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HI SUN TECHNOLOGY (CHINA) LIMITED

高陽科技(中國)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 818)

PROPOSED SHARE PREMIUM REDUCTION AND SUBDIVISION OF SHARES AND CHANGE OF BOARD LOT SIZE

Proposed Share Premium Reduction

The Board intends to put forward to the Shareholders a proposal to cancel the entire amount standing to the credit of the share premium account of the Company as at 31 December 2005. As at 31 December 2005, the amount standing to the credit of the share premium account and accumulated losses of the Company amounted to HK\$100,556,000 and HK\$57,431,000 respectively. It is proposed that part of the credit arising from the share premium account of the Company in the sum of HK\$57,431,000 will be used to offset the accumulated losses in full and the remaining balance of the credit arising from the Share Premium Reduction in the sum of HK\$43,125,000 will be transferred to the contributed surplus account of the Company. As a result, the amount standing to the credit of the contributed surplus account of the Company will increase from HK\$3,293,000 to HK\$46,418,000.

The Share Premium Reduction is subject to the conditions set out in the paragraph headed "Conditions of the Share Premium Reduction" below.

Proposed Subdivision of Shares and Change of Board Lot Size

The Board proposes that each of the existing issued and unissued Shares of HK\$0.01 each in the share capital of the Company be subdivided into four shares of HK\$0.0025 each. The Share Subdivision will become effective upon the fulfillment of the conditions set out in the paragraph headed "Condition of the Share Subdivision" below.

The Shares are currently traded in board lots of 1,000 Shares. Upon the Share Subdivision becoming effective, the Subdivided Shares will be traded in board lots of 3,000 Subdivided Shares.

The Board proposes to convene a SGM on 28 June 2006 to consider and, if though fit, pass resolutions to approve, among other things, the Share Premium Reduction and the Share Subdivision.

A circular containing, amongst other things, further information on the Share Premium Reduction and details of the Share Subdivision, the trading arrangements in respect of the Subdivided Shares and the procedure for the free exchange of Existing Share Certificates, together with the notice of the SGM, will be dispatched to the Shareholders as soon as practicable.

I. SHARE PREMIUM REDUCTION

The Board proposes that the entire amount standing to the credit of the share premium account of the Company (which as at 31 December 2005 was HK\$100,556,000 as per audited financial statements of the Company) be cancelled in accordance with Section 46 of the Companies Act and bye-law 6 of the Bye-laws and part of the credit arising therefrom in the sum of HK\$57,431,000 will be used to offset the accumulated losses in full and the remaining balance of the credit arising from the Share Premium Reduction in the sum of HK\$43,125,000 will be transferred to the contributed surplus account of the Company. As a result, the amount standing to the credit of the contributed surplus account of the Company will be increased from HK\$3,293,000 to HK\$46,418,000.

Reasons for the Share Premium Reduction

As at 31 December 2005, the Company's audited financial statements showed that the Company had accumulated losses of HK\$57,431,000. The Board proposes that, subject to the conditions set out below, the entire amount standing to the credit of the share premium account of the Company be cancelled and part of the credit arising therefrom be used to offset against the accumulated losses in full.

Assuming the Share Premium Reduction becomes effective and the accumulated losses are set off in full, the Company would then have no accumulated losses carry forward and would be able to declare dividends to the Shareholders at an earliest opportunity in the future as and when the Board considers appropriate. The remaining balance of the credit arising from the Share Premium Reduction being transferred to the contributed surplus account of the Company also enables the Directors to make a distribution to Shareholders out of the contributed surplus account as and when they consider it appropriate to do so. Save as disclosed in this announcement, the Directors do not have present intention to use any funds in the contributed surplus account.

Effect of the Share Premium Reduction

Save for the expenses to be incurred in relation to the Share Premium Reduction, the Board considers that the implementation of the Share Premium Reduction will not, in itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders in the underlying assets of the Company. The Board considers that the Share Premium Reduction is in the interests of the Company and the Shareholders as a whole.

Conditions of the Share Premium Reduction

The Share Premium Reduction is conditional upon:

- (a) the passing of a special resolution to approve the Share Premium Reduction at the SGM; and
- (b) the publication of a notice in relation to the Share Premium Reduction in Bermuda in accordance with the requirement of the Companies Act.

The conditions cannot be waived. Assuming the above conditions are fulfilled, it is expected that the Share Premium Reduction will become effective on the date of passing the relevant resolution to approve the Share Premium Reduction.

