the sale and purchase of Property B.
- Formal Agreement : The parties will enter into the Formal Agreement A within 14 days from 14th June, 2002. In the event the Formal Agreement A is not executed before completion of the sale and purchase of Property A, the Provisional Memorandum A shall continue to be a binding agreement governing the sale and purchase of Property A.

### PROVISIONAL MEMORANDUM B

#### Date

14th June, 2002

### Parties

- Vendor : Fenella Holdings Limited, a wholly-owned subsidiary of the Company
- Purchaser : the Independent Third Party
- Property B : Units 3 and 4 on 18/F. of Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong
- Consideration : The consideration of HK\$3,848,960.00 was agreed after arm's length negotiations between the parties by reference to the market value of similar properties in the market. The consideration will be satisfied fully by cash of which an initial deposit of HK\$192,448.00 has been paid upon signing of the Provisional Memorandum B. A second deposit of HK\$192,448.00 is payable on or before 28th June, 2002 with the balance payable on completion of the sale and purchase of Property B.

## **LETTER FROM THE BOARD**

- Completion : Completion of the sale and purchase of Property B shall take place on or before 4:00 p.m. of 7th August, 2002 which will be conditional on the simultaneous completion of the sale and purchase of Property A.
- Formal Agreement : The parties will enter into the Formal Agreement B within 14 days from 14th June, 2002 . In the event the Formal Agreement B is not executed before completion of the sale and purchase of Property B, the Provisional Memorandum B shall continue to be a binding agreement governing the sale and purchase of Property B.

### **REASONS FOR THE DISPOSAL**

The Directors consider that Property A and Property B are in excess of the office space required for operation of the Group and the Disposal is beneficial to the Group as a whole.

### **FINANCIAL EFFECT OF THE DISPOSAL**

The aggregate net book value of Property A and Property B is HK\$9,898,000 as at 31st December, 2001. It is estimated that, upon completion of the Disposal, the Group will record a loss of approximately HK\$2,258,640, subject to audit.

### **USE OF PROCEEDS**

The sale proceeds from the Disposal will be used as general working capital of the Group and no specific investment has been identified by the Company at this stage for the utilisation of the sale proceeds.

### **INFORMATION ON THE GROUP**

Following the completion of acquisition of Hi Sun Technology Group as detailed below, the principal business activities of the Group have been extended to include the provision of information technology solutions and consultancy services, in addition to its existing business in design, supply and installation of curtain wall systems and aluminium windows. Following the scheme of arrangement as detailed in the circular of the Company published on 9th August, 2001 and completed on 17th October, 2001, the Directors have performed a preliminary review on the business of the Group and have recognized the needs to diversity and expand the business of the Group. As part of the diversification strategy, Hi Sun Consulting Limited has been established by the Company in late 2001 to provide management and financial consulting services in the PRC market and the Company has on 28th February, 2002 completed its acquisition of Hi Sun Technology Group which is principally engaged in the provision of customized information system consultancy and information technology solutions for its customers in the banking, insurance and telecommunications industries in Hong Kong and the PRC.

### **DISCLOSEABLE TRANSACTION**

As the consideration involved in the Disposal exceeds 15% of the Company's consolidated net tangible asset value as set out in its annual report for the year ended 31st December, 2001 and after taking into account the acquisition of the entire equity interest in Hi Sun Technology Holding Limited as announced by the Company on 24th January, 2002, the proposed transactions contemplated by the Provisional Memorandums constitute a discloseable transaction of the Company under the Listing Rules.



**LETTER FROM THE BOARD**

**ADDITIONAL INFORMATION**

Your attention is drawn to the additional information contained in the appendix to this circular.

Yours faithfully,  
For and on behalf of  
**Hi Sun Group Limited**  
**Li Wenjin**  
*Director*

## 1. DISCLOSURE OF INTERESTS

### (a) Disclosure of interests by the Directors

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the equity or debt securities of the Company and its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under Section 31, or Part I, of the Schedule to the SDI Ordinance), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

#### (1) *Interests in the Company*

Name of Director	Number of Shares held	
	Personal interest	Corporate interest
Kui Man Chun	Nil	126,180,606 ( <i>note 1</i> )

*Note 1:* These Shares are held by Kui Man Chun through Hi Sun Limited, a company in which Kui Man Chun holds 99.16% interest, and Rich Global Limited, a wholly-owned subsidiary of Hi Sun Limited.

