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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)**

## **MAJOR TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE INTEREST IN BAIFU HUALONG AND PACIFIC SHEEN AND DISPOSAL OF 5% INTEREST IN HUALONG HOLDING RESUMPTION OF TRADING**

**Financial adviser to the Company**



**CIMB-GK Securities (HK) Limited**

On 10 February 2007, the Company entered into the Agreement with the Vendors, who are parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company, pursuant to which the Company conditionally agreed to procure the acquisition of the entire registered capital of Baifu Hualong, the entire issued share capital of Pacific Sheen and the Shareholders' Loans for a total consideration of RMB300,650,000 (equivalent to approximately HK\$302.9 million). The consideration for the Acquisition will be satisfied as to RMB200,650,000 (equivalent to approximately HK\$202.1 million) in cash and as to the remaining balance of RMB100,000,000 (equivalent to approximately HK\$100.7 million) by way of the Consideration Shares.

As part of the transactions in relation to the Acquisition, the Company and the Vendors will execute all relevant documents for the disposal of 5% of the issued share capital of Hualong Holding, a subsidiary of the Company which will become the immediate holding company of Baifu Hualong and Pacific Sheen upon completion of the Agreement, to the Vendors for a total consideration of RMB15,032,500 (equivalent to approximately HK\$15.1 million), which is equal to 5% of the total consideration for the Acquisition.

\* For identification purposes only

The Hualong Group, comprising two PRC entities, namely Hualong Electronic and Hualong Information, which will become wholly owned subsidiaries of Baifu Hualong prior to completion of the Agreement, Pacific Sheen and their respective subsidiaries, is principally engaged in the design, manufacture and sale of electronic power meters and provision of management and automation solutions for the electric power industry.

The Consideration Shares to be issued at completion of the Acquisition represents approximately 1.89% of the existing issued share capital of the Company and approximately 1.86% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Acquisition together with the Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to the Shareholders' approval at the SGM. As no Shareholder has an interest in the Agreement which is materially different from the other Shareholders, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder. A circular containing, among other things, further details of the Agreement and a notice convening the SGM will be sent to the Shareholders as soon as practicable.

#### **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 12 February 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 14 February 2007.

#### **THE AGREEMENT**

**Date:** 10 February 2007

**Parties:** (1) Purchaser : the Company  
(2) Vendors : 王秉人 (Wang Bing Ren), 王中方 (Wang Zhong Fang), 蔣杰忠 (Jiang Jie Zhong), 趙樹勳 (Zhao Shu Xun (also known as 趙力斌 (Zhao Li Bin)), 李寧川 (Li Ning Chuan) and Everon Group Holdings Limited.

The beneficial shareholders of Everon Group Holdings Limited are 王秉人 (Wang Bing Ren), 王中方 (Wang Zhong Fang), 蔣杰忠 (Wang Jie Zhong), 趙樹勳 (Zhao Shu Xun (also known as 趙力斌 (Zhao Li Bin)) and 李寧川 (Li Ning Chuan).

To the Directors' best knowledge, Everon Group Holdings Limited is an investment holding company for the purpose of acting as the holding company of Pacific Sheen.

To the Directors' best knowledge, information and belief having made all reasonable enquiry, the Vendors and their ultimate beneficial owners are parties independent of the Company and its connected persons (as defined under the Listing Rules).

