THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any aspect of this prospectus or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

Dealings in the Rights Shares (as defined herein) in their nil paid and fully paid forms may be settled through the Central Clearing and Settlement System ("CCASS") and you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

A copy of this prospectus, together with copies of the provisional allotment letter and the form of application for excess Rights Shares, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance of Hong Kong and have been filed with the Registrar of Companies in Bermuda pursuant to the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong, the Securities and Futures Commission of Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of any documents referred to above.

If you have sold or transferred all your securities of the Company, you should at once hand this prospectus to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

Subject to the granting of listing of and permission to deal in the Rights Shares in their nil-paid and fully-paid forms by The Stock Exchange of Hong Kong Limited ("Stock Exchange") as well as compliance with the stock admission requirements of Hong Kong Securities Clearing Company Limited ("HKSCC"), the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

HISUN

HI SUN GROUP LIMITED

高陽集團有限公司*

(incorporated in Bermuda with limited liability)

RIGHTS ISSUE OF 111,018,010 RIGHTS SHARES OF HK$0.01 EACH AT HK$0.63 PER RIGHTS SHARE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO SHARES HELD ON THE RECORD DATE

Manager and Underwriter

PATRON ORIENTAL

Oriental Patron Asia Limited

If certain things (including force majeure) happen up to 5:00 p.m. on the Last Day for Termination, then Oriental Patron may terminate the Underwriting Agreement, if (a) there develops, occurs or comes into force: (i) any new law or government regulation or other occurrence of any nature whatsoever which in the absolute opinion of Oriental Patron adversely affects or may adversely affect the business of the Group or any part thereof to a material extent or is materially adverse in the context of the Rights Issue; or (ii) any change in local, national, international, financial, political, military, industrial or economic conditions which in the absolute opinion of Oriental Patron is materially adverse in the context of the Rights Issue; or (iii) any adverse change in market conditions which in the absolute opinion of Oriental Patron materially prejudicially affects the Rights Issue and makes it inadvisable or inexpedient to proceed therewith; or (b) there comes to the notice of Oriental Patron any matter or event showing any of the representations and warranties given by the Company referred to in Clause 9 of the Underwriting Agreement to be untrue or inaccurate in any respect which Oriental Patron considers to be material. If Oriental Patron terminates the Underwriting Agreement, the Rights Issue will not proceed.

It should be noted that the existing Shares have been dealt with on an ex-rights basis from 28 November, 2002. Rights Shares will be dealt with in their nil-paid form from 6 December, 2002 to 16 December, 2002 (both days inclusive). If the conditions of the Rights Issue cannot be fulfilled by 5:00 p.m. on the Last Day for Termination or such other date as Oriental Patron may agree, the Rights Issue will not proceed. Any dealing in Shares from 28 November, 2002 to the date on which all conditions of the Rights Issue are fulfilled or Rights Shares in their nil-paid form between 6 December, 2002 to 16 December, 2002 is accordingly at the investors' own risk. If in any doubt, investors should consider obtaining professional advice.

The latest time for acceptance and payment for the Rights Shares is 4:00 p.m. on Thursday, 19 Deccember, 2002. The procedure for acceptance or transfer of the Rights Shares is set out on pages 5 and 6 of this prospectus.

* *For identification purposes only*

4 December, 2002

CONTENTS

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this prospectus:

Basis of Rights Issue	One Rights Share for every two existing Shares held by a Qualifying Shareholder on the Record Date
Number of Rights Shares	111,018,010 Rights Shares (based on 222,036,020 existing Shares in issue)
Subscription price	HK$0.63 per Rights Share, payable in full upon acceptance
Basis of entitlement	Rights Shares will be allotted in the proportion of one Rights Share for every two existing Shares held by the Qualifying Shareholders on the Record Date. No provisional allotment of Rights Shares will be made to Overseas Shareholders
Excess Rights Shares application	Qualifying Shareholders will have the right to apply for Rights Shares in excess of their provisional allotments
Amount to be raised by the Rights Issue	Approximately HK$70 million before expenses, and net proceeds of approximately HK$68 million

EXPECTED TIMETABLE

The Record Date	Wednesday, 4 December, 2002
Despatch of Rights Issue prospectus, provisional allotment letters and excess application forms	Wednesday, 4 December, 2002
Register of members re-opens	Thursday, 5 December, 2002
First day of dealings in nil-paid Rights Shares	Friday, 6 December, 2002
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Wednesday, 11 December, 2002
Last day of dealings in nil-paid Rights Shares	Monday, 16 December, 2002
Latest time for acceptance and payment of Rights Shares	4:00 p.m. on Thursday, 19 December, 2002
Latest time for the Rights Issue to become unconditional	5:00 p.m. on Monday, 23 December, 2002
Announcement of results of acceptance of the Rights Issue	Monday, 23 December, 2002
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications on or before	Tuesday, 24 December, 2002
Despatch of certificates for fully paid Rights Shares on or before	Tuesday, 24 December, 2002
First day of dealings in fully paid Rights Shares expected to be on	Monday, 30 December, 2002

FORCE MAJEURE

If certain things (including force majeure) happen up to 5:00 p.m. on the Last Day for Termination, then Oriental Patron may terminate the Underwriting Agreement, if:

(a) there develops, occurs or comes into force:

(i) any new law or government regulation or other occurrence of any nature whatsoever which in the absolute opinion of Oriental Patron adversely affects or may adversely affect the business of the Group or any part thereof to a material extent or is materially adverse in the context of the Rights Issue; or

(ii) any change in local, national, international, financial, political, military, industrial or economic conditions which in the absolute opinion of Oriental Patron is materially adverse in the context of the Rights Issue; or

(iii) any adverse change in market conditions which in the absolute opinion of Oriental Patron materially prejudicially affects the Rights Issue and makes it inadvisable or inexpedient to proceed therewith;

or

(b) there comes to the notice of Oriental Patron any matter or event showing any of the representations and warranties given by the Company referred to in Clause 9 of the Underwriting Agreement to be untrue or inaccurate in any respect which Oriental Patron considers to be material.

If Oriental Patron terminates the Underwriting Agreement, the Rights Issue will not proceed.

RESPONSIBILITY STATEMENT

This prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus 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.

DEFINITIONS

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

"business day"	a day on which banks in Hong Kong are open for business (except Saturday)
"CCASS"	Central Clearing and Settlement System established and operated by HKSCC
"Companies Act"	the Companies Act 1981 of Bermuda
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	Hi Sun Group Limited, a company incorporated in Bermuda with limited liability on 31 May, 2001 and the issued Shares of which are listed on the Stock Exchange
"Directors"	directors of the Company
"Greater China Region"	PRC, Hong Kong, Macau and Taiwan
"Group"	the Company and its subsidiaries
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Independent Third Party(ies)"	person(s) who is (are) independent of and not connected with the Company, any of the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates
"Last Day For Termination"	the business day immediately before the date of despatch of the certificates for the Rights Shares and is expected to be 23 December, 2002
"Last Trading Day"	15 November, 2002, being the last trading day of the Shares on the Stock Exchange prior to the release of the announcement relating to the Rights Issue
"Latest Practicable Date"	29 November, 2002, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
"Listing Committee"	has the same meaning ascribed thereto in the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Mr. Kui"	Mr. Kui Man Chun, an executive Director
"Oriental Patron" or "Underwriter"	Oriental Patron Asia Limited, an investment adviser and a dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
"Overseas Shareholders"	Shareholders whose names appear on the register of members of the Company as at close of business on the Record Date and whose addresses as shown on such register are outside Hong Kong
"PRC"	the People's Republic of China
"Qualifying Shareholders"	Shareholders other than the Overseas Shareholders whose names appear on the register of members of the Company as at close of business on the Record Date
"Record Date"	4 December, 2002, the record date by reference to which entitlements to the Rights Shares are determined
"Rights Issue"	the issue of 111,018,010 Rights Shares at the Subscription Price
"Rights Share(s)"	new Shares to be allotted and issued in respect of the Rights Issue
"SDI Ordinance"	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Share Options"	options to subscribe for Shares granted under the share option scheme adopted by the Company in November, 2001
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$0.63 per Rights Share
"subsidiary"	has the same meaning ascribed thereto in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Underwriting Agreement"	the underwriting agreement between, among others, the Company and Oriental Patron dated 15 November, 2002 in relation to the Rights Issue
"HK$"	Hong Kong dollars
"%"	per cent.

HI SUN GROUP LIMITED
高陽集團有限公司 *

(incorporated in Bermuda with limited liability)

Executive Directors:
Mr. Cheung Yuk Fung *(Chairman)*
Mr. Kui Man Chun
Mr. Li Wenjin
Mr. Chan Yiu Kwong
Mr. Su Terry Lumin
Mr. Xu Chang Jun
Mr. Wang Xiao Qing

Independent non-executive Directors:
Mr. Colin Clive Hiles
Mr. Xu Sitao

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:
Suite 2316, 23rd Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

4 December, 2002

To the Qualifying Shareholders and
for information only, the Overseas Shareholders

Dear Sir or Madam,

RIGHTS ISSUE OF
111,018,010 RIGHTS SHARES
OF HK$0.01 EACH AT HK$0.63 PER RIGHTS SHARE
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY TWO SHARES HELD
ON THE RECORD DATE

INTRODUCTION

It was announced on 15 November, 2002 that the Company proposed to raise approximately HK$68 million after expenses by issuing 111,018,010 Rights Shares at a price of HK$0.63 per Rights Share.

This prospectus sets out the details of the Rights Issue, including information on dealings in and transfers and acceptances of the Rights Shares, and certain financial and other information in respect of the Group.

* *For identification purposes only*

TERMS OF THE RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue:	One Rights Share for every two Shares held by a Qualifying Shareholder on the Record Date
Amount of existing authorised share capital:	HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each
Amount of existing issued share capital:	HK$2,220,360 divided into 222,036,020 fully paid Shares
Number of Rights Shares:	111,018,010 Rights Shares
Subscription price:	HK$0.63 per Rights Share, payable in full upon acceptance
Outstanding Share Options, warrants and other convertible securities granted:	Nil
Percentage of number of Rights Shares over number of existing Shares if all Rights Shares are allotted:	50%
Number of Shares in issue if all Rights Shares are allotted:	333,054,030 Shares

Subscription Price

HK$0.63 per Rights Share, payable in full upon acceptance.

The Subscription Price represents:

1. a discount of about 3.08% to the closing price of HK$0.65 per Share as quoted on the Stock Exchange on the Last Trading Day;

2. a discount of about 3.08% to the average closing price of about HK$0.65 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day; and

3. a discount of about 1.56% to the theoretical ex-rights price of HK$0.64 per Share based on the closing price of HK$0.65 per Share as quoted on the Stock Exchange on the Last Trading Date.

The Subscription Price was arrived at after arm's length negotiations between the Company and Oriental Patron. The Directors consider the terms of the Rights Issue to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when issued and fully paid, will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the fully-paid Rights Shares. Holders of fully paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the fully-paid Rights Shares.

Rights of Overseas Shareholders

The documents issued in connection with the Rights Issue have not been and will not be registered under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda. As the Directors are of the view that the offer of Rights Shares to Overseas Shareholders would or might, in the absence of compliance with registration or other special formalities in other jurisdictions, be unlawful or impracticable, they have exercised the discretion given to them under the bye-laws of the Company not to issue such Rights Shares to the Overseas Shareholders. Accordingly, no provisional allotment of Rights Shares has been made to Overseas Shareholders. This prospectus is for the Overseas Shareholders' information only. No provisional allotment letter or form of application for excess Rights Shares has been sent to the Overseas Shareholders.

If a premium (net of expenses) can be obtained, the Company will sell the nil-paid Rights Shares which would otherwise have been provisionally allotted to the Overseas Shareholder once dealings in the nil-paid Rights Shares on the Stock Exchange commence. The proceeds of each sale, less expenses, which amount to HK$100 or more will be paid to the relevant Overseas Shareholder in Hong Kong dollars as soon as practicable. The Company will retain any individual amount of less than HK$100 for its own benefit.

Fractions of Rights Shares

The Company will not provisionally allot fractions of Rights Shares. The Company will sell any Rights Shares created by adding together fractions of Rights Shares, and will keep the proceeds.

Procedure for acceptance or transfer

A provisional allotment letter is enclosed with this prospectus for Qualifying Shareholders which entitles Qualifying Shareholders to subscribe for the number of Rights Shares shown therein. If Qualifying Shareholders wish to exercise their rights to subscribe for all the Rights Shares specified in the enclosed provisional allotment letter, Qualifying Shareholders must lodge the provisional allotment letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the branch registrar of the Company in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong by not later than 4:00 p.m. on Thursday, 19 December, 2002. All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a bank in Hong Kong and made payable to "HORSFORD NOMINEES LIMITED – HI SUN RIGHTS ISSUE ACCOUNT" and crossed "ACCOUNT PAYEE ONLY".