II. PROPOSED SUBDIVISION OF SHARES AND CHANGE OF BOARD LOT SIZE

The Board proposes that each of the existing issued and unissued Shares of HK\$0.01 each in the share capital of the Company be subdivided into four shares of HK\$0.0025 each. The Share Subdivision will become effective upon the fulfillment of the conditions set out below. The Shares are currently traded in board lots of 1,000 Shares. Upon the Share Subdivision becoming effective, the Subdivided Shares will be traded in board lots of 3,000 Subdivided Shares. The change of board lot size will not result in any change in the relative rights of the Shareholders.

The Board believes that the Share Subdivision will improve the liquidity in trading of the Shares, thereby enabling the Company to attract more investors and widen the Company's shareholder base. Given the prevailing market conditions, a more liquid market will provide more flexibility for the investors to buy and sell the shares of the Company. Accordingly, the Board considers the Share Subdivision to be in the best interests of the Company and its Shareholders.

Save for the costs to be incurred by the Company in implementing the Share Subdivision, the Share Subdivision will not alter the underlying assets, business operations, management or financial position of the Company or the proportional interests of the Shareholders. The Board considers that the Share Subdivision will not have any adverse effect on the financial position of the Company.

Shareholding Structure

As at the date of this announcement, the authorized share capital of the Company is HK\$10,000,000, divided into 1,000,000,000 Shares, of which 409,054,030 Shares are in issue and fully paid. Assuming that no further Shares will be issued or repurchased after the date of this announcement and prior to the Share Subdivision becoming effective, the effect of the Share Subdivision is set out as follows:

	Prior to the Share Subdivision	After the Share Subdivision
Par Value of each share	HK\$0.01	HK\$0.0025
Number of authorized shares	1,000,000,000	4,000,000,000
Authorized share capital	HK\$10,000,000	HK\$10,000,000
Number of shares in issue	409,054,030	1,636,216,120
Issued share capital	HK\$4,090,540.30	HK\$4,090,540.30
Number of unissued shares	590,945,970	2,363,783,880
Unissued share capital	HK\$5,909,459.70	HK\$5,909,459.70

The Subdivided Shares will rank pari passu in all respects with each other and the Share Subdivision will not result in any change in the relative rights of the Shareholders.

Conditions of the Share Subdivision

The Share Subdivision is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders at the SGM; and
- (b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subdivided Shares.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots of Subdivided Shares as a result of the Share Subdivision and the change of the board lot size, the Company will appoint a broker (the "Agent") to act as agent in providing a "matching service" to those shareholders who wish to top-up or sell their holdings of odd lots of the Subdivided Shares.

The Agent will provide the service to match the sale and purchase of odd lots of Subdivided Shares during the period from 13 July 2006 to 3 August 2006 both dates inclusive. Holders of Subdivided Shares in odd lots who wish to take advantage of this facility either to dispose of or top-up their odd lots to a board lot of 3,000 Subdivided Shares may, directly or through their brokers, contact the Agent during such period. Further details of which will be provided in the circular to shareholders as soon as practicable. Shareholders should note that successful matching of the sale and purchase of odd lots of Subdivided Shares is not guaranteed and will depend on there being adequate amounts of odd lots of Subdivided Shares available for such matching.

Shareholders are recommended to consult their professional advisers if they are in any doubt about the matching facility described above.

Expected Timetable

It is currently expected that the Share Subdivision will become effective on 29 June 2006. The expected timetable for the implementation of the Share Subdivision and the associated trading arrangement are set out as follows:

2006

Circular relating to the Share Subdivision to be dispatched on or before	Monday, 5 June
Latest time for lodging forms of proxy for the SGM	10:00 a.m. on Monday, 26 June
SGM	10:00 a.m. on Wednesday, 28 June
<i>The following events are conditional on the fulfillment of the conditions set out above</i>	
Publication of further announcement for the effectiveness of Share Subdivision	Thursday, 29 June
Effective date of the Share Subdivision	Thursday, 29 June
Dealings in the Subdivided Shares commence	9:30 a.m. on Thursday, 29 June
Original counter for trading in existing Shares in board lots of 1,000 Shares temporarily closes	9:30 a.m. on Thursday, 29 June
Temporary counter for trading in board lots of 4,000 Subdivided Shares (in the form of certificates of existing Shares ("Existing Share Certificates")) opens	9:30 a.m. on Thursday, 29 June
First day of free exchange of Existing Share Certificates for new certificates for the Subdivided Shares ("New Share Certificates")	Thursday, 29 June
Original counter for trading in Subdivided Shares in board lots of 3,000 Subdivided Shares (in the form of New Share Certificates) re-opens	9:30 a.m. on Thursday, 13 July
Parallel trading in Subdivided Shares (in the form of New Share Certificates and the Existing Share Certificates) commences	9:30 a.m. on Thursday, 13 July
Parallel trading in Subdivided Shares (in the form of New Share Certificates and the Existing Share Certificates) ends	4:00 p.m. on Thursday, 3 August
Temporary counter for trading in board lots of 4,000 Subdivided Shares (in the form of Existing Share Certificates) closes	4:00 p.m. on Thursday, 3 August
Last day for free exchange of Existing Share Certificates for the New Share Certificates	Monday, 7 August
Matching service for the sale and purchase of odd lots of Subdivided Shares	from Thursday, 13 July to Thursday, 3 August