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

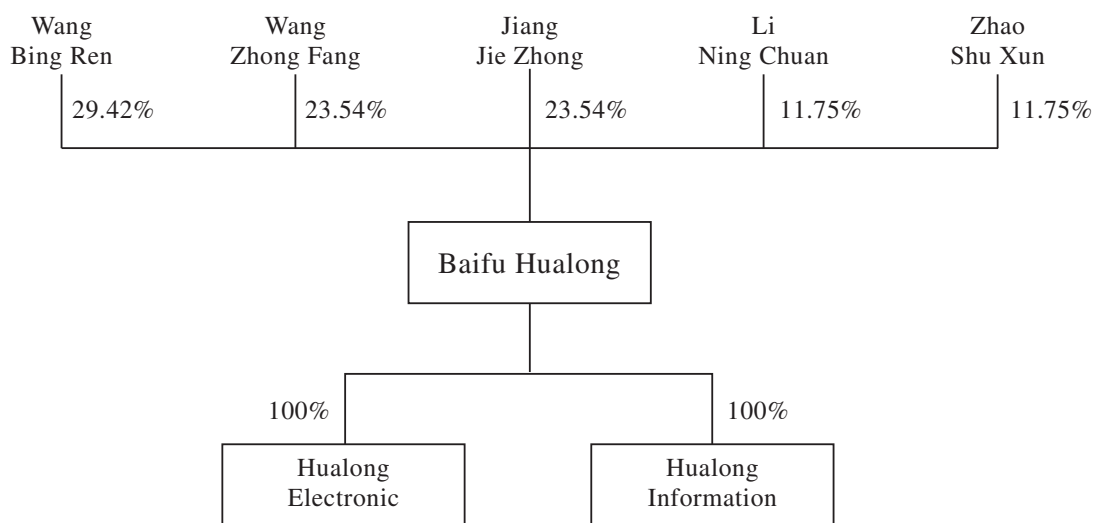
The entire registered capital of Baifu Hualong, the entire issued share capital of Pacific Sheen and the Shareholders' Loans, the aggregate balance of which was HK\$24,001,700 as at 31 December 2006.

Baifu Hualong, an investment holding company to be established by the Vendors, will become the immediate holding company of Hualong Electronic and Hualong Information prior to completion of the Agreement. Hualong Electronic and Hualong Information are principally engaged in the design, manufacture and sale of electronic power meters and provision of management and automation solutions for the electric power industry. Pacific Sheen in an investment company established for the purpose of holding (via a subsidiary) the land and buildings located in Hangzhou for the operations of Hualong Electronic and Hualong Information.

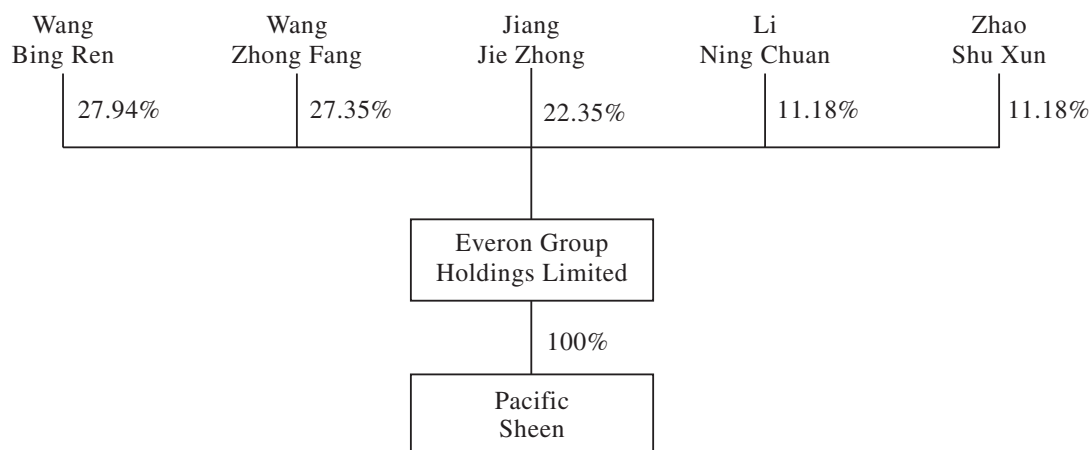
The shareholding structure of Baifu Hualong and Pacific Sheen immediately prior to and after completion of the Agreement will be as follows:

**Immediately prior to completion of the Agreement**

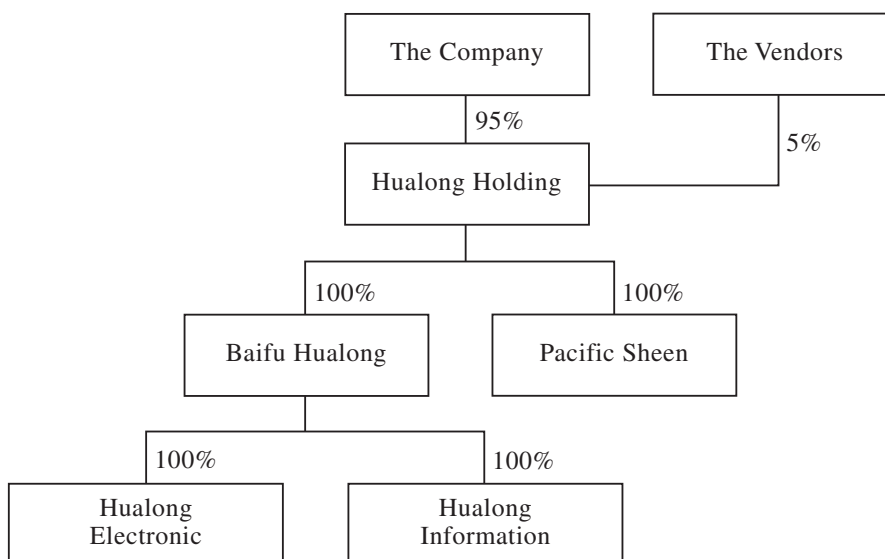
**Baifu Hualong**



**Pacific Sheen**



**Immediately after completion of the Agreement**



## **Consideration**

The consideration of RMB300,650,000 (equivalent to approximately HK\$302.9 million) for the Acquisition will be satisfied by the Company in the following manner:

- (i) a cash payment of RMB160,520,000 (equivalent to approximately HK\$161.7 million) shall be paid by the Company to an escrow account within 10 business days from the date of approval of the Agreement by the Shareholders at the SGM, which amount will be released to the Vendors upon the earlier of the completion of the Agreement or within 5 business days from the fulfillment of Conditions (i), (ii) and (vii) and delivery by the Vendors to the Purchasers of the new business licences of Hualong Electronic and Hualong Information;
- (ii) a further cash payment of RMB40,130,000 (equivalent to approximately HK\$40.4 million) shall be paid by the Company to an escrow account within 10 business days from the date of the Company's receipt of approval of the transfer of the interest in Baifu Hualong to the Company by all relevant PRC authorities, which amount will be released to the Vendors upon the earlier of the completion of the Agreement or within 5 business days from the fulfillment of Conditions (i), (ii) and (vii) and delivery by the Vendors to the Purchasers of the new business licences of Hualong Electronic and Hualong Information; and
- (iii) the balance of RMB100,000,000 (equivalent to approximately HK\$100.7 million) by way of the Consideration Shares to be issued upon completion of the Agreement.

Pursuant to the Agreement, the Hualong Group may, prior to completion of the Agreement, declare and pay dividends to the Vendors up to an aggregate amount of RMB30,000,000 (equivalent to approximately HK\$30.2 million). In such circumstances, the cash portion of the consideration for the Acquisition shall be reduced by any amount of such dividends paid. If the maximum amount of the dividends of RMB30,000,000 is paid, the consideration of the Agreement shall be reduced to RMB270,650,000, of which RMB170,650,000 shall be satisfied in cash and the remaining balance of RMB100,000,000 by way of the Consideration Shares.

The consideration for the Acquisition was determined after arm's length negotiations between the parties with reference to the net assets of the Hualong Group, the face value of the Shareholders' Loan, the historical financial performance of the Hualong Group and the unaudited combined net profit of the Hualong Group for the year ended of approximately RMB40 million. Taking into account the above factors and the promising prospect of the power meters and solution industry in the PRC, the Directors consider that the consideration for the Acquisition is fair and reasonable.

The Company intends to finance the cash portion of the consideration for the Acquisition of RMB200,650,000 (equivalent to approximately HK\$202.1 million) from its internal resources.

## **The Consideration Shares**

The issue price of the Consideration Shares of HK\$2.73 per Share, which was determined after arm's length negotiations between the parties with reference to average closing price of the Shares as quoted on the Stock Exchange for the last 15 trading days ended on the Last Trading Day, represents:

- (i) a premium of 6.98% over the closing price of the Shares of HK\$2.55 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of 1.30% over the average closing price of the Shares of HK\$2.69 per Share as quoted on the Stock Exchange for the last 10 trading days ended on the Last Trading Day; and
- (iii) a premium of 4.98% over the average closing price of the Shares of HK\$2.60 per Share as quoted on the Stock Exchange for the last 30 trading days ended on the Last Trading Day.