It should be noted that unless the provisional allotment letter, together with the appropriate remittance, has been lodged with Tengis Limited by 4:00 p.m. on Thursday, 19 December, 2002, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

The provisional allotment letter contains the full information regarding the procedure to be followed if Qualifying Shareholders wish to accept only part of their provisional allotment or if they wish to renounce all or part of their provisional allotment.

If Qualifying Shareholders wish to accept only part of their provisional allotment or transfer a part of their rights to subscribe for the Rights Shares provisionally allotted thereunder, or to transfer their rights to more than one person, the entire provisional allotment letter must be surrendered and lodged for cancellation by not later than 4:00 p.m. on Wednesday, 11 December, 2002 to Tengis Limited who will cancel the original provisional allotment letter and issue new provisional allotment letters in the denominations required.

All cheques and cashier's orders will be presented for payment following receipt and all interest earned on such monies shall be retained for the benefit of the Company. Any provisional allotment letter in respect of which the accompanying cheque is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Rights Issue set out in the section headed "Conditions of the Rights Issue" below are not fulfilled, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form shall have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched in the ordinary post at the risk of such Qualifying Shareholders or such other persons on or about Tuesday, 24 December, 2002.

Application for excess Rights Shares

Under the terms of the Rights Issue, Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotments by way of excess applications. Excess Rights Shares, if any, will be allotted at the sole discretion of the Directors on a fair and reasonable basis.

Any Rights Shares to which Overseas Shareholders would otherwise have been provisionally allotted and which are not sold as referred to in the paragraph headed "Rights of Overseas Shareholders" above and any unsold Rights Shares created by adding together fractions of Rights Shares and any Rights Shares allotted provisionally but not accepted will be available for application through the form of application for excess Rights Shares by Qualifying Shareholders.

If Qualifying Shareholders wish to apply for any Rights Shares in addition to their provisional allotment under the Rights Issue, they must complete and sign the enclosed form of application for excess Rights Shares as indicated therein and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong by not later than 4:00 p.m. on Thursday, 19 December, 2002. All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's order must be issued by, a bank in Hong Kong and made payable to "HORSFORD NOMINEES LIMITED – HI SUN EXCESS APPLICATION ACCOUNT" and crossed "ACCOUNT PAYEE ONLY". Tengis Limited will notify you of any allotment of excess Rights Shares made to you, which allotment will be allocated on a fair and reasonable basis to be decided at the sole discretion of the Directors.

All cheques and cashier's orders will be presented for payment following receipt and all interest earned on such monies shall be retained for the benefit of the Company. Any form of application for excess Rights Shares in respect of which the accompanying cheque is dishonoured on first presentation is liable to be rejected.

If the conditions of the Rights Issue set out in the section headed "Conditions of the Rights Issue" below are not fulfilled, the monies received in respect of applications for excess Rights Shares will be returned to the relevant Qualifying Shareholders without interest, by means of cheques despatched in the ordinary post at the risk of such Qualifying Shareholders on or about Tuesday, 24 December, 2002.

If no excess Rights Shares are allotted to any Qualifying Shareholders, refund cheques for the full amount tendered on application without interest are expected to be posted to them in the ordinary post at their own risk on or before Tuesday, 24 December, 2002. If the number of excess Rights Shares allotted to any Qualifying Shareholders is less than that applied for, cheques for the surplus application monies are expected to be posted to such Qualifying Shareholders without interest in the ordinary post at their own risk on or before Tuesday, 24 December, 2002.

The form of application for excess Rights Shares is for use only by the Qualifying Shareholders to whom it is addressed and is not transferable. All documents, including cheques and cashier's orders for amounts due, will be sent by ordinary post at the risk of the persons entitled thereto to their registered or nominated addresses.

Share certificates

Subject to the fulfilment of the conditions of the Rights Issue set out in the section headed "Conditions of the Rights Issue" below, it is expected that certificates for the fully-paid Rights Shares will be posted to those persons who have accepted and paid for the Rights Shares and those successful applicants for the excess Rights Shares at their own risk by the Hong Kong branch share registrar and transfer office by Tuesday, 24 December, 2002.

Where entitlements to Rights Shares exceed one board lot, it is proposed, so far as is practicable, to issue share certificates in integral multiples of board lot of 1,000 Shares each, with a certificate for the balance.

LISTINGS AND DEALINGS

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms (when credited as fully paid).

Provisional allotments of the Rights Shares made to Qualifying Shareholders will be transferable and it is expected that dealings in the Rights Shares in their nil-paid form on the Stock Exchange will occur from Friday, 6 December, 2002 to Monday, 16 December, 2002 (both days inclusive).

It is expected that dealings in the Rights Shares in their fully-paid form on the Stock Exchange will commence on Monday, 30 December, 2002. The Rights Shares in both their nil-paid and fully-paid forms will be traded in board lots of 1,000 Rights Shares each. No securities of the Company are listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed to be sought for the securities of the Company or the Rights Shares to be listed or dealt in on any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms by the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Rights Shares in their nil-paid and fully-paid forms in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

PERMISSION OF THE BERMUDA MONETARY AUTHORITY

Permission under the Exchange Control Act 1972 of Bermuda (and regulations made thereunder) has been received from the Bermuda Monetary Authority in respect of the issue of the Rights Shares to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement that the Rights Shares are listed on the Stock Exchange. In granting such permission and in accepting this prospectus, the provisional allotment letter and the application form for excess Rights Shares for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies of Bermuda accepts any responsibility for the financial soundness of the Group or for the correctness of any statements made or opinions expressed in this prospectus, the provisional allotment letter or the application form for excess Rights Shares.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date:	15 November, 2002
Underwriter:	Oriental Patron, which is an independent third party not connected with the Company, 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)
Number of Rights Shares underwritten:	a maximum of 47,927,707 Rights Shares
Commission:	2.5% of the total Subscription Price of the Right Shares underwritten

As at the Latest Practicable Date, Rich Global Limited was beneficially interested in 126,180,606 Shares, representing approximately 56.83% of the then existing issued share capital of the Company. The issued share capital of Rich Global Limited is wholly owned by Hi Sun Limited, a company in which each of Mr. Kui and Mr. Li Wenjin (both of them are executive Directors) has 99.16% interest and 0.84% interest respectively. Rich Global Limited has given an irrevocable undertaking to the Company and Oriental Patron that it will accept in full the 63,090,303 Rights Shares provisionally allotted to it.

As at the Latest Practicable Date, there were no outstanding Share Options, warrants and other convertible securities.

Termination of the Underwriting Agreement

If certain things (including force majeure) happen up to 5:00 p.m. on the Last Day for Termination, then Oriental Patron may terminate the Underwriting Agreement, if:

(a) there develops, occurs or comes into force:

(i) any new law or government regulation or other occurrence of any nature whatsoever which in the absolute opinion of Oriental Patron adversely affects or may adversely affect the business of the Group or any part thereof to a material extent or is materially adverse in the context of the Rights Issue; or

(ii) any change in local, national, international, financial, political, military, industrial or economic conditions which in the absolute opinion of Oriental Patron is materially adverse in the context of the Rights Issue; or

(iii) any adverse change in market conditions which in the absolute opinion of Oriental Patron materially prejudicially affects the Rights Issue and makes it inadvisable or inexpedient to proceed therewith;

or

(b) there comes to the notice of Oriental Patron any matter or event showing any of the representations and warranties given by the Company referred to in Clause 9 of the Underwriting Agreement to be untrue or inaccurate in any respect which Oriental Patron considers to be material.

If Oriental Patron terminates the Underwriting Agreement, the Rights Issue will not proceed.

CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon, amongst other conditions, the following conditions being fulfilled by 5:00 p.m. on the Last Day for Termination or such other date as Oriental Patron may agree:

1. the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms;

2. compliance with the undertaking given by Rich Global Limited referred to above; and

3. the obligations of Oriental Patron under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms or otherwise.

WARNING OF THE RISKS OF DEALINGS IN SHARES AND NIL-PAID RIGHTS SHARES

Existing Shares have been dealt in on an ex-rights basis from Thursday, 28 November, 2002, and the Rights Shares will be dealt in their nil-paid form from Friday, 6 December, 2002 to Monday, 16 December, 2002 (both days inclusive). Such dealings will take place whilst the conditions of the Rights Issue remain unfulfilled. Any persons dealing in the Shares from Thursday, 28 November, 2002 up to the date on which all conditions of the Rights Issue are fulfilled (which is expected to be at 5:00 p.m. on Monday, 23 December, 2002) and any person dealing in nil-paid Rights Shares from Friday, 6 December, 2002 to Monday, 16 December, 2002 (being the first and last dates of dealings in the nil-paid Rights Shares, respectively), will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any person dealing or contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form, during such periods who is in any doubt about his position is advised to consult his own professional adviser.

BUSINESS REVIEW

In the current financial year, the Group has taken steps to restructure its businesses with a view to provide a solid foundation for the Group's long-term development and to create greater shareholders' value. The reorganization commenced in February 2002 when the Group brought in information technology ("IT") businesses via the acquisition of the entire issued capital of Hi Sun Technology Holding Limited. The group members of Hi Sun Technology Holding Limited are principally engaged in the provision of customized information system consultancy and integration services for its customers in banking, insurance and telecommunication industries in Hong Kong and the PRC (collectively, the "IT Business") and operate business and research and development centres in Hong Kong and the PRC. The consideration for the acquisition of Hi Sun Technology Holding Limited for HK$9.6 million was settled by the Company in cash and was funded by the Company's internal resources. Since then, the Group has been engaging in the IT Business and the design and sale of electronic payment products in particular, electronic payment terminal products for credit cards, debit cards and smart cards.

In view of the depressed property market over the past years and the difficult market conditions with extremely squeezed margin, the Group's curtain wall business continued to incur losses. The Group did not anticipate that the business would turn around in the near future and thus disposed the business and related loan to an Independent Third Party at HK$8.5 million in November 2002. The estimated profit generated from the disposal after necessary expenses is approximately HK$7 million.

For the six months ended 30 June, 2002, the Group recorded a turnover of HK$124 million, representing a more than 5-fold increase from the same period last year. This was mainly due to the acquisition of IT businesses in the period, which contributed 97% of the turnover.

Overall gross margin was 37.9% in the first half of 2002, as compared to 16.5% in the same period in previous year. The surge was contributed by the high gross margin of the IT businesses at 39.4%.

Since the IT business is still in a developing and expanding stage which incurred relatively large fixed overhead, the Group recorded net loss of HK$11.8 million for the six months ended 30 June, 2002, as compared to net profit of HK$350.3 million in the same period last year which was contributed by a one-off gain of HK$357.5 million arising from waiver of loan balance from the Group's former holding company.

PROSPECT

Following the acquisition of Hi Sun Technology Holding Limited and its subsidiaries in February 2002 and the subsequent disposal of the interest in Hi Sun Holdings Limited which previously held the Group's curtain wall business in November 2002, the Directors believe that the Group is on the right track towards enhancing shareholders' value in the long term. The Group now focuses on the IT businesses and is particularly optimistic about the prospect of IT industry in the PRC. The Group is confident that banks, securities firms and insurance companies in the PRC will increase their expenditure in IT. The Directors are of the view that the IT service market in the PRC is set to boom in the foreseeable future and according to estimates published in 2002 by International Data Corporation ("IDC"), a market surveying and research company in high-tech and IT industries, the PRC IT services market is sized at US$1.7 billion in 2002 and is expected to grow by approximately 41% a year to approximately US$6.9 billion in 2006.

The Directors believe that in the future, with focused business strategy and strong talent pool, the Group aims to capitalize on its experience and commitment in IT businesses and to position itself as a leading provider of integrated business consulting and IT services in Hong Kong and the PRC.

The Directors also believe that the entry into WTO for the PRC will undoubtedly bring positive impact on the Group's business in the long run as the banking, securities and insurance industries, where the Group's prospective customers come from, will gradually open to foreign companies and become more prosperous.

The Group is confident of its business model, the ever-increasing demand for IT service in the PRC that provides huge market potential to the Group. The Group expects that revenue will increase.

The Directors are of the opinion that, upon completion of the Rights Issue, having regard to the expected cash flows, the estimated net proceeds from the Rights Issue and the bank and other facilities available to the Group, the Group will have sufficient working capital for its present requirements.

REASON FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in the IT Business. The Directors believe that it is in the best interests of the Company and the Shareholders as a whole to enlarge the capital base of the Company through the Rights Issue in order to support the continuing development of the Group's business. The Rights Issue will allow all Qualifying Shareholders to participate in the future growth of the Group.