The Existing Share Certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:00 p.m. on 3 August 2006 and thereafter will not be accepted for delivery, trading and settlement purposes. However, the Existing Share Certificates will continue to be good evidence of legal title to the Subdivided Shares on the basis of one Share for four Subdivided Shares and may be exchanged free of charge for the New Share Certificates for Subdivided Shares at any time between 5 June 2006 and 7 August 2006, and on payment of a prescribed fee any time after 4:00 p.m. on 7 August 2006. It is expected that New Share Certificates will be available for collection within a period of 10 business days after the submission of the Existing Share Certificates. The New Share Certificates will be issued in orange colour in order to distinguish them from Existing Share Certificates which are in blue colour.

III. ADJUSTMENTS TO SHARE OPTIONS AND CONVERTIBLE PREFERENCE SHARES

As at the date of this announcement, there are outstanding share options granted under the Share Option Scheme to subscribe for 56,300,000 Shares. The Share Subdivision may lead to adjustment to the exercise price of the outstanding options. The Company will ascertain the required adjustment and the holders of the options will be informed of the required adjustments as soon as practicable.

Turbo Speed, a wholly owned subsidiary of the Company has entered into the Subscription Agreement on 9 November 2004 with the subscribers in relation to a subscription of convertible preference shares of Turbo Speed. The convertible preference shares have been issued and allotted to the subscribers on 29 April 2005. Pursuant to the terms of the Subscription Agreement, the convertible preference shares may be converted into the Shares upon the exercise of the convertible rights attached thereto. As at the date of this announcement, a total of 26,000,000 Shares will be issued pursuant to the exercise of the conversion rights in full at a conversion price of HK\$1.2 per Share (subject to adjustment). The Share Subdivision may lead to adjustment to the exercise price of the convertible preference shares. The Company will ascertain the required adjustment and the holders of the convertible preference shares will be informed of the required adjustments as soon as practicable.

IV. GENERAL

An application will be made to the Stock Exchange for the listing of and permission to deal in the Subdivided Shares.

A circular containing, among other things, further information on the Share Premium Reduction and details of the Share Subdivision, the trading arrangements in respect of the Subdivided Shares and the procedure for the free exchange of Existing Share Certificates together with a notice convening the SGM will be dispatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:–

“Board”	the board of directors of the Company;
“Bye-laws”	the bye-laws of the Company as amended, supplemented or modified from time to time;
“Company”	Hi Sun Technology (China) Limited (高陽科技(中國)有限公司), a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange;
“Companies Act”	the Companies Act 1981 of Bermuda (as amended);
“Directors”	the directors of the Company;
“HK\$”	Hong Kong Dollars, the lawful currency in Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to the resolutions of the Shareholders on 29 November 2001;
“Share Premium Reduction”	the proposed cancellation of the entire share premium account of the Company as of 31 December 2005 as described in the section above headed “Share Premium Reduction”;
“Share Subdivision”	the subdivision of Shares into four shares of HK\$0.0025 each;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company;
“Shareholder(s)”	holder(s) of Share(s) in issue;
“Subdivided Share(s)”	ordinary share(s) of HK\$0.0025 each in the share capital of the Company upon completion of the Share Subdivision;
“SGM”	the special general meeting of the Company to be held on 28 June 2006 to consider and approve, among other things, the Share Premium Reduction and the Share Subdivision;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Agreement”	the subscription agreement dated 9 November 2004 entered into between the Company, Turbo Speed and two other subscribers in relation to the subscription of convertible preference shares; and
“Turbo Speed”	Turbo Speed Technology Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company.

By Order of the Board
Li Wenjin
Director

Hong Kong, 24 May 2006

As at the date hereof, the Board comprises eight executive directors, namely Cheung Yuk Fung, Kui Man Chun, Lo Siu Yu, Xu Wensheng, Li Wenjin, Chan Yiu Kwong, Xu Chang Jun and Zhou Jian; and three independent non-executive directors, namely Tam Chun Fai, Leung Wai Man, Roger and Xu Sitao.

* For identification purpose only

*Please also refer to the published version of this announcement in
The Standard and Hong Kong Economic Times.*