The Consideration Shares represents approximately 1.89% of the existing issued share capital of the Company and approximately 1.86% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Pursuant to the Agreement, the Consideration Shares will be subject to a twelve months' lock-up from the date of their issue and the Vendors undertake to execute such moratorium agreement not to dispose of the Consideration Shares as requested by the Company.

Set out below is the shareholding structure of the Company as at the date of this announcement, assuming full conversion of the convertible preference shares issued by two subsidiaries of the Company (details of which are set out in the circular of the Company dated 18 March 2005 and 8 September 2006 respectively) (the "Preference Shares"), and immediately upon completion of the Agreement (assuming there is no other change

in the share capital of the Company from the date of this announcement to the date of completion of the Agreement):

	As at the date of this announcement		Immediately after full conversion of the Preference Shares but before completion of the Agreement		Immediately after completion of the Agreement but before conversion of the Preference Shares		Immediately after completion of the Agreement and full conversion of the Preference Shares	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Rich Global Limited (Note 1)	757,083,636	38.87	757,083,636	35.57	757,083,636	38.15	757,083,636	34.97
The Directors (Note 2)	58,128,000	2.98	58,128,000	2.73	58,128,000	2.93	58,128,000	2.69
OZ Management L.L.C. (Note 3)	30,000,000	1.54	146,223,284	6.87	30,000,000	1.51	146,223,284	6.75
HTSS ET Capital Limited (Note 4)	–	–	64,356,618	3.03	–	–	64,356,618	2.97
The Vendors	–	–	–	–	36,900,146	1.86	36,900,146	1.70
Other public Shareholders	1,102,496,151	56.61	1,102,496,151	51.80	1,102,496,151	55.55	1,102,496,151	50.92
	<u>1,947,707,787</u>	<u>100.00</u>	<u>2,128,287,689</u>	<u>100.00</u>	<u>1,984,607,933</u>	<u>100.00</u>	<u>2,165,187,835</u>	<u>100.00</u>

**Notes:**

1. Mr. Kui Man Chun (“Mr. Kui”), a Director, holds 99.16% interest in Hi Sun Limited, which owns the entire issued share capital of Rich Global Limited.
2. Comprising 26,400,000 Shares held by Mr. Li Wenjin, 13,200,000 Shares held by Mr. Xu Wensheng, 13,200,000 Shares held by Mr. Xu Changjun, 4,728,000 Shares held by Mr. Chan Yiu Kwong and 600,000 Shares held by Mr. Xu Xitao.
3. OZ Management L.L.C. is a holder of the Preference Shares. Its shareholding as at the date of this announcement is based on its latest filing under the Securities (Disclosure of Interests) Ordinance dated 8 December 2006.
4. HTSS ET Capital Limited is a holder of the Preference Shares.

**Conditions to Completion**

Completion of the Acquisition is conditional upon the fulfillment of the following conditions:

- (i) the obtaining of all relevant approvals and consents from the relevant PRC authorities in relation to the transactions contemplated under the Agreement including but not limited to the transfer of the registered capital of Baifu Hualong to the Company (or as it may direct), the transformation of Baifu Hualong to a wholly foreign-owned enterprise and the issue of the Consideration Shares to the Vendors (or as they may direct) and the signing of such agreements and further documentation required to be submitted to the relevant original approving authorities in respect thereof;
- (ii) execution of relevant documents in relation to the Disposal;
- (iii) approval of the Agreement and the transactions contemplated thereunder by the Board and the Shareholders in a general meeting as required under the Listing Rules;
- (iv) the Listing Committee of the Stock Exchange and the relevant approving authority, if any, granting the listing of and permission to deal in the Consideration Shares;
- (v) the obtaining by the Company of a legal due diligence report to be issued by a PRC law firm in relation to the transactions contemplated under the Agreement in a format to its satisfaction;
- (vi) the issuance of accountants’ reports on Baifu Hualong and Pacific Sheen by the Company’s auditors confirming that the combined audited net assets of Baifu Hualong and Pacific Sheen together with the face value of the Shareholders’ Loans as at 31 December 2006 is not less than RMB170 million; and
- (vii) receipt of evidence by the Company confirming that the legality of Baifu Hualong’s ownership of the entire interest of each of Hualong Electronic and Hualong Information.

