

Recommended proposal for



HI SUN HOLDINGS LIMITED
高陽控股有限公司

(incorporated in Hong Kong with limited liability under the Companies Ordinance, Chapter 32 of the Laws of Hong Kong)

to become a wholly-owned subsidiary of



HI SUN GROUP LIMITED
高陽集團有限公司*

(a new holding company incorporated in Bermuda with limited liability and the shares of which will be listed on The Stock Exchange of Hong Kong Limited by way of introduction)

pursuant to a

SCHEME OF ARRANGEMENT

(under Section 166 of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong)

DESPATCH OF THE SCHEME DOCUMENT

A scheme document containing, among other things, the Proposal, together with the expected timetable and notice convening the Court Meeting to approve the Proposal, will be despatched to the Shareholders on 9th August, 2001.

The Scheme Document contains certain financial information of the Group which has not been previously released to the public. Such information is reproduced in this announcement.

Reference is made to the Company's announcement (the "Announcement") dated 4th June, 2001 relating to the reorganisation proposal of the Company by way of a scheme of arrangement under Section 166 of the Companies Ordinance. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

(A) DESPATCH OF THE SCHEME DOCUMENT

A scheme document containing, among other things, the Proposal, together with the expected timetable and notice convening the Court Meeting to approve the Proposal, will be despatched to the Shareholders on 9th August, 2001 (the "Scheme Document").

Expected timetable for the reorganisation proposal

The expected timetable for the reorganisation proposal is set out as follows:

	2001
Latest time for lodging forms of proxy in respect of the Court Meeting (<i>Notes 1 and 2</i>)	10:30 a.m. on Tuesday, 25th September
Court Meeting	10:30 a.m. on Thursday, 27th September
Court hearing of petition to sanction the Scheme	Tuesday, 9th October
Record Time	4:00 p.m. on Tuesday, 9th October
Last day of dealings in the Shares	Tuesday, 9th October
Withdrawal of listing of the Shares	close of business on Tuesday, 9th October
Effective Date (<i>Note 3</i>)	Wednesday, 10th October
Dealings in the HSGL Shares commence	10:00 a.m. on Wednesday, 10th October
First day for exchange of existing certificates for the Shares for new certificates for the HSGL Shares free of charge	Wednesday, 10th October
Last day for exchange of existing certificates for the Shares for new certificates for the HSGL Shares free of charge	Friday, 9th November

Notes:

- The pink form of proxy for use at the Court Meeting should be lodged at the registered office of the Company at 1801-1804, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong not less than 48 hours before the time appointed for the holding of the Court Meeting. Alternatively, it may be handed to the chairman of the Court Meeting at that meeting. A proxy need not be a member of the Company.
- Completion and return of a form of proxy will not preclude a Shareholder from attending the Court Meeting and voting in person if he so desires. In such event, his form of proxy will be deemed to have been revoked.
- The Scheme will become effective when it is sanctioned, with or without modification, by the Court and an office copy of the order of the Court is delivered to the Registrar of Companies in Hong Kong for registration.

(B) FINANCIAL INFORMATION OF THE GROUP

The Scheme Document contains certain financial information of the Group which has not been previously released to the public. Such information is reproduced in this announcement below:

Set out below is a statement of the unaudited pro forma adjusted consolidated net tangible assets of the Group based on the audited consolidated net liabilities of the Group as at 31st December, 2000 and adjusted as follows:

	HK\$'000
Audited consolidated net liabilities of the Group as at 31st December, 2000	(341,516)
Unaudited net profit attributable to the Shareholders for the five months ended 31st May, 2001 (<i>Note 1</i>)	350,556
Provisions for impairment in values of property interests as at 31st May, 2001 attributable to the Group (<i>Note 2</i>)	(380)
Less: Estimated expenses to be incurred in respect of the Scheme	(2,300)
Unaudited pro forma adjusted consolidated net tangible assets prior to and upon the Effective Date	<u>6,360</u>
Unaudited pro forma adjusted consolidated net tangible assets per Share prior to the Effective Date (<i>Note 3</i>)	<u>HK\$0.08</u>
Unaudited pro forma adjusted consolidated net tangible assets per HSGL Share upon the Effective Date (<i>Note 4</i>)	<u>HK\$0.08</u>

Notes:

- According to the unaudited consolidated profit and loss account of the Group for the five months ended 31st May, 2001, a profit of approximately HK\$357.5 million arose as a result of the waiver by the GDI Group of loans owed by the Group to the GDI Group as at 3rd March, 2001 upon completion of the acquisition by Hi Sun from GDI of a controlling interest in the Company as at that date, as further explained in the offeree document issued by the Company on 23rd March, 2001.
- Details of the valuation of the Group's properties and the basis of such valuation are set out in Appendix IV to the Scheme Document.
- The unaudited pro forma adjusted consolidated net tangible asset per Share prior to the Effective Date is based on 84,218,010 Shares in issue as at the Latest Practicable Date.
- The unaudited pro forma adjusted consolidated net tangible asset per HSGL Share upon the Effective Date is based on 84,218,010 HSGL Shares in issue upon completion of the Scheme.

Set out below is an unaudited pro forma balance sheet of the Company as at 31st December, 2000, prepared on the basis as if the GDI Indebtedness (as defined below) had been waived as at that date.

	As at 31st December, 2000		
	Audited balances	Pro forma adjustments	Unaudited pro forma adjusted balances
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Interests in subsidiaries	(268)	13,613	13,345
CURRENT ASSETS			
Prepayment, deposits and other receivables	338		338
Due from fellow subsidiaries	17		17
Cash and bank balances	179		179
	534		534
CURRENT LIABILITIES			
Other payables and accruals	(667)		(667)
NET CURRENT LIABILITIES	(133)		(133)
	<u>(401)</u>		<u>13,212</u>
SHAREHOLDERS' EQUITY/ (DEFICIENCY IN ASSETS)			
Share capital	84,218		84,218
Reserves	(84,619)	13,613	(71,006)
	<u>(401)</u>		<u>13,212</u>

As disclosed in the offeree document issued by the Company on 23rd March, 2001, upon completion of the acquisition of a controlling interest in the Company by Hi Sun from GDI on 3rd March, 2001, the amount owed by the Group to the GDI Group of approximately HK\$357.5 million was waived by the GDI Group. The corresponding amount as at 31st December, 2000 was approximately HK\$353 million (the "GDI Indebtedness"). The above unaudited pro forma balance sheet of the Company as at 31st December, 2000 was prepared on the basis as if the GDI Indebtedness had been waived on 31st December, 2000, which would have resulted in a write-back of provisions for amounts due from subsidiaries of approximately HK\$13,613,000.

(C) GENERAL

The Group is principally engaged in the design, supply and installation of curtain wall systems, architectural aluminum panel systems, industrial claddings, granite and stainless steel cladding systems, aluminum windows, doors and shopfronts, skylights and other building-related products for commercial buildings and residential apartment blocks, and the wholesale supply of sanitary-ware and kitchen cabinets in Hong Kong and the PRC.

As stated in the Company's annual report for the financial year ended 31st December, 2000, since the acquisition of a controlling stake in the Company by Hi Sun in March 2001, it has been the intention of Hi Sun that the Group, whilst continuing its existing businesses, should explore other suitable business opportunities elsewhere in order to broaden the revenue basis of the Group. Business opportunities being explored by the Group include, but are not limited to, areas in the provision of information technology solutions such as mobile commerce transaction platform, video distribution and subscription service system and software development for the securities industry. The Directors are currently reviewing the relevant business plans and are evaluating the potential for investing in such business opportunities with high growth potential. Since North America and Europe are the forerunners in such areas, it is intended that the Group's potential new investments will include ventures into those markets.

Please note that the Scheme may or may not proceed. **Shareholders should exercise caution when dealing in the Shares.** The Company will make a further announcement about the Scheme if and when appropriate.

(D) DEFINITIONS

"GDI"	Guangdong Investment Limited, a company incorporated in Hong Kong with limited liability and is the former controlling Shareholder
"GDI Group"	GDI and its subsidiaries (other than the Group)
"Hi Sun"	Hi Sun Limited, a company incorporated in the British Virgin Islands and the ultimate holding company of the Group
"Latest Practicable Date"	Monday, 6th August, 2001, being the latest practicable date prior to the printing of the Scheme Document for the purpose of ascertaining certain information for inclusion in the Scheme Document

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

Hong Kong, 8th August, 2001

* for identification only