#### (2) *Interest in Associated Corporation*

Name of Director	Name of associated corporation	Name and class of shares held	Category of interest
Kui Man Chun	Rich Global Limited	2 ordinary shares	Corporate
Kui Man Chun	Hi Sun Limited	30,245,000 ordinary shares	Personal
Li Wenjin	Hi Sun Limited	255,000 ordinary shares	Personal

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interest in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

### (b) Save as disclosed in this circular and as at the date hereof:–

The Company had not granted to any Director or chief executive of any member of the Group or to their spouses or children under 18 years of age or any of them any right to subscribe for equity or debt securities of the Company or its associated corporations (within the meaning of the SDI Ordinance).

## 2. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, the following persons were recorded in the register kept pursuant to Section 16 of the SDI Ordinance as, directly and indirectly interested in 10% or more of the issued share capital of the Company:–

Name of Shareholder	Number of Shares held	Approximate percentage of shareholding
Hi Sun Limited ( <i>note</i> )	126,180,606	62.45%
Kui Man Chun ( <i>note</i> )	126,180,606	62.45%
Rich Global Limited ( <i>note</i> )	126,180,606	62.45%

*Note:* The Shares in which Rich Global Limited is shown as interested are the same as those shares held by Hi Sun Limited which in turn are the same as those held by Kui Man Chun.

Save as disclosed above, there is no person known to the Directors or the chief executive of the Company who, as at the Latest Practicable Date, was, directly or indirectly, interested in Shares representing 10% or more of the issued share capital of the Company or the nominal value of any class of share capital (including options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any member of the Group.

## 3. LITIGATION

As at the Latest Practicable Date, the Group was engaged in the following litigation or claims of material importance:

- (i) In July 1996, Full Arts brought a claim against an individual in Hong Kong for approximately HK\$3,380,000 in respect of an indemnity given by him in connection with the financial assistance which Full Arts provided to its former subsidiary, Buildcon Building Supplies Limited, Mutual discovery of documents by the parties was completed.

As at the Latest Practicable Date, the legal proceedings were still in progress.

- (ii) In 1997, Full Arts commenced proceedings against a sub-contractor claiming approximately HK\$34,000,000 as damages for the non-performance of a sub-contract by the sub-contractor and one of its directors as guarantor for the performance of the contractual obligations by the sub-contractor.

The sub-contractor also commenced proceedings against Full Arts claiming approximately HK\$25,000,000 for the alleged non-payment of monies due under the sub-contract and for the costs of the alleged supply of extra materials. Both actions were consolidated by an order of the Court.

After mutual discovery of documents by the parties, the sub-contractor was liquidated in 2000 and no further action was pursued by Full Arts and the sub-contractor against each other thereafter. The Directors are considering taking proceedings against the director who is the guarantor. Based on legal advice, the Directors are of the opinion

that it is premature to give any reliable indication as to the likely outcome of these proceedings. Because the Group had no present obligation as at the Latest Practicable Date, no provision was made in the Group's accounts in respect of the damages claimed by the sub-contractor in liquidation.

- (iii) In September 1998, Full Arts brought a claim in the PRC for US\$247,888 against a property company for goods sold, delivered and fitted. Pursuant to an order of the Chinese International Commerce and Trade Arbitration Committee, the property company is required to pay Full Arts the sum of US\$247,888.

An application has been made by Full Arts to the Shanghai People's Intermediate Court to enforce the order of the Chinese International Commerce and Trade Arbitration Committee.

