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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)**

## DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF PROPERTY

### **The Acquisition**

On 2 November 2006, the Company entered into conditionally to acquire, or cause its nominee to acquire, the Property from Beijing Hi Sun Electric Power, a connected person of the Company, for a consideration of RMB34,500,000 (equivalent to HK\$33.17 million).

The Acquisition is subject to the requirements of reporting, announcement and the approval of the Independent Shareholders (by way of poll) as set out in Chapter 14A of the Listing Rules at the SGM. Mr. Kui Man Chun and his associates will abstain from voting on the resolution to approve the Acquisition at the SGM.

An independent board committee of the Company will be constituted to make recommendations to the Independent Shareholders in relation to the Acquisition. The Company has also appointed South China Capital Limited as the independent financial adviser to advise the independent board committee and Independent Shareholders in relation to the Acquisition.

A circular containing, among other things, details of the Acquisition, the advice of the independent financial adviser, the recommendation of the independent board committee, and the valuation report on the Property, together with a notice convening the SGM is expected to be despatched to the Shareholders within 21 days after publication of this announcement.

### **INTRODUCTION**

On 2 November 2006, the Company entered into conditionally to acquire, or cause its nominee to acquire, the Property from Beijing Hi Sun Electric Power, a connected person of the Company, for a consideration of RMB34,500,000 (equivalent to HK\$33.17 million).

\* *For identification purpose only*

## **THE ACQUISITION AGREEMENT DATED 2 NOVEMBER 2006**

### **Parties:**

1. Beijing Hi Sun Electric Power as vendor
2. the Company as purchaser

Beijing Hi Sun Electric Power is indirectly wholly owned by Hi Sun Limited. As at the date of this announcement, Hi Sun Limited is a substantial shareholder of the Company holding approximately 41.68% of the issued share capital of the Company through its wholly owned subsidiary, Rich Global Limited. Hi Sun Limited is in turn owned as to 99.16% by Mr. Kui Man Chun, a director of the Company. Accordingly Beijing Hi Sun Electric Power is a connected person of the Company by virtue of its being an associate of the substantial shareholder and a director of the Company.

Beijing Hi Sun Electric Power is a wholly foreign owned enterprise incorporated in the PRC and is principally engaged in the provision of information technology solution services and related products for electric power industry.

### **Assets to be acquired:**

The Property is located at 北京市海澱區阜成路67號銀都大廈15-17樓 and has a total building area of 2,864.58 square metres.

The Property was acquired by Beijing Hi Sun Electric Power in December 2001 at a consideration of RMB19.24 million (equivalent to HK\$17.98 million). A building area of 968.50 square metres are currently leased to independent third parties, the term of which will expire between 30 November 2006 and 24 August 2007, 894 square metres are leased to the Group's subsidiaries, 250 square metres are occupied by Beijing Hi Sun Electric Power, 71 square metres are used as the mechanical and engineering room shared by the Group and Beijing Hi Sun Electric Power and the remaining 681.08 square metres are vacant.

The net profits before taxation and extraordinary items attributable to the Property (being the aggregate rental income received by Beijing Hi Sun Electric Power in respect of the Property) for the two years ended 31 December 2004 and 31 December 2005 are RMB1.23 million (equivalent to HK\$1.15 million) and RMB1.48 million (equivalent to HK\$1.42 million) respectively. The net profits after taxation and extraordinary items attributable to the Property (being the aggregate rental income received by Beijing Hi Sun Electric Power in respect of the Property less taxation) for the two years ended 31 December 2004 and 31 December 2005 are RMB1.01 million (equivalent to HK\$0.94 million) and RMB1.24 million (equivalent to HK\$1.19 million) respectively.

On or before Completion, Beijing Hi Sun Electric Power will reduce the size of the office space it occupies in the Property from 250 square metres to 200 square metres and will cease to share with the Group, and will vacate, the mechanical and engineering room referred to above. The Group will also on Completion enter into a tenancy agreement with Beijing Hi Sun Electric Power in respect of Beijing Hi Sun Electric Power's continued use of office space of 200 square metres of the Property for an aggregate rental of approximately

RMB187,200 (equivalent to HK\$180,000) per annum, payable in 12 equal instalments, for a period of one year (subject to early termination by 30 days' notice). The annual rental has been determined on the basis of the market rate and is comparable the other tenancy agreements of the Property. Although such tenancy agreement may constitute a continuing connected transaction under the Listing Rules, given that the annual rental payments will fall below the de minimis threshold under Rule 14A.33(3), it is therefore not subject to the reporting, announcement and independent shareholders' approval requirements.

**Consideration and Terms of Payment:**

The consideration is RMB34,500,000 (equivalent to HK\$33.17 million) payable in cash. A deposit of RMB3,000,000 (equivalent to HK\$2.88 million) will be paid within 3 Business Days of the date of the Acquisition Agreement and the balance will be paid within 3 Business Days upon Completion. If any of the Conditions Precedent is not fulfilled on or before 15 January 2007 (or such other date as may be agreed by the parties) and Completion does not take place, the deposit of RMB3,000,000 (equivalent to HK\$2.88 million) shall be returned to the Company without interest within 3 Business Days.