The estimated expense of the Rights Issue is approximately HK$2 million, which will be borne by the Company. The net proceeds of the Rights Issue after expenses are expected to be approximately HK$68 million and are intended to be used as follows:

- as to approximately HK$15 million for the expansion of the Group's IT Business;

- as to approximately HK$10 million for the expansion of the Group's electronic payment products and services in Korea, the south east Asian countries such as Malaysia, Singapore, Thailand, Indonesia and Philippines and Greater China Region;
- as to approximately HK$25 million for reducing the indebtedness of the Group; and
- the remaining balance of approximately HK$18 million for the use as the general working capital of the Group.

GENERAL

Your attention is drawn to the additional information set out in the appendices to this prospectus.

By Order of the Board
Hi Sun Group Limited
Li Wenjin
Director

1. INTERIM RESULTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE, 2002

The following is an extract of the unaudited financial statements of the Group from its interim results report for the six months ended 30 June, 2002:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June, 2002

		Unaudited Six months ended 30 June,	
		2002	**2001**
	Notes	*HK$'000*	*HK$'000*
Turnover	*2*	124,012	19,419
Cost of sales		(76,982)	(16,211)
Gross profit		47,030	3,208
Other revenue and gains		1,818	283
Selling and distribution expenses		(4,999)	(6)
Administrative expenses		(59,079)	(11,304)
Write-back of doubtful debts		1,939	1,887
Write-back of contract work in progress		4,111	3,391
Other operating expenses		(2,472)	(489)
Loss from operation	*3*	(11,652)	(3,030)
Finance costs		(536)	(4,998)
Non-operating income		366	357,638
(Loss)/profit before taxation		(11,822)	349,610
Taxation	*4*	(5)	–
(Loss)/profit after taxation		(11,827)	349,610
Minority interests		–	694
(Loss)/profit attributable to shareholders		(11,827)	350,304
(Loss)/earnings per share – basic	*5*	HK$(0.06)	HK$2.08

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June, 2002 and 31 December, 2001

	Notes	Unaudited 30 June, 2002 HK$'000	Audited 31 December, 2001 HK$'000
Fixed assets	6	38,631	18,663
Interest in a jointly-controlled entity		(2,335)	(2,335)
Current assets			
Inventories		59,155	–
Construction/installation contract receivables		–	4,120
Trade receivables	7	116,856	4,734
Prepayments, deposits and other receivables		27,877	944
Pledged bank deposits		17,000	–
Cash and bank balances		11,226	20,205
		232,114	30,003
Current liabilities			
Trade payables, other payables and accruals	8	139,698	22,154
Interest-bearing bank borrowings – secured	9	65,753	1,889
Provisions	10	2,707	2,015
Due to ultimate holding company	11	45,841	–
Due to a director	11	968	–
Due to fellow subsidiaries	11	4,995	–
		259,962	26,058
Net current (liabilities)/assets		(27,848)	3,945
Total assets less current liabilities		8,448	20,273
Financed by:			
Share capital	12	2,020	1,010
Reserves	13	6,428	19,263
		8,448	20,273

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June, 2002

	Unaudited Six months ended 30 June,	
	2002	**2001**
	HK$'000	*HK$'000*
Net cash flow from operating activities	(68,070)	(8,033)
Net cash flow from investing activities	7,574	(1)
Net cash flow from financing activities	42,406	(96)
Decrease in cash and cash equivalents	(18,090)	(8,130)
Cash and cash equivalents at 1 January	18,316	12,451
Effect of foreign exchange rate changes	–	(16)
Cash and cash equivalents at 30 June	226	4,305
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	11,226	4,305
Bank overdrafts	(11,000)	–
	226	4,305

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June, 2002

	Unaudited						
	Share capital	Share premium	Contributed surplus (note 13(a))	Reserve funds (note 13(b))	Exchange fluctuation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January, 2002	1,010	18,661	125,310	273	(825)	(124,156)	20,273
Loss for the period	–	–	–	–	–	(11,827)	(11,827)
Bonus issue of shares	1,010	(1,010)	–	–	–	–	–
Exchange adjustment	–	–	–	–	2	–	2
At 30 June, 2002	2,020	17,651	125,310	273	(823)	(135,983)	8,448
At 1 January, 2001	84,218	41,934	–	269	(816)	(467,121)	(341,516)
Profit for the period	–	–	–	–	–	350,304	350,304
Exchange adjustment	–	–	–	–	(140)	–	(140)
At 30 June, 2001	84,218	41,934	–	269	(956)	(116,817)	8,648

NOTES TO CONDENSED ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed accounts should be read in conjunction with the 2001 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31 December, 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January, 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 34:	Employee benefits

The changes to the Group's accounting policies and the effect of adopting these new/revised standards are set out in (b) to (d) below.

Subsequent to acquisitions of subsidiaries on 28 February, 2002, the Group have adopted new accounting policies in the preparation of these condensed accounts. These accounting policies are set out in note (a) below.

(a) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(b) SSAP 1 (revised) and SSAP 15 (revised): Presentation of financial statements and cash flow statements

Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. In addition, the revised SSAPs have introduced revised disclosure requirements which have been adopted in these condensed interim accounts. Comparative amounts and disclosure for the prior period have been restated in order to achieve a consistent presentation. However, none of the amendments outlined above has affected the results for the current or prior periods.

(c) SSAP 11 (revised): Foreign currency translation

The balance sheet of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the current and prior periods.

(d) SSAP 34: Employee benefits

In 2002, the Group has adopted the provisions of SSAP 34 "Employee Benefits". The effect of such change to the results for the period is not material and details of this change in accounting policy will be given in the 2002 annual accounts.

2. SEGMENT REPORTING

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) Construction/installation of curtain wall systems – construction and installation of curtain wall systems and aluminium windows;

(b) Financial solutions, services and related products – provision of customised information system consultancy and integration services and sales of computer hardware to financial institutions and banks;

(c) Telecommunication solutions, services and related products – provision of customised information system consultancy and integration services and sales of computer hardware to telecommunication industries; and

(d) Electronic Payment Products and Services – sales of point-of-sale ("POS") terminal.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers.

An analysis of the Group's revenue and results for the period by business segments is as follows:

	Unaudited Six months ended 30 June, 2002				
	Financial solutions, services and related products	**Telecommunication solutions, services and related products**	**Electronic Payment Products and Services**	**Construction/ installation of curtain wall systems**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	99,811	14,048	6,245	3,908	124,012
Segment results	(1,159)	(635)	(5,243)	(4,769)	(11,806)
Unallocated income					154
Loss from operation					(11,652)
Finance costs					(536)
Non-operating income					366
Loss before taxation					(11,822)
Taxation					(5)
Loss attributable to shareholders					(11,827)

	Construction/ installation of curtain wall systems	Sale and distribution of sanitary-ware and kitchen cabinets	Group
	Unaudited Six months ended 30 June, 2001		
	HK$'000	*HK$'000*	*HK$'000*
Turnover	19,419	–	19,419
Segment results	(2,917)	(113)	(3,030)
Finance costs			(4,998)
Non-operating income			357,638
Profit before taxation			349,610
Minority interests			694
Profit attributable to shareholders			350,304

There are no sales or other transactions between the business segments. Unallocated income represents interest income.

An analysis of the Group's turnover and contribution to operating loss for the period by geographical segment is as follows:

	Unaudited Turnover Six months ended 30 June,		Unaudited Loss from operation Six months ended 30 June,	
	2002	**2001**	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Geographical segment:				
Hong Kong	11,206	16,919	(5,351)	(2,678)
Mainland China	112,806	2,500	(6,301)	(352)
	124,012	19,419	(11,652)	(3,030)

Sales are based on the country in which the customer is located. There are no sales between the segments.

3. LOSS FROM OPERATION

Loss from operation is stated after crediting and charging the following:

	Unaudited Six months ended 30 June, 2002 HK$'000	2001 HK$'000
Crediting		
Gain on disposal of fixed assets	34	5
Charging		
Auditors' remuneration	263	270
Depreciation:		
Owned fixed assets	2,974	643
Leased fixed assets	–	8
Less: depreciation capitalised into contract work in progress	–	(101)
Net depreciation charge	2,974	550
Staff cost (excluding directors' remuneration):		
Wages and salaries	35,611	6,713
Pension contributions	710	332
Less: staff costs capitalised into contract work in progress	(381)	(643)
	35,940	6,402
Operating lease rentals for land and buildings	3,690	142
Provision for impairment of fixed assets	2,460	380
Fixed assets written off	12	109
Provision for doubtful debt	–	283
Provision for contract work in progress	178	–

4. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	Unaudited Six months ended 30 June, 2002 HK$'000	2001 HK$'000
Hong Kong profits tax		
Current year	(4)	–
Overseas taxation	9	–
	5	–

5. (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss per share is based on the Group's loss attributable to shareholders of HK$11,827,000 (2001: profit of HK$350,304,000) and on the weighted average number of 202,036,020 (2001: 168,436,020) ordinary shares in issue during the period.

The weighted average number of shares for the purposes of calculation of basic (loss)/earnings per share for the six months ended 30 June, 2002 and 2001 has been adjusted for the effect of the Company's bonus issue as set out in note 12(a).

There were no dilutive effects on the basic (loss)/earnings per share for the periods ended 30 June, 2002 and 2001.

6. FIXED ASSETS

	HK$'000
Net book value as at 1 January, 2002	18,663
Acquisition of subsidiary	26,087
Additions	2,048
Disposals	(2,733)
Provision for impairment	(2,460)
Depreciation	(2,974)
	38,631

7. TRADE RECEIVABLES

The Group's average credit term to trade debtors is zero to 180 days. An aged analysis of the Group's trade receivables as at 30 June, 2002 is as follows:

	Unaudited 30 June, 2002 *HK$'000*	**Audited 31 December, 2001** *HK$'000*
Current to 90 days	70,388	1,625
91 days to 180 days	21,814	435
181 to 365 days	23,570	1,073
Over 365 days	1,084	1,601
	116,856	4,734

The Group maintains a defined credit policy. Sales proceed receivables in respect of provision of information technology solutions and consultancy services are settled in accordance with the schedules as stipulated in the service contract.

8. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables and their ageing analysis is as follows:

	Unaudited 30 June, 2002 *HK$'000*	**Audited 31 December, 2001** *HK$'000*
Current to 90 days	26,023	1,126
91 days to 180 days	2,814	129
181 to 365 days	6,802	1,033
Over 365 days	8,975	6,184
	44,614	8,472

9. INTEREST-BEARING BANK BORROWINGS – SECURED

At 30 June, 2002, included in the Group's interest-bearing bank borrowings was a short-term bank loan of RMB30,000,000 (equivalent to HK$28,038,000) repayable on 21 February, 2003, in which RMB30,000,000 (equivalent to HK$28,038,000) was guaranteed by an independent third party and RMB20,000,000 (equivalent to HK$18,692,000) was counter-guaranteed by the Company to the independent third party.

10. PROVISIONS

	Warranties
	HK$'000
Balance at 1 January, 2002	2,015
Provision made during the period	1,243
Amount utilised during the period	(415)
Write-back of unutilised amounts	(136)
Balance at 30 June, 2002	2,707

The Group generally provides 10-year warranties to its customers on the construction/installation of curtain wall systems, under which faulty systems are repaired or replaced at the Group's expense. The amount of the provision for warranties is estimated based on the past experience of repairs and maintenance, and the remaining number of years under warranty. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

11. DUE TO ULTIMATE HOLDING COMPANY, A DIRECTOR AND FELLOW SUBSIDIARIES

The amounts due to ultimate holding company, a director and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

12. SHARE CAPITAL

	Unaudited Six months ended 30 June, 2002	
	No. of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each	1,000,000,000	10,000
	No. of shares	*HK$'000*
Issued and fully paid:		
At 1 January, 2002	101,018,010	1,010
Issue of shares *(note (a))*	101,018,010	1,010
At 30 June, 2002	202,036,020	2,020

(a) On 30 May, 2002, a bonus issue of 101,018,010 ordinary shares of HK$0.01 each was made on the basis of one bonus share for every one shares held on 23 May, 2002. These shares rank pari passu with the existing shares.

13. RESERVES

(a) The contributed surplus of the Group represents the difference between the nominal value of the shares and share premium account of Hi Sun Holdings Limited acquired pursuant to the Reorganisation as set out in 2001 annual financial statements, over the nominal value of the Company's shares issued in exchange therefor.

(b) Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Company's subsidiary/jointly-controlled entity established in Mainland China has been transferred to reserve funds which are restricted as to use.

