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POWER JADE LIMITED

(Incorporated in the British Virgin Islands with limited liability)

THE KWONG SANG HONG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 189

**DESPATCH OF SCHEME DOCUMENT
RELATING TO
PROPOSED PRIVATISATION OF
THE KWONG SANG HONG INTERNATIONAL LIMITED
BY POWER JADE LIMITED
(TRADING AS POWER JADE CAPITAL LIMITED)
BY WAY OF A SCHEME OF ARRANGEMENT**

Financial adviser to Power Jade



大福融資有限公司
TAI FOOK CAPITAL LIMITED

Financial adviser to KSH



元富證券(香港)有限公司
MasterLink Securities (Hong Kong)
Corporation Limited

The Scheme Document will be despatched to the KSH Shareholders on Monday, 13th December, 2004. KSH Shareholders who do not receive the Scheme Document by post may collect a copy (and the accompanying forms of proxy) at KSH's principal place of business in Hong Kong at 26th Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong during normal business hours from Monday, 13th December, 2004 up to Tuesday, 4th January, 2005 (both days inclusive).

The respective notices of the Court Meeting and the Special General Meeting to be held on Wednesday, 5th January, 2005 are set out in the Scheme Document and published in The Standard and the Hong Kong Economic Times.

The KSH Independent Shareholders should consider carefully the recommendation of the Independent Board Committee and the factors, reasons and recommendation in relation to the Proposal as set out in the letter from Somerley, the independent financial adviser to the Independent Board Committee, before making a decision on the Proposal.

Subject to all the conditions of the Proposal being fulfilled or waived, as applicable, the Scheme is expected to become effective on Friday, 21st January, 2005. Details of these conditions are set out in the explanatory statement contained in the Scheme Document. The Scheme will lapse if it does not become effective on or before 31st March, 2005 (or such other date as KSH and Power Jade may agree or as the Supreme Court may direct), and the KSH Shareholders will be notified accordingly by way of a press announcement.

In the course of the preparation of the Scheme Document, the KSH Board has received certain information, some of which, including i) the proforma statement of adjusted unaudited consolidated net tangible assets of the KSH Group; ii) the statement of indebtedness of the KSH Group as at 31st October, 2004; and iii) the revaluation surplus arisen as a result of the valuations of the property interests of the KSH Group as at 31st October, 2004, are reproduced below.

The KSH Shareholders and potential investors should be aware that implementation of the Proposal is subject to the satisfaction or waiver of the conditions set out in the Scheme Document and therefore may or may not become effective. The KSH Shareholders and potential investors are advised to exercise extreme caution when dealing in the KSH Shares.

INTRODUCTION

Reference is made to the announcements dated 4th November, 2004 and 24th November, 2004 jointly made by KSH and Power Jade. Capitalised terms used in this announcement have the same meaning as those defined in the Scheme Document (as defined below) unless the context herein requires otherwise.

DESPATCH OF THE SCHEME DOCUMENT

The document containing details of the scheme of arrangement of KSH under Section 99 of the Companies Act (the "Scheme Document") will be despatched to the KSH Shareholders on Monday, 13th December, 2004. KSH Shareholders who do not receive the Scheme Document by post may collect a copy (and the accompanying forms of proxy) at KSH's principal place of business in Hong Kong at 26th Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong during normal business hours from Monday, 13th December, 2004 up to Tuesday, 4th January, 2005 (both days inclusive).

The Scheme Document contains, among other things, further details of the Proposal and the Scheme, the expected timetable, the Explanatory Statement required under the Companies Act, information regarding the KSH Group, the letters from the Independent Board Committee and Somerley, the independent financial adviser to the Independent Board Committee, summaries of property valuations prepared by Norton Appraisals, notice of the Court Meeting and notice of the Special General Meeting.

RECOMMENDATIONS OF THE INDEPENDENT BOARD COMMITTEE AND SOMERLEY

The Independent Board Committee comprising Mr. Alan Lam, Man-bun, Ms. Phillis Loh, Lai-ping, Mr. Matthew Hui, Chuen-fan and Mr. William Tsui, Hing-chuen, all being the independent non-executive directors of KSH, has been appointed by the KSH Board to advise the KSH Independent Shareholders in relation to the Proposal. Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal. A letter from Somerley giving its advice and recommendation to the Independent Board Committee on the Proposal is contained in the Scheme Document.