The consideration was arrived at after arm's length negotiations between the Company and Beijing Hi Sun Electric Power with reference to the indicative valuation provided by an independent valuer.

**Conditions precedent:**

The Acquisition is conditional upon, among other things, the fulfilment (or waiver) of the following:

1. the provision of a legal opinion from a PRC counsel as to the title of the Property, in a form satisfactory to the Company;
2. Beijing Hi Sun Electric Power having given notice to each tenant of the existing tenancy agreements of the Property as to the Acquisition and each tenant having given written consent to the waiver of pre-emption rights over the acquisition of the relevant part of the Property; and
3. the Independent Shareholders approving the Acquisition.

If the Conditions Precedents are not fulfilled on or before 15 January 2007 (or such other date as may be agreed by the parties), the Acquisition Agreement will terminate and none of the parties shall have any claim against the other for costs, damages or compensation, save in respect of any antecedent breach.

**Completion:**

Completion is expected to take place on the third Business Day next following the day on which the last unfulfilled Conditions Precedent is satisfied or such other date as may be agreed by the parties. On Completion, the Property is to be transferred to the Company or a nominee as it may direct.

## **REASONS FOR THE ACQUISITION**

The Group is principally engaged in the trading of information technology products and provision of customised information system consultancy and integration services, and information technology value-added services, and requires office space for its operations. As disclosed above, the Property is currently subject to a number of tenancies expiring between 30 November 2006 and 24 August 2007. Certain members of the Group operating in the PRC are currently occupying parts of the Property. The Acquisition would enable the Group to continue to enjoy some rental income after Completion but on expiry of the current tenancies, allow the Group to assess its requirements for space for expansion and where appropriate to take up the additional space, without having to relocate its existing operations to other locations. The executive Directors therefore consider the Acquisition to be in the interests of the Group, and that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Shareholders as a whole. The independent non-executive directors will form a view after receiving the recommendations of the independent financial adviser appointed by the Company.

## **GENERAL**

The Acquisition is subject to the requirements of reporting, announcement and the approval of the Independent Shareholders (by way of poll) as set out in Chapter 14A of the Listing Rules at the SGM. Each of Mr. Kui Man Chun, Hi Sun Limited and Rich Global Limited and their respective associates who are Shareholders will abstain from voting on the resolution to approve the Acquisition at the SGM.

An independent board committee of the Company will be constituted to make recommendations to the Independent Shareholders in relation to the Acquisition. The Company has also appointed South China Capital Limited as the independent financial adviser to advise the independent board committee and Independent Shareholders in relation to the Acquisition.

A circular containing, among other things, details of the Acquisition, the advice of the independent financial adviser, the recommendation of the independent board committee, and the valuation report on the Property, together with a notice convening the SGM is expected to be despatched to the Shareholders within 21 days after publication of this announcement.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisition”	the proposed acquisition of the Property pursuant to the Acquisition Agreement;
“Acquisition Agreement”	the acquisition agreement dated 2 November 2006 entered into between the Company and Beijing Hi Sun Electric Power in relation to the Acquisition;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Beijing Hi Sun Electric Power”	北京高陽萬為電力信息技術有限公司 (Beijing Hi Sun Electric Power Information Technology Limited*), a wholly owned subsidiary of Hi Sun Limited which is a substantial shareholder of the Company;
“Business Day”	a day other than a Saturday and Sunday and public holidays in the PRC and Hong Kong;

“Company”	Hi Sun Technology (China) Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange;
“Completion”	completion of the acquisition of the Property in accordance with the provisions of the Acquisition Agreement;
“Conditions Precedent”	the conditions precedent of the Acquisition Agreement;
“Directors”	directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Shareholders”	Shareholders other than Mr. Kui Man Chun, Hi Sun Limited and Rich Global Limited and their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	The People’s Republic of China;
“Property”	北京市海澱區阜成路67號銀都大廈15-17樓;
“RMB”	Renminbi, the lawful currency of the PRC;
“SGM”	the special general meeting of the Company to be convened for the purpose of approving the Acquisition;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent.

*For the purpose of this announcement, the conversion rate have been used:*

*for the year 2001 HK\$1:RMB1.07*

*for the year 2004 HK\$1:RMB1.07*

*for the year 2005 HK\$1:RMB1.04*

*for the year 2006 HK\$1:RMB1.04*

*As at the date of this announcement, the Board consists of seven executive Directors, namely Cheung Yuk Fung, Kui Man Chun, Xu Wensheng, Li Wenjin, Chan Yiu Kwong, Xu Chang Jun and Zhou Jian; and three independent non-executive Directors, namely Tam Chun Fai, Xu Sitao and Leung Wai Man, Roger.*

By order of the Board  
**Li Wenjin**  
*Executive Director*

Hong Kong, 3 November 2006.