14. ACQUISITIONS

On 28 February, 2002 the Group acquired 100% of the share capital of Hi Sun Technology Holding Limited which is principally engaged in the provision of customized information system consultancy and integration services and is incorporated in Bermuda. The consideration of HK$9,600,000 was settled in cash. The fair value of the net identifiable assets of the Company at the date of acquisition was HK$9,600,000. The acquired business contributed revenues of HK$120,000,000 and operating loss of HK$7,000,000 to the Group for the period from 28 February, 2002 to 30 June, 2002.

The assets and liabilities arising from the acquisition are as follows:

	HK$'000
Fixed assets	26,087
Interest-bearing bank borrowings	(18,751)
Other assets less liabilities	2,264
Fair value of net assets and total purchase consideration	9,600

15. CONTINGENT LIABILITIES

(a)

	Group		**Company**	
	Unaudited 30 June, 2002	**Audited 31 December, 2001**	**Unaudited 30 June, 2002**	**Audited 31 December, 2001**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Counter-guarantee to an independent third party for a bank loan of a subsidiary (note 9)	–	–	18,692	–

(b) In 1997, Full Arts Metal Works Limited ("Full Arts"), an indirect wholly-owned subsidiary of the Company, 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 against one of its directors as guarantor for the performance of the contractual obligations by the subcontractor.

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 or the sub-contractor against each other thereafter. 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. Accordingly, because the directors considered that the Group had no present obligation towards the sub-contractor as at 30 June, 2002, no provision has been made in the Group's financial statements in respect of the damages claimed by the sub-contractor in liquidation.

(c) Full Arts commenced proceedings in 1999 against a sub-contractor claiming damages of approximately HK$7,200,000 for the 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. Summonses for the direction of these proceedings were heard in 1999 and mutual discoveries were completed. As at 30 June, 2002, these legal proceedings were still in progress.

Both parties are exploring the possibility of consolidating the two actions. Based on legal advice, the directors are of the opinion that it is premature to give any reliable indication as to the likely outcome on these proceedings. Accordingly, because the directors considered that the Group had no present obligation towards the sub-contractor as at 30 June, 2002, no provision has been made in the Group's financial statements in respect of the damages claimed.

(d) Full Arts terminated a sub-contract for the non-performance of 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 30 June, 2002, 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. Accordingly, because the directors considered that the Group had no present obligation as at 30 June, 2002, no provision has been made in the Group's financial statements in respect of the damages claimed by the sub-contractor.

(e) 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 intended 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. Accordingly, because the directors considered that the Group had no present obligation as at 30 June, 2002, no provision has been made in the Group's financial statements in respect of the damages claimed.

(f) 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 indirectly 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.

Based on legal advice, the directors are of the opinion that the plaintiffs' cases have no merit and hence no provision has been made in the Group's financial statements on account of the amount claimed.

(g) In 2002, the main contractor of a sub-contract for curtain wall and aluminium cladding project in Hong Kong, in which Full Arts acted as sub-contractor, issued a notice of arbitration to Full Arts seeking, inter alia, arbitration on whether Full Arts should indemnify the main contractor for any losses or damages it incurred in respect of alleged defective sub-contract work done by Full Arts. No statement of claim has yet been served on Full Arts nor has the quantum of claims been mentioned. The directors are of the opinion that it is premature to give any reliable indication as to the likely outcome of the arbitration and thus no provision has been made in the Group's financial statements in respect of the claims alleged by the main contractor.

16. COMMITMENTS

(a) Capital commitments for fixed assets

	Group	
	Unaudited 30 June, 2002	**Audited 31 December, 2001**
	HK$'000	*HK$'000*
Contracted but not provided for	897	–

(b) Commitments under operating leases

As at 30 June, 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	Unaudited 30 June, 2002 *HK$'000*	**Audited 31 December, 2001** *HK$'000*
Within one year	3,705	–

17. RELATED PARTY TRANSACTIONS

(a) On 28 February, 2002, the Group acquired 62.1% equity interest in Hi Sun Technology Holding Limited from Hi Sun Limited, a company in which through its wholly owned subsidiary, Rich Global Limited, is the controlling shareholder of the Company holding at that time 63,090,303 shares representing approximately 62.45% of the issued share capital of the Company. Hi Sun Limited is in turn beneficially owned as to approximately 99.16% by Mr. Kui Man Chun, an executive director of the Company and Hi Sun Technology Holding Limited, and approximately 0.84% by Mr. Li Wenjin, an executive director of the Company.

(b) On 28 February, 2002, the Group acquired 1.21% equity interest in Hi Sun Technology Holding Limited from Chan Yiu Kwong, an executive director of the Company.

(c) Management fee of HK$280,000 is paid to a fellow subsidiary for the provision of administrative and support services. The terms are agreed by the parties involved.

18. SUBSEQUENT EVENTS

(a) In August 2002, the Group disposed certain of its land and buildings situated in Hong Kong to independent third parties for cash consideration of approximately HK$9.39 million. There was no material gain or loss on disposals.

(b) On 17 July, 2002, 20,000,000 shares of HK$0.01 each were issued at a premium of HK$0.81 each, for a total of cash consideration of HK$16,400,000.

2. SUMMARY OF AUDITED FINANCIAL STATEMENTS

The following is a summary of the audited consolidated income statements of the Company for the two years ended 31 December, 2001, the audited consolidated balance sheets of the Company as at 31 December, 2000 and 2001, and the audited consolidated cashflow statements of the Company for the two years ended 31 December, 2001 together with accompanying notes extracted from the annual report of the Company for the year ended 31 December, 2001 and the combined results of the Group for the year ended 31 December, 1999 extracted from the annual report of the Company.

CONSOLIDATED INCOME STATEMENT

	Notes	2001 HK$'000	2000 HK$'000	1999 HK$'000
TURNOVER	6	35,475	77,424	108,716
Cost of sales		(42,351)	(68,161)	(97,903)
Gross profit/(loss)		(6,876)	9,263	10,813
Other revenue and gains	6	910	930	10,690
Distribution costs		–	(15)	(362)
Administrative expenses		(22,081)	(31,594)	(64,165)
Write-back of/(provision for) doubtful debts		4,594	(18,684)	(103,801)
Write-back of/(provision for) contract work in progress		12,866	(5,918)	(130,755)
Other operating income/(expenses), net		2,275	(7,361)	(31,191)
LOSS FROM OPERATING ACTIVITIES	7	(8,312)	(53,379)	(308,771)
Finance costs	8	(5,094)	(29,021)	(23,383)
Non-operating income, net	9	353,795	–	–
PROFIT/(LOSS) BEFORE TAX		340,389	(82,400)	(332,154)
Tax	12	3	2,656	(53)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		340,392	(79,744)	(332,207)
Minority interests		2,573	(1,767)	(110)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	13	342,965	(81,511)	(332,317)
EARNINGS/(LOSS) PER SHARE	14			
Basic		HK$4.05	(HK$0.97)	(HK$3.95)

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	Note	2001 HK$'000	2000 HK$'000	1999 HK$'000
Exchange differences on translation of the financial statements of a foreign entity	27	(9)	82	20
Net gains/(losses) not recognised in the profit and loss account		(9)	82	20
Net profit/(loss) for the year attributable to shareholders		342,965	(81,511)	(332,317)
Total recognised gains and losses		342,956	(81,429)	(332,297)

CONSOLIDATED BALANCE SHEET

31 December, 2001

	Notes	2001 HK$'000	2000 HK$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets	15	18,663	22,874
Interest in a jointly-controlled entity	17	(2,335)	–
		16,328	22,874
CURRENT ASSETS			
Construction/installation contract receivables	18	4,120	5,045
Trade receivables	19	4,734	18,673
Prepayments, deposits and other receivables		944	2,877
Cash and bank balances		20,205	12,451
Due from former fellow subsidiaries	20	–	17
		30,003	39,063
CURRENT LIABILITIES			
Trade payables, other payables and accruals	21	22,154	38,018
Interest-bearing bank borrowings	22	1,889	–
Provisions	23	2,015	5,801
Lease payables		–	153
Due to a former intermediate holding company	24	–	323,269
Due to former fellow subsidiaries	25	–	30,485
		26,058	397,726
NET CURRENT ASSETS/(LIABILITIES)		3,945	(358,663)
TOTAL ASSETS LESS CURRENT LIABILITIES		20,273	(335,789)
MINORITY INTERESTS		–	(5,727)
		20,273	(341,516)
CAPITAL AND RESERVES			
Issued capital	26	1,010	84,218
Reserves	27	19,263	(425,734)
		20,273	(341,516)

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December, 2001

	Notes	2001 HK$'000	2000 HK$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	28(a)	(8,300)	(1,510)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		16	82
Interest paid		(82)	(29,446)
Interest element of finance lease payments		(106)	(78)
Dividends paid to minority interests		–	(122)
Net cash outflow from returns on investments and servicing of finance		(172)	(29,564)
TAX			
Hong Kong profits tax refunded		3	4,337
Mainland China corporate income tax paid		–	(12)
Taxes refunded		3	4,325
INVESTING ACTIVITIES			
Purchases of fixed assets		(393)	(790)
Proceeds from disposal of fixed assets		–	13
Disposal of a subsidiary	28(d)	(2)	–
Reclassification of interest in a subsidiary to interest in a jointly-controlled entity	28(e)	(96)	–
Net cash outflow from investing activities		(491)	(777)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(8,960)	(27,526)
FINANCING ACTIVITIES			
Proceeds from issue of share capital	28(b)	19,152	–
Share issue expenses	28(b)	(323)	–
Capital element of finance lease payments	28(b)	(153)	(619)
Advances from/(repayments to) a former intermediate holding company	28(b)	(117)	31,960
Loans from a former fellow subsidiary	28(b)	–	18,522
Expenses in relation to an unconditional cash offer to acquire all the remaining issued shares of HSHL made by Hi Sun Limited		(1,077)	–
Group reorganisation expenses		(2,654)	–
Net cash inflow from financing activities		14,828	49,863

	Notes	2001 HK$'000	2000 HK$'000
INCREASE IN CASH AND CASH EQUIVALENTS		5,868	22,337
Cash and cash equivalents at beginning of year		12,451	(9,954)
Effect of foreign exchange rate changes, net		(3)	68
CASH AND CASH EQUIVALENTS AT END OF YEAR		18,316	12,451
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		20,205	12,451
Bank overdrafts		(233)	–
Trust receipt loans		(1,656)	–
		18,316	12,451

NOTES TO FINANCIAL STATEMENTS

31 December, 2001

1. GROUP REORGANISATION

The Company was incorporated in Bermuda as an exempted company with limited liability on 31 May, 2001 with an authorised share capital of HK$100,000 divided into 10,000,000 shares of HK$0.01 each. Pursuant to a group reorganisation (the "Reorganisation") on 17 October, 2001, the Company became the holding company of the companies now comprising the Group and was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in place of Hi Sun Holdings Limited ("HSHL") (formerly known as Guangdong Building Industries Limited). The reorganisation involved the following principal steps:

a) On 13 June, 2001, Hi Sun (BVI) Limited ("HSBVI") was incorporated in the British Virgin Islands as an exempted company with limited liability having an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. One share of US$1 was issued and credited as fully paid to the Company on incorporation.

b) Pursuant to the terms of the Reorganisation, the authorised share capital of the Company was increased from HK$100,000 to HK$10,000,000 by the creation of 990,000,000 additional shares of HK$0.01 each.

c) On 17 October, 2001, the shareholders of HSHL transferred 84,218,010 shares of HK$1 each, representing the entire issued share capital of HSHL, to HSBVI.

d) In consideration of the transfer noted in (c), the shareholders of HSHL received one share of HK$0.01 of the Company, credited as fully paid, for every one share in HSHL being transferred. HSBVI also issued one share of US$1, credited as fully paid, to the Company. As a result of the transfer, HSHL became an indirect wholly-owned subsidiary of the Company.

e) On 17 October, 2001, the Company was listed on the Stock Exchange in place of HSHL.

The Reorganisation has been accounted for using the merger basis of accounting, as further detailed in the section "Basis of consolidation" in note 4 to the financial statements.

2. CORPORATE INFORMATION

The principal activities of the Group during the year were the construction and installation of curtain wall systems and aluminium windows for residential apartment blocks in Hong Kong.

The Company is a subsidiary of Rich Global Limited, a company incorporated in the British Virgin Islands. In the opinion of the directors, the ultimate holding company is Hi Sun Limited, a company incorporated in the British Virgin Islands.

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may by accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which is further detailed in note 30 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 5 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The principal impact of this SSAP on these financial statements is that certain provisions which were recognised in previous years, no longer qualify for recognition as provisions under SSAP 28. The adoption of SSAP 28 has not resulted in a prior year adjustment, as the reversal of these provisions in the current year is not material.