The KSH Independent Shareholders should consider carefully the recommendation of the Independent Board Committee and the factors, reasons and recommendation in relation to the Proposal as set out in the letter from Somerley before making a decision on the Proposal.

Actions to be taken by the KSH Independent Shareholders are set out in the Explanatory Statement contained in the Scheme Document.

PROFORMA STATEMENT OF ADJUSTED UNAUDITED CONSOLIDATED NET TANGIBLE ASSETS

Set out below is a proforma statement of adjusted unaudited consolidated net tangible assets of the KSH Group which has been prepared for the purpose of illustrating the effect of the Proposal and because of its nature it may not give a true picture of the financial position or results of the KSH Group. This statement is based on the unaudited consolidated net tangible assets of the KSH Group as at 31st May, 2004 as shown in the published unaudited financial statements of the KSH Group for the six months ended 31st May, 2004, and adjusted as follows:

Unaudited consolidated net tangible assets of the KSH Group as at 31st May, 2004	Estimated costs in connection with the Proposal	Proforma adjusted unaudited consolidated net tangible assets	Proforma adjusted unaudited consolidated net tangible asset value per KSH Share
<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$</i>
<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>
<u>1,289,881</u>	<u>(3,000)</u>	<u>1,286,881</u>	<u>1.34</u>

Notes:

1. This amount is extracted from the section headed "Unaudited condensed consolidated financial statements for the six months ended 31st May, 2004" in Appendix I to the Scheme Document, which contains the text of the published interim report of the KSH Group for the six months ended 31st May, 2004.
2. Estimated costs in connection with the Proposal include financial advisory and documentation fees, legal and other professional fees, printing and other expenses relating to the Proposal to be borne by KSH.
3. Norton Appraisals, an independent property valuer, has performed valuations of the property interests of KSH and its subsidiaries, as at 31st October, 2004. The surplus less deficits in the amount of approximately HK\$282.2 million that arrived at after i) deducting the carrying amount of such property interests as recorded in the books of the KSH Group as at 31st May, 2004 (except for properties under development for sale as recorded in the books of the KSH Group as at 31st October, 2004); and ii) taking into account of appropriate tax liabilities, has not been taken into account in the above statement.

The proforma net revaluation surplus less taxation of approximately HK\$282.2 million, of which i) approximately HK\$1.1 million surplus is attributable to investment properties; ii) approximately HK\$305.1 million surplus is attributable to properties under development for sale; iii) HK\$3.6 million deficit is attributable to one of the properties held for sale; iv) HK\$4.5 million surplus is attributable to other properties held for sale; and v) deficit of HK\$24.9 million is in relation to properties held for development.

The KSH Group has adopted the accounting policies, which are in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, that any revaluation surplus or deficit from investment properties has been and will be taken into account in the financial statements of the KSH Group while properties held for sale have been and will be stated at the lower of costs and net realisable values in the financial statements. For properties under development for sale and properties held for development, however, no revaluation surplus or deficit has been and will be accounted for. For illustrative purpose only, the net revaluation surplus less taxation relating to the investment properties of HK\$1.1 million and the revaluation deficit for properties held for sale (assuming the net realisable value is equal to the valuation amount and lower than the cost) of HK\$3.6 million based on the valuations as at 31st October, 2004 will be reflected in the financial statements of the KSH Group for the year ended 30th November 2004, but the finalised figures will be subject to the valuations carried out at the financial year end date of KSH.

In addition, Norton Appraisals has performed valuation on the Tai Yuen Street/Wan Chai Road redevelopment project which is developed by an associated company of the KSH Group. The revaluation surplus of approximately HK\$188.8 million attributable to the KSH Group based on the open market value in its existing state as at 31st October, 2004 has not been taken into account in the above statement.

Your attention is drawn to the property valuation report of Norton Appraisals which is set out in Appendix II to the Scheme Document.

4. The proforma adjusted unaudited consolidated net tangible asset value per KSH Share is calculated based on 959,899,416 KSH Shares in issue as at the Latest Practicable Date.

The text of the report from Deloitte Touche Tohmatsu in respect of the proforma statement of adjusted unaudited consolidated net tangible assets above is set out in Appendix III to the Scheme Document.

Additional financial information on KSH including analysis of its historical financial performance, dividend payment, share price performance, share liquidity and net asset value is contained in the letter from Somerley which is set out in the Scheme Document.

INDEBTEDNESS

Set out below is the statement of indebtedness of the KSH Group as at 31st October, 2004 contained in the Scheme Document.

