

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

**If you are in any doubt** as to any aspect of this circular, 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 Hi Sun Group 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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**HI SUN GROUP LIMITED**

**高陽集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**DISCLOSEABLE TRANSACTION**

**DISPOSAL OF INTERESTS IN  
HI SUN HOLDINGS LIMITED**

## DEFINITIONS

*In this circular, unless the context otherwise requires, the following words and phrases have the meanings ascribed to them as follows:–*

“Agreement”	means the conditional share sale agreement entered into among Hi Sun (BVI) Limited, Hi Sun Group Limited and an Independent Third Party on 7th November, 2002 in relation to the sale and purchase of the entire issued share capital of and loan due and owing by the Sale Company;
“associates”	has the meaning ascribed to it in the Listing Rules;
“Board”	means the board of directors of the Company;
“BVI”	means British Virgin Islands;
“Business Day”	means a day (other than a Saturday or a Sunday) on which banks are open for business in Hong Kong;
“Company”	means Hi Sun Group Limited, a company incorporated under the laws of Bermuda, the shares of which are listed on The Stock Exchange of Hong Kong Limited;
“Completion Date”	means 15th November, 2002;
“Condition Precedent”	means the conditions precedent set out in the Agreement;
“Directors”	means the directors of the Company;
“Group”	means the Company together with its subsidiaries;
“Hong Kong”	means Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party”	means parties independent of and unconnected with any of the directors, chief executive or substantial shareholder of the Company or any of their respective associates;
“Latest Practicable Date”	means 22nd November, 2002, being the latest practicable date for ascertaining certain information in this circular;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange as may be amended from time to time;
“Long Stop Date”	means the date falling three months after the date of the Agreement, or such later date as the parties thereto may agree in writing;
“Sale Company”	means Hi Sun Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability;

## DEFINITIONS

“Sale Loan”	means the non-interest bearing loan in the principal amount of HK\$2,102,101 outstanding and owing as at the date of the Agreement and on the Completion Date by the Sale Company to the Company, which is repayable on demand;
“Sale Shares”	means the 84,218,010 shares of HK\$1.00 each in the issued share capital of the Sale Company beneficially owned by the Vendor, representing the entire issued share capital of the Sale Company;
“SDI Ordinance”	means the Securities (Disclosure of Interests) Ordinance (Cap.396 of the laws of Hong Kong)
“Share(s)”	means the ordinary share(s) of HK\$0.01 each in the capital of the Company;
“Shareholder(s)”	means the registered holders of shares of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Transactions”	means all the transactions contemplated by the Agreement;
“Vendor”	means Hi Sun (BVI) Limited, a company with limited liability incorporated in the BVI and a wholly owned subsidiary of the Company;
“Purchaser”	means the purchaser of the entire equity interest of the Sale Company under the Agreement which is an Independent Third Party;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	means percentage.

## 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:*

Suite 2316, 23rd Floor

One International Finance Centre

1 Harbour View Street

Central

Hong Kong

28th November, 2002

*To the Shareholders*

Dear Sirs/Madam,

### DISCLOSEABLE TRANSACTION

#### INTRODUCTION

It was announced on 7th November, 2002 by the Directors that a share sale agreement was entered into among the Company, the Vendor and the Purchaser, pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares and the Company agreed to assign and the Purchaser agreed to take up assignment of the Sale Loan. The consideration for the sale and purchase of the Sale Shares and the assignment of the benefit of and interests in the Sale Loan as set out below has been fully paid by the Purchaser on completion of the Agreement which took place on 15th November, 2002.

The Sale Company is a company incorporated in Hong Kong in 1993. The Sale Company and its subsidiaries are principally engaged in the design, supply and installation of curtain wall systems and aluminium windows.

\* *for identification purposes only*

## **LETTER FROM THE BOARD**

The Vendor is a wholly owned subsidiary of the Company and is the beneficial owner of the entire equity interest of the Sale Company. The Purchaser is an Independent Third Party. The Agreement constitutes a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to give you additional information in respect of the Agreement.

### **SALE AND PURCHASE AGREEMENT**

#### **Consideration**

The aggregate consideration payable by the Purchaser to the Vendor (for itself) for the sale and purchase of the Sale Shares and to the Vendor (for distribution to the Company) for the assignment of the benefit of and interests in the Sale Loan shall be HK\$8,500,000 (collectively, the “Consideration”), with HK\$6,397,899 being consideration for the sale and purchase of the Sale Shares and HK\$2,102,101 being consideration for the assignment of the benefit of and interests in the Sale Loan.

The Consideration payable for the sale and purchase of the Sale Shares and the assignment of the benefit of and interests in the Sale Loan has been settled in the following manner:–

- (i) a sum of HK\$1,000,000 was paid by the Purchaser upon the signing of the Agreement being deposit and part payment of the aggregate consideration; and
- (ii) an amount of HK\$7,500,000 being the balance and further part payment of the aggregate consideration was paid on Completion Date.