In the event that any of the above conditions has not been fulfilled on or before 1 July 2007 (or such later date as is otherwise agreed to between the parties in writing), the Agreement shall terminate and the parties shall have no further claim against each other for costs, damages, compensations or otherwise, and any sum remaining under the escrow account shall be refunded to the Company with interests.

Pursuant to the Agreement, the Company may in writing waive the satisfaction of Conditions (ii), (v), (vi) and (vii). The Company has no present intention to waive any of the above conditions.

**THE DISPOSAL**

As part of the transactions in relation to the Acquisition, the Company and the Vendors will execute all relevant documents for the disposal of 5% of the issued share capital of Hualong Holding to the Vendors for a consideration of RMB15,032,500 (equivalent to approximately HK\$15.1 million). The Directors consider that the consideration for the Disposal is fair and reasonable given the fact that it is equal to 5% of the total consideration for the Acquisition.

## INFORMATION ON THE HUALONG GROUP

The Hualong Group, having operated for more than a decade, is principally engaged in the design, manufacture and sale of electronic power meters and provision of management and automation solutions for the electric power industry. The Hualong Group's electronic power meters are primarily used to measure the transfer of electricity between power stations, power companies and end users of electricity such as residential and industrial users, and can be custom-made according to customers' requirements and specifications. With over 800 employees, a sales network covering most of the provincial and municipal cities in the PRC and various patents registered in the PRC, the Hualong Group is one of the largest suppliers of such products in the PRC. At present, the Hualong Group's products are mostly sold in the PRC. With the view to tap into the overseas market, the Hualong Group commenced to adopt the industry standards recognised by Germany and the Netherlands in recent years. In 2006, the Hualong Group further co-operated with a US-based multinational company to research and develop products for the export market.

Set out below is the unaudited proforma financial information of Baifu Hualong and unaudited financial information of Pacific Sheen, which are prepared in accordance with accounting principles generally accepted in Hong Kong:

### For the year ended 31 December 2005

	<b>Baifu Hualong</b> <i>RMB'000</i>	<b>Pacific Sheen</b> <i>HK\$'000</i>
Turnover	310,405	Nil
Net profit (loss) before taxation	37,616	(265)
Net profit (loss) after taxation	33,309	(265)
Net assets as at 31 December 2005	186,314	3,424

### For the year ended 31 December 2006

	<b>Baifu Hualong</b> <i>RMB'000</i>	<b>Pacific Sheen</b> <i>HK\$'000</i>
Turnover	394,244	Nil
Net profit (loss) before taxation	43,351	(100)
Net profit (loss) after taxation	40,216	(100)
Net assets as at 31 December 2006	199,324	4,523

#### Notes:

1. The unaudited financial information of Baifu Hualong and Pacific Sheen are prepared on a consolidated basis.
2. The unaudited proforma financial information of Baifu Hualong is prepared on the basis that Hualong Electronic and Hualong Information have been wholly owned subsidiaries of Baifu Hualong since 1 January 2005.

## REASONS FOR THE ACQUISITION TOGETHER WITH THE DISPOSAL

The Group is principally engaged in the sales of information technology products and the provision of customized information system consultancy and integration services, and information technology operation value-added services, which business will be continued by the Group irrespective of whether completion of the Agreement takes place. The Directors are of the view that the entering into of the Agreement allows the Group to diversify its business to the electronic power meters and solutions industry. The Directors believe that demand for power meters and solutions will experience significant growth given the booming PRC economy which in turn drives the need to replace the traditional mechanical meters with the more technologically advanced and automated electronic meters. Given the profitable track record of the Hualong Group, the Directors consider that the Acquisition will strengthen the Group's revenue and profit base. The Directors further believe that the Acquisition would allow the Hualong Group to leverage on the Group's management, sales and solution implementation experience, particularly in high end solution execution and cooperation and developing the overseas market. Taking into account the benefits of the Acquisition as described above, the Directors consider that the terms of the Agreement are in the interests of the Company and the Shareholders as a whole.