In addition to the above new and revised SSAPs, certain minor revisions to SSAP 17 are effective for the first time for the current year's financial statements. The only significant effect of these revisions is that SSAP 17 requires that impairment losses on fixed assets are aggregated with accumulated depreciation in note 15 to the financial statements, whereas previously they were deducted from the cost of the relevant asset. This disclosure reclassification has had no effect on the net carrying amount of fixed assets in the balance sheet.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements have been prepared using the merger basis of accounting. On this basis, the Company has been treated as the holding company of its subsidiaries for both years presented rather than from the date of its acquisition of the subsidiaries. Accordingly, the consolidated results of the Group for the years ended 31 December, 2000 and 2001 include the results of the Company and its subsidiaries with effect from 1 January, 2000 or since their respective dates of incorporation where this is a shorter period. The comparative consolidated balance sheet as at 31 December, 2000 is the consolidated balance sheet of the subsidiaries of the Company under their former holding company, HSHL, prior to the reorganisation as set out in note 1 to the financial statements. This basis has been consistently adopted for the preparation of comparative amounts in the consolidated financial statements.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

Depreciation is calculated on the straight-line basis to write off the cost of each asset, less its estimated residual value, over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	2% - 6%
Leasehold improvements	20%
Office furniture and equipment	18% - 25%
Plant and equipment	9% - 25%
Motor vehicles	18% - 25%

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset which takes a substantial period of time to get ready for its intended use or sale are capitalised until the construction of the relevant asset is completed, and are included in the carrying value of the asset. All other borrowing costs are recognised as expenses in the period in which they are incurred.

Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms.

Construction/installation contracts

Construction/installation revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Construction/installation costs incurred comprise direct materials, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction/installation contracts is recognised on the percentage of completion method, measured by reference to the costs incurred to date as compared to the estimated total costs to be incurred under the construction/installation contracts and/or by reference to independent quantity surveyor's assessment reports.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where progress billings exceed construction/installation costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where construction/installation costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of a subsidiary/jointly-controlled entity established in Mainland China are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. All translation differences arising on consolidation are included in the exchange fluctuation reserve.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from construction/installation contracts, based on the stage of completion of the construction/installation work, provided that this and the costs incurred, as well as the estimated costs to completion, can be measured reliably. The stage of completion of the construction/installation work performed is established by reference to the costs incurred to date as compared to the estimated total costs to be incurred under the construction/installation contracts and/or by reference to independent quantity surveyor's assessment reports;

(b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(c) rental income, on a time proportion basis over the lease terms; and

(d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash and bank balances represent assets, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Provisions for warranties granted by the Group on construction/installation contracts are recognised based on past experience of repairs and maintenance, and the remaining number of years under warranty, discounted to their present value as appropriate.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed to the Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

In addition, pursuant to the government regulations in Mainland China, the Group is required to contribute an amount based on 25.5% of the wages for the year of those workers in Mainland China. The local municipal government undertakes to assume the retirement benefits obligations of those workers of the Group. Contributions to these retirement benefits schemes are charged to the profit and loss account as incurred.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

5. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 3 to the financial statements. Segment information is presented by way of two segment formats, (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the construction and installation of curtain wall systems and aluminium windows; and

(b) the sale and distribution of sanitary ware and kitchen cabinets.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group	**Construction and installation of curtain wall systems and aluminium windows**		**Sale and distribution of sanitary ware and kitchen cabinets**		**Consolidated**	
	2001	**2000**	**2001**	**2000**	**2001**	**2000**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Sales to external customers	35,284	76,876	191	548	35,475	77,424
Other revenue	879	833	31	97	910	930
Total	36,163	77,709	222	645	36,385	78,354
Segment results	(9,150)	(50,767)	822	(2,694)	(8,328)	(53,461)
Interest income					16	82
Loss from operating activities					(8,312)	(53,379)
Finance costs					(5,094)	(29,021)
Non-operating income, net					353,795	–
Profit/(loss) before tax					340,389	(82,400)
Tax credit					3	2,656
Profit/(loss) before minority interests					340,392	(79,744)
Minority interests					2,573	(1,767)
Net profit/(loss) from ordinary activities attributable to shareholders					342,965	(81,511)

Group	Construction and installation of curtain wall systems and aluminium windows		Sale and distribution of sanitary ware and kitchen cabinets		Consolidated	
	2001	2000	2001	2000	2001	2000
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	45,969	61,635	362	302	46,331	61,937
Segment liabilities	22,275	393,614	3,783	3,959	26,058	397,573
Unallocated liabilities					–	153
					26,058	397,726
Other segment information:						
Depreciation	1,346	2,760	17	16	1,363	2,776
Non-cash expenses	953	331	–	1,356	953	1,687
Provision for impairment in values of land and buildings	589	4,410	–	–	589	4,410
Provision for/(write-back of provision for) doubtful debts	(3,688)	16,918	(906)	1,766	(4,594)	18,684
Provision for/(write-back of provision for) contract work in progress	(12,866)	5,610	–	308	(12,866)	5,918
Provision for/(write-back of provision for) legal claims	(2,300)	1,300	–	–	(2,300)	1,300
Gain on disposal of a subsidiary	(1,378)	–	–	–	(1,378)	–
Capital expenditure	393	790	–	–	393	790

(b) Geographical segments

The following table presents revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		Elsewhere in Mainland China		Consolidated	
	2001	2000	2001	2000	2001	2000
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Sales to external customers	30,169	69,309	5,306	8,115	35,475	77,424
Other revenue	880	683	30	247	910	930
Total	31,049	69,992	5,336	8,362	36,385	78,354
Segment results	(4,718)	(53,405)	(3,594)	26	(8,312)	(53,379)
Other segment information:						
Segment assets	42,807	52,614	3,524	9,323	46,331	61,937
Capital expenditure	218	790	175	–	393	790

6. TURNOVER, REVENUE AND GAINS

The turnover represents the value of construction/installation work performed and the invoiced value of goods sold, net of discounts and returns.

The Group's turnover, other revenue and gains for the year arose from the following activities:

	2001	2000
	HK$'000	*HK$'000*
Turnover		
Value of construction/installation work performed	35,284	76,876
Sale of goods	191	548
	35,475	77,424
Other revenue		
Rental income	410	303
Interest income	16	82
Proceeds on sale of scrap materials	98	2
Others	386	543
	910	930
Gains		
Gain on disposal of a subsidiary	1,378	–
	37,763	78,354

7. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	2001	2000
	HK$'000	*HK$'000*
Auditors' remuneration	540	600
Depreciation	1,363	2,776
Less: Depreciation capitalised into contract work in progress	(193)	(231)
Net depreciation charges	1,170	2,545
Staff costs (excluding directors' remuneration *(note 10)*):		
Wages and salaries	12,565	17,240
Pension contributions	244	401
Less: staff costs capitalised into contract work in progress	(1,200)	(1,596)
	11,609	16,045
Operating lease rentals in respect of land and buildings	47	266
Foreign currency losses/(gains), net	(55)	361
Fixed assets written off	139	36
Write-back of warranty provisions, net	(2,643)	(9,665)
Other operating expense/(income), net:		
Provision for/(write-back of provision for) legal claims	(2,300)	1,300
Provision for impairment in values of land and buildings	589	4,410
Provision for amounts due from minority shareholders of a subsidiary	506	–
Provision for other receivables	308	–
Gain on disposal of a subsidiary	(1,378)	–
Provision against slow-moving inventories	–	1,651
	(2,275)	7,361

8. FINANCE COSTS

	Group 2001 HK$'000	Group 2000 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	4,988	29,446
Interest on finance leases	106	78
Total interest	5,094	29,524
Less: Interest capitalised into contract work in progress	–	(503)
	5,094	29,021

9. NON-OPERATING INCOME, NET

	Group 2001 HK$'000	Group 2000 HK$'000
Waiver of loans *(note)*	357,526	–
Expenses in relation to an unconditional cash offer to acquire all of the remaining issued shares of HSHL, made by Hi Sun Limited	(1,077)	–
Group reorganisation expenses	(2,654)	–
	353,795	–

Note: On 10 February, 2001, Hi Sun Limited entered into a conditional sale and purchase agreement (the "Agreement") with Guangdong Investment Limited ("GDI"), the then controlling shareholder of HSHL, to acquire its entire holding of 48,138,892 shares in the capital of HSHL. Pursuant to the Agreement, GDI and its subsidiaries (collectively the "GDI Group") agreed to waive the net balances owed by the Group to the GDI Group. The Agreement was completed on 3 March, 2001 and the net indebtedness waived by the GDI Group amounted to approximately HK$357,526,000.

10. DIRECTORS' REMUNERATION

	Group 2001 HK$'000	Group 2000 HK$'000
Directors' fees:		
Executive	–	–
Independent non-executive	201	75
Executive directors:		
Salaries and other emoluments	–	1,895
	201	1,970

The remuneration of the directors fell within the following bands:

	2001 Number of directors	2000 Number of directors
Nil - HK$1,000,000	9	11
HK$1,500,001 - HK$2,000,000	–	1

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include any director (2000: one). The details of the remuneration of the five (2000: four) highest paid employees are set out below:

	Group	
	2001	**2000**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	3,687	3,459

The remuneration of the five (2000: four) highest paid employees fell within the following bands:

	2001 Number of employees	**2000** Number of employees
Nil - HK$1,000,000	4	3
HK$1,000,001 - HK$1,500,000	1	1

12. TAX

	Group	
	2001	**2000**
	HK$'000	*HK$'000*
Provision for the year:		
Hong Kong profits tax	–	(12)
Mainland China corporate income tax	–	(12)
Deferred tax	–	430
	–	406
Overprovision in prior years	3	2,250
Tax credit for the year	3	2,656

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. In the prior year, Hong Kong profits tax was provided at the rate of 16% on the estimated assessable profits arising in Hong Kong.

Tax in Mainland China in the prior year represented corporate income tax which was provided on profits from operations deemed to arise in Mainland China at 33%.

13. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the period ended 31 December, 2001 dealt with in the financial statements of the Company was HK$2,723,000.

14. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders of the Company of HK$342,965,000 (2000: loss of HK$81,511,000) and on the weighted average number of 84,586,229 (2000: 84,218,010) ordinary shares in issue during the year.

The weighted average number of shares used to calculate the basic earnings per share for the two years ended 31 December, 2001 includes the pro forma number of shares of the Company of 84,218,010 shares issued pursuant to the Reorganisation as further detailed in note 1 to the financial statements.

There were no dilutive effects on the basic earnings/(loss) per share for the years ended 31 December, 2001 and 2000.

15. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Office furniture and equipment HK$'000	Plant and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:						
At beginning of year:						
As previously reported	26,442	2,538	2,530	1,915	2,560	35,985
Reclassified to accumulated depreciation and impairment *(note)*	18,101	–	–	–	–	18,101
As restated	44,543	2,538	2,530	1,915	2,560	54,086
Additions	175	–	218	–	–	393
Disposals	–	–	–	–	(28)	(28)
Write-off	–	(47)	(699)	(851)	(20)	(1,617)
Reclassified to interest in a jointly-controlled entity	(1,988)	(1,311)	(130)	(1,026)	(824)	(5,279)
Exchange realignment	(1)	–	(1)	(1)	–	(3)
At 31 December, 2001	**42,729**	**1,180**	**1,918**	**37**	**1,688**	**47,552**
Accumulated depreciation and impairment:						
At beginning of year						
As previously reported	6,027	1,843	1,561	1,383	2,297	13,111
Reclassified from cost *(note)*	18,101	–	–	–	–	18,101
As restated	24,128	1,843	1,561	1,383	2,297	31,212
Provided during the year	540	106	477	175	65	1,363
Impairment during the year recognised in the profit and loss account	589	–	–	–	–	589
Disposals	–	–	–	–	(28)	(28)
Write-off	–	(47)	(655)	(756)	(20)	(1,478)
Reclassified to interest in a jointly-controlled entity	(652)	(725)	–	(765)	(626)	(2,768)
Exchange realignment	(1)	–	–	–	–	(1)
At 31 December, 2001	**24,604**	**1,177**	**1,383**	**37**	**1,688**	**28,889**
Net book value:						
At 31 December, 2001	**18,125**	**3**	**535**	**–**	**–**	**18,663**
At 31 December, 2000	20,415	695	969	532	263	22,874

Note: Accumulated impairment losses are aggregated with accumulated depreciation under the revised disclosure requirements of SSAP 17, as detailed in note 3 to the financial statements, whereas previously they were disclosed as an adjustment to the cost of the assets. This change has been disclosed as a retrospective reclassification.

The net book value of the Group's land and buildings is analysed as follows:

	Group	
	2001	**2000**
	HK$'000	*HK$'000*
Long term leases in Hong Kong	1,972	2,400
Medium term leases in Hong Kong	12,629	13,100
Medium term leases in Mainland China	3,524	3,420
Short term leases in Mainland China	–	1,495
	18,125	20,415

At 31 December, 2001, the Group's leasehold land and buildings in Hong Kong with a net book value of approximately HK$14,600,000 (2000: Nil) were pledged to secure general banking facilities granted to a subsidiary of the Company (note 22).

16. INTERESTS IN SUBSIDIARIES

	Company
	2001
	HK$'000
Unlisted investments, at cost	4,136
Less: Provisions for impairment	(2,000)
	2,136
Due to subsidiaries	(515)
	1,621

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries at the balance sheet date were as follows:

Name	**Place of incorporation and operations**	**Nominal value of issued and paid-up share capital**	**Percentage of equity interest held by Company** %	**Group** %	**Principal activities**
Dynasty International Industries Limited	Hong Kong	Ordinary HK$2	–	100	Wholesale supply of sanitary ware and kitchen cabinets
Fenella Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100	Property holding
Fordstar Development Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100	Property holding
Full Arts Metal Works Limited	Hong Kong	Ordinary HK$11,000,000	–	100	Design, supply and installation of curtain walls and aluminium windows
Golden Pacific Management Limited	British Virgin Islands/ Hong Kong	Ordinary US$50,000	–	100	Investment holding

Name	Place of incorporation and operations	Nominal value of issued and paid-up share capital	Percentage of equity interest held by Company %	Group %	Principal activities
Hi Sun (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary US$2	100	100	Investment holding
Hi Sun Consulting Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	–	100	Provision of consulting services
Hi Sun Holdings Limited	Hong Kong	Ordinary HK$84,218,010	–	100	Investment holding
Modern Concord Development Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100	Dormant
Netley Enterprises Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100	Property holding
Polytech Development Limited	Hong Kong	Ordinary HK$100 Non-voting deferred HK$9,000	–	100	Investment holding
Renaissance Building Supplies Limited	Hong Kong	Ordinary HK$2	–	100	Trading of sanitary ware
Salisbury Group Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100	Property holding
Visionaire Enterprises Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100	Investment holding

17. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group 2001 *HK$'000*	2000 *HK$'000*
Share of net assets	–	–
Due to a jointly-controlled entity	(2,335)	–
	(2,335)	–

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operations	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
Shanghai Full Arts Curtain Wall Engineering Co., Ltd. ("SHFA")	Corporate	Mainland China	60	50	60	Design, supply and installation of curtain walls and aluminium windows

The above investment is held by a subsidiary of the Company.

SHFA was accounted for as a subsidiary in prior years. During the year, following a change in composition of the board of directors of SHFA in October 2001, the Company's directors considered that the Group could no longer exercise effective control over the financial and operating policies of SHFA but that the Group does exercise joint control. Accordingly, the directors believe that it is more appropriate to account for the Group's interest in SHFA as an interest in a jointly-controlled entity from 31 December, 2001 onwards.

18. CONSTRUCTION/INSTALLATION CONTRACT RECEIVABLES

	Group	
	2001	**2000**
	HK$'000	*HK$'000*
Amounts due from contract customers	4,120	5,045
Contract costs incurred plus recognised profits less recognised losses to date	92,022	100,569
Less: Progress billings	(87,902)	(95,524)
	4,120	5,045

At 31 December, 2001, retentions held by customers for contract works, included in trade receivables, amounted to HK$1,164,000 (2000: HK$9,847,000).

19. TRADE RECEIVABLES

The Group's average credit term to trade debtors is 30 days. An aged analysis of the Group's trade receivables as at the balance sheet date is as follows:

	2001	**2000**
	HK$'000	*HK$'000*
Current to 90 days	1,625	6,235
91 days to 180 days	435	–
181 days to 365 days	1,073	3,439
Over 365 days	1,601	8,999
	4,734	18,673

20. DUE FROM FORMER FELLOW SUBSIDIARIES

The amounts were waived by the GDI Group during the year as detailed in note 9 to the financial statements.

21. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

An aged analysis of the Group's trade payables as at the balance sheet date is as follows:

	2001	**2000**
	HK$'000	*HK$'000*
Current to 90 days	1,126	6,150
91 days to 180 days	129	1,198
181 days to 365 days	1,033	5,208
1 year to 2 years	2,276	6,417
Over 2 years	3,908	582
	8,472	19,555
Other payables and accruals	13,682	18,463
	22,154	38,018

22. INTEREST-BEARING BANK BORROWINGS

	Group 2001	2000
	HK$'000	*HK$'000*
Bank overdrafts, secured	233	–
Trust receipt loans	1,656	–
	1,889	–

As at 31 December, 2001, the Group's banking facilities were secured by the pledge of certain of the Group's land and buildings in Hong Kong with an aggregate net book value of approximately HK$14,600,000 (2000: Nil).

23. PROVISIONS

Group

	Warranties 2001	2000
	HK$'000	*HK$'000*
Balance at beginning of year	5,801	19,346
Provisions made during the year	516	6,427
Amount utilised during the year	(1,143)	(3,880)
Write-back of unutilised amounts	(3,159)	(16,092)
At 31 December,	2,015	5,801

The Group generally provides 10-year warranties to its customers on the construction/installation of curtain wall systems, under which faulty systems are repaired or replaced at the Group's expense. The amount of the provision for warranties is estimated based on the past experience of repairs and maintenance, and the remaining number of years under warranty. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

The adoption of SSAP 28 has not resulted in any prior year adjustment, as the reversal of the provisions in the current year is not material.

24. DUE TO A FORMER INTERMEDIATE HOLDING COMPANY

The amount was waived by the GDI Group during the year as detailed in note 9 to the financial statements.

25. DUE TO FORMER FELLOW SUBSIDIARIES

An amount of HK$1,000,000 due to a former fellow subsidiary was recorded by a subsidiary of the Company which was disposed of during the year. The remaining amounts were waived by the GDI Group during the year as detailed in note 9 to the financial statements.

26. SHARE CAPITAL

Shares

	2001
	HK$'000
Authorised:	
1,000,000,000 ordinary shares of HK$0.01 each	10,000
Issued and fully paid:	
101,018,010 ordinary shares of HK$0.01 each	1,010

The comparative amount shown in the consolidated balance sheet represents the issued share capital of HSHL, the then holding company of the Group, divided into 84,218,010 shares of HK$1 each.

During the period from 31 May, 2001 (date of incorporation) to 31 December, 2001, the following changes in the Company's share capital took place:

(i) On incorporation, the authorised share capital amounted to HK$100,000 divided into 10,000,000 shares of HK$0.01 each.

(ii) On 7 June, 2001, 10,000,000 shares of HK$0.01 each were allotted and issued as nil paid.

(iii) Pursuant to the terms of the Reorganisation, the authorised share capital of the Company was increased from HK$100,000 to HK$10,000,000 by the creation of an additional 990,000,000 shares of HK$0.01 each ranking pari passu in all respects with the existing share capital of the Company.

(iv) On 17 October, 2001, pursuant to the Reorganisation as detailed in note 1 to the financial statements, the Company allotted and issued 74,218,010 new shares of HK$0.01 each credited as fully paid at par, and credited as fully paid at par 10,000,000 shares allotted and issued nil paid as set out in (ii) above, to the then shareholders of HSHL, in consideration for their transfer of shares in HSHL to HSBVI on a one share for one share basis.

(v) On 24 December, 2001, 16,800,000 shares of HK$0.01 each were issued at HK$1.14 per share by way of placing for a total of cash consideration, before expenses, of HK$19,152,000.

Share options

The Company operates a share option scheme. Further details of which are set out under the heading "Share option scheme" in the Report of the Directors on page 19 of the annual report.

No options were granted during the year or outstanding at the balance sheet date.

27. RESERVES

Group

	Share premium account HK$'000	Contributed surplus (note i) HK$'000	Reserve funds (note ii) HK$'000	Exchange fluctuation reserve HK$'000	Accumu-lated losses HK$'000	Total HK$'000
At 1 January, 2000	41,934	–	236	(898)	(385,577)	(344,305)
Net loss for the year	–	–	–	–	(81,511)	(81,511)
Exchange realignment	–	–	–	82	–	82
Transfer	–	–	33	–	(33)	–
At 31 December, 2000 and 1 January, 2001	41,934	–	269	(816)	(467,121)	(425,734)
Net profit for the year	–	–	–	–	342,965	342,965
Contributed surplus arising from the Reorganisation	–	83,376	–	–	–	83,376
Transfer to contributed surplus pursuant to the Reorganisation	(41,934)	41,934	–	–	–	–
Issue of shares	18,984	–	–	–	–	18,984
Share issue expenses	(323)	–	–	–	–	(323)
Exchange realignment	–	–	4	(9)	–	(5)
At 31 December, 2001	**18,661**	**125,310**	**273**	**(825)**	**(124,156)**	**19,263**
Reserves retained by:						
Company and subsidiaries	18,661	125,310	–	56	(120,084)	23,943
A jointly-controlled entity	–	–	273	(881)	(4,072)	(4,680)
31 December, 2001	**18,661**	**125,310**	**273**	**(825)**	**(124,156)**	**19,263**
Company and subsidiaries at 31 December, 2000	41,934	–	269	(816)	(467,121)	(425,734)

Notes:

(i) The contributed surplus of the Group represents the difference between the nominal value of the shares and share premium account of HSHL acquired pursuant to the Reorganisation, as set out in note 1 to the financial statements, over the nominal value of the Company's shares issued in exchange therefor.

(ii) Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Company's subsidiary/jointly-controlled entity established in Mainland China has been transferred to reserve funds which are restricted as to use.

Company

	Share premium account HK$'000	Contributed surplus (note) HK$'000	Accumulated losses HK$'000	Total HK$'000
Contributed surplus arising from the Reorganisation	–	3,293	–	3,293
Issue of shares	18,984	–	–	18,984
Share issue expenses	(323)	–	–	(323)
Net loss for the year	–	–	(2,723)	(2,723)
At 31 December, 2001	18,661	3,293	(2,723)	19,231

Note: The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Reorganisation, as set out in note 1 to the financial statements, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, a company may made distributions to its members out of the contributed surplus under certain circumstances.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss from operating activities to the net cash outflow from operating activities

	2001	**2000**
	HK$'000	*HK$'000*
		(Restated)
Loss from operating activities	(8,312)	(53,379)
Interest income	(16)	(82)
Depreciation	1,170	2,545
Fixed assets written off	139	36
Provision for impairment in values of land and buildings	589	4,410
Provision for other receivables	308	–
Provision for amounts due from minority shareholders of a subsidiary	506	–
Provision for/(write-back of provision for) legal claims	(2,300)	1,300
Provision for/(write-back of provision for) doubtful debts	(4,594)	18,684
Provision for/(write-back of provision for) contract work in progress	(12,866)	5,918
Provision for slow-moving inventories	–	1,651
Gain on disposal of a subsidiary	(1,378)	–
Write-back of warranty provisions, net	(2,643)	(9,665)
Changes in assets and liabilities:		
Trade receivables	18,366	18,564
Construction/installation contracts receivables	13,980	32,534
Inventories	–	378
Amounts due from minority shareholders of a subsidiary	(506)	–
Prepayments, deposits and other receivables	1,625	(537)
Amounts due from fellow subsidiaries	–	247
Trade payables, other payables and accruals	(11,225)	(24,114)
Provisions	(1,143)	–
Net cash outflow from operating activities	(8,300)	(1,510)

(b) Analysis of changes in financing during the year

	Issued capital (including share premium account and contributed surplus) *HK$'000*	Bank loans *HK$'000*	Lease payables *HK$'000*	Due to a former inter-mediate holding company *HK$'000*	Due to former fellow subsidiaries *HK$'000*	Minority interests *HK$'000*
Balance at 1 January, 2000	126,152	136,652	772	97,763	10,963	4,082
Cash inflow/(outflow) from financing, net	–	–	(619)	31,960	18,522	–
Bank loans assumed by a former intermediate holding company	–	(136,652)	–	193,546	–	–
Share of profit for the year	–	–	–	–	–	6
Receivable from minority interests written off	–	–	–	–	–	1,761
Dividends paid to minority interests	–	–	–	–	–	(122)
Balance at 31 December, 2000 and 1 January, 2001	126,152	–	153	323,269	29,485	5,727
Cash inflow/(outflow) from financing, net	18,829	–	(153)	(117)	–	–
Waiver of loans by GDI Group	–	–	–	(323,152)	(29,485)	–
Share of loss for the year	–	–	–	–	–	(2,573)
Reclassification to interest in a jointly-controlled entity	–	–	–	–	–	(3,154)
Balance at 31 December, 2001	144,981	–	–	–	–	–

(c) Major non-cash transactions

(i) As detailed in note 9 to the financial statements, a net balance of HK$357,526,000 due to the GDI Group was waived during the year; and

(ii) As detailed in notes 17 and 28(e) to the financial statements, interest in a subsidiary was reclassified to interest in a jointly-controlled entity at 31 December, 2001.

(d) Disposal of a subsidiary

	2001
	HK$'000
Net assets disposed of:	
Cash and bank balances	2
Construction/installation contract receivables	4
Trade receivables	16
Trade payables, other payables and accruals	(400)
Amount due to a former fellow subsidiary	(1,000)
	(1,378)
Gain on disposal of a subsidiary	1,378
	–
Satisfied by:	
Cash	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2001
	HK$'000
Cash consideration	–
Cash and bank balances disposed of	(2)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(2)

The subsidiary disposed of in the current year had no significant impact in respect of the cash flows of the Group for the year ended 31 December, 2001.

(e) Reclassification of interest in a subsidiary to interest in a jointly-controlled entity

	2001
	HK$'000
Net assets reclassified:	
Fixed assets	2,511
Cash and bank balances	96
Trade receivables	151
Amount due from the Group	2,335
Trade payables	(1,939)
Minority interests	(3,154)
	–
Reclassification to interest in a jointly-controlled entity	–

	2001
	HK$'000
Analysis of the net outflow of cash and cash equivalents in respect of the reclassification	(96)

29. CONTINGENT LIABILITIES

(i) In 1997, Full Arts Metal Works Limited ("Full Arts"), a wholly-owned subsidiary of the Company, 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 against one of its directors as guarantor for the performance of the contractual obligations by the subcontractor.

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 or the sub-contractor against each other thereafter. 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. Accordingly, because the directors considered that the Group had no present obligation towards the sub-contractor as at 31 December, 2001, no provision has been made in the Group's financial statements in respect of the damages claimed by the sub-contractor in liquidation.

(ii) Full Arts commenced proceedings in 1999 against a sub-contractor claiming damages of approximately HK$7,200,000 for the 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. Summonses for the direction of these proceedings were heard in 1999 and mutual discoveries were completed. As at 31 December, 2001, these legal proceedings were still in progress.

Both parties are exploring the possibility of consolidating the two actions. Based on legal advice, the directors are of the opinion that it is premature to give any reliable indication as to the likely outcome on these proceedings. Accordingly, because the directors considered that the Group had no present obligation towards the sub-contractor as at 31 December, 2001, no provision has been made in the Group's financial statements in respect of the damages claimed.

(iii) Full Arts terminated a sub-contract for the non-performance of 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 31 December, 2001, 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. Accordingly, because the directors considered that the Group had no present obligation as at 31 December, 2001, no provision has been made in the Group's financial statements in respect of the damages claimed by the sub-contractor.

(iv) 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 intended 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. Accordingly, because the directors considered that the Group had no present obligation as at 31 December, 2001, no provision has been made in the Group's financial statements in respect of the damages claimed.

(v) 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 indirectly 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.

Based on legal advice, the directors are of the opinion that the plaintiffs' cases have no merit and hence no provision has been made in the Group's financial statements on account of the amount claimed.

30. OPERATING LEASE ARRANGEMENTS

The Group leases out certain of its leasehold land and buildings under operating lease arrangements, with leases negotiated for terms ranging from eight months to two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December, 2001, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group **2001** *HK$'000*
Within one year	110

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed above. This disclosure was not previously required.

31. POST BALANCE SHEET EVENTS

The following events occurred subsequent to the balance sheet date:

(i) On 24 January, 2002, the Company entered into a conditional sale and purchase agreement (the "Acquisition") with the existing shareholders (the "Vendors") of Hi Sun Technology Holding Limited ("Hi Sun Technology"), pursuant to which the Company conditionally agreed to acquire from the Vendors the entire issued share capital of Hi Sun Technology for a total cash consideration of HK$9.6 million. The Acquisition was completed on 28 February, 2002 and Hi Sun Technology became a wholly-owned subsidiary of the Company.

(ii) On 20 February, 2002, the Group disposed of certain of its land and buildings situated in Hong Kong to an independent third party for a cash consideration of approximately HK$2,731,000. There was no material gain or loss on disposal.

(iii) On 12 April, 2002, the directors proposed a bonus issue of shares of the Company to the shareholders whose names appear on the register of members on 23 May, 2002 on the basis of one share for every one share held. The bonus issue is conditional upon the approval of shareholders at the annual general meeting to be held on 23 May, 2002.

32. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12 April, 2002.

3. PRO FORMA STATEMENT OF UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Set out below is the pro forma statement of the unaudited adjusted consolidated net tangible assets of the Group based on the audited consolidated net assets as at 31 December, 2001 and adjusted as follows:

	HK$'000
Audited consolidated net tangible assets of the Group as at 31 December, 2001	20,273
Unaudited loss of the Group for the six months ended 30 June, 2002	(11,827)
Exchange realignment arising from transactions of foreign subsidiaries as at 30 June, 2002	2
Net proceeds of the subscription of 20,000,000 Shares in July 2002 *(Note)*	16,000
Gain on disposal of interest in Hi Sun Holdings Limited in November 2002, net of estimated expenses	7,000
Unaudited pro forma adjusted consolidated net tangible assets of the Group before the Rights Issue	31,448
Estimated net proceeds of the Rights Issue	68,000
Unaudited pro forma adjusted consolidated net tangible assets of the Group after the Rights Issue	99,448
Unaudited pro forma adjusted consolidated net tangible assets per Share – before the Rights Issue (based on 222,036,020 fully paid Shares in issue)	HK$0.14
Unaudited pro forma adjusted consolidated net tangible assets per Share – after the Rights Issue (based on 333,054,030 Shares in issue)	HK$0.30

Note: This represents subscription for 20,000,000 new Shares at an issue price of HK$0.82 each amounting to HK$16,000,000 in July 2002, net of expenses of HK$400,000.

4. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 September, 2002, being the latest practicable date for the purpose of ascertaining the information contained in the indebtedness statement prior to the printing of this prospectus, the Group had outstanding bank loans and borrowings totalling approximately HK$135,761,000 comprising:

(a) bank loans of approximately HK$28,583,000 secured by fixed deposits of approximately HK$17,000,000, deposits in a bank guaranteed fund of approximately HK$991,000, personal guarantee of HK$7,000,000 from a director of the Company and corporate guarantee by the Company;

(b) bank loan of RMB30,000,000 (equivalent to HK$28,037,000) guaranteed by an Independent Third Party, of which RMB20,000,000 (equivalent to HK$18,692,000) was counter-guaranteed by the Company to the Independent Third Party;

(c) amount due to the ultimate holding company of approximately HK$42,891,000, all of which were unsecured;

(d) amounts due to fellow subsidiaries of approximately HK$5,930,000, all of which were unsecured;

(e) amount due to a director of HK$968,000, all of which were unsecured; and

(f) amounts due to senior executives and Independent Third Parties of HK$29,352,000, all of which were unsecured.

Contingent liabilities

At the close of business on 30 September, 2002, Hi Sun Holdings Limited ("HSHL"), then an indirect wholly owned subsidiary of the Company, and one of HSHL's subsidiary were named defendants in certain lawsuits regarding certain completed construction projects and a proposed acquisition of two companies several years ago. Subsequently the Group disposed of the entire issued share capital of and benefits of loans to HSHL to an Independent Third Party on 15 November, 2002. Accordingly, as at the Latest Practicable Date, the Group no longer had any contingent liabilities arising from such lawsuits.

Apart from the above, as at the close of business on 30 September, 2002, the Group had contingent liabilities in respect of outstanding letters of credit and letters of guarantees of approximately HK$5,313,000 and HK$131,000 respectively.

Disclaimers

Save as aforesaid, and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, any other borrowings or indebtedness in the nature of borrowing (including bank overdrafts, liabilities under acceptance, acceptance credits or hire purchase commitments), mortgages and charges, contingent liabilities and guarantees at the close of business on 30 September, 2002.

The Directors have confirmed that, save as disclosed above, there has not been any material change in the indebtedness, commitments or contingent liabilities of the companies comprising the Group since 30 September, 2002.

5. WORKING CAPITAL

The Directors are of the opinion that taking into account the existing cash and bank balances, the available unutilised banking facilities and the expected net proceeds of the Rights Issue, the Group has sufficient working capital for its present requirements.

6. MATERIAL ADVERSE CHANGES

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December, 2001, the date to which the latest published audited financial statements of the Group were made up.

1. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors or chief executive of the Company 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 interests which they were taken or deemed to have under Section 31 of, 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Interests in the Company

Name	Type of interest	Number of Shares
Mr. Kui	Corporate	126,180,606 *(Note)*

Note: These Shares are held by Rich Global Limited, a wholly-owned subsidiary of Hi Sun Limited. Mr. Kui holds a 99.16% interest in Hi Sun Limited.

(b) Interests in associated corporations

Name	Type of interest	Particulars of securities
Mr. Kui	Corporate	2 ordinary shares of Rich Global Limited
Mr. Kui	Personal	30,245,000 ordinary shares of Hi Sun Limited
Mr. Li Wenjin	Personal	255,000 ordinary shares of Hi Sun Limited

Save as disclosed above, none of the Directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporation as defined in the SDI Ordinance.

On 28 February, 2002, the Group acquired the entire issued share capital of Hi Sun Technology Holding Limited at a cash consideration of HK$9.6 million from, among others, Hi Sun Limited and Mr. Chan Yiu Kwong (an executive Director). Hi Sun Limited is beneficially owned as to approximately 99.16% by Mr. Kui, an executive Director, and approximately 0.84% by Mr. Li Wenjin, also an executive Director.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December, 2001, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries.

As at the Latest Practicable Date, none of the Director was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this prospectus and which is significant in relation to the business of the Group.

2. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of substantial Shareholder maintained under Section 16(1) of the SDI Ordinance, the following persons had interests of 10% or more of the Company's issued share capital:

Name	Number of shares held	Approximate shareholding
Rich Global Limited	126,180,606	56.83%
Hi Sun Limited *(Note 1)*	126,180,606	56.83%
Mr. Kui *(Note 2)*	126,180,606	56.83%

Notes:

(1) Hi Sun Limited is interested in the Company's share capital by virtue of its 100% shareholding in Rich Global Limited.

(2) Mr. Kui is interested in the Company's share capital by virtue of his interest in Hi Sun Limited.

Save as disclosed in this prospectus, as at the Latest Practicable Date, no person was recorded in the register kept by the Company pursuant to section 16(1) of the SDI Ordinance as directly or indirectly interested in 10% or more of the nominal value of any class of share 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, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, as far as the Directors are aware, no litigation or claim of material importance is pending or threatened against the Company or any of its subsidiaries *(Note)*.

Note: A wholly owned subsidiary of the Company has entered into a conditional sale and purchase agreement on 7 November, 2002, which is referred to in item 22 of the material contracts set out in the section headed "Material Contracts" below, to sell to an Independent Third Party the entire equity interests in Hi Sun Holdings Limited. Such agreement was completed on 15 November, 2002 ("Completion") prior to the entering into of the Underwriting Agreement. As a result of the Completion, the Group has disposed of all its interests in Hi Sun Holdings Limited and its subsidiaries and hence as at the Latest Practicable Date, the Group is no longer involved in the litigation and proceedings engaged in by Hi Sun Holdings Limited and its wholly owned subsidiary, Full Arts Metal Works Limited.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing nor proposed service contract with any member of the Group, save for contracts expiring or terminable by the employer within one year without payment of compensation, other than statutory compensation.

There are no service contracts entered into, commenced, or amended in the past six months.

5. SHARES

Save as disclosed in this prospectus, since 31 December, 2001 (the date to which the latest audited consolidated financial statements of the Company were made up), no share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

None of the capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company and/or member(s) of the Group within two years immediately preceding the date of this prospectus which are or may be material:

1. A deed of assignment dated 27 December, 2000 entered into between Credit Agricole Indosuez Hong Kong Branch as assignor, Guangdong Investment Limited ("GDI") as assignee, Full Arts Metal Works Limited ("Full Arts") as borrower and Hi Sun Holdings Limited (formerly known as Guangdong Building Industries Limited) ("HSHL") as guarantor for the assignment of an outstanding debt together with interest owed by Full Arts to the assignor as at the date of assignment.

2. A deed of assignment dated 27 December, 2000 entered into between The Daiwa Bank, Limited as assignor, GDI as assignee, Full Arts as borrower and HSHL as guarantor for the assignment of an outstanding debt together with interest owed by Full Arts to the assignor as at the date of assignment.

3. A deed of assignment dated 8 February, 2001 entered into between GDI as assignor, Full Arts as assignee and HSHL for the assignment of an outstanding debt owed by HSHL to GDI.

4. A deed of assignment dated 8 February, 2001 entered into between GDI as assignor, Visionaire Enterprises Limited ("Visionaire"), formerly a wholly owned subsidiary of the Company, as assignee and Full Arts for the assignment of an outstanding debt owed by Full Arts to GDI.

5. A loan agreement dated 8 February, 2001 entered into between GDI as lender and Visionaire as borrower relating to a loan granted by GDI to Visionaire.

6. A deed of assignment dated 8 February, 2001 entered into between Yue Sheng Finance Limited ("Yu Sheng") as assignor, Visionaire as assignee and Full Arts for the assignment of an outstanding debt owed by Full Arts to Yue Sheng.

7. A loan agreement dated 8 February, 2001 entered into between Yue Sheng as lender and Visionaire as borrower relating to a loan granted by Yue Sheng to Visionaire.

8. A deed of release dated 3 March, 2001 entered into between GDI as lender and Fordstar Development Limited ("Fordstar"), formerly a wholly owned subsidiary of the Company, as mortgagor for the release of a property situate at Unit No. 102 on the 1st Floor of Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

9. A deed of release dated 3 March, 2001 entered into between GDI as lender and Salisbury Group Limited, formerly a wholly owned subsidiary of the Company, as mortgagor for the release of a property situate at Office B on the 13th Floor of Chinaweal Centre, Nos. 414-424 Jaffe Road and Nos. 4, 5 and 6 Canal Road West, Hong Kong.

10. A deed of release dated 3 March, 2001 entered into between GDI as lender and Visionaire as borrower for the release of a loan granted by GDI to Visionaire.

11. A deed of release dated 3 March, 2001 entered into between GDI as lender and Full Arts as borrower and HSHL relating to a waiver of all actual or contingent liabilities owed by Full Arts to GDI.

12. A deed of release in Chinese dated 3 March, 2001 entered into between Yue Sheng as lender and Full Arts as mortgagor for the release of a property situate at Unit No. 908 on the Ninth Level of Canway Building, No. 62 Nanlishi Road, Xicheng District, Beijing, PRC.

13. A deed of release dated 3 March, 2001 entered into between Yue Sheng as lender and Visionaire as borrower for the release of a loan granted by Yue Sheng to Visionaire.

14. A deed of release dated 3 March, 2001 entered into between GDI, Full Arts, HSHL, Yue Sheng, Polytech Development Limited, 廣州市番禺粵海房地產有限公司 and Brodrick Developments Limited for the mutual release of Outstanding Loans by each Creditor to its Debtor as referred and defined in the Schedule thereto.

15. A placing agreement dated 12 December, 2001 entered into between the Company and ICEA Capital Limited under which the Company has conditionally agreed to place, through its placing agent, ICEA, 16,800,000 shares of HK$0.01 each in the share capital of the Company at a price of HK$1.14 per placing share.

16. A sale and purchase agreement dated 19 January, 2002 entered into between Fordstar as vendor and an Independent Third Party as purchaser in respect of the sale of property situated at Unit 102, 1st Floor, Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong at the consideration of HK$2,731,050.

17. An agreement dated 24 January, 2002 entered into between, among others, Hi Sun Limited as one of the vendors and the Company as the purchaser whereby Hi Sun Limited has conditionally agreed to sell and the Company has conditionally agreed to purchase the entire issued share capital of Hi Sun Technology Holding Limited at a total consideration of HK$9.6 million.

18. A sale and purchase agreement dated 4 July, 2002 entered into between Netley Enterprises Limited, formerly a wholly owned subsidiary of the Company, as vendor and an Independent Third Party as purchaser in respect of the sale of property situated at Units 1 and 2 on 18/F of Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong at the consideration of HK$3,790,400.

19. A sale and purchase agreement dated 4 July, 2002 entered into between Fenella Holdings Limited, formerly a wholly owned subsidiary of the Company, as vendor and an Independent Third Party as purchaser in respect of the sale of property situated at Units 3 and 4 on 18/F of Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong at the consideration of HK$3,848,960.

20. A subscription agreement dated 9 July, 2002 entered into between the Company and an Independent Third Party as subscriber (the "Subscriber") whereby the Subscriber agreed to subscribe, on a conditional basis, 20,000,000 new shares of the Company at a price of HK$0.82 per subscription share.

21. A sale and purchase agreement dated 10 July, 2002 entered into between Salisbury Group Limited, formerly a wholly owned subsidiary of the Company, as vendor and an Independent Third Party as purchaser in respect of the sale of property situated at Office B, 13th Floor, Chinaweal Centre, Nos.414-424 Jaffe Road and Nos. 4, 5 and 6 Canal Road West, Wanchai, Hong Kong at the consideration of HK1,750,000.

22. A sale and purchase agreement dated 7 November, 2002 entered into between the Company as guarantor, Hi Sun (BVI) Limited (the "Vendor") as vendor and an Independent Third Party (the "Purchaser"), namely Hipton Development Corporation as purchaser whereby the Vendor agreed to sell the entire issued share capital of HSHL, which engaged in the Group's curtain wall business, at the consideration of HK$6,397,899 and the Company agreed to assign and the Purchaser agreed to take up assignment of a loan of HK$2,102,101 due and owing by HSHL to the Company at the consideration of HK$2,102,101.

23. The Underwriting Agreement.

7. PARTIES INVOLVED IN THE RIGHTS ISSUE

Manager and Underwriter	**Oriental Patron Asia Limited** 42nd Floor, COSCO Tower 183 Queen's Road Central Hong Kong
Legal advisers to the Company	*As to Hong Kong law:* **Woo, Kwan, Lee & Lo** 27th Floor Jardine House 1 Connaught Place Central Hong Kong *As to Bermuda law:* **Conyers Dill & Pearman** 2901, One Exchange Square 8 Connaught Place Central Hong Kong
Legal advisers to the Underwriter	**Jennifer Cheung & Co** Unit A, 19th Floor Two Chinachem Plaza 68 Connaught Road Central Hong Kong

8. CORPORATE INFORMATION

Registered office of the Company	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business of the Company in Hong Kong	Suite 2316, 23rd Floor One International Finance Centre 1 Harbour View Street Central Hong Kong
Company secretary	Yip Wai Ming *FCCA, AHKSA*
Authorised representatives	Li Wenjin Yip Wai Ming
Auditors	**PricewaterhouseCoopers** Certified Public Accountants 22nd Floor Prince's Building Central Hong Kong
Principal share registrar and transfer office	**Butterfield Fund Services (Bermuda) Limited** Rosebank Centre 11 Bermudiana Road Pembroke Bermuda
Hong Kong branch share registrar and transfer office	**Tengis Limited** 4th Floor Hutchison House 10 Harcourt Road Central Hong Kong
Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road, Central Hong Kong

9. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting charges are estimated to amount to approximately HK$2 million and are payable by the Company.

10. DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. CHEUNG Yuk Fung, aged 56, was appointed Chairman and Director of the Company in November 2001. He graduated from the Faculty of Radio Electronics at Peking University in the PRC and worked as a professor at Peking University thereafter. Prior to joining the Group, Mr. Cheung was chairman of a company listed in the PRC and a director of a company listed on the Stock Exchange and has working experience in international trade, finance, asset management and strategic planning. Mr. Cheung was honored many awards, including being selected as the young entrepreneur with outstanding contribution to China, and won the first prize of national golden award for enterprise initiators in the 4th National Technology Industrialist Award and many other awards.

Mr. KUI Man Chun, aged 36, was appointed Director in June 2001. He is responsible for the overall strategic planning of the business and, in particular, the directions in investment strategy of the Group. Mr. Kui graduated from Peking University in the PRC with a master's degree in international relations and has over 10 years of experience in the information technology industry and investment activities. He is also the chairman and chief executive officer of Hi Sun Limited ("Hi Sun"), the Company's controlling shareholder. Prior to joining Hi Sun in 2000, Mr. Kui was the president of an enterprise in the PRC.

Mr. LI Wenjin, aged 39, was appointed Director in June 2001. He is in charge of general financial and administrative affairs of the Group. Mr. Li graduated from Peking University in the PRC with a master's degree in law. He has over 10 years of experience in investment and administrative affairs. He is also the managing director of Hi Sun. Prior to joining Hi Sun in 1999, Mr. Li had worked for several companies in the PRC and Hong Kong.

Mr. CHAN Yiu Kwong, aged 38, was appointed Director in July 2001. He is responsible for financial planning and management, accounting and compliance affairs of the Group. Mr. Chan graduated from the University of Hong Kong with a bachelor's degree in social sciences. He is currently an associate member of Hong Kong Society of Accountants and a fellow member of the Chartered Association of Certified Accountants in the United Kingdom. He is also an executive director and the chief financial officer of Hi Sun. Prior to joining Hi Sun in 2000, Mr. Chan was the financial controller and company secretary of a listed company on the Stock Exchange and was a manager of an international public accountancy firm. Mr. Chan has over 10 years of experience in auditing, business advisory and corporate management.

Mr. SU Terry Lumin, aged 39, was appointed Director in July 2001. He is responsible for the strategic development and corporate finance of the Group. Mr. Su graduated from Peking University in the PRC with bachelor's degrees in history and international relations respectively and from the University of Oxford in the United Kingdom with a master's degree in international relations. He is also an executive director and executive vice president of Hi Sun. Prior to joining Hi Sun in 2000, Mr. Su had worked for several multinational corporations and banks. He has over 10 years of experience in corporate finance and corporate management.

Mr. XU Chang Jun, aged 36, was appointed Director in July 2001. He is in charge of financial and accounting affairs of the Group. Mr. Xu graduated from Peking University in the PRC with a master's degree in international economics. He is also an executive director of Hi Sun. Prior to joining Hi Sun in 2000, Mr. Xu had worked for several companies in the PRC and Hong Kong. He has over 10 years of experience in corporate management of enterprises in Hong Kong and the PRC.

Mr. WANG Xiao Qing, aged 36, was appointed Director in July 2001. Mr. Wang is responsible for the Group's legal and personnel affairs. He graduated from Peking University with a bachelor's degree in law. He is also an executive director of Hi Sun. Prior to joining Hi Sun, he had worked for several companies both in Hong Kong and the PRC.

Independent non-executive Directors

Mr. Colin Clive HILES, aged 64, was appointed an independent non-executive Director in July 2001. Mr. Hiles is a partner of Abbott, Stillman & Wilson, a Melbourne based law firm. Mr. Hiles was formerly a partner of Chambers & Company, another Melbourne based law firm, a senior partner with one of Australia's leading law firms, Philips Fox, and was the National Chairman and a member of its national board. He has been a solicitor since 1961 and has practised corporate law for more than 20 years and has wide experience in the formation and development of both private and public companies and the provision of legal and business/corporate advice to them. Mr. Hiles has been a company director for many years.

Mr. XU Sitao, aged 38, was appointed an independent non-executive Director in July 2001. Mr. Xu graduated from Peking University in the PRC with a bachelor of administration degree in Economics and from the University of Connecticut with a master of science degree in Economics. He also holds a master of science degree in Finance from Boston College. Between 1996 and 2000, he worked in Standard Chartered Bank as a Regional Treasury Economist. Prior to that, he was an Emerging Market Economist of Standard & Poor's MMS International in Singapore. He is currently a guest research fellow on Asian financial markets at the State University of New York in Buffalo.

Senior management

Messrs, Cheung Yuk Fung, Kui Man Chun, Li Wenjin, Chan Yiu Kwong, Su Terry Lumin, Xu Chang Jun and Wang Xiao Qing were members of the Company's senior management.

The business address of the executive Directors and members of the senior management is at Suite 2316, 23rd Floor, One International Finance Centre, No. 1 Harbour View Street, Central, Hong Kong.

The residential address of Mr. Colin Clive Hiles is at 4 Airley Road, Glen Iris Vic 3146, Australia.

The residential address of Mr. Xu Sitao is at Flat 24D, Tower 10, South Horizons, Hong Kong.

11. LEGAL EFFECT

This prospectus, the provisional allotment letter and the form of application for excess Rights Shares (upon issue), and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by all the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies Ordinance, so far as applicable.

12. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

The documents attached to a copy of this prospectus, which have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance, were copies of the provisional allotment letter and the form of application for excess Rights Shares.

A copy of the prospectus and the documents attached thereto, being the provisional allotment letter and the form of application for excess Rights Shares, have been filed with the Registrar of Companies in Bermuda.

13. MISCELLANEOUS

The English text of this prospectus shall prevail over the Chinese text in the case of any inconsistency.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of the Company at Suite 2316, 23rd Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong up to and including Wednesday, 18 December, 2002:

– the memorandum of association and bye-laws of the Company;

– the material contracts referred to under the section headed "Material Contracts" in this appendix;

– the circular of the Company dated 7 February, 2002;

– the circular of the Company dated 5 July, 2002;

– the annual reports of the Company for the two years ended 31 December, 2001; and

– the interim report of the Company for the six months ended 30 June, 2002.