#### **Condition Precedent**

Completion of the Agreement is conditional upon the obtaining by the Vendor and/or the Company of all consents and approval necessary for the completion of the Transactions as may be required by the Stock Exchange, the Listing Rules and other relevant regulatory bodies, rules and regulations and any requisite bankers’ consent and such other consent applicable to the Vendor and/or the Company.

If the Condition Precedent to which the Agreement are subject to cannot be fulfilled or waived at or before 5:00 p.m. on the Long Stop Date (other than due to any default by the Vendor, the Company or the Purchaser), the Agreement shall become null and void and be of no further effect whatsoever and all the obligations and liabilities of the parties thereof shall cease and determine (save for any antecedent breaches of the Agreement). The deposit paid by the Purchaser to Vendor at time of signing of the Agreement and all interest accrued thereon shall be released to the Purchaser (or as the Purchaser may direct).

All the Condition Precedent have been fulfilled on or prior to the Completion Date.

The terms and conditions of the Agreement have been arrived at after arm’s length negotiations based on the financial conditions of the Sale Company as well as its goodwill generated from years of business operation. The Board considered that such terms are fair and reasonable and the Transactions are in the interests of the Group and their shareholders as a whole.

## LETTER FROM THE BOARD

### BUSINESS OF THE GROUP

The principal business of the Group, excluding the Sale Company and its subsidiaries, is the provision of customised information system consultancy and integration services for its customers in the banking, insurance and telecommunication industries in Hong Kong and the PRC, and the design and sale of electronic payment products (collectively, the “IT business”). The IT business was brought in via the acquisition of the entire issued capital of Hi Sun Technology Holding Limited on 28th February, 2002. The Sale Company and its subsidiaries are principally engaged in the construction and installation of curtain wall systems and aluminum windows (the “curtain wall business”).

The table below sets out a summary of the audited consolidated results of the Sale Company and its subsidiaries for the two years ended 31st December, 2000 and 2001:–

	<b>Year ended 31st December, 2000 HK\$'000</b>	<b>Year ended 31st December, 2001 HK\$'000</b>
Profit/ (Loss) before tax	(84,167)	343,723
Profit/ (Loss) after tax	(81,511)	343,726

The unaudited consolidated net tangible asset value of the Sale Company and its subsidiaries as at 30th June 2002 plus the book value of the Sale Loan as at the date of the Agreement and the Completion Date was HK\$1,074,101.

### REASONS FOR THE TRANSACTIONS

Faced with a depressed property market over the past years, the Group’s curtain wall business had been confined to completing existing project, namely the Belcher Garden site in Pokfulam, Hong Kong, which had been substantially completed and the Sale Company and its subsidiaries are mainly engaged in the maintenance of completed projects. As set out in the Group’s 2002 interim report, the curtain wall business has continued to incur an operating loss of HK\$4.8 million in the first half of 2002, on top of an operating loss of HK\$8.3 million in the year ended 31st December, 2001. In addition, in the first half of 2002, turnover from the curtain wall business dropped by 80% from the same period last year and accounted for only about 3% of the Group’s turnover and this business was of diminishing significance to the Group. In view of the difficult market conditions with extremely squeezed margins, the Group does not anticipate that this business would turn around in the near future. Accordingly, the Board considers that the Agreement represents a good opportunity for the Group to dispose of its interest in the Sale Company in order to reduce the Group’s operating loss and to concentrate the Group’s resources in the IT business. The Board considers that such terms are fair and reasonable and the Transactions are in the interests of the Group and their shareholders as a whole.

### FINANCIAL EFFECT ON THE COMPANY

The estimated profit generated from the disposal of the interests in the Sale Company after necessary expenses is approximately HK\$7 million.

## LETTER FROM THE BOARD

### USE OF PROCEEDS

The proceeds from the disposal will be used as general working capital of the Group and no specific investment has been identified for utilization of the proceeds.

### 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. 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.

## 2. 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 (note 1)

*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.

Save as disclosed in this circular and save for the share option scheme adopted by the Company on 29th November, 2001, as at the Latest Practicable Date, 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).

### 3. 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	56.83%
Kui Man Chun ( <i>note</i> )	126,180,606	56.83%
Rich Global Limited ( <i>note</i> )	126,180,606	56.83%

*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. Hi Sun Limited is interested in the Company's share capital by virtue of its 100% shareholding in Rich Global Limited. Kui Man Chun is interested in the Company's share capital by virtue of his interest in Hi Sun Limited.

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.

### 4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, as far as the Directors were aware, no litigation of claim of material importance is pending or threatened against the Company or any of its subsidiaries.

### 5. 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).

**6. 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 Suite 2316, 23rd Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
4. The transfer offices of the Company are Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong and Butterfield Fund Services (Bermuda) 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.