## GENERAL

The Acquisition together with the Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to the Shareholders' approval at the SGM. As no Shareholder has an interest in the Acquisition and the Disposal which is materially different from the other Shareholders, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further details of the Agreement and a notice convening the SGM will be sent to the Shareholders as soon as practicable.

## SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 12 February 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 14 February 2007.

## DEFINITIONS

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

“Acquisition”	the acquisition by the Company of the entire registered capital of Baifu Hualong, the entire issued share capital of Pacific Sheen and the Shareholders’ Loans from the Vendors pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 10 February 2007 entered into between the Company and the Vendors in relation to the Acquisition and the Disposal as more particularly set out under the section headed “The Agreement” of this announcement
“Baifu Hualong”	a company to be incorporated in the PRC which will hold the entire interest in Hualong Electronic and Hualong Information prior to completion of the Agreement
“Board”	the board of Directors
“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
“Condition(s)”	being the condition(s) precedent for completion of the Acquisition pursuant to the Agreement as summarized in the section headed “Conditions to Completion” above
“Consideration Shares”	36,900,146 new Shares to be issued at completion of the Agreement to the Vendors (or as they may direct) by the Company as part of the Consideration
“Director(s)”	the directors of the Company
“Disposal”	the disposal by the Company of 5% of the issued capital of Hualong Holding to the Vendors pursuant to the terms and conditions of the Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hualong Electronic”	杭州華隆電子技術有限公司 (Hangzhou Hualong Electronic Technology Company Limited), a company established in the PRC
“Hualong Group”	the group of companies comprising Baifu Hualong, which will hold Hualong Electronic and Hualong Information, and Pacific Sheen and their respective subsidiaries
“Hualong Holding”	a subsidiary of the Company which will become the immediate holding company of Baifu Hualong and Pacific Sheen upon completion of the Agreement
“Hualong Information”	杭州華隆信息技術有限公司 (Hangzhou Hualong Information Technology Company Limited), a company established in the PRC
“Last Trading Day”	the last trading day immediately prior to the suspension of trading in the Shares pending the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pacific Sheen”	Pacific Sheen International Limited (富順國際有限公司), a company incorporated in Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“SGM”	the special general meeting of the Company to be convened and held to consider and if thought appropriate, to approve, among other matters (if any), the Acquisition, the Disposal and all transactions contemplated under the Agreement
“Share(s)”	share(s) of HK\$0.0025 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Shareholders’ Loans”	the loans advanced by some of the Vendors to Pacific Sheen, the aggregate balance of which was HK\$24,001,700 as at 31 December 2006
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendors”	王秉人 (Wang Bing Ren), 王中方 (Wang Zhong Fang), 蔣杰忠 (Wang Jie Zhong), 趙樹勳 (Zhao Shu Xun (also known as 趙力斌 (Zhao Li Bin)), 李寧川 (Li Ning Chuan) and Everon Group Holdings Limited (a company incorporated in Hong Kong)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

*For the purpose of illustration in this announcement, figures in Renminbi are translated into HK\$ at the approximate exchange rate of RMB0.99268 to HK\$1.00.*

By order of the Board  
**HI SUN TECHNOLOGY (CHINA) LIMITED**  
**LI Wenjin**  
*Executive Director*

Hong Kong, 13 February 2007

*As at the date of this announcement, the Board comprises six executive Directors, namely Mr. CHEUNG Yuk Fung, Mr. KUI Man Chun, MR. XU Wensheng, Mr. LI Wenjin, Mr. CHAN Yiu Kwong and Mr. XU Chang Jun, and three independent non-executive Directors, namely Mr. TAM Chun Fai, Mr. XU Sitao and Mr. LEUNG Wai Man, Roger.*



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