- (iv) Full Arts terminated a sub-contract for non-performance by a sub-contractor responsible for glass fabrication and installation for a project in Hong Kong. Full Arts commenced proceedings in 1999 against the sub-contractor claiming approximately HK\$16,500,000 as damages for such non-performance and the amount over-paid by Full Arts. The sub-contractor commenced proceedings against Full Arts in the same year, claiming approximately HK\$4,800,000 for the alleged non-payment of monies due under the sub-contract and loss of profit. In July 1999, Full Arts filed a reply and defence to counterclaim. As at the Latest Practicable Date, the legal proceedings were still in progress.

Based on legal advice, the Directors are of the opinion that it is premature to give any reliable indication as to the likely outcome of these proceedings, and because the Group had no present obligation, no provision was made in the Group's accounts in respect of the damages claimed by the sub-contractor.

- (v) Full Arts commenced proceedings in 1999 against a sub-contractor claiming damages of approximately HK\$7,200,000 for alleged non-performance of a sub-contract. The sub-contractor then commenced proceedings against Full Arts counterclaiming approximately HK\$10,033,000 as damages for breach of contract. Summons for directions of these proceedings were heard in 1999 and mutual discoveries were completed. As at the Latest Practicable Date, these legal proceedings were still in progress.

Both parties are exploring the possibility of consolidating these two actions. Based on legal advice, the Directors are of the opinion that it is premature to give any indication as to the likely outcome of these proceedings. Because the Group had no present obligation, no provision was made in the Group's accounts in respect of the damages claimed.

- (vi) In 2000, a claim was brought in Hong Kong by a sub-contractor against Full Arts for an outstanding aggregate contractual sum of approximately HK\$673,000. The proceedings have reached the stage of filing witnesses' statements and will be set down for trial.
- (vii) A main contractor and an employer commenced proceedings against Full Arts claiming damages for the alleged non-performance of a sub-contract in 2000. Full Arts intends to file a defence and counterclaim against the main contractor for the unpaid contract

sum of approximately HK\$28,000,000. The Directors consider that the employer had no merits in its claim against Full Arts and intend to apply to the Court to strike out such claim.

Based on legal advice, the Directors are of the opinion that it is premature to give any reliable indication as to the likely outcome of these proceedings, and because the Group had no present obligation, no provision was made in the Group's accounts in respect of the damages claimed.

As at the Latest Practicable Date, the legal proceedings were still in progress.

- (viii) In July 2001, three plaintiffs issued a writ of summons and subsequently a statement of claim in November 2001 in Hong Kong against Hi Sun Holdings Limited, an indirect wholly owned subsidiary of the Company, as one of the two defendants. The plaintiffs sought declarations that the plaintiffs acted as agents for the defendants in respect of the acquisition of two companies and that the loan of HK\$40,000,000 borrowed by the first plaintiff from the other defendant and guaranteed by the second and third plaintiffs was used for the aforesaid acquisition as directed by the defendants. The plaintiffs also claimed against the defendants for such amount to be assessed in respect of all losses and disbursements incurred by the plaintiffs as a result of having acted as the agent for the defendants. In January 2002, Hi Sun Holdings Limited filed a statement of defence and denied all claims. The Directors are of the view that the plaintiffs have no merits in their case and hence no provision was made in the Group's accounts in respect of the claim.
- (ix) In September 2001, a supplier commenced proceedings in Hong Kong against Full Arts claiming a sum of approximately HK\$2,042,000 for materials supplied to Full Arts. In November 2001, Full Arts filed a defence and counterclaim approximately HK\$9,498,000 in respect of damage suffered as a result of defective materials supplied by the supplier.

As at the Latest Practicable Date, the legal proceedings were still in progress.

Save as disclosed above, no member of the Group is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

#### **4. SERVICE CONTRACTS**

As at the Latest Practicable Date, no Director has entered or is proposing to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation other than statutory compensation).

#### **5. MISCELLANEOUS**

1. The English text of this circular shall prevail over the Chinese text in case of inconsistency.
2. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

3. The head office and principal place of business of the Company in Hong Kong is at 1801-1804 Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.
4. The transfer offices of the Company are Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Hong Kong and Butterfield Corporate Services Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.
5. The company secretary of the Company is Mr. Yip Wai Ming, a practising Certified Public Accountant in Hong Kong, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants.