

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

**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

**If you have sold** all your shares in **Hi Sun Group Limited** (the “Company”), you should at once hand this circular with the Annual Report 2003 of the Company and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**HI SUN GROUP LIMITED**

**高陽集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0818)**

**PROPOSED AMENDMENTS TO THE BYE-LAWS  
AND  
PROPOSED GENERAL MANDATES TO ISSUE  
SHARES AND REPURCHASE SHARES**

A notice convening the annual general meeting of the Company to be held at Suite 2316, 23rd Floor, One International Finance Centre, No. 1 Harbour View Street, Central, Hong Kong on Friday, 28 May 2004 at 10:00 a.m. is set out in the Annual Report 2003 of the Company to be despatched to shareholders together with this circular. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy enclosed with the Annual Report 2003 of the Company in accordance with the instructions printed thereon and return it to the principal place of business of the Company at Suite 2316, 23rd Floor, One International Finance Centre, No. 1 Harbour View Street, Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent shareholders from attending and voting at the annual general meeting or any adjourned meeting if they so wish.

\* For identification purpose only

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## DEFINITIONS

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

“AGM Notice”	notice of the Annual General Meeting which is set out in the Annual Report 2003 which is being despatched to the Shareholders together with this circular
“Annual General Meeting”	the annual general meeting of the Company to be held at Suite 2316, 23rd Floor, One International Finance Centre, No. 1 Harbour View Street, Central, Hong Kong on Friday, 28 May 2004 at 10:00 a.m.
“Annual Report 2003”	the annual report of the Company for the year ended 31 December 2003
“Board”	the board of directors of the Company
“Bye-laws”	the bye-laws of the Company as may be amended from time to time
“Company”	Hi Sun Group Limited (高陽集團有限公司), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	23 April 2004, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ordinary Resolution(s)”	the proposed ordinary resolution(s) as referred to in the AGM Notice
“PRC”	the People’s Republic of China, and for the purpose of this circular excluding Hong Kong, Taiwan and the Macau Special Administrative Region

## DEFINITIONS

“Repurchase Mandate”	the general mandate proposed to be granted to the Directors at the Annual General Meeting to repurchase Shares not exceeding 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant Ordinary Resolution
“Share(s)”	share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	registered holder(s) of Share(s)
“Special Resolution”	the proposed special resolution in respect of the special business as referred to in the AGM Notice
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Summary Financial Report(s)”	the summary financial report(s) as defined under the Companies Ordinance
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

LETTER FROM THE BOARD



**HI SUN GROUP LIMITED**

**高陽集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

*Executive Directors:*

CHEUNG Yuk Fung (*Chairman*)  
KUI Man Chun  
LO Siu Yu  
XU Wensheng  
LI Wenjin  
CHAN Yiu Kwong  
SU Terry Lumin  
XU Chang Jun

*Independent Non-Executive Directors:*

LAU Wai Kit  
XU Sitao

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head Office and Principal Place  
of Business:*

Suite 2316, 23rd Floor  
One International Finance Centre  
No. 1 Harbour View Street  
Central, Hong Kong

30 April 2004

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED AMENDMENTS TO THE BYE-LAWS  
AND  
PROPOSED GENERAL MANDATES TO ISSUE  
SHARES AND REPURCHASE SHARES**

**INTRODUCTION**

On 26 April 2004, the Directors announced the audited consolidated results of the Group for the year ended 31 December 2003. This circular provides details of the general mandates to issue Shares and repurchase Shares and the proposed amendments to the Bye-laws and seeks your approval of such general mandates and such proposed amendments to the Bye-laws at the Annual General Meeting.

\* For identification purpose only

## **LETTER FROM THE BOARD**

### **GENERAL MANDATE TO ISSUE SHARES**

At the annual general meeting of the Company held on 26 May 2003, a general mandate was given to the Directors to exercise the powers of the Company to issue Shares up to 20 per cent. of the then issued share capital of the Company. Such mandate will lapse at the conclusion of the Annual General Meeting unless renewed at a general meeting of the Shareholders. At the Annual General Meeting, Ordinary Resolution No. 4 will be proposed to grant a general mandate to the Directors to exercise the powers of the Company to allot and issue new Shares in the share capital of the Company up to 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue immediately after the passing of Ordinary Resolution No. 4. In addition, subject to the approval of Ordinary Resolution No. 4, the number of Shares repurchased by the Company under Ordinary Resolution No. 5 will also be added to the 20 per cent. general mandate as mentioned in Ordinary Resolution No. 4.

### **GENERAL MANDATE TO REPURCHASE SHARES**

At the annual general meeting of the Company held on 26 May 2003, a general mandate was given to the Directors to exercise the powers of the Company to repurchase Shares up to 10 per cent. of the then issued share capital of the Company. Such mandate will lapse at the conclusion of the Annual General Meeting unless renewed at a general meeting of the Shareholders. At the Annual General Meeting, Ordinary Resolution No. 5 will be proposed to grant a general mandate to the Directors to exercise the powers of the Company to repurchase Shares up to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue immediately after the passing of Ordinary Resolution No. 5.

An explanatory statement as required by the Listing Rules to be sent to the Shareholders in connection with the Repurchase Mandate is set out in the Appendix to this circular. The explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolution at the Annual General Meeting.

### **AMENDMENTS TO THE EXISTING BYE-LAWS**

The Companies Ordinance was amended in early 2002 to permit listed companies to send to shareholders, for the purposes of their general meetings, copies of Summary Financial Reports in place of copies of the relevant financial documents from which the Summary Financial Reports are derived, provided that they ascertain the wishes of shareholders. Following such amendments to the Companies Ordinance, the Stock Exchange has likewise amended the Listing Rules to allow listed issuers to distribute Summary Financial Reports in place of a full annual report, provided that they ascertain the wishes of shareholders and comply with the relevant legal requirements of the jurisdiction in which they are incorporated and provisions of their own memorandum and articles of association (or equivalent constitutional documents).

In addition, amendments to the Listing Rules in early 2002 also permit listed issuers to send or otherwise make available corporate communications, including annual and interim reports, listing documents, circulars and notices of meeting, to holders of securities using electronic means and in either English or Chinese but only with their prior approval and, if these would be allowed under applicable laws and regulations and the listed issuers' own constitutional documents.

## **LETTER FROM THE BOARD**

In January 2004, Stock Exchange announced that the Listing Rules would be further amended with effect from 31 March 2004 to inter alia, (i) alter the extent to which a director is permitted or prohibited to vote on a board resolution on certain kinds of contracts/arrangements, (ii) stipulate clearly the effect of any shareholder voting in contravention of the Listing Rules; and (iii) stipulate clearly the time period for the lodgment of the notice(s) concerning proposal for the election of Directors.

In order to achieve such flexibility and to comply with the above amendments of the Companies Ordinance and of the Listing Rules and to reflect to coming into effect of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and to bring the Bye-laws up to date and in line with current practice, the Directors proposed to seek your approval for the Special Resolution to amend the Bye-laws. If the Special Resolution is duly passed and to the extent permitted by the Listing Rules and the Companies Ordinance, the Company, among other things, will be able to do such acts summarised as follows:

- (a) to send to Shareholders and other entitled persons Summary Financial Reports in place of an annual report at their own preference;
- (b) to publish the annual report and/or Summary Financial Reports on its computer network or in any other manner (including electronic communication) as an alternative means in satisfaction of the Company's obligations to send a printed copy thereof to Shareholders and other entitled persons if requisite consent has been obtained;
- (c) to send, serve and deliver corporate communications to Shareholders and other entitled persons in the English language only or the Chinese language only but not both if requisite consent has been obtained;
- (d) to send, serve, deliver and transmit corporate communications to Shareholders and other entitled persons by electronic communication if requisite consent has been obtained;
- (e) to amend the scope under which a Director may or may not vote on a board resolution;
- (f) to stipulate the consequences of any Shareholder voting on any resolution in contravention to the Listing Rules; and
- (g) to stipulate clearly the time period for the lodgment of the notice(s) concerning proposals for electing any person as Director.

### **RIGHT TO DEMAND A POLL**

Pursuant to Bye-law 66 of the Bye-laws, a resolution put to the vote of a general meeting shall be decided on a show of hands unless (before or on the declaration of the results of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:–

- (a) by the chairman of the meeting; or

## LETTER FROM THE BOARD

- (b) by at least three shareholders present in person (or in the case of a shareholder being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a shareholder or shareholders present in person (or in the case of a shareholder being a corporation by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting; or
- (d) by a shareholder or shareholders present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which the aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person as proxy for a shareholder or in the case of a shareholder being a corporation by its duly authorized representative shall be deemed to the same as a demand by a shareholder.

### FORM OF PROXY

A form of proxy for use at the Annual General Meeting is enclosed with the Annual Report 2003. Whether or not you intend to be present at the meeting, you are requested to complete the form of proxy and return it to the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the holding of the Annual General Meeting. Completion and delivery of the form of proxy will not prevent Shareholders from attending and voting at the Annual General Meeting (or any adjourned meeting) if they so wish.

### RECOMMENDATION

The Directors consider that the granting to the Directors of the general mandate to issue Shares and the Repurchase Mandate and the proposed amendments to the Bye-laws are in the interests of the Group and its Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of all the Ordinary Resolutions and the Special Resolution as set out in the AGM Notice as set out in the Annual Report 2003.

### GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,  
By Order of the Board  
**Li Wenjin**  
*Director*

*The following is the explanatory statement required to be sent to Shareholders under the Listing Rules in connection with the Repurchase Mandate.*

**SHARE CAPITAL**

As at the Latest Practicable Date, the number of Shares of the Company in issue was 333,054,030. Subject to the passing of Ordinary Resolution No. 5 granting the Repurchase Mandate and on the basis that no further Shares are issued or repurchased before the Annual General Meeting, the Company will be allowed to repurchase a maximum of 33,305,403 Shares during the period ending on the earlier of the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held by law or the date upon which such authority is revoked or varied by a resolution of the Shareholders in general meeting.

**REASONS FOR REPURCHASE**

The Directors believe that the ability to repurchase Shares is in the interests of the Company and its Shareholders.

Repurchases may, depending on the circumstances, result in an increase in net assets and/or earnings per share. The Directors are seeking the grant of a general mandate to repurchase Shares to give the Company the flexibility to do so if and when appropriate. The timing and the number, the price and other terms upon which the Shares are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

**FUNDING OF REPURCHASE**

Repurchases must be made out of funds which are legally available for such purpose in accordance with the Memorandum of Association of the Company and the Bye-laws and the laws and regulations of Bermuda. It is envisaged that the funds required for any repurchase would be derived from the distributable profits of the Company.

There could be an adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements contained in the Annual Report 2003) in the event that the power to repurchase Shares pursuant to the Repurchase Mandate were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the power to repurchase Shares pursuant to the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing level which in the opinion of the Directors is from time to time appropriate for the Company.

**GENERAL**

To the best of their knowledge, having made all reasonable enquiries, none of the Directors nor any of their associates (as defined in the Listing Rules) currently intend to sell any Shares to the Company under the Repurchase Mandate in the event that the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and the laws of Bermuda.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases pursuant to Rule 32 of the Takeovers Code, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, Mr. Kui Man Chun, the ultimate controlling shareholder of the Company, beneficially held 189,270,909 Shares, representing approximately 56.83 per cent. of the issued share capital of the Company. In the event that the Directors should exercise in full the Repurchase Mandate, the shareholding of Mr. Kui Man Chun in the Company will be increased to approximately 63.14 per cent. of the issued share capital of the Company. The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchases made under the Repurchase Mandate. The Directors do not propose to exercise the Repurchase Mandate to such extent that the public shareholding would be reduced to less than 25 per cent. of the issued share capital of the Company.

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

## SHARE PRICES

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

<b>Month</b>	<b>Highest HK\$</b>	<b>Lowest HK\$</b>
<b>2003</b>		
April	0.650	0.600
May	0.600	0.580
June	0.580	0.570
July	0.570	0.500
August	0.500	0.240
September	0.380	0.240
October	0.340	0.300
November	0.480	0.170
December	0.445	0.360
<b>2004</b>		
January	0.420	0.380
February	0.400	0.265
March	0.390	0.310