As at the close of business on 31st October, 2004, the KSH Group had outstanding bank loans of approximately HK\$451.4 million and the unsecured loan from ultimate holding company of approximately HK\$152.7 million. The bank loans were secured over certain properties of the KSH Group.

In addition to the aforesaid liabilities, as at the close of business on 31st October, 2004, the KSH Group had contingent liabilities in the amount of HK\$342.7 million in respect of guarantees given to banks and financial institutions for facilities utilized by its associated companies and investee company of the KSH Group. The KSH Group had commitments in the amount of about HK\$499.6 million in respect of development costs of properties contracted but not provided for in the financial statements.

Save as aforesaid and apart from intra-group liabilities, the KSH Group did not have at the close of business on 31st October, 2004 any outstanding loan capital, bank overdrafts, loans or other similar indebtedness, debt securities, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

The KSH Directors are not aware of any material changes to the indebtedness and contingent liabilities of the KSH Group since 31st October, 2004.

PROPERTY VALUATIONS

In connection with the Proposal, KSH is required by the Takeovers Code to prepare a valuation of its interests in properties for inclusion in the Scheme Document. Accordingly, valuations of the KSH Group's interests in properties as at 31st October, 2004 have been prepared by an independent property valuers, Norton Appraisals, as a result of which the KSH Group's share of values of its investment properties and other land and buildings have increased and resulted in a revaluation surplus less taxation of approximately HK\$282.2 million.

In addition, Norton Appraisals has performed valuation on the Tai Yuen Street/Wan Chai Road redevelopment project which is developed by an associated company of the KSH Group. The revaluation surplus attributable to the KSH Group as a result of the revaluation of the project based on the open market value in its existing state as at 31st October, 2004 is approximately HK\$188.8 million.

Your attention is drawn to the property valuation report of Norton Appraisals which is set out in Appendix II to the Scheme Document.

MEETINGS

The Court Meeting and the Special General Meeting will be held at 10:00 a.m. and 10:30 a.m. (or so soon thereafter as the Court Meeting shall have been concluded or adjourned) respectively on Wednesday, 5th January, 2005 at Concord Room 2-3, 8th Floor, Renaissance Harbour View Hotel, No. 1 Harbour Road, Wanchai, Hong Kong. Notices of the Meetings are set out in the Scheme Document and published in The Standard and the Hong Kong Economic Times.

A further announcement will be made giving details of, among other things, the voting results of the Court Meeting and the Special General Meeting.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlements of the KSH Independent Shareholders to attend and vote at the Court Meeting and the KSH Shareholders to attend and vote at the Special General Meeting, the register of members of KSH will be closed from Friday, 31st December, 2004 to Wednesday, 5th January, 2005 (both dates inclusive). During such period no transfer of KSH Shares will be effected. In order to qualify to vote at the Meetings, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of KSH in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Thursday, 30th December, 2004.

CONDITIONS OF THE PROPOSAL

The KSH Shareholders and potential investors should be aware that implementation of the Proposal is subject to the satisfaction or waiver of the conditions set out in the Scheme Document and therefore may or may not become effective. Subject to all the conditions to the Proposal being fulfilled or waived, as applicable, the Scheme is expected to become effective on Friday, 21st January, 2005. Details of these conditions are set out in the Explanatory Statement contained in the Scheme Document. The Scheme will lapse if it does not become effective on or before 31st March, 2005 (or such other date as KSH and Power Jade may agree or as the Supreme Court may direct), and the KSH Shareholders will be notified accordingly by way of a press announcement.

It is intended that the listing of KSH Shares on the Stock Exchange will be withdrawn if the Scheme is implemented and be maintained in the event that the Scheme is not approved or lapsed.

The KSH Shareholders and potential investors are advised to exercise extreme caution when dealing in the KSH Shares.

EXPECTED TIMETABLE

Hong Kong time

Latest time for lodging transfers of the KSH Shares to qualify for attending and voting at the Court Meeting and the Special General Meeting	4:00 p.m. on Thursday, 30th December, 2004
Closure of Register for determination of entitlements of the KSH Independent Shareholders to attend and vote at Court Meeting and the KSH Shareholders to attend and vote at the Special General Meeting	Friday, 31st December, 2004 to Wednesday, 5th January, 2005 (both days inclusive)
	2005
Latest time for lodging forms of proxy in respect of: Court Meeting (<i>Note 1</i>)	10:00 a.m. on Monday, 3rd January
Special General Meeting (<i>Note 1</i>)	10:30 a.m. on Monday, 3rd January
Suspension of dealings in the KSH Shares	9:30 a.m. on Wednesday, 5th January
Court Meeting	10:00 a.m. on Wednesday, 5th January
Special General Meeting	10:30 a.m. on Wednesday, 5th January
Press announcement of the results of the Meeting in The Standard and the Hong Kong Economic Times	Thursday, 6th January

Resumption of dealings in the KSH Shares	9:30 a.m. on Thursday, 6th January
Supreme Court hearing of petition to sanction the Scheme (<i>Note 2</i>)	Friday, 14th January
Last day for dealings in the KSH Shares	Monday, 17th January
Latest time for lodging transfers of the KSH Shares to qualify for the Cancellation Price under the Scheme	4:00 p.m. on Thursday, 20th January
Record Time	4:30 p.m. on Thursday, 20th January
Effective Date (<i>Note 3</i>)	Friday, 21st January
Press announcement on Effective Date and withdrawal of listing of the KSH Shares in The Standard and the Hong Kong Economic Times	Monday, 24th January
Withdrawal of the listing of the KSH Shares on the Stock Exchange becomes effective (<i>Note 3</i>)	9:30 a.m. on Monday, 24th January
Cheques for cash payment under the Scheme to be despatched on or before	Monday, 31st January

The KSH Shareholders should note that the above timetable is subject to change depending mainly on the availability of the Supreme Court for hearing of the petition to sanction the Scheme. Further announcement will be made in the event that there is any such change.

Notes:

- Forms of proxy should be lodged with the branch share registrar of KSH in Hong Kong, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and by the times and dates stated above. In the case of the pink forms of proxy in respect of the Court Meeting, they may be handed to the chairman of the Court Meeting at the Court Meeting if they are not so lodged. In order to be valid, the white forms of proxy for the Special General Meeting must be lodged not later than the time and date stated above. Completion and return of a form of proxy for the Court Meeting or the Special General Meeting will not preclude a KSH Shareholder from attending the relevant Meetings and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.
- All references in the Scheme Document to times and dates are references to Hong Kong times and dates, other than the reference to the expected date for the Supreme Court hearing of the petition to sanction the Scheme, which is a reference to the relevant date in Bermuda. For the period from 1st November, 2004 to 2nd April, 2005, Bermuda time is twelve hours behind Hong Kong time.
- The Scheme will become effective when it is sanctioned (with or without modification) by the Supreme Court and an office copy of the Supreme Court order is delivered to the Registrar of Companies in Bermuda for registration and is registered. Registration is expected to take place in the morning on Friday, 21st January, 2005 (Bermuda time) (which will be the evening on Friday, 21st January, 2005 (Hong Kong time)). However, in the event that not all of the Conditions have been fulfilled (or, as applicable, waived) by Friday, 14th January, 2005, being the proposed date of the Supreme Court hearing of the petition to sanction the Scheme, the timetable of events thereafter will be subject to change. KSH Independent Shareholders should note the conditions to the Proposal set out on pages 35 and 36 of the Scheme Document.

By Order of the board of
Power Jade Limited
 (trading as Power Jade Capital Limited)
Thomas Lau, Luen-hung
Director

By Order of the board of
The Kwong Sang Hong International Limited
Thomas Lau, Luen-hung
Chairman

Hong Kong, 10th December, 2004

As at the date of this announcement, the KSH Board comprises of Mr. Thomas Lau, Luen-hung, Mr. Joseph Lau, Luen-hung, Mr. Simon Lo, Lin-shing and Mr. Wilson Cheng, Kam-biu as executive directors; Mr. Gerald To, Hin-tsun and Ms. Loretta Lau, Suk-han as non-executive directors; and Mr. Alan Lam, Man-bun, Ms. Phillis Loh, Lai-ping, Mr. Matthew Hui, Chuen-fan and Mr. William Tsui, Hing-chuen as independent non-executive directors.

The KSH Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to Power Jade) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those relating to Power Jade) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement (other than those relating to Power Jade), the omission of which would make any statements in this announcement (other than those relating to Power Jade) misleading.

The directors of Power Jade jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to the KSH Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those relating to the KSH Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement (other than those relating to the KSH Group), the omission of which would make any statements in this announcement (other than those relating to the KSH Group) misleading.

Websites: <http://www.kwongsanghong.com.hk>
<http://www.iprasia.com/listco/ksh>

Please also refer to the published version of this announcement in the The Standard.