



TOP GLORY INTERNATIONAL HOLDINGS LIMITED

Incorporated in Hong Kong with limited liability

鵬利國際集團有限公司

PROPOSAL FOR ADJUSTMENT OF NOMINAL VALUE OF SHARES BY WAY OF REDUCTION OF CAPITAL

Summary

The Board announces its intention to put forward an Adjustment Proposal for the adjustment of the nominal value of the Shares from HK\$1.00 to HK\$0.10 by way of a reduction of capital. The credit arising from the reduction will be transferred to a special capital reserve account of Top Glory subject to such conditions as the Court may impose. The Adjustment Proposal is conditional on, among other things, the approval by the Shareholders and confirmation of the reduction of capital by the Court.

It is further proposed that conditional upon such reduction of capital becoming effective, the authorised capital of Top Glory will immediately be restored to the original amount of HK\$5,000,000,000 by the creation of 45,000,000,000 New Shares with nominal value of HK\$0.10.

A circular containing details of the Adjustment Proposal and a notice convening an EGM to approve the Adjustment Proposal will be despatched to the Shareholders on or about 8th October, 2001.

Adjustment Proposal

The Board is putting forward the Adjustment Proposal to the Shareholders for the adjustment of the nominal value of the Shares by way of a reduction of capital. Upon the Adjustment Proposal becoming effective, the nominal value of all the issued and unissued Shares will be reduced by HK\$0.90 from HK\$1.00 to HK\$0.10, being the nominal value of the New Shares, and the authorised share capital of Top Glory will be restored to its original amount of HK\$5,000,000,000.

As at the date of this announcement, the authorised share capital of Top Glory is HK\$5,000,000,000 divided into 5,000,000,000 Shares, of which 2,675,136,092 Shares have been issued and are fully paid. The proposed reduction of capital, which will result in the reduction of the authorised share capital of Top Glory from HK\$5,000,000,000 to HK\$500,000,000, will be effected by cancelling paid up capital to the extent of HK\$0.90 upon each of the 2,675,136,092 Shares in issue as at the date of this announcement and any further Shares which may be issued prior to the date on which the petition for the confirmation of the reduction is heard by the Court and by reducing the nominal amount of all the Shares from HK\$1.00 to HK\$0.10. On the assumption that no further Shares will be issued after this announcement, a credit of HK\$2,407,622,482.80 will arise as a result of the reduction of capital involved in the Adjustment Proposal. The credit will be transferred to a special capital reserve account to be created by Top Glory the application of which will be subject to the conditions imposed by the Court.

As part of the Adjustment Proposal, conditional upon the reduction of capital becoming effective, the authorised share capital of Top Glory will immediately be restored from HK\$500,000,000 divided into 5,000,000,000 New Shares to the original amount of HK\$5,000,000,000 by the creation of an additional 45,000,000,000 New Shares.

Upon the increase of capital in Top Glory becoming effective and on the basis of 2,675,136,092 Shares in issue at the date of this announcement, the authorised share capital of Top Glory will be HK\$5,000,000,000 divided into 50,000,000,000 New Shares, of which 2,675,136,092 New Shares will be in issue and credited as fully paid.

The implementation of the Adjustment Proposal will not, of itself, alter the underlying assets, business operations, management or financial position of Top Glory or the proportionate interests of the Shareholders in Top Glory and the Group, except for the expenses incurred in relation to the Adjustment Proposal. Such expenses are expected to be under HK\$2 million. The Adjustment Proposal does not involve any diminution or increase of any underlying assets or liabilities of Top Glory and does not result in any return of capital to the shareholders of Top Glory. The Board believes that the Adjustment Proposal will not have any material adverse effect on the financial position of the Group.

Reasons for the Adjustment Proposal

Since July, 1999 the Shares have been trading at the Stock Exchange at prices below their nominal value of HK\$1.00. The closing price of the Shares at the date immediately preceding the date of this announcement was HK\$0.36 per Share. Under the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, Top Glory may not issue Shares at a discount to the nominal value of its Shares unless, among other things, the issue is authorised by a resolution of the Shareholders and is sanctioned by the Court.

With a view to facilitating any issue of New Shares in future when suitable circumstances arise, whether as consideration for acquisitions or for capital raising or otherwise, and to avoid the cumbersome statutory procedure for issuing shares at a discount and the time involved, the Board proposes the Adjustment Proposal which it considers to be in the best interests of Top Glory and the Shareholders as a whole.

Conditions of the Adjustment Proposal

The Adjustment Proposal is subject to the following conditions being fulfilled:

1. the passing of a special resolution to approve the reduction of capital involved in the Adjustment Proposal and the consequent increase of the authorised share capital of Top Glory to its original amount of HK\$5,000,000,000 at the EGM of Top Glory;
2. the confirmation of such reduction of capital by the Court and the registration by the Registrar of Companies in Hong Kong of an office copy of the Court order and the minute containing the particulars required under Section 61 of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong;
3. the obtaining of all requisite consents from lenders to the Group in connection with the Adjustment Proposal; and
4. the Stock Exchange granting the approval of the listing of, and permission to deal in, the New Shares in issue immediately following the Adjustment Proposal becoming effective.

The Adjustment Proposal will become effective upon the fulfilment of the above conditions. The effective date of the Adjustment Proposal cannot be ascertained at present, as it depends on the availability of the date for the hearing of the petition for the confirmation of the reduction of capital by the Court. Further announcement(s) will be made by Top Glory informing the Shareholders of the effective date of the Adjustment Proposal and, if applicable, the progress and results of the Adjustment Proposal.

Arrangement for free exchange of certificates for New Shares

On the Adjustment Proposal becoming effective, the Shareholders may submit existing certificates for the Shares to the share registrar of Top Glory, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for exchange, at the expense of Top Glory, up to four weeks from the effective date of the Adjustment Proposal, for certificates for the New Shares. All existing certificates for the Shares and the new certificates for the New Shares will be effective as documents of title for the New Shares and valid for trading, settlement and registration purposes.

In addition to the announcement of the effective date of the Adjustment Proposal, further announcement will be made by Top Glory of the arrangement for exchanging their existing share certificates.

The size of each board lot of the New Shares will remain the same as that of the Shares, namely 2,000 per board lot. There will not be any arrangement for parallel trading.

EGM

The EGM will be convened as soon as practicable at which all necessary resolutions will be proposed to approve the reduction of capital and the consequent increase of the authorised share capital of Top Glory to its original amount.

GENERAL

BNP Paribas Peregrine Capital Limited has been appointed as the financial advisors to Top Glory in relation to the Adjustment Proposal.

A circular containing further details of the Adjustment Proposal and a notice convening the EGM will be despatched to the Shareholders on or about 8th October, 2001.

DEFINITIONS

"Adjustment Proposal"	a proposal by the Board for the adjustment of the nominal value of the Shares from HK\$1.00 to HK\$0.10 each by way of a reduction of capital and the restoration of the authorised share capital of Top Glory to HK\$5,000,000,000
"Board"	the board of directors of Top Glory
"Court"	The High Court of the Hong Kong Special Administrative Region
"EGM"	an extraordinary general meeting of Top Glory to be convened to approve the Adjustment Proposal
"Group"	Top Glory and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"New Share(s)"	ordinary share(s) of HK\$0.10 each in the capital of Top Glory upon the Adjustment Proposal becoming effective
"Share(s)"	ordinary share(s) of HK\$1.00 each in the existing capital of Top Glory
"Shareholders"	holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Top Glory"	Top Glory International Holdings Limited, a company incorporated in Hong Kong with limited liability and whose Shares are listed on the Stock Exchange

By Order of the Board
Top Glory International Holdings Limited
Xue Guoping
Vice-Chairman and Managing Director